

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

August 26, 2022

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

Land Board Members:

SUBJECT: Authorize the Division of Boating and Ocean Recreation to Issue a Request for Proposals for Development of Public Lands at the Ala Wai Small Boat Harbor, Kalia, Honolulu, Oahu, Hawaii
Tax Map Key Plat Nos.: (1) 2-3-037 and (1) 2-6-010

APPLICANT:

Department of Land and Natural Resources, Division of Boating and Ocean Recreation (DOBOR).

LEGAL REFERENCES:

Sections 171-6, 171-11, 171-13, 171-16, 171-17, 171-18, 171-19, 171-35, 171-36, 171-41, 171-53, 171-59, and other applicable sections of Chapter 171; sections 200-2.5, 200-2.6 and other applicable sections of Chapter 200; Hawaii Revised Statutes (HRS), as amended. Session Laws of Hawaii 2011 Act 197, Section 9, Subsection (g)

LOCATION:

Government lands situated at Ala Wai Small Boat Harbor (AWSBH), Kalia, Honolulu, Island of Oahu, identified by Tax Map Keys: (1) 2-3-037:012 (por.), :020, :024, :026, :033, :034; and (1) 2-6-010:003 (por.), :005, :016. These parcels shall collectively be referenced as the "Subject Property." Basic property information is summarized in the table shown in **Exhibit C**. The total area for development is approximately 11 acres and includes certain fast and submerged or reclaimed (filled) lands. The Subject Property is on a portion of Governor's Executive Order 4604.

Additional submerged lands may be included within the leased area subject to legislative approval to lease submerged lands.

TRUST LAND STATUS:

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

UTILITIES: All utilities are available at the harbor.

EXISTING IMPROVEMENTS: Including but not limited to paved roads, parking equipment, parking stalls, potable water lines, sewer system, public restrooms, harbor office, lighting, slips, piers, ramps, wash down area and outdoor showers.

Fixed and floating docks may be included within the leased area subject to legislative approval to lease submerged lands.

LEGAL ACCESS: There is legal access from Ala Moana Boulevard connecting to Holo Moana Street, Hobron Lane and Kahanamoku Street.

CURRENT USE STATUS:

Within the AWSBH, there are currently 3-Leases (not included in the Subject Property), 5-Revocable Permits (RP), (an additional RP is conditioned on County permit approval) and 1 Mobile Food Concession. The Subject Property is managed by DOBOR as part of the AWSBH.

Exhibit A-1 Depicts AWSBH encumbrances, which may affect or adjoin the Subject Property.

Exhibit A-2 Depicts the current parking plan, which may affect or adjoin the Subject Property.

Exhibit A-3 Summarizes the AWSBH encumbrances, which may affect or adjoin the Subject Property.

Exhibit B Depicts Parcels A thru D and Moles 1 and 2 shown in the 2019 RFP.

Parcel A: TMK Nos. (1) 2-3-037:012 (por.), :024, :033 and :034

- Harbor management office – single story
- Paid parking stalls
- Public restroom
- Washdown area
- Trailer boat storage

Parcel B: TMK Nos. (1) 2-6-010:003 (por.), :005, :016.

- Public restroom
- Piers
- Boat ramp

- RP to Blue Water Shrimp International LLC pending county approvals.
- Pedestrian access to/from Ala Moana Blvd.

Parcel C: TMK Nos. (1) 2-3-037:020

- Single story structure
- Restroom
- Piers
- Storage and Catamaran mooring, HBM, LLC – RP

Parcel D: TMK No. (1) 2-3-037:012 (por.)

- Parking – Permit only
- Mobile food vendor, John’s World Famous Hawaii Hot Dogs LLC – RP
- Kiosk Parasail ticket booth, Hawaiian Parasail, Inc. – RP
- Pier for parasail boat
- Landscaping

Mole 1: TMK No. (1) 2-3-037:012 (por.)

- Parking - Permit and free
- Public restroom
- Access to fuel pier, Parcel C.
- Pier support mooring cleats, boat lockers, boat power and water.
- Landscaping

Mole 2: TMK no. (1) 2-3-037:012 (por.)

- Parking - Permit only
- Public restroom
- Access to lessee Hawaii Yacht Club (lease BO-99-2) which expires on July 29, 2034.
- Honolulu Transpac, Ltd.’s office space - RP
- Pier support mooring cleats, boat lockers, boat power and water.
- Landscaping

Prior to issuance of a lease, such uses that are inconsistent with the lease of the Subject Property will need to be terminated. DOBOR is requesting the Board to authorize the cancellation of revocable permits, concessions and contracts and delegate authority to the Chairperson to determine when the cancellations shall take effect.

STATUTORY AUTHORITY:

HRS Section 171-59(a) provides that a lease of public land may be disposed of through negotiation upon a finding by the Board that the public interest demands it.

The statute also provides a process under which the Board may select the lessee. The statute requires DLNR to: (i) provide public notice of its intention to lease public land

through negotiation; (ii) establish reasonable criteria for the selection of the lessee; (iii) determine the applicants who meet the criteria for selection; and (iv) select the lessee that submits the highest most responsible offer.

In the alternative, HRS Section 171-59(b) allows for disposition by negotiation if the use meets certain categorical criteria (e.g., marine, maritime, and maritime-related operations) provided that such lease encourages competition within such type of operation.

CHAPTER 343 ENVIRONMENTAL ASSESSMENT:

The selected applicant shall be required to comply with all HRS Chapter 343 and HAR Chapter 11-200 environmental requirements regarding the selected applicant's proposed use of the Subject Property during the development agreement phase of the project, and prior to any disposition by lease. The issuance of a lease shall be subject to compliance with Chapter 343, which may require the issuance of an Environmental Assessment (EA) with Finding of No Significant Impact ("FONSI") or Environmental Impact Statement ("EIS"). The Board's approval of a final EA-FONSI and/or EIS is required prior to issuance of a lease.

As a pre-condition to the issuance of a lease, the applicant selected through the RFP process shall also fulfill any and all federal, state and county governmental requirements.

The prior Lessee to Parcels B and C under State Boating Lease BO-13120, obtained a final EA/FONSI on October 8, 2010 (dated Sept. 21, 2010 as the "Waikiki Landing" project) and supplemental Final Environmental Assessment (FEA) also on October 8, 2010 (dated July 30, 2010) to account for traffic impacts. The FEA also cited a Phase I Environmental Site Assessment prepared on January 12, 2004, for the "fuel dock" site (Parcel C). These documents will be made available to all prospective applicants.

BACKGROUND:

Boating Lease No. BO-13120 was issued to Honey Bee USA, Inc. for Parcels B and C on Dec. 6, 2013 and terminated on November 15, 2015.

Parcel B was previously the site of a haul out facility. License No. 74 was issued to Ala Wai Boat Works, Ltd. on April 27, 1953, and expired on April 30, 2004. Ala Wai Marine, Ltd. was a holdover tenant to License No. 74, and had been cited by the Department of Health Clean Water Branch for discharge and permit violations. Ala Wai Marine, Ltd. held a revocable permit (RP No. B-93-39) effective August 14, 1993, for boat storage and parking purposes until it was vacated in February 2009.

Parcel C was the subject of revocable permits, including RP No. B-03-06 to Magic Island Petroleum, Inc. (MIP) to operate a fuel facility and convenience store on December 1, 2002. The facility was in poor condition and required substantial upgrades and repairs. MIP indicated it would be uneconomical to invest substantial sums of money for repairs

without a long-term lease. It is currently being used for catamaran storage by HBM, LLC under a revocable permit. The Makai pier recently collapsed in January 2022.

At its meeting held on April 13, 2018, under agenda item J-4, the Board instructed DOBOR to issue a Request for Proposal (RFP) for development of public lands at AWSBH. The RFP process was completed in 2019 and did not result in a lease. A subsequent request was suspended due to the COVID-19 pandemic in 2020 and 2021.

Vision: The Subject Property is located within AWSBH, which is the largest recreational harbor in the State and is situated at the Ewa end of Waikiki. DOBOR intends to issue an RFP to invite responsible applicants to partner with it in achieving its vision for AWSBH in the public interest. The goal is to transform the harbor into a world-class marina that meets the needs of residents and visitors who use the ocean for a myriad of activities. This transformation includes development of the fast lands to improve the aesthetics of the harbor especially since it is considered a gateway to Waikiki, improvement of the harbor and management services provided to tenants, and the development of DOBOR managed fast (and submerged/reclaimed) lands in this area to support the community and recreational activities of this legendary area. DOBOR is eager to optimize the use of AWSBH in keeping with the conservation mission of the Department. To this end, its vision includes helping mitigate environmental concerns in the area, including water quality management, and working with local and regional entities such as the Seabin Foundation, Ala Wai Watershed Coalition, Waikiki Beach Special Improvement District Association, and others. The Division seeks a partner that will help it attain Clean Marina certification or other appropriate designations. Finally, the Division wishes to partner with the Division of Aquatic Resources on the Governor's sustainability goals for Hawaii, as announced at the 2016 IUCN World Conservation Congress, specifically the 30 by 30 initiative—to effectively manage 30% of Hawaii's nearshore waters by 2030—and seeks a marina partner that will help it attain these goals.

In 2021, DOBOR requested assistance from the University of Hawaii Community Design Center (UHCDC) who prepared an Ala Wai Small Boat Harbor Vision Report. The report has been completed and DOBOR proposes that it be used to help provide guidance to potential bidders. The report can be viewed on the DLNR-DOBOR website via the following link:

[Division of Boating and Ocean Recreation | Ala Wai Small Boat Harbor Vision Report \(June 2022\) \(hawaii.gov\)](https://www.dlnr.hawaii.gov/recreation/2022/06/22/Ala-Wai-Small-Boat-Harbor-Vision-Report-June-2022/)

Rationale for RFP: DOBOR believes a Request for Proposals (RFP) method of procurement should be used to safeguard the public trust. Elements such as experience, past performance, resources, method of approach, and other criteria will be considered when selecting the successful applicant. An auction process would simply award the contract to the highest bidder, not necessarily one that shares in partnering with DOBOR and its vision for the AWSBH. DOBOR does not possess the expertise or funding for this undertaking and believes this facility should be upgraded under a lease arrangement with a private entity. Such an arrangement has excellent potential to increase the lease rent revenues generated to support DOBOR's operations. DOBOR will review submitted proposals in accordance with the evaluation criteria set forth in the RFP.

Capital Improvements: DOBOR has been implementing a comprehensive improvement plan for the AWSBH. As part of this plan, since 2008, floating docks "B", "C", "D" and "F" have been completely rebuilt and placed into service. DOBOR has also replaced the concrete piers and revetment of the 700-row, replaced debris catchment, completed roadway and parking lot repairs, and upgraded electrical, telephone and water utilities. DOBOR is planning to upgrade the in the sewer system when CIP funds are made available. The 700-row piers were replaced in 2012 and improvements to the 600-row have begun with six new piers having been recently installed. The water lines are in the process of being replaced and is projected to be completed by the end of 2022.

To better manage public harbors in other parts of the country, private partnerships have brought more capital for much needed infrastructure development, optimized revenue to honor the public interest, and freed up these states to carry out their original mandates more effectively. This has been successfully done through leases in Keehi Lagoon with Keehi Marine, Inc. and La Mariana Sailing Club. To help it leverage CIP funds appropriated by the Legislature, DOBOR requests authorization for an RFP for a long-term lease so that the successful applicant may partner with DOBOR to bring AWSBH the improvements that it desperately needs.

Harbor Management: Management of AWSBH has consumed a disproportionate amount of staff time and financial resources. A development proposal which incorporates harbor management functions as part of redevelopment may be favored in order to promote efficiency of marina operation and allow staff to focus on ocean recreation management which has become a major priority due to the ever-increasing demands on the use of the near shore waters, and in keeping with the DLNR's mission of resource conservation and sustainable use.

Nationwide, states do not generally operate recreational harbors and marinas and where they do, they widely use third parties to manage them. Using third party harbor management, governments in other states have shown a good track record of efficiency and optimization of revenue. The City of Chicago has the largest municipal marina system in the U.S. It began using third party management of its 6,000 slips (three times the number in the entire State of Hawaii) in the early 1990s and has not looked back. Its revenues went from zero in 1995 to \$13 million per year in 2015. Similar trends can be found all over the country. Even Hawaii's own Kewalo Basin, a few blocks from AWSBH, has shown a similar trend.

REQUEST FOR PROPOSALS (RFP):

DOBOR's RFP process will begin with an invitation to qualified applicants to submit proposals for harbor redevelopment at AWSBH for the Subject Property. Request for Qualifications will be incorporated into the RFP and will request the requisite information from interested parties. An evaluation committee selected by the Chair and the Division will review the applications and determine which applicants meet the eligibility criteria to submit development proposals.

Upon selection by the committee, the successful Applicant and its proposal must be approved by the Board at a board meeting open to the public. Should the Board approve the selected Applicant and proposal, the selected Applicant and DLNR will commence exclusive negotiations of a development agreement and proposed lease for the Subject Property with the approved Applicant.

Accommodation Requirements: The Developer shall provide office space and related utilities for harbor management staff. The square footage of the office space shall be equal to or greater than the current harbor office unless otherwise agreed to by the Department. The Developer shall provide storage space for miscellaneous harbor materials that is at least one thousand (1,000) square feet. The Developer shall provide a minimum of ten (10) parking stalls to be used by harbor management staff and associated vehicle parking at no charge. This requirement may be subject to change should the Department receive the necessary approvals from the Hawaii State Legislature to lease submerged lands that include the slips and mooring spaces within the harbor. The Developer shall follow the existing parking plan approved by the Board of Land and Natural Resources (Board) that provides for a minimum of three hundred (300) free public parking stalls, for a minimum of three hundred twelve (312) permit parking stalls for harbor tenants with valid mooring permits, and for a minimum of three hundred twenty-nine (329) paid parking stalls according to approved parking rates. The current parking plan is subject to change depending on the type and configuration of the new development project. See **Exhibit A-2** for the existing parking plan. Any changes to this parking plan shall be approved by the Board. Access for State Department of Transportation (DOT) personnel to inspect the lower footings of Ala Wai Canal bridge and State personnel to inspect waste catchment areas near the same location also needs to be accommodated.

Character of Use: The Subject Property may include any use(s) allowed under the Hawaii Revised Statutes, City and County of the Honolulu Zoning Code, Special Management Area Ordinances for the Subject Property, the Waikiki Special Design District and as provided in SLH 2011 Act 197, using the *Ala Wai Small Boat Harbor Vision Report* as guidance.

PROPOSED DEVELOPMENT AGREEMENT:

The selected Applicant (aka Developer) may need to undertake various predevelopment activities before a lease can be issued and construction can commence i.e., due diligence; comply with HRS Chapter 343 requirements and county permitting and as provided in SLH 2011, Act 197.

The Developer will also be required to submit evidence of the applicant's financial capacity to complete the proposed development, including personal guarantees (construction bond); a lease rent proposal, a development agreement rent proposal, and a development timetable.

The Developer will be allowed to use only those submerged lands that have been approved by the Legislature subject to the Developer acquiring all required approvals.

A Development Agreement will be negotiated with the selected Developer, in which the agreement will set forth the predevelopment terms and conditions that the selected Developer must perform (including payment of development agreement rental fees) for a lease to be issued.

PROPOSED NEW LEASE:

The proposed lease shall include a survey map and descriptions of the Subject Property and easements according to State Department of Accounting and General Services standards.

Lease Term: Anticipated to be up to Sixty-five (65) years (as stated in HRS §200-2.5, or according to §171-59, as applicable).

Minimum Annual Rent: To be determined by the selected Applicant's proposal, but not less than the fair market rental, as determined by staff or independent appraisal, subject to review and approval by the Chairperson.

RECOMMENDATION:

That the Board of Land and Natural Resources:

1. Find that the public interest demands that a lease for the Subject Property may be disposed of through negotiation pursuant to HRS Section 171-59(a) or any applicable section of HRS Chapter 171;
2. Delegate the authority to the Chairperson
 - (i) to publish a Request for Proposals ("RFP") consistent with HRS §171-59 for the selection of the lessee for redevelopment of Ala Wai Small Boat Harbor;
 - (ii) establish a selection committee.
 - (iii) establish the criteria for evaluating and selecting the lessee;
 - (iv) accept and evaluate the applications submitted by prospective lessees; and
 - (v) make a preliminary determination and recommendation to the Board of the best applicant;
3. Authorize and approve the Chairperson to negotiate and approve any modifications to the RFP process or requirements, if in the best interests of the State and consistent with HRS Section 171-59, and any other recommendation as discussed above, and subject to review and approval of the Department of the Attorney General.

Respectfully Submitted,

Meghan Statts for

EDWARD R. UNDERWOOD, Administrator
Division of Boating and Ocean Recreation

APPROVED FOR SUBMITTAL:

Suzanne D. Case

SUZANNE D. CASE, Chairperson
Board of Land and Natural Resources

Attachment:

- A-1 Map of AWSBH Encumbrances
- A-2 Current Parking Plan
- A-3 List of Encumbrances
- B Map of the Harbor showing Parcels A, B, C, and D, and Moles 1 and 2
- C Parcel Information

**Ala Wai Small Boat Harbor
Encumbrances**

Exhibit A-1



Exhibit A-1

Exhibit A-2

Parking Plan



Exhibit A-3

Current Encumbrances, AWSBH

Tenant	Notes	Lease, RP No.	TMK	Purpose	County Zoning Info
Secure Parking Hawaii LLC	RP Concession for parking on Moles 1 and 2	120	(1) 2-3-037:012	Parking Concession Contract	P-2 General Preservation District*, Public Precinct (Waikiki Special District)**, Resort Mixed Use Precinct (Waikiki Special District)
Galley Foods, LLC	Concession near helipad area	AWSBH-201201	(1) 2-3-037:012 (por.)	Mobile Concession Food Truck	P-2 General Preservation District*, Public Precinct (Waikiki Special District)**, Resort Mixed Use Precinct (Waikiki Special District)
John's World Famous Hawaii Hot Dogs LLC	RP	115	(1) 2-3-037:012 (por.)	Mobile Concession Food Cart	P-2 General Preservation District*, Public Precinct (Waikiki Special District)**, Resort Mixed Use Precinct (Waikiki Special District)
Hawaii Prince Hotel Waikiki Corp.	Lease	H-87-25	(1) 2-6-010:008 (1) 2-3-037:012 (por.)	Easement used by the Hawaii Prince for a Port Cochere	Public Precinct (Waikiki Special District)**
Hawaii Yacht Club	Lease	B-99-2	(1) 2-3-037:013	Yacht Club Purposes	Public Precinct (Waikiki Special District)**
Waikiki Yacht Club	Lease	B-99-1	(1) 2-3-037:006, 012	Yacht Club Purposes	P-2 General Preservation District*, Public Precinct (Waikiki Special District)**
Hawaiian Parasail, Inc.	RP	10	(1) 2-3-037:012 (por.)	Ticket Booth	P-2 General Preservation District*, Public Precinct (Waikiki Special District)**, Resort Mixed Use Precinct (Waikiki Special District)
Honolulu Transpac, Ltd.	RP	11	(1) 2-3-037:026	Office Space	Public Precinct (Waikiki Special District)**
HBM, LLC Catamaran storage	RP	39	(1) 2-3-037:020	Revocable Permit issued to HBM, LLC for vessel moorage	Public Precinct (Waikiki Special District)**
M Waikiki, LLC	Access Easement		(1) 2-3-037:012 (por.)	To conduct pool deck and outdoor dining activities within the portion of certain elevated deck abutting property	Public Precinct (Waikiki Special District)**

*Lands zoned under the P-2 general preservation district are intended to preserve major open space, recreation lands, and lands of scenic and other natural resource value. Areas designated urban by the state but well suited to the functions of providing visual relief and contrast to the city's built environment or serving as outdoor space for the public's use and enjoyment are also zoned in this district.

**Lands zoned under the Waikiki Special District are subject to the standards found in the Waikiki Special District Design Guide.

Exhibit A-3

Exhibit B

Aerial Map of Ala Wai Small Boat Harbor Parcels A, B, C, D, and Moles 1 and 2

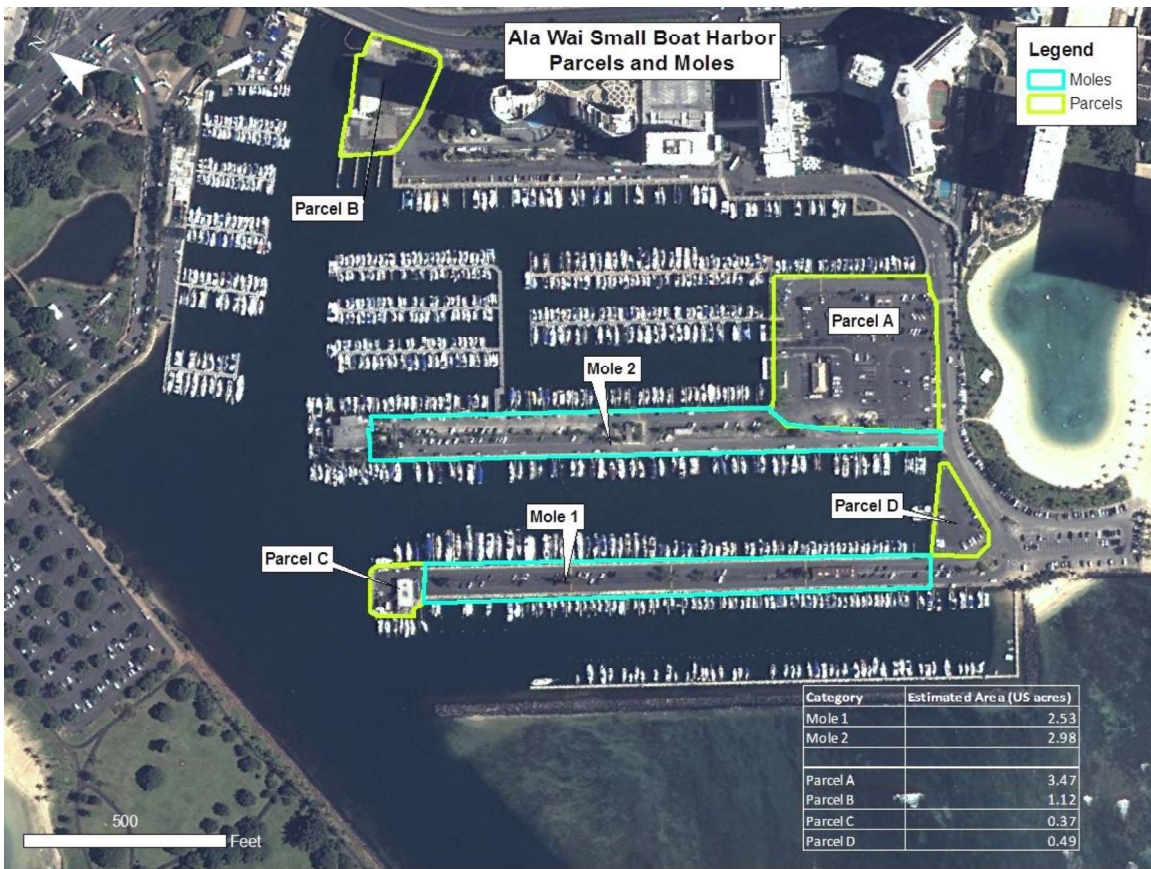


Exhibit B

Exhibit B

Exhibit C

Parcel Information

Parcel	TMK*	Current Permittee	Current Use	Area (acres)*	State LUC	County Zoning	CnC Property Tax Class	Trust Land	SMA
A	2-3-037:012 (por.)	* Secure Parking Hawaii LLC	* Paid Parking	3.47	Urban	* P-2 General Preservation District * Public Precinct (Waikiki Special District)	Commercial	5(a)	Exempt
	2-3-037:024	* Galley Foods LLC	* 2 Mobile Food Concessions						
	2-3-037:033	* John's World Famous	* Harbor Office						
	2-3-037:027	Hawaii Hot Dogs LLC.							
B	2-6-010:016 (por.)	* Portion pending RP to Blue Water Shrimp Int'l LLC	N/A	0.229	Urban	* Public Precinct (Waikiki Special District)	Commercial	5(a)	Exempt
	2-6-010:003	Vacant	N/A	0.462	Urban	* Public Precinct (Waikiki Special District)	Hotel & Resort	5(a)	Exempt
	2-6-010:005 (por.)	* Portion pending RP to Blue Water Shrimp LLC	N/A	0.6518	Urban	* Public Precinct (Waikiki Special District)	Pending amendment	5(a)	Exempt
C	2-3-037:020	* HBM, LLC	Catamaran Storage	0.3489	Urban	* Public Precinct (Waikiki Special District)	Commercial	5(b)	Exempt
D	2-3-037:034	* Hawaiian Parasail, Inc.	* Hawaiian Parasail Inc. * Paid Parking	0.49	Urban	* Public Precinct (Waikiki Special District)	Commercial	5(a)	Exempt
Mole 1	2-3-037:012 (Por.)	* Secure Parking Hawaii LLC	* Free Parking * Paid Parking	2.53	Urban	Public Precinct (Waikiki Special District)	Commercial	5(a)	Exempt
Mole 2	2-3-037:012 (Por.)	* Secure Parking Hawaii LLC	* Paid Parking	2.98	Urban	* Public Precinct (Waikiki Special District)	Commercial	5(a)	Exempt
	2-3-037:026	* Honolulu TransPac	* Transpac Office						
Total				11.1617					

Exhibit C

NOTE: Selected applicant is responsible for ascertaining accurate info as part of their due diligence.

Exhibit C