

From: [Rep. Sean Quinlan](#)
To: [DLNR.BLNR.Testimony](#)
Subject: Surf N Sea Rent Increase for Revocable Permit 28, Agenda Item J1
Date: Tuesday, August 20, 2024 12:24:25 PM

Aloha Chair Chang and members of the board,

I am writing today in support of the continued viability of "Surf N Sea," an iconic storefront in historic Haleiwa town. Surf N Sea is not just a retail shop, it's an important and valuable community resource for everyone that spends time in the water. They sell a multitude of equipment that is simply unavailable anywhere else on the North Shore, and are the only place for miles around to purchase SCUBA gear; my wife obtained her PADI open water certification through Surf N Sea.

The Green family has funded a number of local charities and community initiatives, seeking no recognition in the process. If they were unable to keep the doors open due to a sudden increase in rent, it would be a tremendous loss for all of us. There is so much history and so many cherished memories for my constituents that are associated with Surf N Sea. We already have a plethora of surf-apparel shops, coffee shops, and other businesses that are for the visitors - we should malama the shop that is for the residents!

I humbly ask for your consideration in this matter.

Mahalo,

Sean Quinlan
State Representative
House District 47

August xx, 2024

Board of Land and Natural Resource
Attn: Ms. Dawn Chang, Chairperson
1151 Punchbowl St.
Honolulu, Hawaii 96813

Subject: Surf N Sea Rent Increase for Revocable Permit 28

Aloha Chair Chang and the rest of the Board,

I've been a tenant of the state, in Haleiwa, for 41 years. It has been a labor of love to keep the building viable, on the state's land, that is right on the north shore's coast. The recent increase in rent is cause for concern. I humbly ask that the Board reconsider the rent and if possible, lower it for this year. We are really hurting going into the recession.

The normal upkeep of the historic 103 year old building is very challenging, but we love it and have poured our hearts and souls into keeping it running through, termite damage, sinking foundations, winter swells, heavy rain floods, hurricanes (Iwa & Iniki), and sea level rise, which we can see creeping up each year. There are remnants of structures, that succumbed to natural forces in the past, that are beginning to show and we're wondering if we could be next. To add to our normal cost of maintaining this coastal store, there was a 16" water main break in January, of this year, that flooded our store and caused \$230,000 in damages to the store and we estimate that we lost an addition \$170,000 in sales. The Board of Water Supply (BWS) is likely to approve our claim for damages. However, neither our insurance company nor BWS will cover lost revenue associated with the store being closed.

I'm 71 years old now and have spent most of my adult life taking care of this building, and running this business. It hasn't been easy, but we've managed to get by. I'm concerned that an increase in rent might make it harder to sustain going forward. Due to my concern about how high the rent increase was, I had a real estate friend look at the appraisal and they have some concerns about how our rent was determined. Also, I don't believe that the Urban CPI applies to an Oahu North Shore coastal property negatively impacted by sea level rise.

I can imagine that the Board has hundreds of other tenants that have different hard luck stories to tell. As verification of hardships, the following are news stores of what has happened recently, and over the years. There is also a brief analysis of the appraisal report. If you should have any questions, please let me know.

Mahalo,

Joe Green
Surf N Sea, President



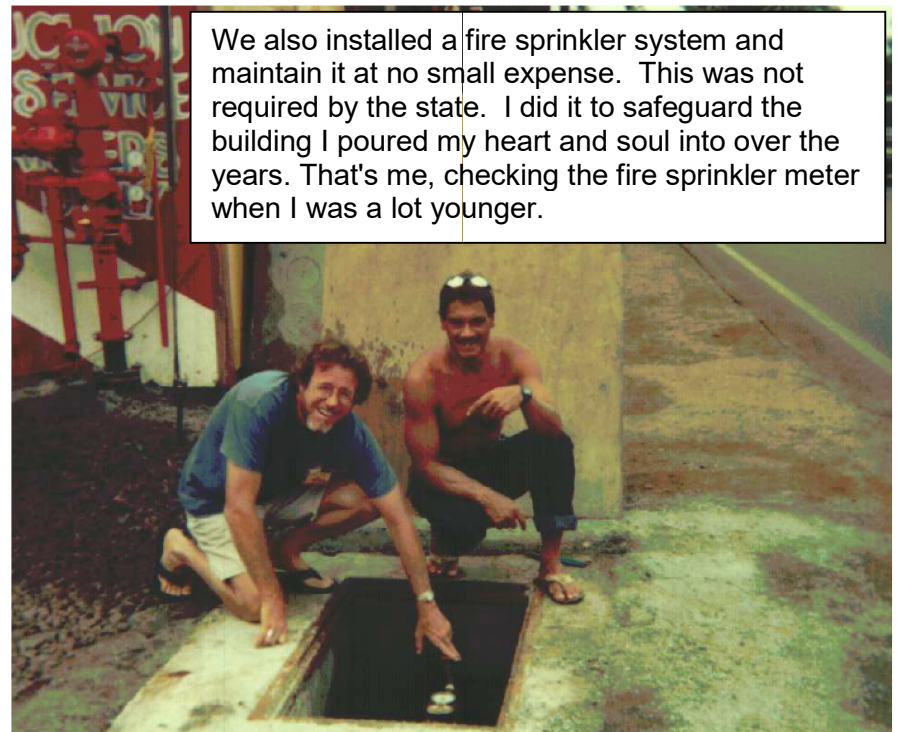
The building was built in 1921, and was placed on the historic registry in 2022.

We're located on the Makai side of Kamehameha Hwy. as you leave the main part of Haleiwa Town, just over Rainbow Bridge.





Through the 41 years that I've been here, we've done many renovations to repair termite damage, destroyed roofs, hurricane damage, flood damage, and eroding foundations. I think I've replaced every piece of wood in this 103 year old building, and the roof 4 times. In the early years, I didn't have any money, so I scavenged materials from the demolished Wahiawa wood bridge, Dole Pineapple factory, Jurassic Park film set, and anywhere I could get free or discounted materials. Even still, I know that I've spent over \$3 million maintaining this building over the years.



We also installed a fire sprinkler system and maintain it at no small expense. This was not required by the state. I did it to safeguard the building I poured my heart and soul into over the years. That's me, checking the fire sprinkler meter when I was a lot younger.

FEATURES

Joe Green, owner of Surf N Sea in Haleiwa, has fought back against storms, termite damage and now a pandemic

By Pat Gee
Oct. 10, 2021

Business Coronavirus Outbreak Coronavirus Outbreak in Hawaii Editors' Picks



My journey with this property has been the subject of news stories.

The story written in 2021 was kind of a trip down memory lane. The photo from the Star Advertiser is an old picture of when I packed repaired surf boards, in an old Volvo (I repaired), to sell at the Swap Meet.

<https://www.staradvertiser.com/2021/10/10/features/joe-green-owner-of-surf-n-sea-in-haleiwa-has-fought-back-against-storms-termite-damage-and-now-a-pandemic/>

I became a partner of Surf N Sea in 1982, just before Hurricane Iwa blew the entire roof off of Surf N Sea, which started my journey of years of major repairs.





These photos are examples of what happens during storm surges. The erosion over the years has been jaw dropping, possibly due to sea level rise. Every winter there are stories of North Shore coastal properties negatively affected by sea level rise.

Photo 1 shows how the beach looked like in 2015 when we had our 50th anniversary party.

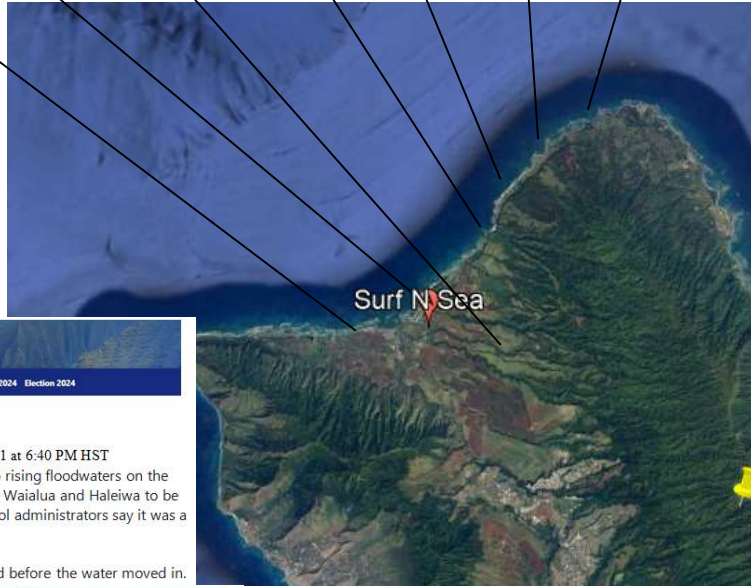
Photo 2 shows how that same area looked in 2016 after a major north swell took the beach completely away.

Photo 3 shows how erosion is getting worse.

There are times when waves get so large that they've washed up onto the road and under our building.

The weather on the north shore always keeps you on your toes and we have to check weather reports, surf reports, and surrounding drains, all the time.

Walls
Avalanche
Chun's Reef
Waimea Bay
Pipeline
Gas Chambers
Sunset
Surf N Sea



We're in a low spot next to the ocean, near the mouth of Anahulu River, and a county storm water drainage ditch. Annual heavy winter rains also keeps us on our toes. We've had to deal with flooding about every 10 years. I.e. 1982 (Iwa), 1992 (Iniki), 2002, 2008, 2011 & 2021.

In addition, to heavy rains coming off the mountain plains, we also have to keep an eye on legendary North Shore winter surf, and 20 to 30 foot waves.

I noticed that the prior owners gave up every 10 years. I suspect because they got tired of dealing with huge surf, tsunami warnings, and floods.

I believe there's ample evidence that sea level rise is hurting Oahu north shore property values. I've stuck it out, at great expense, and hope we can continue.

Flood Of Trouble

Published: [May 6, 2002](#) at 9:06 PM HST | Updated: [Apr 12, 2011](#) at 6:40 PM HST
A flood of trouble on Oahu. Heavy rain turned quickly into rising floodwaters on the North Shore. A rising river forced nearly 900 students from Waiialua and Haleiwa to be evacuated and taken to nearby Waiialua High School. School administrators say it was a precautionary move and the kids were not in danger.

People living near the river tried to salvage what they could before the water moved in. Some homeowners started dredging projects.



And fire departments were stranded by trees as they made their way to the area.

Most of the flooding was in Haleiwa, the Iliiahi area, and the area around the Haleiwa River.

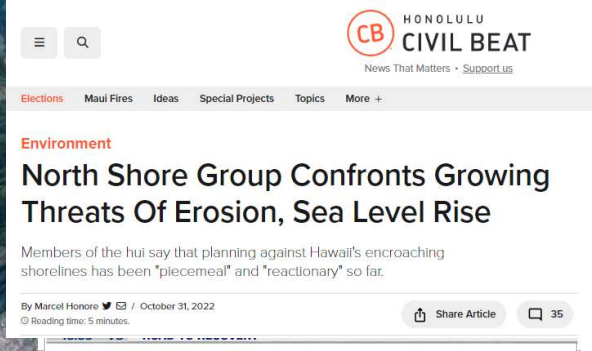
Helicopter rescue: HALEIWA (KHNL) - A day after storms pound the islands, flood victims see for the first time just how much they've lost to Mother Nature's fury. Late Friday afternoon, Governor Linda Lingle signed a State Disaster Proclamation, that provides for quick response and recovery. Meanwhile those forced to evacuate, return to their homes to try and salvage what's left of their belongings. Some victims found their homes completely destroyed. Among them is Tracy Lee Leilani Smith, who broke down as reality sunk in. "This place is not livable," she said. It's her first time seeing Haleiwa home since flood waters came crashing through her neighborhood to flee after water invaded her home. She says it rose chest high within just minutes. As Tracy walked through the muddy aftermath, she wrestled with the harsh reality there's nothing to save. "I have no home, everything of mine is just destroyed, everything has to be thrown away," she said. Tracy is among those living near the Paukaiula Stream, which overflowed in a relentless storm. See It Snap It Send it pictures of another home nearby by property submerged. "I don't even know if my truck is going to run because the truck was covered with water," said Smith, "I just feel so overwhelmed, I don't know what to do." It's a loss difficult to grasp, right before the holidays. The Red Cross has tented open for flood victims - Waianae District Park, Queen Liliuokalani Protestant Church, the old gym at BYU University. They'll remain open overnight as needed. It urges those who need help to go to a shelter, and provide the address of the Red Cross can send staff to assess the damage and see what services it can provide.



Roads close, shelter opens on Oahu due to flooding
Published: [Jan 13, 2011](#) at 4:21 AM HST | Updated: [Jan 13, 2011](#) at 2:22 PM HST
AROUND OAHU (HawaiiNewsNow) - The American Red Cross began preparations to open a shelter at Waiialua District Park on Oahu's North Shore late Wednesday night because of concerns over rising water in the Halemanu Reservoir. Meanwhile, Kamehameha Hwy. is closed in both directions at the Waikane Bridge because of flooding and unsafe driving conditions. Traffic dispatchers reported several cars had stalled in the area because of the water. And in Leeward Oahu, Honolulu Police said only one lane of Farrington Hwy. is open between Waimea to the Koko Head area because of flooding. Police are contraflowing traffic in the single lane.

Japan tsunami breaks floating docks at Hale'iwa boat harbor

The early morning March 11, 2011 tsunami from Japan hit Oahu's North Shore about 3:30 am. Hale'iwa Small Boat Harbormaster Paul Sensano told the NSN "there were no boats destroyed and no lives lost, but one-third of our floating docks were damaged." Sensano reported that the damage was caused by a four foot plus series of surges that came into the harbor over a period of about two hours. The docks are designed to float up and down during the high waves of the winter season but the tsunami surge took the agility of the floating docks to a critical level. Some ascended and descended more than four feet very fast as the surging water entered and left the harbor at a rapid pace. Engineers are accessing the cost of repair.





The most recent story, in January 2024, about our store has been nothing short of a nightmare.

It caused \$230,000 in damages to the store and we lost an addition \$170,000 in sales from having to close our store.

<https://www.youtube.com/watch?v=lgHTP7ZawOA>





That's me now. I'm a lot older than that 1st picture.
https://youtu.be/Lpltwj2lfFQ?si=Yvk3JLxPWqyg_pKg





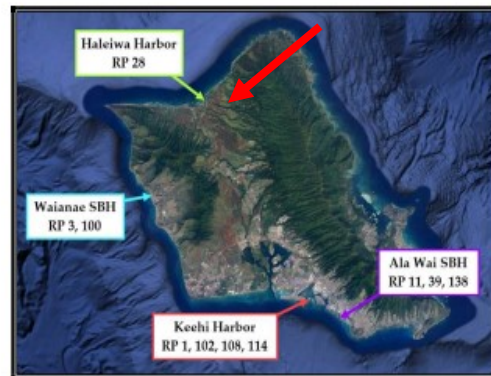


APPRAISAL REPORT

ESTIMATION OF MARKET RENT DIVISION OF BOATING AND OCEAN RECREATION

HONOLULU COUNTY REVOCABLE PERMITS Honolulu 96815 and 96819 Waianae 96792 | Haleiwa 96712

Facility	Revocable Permit No.	Tax Map Key
Ala Wai SBH	11	1230370260000
	39	1230370200000
	138	1260100030000 (Por.); 1260100160000 (Por.)
Keehi Harbor	1	1120250430000
	102	1120230570000
	108	1120230590000
	114	1120230530000
Waianae SBH	3	1850020510000
	100	1850020560000
Haleiwa Harbor	28	1620030390000



Prepared for

Mr. Edward R. Underwood
DOBOR Administrator
State of Hawaii, Department of
Land and Natural Resources
Division of Boating and
Ocean Recreation

Prospective Date of Value

July 1, 2023

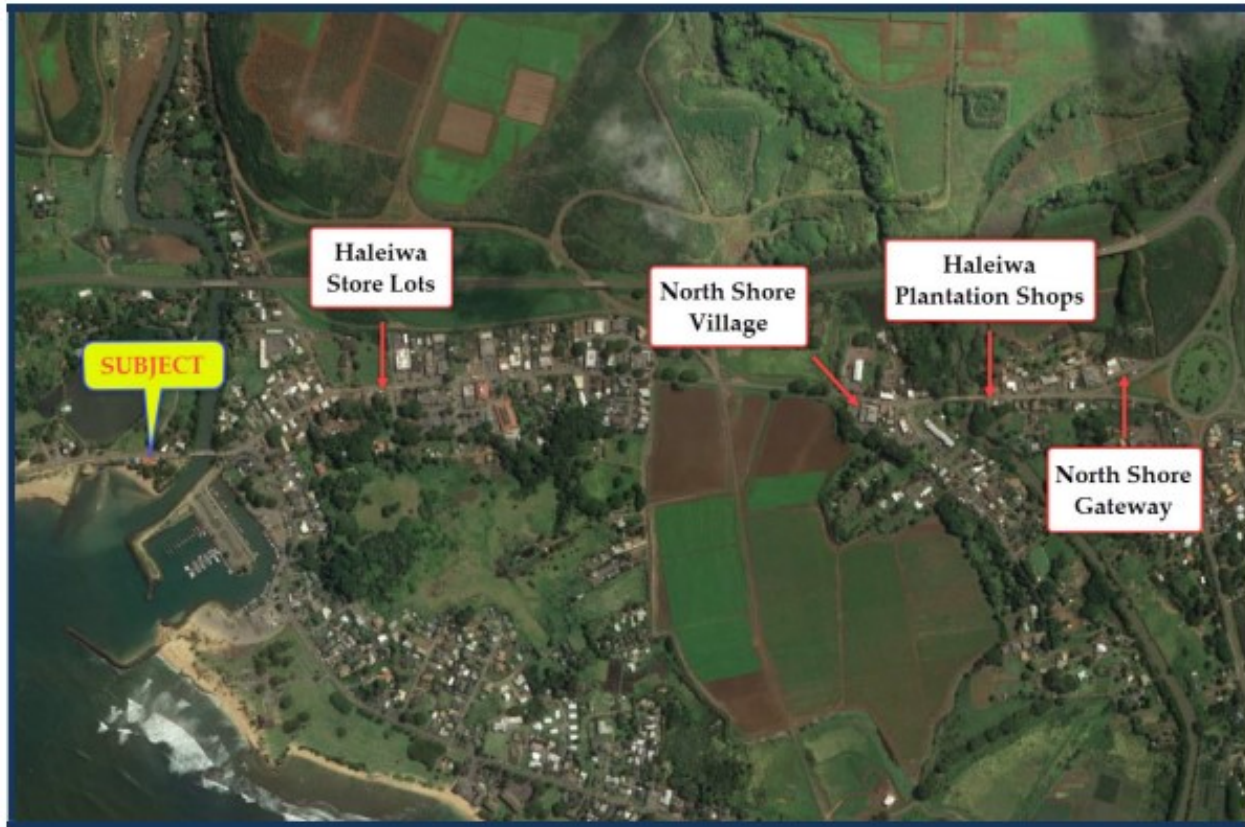
I was taken aback by the rent increase and asked a real estate friend to look at the appraisal report.

We understand that the report was done back in July 2023, so the appraiser couldn't account for the recent challenges with flooding caused by the 16" water main break.

We still have some concerns regarding some of the assumptions that lead to their rent conclusion.

The comparison properties:

- 1) Are inland and not on the coast;
- 2) Are small tenants of larger building complexes;
- 3) Are tenants that do not pay for major repairs, ie. roofs, foundations, painting, termite damage, which may account for their high rents.
- 4) They pay a common area maintenance fee for the surrounding amenities along with other tenants. We maintain our own area and surrounding county and state properties.
- 5) Structures are much newer than 103 year old Surf N Sea, and require less maintenance.
- 6) High rents were chosen versus other viable properties listed, such as Matsumoto Shaved Ice, \$1.50/sq. ft.
- 7) They were assumed to be inferior, and their rents were given an upward adjustment. I find it hard to believe that the challenges of a 103 year old building located in a flood zone that battles winter surf every year, and is subject to sea level rise is superior to younger inland properties.



In determining our rent, the appraiser compared our property to 4 properties in Haleiwa's main town. Surf N Sea is located on the outskirts of the main town. Due to our location next to the beach, on the north shore, and at the mouth of Anahulu River, in a low lying area, our store has been subject to flooding on several occasions. The effect of major weather events such as hurricanes, tsunamis, winter surf, king tides, heavy rains, and sea level rise is very different from what the comparison properties experience.

We're located in the flood zone and have to deal with legendary Oahu North Shore winter surf every year, not to mention, record years when they have the Eddie. During the rainy season trees, animals, and occasionally cars wash down Anahulu River into Wailua Bay. We regularly have to pull debris out of the bay with help from Manu O Ke Kai Canoe Club. We also clean the beach every day.

I'm curious if the cost of maintenance was taken into consideration. We do not pay a Common Area Maintenance fee. We've maintained this area, at our own expense, for the entire time we've been here. Our building is much older than the comparison properties and we are constantly making repairs. The comparison properties don't have to personally deal with roof, and other major repairs. As mentioned earlier, I've replaced the roof 4 times in the last 41 years.

COMPARABLE COMMERCIAL RENTS										
No.	Address	Tenant	Floor	Year Built	Lease Area (SF)	Lease Start	Term (Yrs)	Base Rent (\$/SF/Mo.)	Space Type	Percentage Rent
1	North Shore Village 66-437 Kamehameha Hwy	Body by Balance Fitness	2	1982	961	04/23	11 mo.	\$0.65	Office	-
2		Retail	1	1982	1,054	12/15	3	\$2.29	Office	8%
3	North Shore Gateway 66-632 Kamehameha Hwy	Medical Clinic	1	2017	893	04/23	5	\$3.98	Retail	-
4		CONFIDENTIAL	1	2017	1,800	2016	20	\$5.50	-	-
5	Haleiwa Plantation Shops 66-526 Kamehameha Hwy	Retail	1	1914	365 - 615	2021	5	\$7.00 - \$8.00	Retail	-
6	Haleiwa Store Lots 66-111 Kamehameha Hwy	Whaler's General Store (Unit 602)	1	1920-1959 Renovated 2014	2,972	09/14	5	\$5.15	Retail	10%
7		Uncle Bo's Haleiwa (Unit 101)	1	1920-1959 Renovated 2014	2,527	10/14	12	\$3.00	Restaurant	-
8		Teddy's Bigger Burger (Unit 801)	1	1920-1959 Renovated 2015	2,472	9/14	10	\$3.24	Restaurant	-
9		Town & Country (Unit 603)	1	1920-1959 Renovated 2016	1,634	9/14	10	\$4.48	Retail	8%
10		Green Room (Unit 201)	1	1920-1959 Renovated 2014	1,459	9/14	5	\$5.15	Retail	8%
11		Malibu Shirts (Unit 202)	1	1920-1959 Renovated 2014	1,114	9/14	5	\$4.33	Retail	8%
12		Mahina Maui (Unit 501)	1	1920-1959 Renovated 2014	1,024	10/14	5	\$3.81	Retail	8%
13		Matsumoto Shave Ice (Unit 604)	1	1920-1959 Renovated 2014	2,709	9/14	7	\$1.50	Retail	8%
14	North Shore Village 66-437 Kamehameha Hwy	Unit 202/204	2	1982	1,794	Listing	Neg.	\$1.35	Office	
15		Unit 210	2	1982	1,088	Listing	Neg.	\$1.35	Office	

The appraiser chose 4 locations #4, #5, #9 and #11 out of 15 comparison properties.

The rents are high rents of smaller areas. Surf N Sea is 6,727 sq. ft. while the comparison properties are much smaller:

- #4 - 1,800 sq. ft.
- #5 - 365 - 615 sq. ft. *
- #9 - 1,634 sq. ft.
- #11 - 1,114 sq. ft.

Property #4 is labeled "CONFIDENTIAL". The building photo, building name and address are not listed. However, they are listed on the rent analysis page that follows.

Property #5 area is listed as a range between 365 - 615 sq. ft., but in the analysis it is listed as 465 (sq. ft.) It's hard to reconcile how such a small space compares with an operation that is over 10x larger.

Another small detail is the ordering of Analysis, #5 is before #4. These may seem like small oversights, but oversight to our rent has enormous ramifications for us. The attention to detail, especially for two of the main comparison properties, is cause for concern regarding the care given to the analysis of the appraisal of our rent.

Rent Analysis Grid

Ground Floor Lease Analysis Grid		H1		H2		H3		H4	
Commercial Rent Survey ID:		No. 5		No. 4		No. 9		No. 11	
									
	Surf N Sea	Haleiwa Plantation Shops	North Shore Gateway	Haleiwa Store Lots	Haleiwa Store Lots				
Address	62-595 Kamehameha Highway	66-526 Kamehameha Highway	66-623 Kamehameha Highway	66-111 Kamehameha Highway	66-111 Kamehameha Highway				
City	Haleiwa	Haleiwa	Haleiwa	Haleiwa	Haleiwa				
County	Honolulu	Honolulu	Honolulu	Honolulu	Honolulu				
Date	7/1/2023	2021	2016	Oct-14	Oct-14				
Eff. Rent/SF/Mo.		\$7.50	\$5.50	\$4.48	\$4.33				
Lease Type		NNN	NNN	NNN	NNN				
Term		5 years	20 years	10 years	5 years				
Size	6,727	465	1,800	1,634	1,114				
Transaction Adjustments									
Conditions of Lease		Normal	0%	Normal	0%	Normal	0%	Normal	0%
Adjusted Rent		\$7.50		\$5.50		\$4.48		\$4.33	
Market Trends/Year	2.5%	5.1%	18.9%	24.1%	24.1%				
Adjusted Rent		\$7.88		\$6.54		\$5.56		\$5.37	
Location		Haleiwa	Haleiwa	Haleiwa	Haleiwa				
% Adjustment		10%	10%	5%	5%				
\$ Adjustment		\$0.79	\$0.65	\$0.28	\$0.27				
Parking/Circulation	Public / Adequate	Public / Adequate	Onsite / Adequate	Onsite / Adequate	Onsite / Adequate				
% Adjustment		-5%	-5%	-5%	-5%				
\$ Adjustment		-\$0.39	-\$0.33	-\$0.28	-\$0.27				
Quality	Old building / Adequately maintained	Old building / revitalized & modernized	Newer constructions / well maintained	Renovated buildings / revitalized & modernized	Renovated buildings / revitalized & modernized				
% Adjustment		-20%	-30%	-25%	-25%				
\$ Adjustment		-\$1.58	-\$1.96	-\$1.39	-\$1.34				
Adjusted Unit Price Before Size Adjustment		\$6.70	\$4.90	\$4.17	\$4.03				
Rentable Area		465	1,800	1,634	1,114				
% Adjustment		-52%	-31%	-32%	-39%				
\$ Adjustment		-\$4.10	-\$2.03	-\$1.78	-\$2.10				
Adjusted Rent		\$2.60	\$2.88	\$2.39	\$1.93				
Net Adjustments		-61.9%	-37.1%	-32.9%	-39.9%				
Gross Adjustments		92.1%	94.9%	91.1%	98.1%				

The appraiser made 10% and 5% upward adjustments to the comparison properties. Therefore, the appraiser makes the assumption that the comparison property locations are inferior and our location is superior.

We have to challenge this assumption. We are not located in the main of Haleiwa Town. Surf N Sea us much older than the comps. We're located in the flood zone and have to deal with north shore winter surf every year and flooding.

Our area only looks good because of our own actions to make it look more attractive to customers. We maintain the landscaping and clean up trash on City and State properties abutting our store so that it doesn't get out of control. We also maintain the trees around the harbor beacon so that the boats can see it. We clean the drains due to past experiences with rubbish and flooding. As mentioned earlier, we clean the beach every day and remove debris from the Bay.

The comparison properties are subtenants of larger properties. They pay a common area maintenance fee to maintain landscaping. Major maintenance, such as re-roofing, painting, termite and structural repairs is born by the landowner, which is typical. However, we have been taking care of maintenance and repairs on our own.

For the reasons mentioned above we believe that there should be a downward adjustment versus an increase for this location. We humbly ask that you reconsider the rent and if possible please lower it for this year. We are really hurting going into the recession.