

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

February 27, 2026

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

26HD-012  
Hawaii

Issuance of a Revocable Permit to Hilo Products, Inc., for Limited Industrial Uses Allowed Under the Current County of Hawaii Zoning Code Purposes, Kanoelehua Industrial Area, Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-2-050:085.

APPLICANT:

Hilo Products, Inc., a Hawaii corporation.

LEGAL REFERENCE:

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

LOCATION:

Portion of Government lands of Kanoelehua Industrial Area, Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-2-050:085, as shown on the attached map labeled Exhibit A.

AREA:

11,250 square feet, more or less.

ZONING:

State Land Use District: Urban  
County of Hawaii CZO: ML-20; limited industrial – 20,000 square foot minimum<sup>1</sup>

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<sup>1</sup> Note parcel square footage is 11,250 square feet while current zoning requires minimum 20,000 square feet. Boundaries of the subject parcel were determined prior to the current county zoning and are accepted as a non-conforming size by the County.

TRUST LAND STATUS:

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

CURRENT USE STATUS:

Vacant and unencumbered.

Previous General Lease No. S-3598 was issued to Mauna Kea Infrared, LLC (Lessee), for uses allowed under the County of Hawaii Zoning Code, ML-20, limited industrial purposes. The lease expired on 01/15/2026.

CHARACTER OF USE FOR REVOCABLE PERMIT:

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

REVOCABLE PERMIT COMMENCEMENT DATE:

March 1, 2026

REVOCABLE PERMIT MONTHLY RENTAL:

\$2,200.00 per month. Previous annual lease rent (land only) = \$11,760.00.

COLLATERAL SECURITY DEPOSIT:

Twice the monthly rental amount.

DCCA VERIFICATION:

Hilo Products, Inc. is in good standing with the Business Registration Division of the DCCA.

JUSTIFICATION FOR REVOCABLE PERMIT:

Use of a revocable permit (RP) in this instance is appropriate. The previous long-term lease expired on 01/15/2026. The RP is intended as an interim measure to serve the time between the expiration of the previous lease and public auction offering or negotiation for the issuance of a new direct lease to Hilo Products, Inc. (HPI). HPI is a long-standing local business and has been operating within the Hilo area since 1938.

In addition, since the subject site is currently vacant, staff finds it imperative to keep the premises occupied to prevent vandalism and unauthorized occupation of the subject premises. It is not in the State's best interest to have the existing warehouse sitting vacant as currently, vacant warehouses in the Hilo/Kanoelehua industrial area are being heavily vandalized. Securing such properties is costly and not very effective, resulting in reduced value of the property.

#### APPLICANT REQUIREMENTS:

Hilo Products, Inc. shall be required to:

1. Submit a proposal for a direct lease within 6 months from the issuance of the proposed revocable permit. The proposal will include the closure of the existing on-site cesspool and either connection to the County of Hawaii wastewater collection system or installation of a Hawaii Department of Health approved individual wastewater system.

#### CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

In accordance with Hawaii Administrative Rules (HAR) § 11-200.1-15 and the Exemption List for the Department of Land and Natural Resources reviewed and concurred on by the Environmental Council on November 10, 2020, staff proposes the subject request is exempt from the preparation of an environmental assessment pursuant to:

**Exemption Class No. 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 51:** Permits, licenses, registrations, and rights-of-entry issued by the Department that are routine in nature, involving negligible impacts beyond that previously existing.

The property is located within the existing and established Kanoelehua Industrial area which is zoned urban and industrial and is currently used for those purposes. Given that the property and surrounding areas 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 issuance of the proposed RP and no significant adverse or cumulative impacts are anticipated. 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.

Staff notes that the following agencies were notified of the proposed action:

Hawaii State Department of Health and Hawaii County Planning Department.

### 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, a portion of the revenues generated by the rent from the RP provides for the betterment of Native Hawaiians, one of the public trust purposes under Section 5(f) of the Admissions Act.

Also, having a tenant occupying the property and paying rent not only generates revenue to support Department programs, it 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.

To properly perform its 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/permit revenues currently support the Special Land and Development Fund (SLDF), with revenues coming primarily from leases/permits 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.

Aside from the rent revenue generation and the unsuitability for public use, the issuance of a revocable permit is consistent with public trust obligations as it provides the permittee, as a long-standing locally owned small business, the opportunity to continue contributing to the economic wellbeing of the Hilo area and

the State.

BACKGROUND:

Under the provisions of the special disaster legislation (Act 4, First Session Law of Hawaii 1960), the subject property was encumbered by General Lease No. S-3598 issued to Honolulu Roofing Company, Ltd. for a term of 55 years commencing on January 16, 1961 and expiring January 15, 2016.

Within the first year of the lease, the Lessee was required to complete construction of improvements at a total cost or value not less than \$12,000. The improvements were completed in 1962 and included a 4,400 square foot steel framed warehouse and asphalt paving.

Through mesne assignments Mauna Kea Infrared, LLC became the lessee in 2001. Mauna Kea Infrared, LLC designed and produced sophisticated high-tech infrared photographic instruments for large-scale telescopes within both the public and private sectors.

At its meeting of September 26, 2014, item D-5, the Board approved a 10-year extension of the lease, extending the expiration date to January 15, 2026. During the period 2001-2005 Mauna Kea Infrared made renovations of the building at of cost of \$283,251.00. As a condition of the extension, the Lessee replaced the roof at an additional cost of \$19,574.00.

REMARKS:

A pre-exit inspection was performed on 07/02/2025 and the building and grounds were found to be in good condition with signs of normal wear and tear as to be expected. A final inspection was carried out on 01/15/2026 finding the property in excellent condition.

The applicant, HPI, is a local Hilo-based business that has been in operation since 1938. HPI is a long-standing produce wholesaler specializing in locally sourced fruits and vegetables; connecting local farmers to retailers.

HPI's warehouse operations are located adjacent to and behind the subject property. It is interested in relocating its corporate office and is currently working on a proposal for a new direct lease on the subject property which will include closure of the existing cesspool and installation of a new individual wastewater treatment system or connection to the County of Hawaii wastewater collection system along with interior/exterior renovations. Once the proposal is submitted, it will be evaluated and staff can return to the Board at that time for further disposition decisions.

Staff investigated with appraisers the current private-sector market rents in the area and found that the rents charged fell between \$0.75 and \$1.25 per square foot of improvement space depending on location, improvements and amenities. Short-term private-sector rents place the costs of repairs, maintenance, and property taxes on the owner. In the case of our State-issued RPs, the tenant is responsible for these costs. After consideration of these factors, staff is recommending a monthly rental rate of \$2,200.00, which is equal to \$0.50 per square foot x 4,400 square feet of building.

Staff is strongly recommending the issuance of this RP as an interim solution for the current situation. It is not in the best interest of the public trust to have this property sitting vacant during the lengthy public auction process. Currently vacant properties in the Hilo industrial areas are being heavily vandalized. Securing such properties is costly and not very effective, resulting in reduced value of the property.

The applicant is a current lessee with a good compliance history and has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

RECOMMENDATION: That the Board:

1. Determine whether the proposed revocable permit is consistent with the public trust. If the Board determines that this action is consistent with the public trust, then the Board is recommended to approve the following:
2. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200.1, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment as a de minimis activity.
3. Authorize the issuance of a revocable permit to Hilo Products, Inc. covering the subject area for uses allowed under the current County of Hawaii Zoning Code purposes, under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
  - a. The standard terms and conditions of the most current revocable permit form, as may be amended from time to time;
  - b. Review and approval by the Department of the Attorney General; and

- c. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

*Candace Martin*

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Candace Martin; Acting District Land Agent

APPROVED FOR SUBMITTAL:



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Ryan K.P. Kanakaole, Acting Chairperson

