

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

May 24, 2019

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

PSF No.: 19HD-010

Hawai'i

Approve a One-Year Holdover, General Lease No. 3837, Floral Resources/Hawaii, Inc., Lessee, Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-2-044:004.

APPLICANT AND REQUEST:

The Lessee, Floral Resources/Hawaii, Inc. is requesting a one-year holdover of General Lease No. 3837 pursuant to HRS §171-40

LEGAL REFERENCE:

Sections 171- 36(b), 171-40, Hawaii Revised Statutes, as amended,

LOCATION:

Portion of Government lands situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-2-044:004, as shown on the attached map labeled Exhibit A.

AREA:

10 acres, more or less.

ZONING:

State Land Use District:	Agriculture - Urban
County of Hawaii CZO:	Ag-5a, RS-10

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

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

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>X</u>	NO <u>  </u>
Registered business name confirmed:	YES <u>X</u>	NO <u>  </u>
Applicant in good standing confirmed:	YES <u>X</u>	NO <u>  </u>

CURRENT USE STATUS:

Encumbered by General Lease No. 3837, Floral Resources/Hawaii, Inc., Lessee, for commercial purposes. Lease to expire on June 15, 2019. The last rental reopening occurred on May 25, 2002 and was for the remainder of the lease term.

LEASE CHARACTER OF USE:

For wholesaling, retailing and packing of nursery products and other related use.

TERM OF LEASE:

55-years, commencing on June 16, 1964 and expiring on June 15, 2019. Last rental reopening occurred on June 16, 2014 for the remainder of the lease term.

LEASE ANNUAL RENTAL:

Current rent is \$17,000.00<sup>1</sup>, due in quarterly installments of \$4,250.00 on the 15<sup>th</sup> of March, June, September, and December of each year.

HOLDOVER LEASE COMMENCEMENT DATE:

June 16, 2019.

HOLDOVER LEASE ANNUAL RENT:

\$17,000.00 billed in four equal quarterly installments.

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<sup>1</sup> Approved mediation settlement established rent for remaining term at: \$15,000 per annum from 6/16/14 through 12/16/16, and \$17,000 per annum from 12/17/16 through 6/15/19.

BACKGROUND:

At its meeting of October 26, 1962, the Board of Land and Natural Resources, under Agenda Item F-11, approved the issuance of a 55-year lease for wholesaling, retailing and packing of nursery products and related uses. At a public auction held on June 16, 1964, Hongo Nursery Inc. as the highest bidder, was awarded General Lease No. S-3837.

At its meeting of February 9, 1979, Item F-1-c, the Board approved consent to mortgage, Hongo Nursery, Inc., mortgagor, to Bank of Hawaii and State of Hawaii, Department of Agriculture, mortgagees, in the amount of \$30,000.00, for improvements, expansion, and refinance of an existing mortgage.

On July 29, 1982, Vernon Inouye, Vice-President of Hongo Nursery, Inc., notified staff of a corporate name change from Hongo Nursery, Inc., to Inouye, Inc. Then, at its meeting of September 23, 1983, Item F-1-b, the Board approved consent to mortgage, Inouye, Inc., mortgagor, to Federal Land Bank of Sacramento, mortgagee, for \$129,000 to construct a shade house.

On October 25, 1985, Vernon Inouye, President of Floral Resources/ Hawaii, Inc., requested consent to assignment of General Lease No. S-3837, Inouye, Inc., assignor, to Floral Resources/ Hawaii, Inc., assignee. A review of the files for this lease revealed that a consent to assignment was never prepared for Board approval.

At its meeting of June 24, 1986, the Board approved consent to mortgage, Floral Resources/ Hawaii, Inc., borrower/mortgagor, to Hawaii Production Credit Association, mortgagee, for \$166,890.

At its meeting of February 1, 1989, the Board approved consent to mortgage, Inouye, Inc., mortgagor, Floral Resources Hawaii, Inc., as borrower, to Hawaii Production Credit Association, mortgagee, for \$277,780.00 for capital improvements and operating expenses.

At its meeting of June 28, 1996 (Item D-2), the Board approved the assignment of General Lease No. S-3837, from Gordon Inouye, as Trustee in Dissolution of Inouye, Inc., assignor, to Floral Resources/ Hawaii, Inc., the assignee and corporate successor of Inouye, Inc.

Last rental reopening for General Lease No. S-3837 occurred on June 16, 2014. The lease rent was established through the mediation process wherein the rent for the two-year period from 6/16/14 through 6/15/18 was set at \$15,000 per annum and the remaining rental period of 6/16/18 through 6/15/20 is \$17,000 per annum<sup>2</sup>. It was also determined in the mediation that the Lessee has provided a performance bond that exceeds the amount required of the lease. The Lessee's actual bond was much larger

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<sup>2</sup> Previous rent \$6,600 per year paid through June 15, 2015. Agreement required an additional \$8,500

than the \$876.00 (two times the annual rental established at public auction) required to buy the lease.

Staff reviewed the file and can report that Lessee has been in compliance with all lease terms and conditions. Rent is current and liability insurance expires on July 1, 2019. A bond in the amount of \$876.00 (Bank of Hawaii Passbook, no. 6855-036411), expires on 6/15/2019. The Lessee has never been cited for any illegal or unlawful activity on the State property.

No agency or community comments were solicited, as there will be no new disposition or change in land use.

#### ONE YEAR HOLDOVER:

Prior to the expiration of General Lease No. S-3837, the Lessee had expressed an interest in extending the lease term an additional two (2) years pursuant to HRS §171-36(b) with improvements being made to the main warehouse structure. The property consists of a steel frame warehouse utilized for packing and shipping as well as office space. The lease area also contains a wood framed warehouse used for vehicle and equipment storage as well as several acres of shade house and open fields utilized for plant production. (Exhibit B)

Due to current economic conditions, the Lessee has informed the Hawaii District Land Office that it will not be making the planned improvements to the property and are withdrawing the request for a 2-year extension.

However, the Lessee is requesting a one-year holdover in order to allow time to remove and relocate as many of the plant material as possible to their Pahoia Ag lot property. The plant materials include ornamental foliage and floral crops such as anthuriums, orchids and heliconia.

They are also requesting time to dismantle some of the shade house in order to facilitate the transfer of their field crops. The Lessee has indicated that, in the event they are able to vacate the property within the one-year holdover period, they be allowed to terminate the lease prior to the full one-year holdover term.

For the reasons stated above, staff is recommending a one-year holdover (pursuant to HRS §171-40). Staff is also recommending the annual rent for the holdover period to remain at the current annual rent of \$17,000.00.

#### RECOMMENDATION: That the Board:

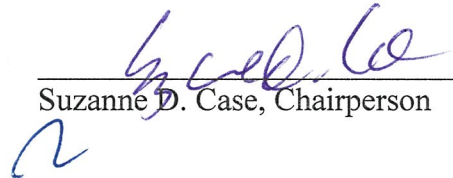
1. Authorize a one-year holdover of General Lease No. 3837 for the period of June 16, 2019 to June 15, 2020, under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:

- a. The standard terms and conditions of the most current holdover of lease form, as may be amended from time to time;
- b. The annual rent for the one-year holdover period will be \$17,000.00, billed in quarterly amounts of \$4,250.00 each;
- 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.

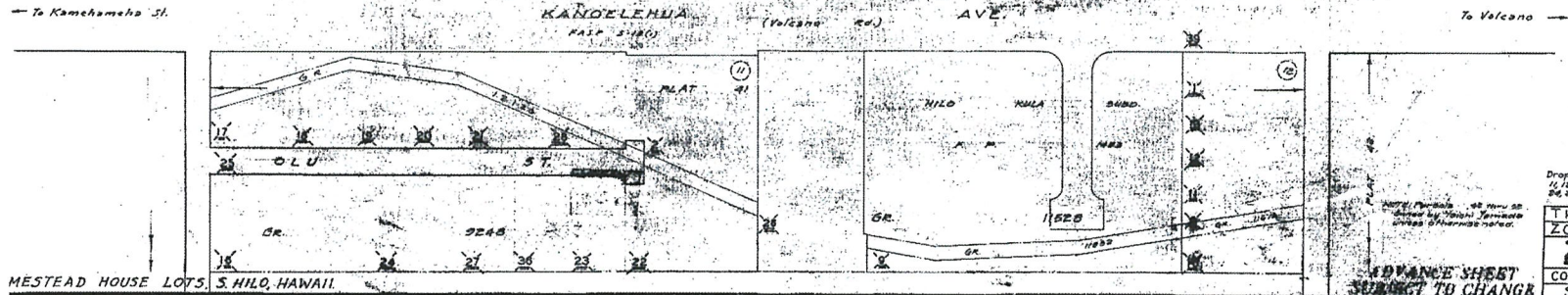
Respectfully Submitted,

  
Gordon C. Heit  
District Land Agent

APPROVED FOR SUBMITTAL:

  
Suzanne D. Case, Chairperson

SUBJECT PROPERTY



# EXHIBIT A



VIEW FROM KAWAILANI STREET



GATED ENTRANCE TO PROPERTY



INTERIOR OF MAIN WAREHOUSE



INTERIOR OF MAIN WAREHOUSE



ANTHURIUM PLANTING WITHIN SHADEHOUSE



ANTHURIUM PLANTING WITHIN SHADEHOUSE