

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

July 28, 2017

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

OAHU

Authorize the Chairperson to Extend the Cure Period of the Notice of Default for Failure to Keep Rental Payment Current and Entering an Installment Payment Plan for General Lease No. S-5564, Island Demo, Inc., Lessee, Moanalua, Honolulu, Oahu, Tax Map Key: (1) 1-1-064:007.

APPLICANT:

Island Demo, Inc., Lessee.

LEGAL REFERENCE:

Section 171-20, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Moanalua, Honolulu, Oahu, Tax Map Key: (1) 1-1-064:007, as shown on the attached map labeled Exhibit A.

AREA:

9,642 square feet, more or less.

TRUST LAND STATUS:

Section 5(e) lands of the Hawaii Admission Act

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

CHARACTER OF USE:

For industrial purposes.

TERM OF LEASE:

35 years, commencing on March 1, 1999 and expiring on February 28, 2034.

ANNUAL RENTAL:

\$54,600, due in semi-annual payments.

REMARKS:

Pursuant to the authority granted the Chairperson by the Board of Land and Natural Resources at its meeting of January 11, 1980 and the breach provision contained in General Lease S-5564, Island Demo, Inc., Lessee, was served a Notice of Default (NOD) by certified mail dated February 16, 2017 for failure to keep lease rental payments current.

Said NOD, accepted by the Lessee on February 21, 2017, offered the Lessee a thirty-day cure period to correct the default. This cure period expired on March 23, 2017. The current status of all lease compliance items is as follows:

RENT:

The Lessee has a rental delinquency of \$22,500 for the time period from September 1, 2016 to February 28, 2017, as described in the NOD. An additional amount of \$27,550 [including 6-month rent of \$27,300 and \$250 late fees] has accrued since the issuance of the NOD. However, the Lessee has paid, through three payments, a total of \$25,000. At the time of writing this submittal, there is an outstanding charge of \$25,050.

INSURANCE:

The Lessee has posted the required liability and fire insurance policy.

PERFORMANCE BOND:

The Lessee has posted the required performance bond. This bond is in the form of a surety bond.

Lessee Response:

The owner and manager wrote letters attached as **Exhibits B1** and **B2** raising their concern regarding the flooding situation in Mapunapuna. According to their letters, the valve installed by the City<sup>1</sup> could not mitigate the flooding situation

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<sup>1</sup> The roads in Mapunapuna are under the jurisdiction of the City and County of Honolulu. It is our understanding that the duck valve as mentioned in the letters was installed by the City and County of Honolulu.

that occurs regularly in the area. The sewer line was also broken during the installation of the valve and it was never fixed. Lessee and its employees were constantly facing the adverse effect of flooding, including damage to the office equipment and vehicles. Through his letter, Mr. John Leary indicates that he will pay the rent under the lease, but might be late.

Division Response

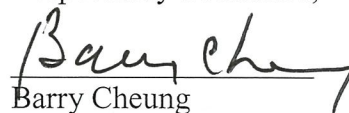
Though any mitigation work toward the flooding issue in Mapunapuna falls outside the jurisdiction of the Board, staff recommends the Board authorize an extension of the cure period for the NOD and allow an installment payment plan for the outstanding amount owed by the Lessee with no interest or late fees accrued. The Chairperson shall be authorized to enter into such payment plan subject to the terms and conditions that best serve the interest of the State.

In the meantime, the Division will relay the concerns in the letters at Exhibit B1 and B2 to the City and County of Honolulu for any follow-up action that the City and County of Honolulu deems appropriate.

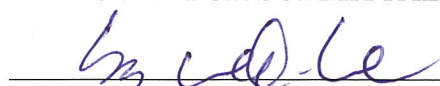
RECOMMENDATION: That the Board:

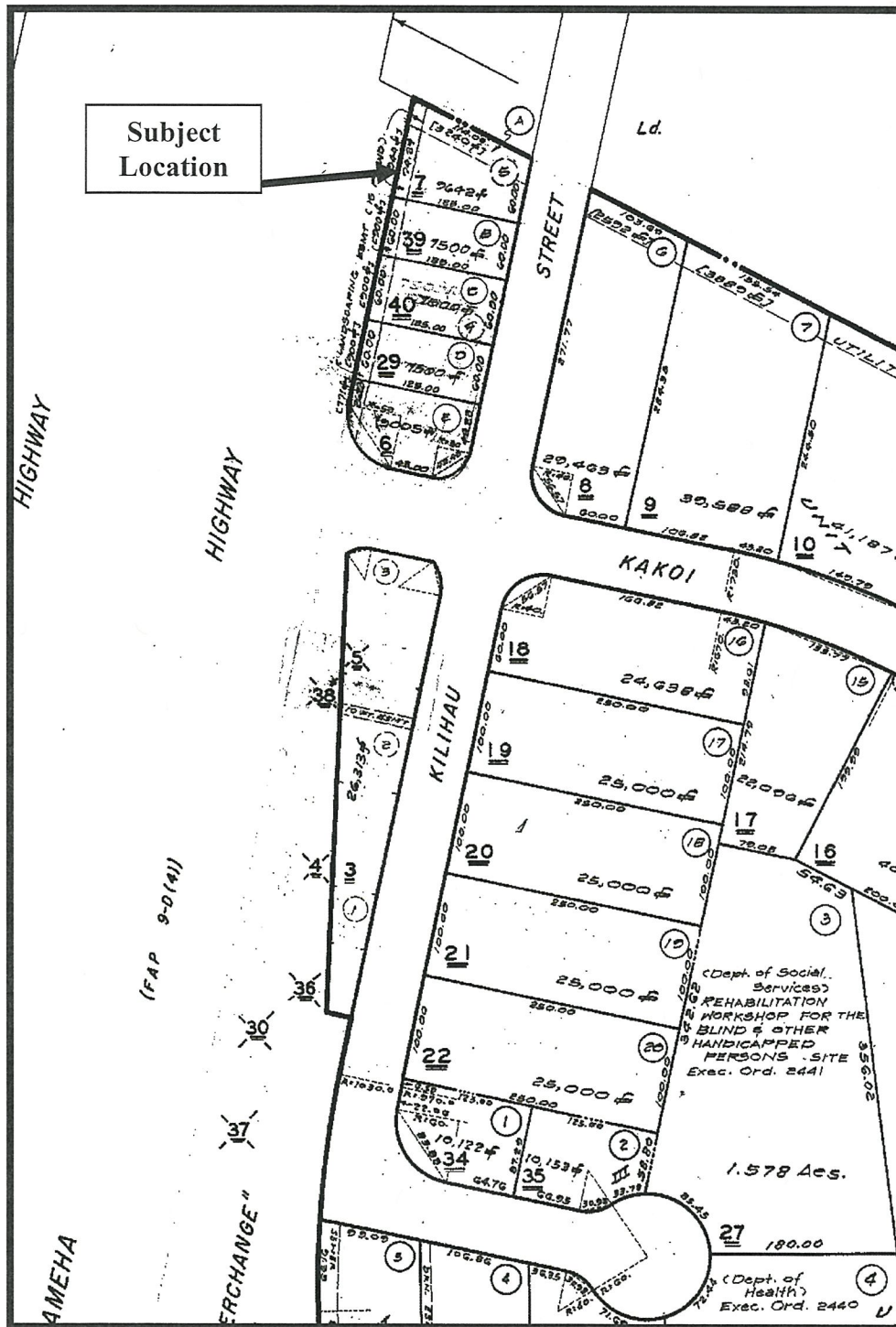
1. Authorize the Chairperson to extend the cure period of the Notice of Default mentioned above;
2. Authorize the Chairperson enter into an installment payment plan for the outstanding amount owed by the Lessee with no interest or late fees accrued

Respectfully Submitted,

  
Barry Cheung  
District Land Agent

APPROVED FOR SUBMITTAL:

  
Suzanne D. Case, Chairperson



TMK (1) 1-1-064:007

EXHIBIT A





## ISLAND DEMO, INC.

2769 Kilihau Street, Honolulu, Hawaii 96819

Contractor's License No. C-17981

Phone: (808) 839-5522 Fax: (808) 839-5515

Date: 6/1/2017

Department of Land and Natural resources

DEPT. OF LAND &  
NATURAL RESOURCES  
STATE OF HAWAII

2017 JUN -5 AM 11:07

RECEIVED  
LAND DIVISION

**Subject:** General Lease No.S-5564

Tax Map Key: (1) 1-1064:007

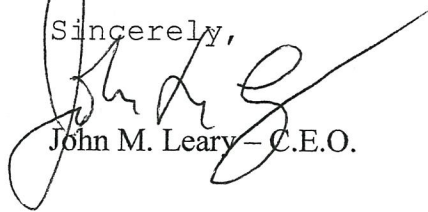
Dear Lessor:

Gratitude: I am John M Leary I rent from you a piece of property on Kilihau St. I have been in Business for 29 years this July and have been paying you rent and taxes since 3/1/1999 18 Years 2 Month. My sense of purpose is to support the Contracting Community and provide opportunity for people to make a living and support their families. Every day now since February 2016 there has been ocean water in my yard and on the streets of Ahua & Kilihau. I had been Flooded 5 times in the past 4 years with Ocean water in my offices. I have no disbelief that the situation here is going to change or get better. The city or state put in a **Duck Valve** which requires maintenance that never happens, and when they installed it they broke my sewer line and never fixed it, I've been renting portable toilets for the past two Years. The financial burden that this has cost me with respect to my company vehicles, employee vehicles, offices finishes, mold; electrical interruption, phone and internet going down all the time, street blocked by utility company temporary fixing the problems after flooding, has been a constant drain and taken its toll on my Cash flow. This Last King Tide I had to put sand bags and buy another pump, thank goodness I did, also the June King Tide on the 24 will be Higher, this is out of control truly need help, I did not cause this and I am tired of Paying all the rent, taxes and having to pay on top of that more money to be here in this area. The streets always have ocean water that you have to drive through it smells sometimes, loss of business because nobody wants to come here and drive through the ocean; Along with the Homeless stealing Fuel, Batteries, and everything that's not nailed

**EXHIBIT "B1"**

down we have to lock up the porter potty, they walk in the yard and make them self at home checking out what they can help them self to. Than every year I have to get a bond \$10,000.00 when I had Two pieces of property and now \$5,000.00 every year for what Flood property, this is truly getting to me. I would like if the Board of Directors would consider having Words with me so we could come up with some kind of understanding If Possible. I do pay everything that is owed, I might be late paying but I do pay. So please I request a Face to Face Meeting, after 18 years of paying you I believe I am owed an audience with whoever makes decision so you can truly understand what is really happening down here if possible. Gratitude for your consideration. Aloha John

Sincerely,

A handwritten signature in black ink, appearing to read 'John M. Leary', with a long, sweeping horizontal line extending to the right.

John M. Leary - C.E.O.

June 1, 2017

State of Hawaii  
Department of Land and Natural Resources  
Land Division  
P.O. Box 621  
Honolulu, HI 96809

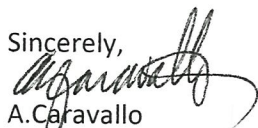
Re: General Lease No. S-5564  
TMK: )1) 1-1064:007

Subject: Flooding

To whom it may concern,

My name is Abigail Caravallo, an employee/office manager of Island Demo Inc. for the last 19 years. During my employment here I have witnessed the many times we've been flooded and business had to shut down. At every instances occurred, I then became a victim having to deal with the filthy, sludge salt water in my office. I remember the first incident where I came to work @ 7:00 in the morning and was overwhelmed by the water and everything from trash cans, paperwork, file cabinets, storage boxes, office supplies all floating in this dirty water. There were rodents both dead and live ones too. I wasn't sure I wanted to stay and help clean up the mess or at one point leave and don't come back. All my files in the file cabinets were damaged buy the flood. I honestly would have rather thrown everything away then sort it out to dry over months at a time. During the days of cleaning up we had to deal with the stale muck smell. Days passed and eventually the mold came about. Every piece of paper tuned moldy and gross. It was very difficult trying to work on a daily basis with everything damaged and smelling, especially all the paperwork. Most of the electrical outlets didn't work anymore and my office equipment was also damaged. I can't say enough of how much burden to the company it's been financially to constantly repair, replace, and always preparing when high tide comes and the flood starts once again. I personally am getting exhausted from this flood situation and it seems that nothing is being done to correct what we thought the State/C&C fixed in the first place. The valve that was put in didn't seem to be helping the situation as we still continue to get water on the property. Not only did the State/C&C put the valve what seems like for nothing and a waste of time & money but when they did they broke our sewer line. We no longer have our toilets working anymore. Having to sit on a sani-toi the last (2) years is the most uncomfortable and gross thing I ever imagine possible. I honestly feel that something seriously needs to be done to correct the flood situation and to fix our sewer lines.

Sincerely,

  
A. Caravallo

**EXHIBIT "B2"**