

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

December 12, 2014

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

PSF No.: 13HD-217

Island of Hawaii

Approval for Acquisition of a Perpetual Conservation Easement by the Division  
of Forestry and Wildlife, Ka'awaloa (Mauka), South Kona, Island of Hawaii, Tax  
Map Key: (3) 8-1-008:015 (por.).

**APPLICANT AGENCY:**

Division of Forestry and Wildlife, Department of Land and Natural Resources.

**PRIVATE LANDOWNER:**

HOKUKANO RANCH, INC., with an undivided 100.00% interest, as Fee Owner, whose  
business and mailing address is P.O. Box 2240, Kealahou, Hawaii 96750.

**LEGAL REFERENCE:**

Sections 107-10, 171-11 and 171-30, Hawaii Revised Statutes, as amended.

**LOCATION:**

Conservation easement over privately-owned lands situated at Ka'awaloa (Mauka), South  
Kona, Island of Hawaii, identified as a portion of Tax Map Key: (3) 8-1-008:015, as  
shown on the attached map labeled Exhibit A.

**AREA:**

1,000.00 acres, more or less.

**ZONING:**

State Land Use District:	Agricultural
County of Hawaii CZO:	A-20A

**CURRENT USE:**

The property is currently used for forestry production and ecotourism. There is a single residential dwelling and structures used for commercial activities (namely a wood shop, wood kiln, saw mill, and zip line complex) located on the non-easement portions of the property.

CONSIDERATION:

The purchase price will be the lower of either \$3,225,000.00 or the fair market value (fmv) as established by an appraisal conducted by an independent appraiser contracted by the State/DLNR and reviewed and approved by the Department and the U.S. Department of Agriculture Forest Service.

PURPOSE:

The conservation easement will be used to preserve the forest values of the parcel in perpetuity.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

Pursuant to Section 343-5(a), HRS, an environmental assessment (EA) is not required where State or county funds area being used for the acquisition of unimproved real property.

In accordance with the Exemption List for the Division of Forestry and Wildlife, approved by the Environmental Council and dated June 12, 2008, the subject project is considered to be exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1, Item No. 16, that states: "The acquisition of land or interests in land for the purposes of conservation, provided that the acquisition does not cause any material change of use of land or resources beyond that previously existing". As the purpose of the conservation easement is to maintain and preserve the existing resources and land use activities, there is no material change of use of land or resources. An Exemption Notification is attached.

APPLICANT REQUIREMENTS:

Applicant or Seller shall be required to:

- 1) Pay for the appraisal cost to determine the value of the properties to be acquired;
- 2) Provide survey maps and descriptions for the privately-owned property according to State DAGS standards and at Applicant's own cost;
- 3) Obtain a title report for the privately-owned property at Applicant's own cost and subject to review and approval by the Department;
- 4) Pay for and conduct a Phase I environmental site assessment and, if this Phase I identifies the potential for hazardous materials release or the presence of

hazardous materials, conduct a Phase II environmental sampling and analysis plan and perform any and all remediation, abatement and disposal as may be warranted and as satisfactory to the standards required by the Federal Environmental Protection Agency and/or the State Department of Health, all at no cost to the State and to the satisfaction of the Department.

REMARKS:

**DESCRIPTION.** The Ka`awaloa Forest project is an approximately 1,000 acre conservation easement acquisition on an 1,374.8 acre property located on the western slope of Mauna Loa in the District of South Kona on the island of Hawaii. The parcel constitutes the mauka (upslope) portion of the Ka`awaloa ahupua'a beginning at approximately the 2,300 foot elevation to approximately the 4,300 foot elevation. The terrain is undulating and contains many different forest types including, primarily, 'ohi'a lehua montane wet forest, 'ohi'a lowland wet forest, and koa/'ohi'a montane mesic forest. The property is bounded on its north, east and south sides by the Kealakekua Heritage Ranch and Hokukano Ranch, and on its west lies the town of Kealakekua. Kailua-Kona is approximately 20 miles from the property.

The conservation easement will cover an approximately 1,000 acre area on the property. The easement will provide recreational, educational, and scientific access to the property and will protect the native koa-'ohi'a forests, restore degraded forested patches and provide a source of sustainably harvested and managed timber for the local community.

**NEED FOR ACQUISITION.** Due to agricultural zoning, forests in Kona are threatened by conversion to non-forest uses. Sales for development would result in drastic changes to the area's rare habitat and important watershed needs. In addition to development concerns, Kona's forests are threatened by the spread of invasive non-native plants and feral ungulates, all of which increase wildfire susceptibility and decrease native forest regeneration. The Seller is committed to conservation of this parcel and is seeking to protect it as a working forest in perpetuity through the conservation easement. As its meeting on December 13, 2013 under item D-18, the Board granted approval in principle for this acquisition.

The acquisition will insure preservation of the forested areas of the property through an ongoing management plan by the Seller as required by the conservation easement. The management plan shall be implemented by the Seller with oversight by the Division of Forestry and Wildlife.

**MANAGEMENT.** All conservation easements funded by the Forest Legacy Program in Hawaii will be monitored annually by the Division of Forestry & Wildlife or its designee. Monitoring will review activities on the easement area at least annually and aerially over the entire easement area, via helicopter, biennially (every other year). The Baseline Documentation Report that is approved prior to the closing of the conservation easement acquisition, and that is signed by the Seller and Department, will be used to establish the

conservation values protected by the easement and the relevant condition of the property as necessary to monitor and enforce the terms of the easement.

**FUNDING SOURCE.** The Division of Forestry and Wildlife has secured a grant from the Forest Legacy Program, administered by the U.S. Department of Agriculture Forest Service, totaling \$3,225,000.00. The grant funds have been appropriated for the acquisition. The Forest Legacy grants require 25% matching funds for the acquisition. The requirement is intended to be satisfied by a land value donation by the Seller, subject to the fair market value of the conservation easement as determined by the appraisal. No state funds are being used to acquire the conservation easement.

**APPLICANT REQUIREMENTS.** The Department contracted for an appraisal, pursuant to section 171-30, HRS. The appraisal was dated August 26, 2014, and completed by The Hallstrom Group, Inc. As required by the Forest Legacy Program, the appraisal was conducted to Uniform Appraisal Standards for Federal Land Acquisition ("UASFLA") or "Yellowbook" standards. The appraisal is under review and subject to approval by the U.S. Forest Service. The approval of the appraisal by the U.S. Forest Service will be required in order to release the funds and close the acquisition.

The Applicant provided a Phase I Environmental Site Assessment, conducted by Environet Inc., dated October 6, 2014. The Phase I was completed in accordance with ASTM E 1527-13 standards and evaluated existing conditions, investigated the environmental history, and identified the presence of recognized environmental conditions (REC), controlled RECs, and historical RECs within and around the conservation easement area. The investigation did not reveal evidence of any current or historical RECs in connection with the conservation easement nor nearby properties. As such a Phase II environmental sampling and analysis plan is not required.

Seller has provided a title report for review and acceptance by the Department and the Attorney General. The title report contained encumbrances that needed to be resolved. The landowner has committed and will be required to release the mortgage and financing statements currently attached to the property at the closing of the acquisition. In addition, the property was encumbered by a Declaration of Covenants, Conditions and Restrictions (CC&R's) for Hokukano Ranch. The landowner did not want to release the CC&R's over the property as it provided for the access to private roads and other common areas. The landowner also noted that the property was exempted from many requirements of the CC&R's. However, there was still a potential that the State, as the holder of the conservation easement, would be subject to certain obligations and liabilities under the CC&R's. The landowner has committed and will be required to amend the CC&R's to exclude the State from such obligations and liabilities to the satisfaction of the Department as a condition to closing this acquisition.

The Seller has provided a survey map and legal description that has been reviewed and approved by DAGS Survey Division through the issuance of C.S.F. 25,404. DOFAW has also developed a Baseline Documentation Report for the conservation easement.

AGENCY COMMENTS. No comments were received by the Office of Hawaiian Affairs ("OHA").

RECOMMENDATION: That the Board:

1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200, 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.
2. Authorize the acquisition of the subject conservation easement under the terms and conditions cited above which are by this reference incorporated herein and further subject to the following:
  - A. The terms and conditions of the draft conservation easement document, as may be amended;
  - B. Review and approval by the Department of the Attorney General;
  - C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
3. Approve of and recommend to the Governor the issuance of an executive order setting aside the subject lands to the Division of Forestry and Wildlife under the terms and conditions cited above, which are by this reference incorporated herein and subject further to the following:
  - A. The standard terms and conditions of the most current executive order form, as may be amended from time to time;
  - B. Disapproval by the Legislature by two-thirds vote of either the House of Representatives or the Senate or by a majority vote by both in any regular or special session next following the date of the setting aside;
  - 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,



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Ian Hirokawa  
Special Projects Coordinator

APPROVED FOR SUBMITTAL:

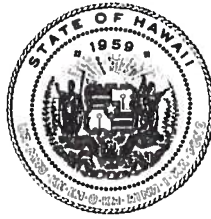
  
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William J. Aifa, Jr., Chairperson







NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



**STATE OF HAWAII**  
**DEPARTMENT OF LAND AND NATURAL RESOURCES**

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December 12, 2014

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KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

**EXEMPTION NOTIFICATION**

Regarding the preparation of an Environmental Assessment pursuant to Chapter 343, HRS and Chapter 11-200, HAR.

- Project Title:** Approval for Acquisition of a Perpetual Conservation Easement by the Division of Forestry and Wildlife.
- Project Location:** Ka'awaloa (Mauka), South Kona, Island of Hawaii, Tax Map Key: (3) 8-1-008:015 (por.).
- Project Description:** Acquisition of conservation easement to preserve the forest values of the parcel in perpetuity.
- Chapter 343 Trigger:** Use of State Funds
- Exemption Class No.:** In accordance with the Exemption List for the Division of Forestry and Wildlife, approved by the Environmental Council and dated June 12, 2008, the subject project is considered to be exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1, Item No. 16, that states: "The acquisition of land or interests in land for the purposes of conservation, provided that the acquisition does not cause any material change of use of land or resources beyond that previously existing". As the purpose of the conservation easement is to maintain and preserve the existing resources and land use activities, there is no material change of use of land or resources.
- Consulted Parties:** DLNR Division of Forestry and Wildlife
- Recommendation:** That the Board find this project will probably have minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment.





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William J. Aila, Jr.  
Chairperson