

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

October 28, 2016

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

16KD-139

Kauai

Cancellation of Revocable Permits Nos. S-7407, S-7444 and S-7613 to Coco Palms Ventures LLC; Issuance of Revocable Permits to Coco Palms Hui LLC, Wailua, Kawaihau, Kauai, Tax Map Keys: (4) 4-1-003:044 por., (4) 4-1-003:017 and (4) 4-1-005:017.

APPLICANT:

Coco Palms Hui LLC, a Foreign Limited Liability Company.

LEGAL REFERENCE:

Sections 171-13 and -95, Hawaii Revised Statutes, as amended.

LOCATIONS:

Portion of Government lands of Wailua situated at Kawaihau, Kauai, Hawaii, identified by Tax Map Keys: (4) 4-1-003:044 por., (4) 4-1-003:017 and (4) 4-1-005:017, as shown on the attached maps labeled Exhibit A, B and C.

AREA:

- TMK: (4) 4-1-003:044 por. 460 square feet, more or less (Parcel A).
- TMK: (4) 4-1-003:017 0.855 acres, more or less (Parcel B).
- TMK: (4) 4-1-005:017 5,224 square feet, more or less (Parcel C).

ZONING:

State Land Use District: Urban
 County of Kauai CZO: R-10

TRUST LAND STATUS:

Three Revocable Permits:

Section 5(b) lands of the Hawaii Admission Act

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

CURRENT USE STATUS:

Parcel A (RP S-7407) - driveway access is currently blocked off to traffic for existing parking lot.

Parcel B (RP S-7444) - currently being used by the demolition company for parking of employees.

Parcel C (RP S-7613) - currently vacant; restaurant is scheduled for renovation.

CHARACTER OF USE AND CURRENT RENT:

Parcel A - Encumbered by Revocable Permit No. S-7407, Coco Palms Ventures LLC, Permittee, for use and maintain driveway for vehicular access purposes. Rent under RP S-7407 is currently \$13.00 per month.

Parcel B - Encumbered by Revocable Permit No. S-7444, Coco Palms Ventures LLC, Permittee, for parking and landscaping purposes. Additionally encumbered by Land Office Deed No. 12850, which is a perpetual access easement in favor of Coco Palms Ventures LLC. Rent under RP S-7444 is currently \$372.00 per month.

Parcel C - Encumbered by Revocable Permit No. S-7613, Coco Palms Ventures LLC, Permittee, for restaurant, landscaping and related purposes. Rent under RP S-7613 is currently \$282.00 per month.

COMMENCEMENT DATE:

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

MONTHLY RENTAL:

As an interim measure, staff recommends the initial rent be carried over from the previous revocable permits with adjustments as follows:

<u>Parcel</u>	<u>Rent under prior Permit</u>	<u>Rent under new Permit</u>
Parcel A	\$13.00 per month	\$40.00 per month
Parcel B	\$372.00 per month	\$422.20 per month
Parcel C	\$282.00 per month	\$320.00 per month

The adjustment to the Parcel A rent reflects an increase to the minimum rent for new dispositions under the Board's minimum rent policy. The adjustments to the Parcel B and Parcel C rents reflect a 13.5% increase over the prior rents established by in-house appraisal in 2008, using the average consumer price index increase approach the Board recently approved in the annual renewals of revocable permits for the various islands.

Additionally, the Applicant will be required to pay for an independent appraisal to determine the fair market rent to charge for the parcels, subject to review and approval by the Chairperson. Rent will be adjusted retroactively to the date of permit issuance to account for any difference between the interim rent and the appraised rent, provided that the rent shall not be lower than \$40.00 per month per parcel.

COLLATERAL SECURITY DEPOSIT:

Twice the monthly rental.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

In accordance with Hawaii Administrative Rule Section 11-200-8 and the Exemption List for the Department of Land and Natural Resources concurred by the Environmental Council and dated June 5, 2015, the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1. See Exemption Declaration attached as Exhibit D.

DCCA VERIFICATION:

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

APPLICANT REQUIREMENTS:

Applicant shall be required to:

Pay for an appraisal to determine fair market rent to be determined by independent appraiser, subject to review and approval by the Chairperson.

JUSTIFICATION FOR REVOCABLE PERMITS:

Parcel A (RP No. S-7407)

Parcel A will be used on short-term basis only for duration of the hotel renovation. Parcel A provides access to a parking lot on Applicant's private property. Additionally, the Department of Transportation, Highways Division, has expressed interest in

acquiring an executive order over Parcel A and other State lands in the area for the widening of Kuhio Highway. Accordingly, Parcel A is unsuitable for a long-term disposition that could interfere with DOT's plans.

Parcel B (RP No. S-7444)

Parcel B will similarly be used on a short-term basis as a parking area for construction workers working on the hotel renovation. Additionally, a revocable permit will allow the land to be utilized while staff plans for the future disposition of parcel, including evaluation of the potential for the sale of a lease at auction. As noted above, Parcel B is also encumbered by an access easement in favor of Coco Palms Ventures LLC, which will need to be assigned to Applicant with Board consent (to be addressed at a separate meeting).

Parcel C (RP No. S-7613)

The unusual shape and small size of Parcel C may make it difficult to utilize as a stand-alone parcel. Nevertheless, staff will explore the possibility of selling a long-term lease of the parcel at public auction.

REMARKS:

Brief history of Coco Palms:

Originally built in the 1940s, the hotel was known as Coco Palm Lodge. On January 25, 1953, under the management of Island Holidays, Ltd., the property was renamed Coco Palms Resort.

In 1969, Amfac purchased Island Holidays, Ltd. and the Coco Palms property.

In 1985, Amfac sold the property to Wailua Associates, who managed the hotel until Hurricane Iniki struck on September 11, 1992.

In 2006, the property was sold to Coco Palms Ventures LLC (CPV). After years of planning, building permits, etc., with the economic downturn, CPV struggled to find new investors for this project but eventually gave up on the project.

Prudential Insurance PR II LLC took over ownership of the property.

In May 2016, Coco Palms Hui LLC became the new owners of the property.

Parcel A (RP No. S-7407)

Previous revocable permits issued for the same purpose under previous owners:
RP S-4253 – Island Holidays, Ltd.

RP S-5958 – Island Holidays, Inc.
RP S-6233 – Wailua Associates
RP S-7407 – Coco Palms Ventures LLC

Parcel B (RP No. S-7444)

Previous General Lease for the same purpose under previous owners:
GL S-4740 – Island Holidays, Ltd.
GL S-4740 – Wailua Associates (consent to assignment)
GL S-4740 – Coco Palms Ventures LLC (expired 2006, RP issued)

Parcel C (RP No. S-7613)

Previous Revocable Permits issued for the same purpose under previous owners:
RP S-6234 – Wailua Associates

Applicant 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.

The proposed use has continued since 1968 and will continue. Such use has resulted in no known significant impacts, whether immediate or cumulative, to the natural, environmental and/or cultural resources in the area. As such, staff believes that the proposed use would involve negligible or no expansion or change in use of the subject area beyond that previously existing.

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 issuance of a revocable permit to Coco Palms Hui LLC covering Parcel A for use and maintenance of a driveway for vehicular access purposes 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 revocable permit 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. Authorize the issuance of following revocable permit to Coco Palms Hui LLC covering Parcel B for parking and landscaping purposes 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 revocable permit 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.

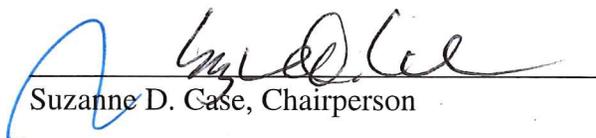
4. Authorize the issuance of following revocable permit to Coco Palms Hui LLC covering Parcel C for restaurant, landscaping and related purposes under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - a. The standard terms and conditions of the most current revocable permit 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.

Respectfully Submitted,

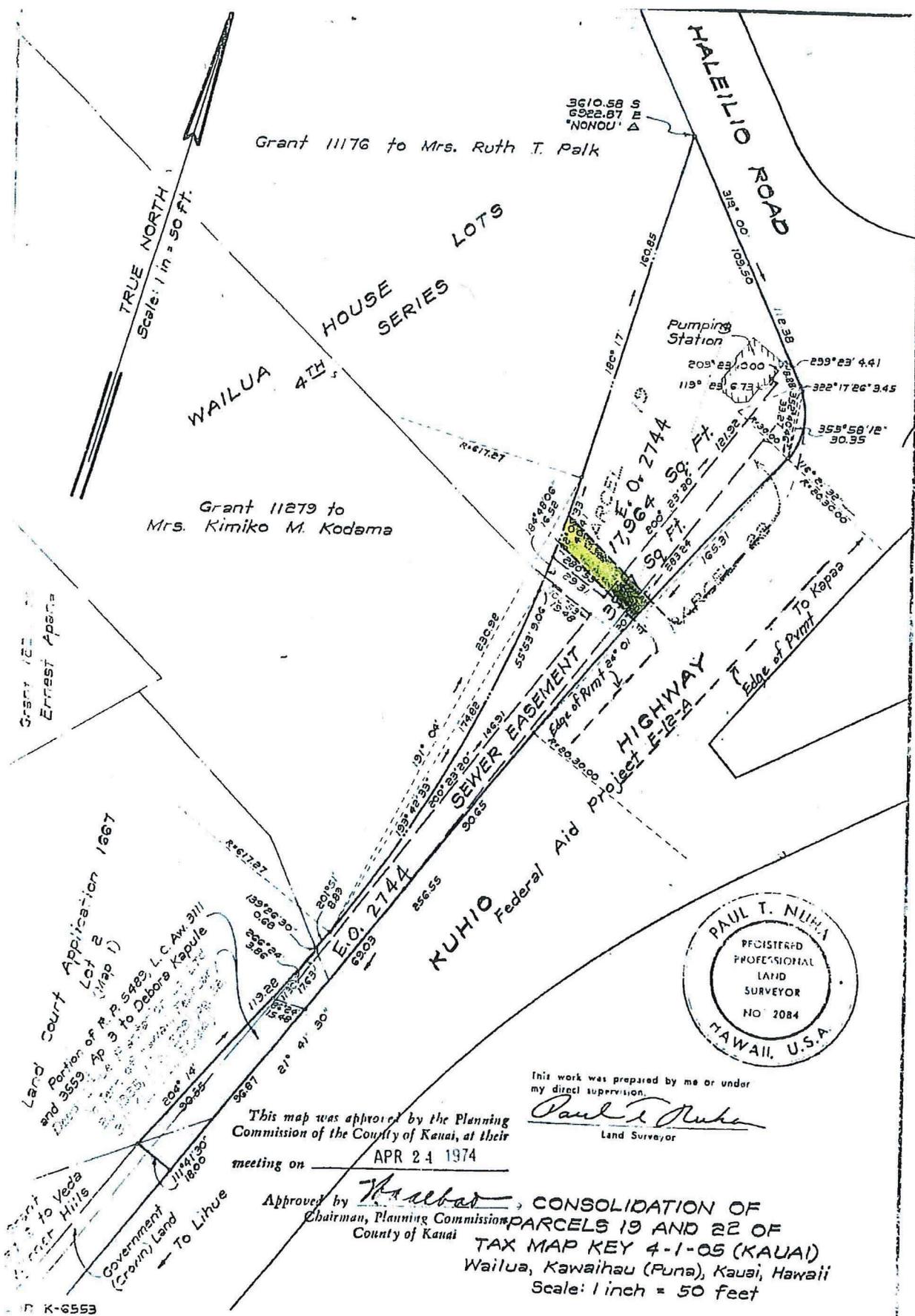


Marvin Mikasa
District Land Agent

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson



Grant 11176 to Mrs. Ruth T. Palk

Grant 11279 to Mrs. Kimiko M. Kodama

Grant 122
Erected App. 72

Land Court Application 1667
Portion of R.P. 5489 L.C. Aw 9111
Lot 2 (Map 1)
To 9 to Debora Kapule

Grant to Veda Hills
Government (Crown) Land
To Lihue



This work was prepared by me or under my direct supervision.

Paul T. Nuha
Land Surveyor

This map was approved by the Planning Commission of the County of Kauai, at their meeting on APR 24 1974

Approved by *Walter*, Chairman, Planning Commission, County of Kauai
CONSOLIDATION OF PARCELS 19 AND 22 OF TAX MAP KEY 4-1-05 (KAUAI) Wailua, Kawaihau (Puna), Kauai, Hawaii
Scale: 1 inch = 50 feet

Owner: State of Hawaii

EXHIBIT "A"

TAX MAP 4-1-05 4-1-003:044

SURVEY DIVISION
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
STATE OF HAWAII

00. March 8 1974

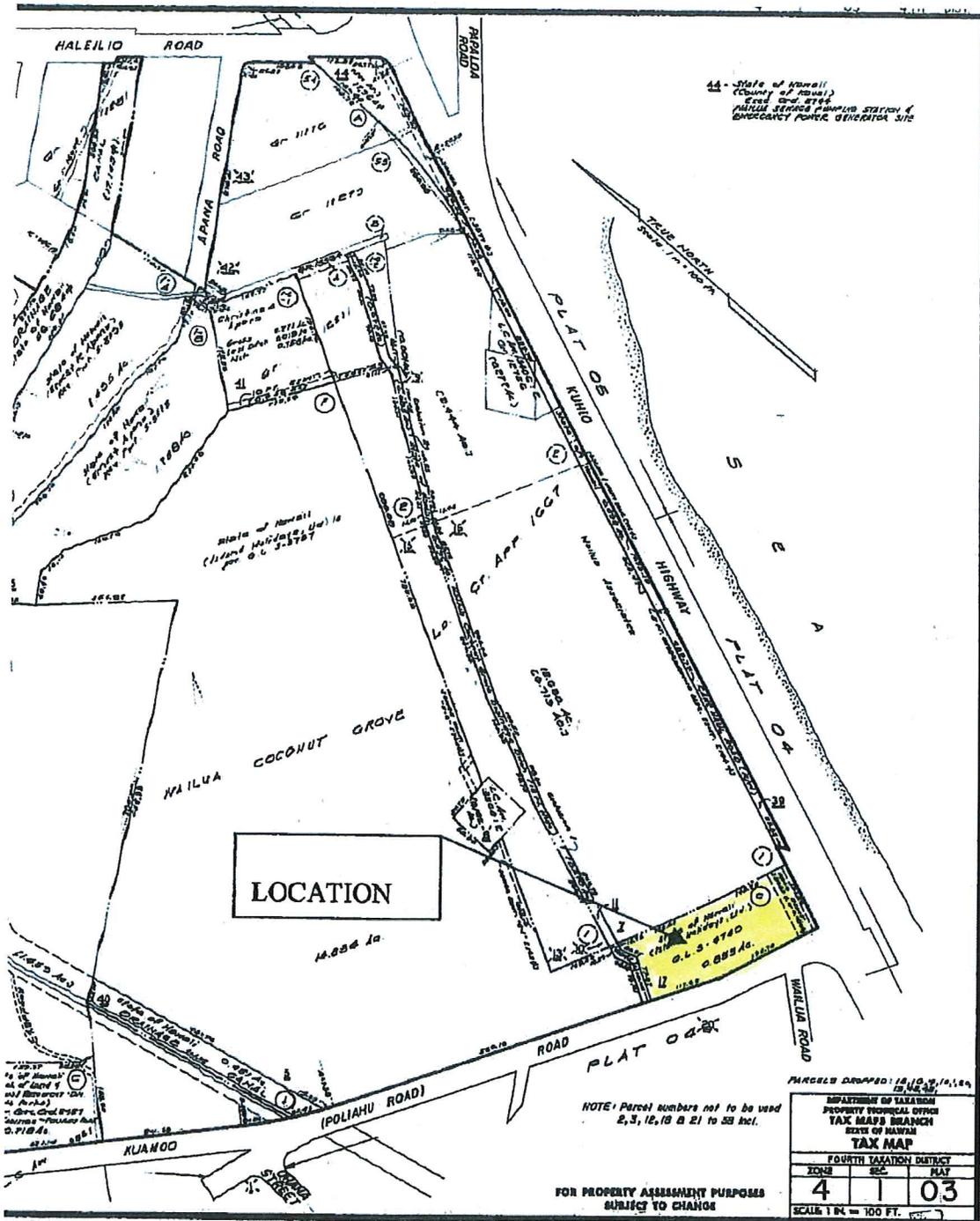


EXHIBIT B

EXEMPTION NOTIFICATION

Regarding the preparation of an environmental assessment under the authority of Chapter 343, HRS and Chapter 11-200, HAR

Project Title: Cancellation of Revocable Permits No. S-7407, S-7444 and S-7613 to Coco Palms Ventures LLC; Issuance of Revocable Permits to Coco Palms Hui LLC, Wailua, Kawaihau, Kauai, Tax Map Keys: (4) 4-1-003:044, (4) 4-1-003:017 and (4) 4-1-005:por. 017.

Project Number: PSF No. 16KD-139

Project Description: Cancellation and issuance of new revocable permits to Coco Palms Hui LLC

Chap. 343 Trigger(s): Use of State Land

Exemption Class No.: In accordance with the Exemption List for the Department of Land and Natural Resources, approved by the Environmental Council on June 5, 2015, the subject request of an Environmental assessment pursuant to Exemption Class 1, "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."

The renewal of existing revocable permits on State lands involves the continuation of existing uses on the lands. No change in use is authorized by the renewal.

Recommendation: It is anticipated that this request will probably have minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment.



Suzanne D. Case, Chairperson

10/13/16

Date

EXHIBIT D