

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

December 9, 2016

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

Oahu

Amend prior Board Action of August 26, 2016, agenda item D-11 for the Annual Renewal of Revocable Permits on the Island of Oahu.

The purpose of this amendment is to correct the rents for the following two permits: Revocable Permit No. S-7056 to Kapolei People's, Inc. identified by Tax Map Key: (1) 9-1-016:120 and Revocable Permit No. S-7560 to Mount Wilson FM Broadcasters, Inc. identified as Tax Map Key: (1) 3-6-004:026.

BACKGROUND:

Both RP S-7056 and RP S-7560 were included in the list of Oahu revocable permits the Board approved for renewal, as amended, on August 26, 2016, under agenda item D-11. A copy of the Board submittal is attached as **Exhibit 1**.¹

Land Division manages RP S-7056 for the University of Hawaii and RP S-7560 for DOFAW, and charges a management fee of 25% and 5%, respectively.

In compiling the list of permits to be renewed under its submittals, staff exported data from the State Land Information Management System (SLIMS). The annual rent extracted for the two permits in question was net of the management fee. For example, when the data for RP S-7056 - with a monthly rent of \$565.00 - was exported, the report showed an annual rent of \$5,085.00 (\$6,780.00 less 25%) rather than the true annual rent of \$6,780.00. When questioned as to why this occurred, the Fiscal Office surmised that SLIMS will only extract the Rent Revenue portion of the figure, as management fees are credited to the Special Land and Development Fund. Staff will work with the Fiscal Office to correct this problem.

¹ The entire submittal is 32 pages in length, but only the body of the submittal and relevant pages from Exhibit 2 are included as Exhibit 1 to keep the length of this submittal manageable.

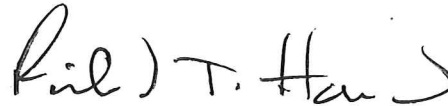
REMARKS:

The interim 2017 rent increases for these two permits will be in accordance with the formula previously approved by the Board (i.e. a 1.5% increase per year since the most recent rental evaluation). In the case of RP S-7056, the rent was last increased in 1999, which means the annual rent will increase 27% (1.5% x 18 years) to \$8,610.60 (\$717.55 per month). RP S-7560's rent was last increased in 2007, which amounts to an increase of 15% (1.5 x 10 years) in the annual rent to \$113,850.00 (\$9,487.50 per month).

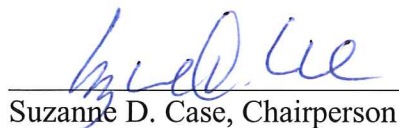
RECOMMENDATION: That the Board:

1. Amend its prior action of August 26, 2016, agenda item D-11 for the Annual Renewal of Revocable Permits on the Island of Oahu, to indicate a 27% rent increase for RP S-7056 to \$717.55 per month, and a 15% increase in the rent for RP S-7560 to \$9,487.50 per month, both with an effective date of January 1, 2017; and
2. Except as amended hereby, all terms and conditions listed in its August 26, 2016 approval to remain the same.

Respectfully Submitted,



Richard T. Howard
Land Agent

APPROVED FOR SUBMITTAL:
Suzanne D. Case, Chairperson

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AMENDED

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

August 26, 2016

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

Oahu

Annual Renewal of Revocable Permits on the Island of Oahu. See Exhibit 2 for list of Revocable Permits.

HRS CHAPTER 343 – ENVIRONMENTAL ASSESSMENT:

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 action is exempt from the preparation 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." See Exhibit 1 attached.

BACKGROUND:

At the end of each calendar year, Land Division reviews its list of current revocable permits issued statewide and determines which ones to recommend to the Board of Land and Natural Resources for renewal for the upcoming year. Generally, those revocable permits in good standing will be recommended for renewal, unless the Board has approved a different disposition for the land covered by a particular permit.

In the past, staff has brought all revocable permits to the Board for renewal in one submittal. At its meeting on December 11, 2015, Item D-14, as amended, the Board directed staff to submit revocable permit renewals by county over four meetings, with an explanation of why a revocable permit is the appropriate disposition and how the rent was set. At its meeting on June 22, 2016, Item D-7, the Board further approved the recommendations of the Department of Land and Natural Resources Revocable Permit Task Force, as amended, requesting all divisions notate any non-compliance issues and pending litigation in the renewal template. In accordance with these directives, staff is submitting the Oahu revocable permits, including the additional information the Board requested.

as amended
APPROVED BY THE BOARD OF
LAND AND NATURAL RESOURCES
AT ITS MEETING HELD ON
August 26, 2016 *uo*

EXHIBIT " 1 "

REMARKS:

The list of revocable permits for Oahu that staff recommends be renewed for 2017 is attached as Exhibit 2. Included in the exhibit are the permittee names, tax map keys, original commencement date of the permit, character of use, land area, annual rent, method by which staff set the rent and the rationale behind the issuance of a revocable permit. General location maps of the revocable permits to be renewed are attached as Exhibit 7.

Staff has procured a contract with James Hallstrom of The Hallstrom Group/CBRE, Inc. for appraisal consulting services to assist in establishing the scope of work with respect to valuing the rent to charge for the use of State lands underlying revocable permits statewide as of January 1, 2017, and ground rent discounts for tenancy and use restriction, if any. Once the scope is established, a second phase of the contract will be negotiated for appraisal services to set new rents for significantly underperforming assets. Upon receipt of the appraisal report(s) for these assets, staff will obtain the Chairperson's approval for the implementation of new rents, unless the Board would prefer that staff return to the full Board for review of the rents.

As an interim measure, to ensure a reasonable return for the use of public lands, the Board is requested to approve an increase in rents for all revocable permits. The new rent for each revocable permit will be based on an annual increase of 1.5%, multiplied by the number of years since issuance of the permit or since the most recent rental evaluation, beginning in 1999. For example, for a revocable permit issued in 1999 for an annual rent of \$1000.00, the rent would increase by 27.00%, for a new annual rent of \$1,270.00. This increase would be across the board, regardless of the type of revocable permit, or location of the land. Below is a table of the percentage increase in annual rent based on the year that the revocable permit was issued.

YEAR PERMIT ISSUED	PERCENTAGE RENT INCREASE
1999	27.00%
2000	25.50%
2001	24.00%
2002	22.50%
2003	21.00%
2004	19.50%
2005	18.00%
2006	16.50%
2007	15.00%
2008	13.50%
2009	12.00%
2010	10.50%
2011	9.00%
2012	7.50%
2013	6.00%
2014	4.50%

2015	3.00%
2016	1.50%

Beginning in 2017, the annual rent for every revocable permit would be subject to an annual increase of 1.5% until the rent can be appraised at fair market value. Considering that the average annual increase in the consumer price index for Honolulu from 1999 to the present is 2.52%, staff believes that the 1.5% annual increase is a fair compromise, taking into account the various land uses and locations for revocable permits statewide.¹

The following State and City & County of Honolulu agencies were consulted on this action with the results indicated:

Agency:	Comment:
Division of Forestry and Wildlife	No response by suspense date
Office of Conservation and Coastal Lands	See attached Exhibits 4 & 5
State Parks	No comments
Historic Preservation	Requests the opportunity to review any permits with the potential to affect historic properties, especially any involving ground disturbing activities within the identified subject parcels.
Engineering	No comments
Oahu District Land Office	Updated status on several RPs
Commission on Water Resource Management	No response by suspense date
Division of Conservation and Resources Enforcement	No response by suspense date
Department of Hawaiian Home Lands	No response by suspense date
Department of Agriculture	No comments
Agribusiness Development Corporation	No response by suspense date
Office of Hawaiian Affairs	See attached Exhibit 3
Department of Planning and Permitting	No response by suspense date
Public Works Department	No response by suspense date
Board of Water Supply	No response by suspense date

RECOMMENDATION: That the Board:

1. Approve the continuation of the revocable permits listed in Exhibit 2 on a month-to-month basis for another one-year period through December 31, 2017, except for permits that are in arrears of rental payment for more than 60 days and/or have been approved for forfeiture by a separate Board action. Permits in arrears of rental for 60 days or more and/or approved by the Board for forfeiture shall not be

¹ Attached as Exhibit 6 is a spreadsheet showing the actual consumer price index increases for Honolulu from 1999 to 2016 (for 2016, information for only the first half of the year is available).

renewed; and

2. Approve rent adjustments for the current monthly rent for revocable permits as listed in Exhibit 2 in accordance with the table above, provided however, that the Land Board reserves and delegates to the Chairperson the right at any time to review and reestablish new rental charges for revocable permits, to reflect market conditions or the fair market rental for the rights and privileges granted by such revocable permits and to best serve the interests of the State.

Respectfully Submitted,



Richard T. Howard
Land Agent

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson

Land Board Meeting: August 26, 2016; D-11: Approved as amended.

Approved as amended. See attached page.

REVOCABLE PERMIT MASTER LIST 2017

Note: Permits showing "0" annual rent may be gratis, or subject to a non-fixed rental amount, e.g. % of net revenue, amount per event, or amount per unit consumed (some water permits)

Doc No.	Permittee Name	TMK	Lease From	Char of Use	Lsed Area	Annual Rent	Comments re rent amount and why no long-term disposition
rp7056	KAPOLEI PEOPLE'S, INC.	(1) 9-1-016:120-0000	1/1/1997	Parking	0.826	5,085.00	<ul style="list-style-type: none"> •Rent based on staff appraisal at RP's commencement on 1/1/97, reevaluated by staff appraiser with no change in Board submittal dated 8/27/99. •Div. manages site for UH, and under MOU dated 12/30/09, DLNR must first obtain prior written approval for long-term disposition of property.
rp7082	HONOLULU COMMUNITY ACTION	(1) 4-1-013:031-0000	11/1/1997	Community Use	2	192	<ul style="list-style-type: none"> •Rent based on 20% of annual mkt. rent, set by Board action dated 8/27/99, Item D-13. •Staff to explore the option of a direct lease for nonprofit entity.
rp7188	DOONWOOD ENGINEERING, INC.	(1) 1-2-021:044-0000	11/1/1999	Baseyard/Storage	0.307	5,400.00	<ul style="list-style-type: none"> •Rent based on staff appraisal as approved by Board at its meeting on 11/16/07, Item D-1. •No access to parcel from public road.
rp7242	LULUKU BANANA GROWERS COOP	(1) 4-2-010:001-0000	9/1/2000	Agriculture	190	6,336.00	<ul style="list-style-type: none"> •Rent based on staff appraisal dated 7/27/2000. •RP covers less than 10% of the parcel. Staff to work with DOFAW on the long term planning for the permit area in conjunction with the adjoining forest reserve.

REVOCABLE PERMIT MASTER LIST 2017

Note: Permits showing "0" annual rent may be gratis, or subject to a non-fixed rental amount, e.g. % of net revenue, amount per event, or amount per unit consumed (some water permits)

Doc No.	Permittee Name	TMK	Lease From	Char of Use	Lsed Area	Annual Rent	Comments re rent amount and why no long-term disposition
rp7544	LAU, TRUSTEE, KWOCK NAM	(1) 2-2-010:033-0000	2/1/2010	Parking	0.041	1,128.00	<ul style="list-style-type: none"> •Rent carried over from cancelled rp4456, rent set by Board action dated 8/27/99, Item D-13. •No access to parcel from public road. Staff is working on new RP to correct possible overlapping area with RP 7722.
rp7560	MOUNT WILSON FM BROADCASTERS, INC.	(1) 3-6-004:026-0000	7/1/2010	Telecom Facility	0.079	94,050.00	<ul style="list-style-type: none"> •Rent carried over from cancelled rp5384, in-house valuation 12/4/07. •ODLO will evaluate whether cancellation of existing RP and sale of lease at auction is viable for this conservation district property. Any long term plan will be discussed with DOFAW.
rp7561	HONOLULU POLO CLUB, INC.	(1) 4-1-009:262-0000	11/1/2010	Community Use	34.5	5,628.00	<ul style="list-style-type: none"> •Rent carried over from cancelled rp6392, set by Board action dated 8/27/99, Item D-13. •Permittee's occupancy assists Division in maintaining its property.
rp7566	HILTON HAWAIIAN VILLAGE, LLC, JOINT VENTURE	(1) 2-6-008:029-0000	3/1/2010	Pier/Dock	0.09	405,192.00	<ul style="list-style-type: none"> •Rent carried over from cancelled RP3528, which was set via staff appraisal as approved by Board at its meeting on 11/16/07, Item D-1. •Staff to convert to term easement.

UNLESS OTHERWISE NOTED, THERE ARE NO NON-COMPLIANCE ISSUES OR PENDING LITIGATION