

State of Hawai'i
Department of Land and Natural Resources
Division of State Parks
Honolulu, Hawai'i

November 10, 2016

Board of Land and Natural Resources
State of Hawai'i
Honolulu, Hawai'i

Statewide

Approval to Continue Twenty-Seven (27) Revocable Permits for Use of and Activity on Division of State Parks Lands on the Islands of Kaua'i, O'ahu, Maui, and Hawai'i (see attached Exhibit B)

Legal Reference: Sections 171-13 and -55, HRS, as amended.

BACKGROUND:

Prior to the inception of the Revocable Permit Task Force and the findings presented and approved by the Board on June 24 2016, in December of each year the Division of State Parks (DSP) would request the Board of Land and Natural Resources' (Board's) approval to continue the pertinent existing month-to-month revocable permits (RPs) throughout the state. In general, all of the permittee's that are eligible included in the renewal request are both in good standing and in compliance with the terms of the RP. In certain cases, however, continuation of the RP are not necessarily pursued. Examples of this would include RP's where the purpose has ended (such as transitional RP's) or in cases of non-compliance with the RP terms and it has been allowed to lapse.

Pursuant to §171-55, HRS, the Board may allow revocable permits to continue on a month-to-month basis for additional one-year periods. The prior purpose of seeking the Board's approval collectively has been to synchronize the terms of all revocable permits to a single calendar year period. Now, after the findings and recommendations of the RP Task Force, this annual Board submittal has been amended to include a more detailed explanation on the nature and necessity to either continue the RP or prepare the disposition to be authorized for a competitive process. All RP's currently administered by DSP that are being requested for continuation in this submittal are listed in Exhibit B.

DISCUSSION:

DSP had been planning to transition a large portion of thee RP's to a competitive process, but with severe staff limitations due to the passing of the primary Property Manager in February of 2016, the one Property Manager on staff was at full capacity managing the existing tenant issues and back office documentation and income until a new Property Manager was hired. DSP hired a new Property Manager on August 15, 2016, which now

provides DSP with the minimal additional Property Management staff needed to both manage existing dispositions and also to begin initiating procedures for the issuance of long-term leases for a set of these revocable permits.

DSP currently administers 4 general categories of RP's that are the subject of this request:

1. Commercial tours and recreational activities (10)
2. Commercial partnerships that provide a service (11)
3. Eleemosynary - not for profit camp activity (5)
4. Pastoral/Agricultural (1)

Some RP's have been established to test the commercial viability of a service and income generating opportunity, such as the parking and entry RP's, while there are those are not easily subject to a competitive process – or provide a value added but fiscally intangible public recreational service.

There are currently 27 RP's DSP is asking to be renewed. Of the attached RP list, there are 13 that will be eligible in 2017 to place out for either an Invitation to Bid or a Request for Proposals. These RP's are intended to be transitional as the intent is that they will be replaced by concession agreements or long-term, general leases.

As background, on July 27, 2012, the Board previously approved the request for the sale and independent award of 5 mobile concession agreements by means of sealed bid auction. Due to the loss of staff and subsequent staffing limitations, these solicitations have not been completed. The existing RP holders under DSP that are subject to a future competitive bid auction include, Sukhothai Corp., Curtis Hong, Bottling Group, LLC, Maui Soda and Ice Works, LTD, and Island Inspirations. These revocable permits will be part of the first phase subject to future concession bids, but would remain in place until such time as the contracts are awarded pursuant to the bidding process - planned for initiation and completion in 2017.

Kaua'i

Napali Coast State Wilderness Park: These RPs include inflatable boat and kayak landing permits for commercial guided tours at Nu'alolo Kai and Miloli'i along the Napali Coast. These RP were approved in 2005, but have a much more complex and long standing use related to permits that were initiated in the 1980's. DSP is working on a process to determine how to establish an equitable permit process for commercial tours without having to determine the arbitrary criteria associated with capacity for the use of the ocean and considering limitations on the fast land portion of the park.

Koke'e and Waimea Canyon State Parks: There are five (5) permits for nonprofit use of recreation-residence/camp facilities. The Board previously approved the issuance of long term leases for five non-profit organizations – but DSP has failed to follow through with the authorization. As staff time is available, State Parks will initiate the process for negotiation on long term leases for the four non-profit organizations: Ka Imi Naaauo Hawai'i Nei, United Church of Christ, Hawai'i United Methodist and Kaua'i Christian Fellowship, to operate their respective recreation-residence lots for public recreational overnight use.

Kikialoa Realty Inc., dba The Lodge at Koke'e (Lodging and Concession Purposes): The concessionaire had been operating the lease under a three year term which expired on December 31, 2006. At its meeting of December 8, 2006, under item E-1 and June 8, 2007, under item E-1, the Board approved an additional holdover period of an additional six months.

The lease is for the operation and rental of twelve (12) State-owned cabins, operation of a restaurant providing food and beverage service to park visitors and for the operation of a gift shop. The holdover rental amount is 3% of gross profits (gross sales less cost of goods sold).

During the course of the original lease and over the years, the concessionaire had been on a month-to-month basis and had encountered a number of maintenance problems for both the lodge as well as for the cabins.

Staff plans to issue a revocable permit to The Lodge at Koke'e for twelve (12) months with the intention of processing an Invitation For Bid (IFB) for a long term lease for the subject property.

Waimea Canyon Lookout: Sukhothai Corp mobile food concession.

Wailua River State Park: The Board at its meeting of August 26, 2016, approved the issuance of revocable permits for these three (3) pasture properties during the interim in which the DSP will be in discussion and planning related to transferring these pasture properties over to the Department of Agriculture. These RPs are being drafted in coordination with the Attorney General (AG).

O'ahu

Ahupua'a 'O Kahana State Park: A relatively small agricultural RP is issued to Erlinda Villanueva as a continuation of traditional practices and is related to the cultivation and sale of ti leaf.

Ka'ena Point State Park: The Young Men's Christian Association (YMCA) operates an archery range and other outdoor recreational activities under its RP which covers land adjacent to Camp Erdman. This is a portion of the State Park, and other than the use of the land for the YMCA programs, there is no other recreational use considered for this portion of the park.

- **The Hawai'i Climbing Coalition** manages a series of vertical climbing routes on unencumbered State land with access through DSP land at Ka'ena Point State Park. This RP was crafted as an agreement between the Attorney General and a coalition of rock climbers under the previous administration. The Coalition manages the climbing routes and carries liability insurance – one of the conditions of the RP. This is a unique and adaptive method to allow for recreational rock climbing on State land.

Diamond Head State Monument: ProPark Inc. furnishes toll booth, attendants and management services for the parking lot. The Board at its April 8, 2016, meeting authorized an Invitation for Bid (IFB) for the issuance of a long-term lease for the subject area. This RP will be revoked upon the completion of the IFB process. The IFB is in draft form and will be sent to the AG for finalization.

- **Bottling Group, LLC** operates beverage vending machines near the main comfort station. Curtis Hong operates a mobile food concession located in the parking area.

Nu'uauu Pali State Wayside (Pali Lookout):

- **Diamond Parking Service** staffs the toll booths and collects fees and monitors vehicles.

Maui

Wai'anapanapa State Park: Maui Ice and Soda Works operate beverage vending machines.

Makena State Park: Island Inspirations, LLC operates as mobile food vendor.

Iao Valley State Monument: Republic Parking Northwest, Inc. furnishes attendants and management services for the parking lot area. However, due to the extensive flooding and erosion damage which occurred on the island of Maui September 13, 2016, Iao Valley State Park will be closed to the public for several months, as DLNR engineers, consultants, and DSP staff work together to assess the damages and repair work to the roadway within Iao Valley State Park. At this time DSP is in discussion with the vendor to determine options.

Hawai'i

Hapuna Beach State Recreation Area: Republic Parking Northwest, Inc. operates a parking concession to establish baseline revenue generation in order for DSP to initiate a competitive concession opportunity in 2017.

Akaka Falls State Park: Diamond Parking Service provides parking attendants and fee collection management services

Kealahou Bay State Historical Park: Three (3) commercial kayak tour companies are authorized to launch and land from Napo'opo'o Wharf (Landing), transit Kealahou Bay to Awili Landing at Ka'awaloa Flats with patrons and gear. DSP is currently engaged in a Master Plan and an environmental impact statement (EIS) that includes a provision to have the rental of kayaks at Napo'opo'o Wharf (Landing) and management of the launching and landing at Ka'awaloa Flats be outsourced for management via a competitive process. DSP is anticipating this may be completed by the end of 2017.

DSP critically relies on Special Fund revenue to offset inadequate allocations of general funds and is more than 50% funded by income. RP's are one of the elements DSP uses to both ascertain monetary value of assets and to collect revenues and use data – and to allow for value added recreational use. DSP will continue to apply adaptable methods to determine long term revenue streams while generating revenue to offset rising operating costs.

Staff is recommending that the Board approve the continuation of the revocable permits as described in this submittal.

RECOMMENDATION: That the Board:

1. Authorize the continuation of the Twenty-Seven (27) revocable permits listed in a portion of Exhibit B and the titles, pursuant to the terms above which, by this reference, are incorporated herein, on a month-to-month basis and for a one-year period ending December 31, 2017, except for permits that are in arrears of rental payment for more than 60 days;
2. Approve such other terms and conditions as may be prescribed by the Chairperson of the Department of Land and Natural Resources to best serves the interest of the State.

Respectfully submitted,



CURT A. COTTRELL
Administrator

APPROVED FOR SUBMITIAL:



Suzanne D. Case
Chairperson

DIVISION OF STATE PARKS
Revocable Permit Master List 2017

EXHIBIT B

RP#	PERMITTEE NAME	PARK	TMK	CHARACTER OF USE	PERMIT AREA (ACRES)	CURRENT RENT BASE (BASE OR PERCENTAGE)	COMMENCEMENT DATE and EXPIRATION DATE	COMMENTS
SP0044	Na Pali Kayak, Inc	Napali (Miloli'i), Kaua'i	(4) 1-4-001:07	Commercial Kayak Landings	N/A	\$5 per person, 5% of gross, which ever higher	6/20/2005 (commence) 12/31/2016 (expires)	
SP0045	Kayak Kauai	Napali (Miloli'i), Kaua'i	(4) 1-4-001:07	Commercial Kayak Landings	N/A	\$5 per person, 5% of gross which ever higher	6/10/2005 (commence) 12/31/2016 (expires)	
SP0046	Rick Haviland, dba Outfitters Kauai	Napali (Miloli'i), Kaua'i	(4) 1-4-001:07	Commercial Kayak Landings	N/A	\$5 per person, 5% of gross, which ever higher	6/6/2005 (commence) 2/31/2016 (expires)	
SP0004	Clancy Greff dba Na Pali Zodiac and A Na Pali Eco Adventures, Inc.	Napali Coast SWP (Nu'alolo Kai), Kaua'i	(4) 1-4-001:07	Inflatable Boat Landings	N/A	\$5 per person, 5% of gross, which ever higher	5/18/2005 (commence) 12/31/2016 (expires)	
SP0005	Na Pali Sea Tours, Inc.	Napali Coast SWP (Nu'alolo Kai), Kaua'i	(4) 1-4-001:07	Inflatable Boat Landings	N/A	\$5 per person, 5% of gross, which ever higher	4/26/2005 (commence) 12/31/2016(expires)	
SP8701	Lady Ann Cruises, Inc.	Napali Coast SWP (Nu'alolo Kai), Kaua'i	(4) 1-4-001:07	Inflatable Boat Landings	N/A	\$5 per person, 5% of gross, which ever higher	4/1/2005 (commence) 12/31/2016(expires)	
SP0191	Hawai'i Conference Foundation, United Church of Christ	Koke'e SP, Kaua'i	(4) 1-4-004:027 a (4) 1-4-004:027 b	Nonprofit Camp	.50 ac.	\$40.00 monthly (\$480/annum)	11/1/2007 (commence) 12/31/2016 (expires)	
SP0189	Ka Imi Naauao o Hawaii Nei	Waimea Canyon SP, Kaua'i	(4) 1-4-002:20	Nonprofit Camp	1.0 ac.	\$40.00 monthly (\$480/annum)	12/31/2013 (commence) 12/31/2016 (expires)	Board approved month to month permit although no permit was issued. requesting long-term

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SP0192	Hawaii United Methodist	Waimea Canyon SP, Kauai	(4) 1-4-002:024	Nonprofit Camp	3.05 ac	\$40.00 monthly (\$480/annum)	1/1/2009 (commence) 12/31/2016 (expires)	
SP0193	Kauai Christian Fellowship	Waimea Canyon SP, Kauai	(4) 1-4-002:041	Nonprofit Camp	.99 ac	\$40.00 monthly (\$480/annum)	1/1/2009 (commence) 12/31/2016 (expires)	
SP0052	Sukhothai Corp	Waimea Canyon Lookout, Kauai	(4) 1-4-001:por.	Mobile Concession	N/A	\$2,500 per month (\$30,000/annum)	9/21/2005 (commence) 12/31/2016(expires)	Projected IFB in 2017
SP0047	Paradise Shrimp & Burger (Curtis K. Hong)	Diamond Head SM, Oahu	(1) 3-1-042:006	Food and Beverage Concession	N/A	\$7,200 per month (\$86,400/annum)	6/1/3005 (commence) 12/31/2016 (expires)	Projected IFB in 2017
SP0041	Pepsi Bottling Group	Diamond Head SM, Oahu	(1) 3-1-042:006	Concession	N/A	\$520 per month (\$6,240/annum)or 45.5% Drinks, 30% Gatorade of gross receipts whichever is greater	10/1/2004(commence) 12/31/2016 (expires)	Projected IFB in 2017
SP0509	YMCA	Ka'ena Point State Park Reserve, Oahu	(1) 6-9-004:005	Outdoor Recreational Activities	6.2 acres	\$150 per month (\$1,800/annum)	7/1/2013 (commence) 12/31/2016(expires)	
SP0530	Hawai'i Climbing Coalition.	Ka'ena Point State Park Reserve, Oahu	(1) 6-9-001:004 (por.)	Public Rock Climbing	3.65 acres	Gratis	12/1/2015 (commence) 12/31/2016(expires)	AG and HCC agreement
SP0058	Erlinda Molina Villanueva	Kahana SP, Oahu	(1) 5-2-02: por. 1	Agriculture	6.0 acres	\$90 per month (\$1080/annum)	5/21/2008 (commence) 12/31/2016(expires)	

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SP0022	Maui Soda & Ice Works, Ltd.	Wai'anapanapa, Maui	(2) 1-3-005:009	Concession		\$100 per month or 35% of gross monthly receipts, whichever is greater	2/12/2001 (commence) 12/31/2016(expires)	Projected IFB in 2017
SP0050	Island Inspirations LLP	Makena SP, Maui	(2) 2-1-006:053	Food and Beverage Concession		\$800 per month (\$9,600/annum)	10/1/2005 (commence) 12/31/2016(expires)	Projected IFB in 2017
SP0517	Adventures in Paradise, Inc.	Kealahou Bay State Historical Park, Hawai'i	(3) 8-1-011:006,010,011 land (3) 8-2-004:015 and seaward	Commercial Kayak Tours	320 acres	\$5.00 per guest	5/21/2003 (commence) 12/31/2016 (expires)	Pending EIS and master plan for IFB
SP0518	Kona Boys, Inc.	Kealahou Bay State Historical Park, Hawai'i	(3) 8-1-011:006,010,011 and (3) 8-2-004:015 and seaward	Commercial Kayak Tours	320 acres	\$5.00 per guest	3/20/2013 (commence) 12/31/2016 (expires)	Pending EIS and master plan for IFB
SP0519	Iwa Kalua, dba Aloha Kayak Co.	Kealahou Bay State Historical Park, Hawai'i	(3) 8-1-011:006,010,011 and (3) 8-2-004:015 and seaward	Commercial Kayak Tours	320 acres	\$5.00 per guest	4/1/2013 (commence) 12/31/2016 (expires)	Pending EIS and master plan for IFB
SP0543	Pro Park Inc	Diamond Head SM, O'ahu	(1) 3-1-042:006 (por)	Parking Lot Operation	5 acres	90% of Gross Receipts	4/22/2015 (commence) 11/30/2016 (expires)	Projected IFB in 2017
SP0544	Diamond Parking Services LLC	Pali Lookout, O'ahu	(1) 1-9-007: (por)	Parking Lot Operation	3 acres	70% of Gross Receipts	4/25/2015 (commence) 12/31/2016 (expires)	Projected IFB in 2017
SP0545	Diamond Parking Services LLC	Alakaka Falls State Park, Hawai'i	(3) 2-8-011:018 (por)	Parking Lot Operation	2 acres	70% of Gross Receipts	4/25/2015 (commence) 12/31/2016 (expires)	Projected IFB in 2017

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SP0408	Republic Parking Northwest, Inc.	Hapuna Beach SRA, Hawaii	(3)6-6-002:031, 035	Parking Lot Operation	n/a	\$16,100(Base rent), 75% gross Receipts (\$193,200/annum)	4/1/2013 (commence) 12/31/2016(expires)	Projected IFB in 2017
SP0500	Republic Parking Northwest, Inc.	Iao Valley State Park, Maui		Parking Lot Operation	n/a	\$19,100 (Base rent) 71% gross Receipts (\$229,200/annum)	1/1/2013 (commence) 12/31/2016 (expires)	Projected IFB in 2017
SP0039	Kikialoa Realty Inc. dba The Lodge at Kokee	Waimea, Kauai, Hawaii	(4) 1-4-001:013 (Portion)	Concession Purposes	.092 acres	\$18,841.75/month (\$226,101/annum)	7/1/2004 (commence) 12/31/2006 (expires)	No revocable permit document issued

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