

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

April 13, 2018

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

Land Board Members:

**SUBJECT:**

AUTHORIZE THE DIVISION OF BOATING AND OCEAN  
RECREATION TO ISSUE A REQUEST FOR PROPOSALS FOR  
DEVELOPMENT OF PUBLIC LANDS AT THE ALA WAI SMALL  
BOAT HARBOR, KALIA, HONOLULU, OAHU, HAWAII  
REGARDING CERTAIN PARCELS OF TAX MAP KEY PLAT NOS.:  
(1) 2-3-037 and (1) 2-6-010

**APPLICANT:**

Department of Land and Natural Resources, Division of Boating and Ocean Recreation (Division).

**LEGAL REFERENCES:**

Sections 171-6, 171-11, 171-13, 171-16, 171-17, 171-18, 171-19, 171-35, 171-36, 171-41, 171-53, 171-59, and other applicable sections of Chapter 171; sections 200-2.5, 200-2.6 and other applicable sections of Chapter 200; Hawaii Revised Statutes (HRS), as amended.

**LOCATION:**

Government lands situated at Ala Wai Small Boat Harbor (AWSBH), Kalia, Honolulu, Island of Oahu; identified mainly by four parcels (Parcels A, B, C and D), Tax Map Key Nos.: (1) 2-3-037:012 (por.), -020, -024, -026, -033, -034; and (1) 2-6-010:003 (por.), -005, -016, and two moles (Moles 1 and 2) adjoining Parcels A, D and C. These parcels, along with the two moles shall collectively be referenced as the "Subject Property." Basic property information is summarized in the table below and shown in Exhibit A. The total area for development is approximately 11 acres and includes certain fast and submerged or reclaimed (filled) lands.

## SUBJECT PROPERTY INFORMATION<sup>1</sup>

Subject Property Information, AWSBH									
Parcel	TMK*	Current Tenant	Current Use	Area (acres)*	State LUC	EO	County Zoning	Trust Land	SMA
A	2-3-037:012 (por.) 2-3-037:024 2-3-037:033 2-3-037:034	Diamond Parking Services, LLC	Paid Parking and Harbor Office	3.47	Urban	1795	P-2 General Preservation District, Public Precinct (Waikiki Special District), Resort Mixed Use Precinct (Waikiki Special District)	5(b)*	Exempt
B	2-6-010:016	Vacant	N/A	0.229	Urban	1261 1795	Public Precinct (Waikiki Special District)	5(a)	Exempt
	2-6-010:003 (por.)	Vacant	N/A	0.462	Urban	1261 1795 569	Public Precinct (Waikiki Special District)	5(a)	Exempt
	2-6-010:005	Vacant	N/A	0.6518	Urban	1261 1795	Public Precinct (Waikiki Special District)	5(a)	Exempt
C	2-3-037:020	HBM, LLC	Catamaran Storage	0.3489	Urban	1795	Public Precinct (Waikiki Special District)	5(b)	Exempt
D	2-3-037:012 (por.)	Hawaiian Parasail, Inc.	Hawaiian Parasail Inc. & Paid Parking	0.49	Urban	1795	P-2 General Preservation District, Public Precinct (Waikiki Special District),	5(a)	Exempt
Mole 1	2-3-037:012 (Por.)	Diamond Parking Services, LLC	Free and Paid Parking	2.53	Urban	1261 1795	Public Precinct (Waikiki Special District)	5(a)	Exempt
Mole 2	2-3-037:012 (Por.) 2-3-037:026	Diamond Parking Services, LLC, & Honolulu TransPac	Paid Parking, & Transpac Office	2.98	Urban	1261 1795	Public Precinct (Waikiki Special District)	5(a)	Exempt
Total				11.1617					
Notes: 1. Selected lessee will apply for shoreline setbacks with City and County of Honolulu.									
2. * = TMK Nos. omit (1) for Island of Oahu, info (incl. acreage, trust status) is approximate, as obtained from City planning office.									
3. Selected applicant is responsible for ascertaining accurate info as part of due diligence.									

### LEGAL ACCESS:

While public access to the Subject Property is generally provided over state fast and submerged or reclaimed lands that comprise the AWSBH, Ala Moana Boulevard which is a public right-of-way, Hobron Lane which is currently under executive order, and Holo Moana Street, are potential areas which may require obtaining an easement or easements for legal access. Some of the parcels have been subdivided, while others have not. Consolidation and resubdivision may be necessary and also may require legal access/easements.

### TRUST LAND STATUS:

Section 5(a) and 5(b) lands of the Hawaii Admission Act  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: No

<sup>1</sup> The TMK parcel numbers issued by the City and County of Honolulu ("City") are for real property tax purposes only and do not necessarily reflect subdivided lots recognized by the City. EOs, encumbrances, and acreage in the table are rough approximations as indicated by the City, PLTIS and estimates from maps. The property will need to be surveyed to ascertain accurate acreage and other information.

CURRENT USE STATUS:

Within the AWSBH, there are currently 3 Leases, 3 Revocable Permits, and 2 Concession Contracts, one of which is a Parking Concession. The Subject Property is managed by the Division as part of the AWSBH. Exhibit B summarizes the AWSBH encumbrances, which may affect or adjoin the Subject Property.

Parcel A, TMK Nos. (1) 2-3-037:012 (por.), -024, -033, -034, is the largest parcel within AWSBH. It houses the Harbor Office, and most of the paid parking stalls. The Harbor Office is a single-story structure with utilities and houses a harbor staff of five. The parcel is paved.

Parcel B, TMK Nos. (1) 2-6-010:003 (por.), -005, -016, is an area of land under EO No. 2575 to the Department of Transportation (Harbors Division) for “Addition to the Ala Wai Boat Harbor.” TMK no. (1) 2-6-010:003 has a portion near the Ala Wai Canal which, except for the sidewalk and roadway which may require acquisition of an easement for legal access, is intended for redevelopment. State Boating Lease No. BO-13120 was issued to Honey Bee USA, Inc. for Parcel B on Dec. 6, 2013 and terminated on November 15, 2015. Prior to the boating lease, License No. 74 was issued to Ala Wai Boat Works, Ltd. on April 27, 1953 and expired on April 30, 2004. Ala Wai Marine, Ltd. was a holdover tenant to License No. 74, and had been cited by the Department of Health Clean Water Branch for discharge and permit violations. Ala Wai Marine, Ltd. held a revocable permit (RP No. B-93-39) effective August 14, 1993, for boat storage and parking purposes.

Parcel C, TMK Nos. (1) 2-3-037:020, is an area of land under EO No. 1795 to the Board of Harbor Commissioners for the Ala Wai Boat Harbor. The parcel along with certain submerged lands was part of State Boating Lease BO-13120 issued to Honey Bee USA, Inc. on Dec. 6, 2013 and later terminated on November 15, 2015. This parcel was the subject of revocable permits, including RP No. B-03-06 to Magic Island Petroleum, Inc. (MIP) to operate a fuel facility and convenience store on December 1, 2002. The facility was in poor condition and required substantial upgrades and repairs. MIP indicated it would be uneconomical to invest substantial sums of money for repairs without a long-term lease. It is currently being used for catamaran storage by HBM, LLC under a revocable permit.

Parcel D (TMK No. (1) 2-3-037:012 (por.)) is adjacent and makai (or seaward) of Parcel A. It is currently paved and used for permit parking. One commercial parasail operation, Hawaiian Parasail, Inc., has been issued a revocable permit for a ticketing kiosk to support their commercial parasail operations.

Mole 1 (TMK No. (1) 2-3-037:012 (por.)) is makai of Parcel D and connected to Parcel C. It is paved and contains free parking and paid permit parking. It does not house any buildings.

Mole 2 (TMK no. (1) 2-3-037:012 (por.)) connects Parcel A to the Hawaii Yacht Club. It contains paid parking, a two-story structure that serves as Honolulu Transpac, Ltd.’s office space and public restrooms. The mole is paved. Hawaii Yacht Club’s lease (State Boating Lease No. BO-99-2) expires on July 29, 2034. Access will need to be maintained for the lessee.

Prior to issuance of a lease, such uses that are inconsistent with the lease of the Subject Property will need to be terminated. The Division is requesting the Board to authorize the cancellation of revocable permits and delegate authority to the Chairperson to determine when the cancellations shall take effect.

#### STATUTORY AUTHORITY:

HRS Section 171-59(a) provides that a lease of public land may be disposed of through negotiation upon a finding by the Board that the public interest demands it.

The statute also provides a process under which the Board may select the lessee. The statute requires DLNR to: (i) provide public notice of its intention to lease public land through negotiation; (ii) establish reasonable criteria for the selection of the lessee; (iii) determine the applicants who meet the criteria for selection; and (iv) select the lessee that submits the highest offer.

In the alternative, HRS Section 171-59(b) allows for disposition by negotiation if the use meets certain categorical criteria (e.g., marine, maritime, and maritime-related operations) provided that such lease encourages competition within such type of operation.

#### CHAPTER 343 ENVIRONMENTAL ASSESSMENT:

The selected applicant shall be required to comply with all HRS Chapter 343 and HAR Chapter 11-200 environmental requirements regarding the applicant's proposed use of the Subject Property during the development agreement phase of the project, and prior to any disposition by lease. The issuance of a lease shall be subject to compliance with Chapter 343 whether by the issuance of an Environmental Assessment (EA) with Finding of No Significant Impact ("FONSI") or Environmental Impact Statement ("EIS"). In the case of a final EA and FONSI, the Board's approval of the EA and FONSI is required prior to issuance of a lease. If a FONSI is not issued and acceptance of an EIS is required, the issuance of a lease shall also in any event, be conditional on the Board's approval after the Board's review and acceptance of the EIS.

As a pre-condition to the issuance of a lease, the applicant selected through the RFP process will be required to obtain any required EA/FONSI or EIS, and obtain all required land use entitlements and governmental permits and requirements.

The prior Lessee to Parcels B and C under State Boating Lease BO-13120, obtained a final EA/FONSI on October 8, 2010 (dated Sept. 21, 2010 as the "Waikiki Landing" project) and supplemental Final Environmental Assessment (FEA) also on October 8, 2010 (dated July 30, 2010) to account for traffic impacts. The FEA also cited a Phase I Environmental Site Assessment prepared on Jan. 12, 2004 for the "fuel dock" site (Parcel C). These documents will be made available to all prospective applicants.

## **BACKGROUND:**

**Vision:** The Subject Property is located within AWSBH, which is the largest recreational harbor in the State and is situated at the Ewa end of Waikiki. The Division intends to issue a Request for Proposals to invite responsible applicants to partner with it in achieving its vision for AWSBH in the public interest. The goal is to transform the harbor into a world-class marina that meets the needs of residents and visitors who use the ocean for a myriad of activities. This transformation includes development of the fast lands to improve the aesthetics of the harbor especially since it is considered a gateway to Waikiki, improvement of the harbor & management services provided to tenants, and the development of Division-managed fast (and submerged/reclaimed) lands in this area to support the community and recreational activities of this legendary area. The Division is eager to optimize the use of AWSBH in keeping with the conservation mission of the Department. To this end, its vision includes helping mitigate environmental problems in the area, mainly of trash and water quality issues, and working with local and regional entities such as the Ala Wai Watershed Coalition, Waikiki Beach Special Improvement District Association and others. The Division seeks a partner that will help it attain Clean Marina certification or other appropriate designations. Finally, the Division wishes to partner with the Division of Aquatic Resources on the Governor's sustainability goals for Hawaii, as announced at the 2016 IUCN World Conservation Congress, specifically the 30 by 30 initiative—to effectively manage 30% of Hawaii's nearshore waters by 2030—and seeks a marina partner that will help it attain these goals.

**Rationale for RFP:** The Division believes a Request for Proposals (RFP) method of procurement should be used to safeguard the public trust. Elements such as experience, past performance, resources, method of approach, and other criteria will be considered when selecting the successful applicant. An auction process would simply award the contract to the highest bidder, not necessarily one that shares in partnering with the Division and its vision for the AWSBH. The Division does not possess the expertise or funding for this undertaking and believes this facility should be upgraded under a lease arrangement with a private entity. Such an arrangement has excellent potential to increase the lease rent revenues generated to support the Division's operations. The Division will review submitted proposals in accordance with the evaluation criteria set forth in the RFP.

**Capital Improvements:** The Division has been implementing a comprehensive improvement plan for the AWSBH. As part of this plan, since 2008, floating docks "B", "C", "D" and "F" have been completely rebuilt and placed into service. The Division has also replaced the concrete piers and revetment of the 700-row, replaced debris catchment, completed roadway and parking lot repairs, and partially upgraded electrical and telephone utilities. The Division is also planning to upgrade the water and sewer systems which may occur within the next 5 years. The 700-row piers were replaced in 2012 and the 600-row is slated for replacement which may occur within the next 2 years. The Division has achieved key milestones in Capital Improvement Projects (CIP), but it has been severely underfunded and received only a fraction, about 6% to 10%, of what was requested at the Legislature.

To deal with capital shortfalls, in other parts of the country and even in Hawaii, private partnerships have brought more capital for much needed infrastructure development, optimized revenue to honor the public interest, and freed up these states to carry out their original mandates more effectively. For example, one New York State marina plans to bring in \$10 million over the 25-year rental period. To help it leverage CIP funds appropriated by the Legislature, the Division requests authorization for an RFP to go to long-term lease so that the successful applicant may partner with the Division to bring AWSBH the improvements that it desperately needs.

**Harbor Management:** Harbor management has been expensive for the Division consuming a disproportionate amount of staff time and financial resources. Currently, the Division's harbors and boat ramps have a net loss, yet, most of the Division's staff time and resources are spent in maintaining them. In FY 2016, harbors operated at a net loss of roughly \$150,000, yet 69% of staff resources were spent on harbors statewide. A development proposal which incorporates harbor management functions as part of redevelopment may be favored in order to promote efficiency of marina operation and allow staff to focus on ocean recreation management which has become a major priority due to the ever-increasing demands on the use of the near shore waters, and in keeping with the DLNR's mission of resource conservation and sustainable use.

Nationwide, States do not generally own recreational harbors and marinas and where they do, they widely use third parties to manage them. Using third party harbor management, governments in other states have shown a good track record of efficiency and optimization of revenue. The City of Chicago has the largest municipal marina system in the U.S. It began using third party management of its 6,000 slips (three times the number in the entire State of Hawaii) in the early 1990s, and has not looked back. Its revenues went from zero in 1995 to \$13 million per year in 2015. Similar trends can be found all over the country. Even Hawaii's own Kewalo Basin, a few blocks from AWSBH, has shown a similar trend. Much of this revenue optimization can be attributed to the undivided attention a third party can give to keeping slip vacancy rates as low as possible.

#### ACCOMMODATION REQUIREMENTS:

The Developer shall provide office space and related utilities for the Division of Boating and Ocean Recreation staff. The square footage of the office space shall be equal to or greater than the current harbor office unless otherwise agreed to by the Department. The Developer shall provide storage space for miscellaneous harbor materials that is at least one thousand square feet. The Developer shall provide a minimum of ten parking stalls to be used by harbor staff and state vehicle parking at no charge. The Developer shall follow the existing parking plan approved by the Board of Land and Natural Resources (Board) that provides for three hundred parking stalls to remain open to the public at no charge, three hundred parking stalls to be dedicated as permit parking stalls for harbor tenants with valid mooring permits, and all remaining stalls may be used as paid parking according to approved parking rates. Any changes to this parking plan shall be approved by the Board. Access for State DOT personnel to inspect the lower footings of Ala Wai Canal bridge and State personnel to inspect waste catchment areas near the same location also need to be accommodated.

REQUEST FOR PROPOSALS (RFP):

DOBOR's RFP process will begin with an invitation to qualified applicants to submit proposals for harbor redevelopment at AWSBH for the Subject Property. Request for Qualifications will be incorporated into the RFP, and will request the requisite information from interested parties. An evaluation committee selected by the Chair and the Division will review the applications and determine which applicants meet the eligibility criteria.

The selected Applicant and its proposal must be approved by the Board at a board meeting open to the public. Should the Board approve the selected Applicant and proposal, the selected Applicant and DLNR will commence exclusive negotiations of a development agreement and proposed lease for the Subject Property with the approved Applicant.

PROPOSED DEVELOPMENT AGREEMENT:

The selected Applicant may need to undertake various predevelopment activities before a lease can be issued and construction can commence i.e., due diligence; comply with HRS Chapter 343 requirements (i.e., EA/EIS), obtain a special management area permit, and obtain subdivision approval to create legal lots and access, if required. The Applicant will also be required to submit evidence of the applicant's financial capacity to complete the proposed development, including personal guarantees (construction bond); a lease rent proposal, a development agreement rent proposal, development timetable. The Applicant will be allowed to use only those submerged lands that have been approved by the Legislature subject to the Applicant acquiring all required approvals. Thereafter, a Development Agreement will be negotiated with the selected Applicant, in which the agreement will set forth the predevelopment terms and conditions that the selected Applicant must perform (including payment of development agreement rental fees) for a lease to be issued.

PROPOSED NEW LEASE:

The proposed lease shall include a survey map and descriptions of the Subject Property and easements according to State Department of Accounting and General Services standards.

Character of Use:

The Subject Property may include any use(s) allowed under the Hawaii Revised Statutes, City and County of Honolulu Zoning, Special Management Area Ordinances for the Subject Property, and the Waikiki Special Design District.

Lease Term: Anticipated to be up to Sixty-five (65) years (as stated in HRS § 200-2.5, or according to § 171-59, as applicable).

Minimum Annual Rent: To be determined by the selected Applicant's proposal, but not less than the fair market rental, as determined by staff or independent appraisal, subject to review and approval by the Chairperson.

**REMARKS:**

The Division hired DTL, LLC that conducted an extensive stakeholder engagement process that consisted of two large public meetings, as well several smaller focus group meetings. The outcomes of these meetings are contained in a set of conceptual plans for the parcels which will be attached to the RFP. The Division and DTL, LLC also discussed the proposed redevelopment of the Subject Property with the Waikiki Neighborhood Board, Waikiki Improvement Association, Waikiki Beach Special Improvement District Association, the Ala Wai Watershed Coalition, and various stakeholders in the area such as hotel owners, condominium owners, boaters, live-aboard tenants, and community organizations. The 649 comments collected from 326 individuals were grouped around two main themes: harbor management and harbor redevelopment. To address these comments and concerns, the Division proposes to have an RFP for harbor redevelopment which may incorporate harbor management concepts. Applicants will be required to incorporate the comments from the community as well as other stakeholder groups when developing their Request for Proposals.

**RECOMMENDATION:**

That the Board of Land and Natural Resources:

1. Find that the public interest demands that a lease for the Subject Property may be disposed of through negotiation pursuant to HRS Section 171-59(a) or any applicable section of HRS Chapter 171;
2. Delegate the authority to the Chairperson (i) to publish a Request for Proposals ("RFP") consistent with HRS §171-59 for the selection of the lessee for redevelopment of Ala Wai Small Boat Harbor; (ii) establish a selection committee; (iii) establish the criteria for evaluating and selecting the lessee; (iv) accept and evaluate the applications submitted by prospective lessees; and (v) make a preliminary determination and recommendation to the Board of the best applicant;
3. Authorize and approve the Chairperson to negotiate and approve any modifications to the RFP process or requirements, if in the best interests of the State and consistent with HRS Section 171-59, and any other recommendation as discussed above, and subject to review and approval of the Department of the Attorney General.


Respectfully Submitted,



EDWARD R. UNDERWOOD, Administrator  
Division of Boating & Ocean Recreation



APPROVED FOR SUBMITTAL:

  
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SUZANNE D. CASE, Chairperson  
Board of Land and Natural Resources

Attachment:

- A. Map of the Harbor showing Parcels A, B, C, and D, and Moles 1 and 2
- B. Current encumbrances

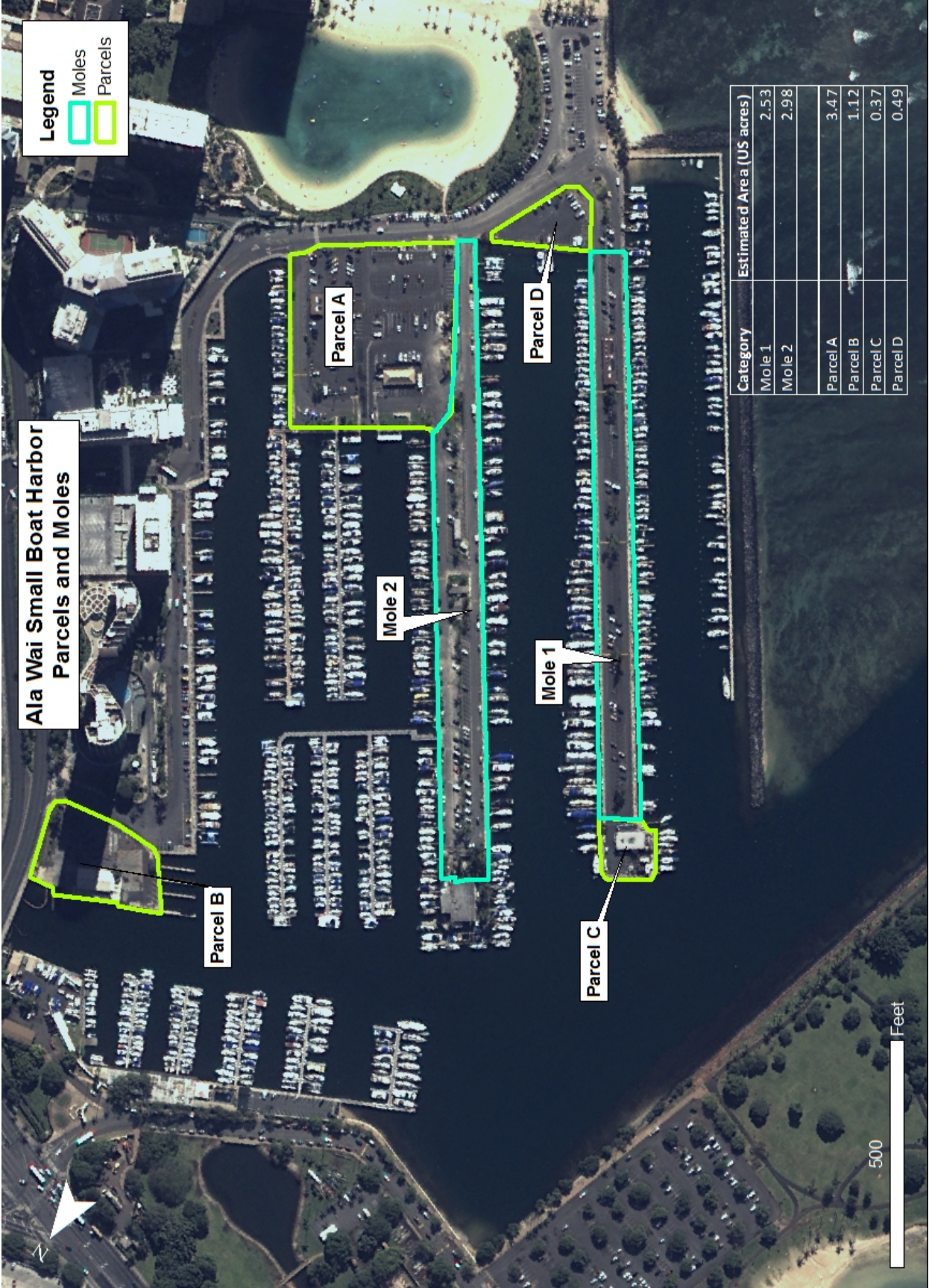


EXHIBIT A

Exhibit B: Current Encumbrances, AWSBH						
Tenant	Notes	Lease, RP No.	TMK	EO	Purpose	County Zoning Info
Diamond Parking Services, LLC	Concession for parking on Moles 1 and 2	AWSBH-200901	(1) 2-3-037:012	1795	Parking Concession Contract	P-2 General Preservation District*, Public Precinct (Waikiki Special District)** , Resort Mixed Use Precinct (Waikiki Special District)
Galley Foods, LLC	Concession near helipad area	AWSBH-201201	(1) 2-3-037:012	1795	Mobile Concession Food Truck	P-2 General Preservation District*, Public Precinct (Waikiki Special District)** , Resort Mixed Use Precinct (Waikiki Special District)
Hawaii Prince Hotel Waikiki Corp.	Lease	H-87-25	(1) 2-6-010:008 (1) 2-3-037:012 (por.)	1795	Easement used by the Hawaii Prince for a Port Cochere	Public Precinct (Waikiki Special District)**
Hawaii Yacht Club	Lease	B-99-2	(1) 2-3-037:013	1795	Yacht Club Purposes	Public Precinct (Waikiki Special District)**
Waikiki Yacht Club	Lease	B-99-1	(1) 2-3-037:006, 012	1330, 1795	Yacht Club Purposes	P-2 General Preservation District*, Public Precinct (Waikiki Special District)**
Hawaiian Parasail, Inc.	RP	10	(1) 2-3-037:012 (por.)	1795	Ticket Booth	P-2 General Preservation District*, Public Precinct (Waikiki Special District)** , Resort Mixed Use Precinct (Waikiki Special District)
Honolulu Transpac, Ltd.	RP	11	(1) 2-3-037:026	1795	Office Space	Public Precinct (Waikiki Special District)**
HBM, LLC Catamaran storage	RP	39	(1) 2-3-037:020	1795	Revocable Permit issued to HBM, LLC for vessel moorage	Public Precinct (Waikiki Special District)**
M Waikiki, LLC	Easement		(1) 2-3-037:012 (por.)	1795	To conduct pool deck and outdoor dining activities within the portion of certain elevated deck abutting property	Public Precinct (Waikiki Special District)**

\*Lands zoned under the P-2 general preservation district are intended to preserve major open space, recreation lands, and lands of scenic and other natural resource value. Areas designated urban by the state but well suited to the functions of providing visual relief and contrast to the city's built environment or serving as outdoor space for the public's use and enjoyment are also zoned in this district.

\*\*Lands zoned under the Waikiki Special District are subject to the standards found in the Waikiki Special District Design Guide.