

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

November 14, 2025

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

GLS-3599

Hawai'i

Approval of a Development Agreement for a 30-Year Extension of Lease
Term Effective January 16, 2026, to January 15, 2056, General Lease No.
S-3599, Central Supply, Inc., Lessee; and

Authorize the Chairperson to Approve and Execute a Lease Extension for
General Lease No. S-3599, Central Supply, Inc., Lessee; Waiakea, South
Hilo, Hawaii, Tax Map Key: (3) 2-2-050:090

APPLICANT:

Central Supply, Inc. ("Lessee"), a Hawaii corporation.

LEGAL REFERENCE:

Sections 171-36(a)(6), -191 and -192, Hawaii Revised Statutes (HRS), as
amended, and Act 149, Session Laws of Hawaii 2018 (Act 149).

LOCATION:

Portion of Government lands of Lot 22, Kanoiehua Industrial Lots, situated at
Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-2-050:090, as
shown on the attached map labeled **Exhibit A**.

LEASE AREA:

33,750 square feet, more or less.

ZONING:

State Land Use District: Urban
County Zoning: ML-20

TRUST LAND STATUS:

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

LEASE CHARACTER OF USE:

Solely for uses allowed under the current County of Hawaii Zoning Code, ML-20, limited industrial purposes.

TERM OF LEASE:

Original term of 55 years, commencing on January 16, 1961, and expiring on January 15, 2016. One 10-year extension commencing on January 16, 2016, and expiring January 15, 2026.

Lessee is requesting an additional extension of 30 years effective January 16, 2026, to January 15, 2056.

LEASE ANNUAL RENTAL:

Current annual rent is \$28,379.98, due in equal semi-annual installments payable on the 16th day of January and July of each and every year during the term of the ten-year extension period from January 16, 2016 to January 15, 2026.

RENTAL RE-OPENINGS:

Staff ordered an appraisal to determine the fair market rent of the requested lease extension in two increments, with a determination for the first 10 years from January 16, 2026, to January 15, 2036, and a separate determination for years 11-20, from January 16, 2036, to January 15, 2046. The re-opening for the final ten years of the extension period will be subject to appraisal.

By letter dated August 25, 2025, staff notified Lessee of the State's appraisal dated August 8, 2025, establishing the lease rent amounts for the two 10-year reopening periods to begin January 16, 2026, as follows:

<u>Effective Date</u>	<u>Annual Lease Rent</u>
1/16/26	\$33,992.00
1/16/36	\$43,513.00

Lessee accepted the State's proposed annual lease rent on September 25, 2025.

DCCA VERIFICATION:

Place of business registration confirmed:	YES
Registered business name confirmed:	YES
Good standing confirmed:	YES

APPLICANT REQUIREMENTS:

Lessee shall be required to:

1. Comply with the applicable requirements of Sections 171-36(a) and 171-192, HRS to negotiate a development agreement with department staff, and execute the development agreement and lease extension using the Department of Attorney General current lease terms and conditions necessary to implement and conform to the requirements of Act 149, Session Laws of Hawaii 2018 (“Act 149”) and current law, including but not limited to substantive provisions relating to Lease Assignments, Sublease Rents, Ownership of Improvements and Removal Bond provisions, as discussed and recommended below;
2. Close the onsite cesspool per Department of Health (DOH) approved methods and connect to a municipal sewer system or an alternative wastewater system as an additional condition of the lease extension; and
3. Reimburse the Department for the cost of procuring an appraiser to review Lessee’s appraiser’s report regarding the value of the existing improvements on the property.¹

CHAPTER 343 – ENVIRONMENTAL ASSESSMENT:

In accordance with Hawaii Administrative Rules (HAR) § 11-200.1-16 and the Exemption List for the Department of Land and Natural Resources reviewed and concurred on by the Environmental Council on November 10, 2020, staff proposes that the proposed action be exempt from the preparation of an environmental assessment pursuant to General Exemption Type 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,” Part 1, Item 40 that states, “Leases of state land involving negligible or no expansion or change of use beyond that previously existing.”

¹ Pursuant to Section 171-192, HRS, “The applicant for a lease extension shall pay all costs and expenses incurred by the department in connection with processing, analyzing, or negotiating any lease extension request and document and of the development agreement under subsections (a) and (b).”

The property is located on the Kanoelehua Industrial area which is zoned urban and industrial and is currently used for those purposes. Given that the property and surrounding area are already disturbed and heavily developed, the area is not considered to be located within a sensitive environment. Further, no new uses that are inconsistent with current and past uses will occur as a result of the development and lease extension. Therefore, no significant adverse or cumulative impacts are anticipated.

The execution of the development agreement and lease extension will provide for the closure of a large capacity cesspool, which is regarded as harmful to both the environment and public health. Additionally, the cesspool closure is required under both federal and state law and supports overall public health and safety. The impact resulting from these actions would be beneficial and in support of a clean and healthful environment. Therefore, staff believes that any impact from this action can be considered de minimis and should be declared exempt from the preparation of an environmental assessment and the requirements of §11-200.1-17, HAR.

PUBLIC TRUST ANALYSIS

The subject property is zoned Urban and Industrial and has been fully developed with existing improvements. Additionally, the surrounding properties are all developed and being used for commercial and industrial purposes. An unoccupied improved lot in the middle of other lots developed for industrial purposes is not a suitable site for public use and recreation. Therefore, it is not appropriate for this property to become vacant and unencumbered in order to facilitate the public to access, use and recreate on the property. As the property is ceded land, the current use of the property provides for the betterment of Native Hawaiians, one of the public trust purposes under Section 5(f) of the Admissions Act. Furthermore, having a tenant occupying the property and paying lease rent not only generates revenue to support Department programs, also alleviates the cost to manage a vacant property. This allows the Department to use its revenues and resources to manage public lands and provide lands for public use which is another public trust purpose under Section 5(f) of the Admissions Act.

The Department and the Board are responsible for managing approximately 1.3 million acres of public lands comprised of sensitive natural, cultural and recreational resources. The Department'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 recreational facilities; performing public safety duties (e.g., flood and rockfall prevention); issuing and managing leases of public lands (agriculture, pasture, commercial, industrial, and resort leases); maintaining unencumbered public lands; and enforcing the Department's rules/regulations.

To properly perform these fiduciary duties, the Legislature and the Board determined that the Department should use a portion of the lands it manages to generate revenues to support the Department's operations and management of public lands/programs. Annual lease revenues currently support the Special Land and Development Fund (SLDF), with revenues coming primarily from leases for commercial, industrial, resort, geothermal and other renewable energy projects. The SLDF revenues collected by the Department's Land Division cover the entire annual operating budget for the Land Division, the Department's Office of Conservation and Coastal Lands, and the Dam Safety and Mineral Resources Programs of the Department. The revenues fund over 80 Department staff positions, including 5 positions within the Commission on Water Resource Management, and provide funding support to the Division of State Parks and various resource protection programs administered by the Division of Forestry and Wildlife such as the protection of threatened and endangered species, removal of invasive species, wildland firefighting and lifeguard services.

The SLDF is a critical and increasingly important funding source for various divisions within the Department to deal with emergency response to natural catastrophes such as fire, rockfall, flood or earthquake and hazard investigation and mitigation. The SLDF also is critical for staff support of various programs and funding conservation projects on all state lands. It has also become an important source of state match for federally funded endangered species and invasive species initiatives that otherwise would not go forward.

Aside from the lease rent revenue and the unsuitability for public use, the extension is consistent with public trust obligations as it provides the lessee as a locally owned small business the opportunity to contribute to the economic wellbeing of the Hilo area and the State. Furthermore, the closure of the cesspool pursuant to the lease extension will serve to protect the State's water resources, which is another public trust resource. Such protection will help ensure that water is available for public trust purposes such as domestic use.

Finally, staff notes that the lease extensions are authorized pursuant to Act 149. Act 149 notes that the Legislature found that these extensions were consistent with the State's fiduciary interest in managing state lands "in the best interests of the public by enhancing state revenues and promoting social, environmental, and economic well-being of Hawaii's people."

PROPOSED IMPROVEMENTS

The Lessee's current improvement proposal consists of the following:

Item No.	Description	Estimated Cost
1.	New Septic IWS System- Septic conversion. Excavate for infiltrator tank and install; Excavate	\$29,620.00

	and install high-capacity infiltrator for absorption bed; Trench and install new sewer line from existing to new septic system; Pour a cover over tank 20 feet x 12 feet x 8 inches thick; Remove all excavated material; Abandon existing cesspool; Backfill septic with subtle base coarse; Asphalt saw cut affected area; Patch pavement if affected areas.	
2.	Septic Engineering- Topo survey (\$3,500.00); IWS Design (including filing fee) (\$2,000.00); Abandonment of existing cesspool (if DOH permitting required) (\$1,000.00); Total with tax \$6,806.15	\$6,806.15
3.	6-foot chain link knuckle twist 9 gauge installed- remove and replace existing pipes and fence (rear of property and right middle section between the two buildings); All pipe will be scheduled 40 pipes; dispose all old materials	\$15,602.09
4..	Saw cut area to be paved fronting warehouse 31 Makaala St; remove asphalt and repave with 2 ½ inch asphalt 80x51 4131 sqft.; area from fence to back of warehouse before drywall 28' wide by 222' remove asphalt regrade for drainage pave with 3" finish thickness 6218 sqft of area to be repaved (saw cut asphalt for straight edge; 30'x43', area between two warehouses remove asphalt 1200 sqft regrade and pave area for 3" finish thickness asphalt.	\$74,677.00
5.	Commercial Entry Door- Panda brand, IDS 20 Alum Storefront, dear anodized aluminum frame, dear 1/4" tempered monolithic single glazed glass. 1t swing TBD, Push/Pull hardware in TBD finish, ADA surface mount track. Two closers included.	\$22,809.43
6.	Replace Exterior Walls (31A Makaala) - Remove and replace 3 sides of the back warehouse wall; removing all windows and sliding doors from the existing wall and covering area up with 24 gauge zincalume corrugated metal roof. Pattern of roof will be P-9; installing approx. 120 LF of 3" angle iron from base plate; furnish and install all flashing where required.	\$47,120.40
	TOTAL	\$196,635.07

The total cost of the proposed improvements is \$196,635.07 and the estimates detailing them are included as **Exhibit B**.

BACKGROUND:

General Lease No. S-3599 (GLS-3599) was issued to Kaneko Jelly, Ltd. for a term of fifty-five (55) years pursuant to Act 4, First Special Session of 1960, which authorized the direct issuance of leases to victims of a natural disaster (tsunami).

The lease, which commenced on January 16, 1961, and set to expire on January 15, 2016, restricted the use of the 33,750 square foot property to jelly processing purposes. A warehouse building comprising an area of some 6,000 square feet was constructed in compliance with the building requirements of the lease in 1961. An additional warehouse building encompassing an area of 4,800 square feet was constructed in 1977.

At its meeting of August 12, 1977, the Board under agenda item F-1-b, consented to the assignment of lease from H. H. Jelly, Inc., formerly known as Kaneko Jelly, Ltd., as Assignor to Norman Koshiyama, as Assignee. Further, at the same meeting, the Board under agenda item F-1-c, consented to the assignment of lease from Norman Koshiyama as Assignor to Big Island Builders, Inc., as Assignee.

Big Island Builders, Inc. began to have financial problems and First Hawaiian Bank assumed the lease through foreclosure and, in accordance with the Finding of Fact, Summary Judgment and Interlocutory Decree of Foreclosure in Civil Case No. 87-023, General Lease No. S-3599 was assigned from Wayne Metcalf III, the appointed and acting commissioner to Tadao Roy Van Dyke Kimura, Trustee of the Tadao Roy Van Dyke Kimura Trust dated January 22, 1982, as Assignee and consented by the Board at its meeting of July 8, 1988 under agenda item F-1-f.

At its meeting of January 26, 1996, the Board, under Agenda Item F-1-f, approved the Assignment of Lease from Tadao Roy Van Dyke Kimura, Trustee of the Tadao Roy Van Dyke Kimura Trust dated January 22, 1982, as Assignor to Vince M. Kimura, as Assignee.

Further, at its meeting of April 9, 1999, the Board under agenda item D-25, consented to the assignment of lease from Vince M. Kimura to Central Supply, Inc., the business entity owned by the Lessee.

At its meeting of March 14, 2014, the Board, under Agenda Item D-7, consented to extension of lease term pursuant to Act 207 and Amendment of terms and conditions regarding allowed use, assignment and sublease provisions to change the character of use from “jelly processing to ML-20 limited industrial, and to update the current lease provision titled “Assignments, etc.” (Section 22 of the lease) with the current language used by the Department of Attorney General.

The original 55-year lease was set to expire on January 16, 2016. However, the lessee was granted an extension of 10 years and is currently set to expire on

January 16, 2026. This has resulted in a total aggregate term of 65 years for the initial lease and extension.

LEASE EXTENSION:

With the lease set to expire on January 15, 2026, Lessee is requesting an additional 30-year extension pursuant to Act 149, Session Laws of Hawaii 2018 (Act 149) in order to amortize the cost of additional improvements to the property. Act 149 allows up to a 40-year extension of leases located in the Hilo Community Economic District (HCED) based on “substantial improvements” to the lease premises:

"Substantial improvements" means any renovation, rehabilitation, reconstruction, or construction of the existing improvements, including minimum requirements for off-site and on-site improvements, the cost of which equals or exceeds thirty per cent of the market value of the existing improvements that the lessee or the lessee and developer install, construct, and complete by the date of completion of the total development.

Staff notes that the 40-year maximum extension provided by Act 149 is calculated from the original term of the lease. In other words, any prior lease extensions will reduce the maximum lease extension allowed under Act 149. With respect to GLS-3599, the original lease term was 55 years, and the lease was previously extended for a period of 10 years for a total aggregate term of 65 years. Therefore, the maximum extension that can be granted under Act 149 is 30 years for a total aggregate term of 95 years (55 years initial term with a cumulative extension period of 40 years).

The subject lease is located within the HCED as defined in Act 149. Lessees' proposed improvements include 1. New Septic IWS System 2. Septic Engineering; 3. Six-foot chain-link fence; 4. Asphalt paving fronting warehouse; 5. Commercial Entry Door and 6. Replacement of Exterior Walls (31A Makaala) - at a total estimated cost of \$196,635.07.²

An appraisal report performed by a certified appraiser has determined that the economic life of the proposed improvements will exceed the thirty-plus (30+) year period necessary to amortize the improvements. The appraiser contracted by the lessee determined the market value of the current improvements to be \$610,000.00. Lessee is seeking a 30-year extension of the lease, effective January 16, 2026 to January 15, 2056. However, as noted above, due to the prior

² In the event the requested lease extension is granted, staff understands the Lessee may seek a consent to mortgage from the Board or Chairperson, as appropriate, in order to finance improvements to the property for this extension request. The improvements appear to be financed with a commercial loan from First Hawaiian Bank estimated at \$200,0000 per the Lessee's prequalification letter.

10-year extension, the maximum extension allowed under Act 149 would be 30 years.

Land Division procured the services of an independent appraiser to review the appraisal report submitted by the Lessee relating to the value of the existing improvements expressly referenced in Act 149 to assure the Lessee's appraisal report and valuation is consistent with the Uniform Standards of Professional Practice (USPAP) or otherwise in line with industry standards. The aforesaid Land Division appraisal review report concluded that the Lessee's appraisal was compliant with USPAP and that the report's conclusions appear to be generally supported and credible.

Staff has confirmed that there is at least one cesspool on the leased parcel. The closure of cesspools located on State land is the Department's priority. The closure of the cesspool and installation of a new septic system is included in the Lessee's proposed improvements. Nevertheless, staff recommends that the Board require the closure of the cesspool and connection to a municipal sewer system or an alternative wastewater system pursuant to the lease extension. Lessee's proposed improvement quotes include that cost as an improvement either in addition to the other improvements or as a potential substitution.

Act 149 stipulates that prior to entering into a development agreement, the Lessee shall submit to the Board the plans and specifications for the total development being proposed. The Board shall review the plans and specifications and determine: 1) Whether the development proposed is of sufficient worth and value to justify the extension; 2) The estimated time to complete the improvements and expected date of completion; 3) The minimum revised annual rent based on the fair market value of the lands to be developed, as determined by an appraiser for the Board, and the percentage rent where gross receipts exceed a specified amount. The Lessee has submitted plans and specifications for the total development and staff is proposing the use of a draft development agreement outlining the terms and conditions required in compliance with Act 149 and Section 171-192(a), HRS, as amended, similar to what has been used in prior lease extensions. A copy of the draft development agreement is attached as **Exhibit C**.

As part of its due diligence and review process, staff notes that the Internal Revenue Service (IRS) has provided criteria to determine what would qualify as a capital improvement, which is an improvement that adds to the value of a property, extends its useful life, or adjusts it to new uses. The property is improved whenever it experiences a betterment, adaption or restoration. An expenditure is for betterment if it facilitates a material condition or defect in the property that existed before it was acquired or when it was produced - it makes no difference whether or not you were cognizant of the defect when you received the unit of property; results in a material addition to the property - for instance, physically broadens, grows, or extends it, or results in a material increase in the property's capacity, productivity, power, or quality.

An expenditure is for a restoration if it returns a property that has plunged into disrepair to its ordinarily efficient operating condition; rebuilds the property to a like-new condition after the end of its useful economic life; replaces a significant part or important structural component of the property; replaces a piece of a property for which the owner has taken a loss, or repairs damage to a property for which the owner has taken a basis adjustment for a casualty loss.³ Generally, repairs are one-time expenditures to keep the property as currently existing in a usable and operating condition.⁴

Based on the foregoing and upon review of Lessee's improvement plan, staff believes that the proposed expenditures exceed simple repairs and qualify as substantial improvements under Act 149.

Therefore, staff recommends that the Board approve the proposed lease extension and development agreement and authorize the Chairperson to execute the development agreement as well as the lease extension document. The development agreement and the lease extension document will incorporate the following specific current lease terms and conditions for the 30-year extension in order to implement Act 149 and conform the terms of the extension period to current law. Below is a summary of five substantive provisions staff will ensure are included in the extension of this lease originally issued on January 16, 1961, and

3 Information can be found at this link: <https://www.irs.gov/businesses/small-businesses-self-employed/tangible-property-final-regulations#Whatisthefactsandcircumstancesanalysis>.

4 The United States Supreme Court has recognized the highly factual nature of determining whether expenditures are for capital improvements or for ordinary repairs. See Welch v. Helvering, 290 U.S. 111, 114 (1933) ("[T]he decisive distinctions [between capital and ordinary expenditures] are those of degree and not of kind"); Deputy v. du Pont, 308 U.S. 488, 496 (1940) (observing that each case "turns on its special facts"). Because of the factual nature of the issue, the courts have articulated a number of ways to distinguish between deductible repairs and non-deductible capital improvements. For example:

Illinois Merchants Trust Co. v. Commissioner, 4 B.T.A. 103, 106 (1926), the court explained that repair and maintenance expenses are incurred for the purpose of keeping property in an ordinarily efficient operating condition over its probable useful life for the uses for which the property was acquired. Capital expenditures, in contrast, are for replacements, alterations, improvements, or additions that appreciably prolong the life of the property, materially increase its value, or make it adaptable to a different use.

Estate of Walling v. Commissioner, 373 F.2d 190, 192-193 (3rd Cir. 1967), the court explained that the relevant distinction between capital improvements and repairs is whether the expenditures are to "put" or "keep" property in efficient operating condition.

Plainfield-Union Water Co. v. Commissioner, 39 T.C. 333, 338 (1962), the court stated that if the expenditure merely restores the property to the state it was in before the situation prompting the expenditure arose and does not make the property more valuable, more useful, or longer-lived, then such an expenditure is usually considered a deductible repair. In contrast, a capital expenditure is generally considered to be a more permanent increment in the longevity, utility, or worth of the property.

amended by that Amendment of General Lease S-3599 and Extension and Second Amendment of General Lease No. S-3599, covering the term from January 16, 1961, through January 15, 2026:

- **Lease Assignments.** The current lease form includes an assignment of lease premium analysis that allows the State to share in the consideration paid for an assignment of a lease under some circumstances. This term is consistent with Section 171-36, HRS. The current amendments incorporate these provisions, and the lease extension will continue to include this standard assignment of lease premium term.
- **Sublease Rents.** The current lease form includes language allowing the State to adjust the lease rent based on the sublease rent charged to the sublessee, which is also consistent with Section 171-36, HRS. The Extension and Second Amendment of GLS-3599 does contain a sublease rent participation clause, but to the extent it is different from the provision currently used for new leases, the lease extension document should include the updated standard sublease rent participation language.
- **Ownership of Improvements.** The current lease form includes a provision on ownership of improvements at lease expiration giving the State the option of assuming ownership or requiring the Lessee to remove them at Lessee's expense. State leases have incorporated this provision since about the mid-1960s. GLS-3599 simply provides that at the expiration of the lease, Lessee delivers possession of the demised premises to the lessor, together with buildings and improvements in good order, reasonable wear and tear excepted, leaving open the question of whether the state is responsible for removing improvements that have outlived their useful lives. The lease extension document and the development agreement should include the current standard terms clarifying the state's options relating to ownership of improvements.
- **Removal Bond.** Staff recommends that the Board reserve the right to impose a removal bond or other form of security during the term of the lease extension that is sufficient to ensure the removal of all improvements from the lease premises at lease expiration or earlier termination. The Board has added this requirement as part of its most recent approvals of lease extensions pursuant to Act 149.
- **Wastewater Disposal System.** Staff has worked with the Attorney General to develop language to be included in both the Development Agreement and Lease Extension document to require the closure of cesspools and connection to an alternative wastewater system. Staff further notes that cesspools are subject to Federal law and section 342D-72, Hawaii Revised Statutes. The Development Agreement and Lease Extension would require that if the premises are not connected to the County of Hawaii sewer system

or serviced by a permitted individual wastewater system, the Lessee shall be required to, at its sole cost and expense, hire a licensed engineer within three (3) months of the execution of this lease to determine how many cesspools are on premises and locate the cesspool(s), and must properly abandon and close any cesspool, and follow all proper closure instructions, including performing any corrective or remedial actions required by the Federal Environmental Protection Agency and the State of Hawaii Department of Health, and obtain County sewer service or install an individual wastewater system for the Subject Property in accordance with applicable County, State of Hawaii Department of Health, and Federal Environmental Protection Agency laws, within six (6) months of the execution of this lease, which deadline may be extended by the Chairperson of the Board for good cause. All connection costs, plans, and permits for the Subject Property to connect to the county sewer system or install an individual wastewater system shall be the sole responsibility of the Lessee. Pending the abandonment and closure of cesspool(s) as outlined above, the Lessee shall not cause or allow wastewater to be discharged into the cesspools on the premises in a way that would result in any cesspool being classified as a large capacity cesspool. The development agreement should include the current standard terms clarifying the state's options relating to wastewater disposal systems.

At this time, staff is recommending that, in addition to the provisions reference above, the Board also require that the most current updated standard lease terms and conditions be included in the 30-year extension document that the Board, at its discretion, may approve under Act 149. Incorporating these substantive terms for the extension period is consistent with the legislative intent of Chapter 171, HRS, which allows the State to be paid its fair share of ancillary income arising from the tenant's leasehold interest.

Staff is also recommending the Board allow a period of 24 months for Lessee to complete the improvements required under the development agreement. Staff is recommending such time for lessee to complete the improvements required under the development agreement in order to provide lessee the opportunity to address any labor or supply chain issues that may arise over the construction period without defaulting on the development agreement. Additionally, the 24-month period is consistent with the time period granted to other Lessees seeking extensions to complete their improvements.

Upon the Board's approval of the terms and conditions of the development agreement as set forth above, staff is recommending that the Chairperson be authorized to approve and execute the development agreement once it is finalized and thereafter to execute the lease extension document.

There are no outstanding rental reopening issues. The Lessee is current with rent, insurance, and performance bond. No agency comments were solicited on the request because it involves a lease extension, not a new disposition.

RECOMMENDATION:

That the Board, subject to the Lessee fulfilling all the requirements noted above:

1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Sections 11-200.1-15 and -16, HAR, the lease extension and the improvements to the lease premises are expected to have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment as a de minimis action.
2. For the reasons stated herein, find that the development agreement and lease extension are consistent with the public trust.
3. Determine that: 1) the development proposed is of sufficient worth and value to justify the extension of the lease; 2) the estimated time to complete the improvements is approximately 24 months from the date the development agreement is signed; and 3) the minimum revised annual rent for the extension shall be based on the fair market value of the lands.
4. Authorize the Chairperson to approve and execute a development agreement with lessee Central Supply, Inc., for a 30-year extension of General Lease No. S-3599, covering the State-owned parcels identified by Tax Map Key: (3) 2-2-050:090, pursuant to Act 149, Session Laws of Hawaii 2018, under the terms and conditions cited above, which by this reference are incorporated herein, and further subject to the following terms and conditions:
 - A. Incorporation of the most current standard terms and conditions, regarding, and including but not limited to lease assignment, sublease rent participation, ownership of improvements, removal bond and wastewater disposal system provisions used by the Department of the Attorney General with respect to leasing of public lands;
 - 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.
5. Approve a 30-year extension of lease term of General Lease No. S-3599, Central Supply, Inc., effective January 16, 2026 to January 15, 2056, covering the State-owned parcels identified by Tax Map Key: (3) 2-2-050:090, pursuant to Act 149, Session Laws of Hawaii 2018, under the terms and conditions cited

above, which by this reference are incorporated herein, and further subject to the following terms and conditions:

- A. Incorporation of the most current standard terms and conditions, regarding, and including but not limited to lease assignment, sublease rent participation, ownership of improvements, removal bond and wastewater disposal system provisions used by the Department of the Attorney General with respect to leasing of public lands.
- 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

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Candace Martin
Acting District Land Agent

APPROVED FOR SUBMITTAL:



Dawn N.S. Chang, Chairperson

EXHIBIT A

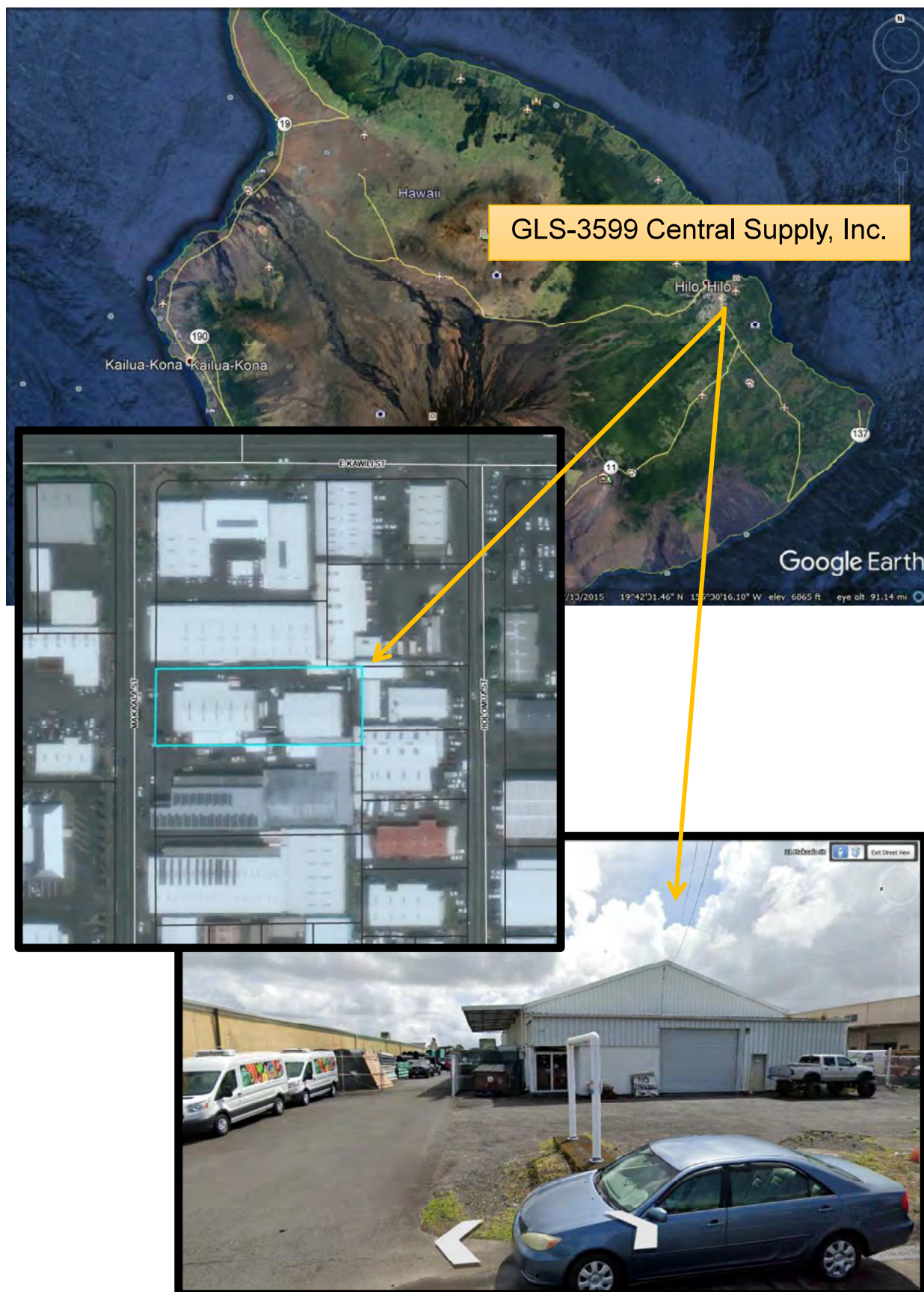


EXHIBIT B

Estimate

Moore's Excavation C-24511

Nicholas P Moore
PO Box 472
Volcano, Hi 96785
Email: lava_juice@msn.com

Date	Estimate #
1/23/2025	246

Name / Address
Vince Kimura 820 Laukapu St Hilo, Hi 96720

			Project
Description	Qty	Rate	Total
<p>Project: Septic Conversion for WarehouseProject Location: Makaala St, Hilo</p> <ul style="list-style-type: none"> - Excavate for infiltrator tank and install. - Excavate and install high-capacity infiltrator for absorption bed. - Trench and install new sewer line from existing to new septic system. - Pour a concrete cover over tank 20' X 12' X 8" thick. - Remove all excavated material - Abandon existing Cesspool - Backfill septic with suitable base coarse. - Asphalt saw cut affected areas. - Patch pavement in affected areas. - Tank, infiltrators, pipe and cast manhole covers supplied by, Central Supply.. - Excavation, installation and backfill by, Moore's Excavation. - Cesspool pumping to be determined. - Paving by, Civil Construction (Central Supply pays Civil Construction directly for paving) <p>Payment Terms 50% Deposit the day project starts and balance on completion.</p> <p>ACCEPTANCE OF ESTIMATE The above prices, specifications, and conditions are satisfactory and are hereby accepted. You authorize Moore's Excavation to do the work as specified. Payments will be made as outlined above. Please sign, date and return for scheduling.</p> <p>Signature_____</p> <p>Date_____</p>		29,620.00	29,620.00
		Total	\$29,620.00

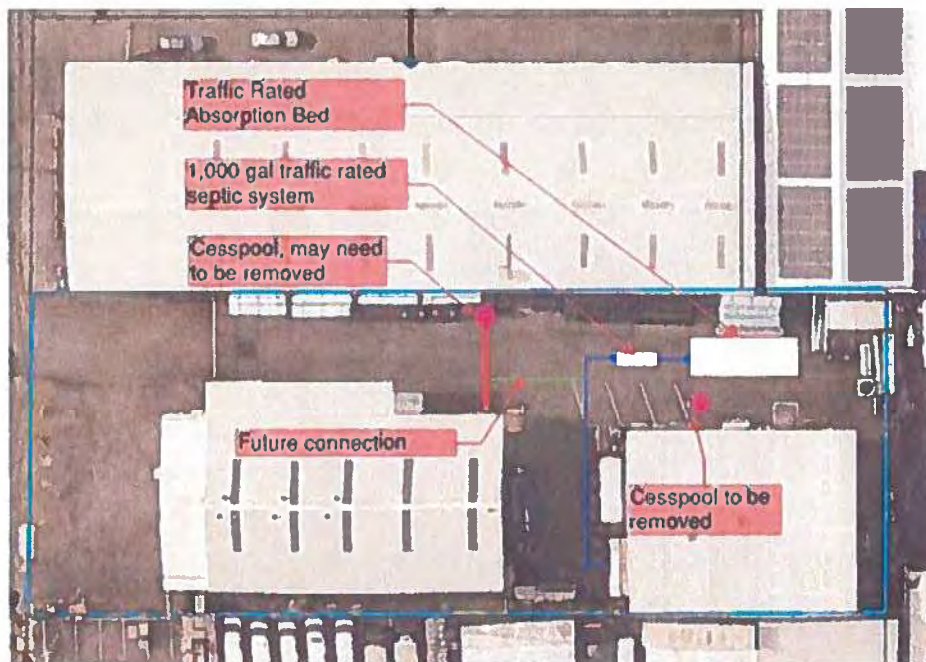
P18000-24-133 CL

January 2, 2025

Mr. Vince Kimura
Central Supply Inc.
820 Laukapu Street
Hilo, HI 96720
vinniek@csinchawaii.com
(808) 938-7742

Subject: Central Supply Warehouse – IWS Upgrade
T.M.K. (3) 2-2-050: 090

Engineering Partners is pleased to present our proposal for Civil Engineering and Design Services for the subject project located in Hilo, HI. We currently understand the project to contain the following:



- Upgrading existing cesspool serving Buildings B with new septic system.
- Abandon existing cesspool per DOH regulations.

SCOPE-OF-SERVICES:

Mr. Vince Kimura
Central Supply Warehouse – IWS Upgrade
January 2, 2025
Our scope-of-services will consist of the following tasks:

General Services

1. Provide initial field investigation / record drawing review to verify as-built conditions of wastewater systems.
2. Coordination and review with the local governing authority, including response to plans check comments and review of code related issues.
3. Review Contractor material submittals and shop drawings.
4. Perform 2 inspections during construction and file final inspection report with DOH.

Civil

1. Sizing and layout of the new septic system.
2. Prepare and submit the IWS submittal package to DOH.
3. Two inspections to verify soil profile and percolation and final reporting to DOH
4. Observe cesspool backfilling and abandoning documentation for DOH reporting.

CLIENT CO-OPERATION:

In order for us to diligently execute our work, you agree to provide us with the following:

1. Owner to scope and mark sewer line locations to cesspool.
2. Owner to provide existing employee and visitor count of Warehouse and future warehouse connections.

EXCLUSIONS:

Services not set forth above as Basic Services or Additional Services to this proposal are excluded from the scope of our work and we assume no responsibility to perform such services, including but not limited to:

1. If the construction schedule requires additional trips for inspection, it will be subject to additional charges.
2. Design of a wastewater treatment system, i.e. Secondary treatment, aerated system.
3. Any other civil engineering design.
4. Other utility Service Upgrades. It is assumed that the existing service is sufficient for the new loads. Should any upgrades to the service or coordination with the utility be required, this will be billed separately.
5. Attendance of weekly meetings. We will attend meetings when issues relating to our disciplines are to be discussed or if a specific conflict arises involving other related disciplines.

Mr. Vince Kimura
Central Supply Warehouse – IWS Upgrade
January 2, 2025

6. Printing of bid submittal documents and printing of review documents for coordination between disciplines outside of our office. Our services do include printing of up to four (4) sets of building department submittal documents. Bid documents and additional submittal documents may be printed at an additional service rate provided upon request.
7. Book specifications. Our services include general construction notes on our plan documents.
8. Our services do not include full time on-site representation.

FEE BASIS:

Our fee for performing this work will be as follows:

Topo survey	\$ 3,500.00
IWS Design (including filing fee):	\$ 2,000.00
<u>Abandonment of existing cesspool (if DOH permitting required):</u>	<u>\$ 1,000.00</u>
Sub-Total	\$ 6,500.00
HI GET (4.71%)	\$ 306.15
TOTAL	\$ 6,806.15

*Fees will be invoiced as progress payments, based on substantial completion of the phases below.

Initial Retainer (20%):	\$ 1,300.00 (+tax)
Construction Documents (80%):	\$ 5,200.00 (+tax)

Please note that these fees are based upon providing the engineering services noted and having the necessary design information available for completing construction documents. They do not account for multiple submissions based upon redesign during permit review or construction, nor do they include unforeseen existing conditions which result in redesign or reconfiguration of the original design concept. Please refer to the attached Standard Terms and Conditions.

If this proposal meets your approval, please return a signed copy of this agreement and a retainer check of \$1,300.00 to our office. Should there be any questions regarding the above, or if additional clarification regarding our anticipated scope of services and associated fee is desired, please do not hesitate to call.

Sincerely,

ENGINEERING PARTNERS



Oren Hironaka, P.E.
Associate

Accepted this _____ day of _____, 2025

By _____

Mr. Vince Kimura
Central Supply Warehouse – IWS Upgrade
January 2, 2025

STANDARD TERMS AND CONDITIONS

EXISTING CONDITIONS: If during demolition and construction, conditions are found that were not previously shown either on as-built documents or through knowledge of the Owner and his representative, then the engineer shall be notified promptly as to the extent and ramifications to the project. The design to accommodate the existing conditions will be billed on an hourly basis using the attached rate chart. A supplemental proposal will be issued with a "not to exceed" limit. The cost increase due to the unforeseen or unknown conditions is the responsibility of the Owner. The Consultant cannot be held liable for additional cost due to known or unknown existing conditions.

EXISTING UNPERMITTED / NON-COMPLIANT IMPROVEMENTS: All effort related to resolving issues with existing unpermitted, open permitted, and/or non-compliant improvements will be considered additional work and is subject to Time and Expense charges.

SINGLE PERMIT SUBMITTAL: Unless otherwise noted in the agreement, the permit drawings are prepared as a single phase, and single submittal for all agency approvals. Attempt to separate the submittal package for the different agencies or to fast-track certain permits will result in confusion and extra effort. This effort will be considered Additional Work and subject to the hourly rate charges.

PROPOSAL ACCEPTANCE: This proposal shall become binding, subject to the terms and conditions herein, when one of the following has occurred: acceptance by the Client through written or verbal acknowledgment, commencement of the work, furnishing of any documents, payments for services by Client or acceptance of payment by Engineer. This proposal is valid for a period of 30 days.

FIELD CHANGE RE-DESIGN: Any redesign effort triggered by client-initiated field changes, contractor's error or request and/or unforeseen field conditions may be subject to additional charges. Unless otherwise agreed upon, these charges will be Time and Expense basis according to the hourly rates below. Engineer shall not be bound by any redesign effort or change in Services without its prior written consent.

ADDITIONAL WORK: Our fee for performing additional work shall be on a time and expense basis in accordance with the following rate schedule. This work shall not be implemented until we have your written authorization to proceed:

Principal Engineer	\$240/hr	Design Engineer	\$140/hr
Engineer VI	\$195/hr	Licensed Land Surveyor	\$175/hr
Project Manager/Eng V	\$175/hr	Survey Crew Chief	\$120/hr
Project Engineer	\$155/hr	Survey Assistant	\$100/hr

TIME & EXPENSE NOT TO EXCEED: When billing is based on T&E NTE, we are responsible to notify the client when the NTE amount is approaching or slightly exceeding the limit. The Client shall give clear direction to consultant. Continue the project or stop in order to limit the unnecessary additional expenses.

BILLING/PAYMENT SCHEDULE AND INTEREST RATE FOR LATE PAYMENT: We shall invoice you monthly for services performed. Our invoice will be in your office according to the date and time you designate. Payment for our services is due within 30 days of invoice date.

PAYMENT TERMS: Overdue balance may be subject to a monthly interest of 1.5%. If the Client fails to make payments when due and the Consultant incurs any costs in order to collect said overdue client sums, then Client agrees that all collection costs shall be due immediately and be payable to the Consultant. Collection costs shall include, without limitation, legal fees, collection agency fees and expenses, court costs, collection bonds and reasonable Consultant staff costs at standard billing rates for the Consultant's times spent in efforts to collect. This obligation of the client to pay the Consultant's collection costs shall survive the term of this Agreement or any earlier termination by either party.

FEES AND EXPENSES: Client agrees to reimburse Engineer for all reasonable travel and out-of-pocket expenses that may be incurred by Engineer in connection with the performance of the services.

ASSIGNMENT: During the term of the Agreement and following its expiration or termination for any reason, neither Client nor Consultant may assign this Agreement or any right, claim, cause of action, duty or obligation under it without the prior written consent of the other party.

Mr. Vince Kimura
Central Supply Warehouse – IWS Upgrade
January 2, 2025

LIMITATION OF LIABILITY: The Client agrees to limit our liability for damages to the sum of \$50,000.00 or the total amount of our design fee, whichever is less. This limitation shall apply regardless of the cause of action or legal theory pled or asserted. In no event will Engineer be liable to Client or to any third party for any consequential, incidental, indirect, exemplary, special or punitive damages.

INACTIVE PROJECT: The Client agrees to pay 100% of the work complete and expenses incurred when a project is put on hold during the design phase for more than 6 consecutive months or no construct contract is awarded and commenced within 12 months of permit issuance. Restarting, permit resubmittal and renewal, and a delayed construction schedule of the project will be considered an Additional Service Request (ASR) with an updated fee schedule.

DELAY OF PERMIT ISSUANCE: Delay of various government agency permit reviews and code & policy changes are frequent and are beyond our control. We cannot be held liable for the project delay and cost escalation as a result of these causes.

PROJECT TERMINATION: In the event of termination of this agreement, we shall be reimbursed for all services rendered and all costs incurred through the date and time of the termination at the hourly rates then in effect.

OWNERSHIP OF DOCUMENTS: All documents, drawings, reports, field data, notes and specifications (including drawings and other data provided on any form of electronic media) prepared by us pursuant to this agreement, are instruments of service with respect to the project. We shall retain an ownership and property interest therein, whether or not the project is completed. You may make and retain copies for information and reference in connection with this project. Such documents (including electronic media) are not intended or represented to be suitable for reuse by you or others on extensions of this project or any other project.

CONSTRUCTION SAFETY: We have not been retained or compensated to provide design and construction review services relating to the Contractors safety precautions or to means, methods, techniques, sequences or procedures required for the Contractor to perform his work on this project.

OPINIONS OF PROBABLE COST: Since we have no control over the costs of labor, materials, equipment or services furnished by others, the Contractor's methods of determining prices, or competitive bidding or market conditions, our Opinions of Probable Cost will be made on the basis of our experience and qualifications and represent our best judgment as an experienced and qualified professional engineer familiar with the construction industry. We cannot and do not guarantee that proposals, bids or actual construction costs will not vary from our Opinions of Probable Cost.

SHOP DRAWINGS: We shall review shop drawings, samples and other product data which the Contractor is required to submit, but only for the limited purpose of checking for conformance with the design concept of the project and compliance with the information given in the documents. Such reviews shall not extend to means, methods, techniques, sequences or procedures of construction.

CONSTRUCTION DELAYS: We cannot be held responsible for delays caused by factors beyond our reasonable control, including but not limited to failure of the Client to furnish timely information or to approve or disapprove our services or our work, or delays caused by faulty performance by the Client or by contractors of any level. In addition, we shall not be responsible for the construction schedule, as we have no control over the Contractor's scheduling, manpower resources, equipment availability or workload.

DISPUTE RESOLUTION: In an effort to resolve any conflicts that may arise during or following the completion of the project, we both agree that all disputes arising out of or relating to this agreement shall be submitted to non-binding mediation under the auspices of a nationally recognized mediation agency.

STANDARD OF CARE FOR DESIGN SERVICES: EPI's Design Services are intended to be consistent with the professional skill and care ordinarily provided by design or engineering professionals practicing in the same or similar locality under the same or similar circumstances, and who have experience on projects of a similar size, character, and budget to that of the Project. Any elevation of this Standard of Care as defined under the locality where these services are rendered are not included under this contract.

CLIENT OBLIGATIONS: Client shall: (a) cooperate with Engineer in all matters relating to the services and shall, upon request by Engineer, appoint a Client representative to serve as the primary contact with respect to this Agreement and who will have authority to act on behalf of Client; and (b) respond promptly to any Engineer request to provide direction, information, approvals, authorizations or decisions that are reasonably necessary for Engineer to perform the services in accordance with this Agreement. If Engineer's performance of its obligations

Mr. Vince Kimura

Central Supply Warehouse – IWS Upgrade

January 2, 2025

under this Agreement is prevented or delayed by any act or omission of Client or its agents, contractors, consultants or employees, Engineer shall not be deemed in breach of its obligations under this Agreement or otherwise liable for any costs, charges or losses sustained or incurred by Client.

REPRESENTATIONS: Client represents and warrants to Engineer that: (a) it is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, if incorporated; (b) it has the full right, power and authority to enter into this Agreement and to perform its obligations hereunder; (c) the acceptance of this Agreement has been duly authorized by all necessary corporate action of Owner; and (d) this Agreement constitutes a legal, valid and binding obligation of Client, enforceable against Client in accordance with its terms. Except as may otherwise be expressly provided in this Agreement, Engineer disclaims all warranties, express, implied, statutory or otherwise under this Agreement.

MISCELLANEOUS: Nothing in this Agreement shall be construed as creating any agency, partnership, joint venture or other form of joint enterprise, employment or fiduciary relationship between the parties. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or third party any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Agreement. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by Engineer of any of the provisions hereof shall be effective unless explicitly set forth in writing. No failure or delay in exercising any rights, remedy, power or privilege of Engineer from this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege of Engineer hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. This Agreement shall be governed by and construed in accordance with the laws of the State of Hawaii without giving effect to any choice or conflict of law provision or rule. Any legal suit, action or proceeding arising out of or related to this Agreement or the services provided hereunder must be instituted exclusively in the State of Hawaii. Client irrevocably and unconditionally waives any right it may have to a trial by jury in respect to any legal action arising out of or relating to this Agreement or the transactions contemplated hereby.

ESTIMATE

Big Island Disposal Service
5029 PO Box
Hilo, HI 96720

bigislanddisposalservice@gmail.com
+1 (808) 640-8826
<https://bigislanddisposalservice.com>



cash

Bill to

Central Supply Inc.

Estimate details

Estimate no.: 1049

Estimate date: 02/13/2025

Expiration date: 02/27/2025

#	Date	Product or service	Description	Qty	Rate	Amount
1.		3	6' chain link fence knuckle twist 9 gauge installed - Remove and replace existing pipes and fence (rear of property and the right middle section between the two buildings) - All pipe will be scheduled 40 pipes - Dispose all old materials	1	\$14,900.00	\$14,900.00
Subtotal						\$14,900.00
Sales tax						\$702.09
Total						\$15,602.09
Expiry date						02/27/2025

Accepted date

Accepted by

LOEFFLER CONSTRUCTION INC
License # AC-18017
General Engineering Contractor

PROPOSAL

1451 Kinoole Street, Hilo, HI 96720
Ph: (808) 935-4422 Fax: (808) 961-5588

Proposal Submitted to:

Vince Kimura
vinniek@csinchawaii.com

DATE: March 4 2025

Job. 31 Makaala St

saw cut area to be paved fronting warehouse 31 Makaala st remove asphalt and repave with 2 1/2" asphalt 80x51 4131 sqft		\$21,274.00
area from fence to back of warehouse before drywell 28'wide by 222' remove asphalt regrade for drainage pave with 3" finnish thickness 6216 sqft of area to be repaved (saw cut asphalt for stright edge		\$42,268.00
30'x43, area between two warehouses remove asphalt 1200 sqft regrade and pave area for 3" finnish thickness asphalt		\$8,148.00
subtotal		\$71,690.00
tax		\$2,987.00
total		\$74,677.00

Terms of Payment: in full upon completion of job

NET 15 DAYS

A finance charge of 1.5% per month (18% per annum) will be charged on
all past due accounts.

Submitted by

Accepted by

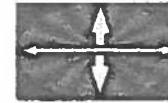
William C. Loeffler-RME

Dated:

Quote is based on the prices of materials today. Quote is good for 30 days.

Panda

To: Vince Kimura
From: Terry King - Cadowin, Inc. (p) 808-968-6003
Re: Commerical Entry Door



Item is Panda Brand, FDS 20 Alum Storefront, clear anodized aluminum frame, clear 1/4" tempered monolithic single glazed glass. In or out swing TBD, Push/Pull hardware in TBD finish, ADA surface mount track. Two closers included.

Sym	LOC	Qty	RO W	x	RO H	Description
A		1	76	x	108	Approx 24" tall trans Over Pair 7'0" tall doors

1

Crated, FOB Job, With Lift, ALL FOR (1/2% Tax) \$ 22,809.43

Remarks:

Quote firm 30 days from date below, thereafter subject to review and potential re-price.

All crates and packing materials are unloaded at jobsite and owner or contractor is responsible for disposal arrangements and costs (if any)

Cadowin, Inc. offers no additional warranties, express or implied, beyond manufacturers' coverage.

IECC compliance n/a: no permit being pulled

Final price contingent upon final installer verified field measures, market pricing at time of order (aka imposition of tariffs by US Gov MAY affect vendor pricing with or without prior notice).

Installation by others: labor no included.

Current, signed SOH G17 GET release will be required to extend 1/2% wholesale tax rate, otherwise tax reverts to retail 4.712%

Current lead time is 14-16 weeks from date of confirmed order & deposit for delivery to arrive on site.

Courtesy lift is included. If forklift is available on site, please deduct \$300, total taxed.

ADA sills are not rated for leaks in wind driven or heavy rains.

I authorize Cadowin, Inc. to order the above products on my behalf.

I acknowledge the specifications are complete and accurate and understand there are

no returns allowed if products arrive as specified above in good condition.

I also acknowledge that I have had ample opportunity to discuss manufacturers available options and expressly decline all options not contained herein.

Cadowin will order the above upon receipt of my 50% deposit (cash or check)

and I will render balance of payment upon arrival of materials at local Dock.

_____ date _____



Hilo Roof Coating, Inc.
16-216 Wilama Pl.
Keaau, HI 96749
Phone: (808) 966-5422
Fax: (808) 966-6213
hilorooftcoating@gmail.com
Contractors Lic. C-10491

Name Central supply Inc.
Address 820 Laukapu Street
City Hilo
Phone (808) 961-5855
Business
E-Mail

REVISED
4-24-24

State Hi Zip Code 96720
Mobile (808) 938-7442
Fax

THIS AGREEMENT made this 24th day of April, 2024 between Central supply Inc.
hereinafter referred to as the Purchaser and H.R.C. Co., hereinafter referred to as the Seller.

WHEREAS, the Purchaser agrees to purchase and the Seller agrees to sell the goods according to the terms and conditions as described in this Agreement. Any modifications or attachments to this sales Agreement must be mutually agreed upon by both Purchaser and Seller and be put into writing and attached herewith. It is hereby mutually understood that both Purchaser and Seller agree to honor this Agreement and to adhere to all the terms and conditions herein contained.

Purchaser agrees to purchase from H.R.C. Co., the following:

1. All the items and services as described below
2. Purchase price..... \$45,000.00
3. State Tax 4%..... \$2,120.40
4. Sub Total..... \$47,120.40
5. Less Down Payment \$23,560.20
6. Total Balance Due upon completion of job..... \$23,560.20

The Seller agrees to provide all of the items and services described above at the purchase price agreed upon in this Agreement. The Seller shall meet all commitments as stated in this sales Agreement no later than sixty days from the date of this Agreement; provided, however, that the Seller shall not be responsible for delays not subject to its control, such as shipping delays, strikes, and acts of God. Any holder of this sales Agreement is subject to all claims and defenses which the Purchaser could assert against the Seller of goods or services pursuant hereto or with the proceeds hereof; Recovery hereunder by the Purchaser shall not exceed amounts paid by the Purchaser hereunder.

1. Proposal Location: 31A Makaala Street
2. Remove and replace 3 sides of the back warehouse wall.
3. Removing all windows and sliding doors from the existing wall and covering area up with 24 gauge zincalume
4. corrugated metal roof. Pattern of roof will be P-9
5. Installing approx. 120 LF of 3" angle iron from base plate.
6. Furnish and install all flashing where required.
7. *** Owner will be responsible for the removal of the A/C units, water and electrical pipes and boxes from the project area.
- 8.
9. Note: If this quote is accepted a 50% down payment is required.
10. This quote does not include any electrical, painting or woodwork but if any of these types of services is needed to be done
11. at the time of insulation it shall be done at cost plus basis. (Material and Labor)
- 12.
- 13.
- 14.
- 15.
- 16.
- 17.
- 18.
- 19.
- 20.

NOTICE TO BUYER

Color shall be: Mauna Kea White

All work will be standard installation. Any other than mentioned above will be of owner's responsibility and expense.

Do not sign this agreement before you read it or if it contains any blank space. You are entitled to a completely filled in copy of this agreement when you sign it.

In case of cancellation after the work has commenced or refusal to permit the Company to continue performance thereafter, the entire contract price less the actual cost of labor and materials estimated but now already used or allocated to the job, shall become immediately due and payable.

EXHIBIT C

DEVELOPMENT AGREEMENT FOR EXTENSION OF LEASE TERM

FOR

Central Supply, Inc.

* * *

Department of Land and Natural Resources

Ka 'Oihana Kumuwaiwai 'Āina

Land Division

State of Hawaii

DEVELOPMENT AGREEMENT FOR EXTENSION OF LEASE TERM

THIS DEVELOPMENT AGREEMENT FOR EXTENSION OF LEASE TERM (the “**Agreement**”) is made and dated effective as of this _____ day of _____, 202_ (“**Effective Date**”), by and between the **STATE OF HAWAII**, by its Chairperson of the Board of Land and Natural Resources (“**Chairperson**”) by the authority granted by the Board of Land and Natural Resources (“**Board**”) at its meeting held on _____, under agenda item D-__, for the Department of Land and Natural Resources, Land Division, whose principal place of business and post office address is 1151 Punchbowl Street, Room 220, Honolulu, Hawaii 96813 (“**State**”), and **CENTRAL SUPPLY, INC.**, a Hawaii corporation whose collective business address is 820 Laukapu Street, Hilo Hawaii 96720 (hereinafter collectively referred to as “**Lessee**”).

RECITALS:

- A. The State owns in fee simple that certain parcel of land, a portion of government lands, situated at Waiakea, South Hilo, Island of Hawaii, Hawaii, shown on **Exhibit A** attached hereto, incorporated herein and made a part hereof. The parcel consists of approximately 33,750 square feet and is identified by Tax Map Key: (3) (3) 2-2-050:090 (“**Subject Property**”).
- B. The parcel is currently leased to Lessee under General Lease No. S-3599 for an original term of fifty-five (55) years, commencing on January 16, 1961, and expiring on January 15, 2016. The lease was extended thereafter for a period of ten (10) years commencing on January 16, 2016, and expiring on January 15, 2026, (“**Lease**”).
- C. Act 149 Session Laws of Hawaii 2018 (“**Act 149**”), codified at Sections 171-191 and 171-192, Hawaii Revised Statutes (“**HRS**”), as amended, created the Hilo community economic district which includes the Subject Property. The purpose for creating the district was to allow the State to “facilitate efficient and effective improvement, and economic opportunity, in the area for lessees who commit to making substantial improvements to the existing improvements or constructing new substantial improvements.”
- D. Act 149 authorizes the Board to extend the term of leases for public lands within the Hilo community economic district for lessees who commit to substantial improvements to the existing improvements or to new substantial improvements so long as the length of the extension granted does not extend the original lease term by more than forty (40) years, and/or to extend the terms of such leases to the extent needed to qualify the lessee for loans or to amortize the cost of substantial improvements to the premises paid for by the lessee without institutional financing.
- E. Act 149 defines “substantial improvements” to mean “any renovation, rehabilitation, reconstruction, or construction of existing improvements, including minimum requirements for off-site and on-site improvements, the cost of which equals or exceeds thirty per cent of the market value of the existing improvements

that the lessee or the lessee and developer install, construct, and complete by the date of completion of the total development.”

- F. An Appraisal Report prepared for the Lessee determined the market value of the leasehold improvements on the Subject Property to be \$610,000.00 as of January 16, 2026. Thirty percent of this amount is \$183,000.
- G. Lessee applied for a 30-year extension, which is equal to the maximum of 40 years in addition to the original lease term allowed under Section 171-192, HRS, and is planning to make substantial improvements to the Subject Property in an amount which will be approximately \$196,635.07.
- H. Lessee’s plans and specifications for its substantial improvements to the Subject Property were presented to the Board at its meeting of _____, under agenda item D-____, together with the State staff recommendation that the Board approve a 30-year extension of the Lease, effective January 16, 2026, to January 15, 2056, to amortize the cost of substantial improvements. The Board reviewed the plans and specifications and statutory requirements for a lease extension under Section 171-192, HRS, and approved the extension of the Lease, having found the improvements of sufficient worth and value to justify a lease extension under Section 171-192, HRS, taking into consideration the total cost of Lessee’s substantial improvements.
- I. This Agreement sets forth the terms and conditions that Lessee must satisfy and successfully perform in order for the requested extension of the Lease to be issued, and for Lessee to retain the benefit of the requested extension of the term of the Lease for the Subject Property pursuant to Section 171-192, HRS.

AGREEMENT:

In consideration of the recitals and the mutual covenants, obligations and conditions set forth in this Agreement, the State and Lessee hereby mutually agree as follows:

1. Term. The term of this Agreement shall commence on the Effective Date and terminate on the Completion Date as defined in Paragraph 8 herein, unless terminated sooner pursuant to the terms of this Agreement.

2. Continuation of the Payment of Lease Rental. Lessee shall continue to pay to the State, throughout the term of this Agreement, all rent and other charges due by Lessee under the Lease, or the extension of the Lease provided for under this Agreement (the “**Extended Lease**”), pursuant to the terms and conditions of the Lease or the Extended Lease, as applicable, including the Revised Annual Rent as defined in Paragraph 3.A.(iii) herein, and all other rent and other charges due by Lessee under the Lease or Extended Lease pursuant to their terms and conditions.

3. Development Plan.

A. Pursuant to Section 171-36.5 HRS and Section 171-192, HRS, prior to entering into this Agreement, Lessee prepared and submitted to the Board the plans and specifications of its proposed development plan for the substantial improvements to the Subject Property dated _____, 2025, a copy of which is attached hereto as **Exhibit B** incorporated herein and made a part hereof (such plans and specifications are collectively referred to as the **“Development Plan”**). All such plans and specifications of the Development Plan shall meet the requirements of and be in full compliance with this Agreement and all applicable municipal, county, state and federal regulations, rules, codes and ordinances. The Board reviewed the Development Plan at its meeting held on _____, under agenda item D-__, as amended, and determined that:

- (i) The Development Plan proposed in this Agreement is of sufficient worth and value to justify the extension of the term of the Lease to January 15, 2056;
- (ii) The estimated period of time to complete the Development Plan shall be twenty-four (24) months from the Effective Date of this Agreement, which is reasonable; and
- (iii) The minimum revised annual rent to be paid by Lessee shall be based on the fair market value of the lands comprising the Subject Property to be developed, as determined by independent appraisal in accordance with Section 171-17, HRS (**“Revised Annual Rent”**).

B. The Board granted final approval of the Development Plan and this Agreement at its meeting held on _____, agenda item D-__, as amended.

C. Lessee shall have submitted evidence reasonably satisfactory to the Chairperson that Lessee has adequate funding and/or financing to fully develop the Subject Property in accordance with the approved Development Plan.

D. Notwithstanding anything contained in this Agreement to the contrary, no such final approval of the Development Plan by the State shall be deemed a warranty or other representation on its part that (1) Lessee will be able to obtain all necessary federal, state and county entitlements, permits or other approvals required to enable Lessee to develop the Subject Property in accordance with the approved Development Plan; or (2) such approved Development Plan by the State and the plans and specifications of substantial improvements to the Subject Property described therein are legal or structurally safe or sound.

4. Condition of the Subject Property. The State makes no representations regarding the condition or suitability of the Subject Property and of the existing structures and improvements at the Subject Property for the approved Development Plan. Lessee shall, at its sole cost and expense, be responsible for conducting its own investigations and due diligence regarding the Subject Property and the existing structures and improvements at the Subject Property, and any site work necessary to implement the approved Development Agreement, including but not limited to the removal of hazardous materials, if any. Lessee acknowledges and agrees that it assumes all risks of development at the Subject Property.

5. Construction Period. Lessee shall have twenty-four (24) months from the Effective Date to complete the substantial upgrades to the existing improvements on the Subject Property in accordance with the approved Development Plan (“**Construction Period**”).

Lessee shall, at Lessee’s sole cost and expense, expeditiously and diligently seek to obtain all necessary and appropriate permits and/or other regulatory approvals from the Federal Government, State of Hawaii (including the State Legislature if applicable), and/or County of Hawaii (“**County**”) so as to enable Lessee to complete the substantial improvements to the Subject Property in accordance with the approved Development Plan. Lessee shall use diligent and all commercially reasonable efforts to obtain all required permits and/or other regulatory approvals from the Federal Government, State of Hawaii and/or County.

6. Hazardous Materials. Lessee shall not cause or permit the escape, disposal or release of any hazardous material in completing the approved Development Plan at the Subject Property, except as permitted by law. Lessee shall not allow the storage or use of such materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such materials, nor allow to be brought onto the Subject Property any such materials except to use in the ordinary course of Lessee’s business, and then only after written notice is given to the State of the identity of such materials and upon the State’s consent, which consent may be withheld at the State’s sole and absolute discretion. Lessee’s plans and specifications for substantial improvements to the Subject Property presented to and approved by the Board may include improvements that the parties acknowledge may require the use of petroleum based materials and products in the ordinary course of constructing the improvements. In that event, the State hereby consents to the storage and use of such petroleum based materials and products to the extent stored and used in compliance with applicable Federal, State and County rules and laws or, in the absence of such rules or laws, in accordance with the highest standards prevailing in the industry. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of hazardous materials by the Lessee, then the Lessee shall be responsible for the reasonable costs thereof. In addition, Lessee shall execute affidavits, representations and the like from time to time at the State’s request concerning Lessee’s best knowledge and belief regarding the presence of hazardous materials on the Subject Property placed or released by Lessee.

Lessee agrees to indemnify, defend, and hold the State harmless, from any damages and claims resulting from the release of hazardous materials on the Subject Property occurring while Lessee is in possession, or elsewhere if caused by the Lessee or persons acting under the Lessee. These covenants shall survive the expiration or earlier termination of this Agreement.

For the purpose of this Agreement, “hazardous material” shall mean any pollutant, toxic substance, hazardous waste, hazardous material, hazardous substance, or oil as defined in or pursuant to the Resource Conservation and Recovery Act, as amended, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, the Federal Clean Water Act, or any other federal, state, or local environmental law, regulation, ordinance, rule, or by-law, whether existing as of the date hereof, previously enforced, or subsequently enacted.

7. Bonds. Lessee shall not commence construction of the improvements until Lessee has filed with the State sufficient bonds conditioned upon the full and faithful performance of all the terms and conditions of this Agreement, including a completion bond for the full, faithful and timely completion of this Agreement, free from all liens and claims, including the completion of the substantial improvements described in this Agreement, and a labor and materialmen's bond in the amount of \$ 196,635.07, in such form and upon such terms and conditions as may be approved by the State. The Lessee shall, at its own cost and expense, within fifteen (15) days from the Effective Date of this Agreement, procure and deposit with the State and thereafter keep in full force and effect during the term of this Agreement, such bonds acceptable to the State in the amount of \$ 196,635.07 as aforesaid, which bonds shall name the State as obligee, conditioned upon the full and faithful observance and performance by Lessee of all the terms, conditions and covenants of this Agreement, including, but not limited to, the completion of the substantial improvements requirement in accordance with the approved Development Plan at the Subject Property on or before the date of completion, free from all liens and claims, pursuant to the approved Development Plan. Lessee shall indemnify, defend, and hold the State harmless from all liens, suits, actions or damages arising out of, caused from or attributable to the work performed pursuant to the substantial improvements requirement in accordance with the approved Development Plan at the Subject Property incorporated herein this Agreement. These bonds shall provide that in case of a breach or default of any of the terms of this Agreement, and the covenants, conditions and agreements of such bonds, the full amounts payable pursuant to the terms and conditions of such bonds shall be paid to the State as liquidated and ascertained damages and not as a penalty.

8. Completion of Construction; Inspection. Upon Lessee's completion of the substantial improvements on the Subject Property in accordance with the approved Development Plan, Lessee shall provide written notice to the State acknowledging and confirming the same. Representatives of the State and Lessee shall then conduct a final inspection and walk through of the Subject Property within fourteen (14) days of such written notice, and a "punch list" shall be mutually prepared and agreed upon by representatives of the State and Lessee within seven (7) days of such inspection and walk through of the Subject Property. Such punch list shall itemize any areas of construction that were not in accordance with the approved Development Plan, or any unauthorized construction or work not acceptable to the State or any other governmental agency having jurisdiction over such work. Lessee, at Lessee's sole cost and expense, shall immediately repair all deficiencies identified as potential safety hazards on the punch list, and all other deficiencies on the punch list shall be remedied, or the work to remedy has commenced if a remedy may not reasonably be completed within the timeframe specified herein, within fourteen (14) days of the preparation of the same.

If the State is satisfied that completion of the substantial improvements to the Subject Property has been performed in accordance with the approved Development Plan by Lessee, including any and all punch list items, and forty-five (45) days have elapsed after the filing and publication of the Notice of Final or Substantial Completion by Lessee without any applications for mechanic's or materialmen's liens, or other suits or claims relating to such substantial improvements, being filed against the Subject Property, then the State shall confirm and notify Lessee of the same in writing ("**Completion Date**"), at which time Lessee shall have the right to terminate the bonds posted by Lessee pursuant to Paragraph 7 hereof.

9. Justification of Sureties. Any bonds required by this Agreement shall be supported by the obligation of a corporate surety organized for the purpose of being a surety and qualified to do business in the State of Hawaii, or by not less than two (2) personal sureties, corporate or individual, for which justifications shall be filed as provided in Section 78-20, HRS; provided, however, the Lessee may furnish a bond in like amount, conditioned as aforesaid, executed by it alone as obligor, if, in lieu of any surety or sureties, it shall also furnish and at all times thereafter keep and maintain on deposit with the State security in certified checks, certificates of deposit (payable on demand or after a period the State may stipulate), bonds, stocks or other negotiable securities properly endorsed, or execute and deliver to the State a deed or deeds of trust of real property, all of a character which is satisfactory to State and valued in the aggregate at not less than the principal amount of the bond. It is agreed that the value of any securities which may be accepted and at any time thereafter held by the State shall be determined by the State, and that the Lessee may, with the approval of the State, exchange other securities or money for any of the deposited securities if in the judgment of the State the substitute securities or money shall be at least equal in value to those withdrawn. It is further agreed that substitution of sureties or the substitution of a deposit of security for the obligation of a surety or sureties may be made by the Lessee, but only upon the written consent of the State and that until this consent is granted, which shall be discretionary with the State, no surety shall be released or relieved from any obligation, except for any bonds terminated by Lessee after the Completion Date pursuant to the terms of Paragraph 8 hereinabove.

10. Waiver, Modification, Reimposition of Bond and Liability Insurance Provisions. Upon substantial completion of the improvements contemplated herein and after forty-five (45) days after the filing and publication of the Notice of Final or Substantial Completion by Lessee without any applications for mechanic's or materialmen's liens, or other suits or claims relating to such substantial improvements, being filed against the Subject Property, and upon substantial compliance by the Lessee with the terms, covenants, and conditions contained in this Agreement on its part to be observed or performed, the State at its discretion may in writing, waive or suspend the performance bond or improvement bond requirements or both or may, in writing, modify the particular bond(s) or liability insurance requirements by reducing its amount; provided, however, that except for any bonds terminated by Lessee after the Completion Date pursuant to the terms of Paragraph 8 hereinabove, the State reserves the right to reactivate the bonds or reimpose the bond(s) or liability insurance in and to their original tenor and form at any time throughout the term of this Agreement.

11. Modifications to the Development Plan. Lessee shall be entitled to make changes or modifications to the approved Development Plan as may be required to address and satisfy any comments made or issues raised by the appropriate agencies of the Federal Government, State of Hawaii and/or County without the further consent or approval by the State, provided that: (a) Lessee provides advance written notice to the State of such changes or modifications, including a reasonably specific explanation as to why such changes or modifications are being undertaken and their anticipated effect; and (b) such changes or modifications: (i) do not materially alter or change the Development Plan as approved by the State; (ii) do not reduce the rents and all other charges to be paid by Lessee under the Lease or the Extended Lease; (iii) do not provide for uses that are not permitted by applicable laws or ordinances; or (iv) do not adversely affect or delay the Construction Period for more than one hundred and eighty (180) days.

In addition, the State recognizes that from time to time the approved Development Plan may require changes or modifications initiated by Lessee. Lessee may make any such changes or modifications to said approved Development Plan with the prior written consent of the State, which consent shall not be unreasonably withheld, provided that such changes or modifications: (a) do not materially alter or change the Development Plan as approved by the State; (b) do not reduce the rents and all other charges to be paid by Lessee under the Lease or Extended Lease; (c) do not provide for uses that are not permitted by applicable laws or ordinances; or (d) do not adversely affect or delay the Construction Period for more than one hundred and eighty (180) days.

12. Agreement to Issue Extension of Term of Lease. Upon execution of this Agreement, the State will request the Department of the Attorney General to prepare the Extended Lease document. Pursuant to Section 171-36.5, HRS or Section 171-192, HRS, the Extended Lease document (heretofore and hereinafter sometimes also simply referred to as the "Extended Lease") shall reflect an extension term of thirty (30) years and shall contain the Department's and the Department of the Attorney General's most current lease terms and conditions for leasing of public lands to for-profit entities, including but not limited to Lease Assignment, Sublease Rent Participation, and Ownership of Improvements. The Extended Lease document will cover the aggregate extended term between January 16, 2026 and expiring on January 15, 2056, and will provide that in the event that the Lessee fails to successfully perform, timely satisfy or fully comply with any of the terms and conditions of this Agreement and/or approved Development Plan, the Extended Lease term will be rescinded and the Lease, together with its current termination date of January 15, 2026, will be reinstated. The State and Lessee will promptly sign the Extended Lease document when the form thereof is approved by the Department of the Attorney General.

13. Default; State's Right to Terminate Agreement and/or Rescind Lease Extension. The State may, at its option and in its sole and absolute discretion, upon written notice to Lessee without prejudice to any other remedy or right of action, terminate this Agreement and/or rescind the Extended Lease at any time for any one of the following reasons:

A. If Lessee fails to pay rent or any part thereof or any other charge, payment or amount it is obligated to pay or that is due by Lessee under the Lease or the Extended Lease, and this failure continues for a period of more than thirty (30) days after delivery by the State of a written notice of such breach or default and demand for cure, by personal service, registered mail or certified mail to Lessee that the same is past due;

B. If Lessee fails to observe or perform any of the material covenants, terms and conditions contained in this Agreement, including but not limited to, those listed in subparagraphs (i) through (iv) herein, the Lease or the Extended Lease on the Lessee's part to be observed and performed, and such breach or default continues for a period of more than sixty (60) days after delivery by the State of a written notice of such breach or default and demand for cure, by personal service, registered mail or certified mail to Lessee of such breach or default, or if such breach or default in observance and performance of such other covenants cannot reasonably be cured within said sixty (60)-day period, then such longer time as may be required, provided that Lessee shall within said period commence such cure and thereafter diligently prosecute the same to completion within sixty (60) days thereafter;

(i) If Lessee fails to obtain any and all Federal Government, State of Hawaii (including the State Legislature if applicable), and County permits and approvals required and necessary for the completion of the approved Development Plan;

(ii) If Lessee becomes bankrupt or insolvent, or seeks protection under any provision of any bankruptcy or insolvency law or any similar law providing for the relief of debtors, or abandons the project contemplated under the approved Development Plan, or if any assignment is made of Lessee's rights hereunder for the benefit of creditors;

(iii) If the Subject Property or any part of the Subject Property, appurtenances or improvements are used, or intended to be used in any manner to commit or to facilitate the commission of a crime; or

(iv) If the Lessee is not in compliance with Sections 171-36.5, 171-191 and -192, HRS.

Any default under this Agreement, the Lease, or Extended Lease by the Lessee shall be cause by the State to terminate this Agreement and rescind the Extended Lease, and the State shall have all other rights and remedies provided herein, in the Lease or in the Extended Lease, as applicable, or as otherwise provided by law with respect to a default by the Lessee under this Agreement, the Lease or Extended Lease. Provided further, a default under this Agreement shall cause the Extended Lease to be void ab initio.

Upon any early termination by the State under this Agreement, this Agreement shall terminate on the date as provided for in the State's written notice and shall become null and void except as to any provisions which expressly survive termination in this Agreement. The Extended Lease shall be rescinded and Lessee shall not be entitled to an extension of the term of the Lease for the Subject Property pursuant to Section 171-36.5, HRS or Section 171-192, HRS. Upon the effective date of termination and without waiving any other remedies to which it may be entitled, the State shall be entitled to: (1) prosecute any claim against Lessee for fees, costs or other payments or charges that accrued prior to the effective date of termination, including the interest thereon; and (2) assert any claim that it may have against Lessee for any damages, costs, or expenses, suffered or incurred by the State, which obligations shall survive termination of this Agreement, the Lease and/or Extended Lease.

14. Non-Waiver. The waiver by the State of any breach by the Lessee of any term, covenant, or condition of this Agreement or the Lease, nor of the State's right of re-entry for breach of covenant, nor of the State's right to declare and enforce a forfeiture for any breach, or of the failure of the State to insist upon strict performance of any term, covenant, or condition, or to exercise any option conferred, in any one or more instances, shall not be construed as a waiver or relinquishment of any such term, covenant, condition or option.

15. Liens. Lessee will not commit or suffer any act or neglect whereby the Subject Property or any improvements thereon or the estate or interest of the State therein shall at any time during the term of this Agreement become subject to any attachment, judgment, lien, charge or encumbrance whatsoever, and will indemnify, defend and hold the State harmless from and against all loss, cost or expense with respect thereto (including reasonable attorney's fees). If any lien for

work, labor, services or materials done for or supplied to the Subject Property by, on behalf of, or through Lessee is filed against the Subject Property, Lessee shall have sixty (60) days from the date of filing in which to cause such lien to be discharged of record by payment, deposit, bond or other reasonably satisfactory alternative approved by the State, as the case may be. The foregoing covenants of Lessee shall survive expiration or any early termination of this Agreement.

16. Expenses to be Paid by Lessee. Pursuant to Section 171-192, HRS, Lessee shall pay all costs and expenses incurred by the State in connection with the processing, analyzing and negotiating of any request for a lease term extension and document, and this Agreement.

17. Substantial improvements. The Lessee shall, at its own cost and expense, within twenty-four (24) months from the execution of the Development Agreement, complete "substantial improvements" to mean any renovation, rehabilitation, reconstruction or construction of the existing improvements, and complete by the date of completion of the total development, at a cost of not less than ONE HUNDRED NINETY-SIX THOUSAND SIX HUNDRED THIRTY-FIVE AND 07/100 DOLLARS (\$196,635.07) ("Building Requirement"), in accordance with the approved Development Plan set forth in the Development Agreement and in full compliance with all applicable laws, ordinances, rules and regulations.

18. Wastewater disposal system. Cesspools are subject to Federal law and section 342D-72, Hawaii Revised Statutes. If the premises are not connected to the County of Hawaii sewer system or serviced by a permitted individual wastewater system, the Lessee shall be required to, at its sole cost and expense, hire a licensed engineer within three (3) months of the execution of this lease to determine how many cesspools are on premises and locate the cesspool(s), and must properly abandon and close any cesspool, and follow all proper closure instructions, including performing any corrective or remedial actions required by the Federal Environmental Protection Agency and the State of Hawaii Department of Health, and obtain County sewer service or install an individual wastewater system for the Subject Property in accordance with applicable County, State of Hawaii Department of Health, and Federal Environmental Protection Agency laws, within six (6) months of the execution of this lease, which deadline may be extended by the Chairperson of the Board for good cause. All connection costs, plans, and permits for the Subject Property to connect to the County sewer system or install an individual wastewater system shall be the sole responsibility of the Lessee. Pending the abandonment and closure of cesspool(s) as outlined above, the Lessee shall not cause or allow wastewater to be discharged into the cesspools on the premises in a way that would result in any cesspool being classified as a large capacity cesspool.

19. Removal bond. During the term of the lease extension, the Lessor reserves the right to require the Lessee to furnish a removal bond or other form of security sufficient to ensure the removal of all improvements from the lease premises at lease expiration or earlier termination.

20. Observance of Laws, Ordinances and Regulations. Each party hereto, and their respective officers, agents, assigns, employees, consultants and/or contractors, or persons acting for or on its behalf, shall at all times observe and comply with all applicable laws, ordinances,

rules and regulations of the Federal, State, County and municipal governments, now in force or which may be in force.

21. Archaeology; Historic Preservation. Lessee, including any agent or contractor, upon encountering any previously unidentified archaeological resources such as artifacts, shell, bone or charcoal deposits, human remains, or any historic properties or burials, on the Subject Property, will immediately stop all work and contact the State DLNR Historic Preservation Division in compliance with Chapter 6E, HRS.

22. Recordation. This Agreement shall not be recorded. However, upon request by either the State or Lessee, a short form memorandum of this Agreement shall be prepared by the State and shall be duly executed and acknowledged in proper form and may be placed of record so as to give public notice as to the existence of this Agreement.

23. Notices. Any notice or demand to the State or Lessee provided for or permitted by this Agreement shall be given in writing and: (a) mailed as registered or certified U.S. mail, return receipt requested, postage prepaid, addressed to such party at its post office address herein specified or the last such address designated by such party in writing to the other; or (b) delivered personally within the respective County as applicable, the State or to any officer of Lessee, or (c) sent by facsimile transmission (herein "Fax") to the Fax number, if any, of such party as specified herein or such other Fax number designated by such party in writing to the other. Any such written notice shall be deemed conclusively to have been received at the time of such personal delivery, or receipt of Fax, or at 4:00 p.m. on the third business day after being deposited with the United States mail as aforesaid, as follows:

If to the State:	Board and Department of Land and Natural Resources 1151 Punchbowl Street, Room 220 Honolulu, Hawaii 96813 Attention: Chairperson Fax No.: (808) 587-0390
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And a copy to:	Department of the Attorney General Attention: Land Division Kekuanaoa Building 465 South King Street, Suite 300 Honolulu, Hawaii 96813 Fax No.: (808) 587-2999
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If to Lessee:	CENTRAL SUPPLY, INC. 820 Laukapu Street Hilo Hawaii 96720
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24. Status Reports; Lessee Cooperation. Lessee acknowledges that the State's staff may be required to periodically report to the Board during the term of this Agreement on the status of Lessee's progress of the approved Development Plan incorporated in this Agreement. Lessee

agrees to reasonably assist and meet with the State's staff in making such reports, including without limitation, upon commercially reasonable advance written notice, having a representative available to answer questions at any meetings of the Board at which such reports are given, providing information that State's staff reasonably requests for the purposes of making such reports, and being available to meet with the State's staff prior to the time such reports are made.

25. Costs and Attorney's Fees. Lessee shall pay all costs, including reasonable attorney's fees, and expenses which may be incurred by or paid by the State in enforcing the covenants, terms and conditions of this Agreement, including, but not limited to, recovering possession of the Subject Property, or in the collection of delinquent fees, taxes, assessments, and any and all other amounts or charges. In case the State shall, without any fault on its part, be made a party to any litigation commenced by or against the State, the Lessee shall pay all costs, including reasonable attorney's fees, and expenses incurred by or imposed on the State.

26. Construction and Amendment. This Agreement has been negotiated extensively by Lessee and the State with and upon the advice of their respective counsel, all of whom have participated in the drafting hereof. Consequently, the usual rule of construction shall not be applicable, which provides that the document is to be interpreted against the interests of the party who has primarily drafted the language in an agreement. No amendment or modification of this Agreement or any Exhibit attached hereto shall be effective unless incorporated in a written instrument executed by and between the State and Lessee; provided however, this Agreement may only be amended or modified with the approval of the Chairperson. The State and Lessee agree to execute such other documents and instruments as may be reasonably requested by the other party and as may be necessary to effectuate the terms and conditions of this Agreement.

27. Governing Law. This Agreement shall be construed, interpreted, and governed by the laws of the State of Hawaii.

28. Ratification. To the extent of any conflict or inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement shall govern and control to the extent only where there is any conflict or inconsistency with regard to the terms and conditions that Lessee must satisfy and successfully perform in order for it to be issued an extension of the term of the Lease by the State for the Subject Property pursuant to Section 171-36.5, HRS and Section 171-192, HRS .

29. Headings. The article and paragraph headings herein are inserted only for convenience and reference and shall in no way define, describe or limit the scope or intent of any provision of this Agreement.

30. Partial Invalidity. In case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect which is not material to the transactions contemplated hereunder, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

31. Assignment. Any and all rights under this Agreement granted to Lessee may not be sold, assigned, conveyed or transferred in any manner by Lessee to any other person or entity.

Notwithstanding the foregoing, however, Lessee may assign this entire Agreement and the development rights provided for herein to an institutional lender or lenders providing financing for the development of all or any portion of the Subject Property as security for the repayment of such loan or loans, with the prior written consent of the State.

32. State's Right to Assign. It is specifically understood and agreed that the State (through the Board) may convey or otherwise transfer the Subject Property subject to the terms and conditions of this Agreement, and assign this entire Agreement (including, but not limited to the assignment of any lease issued or to be issued under this Agreement) to any other department or agency of the State of Hawaii, subject to such department or agency affirmatively agreeing to accept such Subject Property subject to the terms and conditions of this Agreement and assuming all undertakings and obligations under this Agreement and/or the extension of the term of the Lease or Extended Lease issued or to be issued under this Agreement. Upon any such assignment, Lessee agrees to attorn to the assignee on the terms and conditions of this Agreement, the lease, or any other lease that is part of this Agreement.

33. Development Rights. Upon the expiration or any early termination of this Agreement by the State for whatever reason, all development rights, permits, approvals, plans, specifications, etc. prepared by or for Lessee in connection with Lessee's efforts relating to the proposed development and improvements to be constructed at the Subject Property or under this Agreement shall, to the extent owned by and/or assignable by Lessee, vest with and become a part of the Subject Property of the State. At the request of the State, Lessee shall do all things reasonably necessary to assign to the State, all such development rights, permits, approvals, plans, specifications, etc.

34. DLNR. Notwithstanding anything herein to the contrary, it is specifically understood and agreed by the parties that: (a) the "State" as used herein means the Department of Land and Natural Resources, State of Hawaii, and the "Chairperson" as used herein means the Chairperson of the Board of Land and Natural Resources; (b) whenever action is taken, or required to be taken by the "State" under this Agreement (e.g., approve, disapprove, consent or otherwise), it shall be deemed to be an act of only the Board of Land and Natural Resources, and shall not be construed to be the act of any other department or agency of the State of Hawaii. Lessee acknowledges and accepts the responsibility for obtaining all entitlements and governmental approvals from the other applicable governing boards, agencies and departments of the State, County and Federal Government.

35. No Third-Party Beneficiaries. No third-party beneficiaries are intended by this Agreement, and the terms and provisions of this Agreement shall not give rise to any right in third parties to enforce the provisions of this Agreement.

36. Nondiscrimination. The use of the Subject Property shall not be in support of any policy which discriminates against anyone based upon race, creed, color, national origin or a physical handicap.

37. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

38. Time is of the Essence. Time is of the essence in all provisions of this Agreement.

39. Exhibits. The following exhibits are attached to this Agreement and deemed incorporated herein this Agreement by reference:

Exhibit A: Map of Subject Property

Exhibit B: Lessee's Development Plan dated _____.

[THE NEXT PAGE IS THE SIGNATURE PAGE.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first above written.

Approved and Executed by the Chairperson
pursuant to authority granted by the Board
of Land and Natural Resources at its
meeting held on _____,
as amended.

STATE OF HAWAII

By _____
DAWN N. S. CHANG
Chairperson of the Board of Land and
Natural Resources

APPROVED AS TO FORM:

Name: _____
Deputy Attorney General

Dated: _____

CENTRAL SUPPLY, INC.
a Hawaii corporation

By _____
Name: _____
Title: _____

Lessee

) SS.

)

Notary Public, State of Hawaii

My commission expires:

EXHIBIT A

EXHIBIT B

LESSEE'S DEVELOPMENT PLAN DATED _____

The Project currently entails the following work which will be done concurrently as a single construction project (subject to availability of materials):

Item	Estimated Cost
1. New Septic IWS System – Septic conversion. Excavate for infiltrator tank and install; Excavate and install high-capacity infiltrator for absorption bed; Trench and install new sewer Line from existing to new septic system; Pour a concrete cover over tank 20' X 12' X 8" thick; Remove all excavated material; Abandon existing Cesspool; Backfill septic with suitable base coarse; Asphalt saw cut affected areas; Patch pavement in affected areas	\$29,620.00 (See Exhibit 1)
2. Septic Engineering- Topo survey (\$3,500.00); IWS Design (including filing fee) (\$2,000.00); Abandonment of existing cesspool (if OOH permitting required) (\$1,000.00); Total with tax \$6,806.15	\$6,806.15 (See Exhibit 1)
3. 6 foot chain link knuckle twist 9 gauge installed-remove and replace existing pipes and fence (rear of property and right middle section between the two buildings); All pipe will be scheduled 40 pipes; dispose all old materials	\$15,602.09 (See Exhibit 1)
4. Saw cut area to be paved fronting warehouse 31 Makaala St; remove asphalt and repave with 2 ½ inch asphalt 80x51 4131 sqft.; area from fence to back of warehouse before drywall 28' wide by 222' remove asphalt regrade for drainage pave with 3" finish thickness 6218 sqft of area to be repaved (saw cut asphalt for straight edge; 30'x43', area between two warehouses remove asphalt 1200 sqft regrade and pave area for 3" finish thickness asphalt	\$74,677.00 (See Exhibit 1)
5. Commercial Entry Door- Panda brand, IDS 20 Alum Storefront, dear anodized aluminum frame, dear 1/4" tempered monolithic single glazed glass. 1t swing TBD, Push/Pull hardware in TBD finish, ADA surface mount track. Two closers included	\$22,809.43 (See Exhibit 1)
6. Replace Exterior Walls (31A Makaala) - Remove and replace 3 sides of the back warehouse wall; removing all windows and sliding doors from the existing wall and covering area up with 24 gauge zincalume corrugated	\$47,120.40 (See Exhibit 1)

metal roof. Pattern of roof will be P-9; installing approx. 120 LF of 3" angle iron from base plate; furnish and install all flashing where required	
Total:	\$ 196,635.07

The total estimated cost for the Project is \$ 196,635.07, which is 32.23% of the market value of the existing improvements (based on Lessee's appraisal) and exceeds the 30% threshold required under HRS Section 171-192.

EXHIBIT 1