

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

May 9, 2025

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

GLS-4302

**Hawaii**

Authorize a One-Year Holdover of General Lease No. S-4302, Yamada Transfer, Inc., Lessee; Require Lessee to Post a Removal Bond Covering the Cost of Removing all Improvements from the Lease Premises at the end of the Holdover Period in the Event the Board Elects such Removal, Waiakea House Lots, Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-2-037:089.

APPLICANT:

Yamada Transfer, Inc., lessee, a Hawaii for-profit corporation.

LEGAL REFERENCE:

Sections 171-40, Hawaii Revised Statutes (HRS), as amended.

LOCATION:

Portion of Government lands of Waiakea House Lots situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-2-037:089, as shown on the attached map labeled Exhibit A.

AREA:

4.82 acres, more or less.

ZONING:

State Land Use District: Urban  
County of Hawaii CZO: MG-1a (General Industrial – 1 acre min.)

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

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, the subject request is exempt from the preparation of an environmental assessment pursuant to General Exemption Type 1 that states, "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," and Part 1, Item 40 that states, "Leases of State land involving negligible or no expansion of change of use beyond that previously existing," The proposed holdover of the existing lease of land with existing improvements constitutes a de minimis action that will probably have minimal or no significant effect on the environment and should be declared exempt from the preparation of an environmental assessment and the requirements of § 11-200.1-17, HAR.

DCCA VERIFICATION:

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

CURRENT USE STATUS:

Encumbered by General Lease No. S-4302, Yamada Transfer, Inc., for general industrial purposes.

CURRENT LEASE TERM AND ANNUAL RENT:

Original term of 55 years, commencing on May 12, 1970 and expiring May 11, 2025. A reopening appraisal performed as of May 12, 2020 set the annual rent for the period May 12, 2020 through May 11, 2025 at \$166,340.00 payable in two semi-annual installments on the 12<sup>th</sup> day of May and November.

HOLDOVER LEASE COMMENCEMENT DATE AND TERM:

May 12, 2025 for a term of one-year, expiring May 11, 2026.

HOLDOVER LEASE ANNUAL RENT:

Continuation of the current annual rental amount and payment terms.

PERFORMANCE BOND:

Continuation of the current bond amount, which is twice the annual rent.

BACKGROUND:

General Lease No. S-4302 (GLS-4302) was sold to Robert M. Yamada, Maile E. Chong, Ronald L. Yamada and Donald K. Yamada dba Yamada Transfer by way of public auction. The lease was issued for a term of 55 years commencing on May 12, 1970 and expiring May 11, 2025.

At its meeting of April 25, 1975, agenda item F-1-h, the Board approved an assignment of lease from the five individuals to their corporate successor, Yamada Transfer, Inc.

REMARKS:

The Lessee expressed intent to apply for a lease extension pursuant to Act 149, Session Laws of Hawaii 2018 (Act 149). However, although staff remained in contact with the Lessee to inquire on the status of the application, the Lessee did not submit an application for lease extension. The Lessee explained that it was not able to submit the application at this time due to the inability to provide an appraisal report for their existing improvements. At this point, there is not sufficient time for staff to properly review a lease extension application, including a review of the appraisal of the improvements, and bring it before the Board prior to the expiration of the lease.

As an alternative, staff brings this request for a one-year holdover, effective May 12, 2025 and expiring on May 11, 2026. During the holdover period, staff understands that Lessee intends to pursue a new direct lease for the subject property pursuant to Act 114, Session Laws of Hawaii 2024 (Act 114). Act 114 authorizes the Board to award direct leases not to exceed a term of 35 years for commercial and industrial use on parcels up to five acres.<sup>1</sup> Although not required by Act 114, staff recommends that the Lessee shall provide their substantial improvement plan and negotiate a development agreement as required under Act 149, in order to qualify for a direct lease. At the time that a direct lease may be considered by the Board, staff intends to recommend that the Lessee be required to complete the substantial improvements as part of its

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<sup>1</sup> The Subject Property is 4.82 acres.

approval of a direct lease. Staff is proceeding in this manner due to concerns about setting a precedent where a future lessee could pursue a direct lease instead of a lease extension in order to avoid constructing substantial improvements required by Act 149.

Upon expiration of the holdover, the ownership of existing improvements will revert back to the State. If the Lessee is awarded a direct lease, such lease would include both land and existing improvements, and lease rent would be appraised accordingly. Furthermore, David S. De Luz Sr. Enterprises, Inc. (De Luz) is a sublessee of the Subject Property.<sup>2</sup> In the event that De Luz expresses an interest in obtaining the lease, staff will bring a recommendation to the Board to award the new lease by public auction rather than direct negotiation.

As part of the holdover approval, staff recommends that the Lessee be required to provide a removal bond covering the complete removal of the existing improvements at the end of the holdover period, in the event the Board elects to have them removed. The bond shall be posted no later than the 60<sup>th</sup> day of the holdover period in an amount acceptable to the Chair. This would alleviate the State of the responsibility for removing improvements that have outlived their useful lives at its own cost, especially in the event the Lessee does not obtain a new lease. At the end of the holdover period, the Board, in its sole discretion, shall decide whether to require the removal of improvements or allow them to remain on the premises under a new lease issued by direct negotiation or public auction.

#### RECOMMENDATION:

That the Board:

1. Declare that, after considering the potential effects of the proposed dispositions 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 as a de minimis activity.
2. Authorize a One-Year holdover for General Lease No. S-4302, Yamada Transfer, Inc., Lessee, for the period of May 12, 2025 to May 11, 2026, 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

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<sup>2</sup> Three subleases were previously received by the Hawaii District Land Office but were not processed for consent at that time. After-the-fact consents are being presented to the Board concurrent with this submittal at the May 9, 2025 BLNR meeting.

lease form, as may be amended from time to time;

- b. Review and approval by the Department of the Attorney General; and
  - c. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
3. Require the Lessee post a removal bond to remove all improvements at the end of the holdover period, and pay all costs incurred by Lessor to remove said improvements, including any costs to procure a consultant to estimate the cost of removal.

Respectfully Submitted,

*Candace Martin*

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Candace Martin  
Acting District Land Agent

APPROVED FOR SUBMITTAL:



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Dawn N.S. Chang, Chairperson

# EXHIBIT A

