

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813

June 28, 2024

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

PSF No.:24KD-017

Kauai

Consent to Assign General Lease No. S-4254, from Marine Consulting & Engineering Corp. (Registered on May 21, 1991, involuntarily dissolved on December 4, 2012), Assignor, to Marine Consulting & Engineering Corp. (Registered on March 19, 2024), Assignee; Approval of 10-year Term Extension General Lease No. S-4254, Marine Consulting & Engineering Corp. (Registered on March 19, 2024), Lessee, Kekaha, Waimea, Kauai, Tax Map Key: (4) 1-3-008:004.

APPLICANT:

Marine Consulting & Engineering Corp. (Registered on May 21, 1991), an involuntarily dissolved Hawaii profit corporation, as Assignor (MC&E-1), to Marine Consulting & Engineering Corp. (Registered on March 19, 2024), a Hawaii profit corporation, as Assignee (MC&E-2).

Upon approval of the assignment, MC&E-2 requests a ten (10) year extension of the lease based on proposed improvements to leasehold property that will be financed by MC&E-2 pursuant to Act 207, Session Laws of Hawaii 2011, and Section 171-36(b), Hawaii Revised Statutes, in the amount of approximately \$27,000.00.

In order for MC&E-2 to fully amortize its expenditures, the MC&E-2 is requesting a 10-year extension of General Lease No. S-4254. The extension will commence on August 12, 2024, and expire on August 11, 2034, for an aggregate term of 65 years (original 55-year term plus requested 10-year extension).

LEGAL REFERENCE:

Section 171-36 and other relevant sections of Chapter 171, Hawaii Revised Statutes (HRS), as amended.

LOCATION:

Kekaha, Waimea, Kauai, identified by Tax Map Key: (4) 1-3-008:004, as shown on the attached map labeled **Exhibit A**.

AREA:

0.302 acre, more or less.

ZONING:

State Land Use District: Urban  
County of Kauai CZO: Commercial

TRUST LAND STATUS:

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

CHARACTER OF USE:

Commercial purposes.

TERM OF LEASE:

Original term of 55 years, commencing on August 12, 1969, and expiring on August 11, 2024. MC&E-2 is requesting a 10-year extension. The proposed extension would change the aggregate term of the lease to 65 years. The last rental reopening occurred on August 12, 2019.

ANNUAL RENTAL:

Current rent is \$16,100.00 annually.

RENTAL REOPENINGS:

The reopenings in the original term were at the 20<sup>th</sup> year, 30<sup>th</sup> year, 40<sup>th</sup> year and 50<sup>th</sup> year of the lease. The last rental reopening occurred on August 12, 2019.

Rent for the extended term shall be determined by an independent appraisal establishing fair market rent as of August 1, 2023, subject to review and approval by the Chairperson.

RECOMMENDED PREMIUM:

Not applicable as the lease does not allow for a premium.

PROPOSED IMPROVEMENTS:

MC&E-2 intends to conduct significant improvements to the structure currently onsite. MC&E-2 plans on investing approximately \$27,000.00 in renovations of the premises. This consists of approximately \$8,000 to renovate 2 restrooms, \$6,000 for floor and wall repairs, \$5,000 for installation of energy efficient LED lighting, and \$8,000 for roof

repairs.

DCCA VERIFICATION:

Assignor

Marine Consulting & Engineering Corp. (MC&E-1) involuntarily dissolved on December 4, 2012.

Assignee: Marine Consulting & Engineering Corp. (MC&E-2)

Place of business registration confirmed:	YES
Registered business name confirmed:	YES
Good standing confirmed:	YES

APPLICANT REQUIREMENTS

MC&E-2 shall be required to:

1. Complete approximately \$27,000.00 of proposed improvements to the lease premises and provide the Kauai District Land Office with copies of receipts for the improvements made prior to August 11, 2024.

REMARKS:

General Lease No. S-4254 was issued through public auction to Jeronimo and Carolina Mayo Santos, husband and wife, on August 12, 1969.

At its meeting of October 7, 1983, under item F-1-k, the Board consented to the agreement of sale of GL-4254, to Filomena Hashitate.

Filomena Hashitate's interest in the lease was foreclosed upon in Civil No. 91-266 filed in the Circuit Court of the Fifth Circuit, State of Hawaii, and assigned to Marine Consulting & Engineering Corp. (MC&E-1) by way of Commissioner's Assignment of Lease dated June 12, 1992, consent thereto given by the Board at its meeting of October 8, 1993, under agenda Item F-1-b.

MC&E-1 was involuntarily dissolved as an entity on December 4, 2012. Staff only became aware of the dissolution in 2024 and upon inquiry with the lessee learned that Michael F. Malone has maintained the business under the trade name of Marine Consulting and Engineering, after the departure of the previous officers in 2013. Michael Malone was not aware that operating under the trade name alone was a violation of the lease terms. It was his belief that the trade name was sufficient to continue operating under the lease. As soon as he was informed, Michael Malone formed a new entity, MC&E-2, on March 19, 2024, to hold the lease. Although MC&E-1 is a dissolved entity, under Hawaii's corporations law, it has the authority to wind up its affairs and transfer

the lease to MC&E-2.<sup>1</sup>

KDLO staff completed its most recent inspection of the property in May of 2024, see attached Inspection Report in **Exhibit B**. The current 55-year lease is set to expire on August 11, 2024, and MC&E-2 is requesting consent to the assignment as well as a 10-year extension, pursuant to Act 207, Session Laws of Hawaii 2011, in order to amortize the cost of improvements to the property. MC&E-2 intends to improve the premises by conducting renovations to roof, windows, lighting fixtures, bathrooms, and office spaces. Estimates for the total cost of the building and associated fixtures are in the vicinity of \$27,000.00. In addition to the previous listed improvements, MC&E-2 intends to spend approximately \$16,000 to conduct termite abatement of the entire property. MC&E-2 has obtained a valuation letter from an appraiser determining the intended repairs and improvements to the buildings will add a remaining economic life of 20 years in as-is condition (See attached **Exhibit C**).

There are no outstanding rental reopening issues. Staff is of the opinion that an expenditure of \$27,000.00 in improvements does justify a 10-year extension, as permitted under Act 207, Session Laws of Hawaii 2011. MC&E-2 is current with rent, insurance, and performance bond.

No agency comments were solicited on the request because it involves a lease extension, not a new disposition.

#### RECOMMENDATION:

That the Board, subject to the Applicant fulfilling the Applicant requirement listed above:

1. Consent to the assignment of General Lease No. S-4254 from Marine Consulting & Engineering Corp. (Registered on May 21, 1991), as Assignor, to Marine Consulting & Engineering Corp. (Registered on March 19, 2024), as Assignee, subject to the following:
  - A. The standard terms and conditions on the most current consent to assignment form, as may be amended from time to time;

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<sup>1</sup> Section 414-402(c), HRS, provides in relevant part:

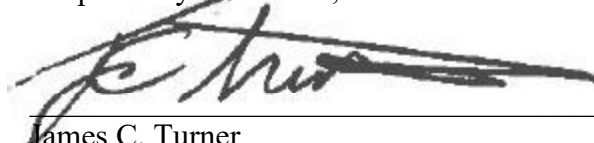
A corporation administratively dissolved continues its corporate existence but may not carry on any business except that necessary to wind up and liquidate its business and affairs under section 414-385 and notify claimants under sections 414-386 and 414-387.

Section 414-385(a)(2), HRS, provides in relevant part:

A dissolved corporation continues its corporate existence but may not carry on any business except that appropriate to wind up and liquidate its business and affairs, including: . . . (2) Disposing of its properties that will not be distributed in kind to its shareholders . . .

- B. Review and approval by the Department of the Attorney General; and
  - C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
2. Authorize the extension of General Lease No. S-4254 to Marine Consulting & Engineering Corp. (Registered on March 19, 2024) 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. Marine Consulting & Engineering Corp. shall complete the proposed improvements as described above and submit to Land Division staff, receipts verifying payment for the improvements by August 11, 2025, or be subject to cancellation;
  - C. Review and approve by the Department of the Attorney General; and
  - D. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



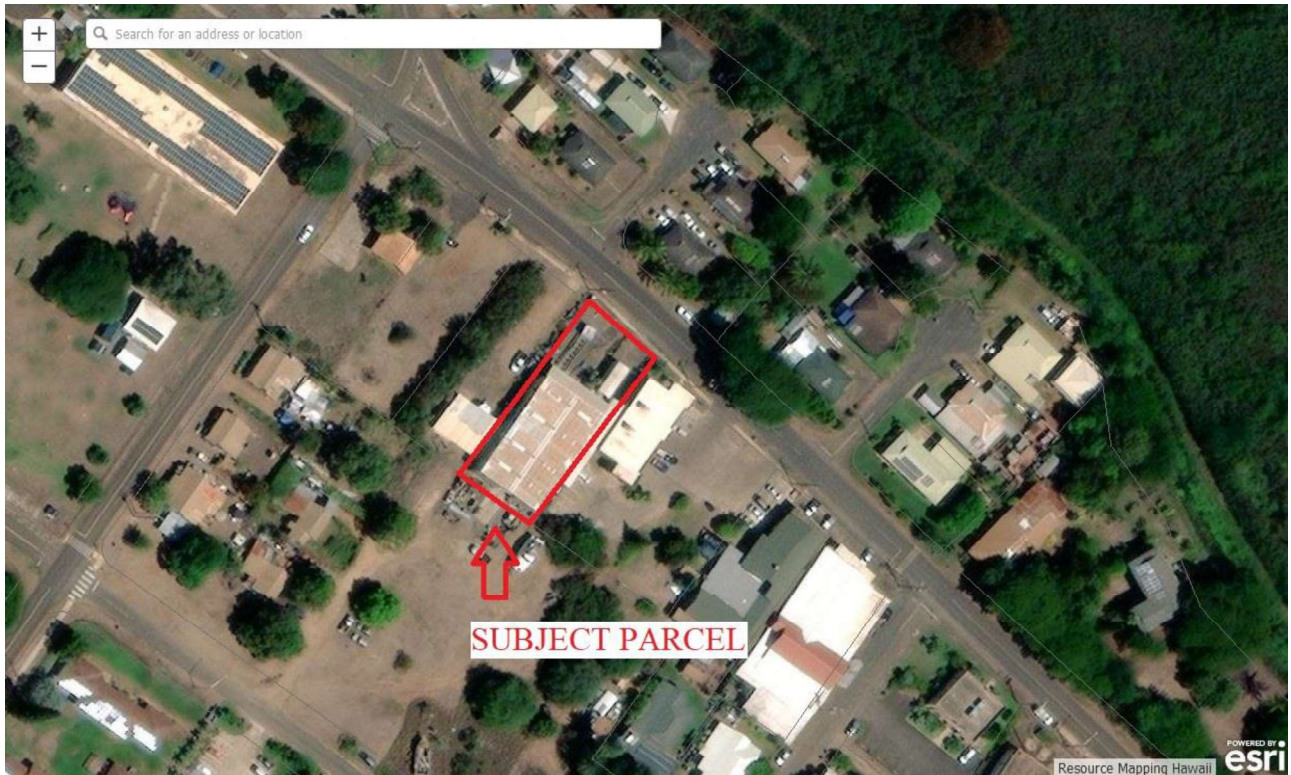
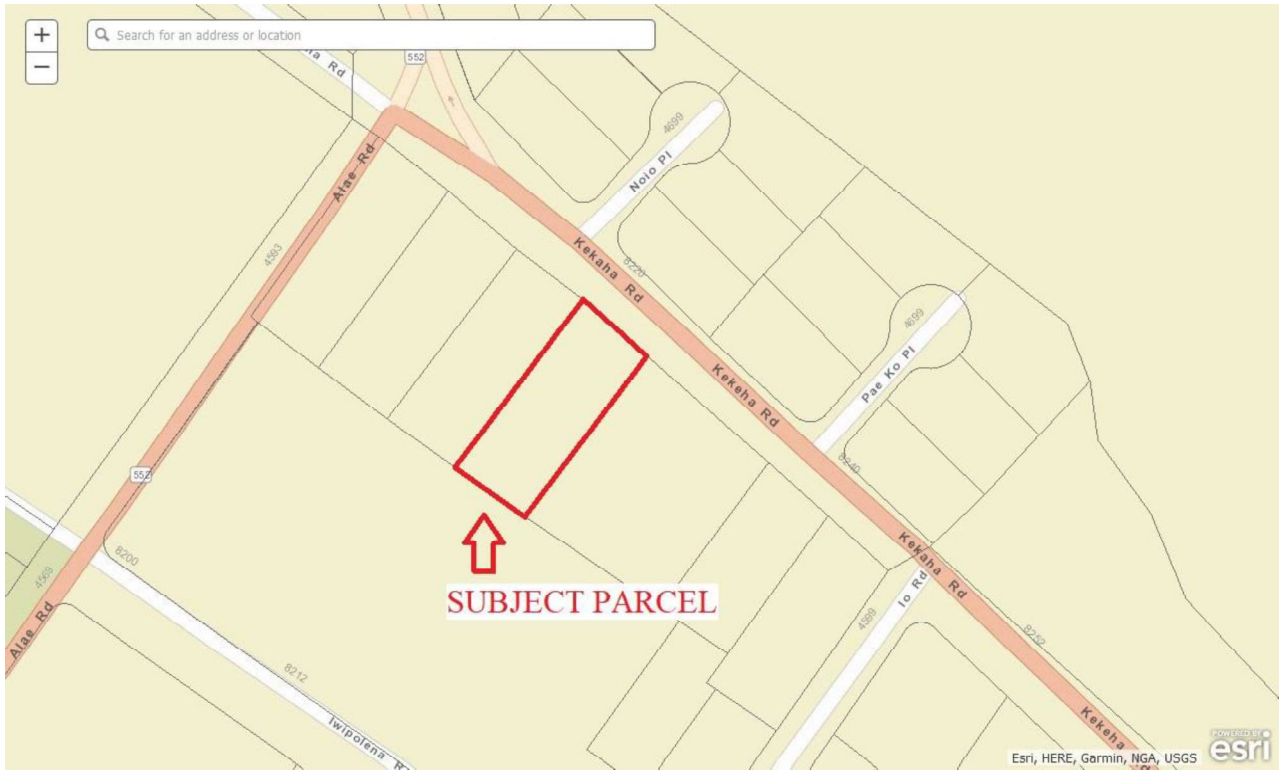
James C. Turner  
Land Agent

APPROVED FOR SUBMITTAL:

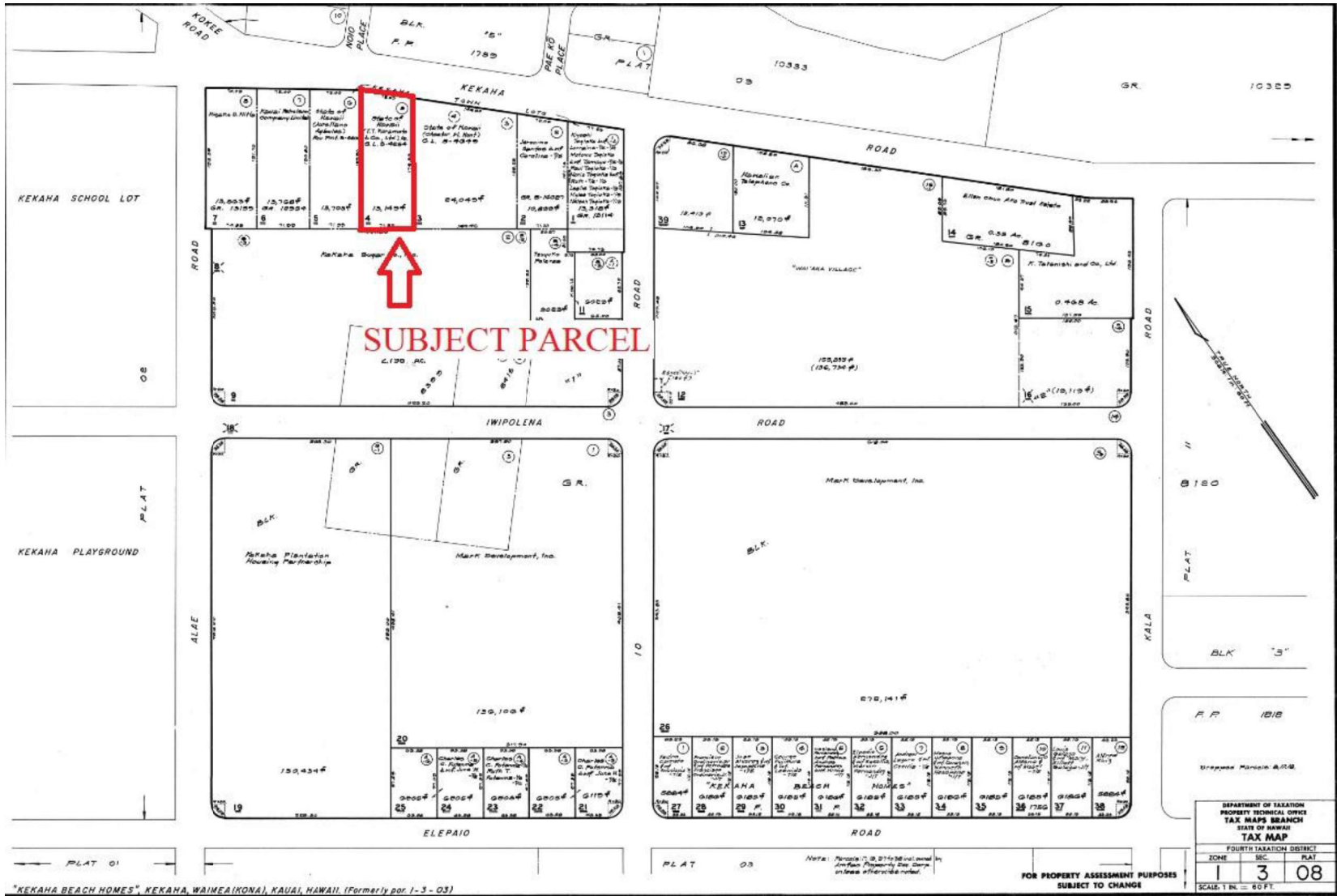


Dawn N.S. Chang, Chairperson

*RT*



**EXHIBIT A**



**INSPECTION REPORT**  
Commercial/Industrial/Resort/Other Business

**General Information**

Document Number: GLS 4254 or RPS \_\_\_\_\_ Character of Use Business  
 Inspection Date: \_\_\_\_\_ Inspection Time: 1130 Land Agent: JCT

**TENANT INFORMATION**

Name: Marine consulting & Engineering Corp. Home Phone: \_\_\_\_\_  
 Address: 8224 Kekaha Rd. Business Phone: \_\_\_\_\_  
Kekaha HI 96752 Fax: \_\_\_\_\_  
 Contact Person: Michael Malone Contact Phone: \_\_\_\_\_

**SITE INFORMATION**

TMK: (4) 1-3-008:004 Area: \_\_\_\_\_  
 Site Address: \_\_\_\_\_

**FISCAL INFORMATION**

ITEM	N/A	CURRENT= COMPLIANCE	DEFAULT = NON-COMPLIANCE	COMMENTS
Rent		current		
Liability Insurance		current		
Fire Insurance		current		
Bond		current		

**FIELD INSPECTION RESULTS** (refer to Field Inspection Worksheet)

ITEM	N/A	COMPLIANCE	NONCOMPLIANCE	COMMENTS
Subleases		X		
Improvements			X	<b>One structure shows damage and termite damage around window frames</b>
Premises		X		
Character of Use		X		

**EXHIBIT B**



**Field Inspection Worksheet**  
**Commercial/Industrial/Resort/Other Business**

**File Review**

**LICENSES/PERMITS/CONSENTS**

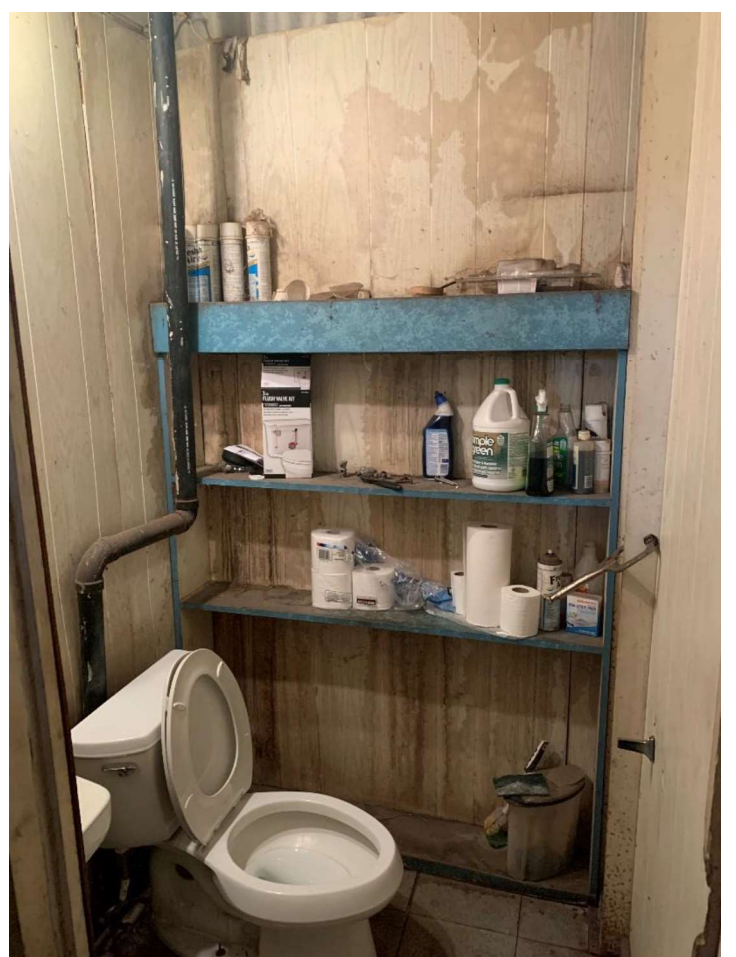
ITEM	DLNR Approval Docs in File			COMMENTS/NOTES/LISTS
	N/A	YES	NO	
Subletting	X			attach copy of list or map if applicable
Improvement Construction Buildings	X			note deadlines for % completion
Improvement Construction Other structures/misc.	X			note deadlines for % completion

**Field Inspection**

ITEM	SATISFACTORY?			COMMENTS/NOTES
	N/A	YES	NO	
<b>SUBLEASES</b>	X			
Consents approved	X			
Use adheres to lease purpose	X			
<b>IMPROVEMENTS</b>	X			
<u>Buildings/Residences:</u> roof		X		
paint		X		
exterior			X	
interior		X		
<u>Structures:</u> roads	X			
walkways	X			
fencelines	X			
others	X			
<b>PREMISES</b>		X		
clean, sanitary, orderly		X		
appropriate storage/use of hazardous materials		X		
<b>CHARACTER OF USE</b>		X		
adheres to lease purpose		X		

ITEM	SATISFACTORY?			COMMENTS/NOTES
	N/A	YES	NO	
Other:				





Date: May 29, 2024

Michael Malone  
Marine Consulting & Engineering Corp.  
P.O. Box 1270  
Kekaha, HI 96752  
marineconsultingae@yahoo.com

**RE: Marine Consulting & Engineering Corp., TMK: 4-1-3-8-4, General Lease No. S-4254**

Kauai Valuation File No: K240108

Mr. Malone:

At your request, I have prepared an opinion of estimated remaining economic life of the building improvements on the property located at 8224 Kekaha Rd, Kekaha, Hawaii 96752, TMK: 4-1-3-8-4. The subject property is leased to Marine Consulting & Engineering Corp. (Lessee) from the State of Hawaii (Lessor): General Lease No. S-4254 dated August 12, 1969. The subject property building improvements consist of a steel-frame, metal-clad warehouse structure having a gross building area of 6,000 SF measuring 100' x 60' and having a 20' wall height. The building improvements were built in 1974 having an actual age of 50 years. Based on my observation of the building improvements on May 25, 2024 I have concluded that the subject building improvements have an estimated current effective age of 30 years with a remaining economic life of 20 years in the As-Is condition. The remaining economic life could be extended with regular maintenance and repairs as needed. Based on the scope of repairs presented in the Schedule of Planned Leasehold Improvements, the lessee plans the following repairs and renovations in 2024:

- 1) Termite Tenting - \$16,020.94
- 2) Renovate Two Restrooms - \$8,000.00
- 3) Repair/Replace wood damage - \$6,000.00
- 4) Electrical, replace lighting fixtures, wiring and outlet repair - \$5,000.00
- 5) Roof Repair, replace 10 3' x 16' metal panels and other repairs - \$8,000.00

Total: **\$43,020.94**

Upon completion of the building repairs and renovations listed above, the remaining economic life of the building improvements could be extended to have an effective age of 20 years upon completion with a remaining economic life of 30 years upon completion. If there are any specific questions or concerns regarding this letter, or if Kauai Valuation can be of additional assistance, please call or email me.

Sincerely,

**KAUAI VALUATION**



Curtis J. Bedwell, MAI  
Certified General Real Estate Appraiser  
State of Hawaii License No. CGA-1007  
Expiration Date 12/31/2025

**EXHIBIT C**