

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

January 13, 2012

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

Hawaii

Consent to Assign General Lease No. S-5542, Donald W. Hughes and Muriel M. Hughes, Assignor, to Nicholas E. Muragin and Lisa K. Muragin, Assignee, Ola'a, Puna, Hawaii, Tax Map Key: 3rd/1-8-10:38,43,44,46.

APPLICANT:

Donald W. Hughes and Muriel M. Hughes, as Assignor, to Nicholas E. Muragin and Lisa K. Muragin, husband and wife, Tenants by Entirety, as Assignee.

LEGAL REFERENCE:

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

LOCATION:

Portion of Government lands of Ola'a, Puna, Hawaii, identified by Tax Map Key: 3rd/1-8-10:38, 43, 44, 46, as shown on the attached map labeled Exhibit A.

AREA:

227.740 acres, more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

CHARACTER OF USE:

Pasture purposes.

TERM OF LEASE:

30 years, commencing on 2/17/1998 and expiring on 2/16/2028. Last rental reopening occurred on 2/17/2008; next rental reopening is scheduled for 2/17/2018.

ANNUAL RENTAL:

\$1,425.00.

CONSIDERATION:

\$ 25,000.00.

RECOMMENDED PREMIUM:

\$ 0. (Refer to Exhibit B attached.)

DCCA VERIFICATION:

Both Assignee and Assignor are individuals and as such, are not required to register with the DCCA.

REMARKS:

General Lease No. S-5542 was sold at public auction on December 17, 1997 for the upset price of \$650.00 per annum. The effective date of the lease was February 17, 1998 for a period of 30 years ending on February 16, 2028.

The Lessee has made significant improvements to the property including; the clearing of a 20-acre paddock, installation of perimeter and paddock fencing and gates, construction of a 900,000-gallon reservoir and accompanying irrigation system to the various paddocks, and the creation of an octagonal corral for passive round up of cattle.

Due to the declining health of Lessee Donald Hughes, he can no longer maintain the pasture lease and wish to assign it to Nicholas and Lisa Muragin.

The Assignee has extensive experience in the ranching business and plans to run a cow/calf operation, improve the productivity of the rangeland by removing invasive plants and overgrowth to allow for more grass areas.

The Lessee is compliant with all lease terms and conditions including rent, insurance, performance bond and conservation plan. An inspection of the lease was conducted on November 15, 2011.

The Assignee 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.

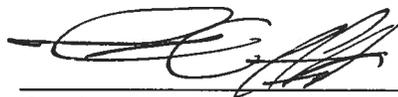
Last rental reopening occurred on 2/17/2008; next rental reopening is scheduled for 2/17/2018. There are no outstanding rental reopening issues with this lease.

RECOMMENDATION:

That the Board consent to the assignment of General Lease No. S-5542 from Donald W. Hughes and Muriel M. Hughes, as Assignors, to Nicholas E. Muragin, as Assignee, subject to the following:

1. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time;
2. Review and approval by the Department of the Attorney General; and
3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



Gordon C. Heit
Land Agent



APPROVED FOR SUBMITTAL:



William J. Aila, Jr., Chairperson





STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
LAND DIVISION

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

October 31, 2011

MEMORANDUM

TO: William J. Aila, Jr., Chairperson
THROUGH: Russell Y. Tsuji, Division Administrator
FROM: Gordon C. Heit, Land Agent
SUBJECT: In-House Recommendation – Assignment of Lease Calculation

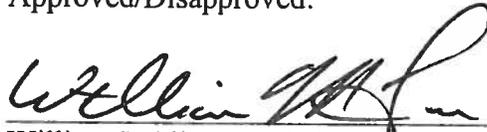
GL No.: S-5542
Lessee/Assignor: Donald W. Hughes and Muriel M. Hughes
Assignee: Nicholas E. Muragin
Location: Ola'a, Puna, Hawaii
Land Area: 227.740 acres more or less
Tax Map Key: 3rd/1-8-10:38,43,44,46
Char. of Use: Pasture purposes

We have been requested to provide an in-house evaluation of the assignment premium due to the State for an assignment of GL S-5542 resulting from the acquisition of the assets of Donald W. Hughes and Muriel M. Hughes by Nicholas E. Muragin. The lease documents and information provided by lessee were analyzed and staff applied the formula approved by the Land Board on December 15, 1989, agenda item F-10, comprising of the Assignment of Lease Evaluation Policy.

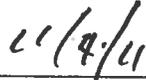
Net consideration		\$25,000
Actual improvement cost	\$78,000	
Adjusted improvement cost	\$107,239	
Trade fixture cost	\$0	
Total improvement and trade fixture cost	\$107,239	
Less depreciation (10 yr. lifespan)	(\$49,151)	
Depreciated value of improvements & fixtures	\$58,088	
Less adjusted improvement cost (inc. trade fixtures)		(\$58,088)
Excess		(\$33,088)
Premium % (11-15 years elapsed)		40%
Premium		(\$13,235)

Based on these calculations resulting in a negative premium calculation, the premium due the State is \$0.

Approved/Disapproved:



William J. Aila, Jr., Chairperson



Date

cc: District Branch Files
Central Files

