

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

June 12, 2026

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

26HD-051  
Hawaii

Issuance of a Revocable Permit to Farm Supply Cooperative, 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) 2-2-050:098.

APPLICANT:

Farm Supply Cooperative, 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) 2-2-050:098 and can be viewed at:  
<https://qpublic.schneidercorp.com/Application.aspx?AppID=1048&LayerID=23618&PageTypeID=1&PageID=9875&KeyValue=220500980000>.

AREA:

15,000 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 15,000 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-3670 was issued to Machida, Inc., for uses allowed under the County of Hawaii Zoning Code, ML-20, limited industrial purposes. The lease expired on 03/19/2026.

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 20, 2026

REVOCABLE PERMIT MONTHLY RENTAL:

\$2,500.00 per month. Previous annual lease rent (land only) = \$14,000.00.

COLLATERAL SECURITY DEPOSIT:

Twice the monthly rental amount.

DCCA VERIFICATION:

Farm Supply Cooperative, 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 03/19/2026. 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 Farm Supply Cooperative, Inc. (FSC). FSC is a long-standing local business offering discounted prices on farm supplies.

In addition, 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:

Farm Supply Cooperative, Inc. shall be required to:

1. Submit a proposal for a direct lease within 12 months from the issuance of the proposed revocable permit.

#### 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, Hawaii County Planning Department and Hawaii County Department of Environmental Management – Wastewater Division.

## 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-3670 issued to T. Machida Drug Co., Ltd. for a term of 55 years commencing on March 20, 1961 and expiring March 19, 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 \$30,000. The improvements were completed in 1962 and included a 5,000 square foot steel framed warehouse, concrete raised loading docks and asphalt paving.

On June 22, 1965, T. Machida Drug Co., Ltd. changed its name with the Department of Regulatory Agencies to Machida, Inc.

In June 2013, Machida, Inc. entered into a sublease agreement with FSC to sublease the premises. Machida, Inc. retained use of an office area, bathroom and parking stall. The lease did not require Board approval for subleasing.

At its meeting of February 12, 2016, item D-5, the Board approved a 10-year extension of the lease, extending the expiration date to March 19, 2026. The extension required the lessee to make improvements at a cost of \$26,800.00. The improvements consisted of replacing the existing 60-amp electrical system with a 100-amp system with an external disconnect and new load center, additional circuits and receptacles, replacement of wiring and structural mounts of overhead lighting fixtures. Improvements were completed in July 2017.

## REMARKS:

A pre-exit inspection was performed on 07/25/2025 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 03/05/2026 finding the property in good condition.

In July of 2025, a letter was sent to the lessee inquiring about its intentions at the end of the lease. The letter explained the options and requirements for an extension of the lease with deadlines for application. In December 2025, the Lessee informed staff it was not interested in extending the lease and would be returning the property to the State at the end of the lease. Upon expiration of the lease on March 19, 2026, ownership of the improvements transferred to the State.

During the pre-exit inspection, the applicant, FSC, discussed options for staying on the property under a new lease if Machida did not opt for an extension. Staff

received an application from FSC for a revocable permit in early March 2026 and the applicant is preparing an improvement plan proposal to apply for a direct lease. Once the proposal is submitted, it will be evaluated and staff can return to the Board at that time for further disposition decisions.

FSC is a local Hilo-based business that has been in operation on the subject premises since 2013. It sells farm supplies, such as fertilizers, herbicides, pesticides, soils, seeds, pots, trays and various implements used in commercial farming.

The subject property is well-sited for this type of business, being in the industrial area and adjacent to a large produce wholesaler. This provides convenience to the farmer allowing them to drop-off product and pick-up supplies in the same area during the same trip. The subject property is currently connected to the County of Hawaii sewer system.

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 \$2,500.00, which is equal to \$0.50 per square foot x 5,000 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 an existing sublessee 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 Farm Supply Cooperative, 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. Applicant is to submit an application for a direct lease within 12 months of issuance of a revocable permit, including an improvement plan for the subject property;
  - c. Review and approval by the Department of the Attorney General; and
  - d. 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  
Hawaii District Land Agent

APPROVED FOR SUBMITTAL:



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Dawn N.S. Chang, Chairperson