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

March 22, 2024

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

Land Board Members:

SUBJECT: Authorize a Thirty-Year Extension of Lease No. B-99-1 to Waikiki Yacht Club, Ala Wai Small Boat Harbor, Honolulu, Oahu, Tax Map: (1) 2-3-037:006 and :012 (Portion).

AND

Declare Project Exempt from Requirements of Chapter 343, HRS and Title 11, Chapter 200.1, Hawaii Administrative Rules.

APPLICANT AND REQUEST:

Waikiki Yacht Club, lessee, a Hawaii non-profit corporation.

Thirty (30) year extension based on proposed improvements to leasehold property that will be financed by the Lessee, Waikiki Yacht Club, pursuant to Hawai'i Revised Statutes (HRS) § 171-36, in the amount of approximately $3,000,000.00.

In order for the Lessee to fully amortize its expenditures, the Lessee is requesting a 30-year extension of Boating Lease No. B-99-1. The extension shall commence on July 30, 2034, and expire on July 29, 2064 for an aggregate term of 65 years (original 35 year term, and the requested 30 year extension)

LEGAL REFERENCE:

Sections 171-36(b)(3) and 36(c), Hawaii Revised Statutes (HRS), as amended.

LOCATION:

Portion of Ala Wai Yacht Basin of Governor's Executive Order 4604 situated on Ala Wai Small Boat Harbor, Honolulu, Hawaii, Island of Oahu, identified by Tax Map Key: (1) 1-2-037:006 and :012 (portion), hereinafter referred to as the "Premises" as shown on the map labeled **Exhibit A-1 and A-2** attached hereto.

AREA:

Approximate area of 53,770 square feet of fast land and 165,887 square feet of submerged land, more or less.

ZONING:

State Land Use District: Urban and Conservation
City & County of Honolulu: P-2 General Preservation District

TRUST LAND STATUS:

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

CURRENT USE STATUS:

Yacht Club facility and ancillary uses, under Boating lease B-99-1, under the control and management of the Department of Land and Natural Resources, Division of Boating and Ocean Recreation ("DOBOR").

CHARACTER OF USE:

Private sailing club purposes for sailboats only, no liveaboards permitted.

TERM OF LEASE:

Original term of 35 years, commencing July 30, 1999, and expiring on July 29, 2034.

Requested extension of thirty (30) years commencing July 30, 2034, and expiring on July 29, 2064. The proposed extension would change the aggregate term of the lease to sixty-five (65) years.

ANNUAL RENTAL:

$290,000.00 per annum or 5% of gross receipts and 10% of mooring fees, whichever is greater.

RENTAL REOPENINGS:

Rental reopening's in the original term were at the end of the 5th, 10th, and 20th years of the term. The last rental reopening occurred on July 30th, 2014.

The rent for the extended term shall be determined by appraisal on July 30th, 2024, to establish the rent extension period of July 30th, 2024 to July 29th, 2034.

PROPOSED IMPROVEMENTS:

The lessee is proposing to spend $3,000,000.00 to make improvements to the existing building and new photo-voltaic (PV) system. Building improvements include structural and electrical improvements, updates to gutters, downspouts, and building drainage. Photo-voltaic (PV) improvements include building a canopy to the existing parking area to provide PV generation, PV on improved roof, and a Battery Energy Storage System (BESS). See **Exhibit B** for background information listing improvements.

CHAPTER 343 – ENVIRONMENTAL ASSESSMENT:

In accordance with Section 11-200.1-15, Hawaii Administrative Rules (HAR) and the Exemption List for the Department of Land and Natural Resources, reviewed and concurred by the Environmental Council on November 10, 2020, the subject request is exempt from the preparation of an Environmental Assessment pursuant to General Exemption Type 1, "Operations, repairs or maintenance of existing structures, facilities, equipment, or topographical features, involving minor expansion or minor change of use beyond that previously existing," Part 1, Item No. 40, which states, "leases of state land involving negligible or no expansion or change of use beyond that previously existing."

DCCA VERIFICATION:

Place of business registration confirmed:	YES X	NO
Registered business name confirmed:	YES X	NO
Applicant in good standing confirmed:	YES X	NO

APPLICANT REQUIREMENTS:

Applicant shall be required to complete the improvements listed in **Exhibit C** by July 29, 2034, as a condition of granting the extension. Proceeds of the mortgage or loan shall be used solely for the operations or improvements on the demised property.

BACKGROUND:

The Waikiki Yacht Club originated in 1944. At its meeting held on June 14, 1996, under agenda item J-5 the Board authorized the sale of a lease at public auction subject lands. The Yacht Club Lease B-99-1 was fully executed by the state and Waikiki Yacht Club on December 1, 1999.

The applicant was required to construct new berthing facilities in the 1st 2 years at a cost of $1,250,000.00. They were also required to make necessary repairs and/or improvements to the parking area within the 1st 5 years. Within the first 10 years they were to make $1,000,000 in improvements to the administrative office, restaurant, storage facilities, clubhouse etc. The original lease allowed them to deduct the cost of improvements from the appraised improvements. The lease states that the lessee owns the facility's improvements.

REMARKS:

Waikiki Yacht Club is requesting a thirty (30) year extension of Boating lease B-99-1 to amortize the cost of approximately $3,000,000.00 of improvements to the surrounding grounds, support facilities, roof, and a new photo voltaic system. The extended lease term is necessary to qualify the lessee for a loan from a federally insured private lender.

Staff recommends a minimum expenditure of $3,000,000.00 on improvements, to be completed by the end of the existing lease term, July 29, 2034, as a condition of granting the extension.

Staff recommends the addition of a provision to the lease requiring the tenant to obtain a surety bond or another form of acceptable security to the Lessor to guarantee the removal of all improvements located on the premises no later than July 29, 2063.

If the Board authorizes the thirty (30) year extension as requested, the aggregate term of this lease will be sixty-five (65) years (initial 35 year term plus the 30 year extension).

RECOMMENDATION:

That the Board of Land and Natural Resources:

1. Declare that, after considering potential effects of the proposed improvements and lease extensions as provided by Chapter 343, HRS, and Chapter 11-200.1, 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 as a de minimis action.

2. Authorize the extension of Boating Lease No. B-99-1 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 lease extension form, as may be amended from time to time;

    B. Waikiki Yacht Club shall complete its proposed improvements of approximately $3,000,000.00 by July 29, 2034, and submit to Division of Boating and Ocean Recreation staff receipts verifying payment for the improvements. In the event Waikiki Yacht Club shall fail to comply with the January 29, 2034, improvement completion deadline, the lease extension approval shall be automatically rescinded and the lease extension, if executed, shall be deed void *ab initio*. Waikiki Yacht Club would then need to immediately vacate the premises;

C. Waikiki Yacht Club shall obtain a surety bond or other form of acceptable security to the Lessor to guarantee the removal of all improvements located on the premises no later than July 29, 2063;

D. Review and approval by the Department of the Attorney General; and

E. 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 & Ocean Recreation

APPROVED FOR SUBMITTAL:

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

Attachment:
A-1 Location on Oahu
A-2 Location in Ala Wai Small Boat Harbor and Lease Area
B Letter Requesting 30-year lease extension
C Summary of Estimated Cost and Schedule

EXEMPTION NOTIFICATION

Regarding the preparation of an environmental assessment pursuant to Chapter 343, HRS and Chapter 11-200.1, HAR

Project Title:	Authorize a Thirty-Year Extension of Lease No. B-99-1 to Waikiki Yacht Club, Ala Wai Small Boat Harbor, Honolulu, Oahu, Tax Map: (1) 2-3-037:006 and :12 (por.)
Project / Reference No.:	
Project Location:	Ala Wai Small Boat Harbor, Honolulu, Hawaii, Oahu
Project Description:	Authorize a Thirty-Year Extension of Lease No. B-99-1
Chap. 343 Trigger(s):	Use of State lands
Exemption Class No(s).:	In accordance with Section 11-200.1-15, Hawaii Administrative Rules (HAR) and the Exemption List for the Department of Land and Natural Resources, reviewed and concurred by the Environmental Council on November 10, 2020, the subject request is exempt from the preparation of an Environmental Assessment pursuant to General Exemption Type 1, "Operations, repairs or maintenance of existing structures, facilities, equipment, or topographical features, involving minor expansion or minor change of use beyond that previously existing," Part 1, Item No. 40, which states, "leases of state land involving negligible or no expansion or change of use beyond that previously existing."
Cumulative Impact of Planned Successive Actions in Same Place Significant?	No, the request would involve no expansion or change in use of the subject area beyond that previously existing.
Action May have Significant Impact on Particularly Sensitive Environment?	Staff is not aware of any particularly sensitive environmental issues and use of the area would not change negligently from what is existing.
Analysis:	Based on the above mentioned, staff believes there would be no significant impact to the environment.
Recommendation:	That the Board find this project will probably have minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment.

Exhibit A-1

Ala Wai Small Boat Harbor - Location on Oahu

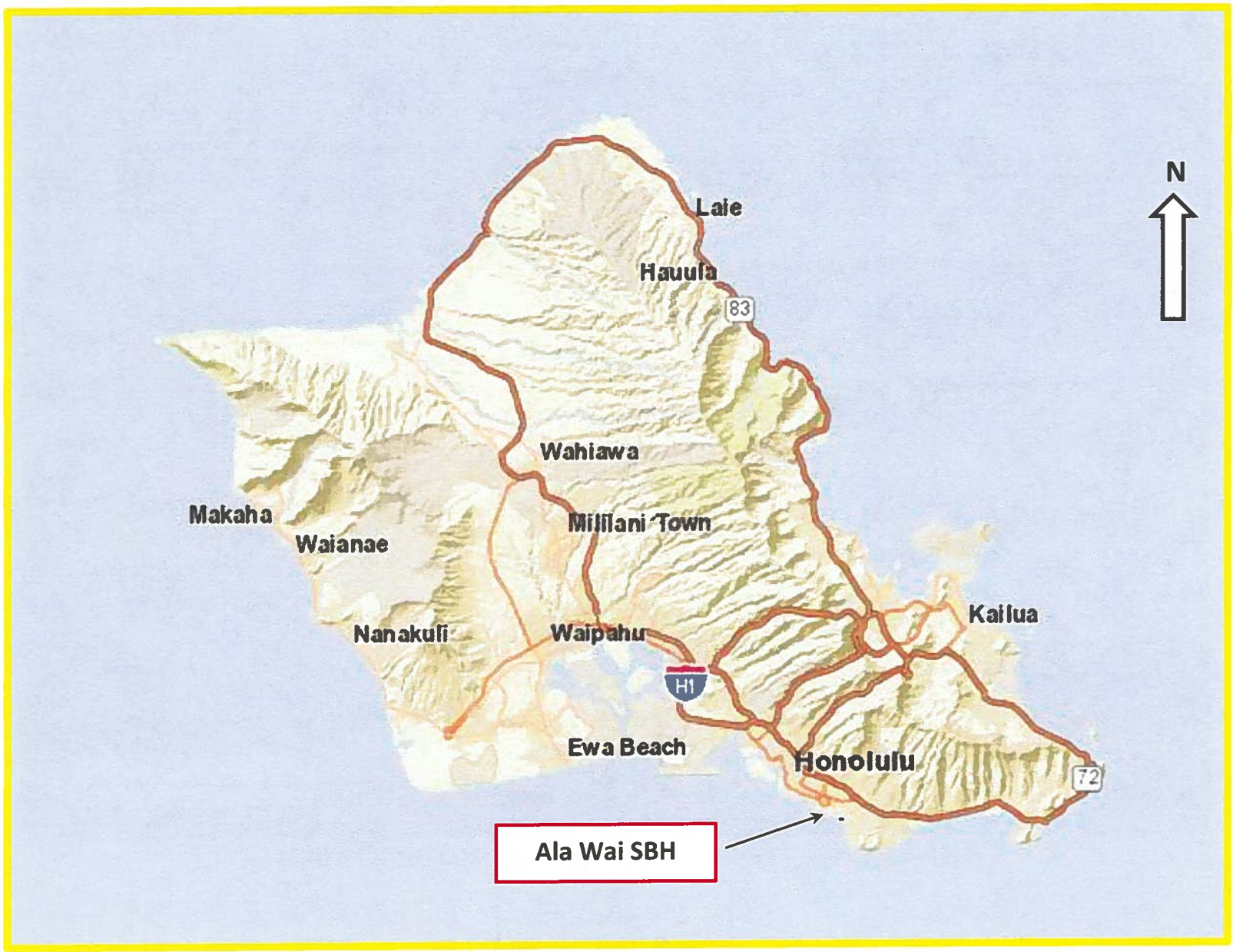

Exhibit A-2

Waikiki Yacht Club – Location in the Harbor and Lease Area

Waikiki YACHT CLUB

January 16, 2024

Department of Land and Natural Resources
Division of Boating and Ocean Recreation
4 Sand Island Access Road
Honolulu, HI 96819

Attn: Mr. Ed Underwood, Mr. Richard Howard & Ms. Meghan Statts

RE: Background information on the Waikiki Yacht Club (WYC) solar project

To whom it may concern,

The WYC is pursuing the opportunity to develop a solar project on the property. The project will consist of adding a PV system, and roof repairs, to bring the roof back to a like new condition. This will include structural improvements, electrical improvements and updates to all drainage associated with gutters, downspouts and building drainage. In addition, we will seek to add a canopy to our existing parking area to provide additional PV generation and install a battery energy storage system (BESS). In total we expect the project's cost to exceed $3,000,000. To receive financing for the project we are seeking an extension to our lease to provide for the maximum length of time for the financing of the project.

As mentioned above the project will consist of roof repairs, internal electrical improvements, and external electrical improvements. Each of the above-mentioned items will belong to WYC and HECO (external electrical repairs). The actual photo-voltaic system (PV) will have the following components:

a. PV system on the roof
b. PV system on a canopy in the parking lot
c. Battery energy storage system

These items will be owned by the developer (not officially selected yet) and a Special purpose entity (SPE). This project will be operated under a Power Purchase Agreement (PPA). The PPA allows the customer (WYC) to receive stable and often low-cost electricity with no upfront cost, while also enabling the owner of the system to take advantage of tax credits and receive income from the sale of the electricity for a predetermined period (20 years). The developer will create a special purpose entity (SPE) for this project that will serve as the legal owner of the energy system. The SPE exists to raise debt and equity investment in the project, resulting in mutual ownership of the SPE (and therefore the project) by the developer and investor(s). The SPE allows for investment at the project level without subjecting investors to risks associated with the developer's other projects, while also minimizing risk for the developer should the project default or experience other issues. There will be no liability or any liens that could be conferred to DLNR or the State of Hawaii because of this project.

If there is any additional information, please just let us know. Thank you in advance for your consideration.

1599 Ala Moana Blvd. Honolulu, HI 96814 Office (808) 955-4405 Fax (808) 941-5026

www.waikikiyachtclub.com

Exhibit C

Summary of Estimated Cost and Schedule

Estimated Budget:

Waikiki Yacht Club Cost Estimates	Battery	PV	Total	$/Watt
PV System	$ 1,156,825	$ 1,450,200	$ 2,607,025	$ 8.68
	Quote	Contingency	Total	
Roofing	$ 390,748	$ 100,000	$ 490,748	$ 1.64
Carpentry	$ 155,700	$ 50,000	$ 205,700	$ 0.69
Electrical Service Upgrade	$ 350,000	$ 25,000	$ 375,000	$ 1.25
Total	**$ 739,448**	**$ 175,000**	**$ 3,678,473**	**$ 12.24**

Estimated Project Schedule:

PPA Contract	June 30, 2024
Engineering	September 30, 2024
Permit	March 31, 2025
Utility Interconnection	December 31, 2024
PV System Procurement – Roof	June 30, 2025
Carpentry Completed	May 31, 2025
Roofing Completed	July 31, 2025
Electrical Upgrade Completed	July 31, 2025
Roof PV System Completed	November 30, 2025
PV System Procurement – Canopy/BESS	March 31, 2026
Canopy PV System/BESS Completed	July 31, 2026