

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

February 13, 2026

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

Oahu

Denial of Request to Consent to Assign General Lease Nos. S-5565 and S-5566, Pacific Transfer LLC, Assignor, to Island Demo, Inc., Assignee, Moanalua, Honolulu, Oahu, Tax Map Key: (1) 1-1-064:039 and 040.

APPLICANT:

Pacific Transfer LLC, a Hawaii Limited Liability Company, as Assignor, to Island Demo, Inc., a Hawaii Profit Corporation, as Assignee.

LEGAL REFERENCE:

Section 171-36(a)(5), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Shafter Flats Industrial Development known as Unit I, Moanalua, Honolulu, Oahu, Tax Map Key: (1) 1-1-064:039 and 040, as shown on the attached maps labeled **Exhibit A1 and A2**.

AREA (General Lease Nos. S-5565 & S-5566):

7,500 square feet, more or less, per lease.

TRUST LAND STATUS (General Lease Nos. S-5565 & S-5566):

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

CHARACTER OF USE (General Lease Nos. S-5565 & S-5566):

Industrial purposes.

TERM OF LEASE (General Lease Nos. S-5565 & S-5566):

Thirty-five (35) years, commencing on March 1, 1999, and expiring on February 28, 2034. Last rental reopening occurred on March 1, 2019; next rental reopening is scheduled for March 1, 2029, for the remaining five (5) years of the lease term.

ANNUAL RENTAL (General Lease Nos. S-5565 & S-5566):

\$51,500.00/annum per lease (Semi-Annual Payments of \$25,750.00 per lease).

CONSIDERATION (General Lease Nos. S-5565 & S-5566):

\$0.00.

RECOMMENDED PREMIUM (General Lease Nos. S-5565 & S-5566):

Not applicable as there is no consideration for the assignment. See Remarks.

DCCA VERIFICATION (General Lease Nos. S-5565 & S-5566):

ASSIGNOR:

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

ASSIGNEE:

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

CHAPTER 343 – ENVIRONMENTAL ASSESSMENT:

Not applicable. In the event the requested assignment is approved, there are no changes to the duration and uses [industrial] of both leases. Only the tenant will be changed.

REMARKS:

The subject leases were sold at a public auction held in 1999. Pacific Transfer LLC (“PT”) was the highest bidder for General Lease No. (GL) S-5565 (Lot B) and S-5566 (Lot C). Both leases are for a term of 35 years for industrial purposes and subject to rental reopening every 10 years. Based on recent photos (attached as **Exhibit B**) of the premises, the lessee combined the two (2) lease premises into one (1) lot utilizing it as parking of it shipping containers and container trailers.

For improvements to the premises, prior written approval of the Land Board was required. Files indicated no request was made by PT. The lease premises appears to be used for parking only and have a perimeter fencing to secure the area.

In their application, PT indicated the purpose for the assignment request was due to surplus land. Staff had informed PT that both parties should be compliant with their current lease terms for Land Board to consider consenting to the assignment of leases. PT was also informed that the State would also entertain a request for mutual cancellations, however, PT indicated that they were aware that Island Demo, Inc. ("ID") would be interested in taking over the leases and felt it was the simplest way to proceed. Staff has concerns on such mutual transfer of State leases, allegedly, without any exchanges of monetary compensation, further noting that both leases are subject to the assignment of lease evaluation policy. Pursuant to the policy, the State is entitled to portion of profit generated from the transfer, depending on the duration of the total term has lapsed.¹ The leases have passed their 25th anniversary and the premium payable in accordance with the formula in the policy would be 25%.

Site inspection indicates that there are no improvements, other than the perimeter fencing, on the ground. In the event there is any monetary compensation, the deductible item will be the depreciated improvement costs of such perimeter fencing in the calculation of premium payable to the State.

At the time when the leases were issued, transfer of the leases could only be made if, (1) it contains the personal residence of the Lessee; (2) in the case of commercial, industrial, hotel, resort, apartment and other business uses, The Lessee was required to put in substantial building improvements; (3) the Lessee becomes mentally or physically disabled; (4) extreme economic hardship is demonstrated to the satisfaction of the Lessor; (5) it is to the corporate successor of the Lessee; or (6) in the case of agricultural uses, the assignee meets the qualification of a bona fide individual farmer or a nonindividual farm concern pursuant to section 171-14.5.

Act 160, SLH 1999, Section 21, which has been codified into Section 171-36(a)(5), Hawaii Revised Statutes, authorizes the Board to consider any assignment of State leases "in accordance with current industry standards, as determined by the board...to review and approve the consideration to be paid by the assignee and may condition its consent to the assignment of the lease ...". Staff reached out to the Legislative Reference Bureau inquiring about the reason(s) for the change in law back in 1999 and was told the new law allowed the Board broader flexibility.

¹ For the first 5 years, the premium is 50% of the amount by which the consideration of the assignment, whether by cash, credit, or otherwise, exceeds the depreciated cost of improvements and trade fixtures being transferred to the assignee. The percentage will decrease by 5% after every 5 years of the total term has lapsed.

Staff agrees that the latest statute amendment provides adequate flexibility as compared to the lease conditions on the subject matter. It is also the same scope of flexibility that allows the Board to protect the best interests of the State when a request for consent to assign is considered by the Board.

Another alternative would be to enter into mutual termination of the subject leases, subject to PT conducting a Phase 1 environmental site assessment and complete abatement and disposal, if necessary, satisfactory to the standards required by the Federal Environmental Protection Agency, the Department of Health, and the Department of Land and Natural Resources.

Upon mutual termination, the subject parcels could be put up for auction or other appropriate manner of land disposition, further subject to the Board's consideration and approval, if appropriate.

Records show that PT is in compliance with all terms and conditions of the subject leases and have not had any Notices of Default issued within the last five (5) years.

ID currently holds GL5564 for the neighboring parcel identified as Tax Map Key: (1) 1-1-064:007 (Lot A), as shown on **Exhibit A2**, which was acquired at the same public auction in 1999 as the subject leases. At its meeting held on February 25, 2022, agenda Item D-3, the Land Board consented to an assignment by stock purchase agreement of General Lease No. S-5564 effective November 30, 2018. At the time of requesting the Land Board to consent, there were no compliance issues.

ID [the Assignee] has not had a lease, permit, easement or other disposition of State lands terminated within the last five (5) years due to non-compliance with such terms and conditions. However, according to our records, lease rent for GL5564 is \$56,900.00 per year. Between 2022 and 2025, five (5) Notices of Default were issued for delinquent rent and late service charges ranging from \$622.63 to \$29,119.00. Except for the first and latest notice, the other notices were resolved within the thirty (30) day cure period. Consenting to the assignment of leases to ID will increase their annual rent obligation from \$56,900.00 to \$159,900.00.

Based on the reasons mentioned above, staff does not believe consenting the assignment of General Lease Nos. S-5565 and S-5566 to the Assignee is in the best interest of the State. Therefore, staff recommends the Board deny the subject request.

Mutual cancellation of both leases could be an alternative to the situation if the PT is interested and it will be considered at a later Board meeting.

RECOMMENDATION:

That the Board deny the Request to Consent to the assignment of General Lease No. S-5565 and S-5566 from Pacific Transfer LLC, as Assignor, to Island Demo, Inc., as Assignee.

Respectfully Submitted,


Patti E. Miyashiro, Land Agent

BC

APPROVED FOR SUBMITTAL:


Ryan K. P. Kanaka'ole, Acting Chairperson

LY



TAX MAP KEY: (1) 1-1-064:039 & 040

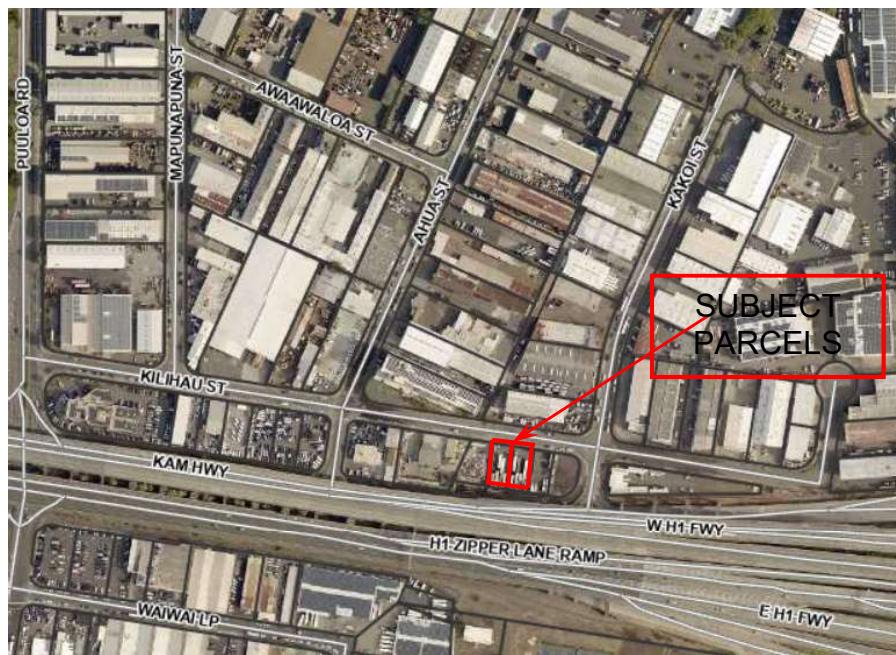


EXHIBIT A1

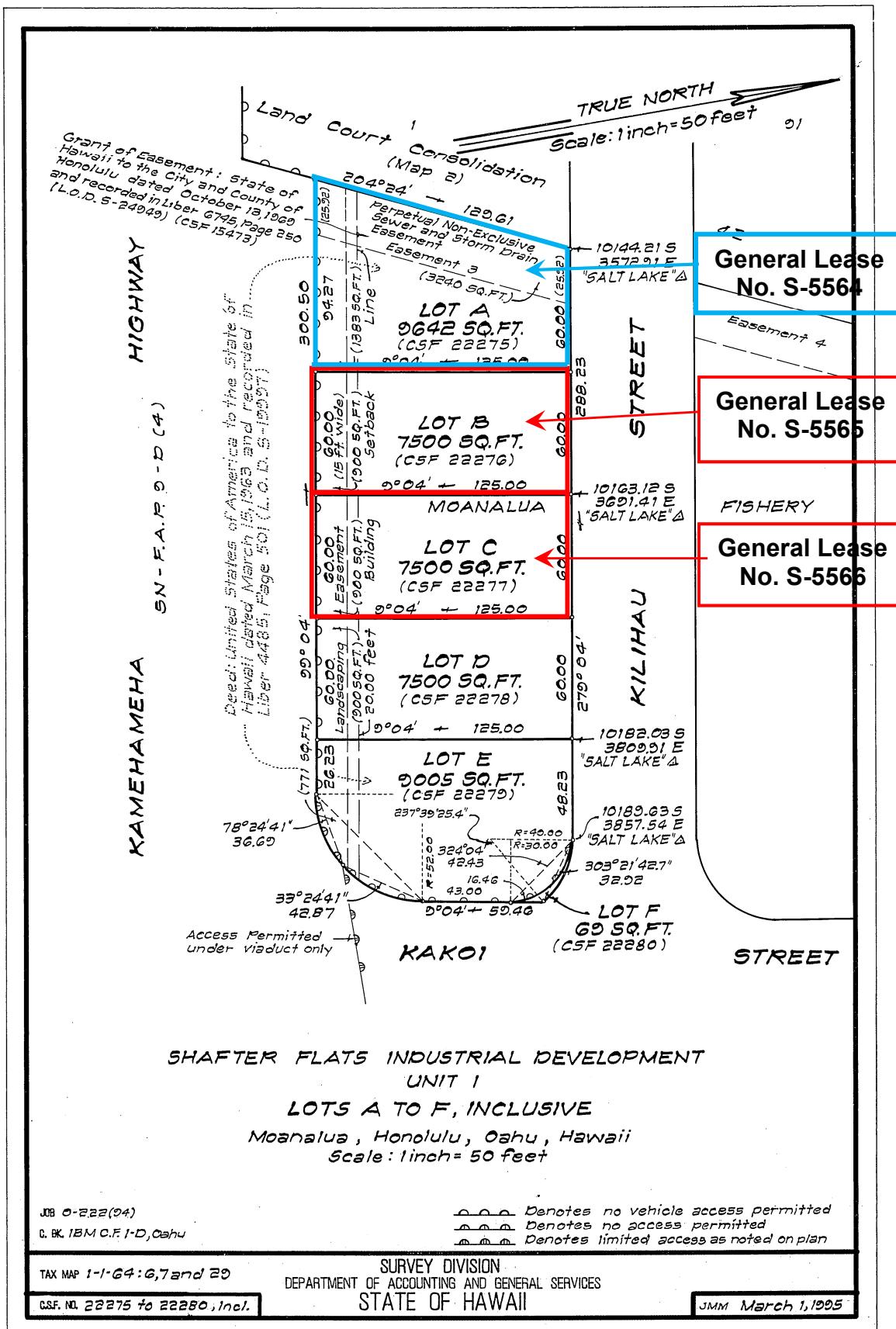




Figure 1: Dash line shows approximate boundary between GL5565 and GL5566

EXHIBIT B