

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

May 25, 2018

Ref. No.: GLS-4878, GLS-4244  
GLS-4645, LODS-12,850,  
LODS-27,442

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

KAUAI

Consent to Assign General Lease No. S-4878, Grant of Easement Nos. S-4244 & S-4645, and Land Office Deed Nos. S-12,850 & S-27,442, Coco Palms Ventures LLC, as First Assignor, to PR II Coco Palms LLC, as First Assignee/ Second Assignor, and from PR II Coco Palms LLC, First Assignee/ Second Assignor, to Coco Palms Hui LLC, as Second Assignee, Wailua, Kawaihau (Puna), Kauai, Tax Map Keys: (4) 4-1-003:005, por. 017, por. 039, and por. 044.

Amendment of Grant of Easement Nos. S-4244 and S-4645, and Land Office Deed Nos. S-12,850 and S-27,442, Coco Palms Hui LLC, Grantee, Wailua, Kawaihau (Puna), Kauai, Tax Map Keys: (4) 4-1-003:005, por. 017, por. 039 & por. 044, and 4-1-005:017.

Grant of Easement Nos. S-4244 and S-4645, and Land Office Deed Nos. S-12,850 and S-27,442 already exist. The purpose of amending the documents is to insert a provision allowing the easements to "Run with the Land," thereby becoming assignable without the written consent of the Board of Land and Natural Resources. The easements will be appurtenant to and inure to the benefit of Coco Palms Hui LLC's private property identified as Tax Map Key: (4) 4-1-003:007.

APPLICANTS:

Coco Palms Ventures LLC, a Delaware limited liability company.  
PR II Coco Palms LLC, a Delaware limited liability company.  
Coco Palms Hui LLC, a Delaware limited liability company.

LEGAL REFERENCE:

Section 171-36(a)(5), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Wailua, Kawaihau (Puna), Kauai, Tax Map Keys: (4) 4-1-003:005, por. 017, por. 039 & por. 044, and (4) 4-1-005: 017, labeled as Exhibit A.

TMK/ DISTRICT/ ZONE/ ENCUMBRANCE/AREA:

TAX MAP KEY	DISTRICT	ZONE		ENCUMBRANCE	AREA
		SLU	CZO		Acres (sq ft)
(4) 4-1-003:005	Wailua, Kawaihau	Urban	RS-10	GLS-4878; Coco Palms Ventures LLC, for park and recreational purposes. Scheduled to expire on 8/17/48.	14.834 Coconut Grove
				LODS-27,442; Sewer Easement S-1: Coco Palms Ventures LLC, for sewer purposes.	0.0370 (1,611) sewer pipeline
				LODS-27,442; Sewer Easement S-2: Coco Palms Ventures LLC, for sewer purposes.	0.0171 (745) sewer pipeline
(4) 4-1-003:017	Wailua, Kawaihau	Urban	RS	RPS-7444; Coco Palms Ventures for construction/demolition equipment and employee parking purposes.	.855 (37,244)
				LODS-12,850; Coco Palms Ventures for 25-foot wide access purposes.	0.0700 (3,033)
(4) 4-1-003:039	Wailua, Kawaihau	Urban	RS	Grant of Easement No. S-4645; Coco Palms Ventures LLC, for access purposes	.0180 (776)
(4) 4-1-003:044	Wailua, Kawaihau	Urban	Hotel Resort	EO 2744; COK-Wailua Sewage Pumping Station and Emergency Power Generator Site.	0.412 (17,964)
				RPS-7407; Coco Palms Ventures, for access purposes.	.0106 (460)
				Grant of Easement No. S-4244; Part -1, Coco Palms Ventures LLC, for sanitary sewer purposes, over and across the Wailua Sewage Pump Station Site.	.0262 (1,141) sewer pipeline
				Grant of Easement No. S-4244; Part -2, Coco Palms Ventures LLC, for sanitary sewer purposes, over and across part 6-C of Cane Haul Road under GLS-3668 to Lihue Plantation Company, Ltd.	.0651 (2,836) sewer pipeline
(4) 4-1-005:017	Wailua, Kawaihau	Urban	Comm ercial	RPS-7613; Coco Palms Ventures LLC, for restaurant, landscaping and related purposes.	0.120 (5,224)
				EO 4317; DOT Highways, for bike & pedestrian path.	0.0020 (87) multi-use path

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

CHARACTER OF USE/ TERM/ ANNUAL RENT

<b>DISPOSITION</b>	<b>CHARACTER OF USE:</b>	<b>TERM OF LEASE AND EASEMENTS:</b>	<b>ANNUAL RENTAL:</b>
<b>General Lease No. S-4878</b>	For landscaping and maintenance of premises for aesthetic, park and recreation purposes.	65 years, commencing on August 18, 1983 and expiring on August 17, 2048. Last rental reopening occurred on August 17, 2013; next rental reopening is scheduled for August 17, 2023.	\$3,796 (Semi-annual installments on August 18th and February 18th of each year).
<b>Grant of Easement No. S-4244</b>	For sanitary sewer purposes: <b>Part 1</b> , a sewer pipeline over the Wailua Sewer Pump Station Site; <b>Part 2</b> , a sewer pipeline over cane haul road.	65 years, commencing on May 13, 1969 and expiring on May 12, 2034. There is no rental reopening scheduled.	\$730 (a one-time payment, paid on May 1969).
<b>Grant of Easement No. S-4645</b>	For access purposes.	65 years, commencing on May 16, 1980 and expiring on May 15, 2045. There is no rental reopening scheduled.	\$2,900 (a one-time payment, paid on August 1980)
<b>Grant of Easement, Land Office Deed No. S-12,850</b>	For a 25 feet wide road right-of-way.	Perpetual non-exclusive easement for 25 feet wide road right-of-way purposes.	\$518.33 (a one-time payment, paid on January 1955).
<b>Grant of Easement, Land Office Deed No. S-27,442</b>	For underground sewer line purposes.	Perpetual, non-exclusive easement for sewer line purposes.	\$966 (a one-time payment, paid on July 1983).

CONSIDERATION:

\$ 10.00 (TEN AND NO/100 DOLLARS).

RECOMMENDED PREMIUM:

Not applicable as the lease and easements do not allow for a premium.

DCCA VERIFICATION:

FIRST ASSIGNOR: Coco Palms Ventures LLC

Place of business registration confirmed: YES \_\_\_ NO x  
Registered business name confirmed: YES \_\_\_ NO x  
Good standing confirmed: YES \_\_\_ NO x

FIRST ASSIGNEE/ SECOND ASSIGNOR: PR II Coco Palms LLC<sup>1</sup>

Place of business registration confirmed: YES \_\_\_ NO x  
Registered business name confirmed: YES \_\_\_ NO x  
Good standing confirmed: YES \_\_\_ NO x

SECOND ASSIGNEE: Coco Palms Hui LLC

Place of business registration confirmed: YES x NO \_\_\_  
Registered business name confirmed: YES x NO \_\_\_  
Good standing confirmed: YES x NO \_\_\_

Coco Palms Ventures LLC is not in good standing with the Department of Commerce and Consumer Affairs. However, staff understands that the company is able to wrap up its business affairs through the requested assignment of lease and easements even though it is not in good standing. PR II Coco Palms LLC is a Delaware limited liability company that is not registered to do business in Hawaii. Staff understands that an entity may own property in the State without necessarily conducting business here. In this case, PR II Coco Palms LLC acquired the lease and easements in foreclosure with the intent to convey them to a buyer now identified as Coco Palms Hui LLC, who is in good standing with DCCA.

BACKGROUND:

The landmark hotel located in Wailua, Kauai and known as Coco Palm Lodge was originally built in the 1940s. On January 25, 1953, under the management of Island Holidays, Ltd., the property was renamed Coco Palms Resort.

In 1969, Amfac purchased Island Holidays, Ltd. and the Coco Palms property, which included the State leases and four easements that were part of the Coco Palms Hotel complex. Amfac later sold the property to Wailua Associates in 1985, who managed the hotel until Hurricane Iniki struck on September 11, 1992, which caused severe damage to the hotel. Because of disputes over repairs, the Coco Palms Hotel remained closed for years following the hurricane.

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<sup>1</sup> In Lieu of Foreclosure, pursuant to that certain Purchase and Sale Agreement, dated July 17, 2014, PR II Coco Palms LLC, c/o Prudential Real Estate Investor, assigned its interest, if any, to Coco Palms Hui LLC, Assignee.

At its meeting of January 14, 2006, item D-29, the Board of Land and Natural Resources (Board) consented to the assignment of the Coco Palms Lease and easements from Wailua Associates to Coco Palms Ventures LLC. After years of planning, obtaining building permits, etc., the economic downturn of 2008 arrived and Coco Palms Ventures LLC struggled to finance its renovation project and to find new investors. Effective February 14, 2006, Coco Palms Ventures LLC, a Hawaii limited liability company, was converted to a Delaware limited liability company. It eventually had to give up on its investment in the hotel and was forced into foreclosure.

In 2014, pursuant to an Agreement for Deed in Lieu of Foreclosure, First Assignee/Second Assignor PR II Coco Palms LLC, a wholly owned subsidiary of Prudential Insurance (Prudential Real Estate Investors), agreed to accept an assignment of the Coco Palms lease and easements from First Assignor, Coco Palms Ventures LLC, upon the Board's consent, together with a conveyance of the private property constituting a part of the hotel site and designated as Tax Map Key: (4) 4-1-003:007 (Parcel 7). The assignment instruments were executed and placed in escrow until such time as the parties could obtain the Board's consent to the transaction.

In 2016, PR II Coco Palms LLC executed assignment of lease and easement documents in favor of Coco Palms Hui LLC, along with a deed conveyance of Parcel 7. The parties arranged for the assignment documents to once again be deposited with escrow with express instructions that they be recorded immediately upon receipt of Board consent.<sup>2</sup> The purpose of the present request is to obtain the Board's consent to the assignment of the lease and easements from Coco Palms Ventures LLC, the First Assignor, to PR Coco Palms LLC, the First Assignee/Second Assignor, then to Coco Palms Hui LLC, the Second Assignee.

The lease premises under General Lease No. S-4878 are located adjacent to the private hotel land (private Parcel 7). As noted above, the lease character of use is for park and recreational purposes. The lease premises will continue to be devoted to these purposes if the assignment is approved. The four easements that are the subject of the assignment are for various utility and access purposes and benefit Parcel 7.

Coco Palms Hui LLC, a Delaware limited liability company, as the present owner of the hotel site on private Parcel 7, and the proposed assignee of the State lease and easements, is composed of members with longstanding experience in developing real estate properties. Coco Palms Hui LLC plans to extensively renovate the property to create a hotel with full amenities, while retaining the atmosphere of the original Coco Palms Hotel.

In 2016, as part of the conveyance of the Coco Palms Hotel, various revocable permits

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<sup>2</sup> The originals of the 2014 and 2016 assignments of leases and easements were misplaced in escrow. The parties subsequently re-executed the assignments with new instructions to escrow.

relating to the hotel site were handled in the following manner. At its meeting of October 28, 2016, item D-1, the Board approved the cancellation of Revocable Permit Nos. S-7404, S-7444, and S-7613, to Coco Palms Ventures LLC, with the issuance of new Revocable Permits to Coco Palms Hui LLC, Wailua, Kawaihau, Kauai, Tax Map Keys: (4) 4-1-003:017, 4-1-005:017.

Coco Palms Ventures LLC is in compliance with all lease terms and conditions including rent, insurance and performance bond.

Assignees PR II Coco Palms LLC and Coco Palms Hui LLC, have not had a lease permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

Staff is further recommending that the respective Grants of Easement and Land Office Deeds be amended to include a provision allowing the easements to "Run with the Land," thereby becoming assignable without the written consent of the Board. The easements will be appurtenant to and inure to the benefit of Coco Palms Hui LLC's private property identified as Tax Map Key: (4) 4-1-003:007.

There are no pending issues relating to a rental reopening.

No government agencies or interest groups were solicited for comments as there will be no change in disposition or land use.

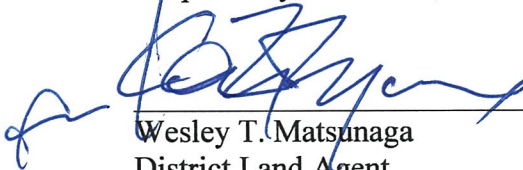
RECOMMENDATION: That the Board:

1. Subject to the Applicant fulfilling all of the Applicant requirements listed above, Consent to the assignment of General Lease No. S-4878, Grant of Easement Nos. S-4244 and S-4645, and Land Office Deed Nos. S-12,850 and S-27,442, Coco Palms Ventures LLC, First Assignor, to PR II Coco Palms LLC, as First Assignee/ Second Assignor, and from PR II Coco Palms LLC, First Assignee/ Second Assignor, to Coco Palms Hui LLC, as Second Assignee:
  - A. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time;
  - 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 Amendment of Grant of Easement Nos. S-4244 and S-4645, and Land Office Deed Nos. S-12,850 and S-27,442, Coco Palms Hui LLC, Grantee, to insert a provision allowing for the easement to run with the land, as stated below:

“This easement shall run with the land and shall inure to the benefit of the respective real property described as Tax Map Key: (4) 4-1-003:007, providing that the Grantee shall be required to carry liability insurance covering the easement area and comply with all other terms and conditions as provided herein, and that the Grantee, or authorized representative of the Grantee’s estate, shall notify the Grantor in writing when this easement is sold, assigned, conveyed, or otherwise transferred, and Grantee shall notify the Grantee’s successors or assigns of the insurance requirement in writing, separate and apart from this easement document.”

- A. The standard terms and conditions of the most current amendment of easement document form, as may be amended from time to time; and
- B. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interest of the State.

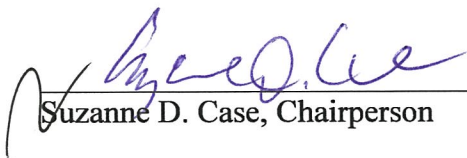
Respectfully Submitted,



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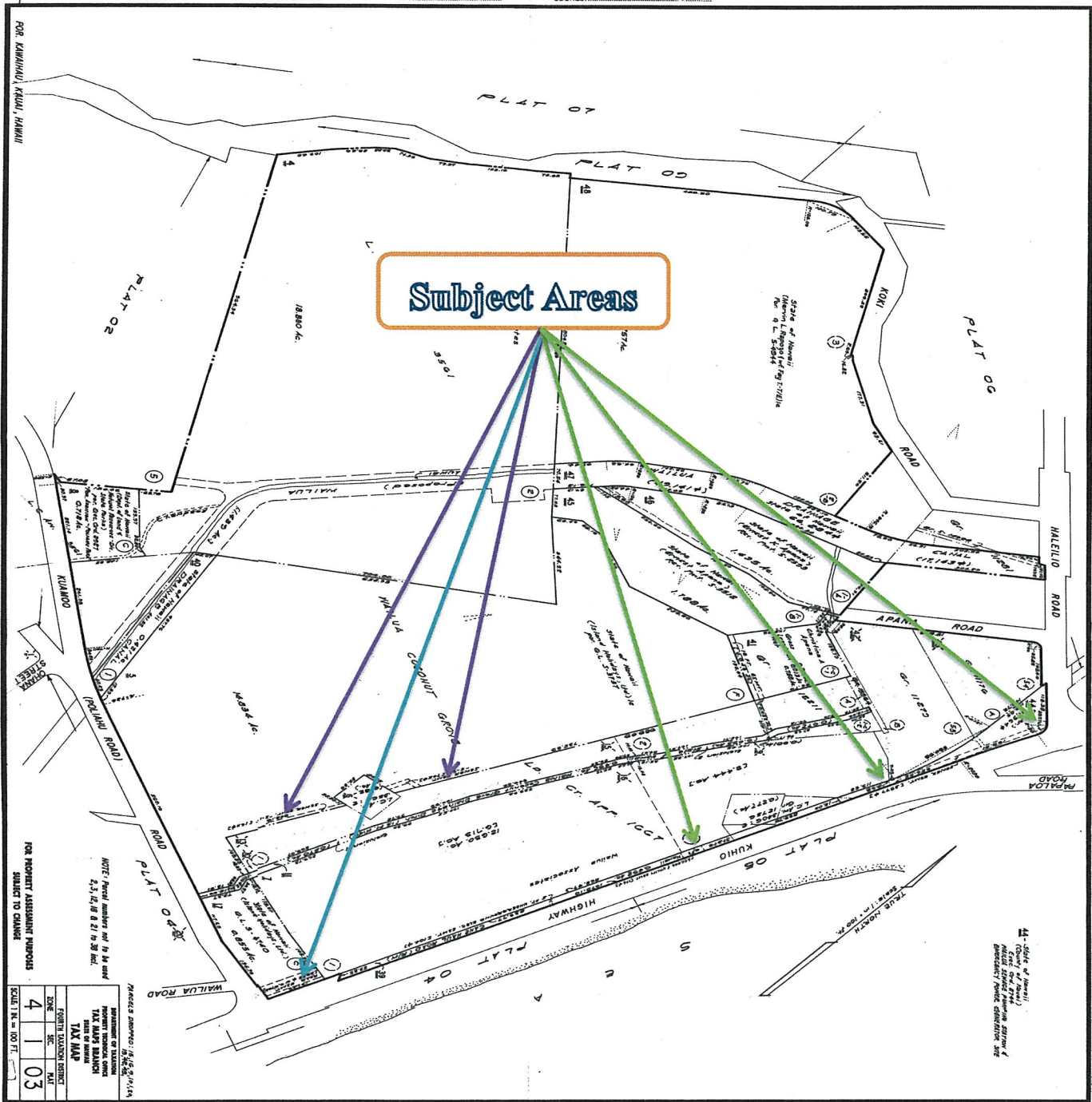
Wesley T. Matsunaga  
District Land Agent

APPROVED FOR SUBMITTAL:



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Suzanne D. Case, Chairperson



FOR PROPERTY ASSUMPT NUMBERS SUBJECT TO CHANGE

NOTE: Parcel numbers not to be used for zoning purposes.

ZONING		TAX MAP	
ZONE	SEC.	TAX	MAP
4	1	03	

State of Hawaii  
County of Hawaii  
Mailed Street Planning Office &  
Geomatics/PLATE CENTER, INC.

# EXHIBIT A



Grant of Sewer Pipeline Easement No. S-4244 Part-1 (1,141 s.f.) & Part-2 (2,836 s.f.)

Grant of Access & Utility Easement No. S-4645 (776 s.f.)

LODS-27,442 Sewer Easement S-2 (745 s.f.)

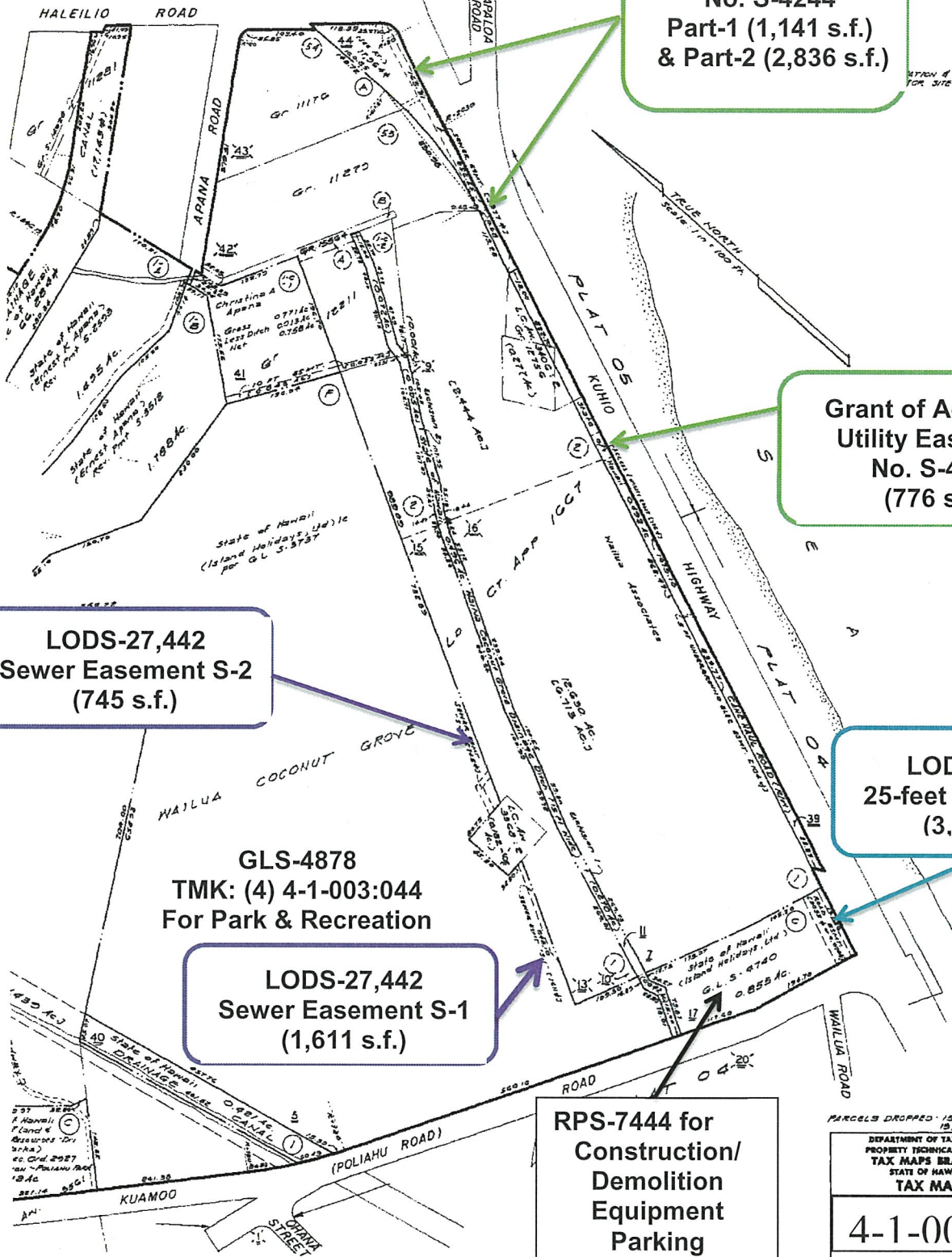
LODS-12,850 25-foot wide Access (3,033 s.f.)

GLS-4878 TMK: (4) 4-1-003:044 For Park & Recreation

LODS-27,442 Sewer Easement S-1 (1,611 s.f.)

RPS-7444 for Construction/ Demolition Equipment Parking

PARCELS DROPPED: 15, 16, 9, 10, 11, 12, 13, 14, 15  
DEPARTMENT OF TAXATION  
PROPERTY TECHNICAL OFFICE  
TAX MAPS BRANCH  
STATE OF HAWAII  
TAX MAP  
4-1-003



# EXHIBIT A

