



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

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

OAHU

AMENDMENT OF HARBOR LEASE NO. H-17-61, ISSUED TO PACIFIC SHIPYARDS INTERNATIONAL, LLC., TO REDUCE THE SUBMERGED LAND AREA AND INCLUDE A NON-EXCLUSIVE ACCESS EASEMENT, PIER 24 AND PIER 25, HONOLULU HARBOR, ISLAND OF OAHU, TAX MAP KEY NO. (1) 1-5-038:001 (P)

LEGAL REFERENCE:

Sections: 171-11, 171-13, 171-17, 171-53, 171-59, Hawaii Revised Statutes (“HRS”), as amended.

APPLICANT:

Pacific Shipyards International, LLC. (“Applicant”), is a domestic profit corporation whose mailing address is 705 North Nimitz Highway, Honolulu, Hawaii 96817.

CHARACTER OF USE:

To reduce and move the submerged land boundaries to better accommodate vessel needs, and to add an access easement.

LOCATION:

The portion of Government lands situated on Honolulu Harbor, Tax Map Key No. (1) 1-5-038:001 (P), as shown on the attached Exhibits A and B. As stated below, a portion of said lands have been set aside to the State of Hawaii, Department of Transportation, Harbors Division (“DOT Harbors”) by Executive Order No. 2903.

AREA:

Reduction of submerged land area from approximately, 91,350 square feet to approximately 88,444 square feet, addition of a new easement of approximately 66 square feet (see attached Exhibits A and B)

ITEM M-13

CONSIDERATION:

Amended rent as determined by Harbor Lease No. H-17-61, and terms provided therein. Submerged land rent is based on the market rent of ONE AND 57/100 DOLLARS (\$1.57) per square foot, as determined by independent appraisal pursuant to 171-17, HRS. Net square feet of 88,444 is ONE HUNDRED THIRTY-EIGHT THOUSAND EIGHT HUNDRED FIFTY-SEVEN AND 08/100 DOLLARS (\$138,857.08) per annum. Access easement consideration will be determined at the same rate per square foot. Sixty-six (66) square feet is ONE HUNDRED THREE AND 62/100 DOLLARS (\$103.62) per annum.

ZONING:

State Land Use Commission:	Urban
City and County of Honolulu:	I-3 Waterfront Industrial

COMMENCEMENT DATE:

Upon approval by the Board of Land and Natural Resources and as determined by the Director of Transportation.

CURRENT USE STATUS:

Marine engineering, fabrication, and repair facility, including ship repair, ship building, and specialty trade operations in support thereof. Mooring of large capacity drydock, support vessels, and small floating dock.

LAND TITLE STATUS:

Owned by the State of Hawaii; management and control of the property was transferred to the DOT Harbors by Executive Order No. 2903, dated April 29, 1978.

TRUST LAND STATUS:

Land acquired after Statehood (non-ceded).

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

Applicant was required by DOT Harbors to relocate from Pier 41 to the Piers 24 and 25 area, Honolulu Harbor. Harbor Lease No. H-17-61 was issued upon relocation. The relocation was included in DOT Harbors Final Environmental Impact Statement, of the Kapalama Container Terminal and Tenant Relocations, Honolulu Harbor, Island of Oahu, Published on November 8, 2014.

REMARKS:

Background

The Applicant's primary business is ship repair. They provide vital maintenance and repair services for a wide range of commercial vessels operating in or visiting the Hawaiian Islands. Such vessels include fishing boats, tug boats, inter-island barges, tour boats, specialty vessels, and passenger cruise ships. Applicant also provides critical maintenance and repair support for the United States ("U.S.") Navy, U.S. Coast Guard, U.S. Army, and other government owned and operated vessels.

Pursuant to Section 171-53, Hawaii Revised Statutes, before executing Harbor Lease No. H-17-61, DOT Harbors received prior approval of the Governor and prior authorization of the Legislature by Senate Concurrent Resolution No. 56; authorizing the issuance of a lease covering a portion of State submerged lands at Piers 24 to 26 in Honolulu Harbor, Island of Oahu, for the Applicant, dated May 1, 2014.

To expand the capabilities of the shipyard and prior to relocating to Piers 24 and 25, the Applicant ordered a much larger capacity, 7,500 ton lifting capacity floating dry dock, the Hoola I Na Moku. The initial submerged land boundaries were based on the anticipated measurements of the newly ordered dry dock, as well as their current floating dry dock, the KeKaulana. Upon delivery of the newly constructed Hoola I Na Moku, and upon noticing the moorings of both dry docks, DOT Harbors determined the dry docks were encroaching into the adjacent submerged land outside of the leased premises. More specifically, the width of the mooring fixtures and fenders required to accommodate the dry docks were underestimated by the Applicant.

DOT Harbors and the Applicant worked together towards redetermining the submerged land boundaries. A survey was completed, which set the submerged land boundaries to entirely include the larger drydock, Hoola I Na Moku; along with new areas to entirely include various support vessels, a small floating dock for mooring support vessels, and a corresponding access easement leading from the Applicant's office and administration building. The smaller drydock, KeKaulana, was determined to be entirely excluded from the submerged boundaries due to the adjacent fast land's use as an emergency fire lane turnaround. Furthermore, the fast land comprising of the emergency fire lane turnaround, is not part of the leased premises.

Appraisal and Lease Terms

DOT Harbors and Applicant negotiated specific terms and conditions of the lease in accordance with 171-59(b) and mediation provisions of 171-17(b), Hawaii Revised Statutes. The amended submerged land and access easement will adhere to the specific price per square foot values resulting from mediation. Because ship building and ship

repair operations are heavily capitalized, the Applicant was granted an extended lease term of (70) years, which was needed to provide a sufficient period of security. The original submerged land, Lot 26, as delineated in blue and shown on the attached Exhibit A, was negotiated to have a fixed rental during the seventy (70) years term, while the annual lease rent for buildings and fast lands were negotiated to have percentage step-up increases and subject to reopening periods. The amended submerged land, Lot 26-A, as delineated in red and shown on attached Exhibit A, will adhere to the original fixed rental terms for Lot 26 referenced above.

RECOMMENDATION:

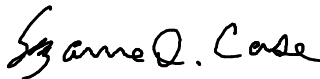
That the Board authorizes the issuance of an Amendment of Harbor Lease No. H-17-61 for the purposes cited above, subject to the terms and conditions outlined above and incorporated herein by reference, and such terms and conditions of the most current amendment of lease form, as may be amended from time to time; reviewed and approved by the department of the Attorney General; and such other terms and conditions as may be prescribed by the Director of Transportation.

Respectfully submitted,



JADE T. BUTAY
Director of Transportation

APPROVED FOR SUBMITTAL:



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

Att.: Exhibits A and B

**Pacific Shipyards International, LLC
Piers 24 and 25, Honolulu Harbor**

EXHIBIT B

