

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Division of Boating and Ocean Recreation  
Honolulu, Hawaii 96819

February 24, 2017

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

Kaua'i

**Authorize a One-Year Holdover of Boating Lease No. B-00-3 to Nawiliwili Yacht Club, Situated at Nawiliwili Small Boat Harbor, Lihue, Kauai, Hawaii. Tax Map Key: (4) 3-2-03:043 (por).**

APPLICANT:

Nawiliwili Yacht Club, a Hawaii non-profit corporation, whose address is Post Office Box 3661, Lihue, Hawaii 96766, hereinafter referred to as the "Applicant".

LEGAL REFERENCE:

Sections 171-40, Hawaii Revised Statutes, as amended. <sup>1</sup>

LOCATION:

Portion of government lands of the Nawiliwili Small Boat Harbor, situated at Lihue, Island of Kaua'i, Hawaii, identified by Tax Map Key ("TMK"): (4) 3-2-03:043 portion, as shown on the attached maps labeled Exhibits A and B.

AREA:

Approximate area of 8,698 square feet, which parcel is hereinafter referred to as the "Premises."

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<sup>1</sup> Chapter 171-40, Hawaii Revised Statutes, states that " Upon expiration of the lease term, if the leased land is not otherwise disposed of, the board of land and natural resources may allow the lessee to continue to hold the land for a period not exceeding one year upon such rent, terms, and conditions as the board may prescribe ... " Further, that "Upon expiration of the one-year extension, if the board has not yet decided upon the re-lease of the land or reservation for other purposes, the board may issue a temporary permit to the lessee, subject to section 171-55 and the rent and such other terms and conditions as the board may prescribe."

ZONING:

State Land Use District: Urban  
County of Kaua'i CZO: General Industrial

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act YES X NO \_\_\_

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: YES \_\_\_ NO X

CURRENT USE STATUS:

Encumbered by Governor's Executive Order No. 3134, set aside under the control and management of the Department of Land and Natural Resources, Division of Boating and Ocean Recreation for Nawiliwili Small Boat Harbor at Nawiliwili, Lihue, Kauai, Hawaii. TMK: (4) 3-2-03:043 (por).

CHARACTER OF USE:

Recreational boating and ocean activities facility for maritime related purposes.

CURRENT RENT:

\$1,746.67 per month, or five (5) percent of annual gross receipts in excess of minimum rent. Rent based upon independent appraisal report, CBRE, dated January 2017.

LEASE TERM:

Fifteen (15) years, commencing on September 2, 2001 and expiring on September 1, 2016.

HOLDOVER PERIOD:

One (1) year, commencing retroactively on September 2, 2016 and expiring on September 1, 2017.

COLLATERAL SECURITY DEPOSIT:

Twice the monthly rental.

**CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:**

Regarding the preparation of an environmental assessment pursuant to Chapter 343, Hawaii Revised Statutes and in accordance with Chapter 11-200, Hawaii Administrative Rules and the Exemption List for the Department of Land and Natural Resources approved by the Environmental Council, dated June 5, 2015, the subject request is exempt from preparation of an environmental assessment pursuant to Exemption Class no. 1, Item No. 47, which states: "Leases of state land involving negligible or no expansion or change of use beyond that previously existing." See EXHIBIT D.

**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>

**BACKGROUND:**

The Department of Land and Natural Resources, Division of Boating and Ocean Recreation previously leased the Premises to Nawiliwili Yacht Club under Boating Lease No. B-00-3, awarded via public auction. The 15-year term expired on September 1, 2016. Applicant continues to occupy the Premises, pay rent at the same rate that was due under the expired lease and provide liability insurance.

**REMARKS:**

DOBOR has no objection to a one-year holdover while preparations for public auction are being finalized. All lease conditions and rent to continue at their current rates. Holdover rent will be adjusted, as determined by independent appraiser, subject to review and approval by the Chairperson.

Applicant is current in its rental obligations with DOBOR. Applicant has not had a lease, permit or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

No significant changes in current management or personnel are being contemplated. DOBOR is satisfied that Applicant is qualified and able to continue its business operations.

**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.

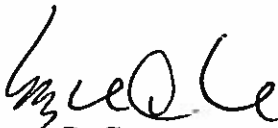
2. Authorize a One-Year Holdover for Boating Lease No. B-00-3, for the period of September 2, 2016 to September 1, 2017, under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
  - a. The standard terms and conditions of the most current holdover 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.

Respectfully Submitted,



Edward R. Underwood  
Administrator

APPROVED FOR SUBMITTAL:



Suzanne D. Case  
Chairperson

Attachments: "Exhibit A" - Parcel map  
"Exhibit B" - Parcel map  
"Exhibit C" - CBRE Appraisal of Market Rent for Nawiliwili Yacht Club Site  
"Exhibit D" - HRS Chapter 343 Exemption Notice

Public Land Trust Information System Cathy Brooks | Admin | 0 new messages | Logout

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**ID Search**

Enter an Alternate ID, tax map key (TMK), portion of TMK, or range of 8 digit TMKs  
 Ex: (1) 2-1-033-025 or 121033025

(4) 3-2-003-043

Enter an Encumbrance ID

Encumbrance ID:

**Polygon Search**

**Basic Query**

**Advanced Query**

**Layers and Rendering**

**Print and Bookmark**

**Map Legend**

Search for an address or location

**Parcel Quick View**

TMK: (4) 3-2-003-043

Address of Point Clicked: 3661 Nawiliwili Small Boat Harbor, Lihue, HI 96766

Coordinates of Point Clicked: -159.760162, 21.930361

Owner(s) per COA Tax Office: STATE OF HAWAII

Reported By: DLNR-LD

Fee Owner: DLNR

Trust Land Status: 5(b)

Acres: 7.855

Encumbrances: 2 totaling \$311,407.91 over 7 parcel(s)

[Click for parcel detail...](#)

Reported By: DLNR-LD

Fee Owner: DLNR

DLNR LD Identifier: (4) 3-2-003-043 A (Seaward) of parcel

Trust Land Status: 5(b)

Acres: 0

Encumbrances: 1 totaling \$0.00 over 7 parcel(s)

[Click for parcel detail...](#)

Enter an Alternate ID, tax map key (TMK), portion of TMK, or range of 8 digit TMKs  
 Ex: (1) 2-1-033-025 or 121033025

(4) 3-2-003-043

Enter an Encumbrance ID

Encumbrance ID:

**Polygon Search**

**Basic Query**

**Advanced Query**

**Layers and Rendering**

**Print and Bookmark**

**Map Legend**

Nawiliwili Yacht Club



January 27, 2017

Edward R. Underwood  
DOBOR Administrator  
STATE OF HAWAII  
P.O. Box 621  
Honolulu, Hawaii 96809

**RE: Appraisal of Market Rent for  
Nawiliwili Yacht Club Site  
Nawiliwili Harbor, Lihue, Kauai, Hawaii 96766  
CBRE, Inc. File No. 17-251LA-0254**

Dear Mr. Underwood:

On October 31, 2016, we transmitted a portfolio appraisal of the fair market rent for 18 State of Hawaii revocable permits managed by the Department of Boating and Ocean Recreation (DOBOR) having an effective date of July 1, 2016. Included in this study were the valuation of market rents for revocable permits to Outfitters Kauai, Ltd. and True Blue, Inc. located at the Nawiliwili Small Boat Harbor. Subsequently, we received a request to estimate market rent for a one-year holdover of Boating Lease No. B-00-3 to Nawiliwili Yacht Club located in the same area. The Nawiliwili Yacht Club property is an 8,698-square-foot site identified on Hawaii Tax Maps as Fourth Division Tax Map Key 3-2-03, Parcel 43 (por.). The property is improved with a two-story, wood frame structure constructed by the permittee. As such, the existing structural improvements have been excluded in our market rent analysis.

#### **Scope of Assignment**

In this assignment, the client has requested that we estimate market rent for the 8,698-square-foot Nawiliwili Yacht Club site as of the July 1, 2016 effective date of our portfolio appraisal. Our study will be used for negotiating a one-year holdover rent for Boating Lease No. B-00-3 to Nawiliwili Yacht Club commencing September 2, 2016. Consistent with our earlier appraisal, sales comparison has been employed to estimate the fee simple interest in land. Annual rent has been estimated as the product of fee simple land value and the prevailing land rate of return.

#### **Purpose and Function of Report**

The purpose of this appraisal is to estimate market rent for the 8,698-square-foot Nawiliwili Yacht Club site effective as of the July 1, 2016 effective date of the portfolio report. The function of our report is to provide real property information, real estate market data, and an informed professional opinion of market rent to establish ground rent for a one-year holdover period commencing September 2, 2016 of Boating Lease No. B-00-3. This report is a supplement to our portfolio Appraisal Report transmitted on October 31, 2016, having an effective date of

valuation of July 1, 2016. As such, our October 31, 2016 report is incorporated herein in its entirety and this supplement cannot be understood properly as a free-standing document.

**Fee Simple Land Value**

As shown in the following table, the fee simple land value of the 8,698-square-foot Nawiliwili Yacht Club site, effective July 1, 2016, was estimated at \$262,000, or \$30.10 per square foot.

<b>LAND TRANSACTIONS ADJUSTMENT ANALYSIS</b>				
<b>Nawiliwili Yacht Club</b>				
<b>Nawiliwili, Kauai, Hawaii</b>				
	<b>Subject</b>	<b>K-1</b>	<b>K-2</b>	<b>K-3</b>
<b>Tax Map Key</b>	(4) 3-2-03-43 (por.)	(4) 3-3-10-36	(4) 3-3-12-36	(4) 3-3-13-45
<b>Zoning</b>	I-G	CG	I-L	I-L
<b>Total Land Area in Sq. Ft.</b>	<b>8,698</b>	21,825	16,411	24,125
<b>Height Limit in Feet</b>	<b>50</b>	50	30	30
<b>Instrument</b>		Deed	Deed	Deed
<b>Effective Date</b>		18-Mar-14	16-Jun-14	1-Jul-15
<b>Indicated Total Price</b>		\$567,450	\$435,000	\$630,000
<b>Price Per Sq. Ft.</b>		\$26.00	\$26.51	\$26.11
<b>Composite Market Conditions Adjustment</b>		1.07	1.06	1.03
<b>Market Conditions Adjtd. Price Per Sq. Ft.</b>		\$27.82	\$28.10	\$26.90
<b>ADJUSTMENTS</b>				
<b>Location</b>	<b>Nawiliwili</b>	Lihue - Grove Farm Comparable	Puhi Industrial Park Comparable	Puhi Industrial Park Comparable
		0%	0%	0%
<b>Frontage/Corner</b>	<b>Nawiliwili Harbor</b>	Pahee Street Comparable	Haleukana Street Comparable	Haleukana Street Comparable
		0%	0%	0%
<b>Zoning / Height Limit / SMA</b>	<b>I-G / 50 Feet / Yes</b>	CG / 50 Feet / No Superior	I-L / 30 Feet / No Superior	I-L / 30 Feet / No Superior
		-5%	-5%	-5%
<b>Physical Characteristics</b>	<b>Near Rectangular Shaped, Level</b>	Irregular Shape, Level	Rectangular shape, Level	Near Rectangular Shape, Level
		Inferior	Comparable	Comparable
		5%	0%	0%
<b>NET ADJUSTMENTS</b>		<b>0%</b>	<b>-5%</b>	<b>-5%</b>
<b>Adjusted Price Per Sq. Ft.</b>		\$27.82	\$26.69	\$25.55
<b>Size Adjustment</b>		1.15	1.10	1.17
<b>Size Adjusted Price Per Sq. Ft.</b>		\$31.99	\$29.36	\$29.89
<b>Proportionate Weighting Factor</b>		0.20	0.40	0.40
<b>Product</b>		\$6.40	\$11.74	\$11.96
<b>Mean Value Per Sq. Ft.</b>	<b>\$30.41</b>			
<b>Weighted Value Per Sq. Ft.</b>	<b>\$30.10</b>			
<b>Concluded Value Per Sq. Ft.</b>	<b>\$30.10</b>			
<b>Total Fee Simple Land Value</b>	<b>\$261,810</b>			
<b>Rounded</b>	<b>\$262,000</b>			
Source: The Hallstrom Group/CBRE, Inc., as of July 1, 2016.				



### Land Rate of Return

Data presented in our portfolio Appraisal Report supports a land rate of return of eight percent for commercial and industrial property.

### Concluded Market Base Rent

The annual market base rent for the 8,698-square-foot Nawiliwili Yacht Club site, effective July 1, 2016, is shown below:

<b>MARKET LAND RENT CONCLUSION</b>			
<b>Licensee</b>	<b>Interest Appraised</b>	<b>Square Feet</b>	<b>Total Annual Rent</b>
Nawiliwili Yacht Club	Market Rent	8,698	\$20,960
Compiled by CBRE			

### Certification

I certify to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of Hawaii.

8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Brian Goto has completed the continuing education program for Designated Members of the Appraisal Institute.
11. Brian Goto has not made a personal inspection of the property that is the subject of this report for this supplemental study.
12. No one provided significant real property appraisal assistance to the person signing this report.
13. Valuation & Advisory Services operates as an independent economic entity within CBRE, Inc. Although employees of other CBRE, Inc. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
14. Brian Goto has not provided services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.



Brian S. Goto, MA, SRA | Director  
Hawaii State Certified  
General Appraiser, CGA-62  
Exp. Date December 31, 2017

/as/17-0254

DAVID Y. IGE  
GOVERNOR OF  
HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

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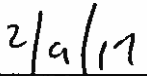
**EXEMPTION NOTIFICATION**

Regarding the preparation of an environmental assessment pursuant to Hawaii Revised Statutes Chapter 343, and Hawaii Administrative Rules Chapter 11-200.

Project Title	Holdover of Boating Lease No. B-00-3 to Nawiliwili Yacht Club, situated at Nawiliwili Small Boat Harbor.
Project Number	None
Project Description	The Department of Land and Natural Resources, Division of Boating and Ocean Recreation ("DOBOR") previously leased the Premises to Nawiliwili Yacht Club ("Applicant") under Boating Lease No. B-00-3 ("Lease"), awarded via public auction. The fifteen (15) year term expired on September 1, 2016. Applicant continues to occupy the Premises, pay rent at the same rate that was due under the expired lease and provide liability insurance. DOBOR has no objection to a one-year holdover while preparations for public auction are being finalized. There are no changes in activities or usage.
Consulted Parties	Office of Conservation and Coastal Lands
Exemption Class & Description	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.
Exemption Item Number and Description	Exemption Item number 47 (Class 1) which states "Leases of state land involving negligible or no expansion or change of use beyond that previously existing."
Date of Agency Exemption List	Environmental Council, June 5, 2015

I have considered the potential effects of the above listed project as provided by Chapter 343, HRS and Chapter 11-200 HAR. I declare that this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.

  
\_\_\_\_\_  
Suzanne D. Case, Chairperson

  
\_\_\_\_\_  
Date