

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

March 22, 2024

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

Land Board Members:

SUBJECT: Authorize a Ten-Year Extension of Boating Lease No. H-70-14 to
Keehi Marine, Inc., Kalihi-Kai, Honolulu, Oahu; Tax Map Key: (1) 1-
2-023:030

And

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

APPLICANT AND REQUEST:

Keehi Marine, Inc., lessee, a Hawaii corporation.

Ten (10) year extension based on proposed improvements to leasehold property that will be financed by the Lessee, Keehi Marine, Inc., pursuant to Hawai'i Revised Statutes (HRS) § 171-36, in the amount of approximately \$500,000.00.

In order for the Lessee to fully amortize its expenditures, Lessee is requesting a 10-year extension to Boating Lease No. H-70-14. The extension shall commence on February 1, 2026, and expire on January 31, 2036, for an aggregate term of 65 years (initial 45 year term, the prior 10 year extension, and the requested 10 year extension).

LEGAL REFERENCE:

Hawai'i Revised Statutes (HRS) § 171-36(b)(3), and -36(c), as amended. Hawai'i Revised Statutes (HRS).

LOCATION:

Portion of Government lands situated at Kalihi-Kai, Honolulu, Oahu, identified by Tax Map

Key: (1) 1-2-023:030 as shown on the attached maps labeled **Exhibits A-1 thru A-2** attached hereto.

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.

ZONING:

State Land Use District: Urban
County of Honolulu LUO: I-2 Intensive Industrial District

TRUST LAND STATUS:

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

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.

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.

The requested extension is for ten (10) years commencing February 1, 2026 and ending January 31, 2036. The proposed extension would change the aggregate term of the lease to 65 years.

ANNUAL RENT:

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

RENTAL REOPENING:

Rental reopening's in the original term were at the end of the 15th, 25th, 35th, and 45th years of the term. The last rental reopening occurred on February 1, 2016.

The rent for the extended term shall be determined by appraisal on February 1, 2026 to establish the rent extension period of February 1, 2026 to January 31, 2036.

PROPOSED IMPROVEMENTS:

Lessee proposes to replace and install new metal sidings, gutters, downspouts, and windows at a cost of approximately \$200,000.00. Lessee also proposes to replace and install a new dock and fuel pipes to the fuel dock at a cost of approximately \$300,000.00. See **Exhibit B** for a summary of costs and 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	<u>X</u>	NO
Registered business name confirmed:	YES	<u>X</u>	NO
Applicant in good standing confirmed:	YES	<u>X</u>	NO

BACKGROUND:

The 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. At its meeting on March 24, 2000, under agenda item J-1, the Board approved the extension of Harbor Lease No. H-70-14.

As a requirement of the extension Keehi Marine, Inc. was required to construct improvements to the marina development, clubhouse, sales office, paved parking, and dry dock at no less than \$250,000. 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:

Keehi Marine, Inc. is requesting a ten (10) year extension of Boating lease H-70-14 to amortize the cost of approximately \$500,000.00 of improvements to the surrounding grounds, including new metal sidings, gutters, downspouts, and new windows. In addition, a new fuel dock will be installed with new fuel pipes. The extended lease term is necessary to fully amortize the cost of the improvements.

See **Exhibit B** for a summary of costs and improvements. Staff recommends a minimum expenditure of \$500,000.00 on improvements, to be completed by the end of the existing lease term, January 31, 2026, as a condition of granting the extension.

Staff recommends the addition of a provision to the lease requiring the tenant to procure 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 January 1, 2035.

Further, staff recommends that the board approve the addition of a provision for the State to participate in sublease rent pursuant to the Board action dated April 23, 2021, which can be found at <https://dlnr.hawaii.gov/wp-content/uploads/2021/04/J-1-1.pdf>.

If the Board authorizes the ten (10) year extension as requested, the aggregate term of this lease will be sixty-five (65) years.

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. H-70-14, 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. Keehi Marine, Inc. shall complete its proposed improvements of approximately \$500,000.00 by January 31, 2026, and submit to Division of Boating and Ocean Recreation staff receipts verifying payment for the improvements. In the event Keehi Marine, Inc. shall fail to comply with the January 31, 2026, improvement completion deadline, the lease extension approval shall be automatically rescinded and the lease extension, if executed, shall be deed void *ab initio*. Keehi Marine, Inc. would then need to immediately vacate the premises;
- C. Keehi Marine, Inc. 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 January 1, 2035;
- D. Approve the addition of a provision for the State to participate in sublease rent pursuant to the Board action dated April 23, 2021 cited;
- E. Review and approval by the Department of the Attorney General; and
- F. 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 Location in Keehi Small Boat Harbor
- A-2 Lease Area
- B Required Improvements and Summary of Estimated Costs and Bid Documents

EXEMPTION NOTIFICATION

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

Project Title:	Authorize a Ten-Year Extension of Boating Lease No. H-70-14 to Keehi Marine, Inc., Kalihi-Kai, Honolulu, Oahu; Tax Map Key: (1) 1-2-023:030
Project / Reference No.:	
Project Location:	Keehi Small Boat Harbor, Honolulu, Hawaii, Oahu
Project Description:	Authorize a Ten-Year Extension of Boating Lease No. H-70-14
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

Ke'ehi Marine, Inc.



Exhibit A-1

Exhibit B

Keehi Marine, Inc.

Required Improvements and Summary of Estimated Costs

1. Renovation of building (\$200,000) – Replace and install new metal sidings, new gutters and downspouts, and new windows.
2. Fuel Dock (\$300,000) – Replace and install new docks and fuel pipes.