

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

November 30, 2012

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

PSF No.: 12OD-033

OAHU

Issuance of Direct Lease to Hawaiian Electric Company for
Electrical Substation Purposes, Honouliuli, Ewa, Oahu, Tax
Map Key: (1)9-1-17: Portion of 110.

APPLICANT:

Hawaiian Electric Company (HECO), a Hawaii corporation.

LEGAL REFERENCE:

Section 171-95, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Lot 18066, Map 1410, Land Court Application 1069, situate
at Honouliuli, Ewa, Oahu, Tax Map Key: (1) 9-1-17: Portion of 110, as
shown on the attached map labeled Exhibit A.

AREA:

1.230 acres, more or less.

ZONING:

State Land Use District: Urban
City & County of Honolulu CZO: Mixed Residential

TRUST LAND STATUS:

Non-ceded Government land acquired after statehood from the Estate of
James Campbell by Final Order of Condemnation, dated August 22, 1994,
under Civil No. 90-1704-06 filed in the Circuit Court of the First
Circuit.

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

CURRENT USE STATUS:

Vacant and unencumbered.

CHARACTER OF USE:

Electrical Substation purposes.

LEASE TERM:

Sixty-five (65) years.

COMMENCEMENT DATE:

The first day of the month to be determined by the Chairperson.

ANNUAL RENT:

\$480.00 per annum (Minimum Rent Policy for New Dispositions, May 13, 2005) fixed for the first 20 years.

METHOD OF PAYMENT:

Semi-annual payments, in advance.

RENTAL REOPENINGS:

At the 20th, 30th, 40th, 50th, and 60th years of the lease term, by staff or independent appraisal.

PERFORMANCE BOND:

Twice the annual rental amount.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

The Final Environmental Impact Statement (FEIS) acceptance notice for the East Kapolei Master Plan was published in the OEQC Environmental Notice in July 1998.

The subject land is located within the East Kapolei Master Plan FEIS study area.

DCCA VERIFICATION:

Place of business registration confirmed: YES
Registered business name confirmed: YES
Applicant in good standing confirmed: YES

APPLICANT REQUIREMENTS:

HECO shall be required to:

1. Obtain Land Court final subdivision approval for the subject State land.
2. Provide survey maps and descriptions according to State DAGS, Survey Division standards at HECO's own cost.

REMARKS:

The subject State land is a portion of the East Kapolei lands selected by the Department of Hawaiian Home Lands (DHHL) as part of a 16,518-acre settlement agreement with the State to bring DHHL's land trust to the total acres mandated by the Hawaiian Homes Commission Act of 1920.

DHHL will be developing nearly 300 acres of residential housing for its beneficiaries over the next several years in East Kapolei. During that time the Department of Education is planning for an elementary and a middle school in the East Kapolei area.

To ensure that power will be available when needed HECO, which does not have land of its own in East Kapolei, and DHHL worked together to provide HECO with a 1.23-acre site for a substation. DHHL released its claim to the 1.23 acres of State land thereby allowing the State to lease the site to HECO.

Section 171-95(a)(2), Hawaii Revised Statutes, as amended, allows the Board to lease government lands to public utility companies without public auction. Section 171-95(b)(1), allows the lease rental to be nominal if in connection with a government project. At this time the intent of the substation is to serve the government housing projects, the public schools and parks in the East Kapolei area.

The rental reopenings, beginning with the 20th year and every 10 years thereafter will serve as future reminders to adjust the nominal rent, if applicable at that time. Also, if at that time the substation's service area extends beyond the government projects HECO shall pay the State, in addition to the annual nominal rent, a proportional fair market rent based on the ratio of the substation's electrical use by the government projects versus non-government projects.

HECO 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. Authorize the subdivision of the subject land by HECO.
2. Subject to HECO fulfilling all of the Applicant Requirements listed above, authorize the issuance of a direct lease of the subject land to HECO covering the subject area under the terms and conditions cited above, which are by this reference incorporated herein and subject further to the following:
 - a. Disapproval by the legislature by two-thirds vote of either the senate or house of representatives or by a majority vote of both, in any regular or special session next following the date of the lease
 - b. Review and approval by the Department of the Attorney General.
 - c. The standard terms and conditions of the most current direct lease form, as may be amended from time to time.
 - d. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
3. Authorize the issuance of a right-of-entry permit to HECO for planning and construction purposes, subject to the following:
 - a. The right-of-entry permit shall commence upon the Board's approval of the subject lease and shall expire upon completion of the substation's construction, or the issuance date of the lease, whichever occurs first.
 - b. The standard terms and conditions of the most current right-of-entry permit form for planning and construction purposes, as may be amended from time to time.

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

Respectfully Submitted,



Gary Martin
Land Agent

APPROVED FOR SUBMITTAL:



William J. Aila, Jr., Chairperson



