

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

April 28, 2023

Chairperson and Members
Board of Land and Natural Resources
State of Hawai'i
Honolulu, Hawai'i

Land Board Members:

SUBJECT:

Consent to Sublease Under Harbor Lease No. H-70-14, Keehi Marine, Inc., Lessee, Various Subtenants as Listed in Exhibit B (Sublease Documents can be Found at <https://dlnr.hawaii.gov/dobor/2023-keehi-marine-subleases>), Sublessees, Ke'ehi Small Boat Harbor, Kalihi-Kai, Honolulu, Hawaii

APPLICANT:

Keehi Marine Inc., a Hawaii corporation, located at 24 Sand Island Access Road, Honolulu, Hawaii 96819, as Sublessor, to:

Various Subtenants as listed in **Exhibit B**.

LEGAL REFERENCE:

Section 171-36(a)(6), Hawaii Revised Statutes, as amended.

LOCATION:

A portion of Government fast and submerged lands situated at the Keehi Small Boat Harbor, Kalihi-Kai, Honolulu, Oahu, identified by Tax Map Key: (1) 1-2-023:030, as shown in **Exhibits A-1 and A-2**.

LEASE AREA:

Total lease area is 8.141 acres, consisting of 3.726 acres of fast land and 4.415 acres of submerged land, more or less.

SUBLEASE AREA:

See attached **Exhibit B** for Schedule of Subleases & **Exhibit A-3** for locations.

TRUST LAND STATUS:

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

LEASE CHARACTER OF USE:

Keehi Marine, Inc. Boating Lease No. H-70-14 (“Lease”) allows for the following purposes:

The construction, operation, and maintenance of:

- Marine railway for boat repairs
- Marine retail store for the sale of services of marine equipment
- A marina
- A clubhouse for boat clubs

Other related activities as approved in writing by the Lessor.

SUBLEASE CHARACTER OF USE:

See attached **Exhibit B** for each listed sublessee and character of use.

TERM OF LEASE:

The original term of Harbor Lease No. H-70-14 was for forty-five (45) years, from February 1, 1971, to January 31, 2016. At its March 24, 2000, meeting under agenda item J-1, the Board of Land and Natural Resources (“Board”) approved the extension of Boating Lease No. H-70-14 for an additional ten (10) years, from February 1, 2016, to January 31, 2026.

TERM OF SUBLEASES:

See attached **Exhibit B** for schedule of sublease terms.

ANNUAL LEASE RENTAL:

Currently \$776,750.00 per annum or \$64,729.17 payable monthly.

ANNUAL SUBLEASE RENTAL:

Total sublease rent is \$530,613.12 per annum or \$44,217.76 monthly.
Sublessee monthly rents are listed in **Exhibit B**, under column heading “Base Rent”.
The total monthly and annual sublease rents are summarized at the bottom of the table.

DCCA VERIFICATION:

SUBLESSOR:

Place of business registration confirmed:	YES <u>X</u>	NO <u> </u>
Registered business name confirmed:	YES <u>X</u>	NO <u> </u>
Good standing confirmed:	YES <u>X</u>	NO <u> </u>

SUBLESSEES:

See **Exhibit B** for sublessees DCCA status under column heading "DCCA VERIFICATION".

REMARKS:

The initial lease issued in 1971 to Keehi Drydock Corporation was assigned to Amfac Distributing Company Ltd. in 1977.

Amfac Marine Supply, Inc., as successor in interest to Amfac Distribution Company Ltd., assigned the lease to Keehi Marine Center LP in 1984.

In 1999, Keehi Marine Center LP was converted from a limited partnership to a corporation (Keehi Marine, Inc.), which is the current lessee.

During the term of the lease the tenant entered multiple subleases, which were not consented to by the Board due to staffing issues. With this submittal, staff seeks to correct this lapse.

KMI's sublease requires the sublessee to carry commercial general liability insurance coverage with the following limits: \$1,000,000 per occurrence; \$1,000,000 per person; and \$1,000,000 property damage. These differ from the limits contained in the State of Hawaii's leases for general liability insurance, which have limits of at least \$1,000,000 for each occurrence and \$2,000,000 aggregate.

Staff recommends that the sublessees' general liability insurance policy limits be changed to bring them in line with those contained in State leases, and be issued by insurance carriers licensed to do business in the State of Hawaii with an AM Best rating of not less than "A- VIII". In addition, staff recommends the State of Hawaii be named as additional insured on the sublessees' general liability insurance policy.

At its meeting on May 13, 2022, under agenda item J-4, the Board approved a mediated settlement of the tenant's base rent reopening for the period beginning February 1, 2016, to the end of its lease on January 31, 2026. Included in the settlement was an agreement for the lessor not to seek participation in the lessee's sublease rents for that 10-year period due to the six-year after-the-fact nature of the rent reopening. However, DOBOR

reserved the right to participate in sublease rents if the lease term were extended beyond January 31, 2026.

RECOMMENDATION:

That the Board consent to the subleases under Harbor Lease No. H-70-14 between Keehi Marine, Inc., as Sublessor and Sublessees listed in **Exhibit B**, subject to any applicable conditions cited above which are by this reference incorporated herein and further subject to the following terms and conditions:

1. Sublessees' general liability insurance policies shall:
 - a) Contain limits in an amount of at least \$1,000,000 for each occurrence and \$2,000,000 aggregate;
 - b) Be issued by carriers licensed to do business in the State of Hawaii, with an AM Best rating of at least A-, VIII;
 - c) Name the State of Hawaii as additional insured;
2. The standard terms and conditions of the most current consent to sublease form, as may be amended from time to time;
3. Review and approval by the Department of the Attorney General; and
4. 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
Division of Boating and Ocean Recreation

APPROVED FOR SUBMITTAL:



DAWN N. S. CHANG, Chairperson
Board of Land and Natural Resources

Attachments:

- A-1 Keehi Small Boat Harbor on the Island of Oahu
- A-2 Keehi Marine, Inc. location in Keehi Small Boat Harbor
- A-3 Sublessee locations on the Premises
- B List of Sublessees and Sublease Characteristics

Sublease Documents can be found at: <https://dlnr.hawaii.gov/dobor/2023-keehi-marine-subleases>

Exhibit A-1

Keehi Marine, Inc.



Exhibit A-1

Exhibit A-1

Exhibit A-2



Exhibit A-3

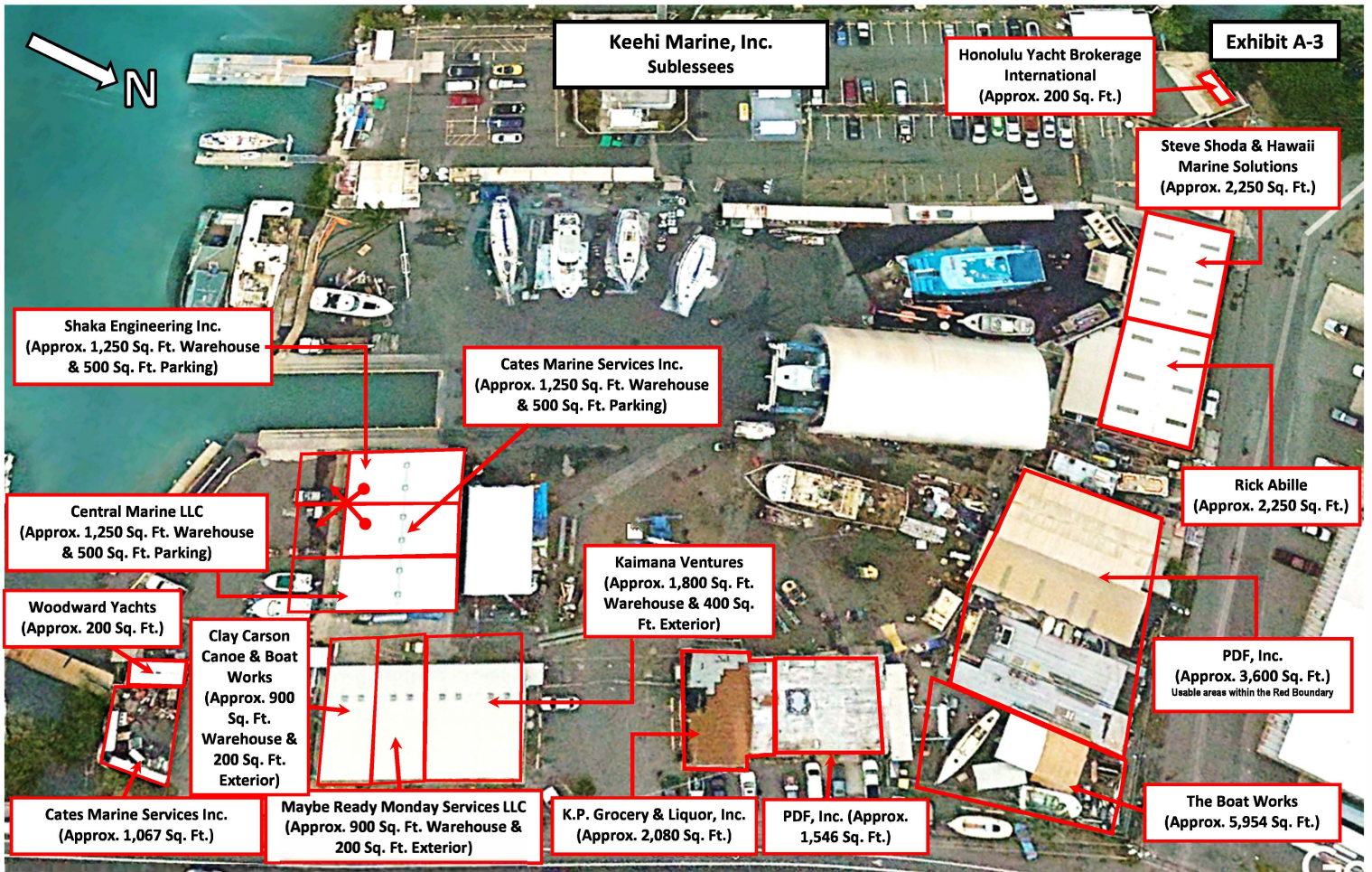


Exhibit B

Keehi Marine, Inc. Subtenant Schedule

SUBLESSEE	ADDRESS	TERM	AREA	BASE RENT	USE	DCCA VERIFICATION	Insurance
Kaimana Ventures Limited	24 Sand Island Access Rd. Hon, HI 96819	2 yrs. 8/1/22 - 7/31/24	2,200	\$3,382.62	Operate a fishing equipment & marine supply retail store, storage, marine repair and maintenance	Place of business registration confirmed: Yes Registered business name confirmed: Yes Applicant in good standing confirmed: Yes	✓
The Boatworks LLC	24 Sand Island Access Rd. #31 Hon, HI 96819	2 yrs. 3/1/23- 2/28/25	5,954	\$4,400.09	Yanmar dealership, boat building, repair and service marine engines and systems, boat electrical, plumbing systems, woodworking, spar making, and electrical installations, and all phases of hull, deck, interior repairs and fabrications in wood or fiberglass, painting and other finishing. No boat bottom painting services will be provided. Sales of marine parts and supplies not to compete with existing tenants.	Place of business registration confirmed: Yes Registered business name confirmed: Yes Applicant in good standing confirmed: Yes	✓
Cates Marine Service LLC	24 Sand Island Access Rd. Hon, HI 96819	2 yrs. 11/1/22 - 10/31/24	1,067	\$1,260.62	Support area for marine salvage and service operation.	Place of business registration confirmed: Yes Registered business name confirmed: Yes Applicant in good standing confirmed: Yes	✓
Cates Marine Service LLC	24 Sand Island Access Rd. Hon, HI	2 yrs. 11/1/22 - 10/31/24	1,250	\$2,406.65	Office for marine salvage and service operations, fabrication of equipment and boats.	Place of business registration confirmed: Yes Registered business name confirmed: Yes Applicant in good standing confirmed: Yes	✓
Central Marine LLC	24 Sand Island Access Rd. Hon, HI 96819	2 yrs. 11/1/22 - 10/31/24	1,250	\$2,406.65	To operate inboard/outboard motor parts, service and accessory business.	Place of business registration confirmed: Yes Registered business name confirmed: Yes Applicant in good standing confirmed: Yes	✓

Exhibit B
Keehi Marine, Inc.
Subtenant Schedule

SUBLESSEE	ADDRESS	TERM	AREA	BASE RENT	USE	DCCA VERIFICATION	Insurance
Clay Carson	24 Sand Island Access Rd. Hon, HI 96819	2 yrs. 6/1/22 - 5/31/24	1,100	\$1,691.31	Surfboard and boat repair shop.	Sole Proprietor	✓
Rick Abille	24 Sand Island Access Rd. Hon, HI 96819	Month to Month 1/1/15 to Present	2,250	\$3,323.70	Welding, machine and marine parts fabrication and propellar business	Sole Proprietor	✓
Honolulu Yacht Brokerage International LLC	P.O. Box 8247 Hon, HI 96830	2 yrs. 10/1/22 - 9/30/24	200	\$1,200.02	Yacht brokerage office for new and used boats, internet sales of marine services and products, managing internet website(s) teaching vessel operation and sailing, wholesale and retail sales of new and used marine-related products. Office for vessel repairs performed in boatyards and marinas in the State of Hawaii under Sublessee's coordination and supervision. Those repairs on Sublessor's property must be approve by Sublessor and in compliance with all rules and regulations.	Place of business registration confirmed: Yes Registered business name confirmed: Yes Applicant in good standing confirmed: Yes	✓
Maybe Ready Monday Services L.L.C.	24 Sand Island Access Rd. #21 Hon, HI 96819	1 yr. 6/1/22 - 5/31/23	1,100	\$1,691.31	Marine repair and service shop.	Place of business registration confirmed: Yes Registered business name confirmed: Yes Applicant in good standing confirmed: Yes	✓

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Keehi Marine, Inc.
Subtenant Schedule

SUBLESSEE	ADDRESS	TERM	AREA	BASE RENT	USE	DCCA VERIFICATION	Insurance
Pdf, Inc. dba Pacific Diversified Finishes	24 Sand Island Access Rd. Hon, HI 96819	1 yr. 1/1/23 - 12/31/24	1,546	\$5,179.07	To operate a marine repair, refit, refinishing and industrial painting contracting business.	Place of business registration confirmed: Yes Registered business name confirmed: Yes Applicant in good standing confirmed: Yes	✓
Pdf, Inc. dba Pacific Diversified Finishes	24 Sand Island Access Rd. #14 Hon, HI 96819	1 yr. 1/1/23 - 12/31/24	3,600	\$4,050.23	To operate a marine repair, refit, refinishing and industrial painting contracting business.	Place of business registration confirmed: Yes Registered business name confirmed: Yes Applicant in good standing confirmed: Yes	✓
K.P. Grocery & Liquor, Inc.	24 Sand Island Access Rd. Hon, HI 96819	2 yrs. 5/1/22 - 4/30/24	2,080	\$6,521.25	Exclusive rights to operate a retail store selling food, drinks and liquor.	Place of business registration confirmed: Yes Registered business name confirmed: Yes Applicant in good standing confirmed: Yes	✓
Steve Shoda	24 Sand Island Access Rd. Hon, HI 96819	1 yr. 12/1/22 - 11/30/23	2,250	\$3,342.57	Full service boat/yacht repair and maintenance, distributorship, and retail shop for marine related products (paint, hardware, diesel, electric systems. No sandblasting work; machinery allowed in yard only with permission from yard Operations Manager & with fee assessment.	Sole Proprietor	✓
Shaka Engineering, Inc.	24 Sand Island Access Rd. Hon, HI 96819	2 yrs. 7/1/22 - 6/30/24	1,250	\$2,406.65	Support office for industrial and marine service and repairs.	Place of business registration confirmed: Yes Registered business name confirmed: Yes Applicant in good standing confirmed: Yes	✓
Woodward Yachts LLC	P.O. Box 37681 Hon, HI 96837	Month to Month 7/1/22 to Present	200	\$955.02	To operate an inboard/outboard motor parts, service and accessory business.	Place of business registration confirmed: Yes Registered business name confirmed: Yes Applicant in good standing confirmed: Yes	✓
Monthly Sublease Rent:				\$44,217.76			

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Keehi Marine, Inc.
Subtenant Schedule

SUBLESSEE	ADDRESS	TERM	AREA	BASE RENT	USE	DCCA VERIFICATION	Insurance
Annual Sublease Rent:				\$530,613.12			