

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

February 14, 2025

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

Land Board Members:

SUBJECT: Consent to Sublease Under Harbor Lease No. H-70-14, Keehi Marine, Inc. ("Keehi Marine"), Lessee, PDF, INC. dba Pacific Diversified Finishes, a Hawaii Corporation, Sublessee, Ke'ehi Small Boat Harbor, Kalihi, Honolulu, Hawaii, Tax Map Key: (1) 1-2-023:030.

APPLICANT:

Keehi Marine Inc., a Hawaii corporation, located at 24 Sand Island Access Road, Honolulu, Hawaii 96819, as Sublessor, to:

PDF, INC., a Hawaii Corporation.

LEGAL REFERENCE:

Section 171-36(a)(6), Hawaii Revised Statutes, as amended.

LOCATION:

A portion of Government lands situated at the Keehi Small Boat Harbor, Kalihi-Kai, Honolulu, Oahu, identified by Tax Map Key: (1) 1-2-023:030, as shown in **Exhibits A-1 and A-2**.

LEASE 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.

SUBLEASE AREA:

1,546 square feet of land. See **Exhibit A-3 and A-4**.

TRUST LAND STATUS:

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

LEASE 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.

SUBLEASE CHARACTER OF USE:

Marine coatings contractor; to operate a marine repair, refit, refinishing, and industrial paint contracting business.

TERM OF LEASE:

Sixty Five (65) years

Original term of Harbor Lease No. H-70-14 of forty-five (45) years commencing February 1, 1971, and ending January 31, 2016.

At its meeting on March 24, 2000, under agenda item J-1, the Board approved a ten (10) year extension commencing February 1, 2016, and ending on January 31, 2026.

At its meeting on March 22, 2024, under agenda item J-3, the Board approved a ten (10) year extension commencing 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).

TERM OF SUBLEASE:

January 01, 2025, through December 31, 2025. **(See Exhibit B).**

ANNUAL LEASE RENTAL:

Rent for the first 5 years was set at \$39,600 per year and renegotiates at 5-year intervals.

Original Lease Term (45 Years)

February 1, 1971 to January 31, 1976 - \$ 39,600.00/year
February 1, 1976 to January 31, 1981 - \$ 39,600.00/year
February 1, 1981 to January 31, 1986 - \$ 39,600.00/year
February 1, 1986 to January 31, 1991 - \$105,280.00/year
February 1, 1991 to January 31, 1996 - \$162,500.00/year
February 1, 1996 to January 31, 2001 - \$260,000.00/year
February 1, 2001 to January 31, 2006 - \$295,000.00/year
February 1, 2006 to January 31, 2011 - \$330,000.00/year
February 1, 2011 to January 31, 2016 - \$330,000.00/year

Extended Lease Term (10 Years)

February 1, 2016 to January 31, 2019 - \$576,750.00/year
February 1, 2019 to January 31, 2023 - \$676,750.00/year
February 1, 2023 to January 31, 2026 - \$776,750.00/year

ANNUAL SUBLEASE RENTAL:

\$65,253.24/year

DCCA VERIFICATION:

SUBLESSOR:

Place of business registration confirmed:	YES <u>X</u>	NO <u>__</u>
Registered business name confirmed:	YES <u>X</u>	NO <u>__</u>
Good standing confirmed:	YES <u>X</u>	NO <u>__</u>

SUBLESSEE:

Place of business registration confirmed:	YES <u>X</u>	NO <u>__</u>
Registered business name confirmed:	YES <u>X</u>	NO <u>__</u>
Good standing confirmed:	YES <u>X</u>	NO <u>__</u>

CHAPTER 343 – ENVIRONMENTAL ASSESSMENT:

In accordance with Hawaii Administrative Rules (HAR) § 11-200.1-15 and the Exemption List for the Department of Land and Natural Resources reviewed and concurred in 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, which reads, "Operations, repairs or maintenance of existing structures, facilities, equipment, or topographical features, involving negligible or no expansion or change of use beyond that previously existing", Part 1, Item No. 40, which reads, "Leases of State

land involving negligible or no expansion or change of use beyond that previously existing.” The subleases are de minimis actions that will probably have minimal or no significant effect on the environment and should be declared exempt from the preparation of an environmental assessment and the requirements of § 11-200.1-17, HAR.

REMARKS:

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.

Keehi Marine’s sublease requires the sublessee to carry commercial general liability insurance coverage with the following limits: \$1,000,000 per occurrence; \$1,000,000 per person; and \$1,000,000 property damage. These differ from the limits contained in the State of Hawaii’s leases for general liability insurance, which have limits of at least \$1,000,000 for each occurrence and \$2,000,000 aggregate.

At its meeting on May 13, 2022, under agenda item J-4, the Board approved a mediated settlement of the tenant’s base rent reopening for the period beginning February 1, 2016, to the end of its lease on January 31, 2026. Included in the settlement was an agreement for the lessor not to seek participation in the lessee’s sublease rents for that 10-year period due to the six-year after-the-fact nature of the rent reopening. However, DOBOR reserved the right to participate in sublease rents if the lease term were extended beyond January 31, 2026.

At its meeting on March 22, 2024, under agenda item J-3, the Board approved a ten (10) year extension commencing 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).

Staff recommends that the sublessees’ general liability insurance policy limits be changed to bring them in line with those contained in State leases and be issued by insurance carriers licensed to do business in the State of Hawaii with an AM Best rating of not less than “A- VIII”. In addition, staff recommends the State of Hawaii be named as additional insured on the sublessees’ general liability insurance policy.

RECOMMENDATION:

That the Board consent to the subleases under Harbor Lease No. H-70-14 between Keehi Marine, Inc., as Sublessor and PDF, INC. dba Pacific Diversified Finishes, as Sublessee,

subject to any applicable conditions cited above which are by this reference incorporated herein and further subject to the following terms and conditions:

1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200.1, Hawaii Administrative Rules, this request will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment as de minimis actions;
2. Sublessees' general liability insurance policies shall:
 - a) Contain limits in an amount of at least \$1,000,000 for each occurrence and \$2,000,000 aggregate;
 - b) Be issued by carriers licensed to do business in the State of Hawaii, with an AM Best rating of at least A-, VIII;
 - c) Name the State of Hawaii as additional insured;
3. The standard terms and conditions of the most current consent to sublease form, as may be amended from time to time;
4. Review and approval by the Department of the Attorney General; and
5. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



MEGHAN L. STATTS, Administrator
Division of Boating and Ocean Recreation

APPROVED FOR SUBMITTAL:



DAWN N. S. CHANG, Chairperson
Board of Land and Natural Resources

Attachments:

- A-1 Keehi Small Boat Harbor on the Island of Oahu
- A-2 Keehi Marine, Inc. location in Keehi Small Boat Harbor
- A-3 Sublessee location on the Premises
- A-4 All tenant locations on the Premises
- B Sublease Document

Exhibit A-1

Keehi Marine, Inc.



Exhibit A-1

Exhibit A-2

Keahi Marine, Inc.



Keahi Marine, Inc.

Ke'ehi Lagoon

Honolulu Harbor

Sand Island

Exhibit A-2

Exhibit A-3

PDF, Inc. dba Pacific Diversified Finishes



**PDF, INC. dba Pacific Diversified Finishes
(Approx. 1,546 Sq. Ft.)**

Exhibit A-3

Exhibit A-4

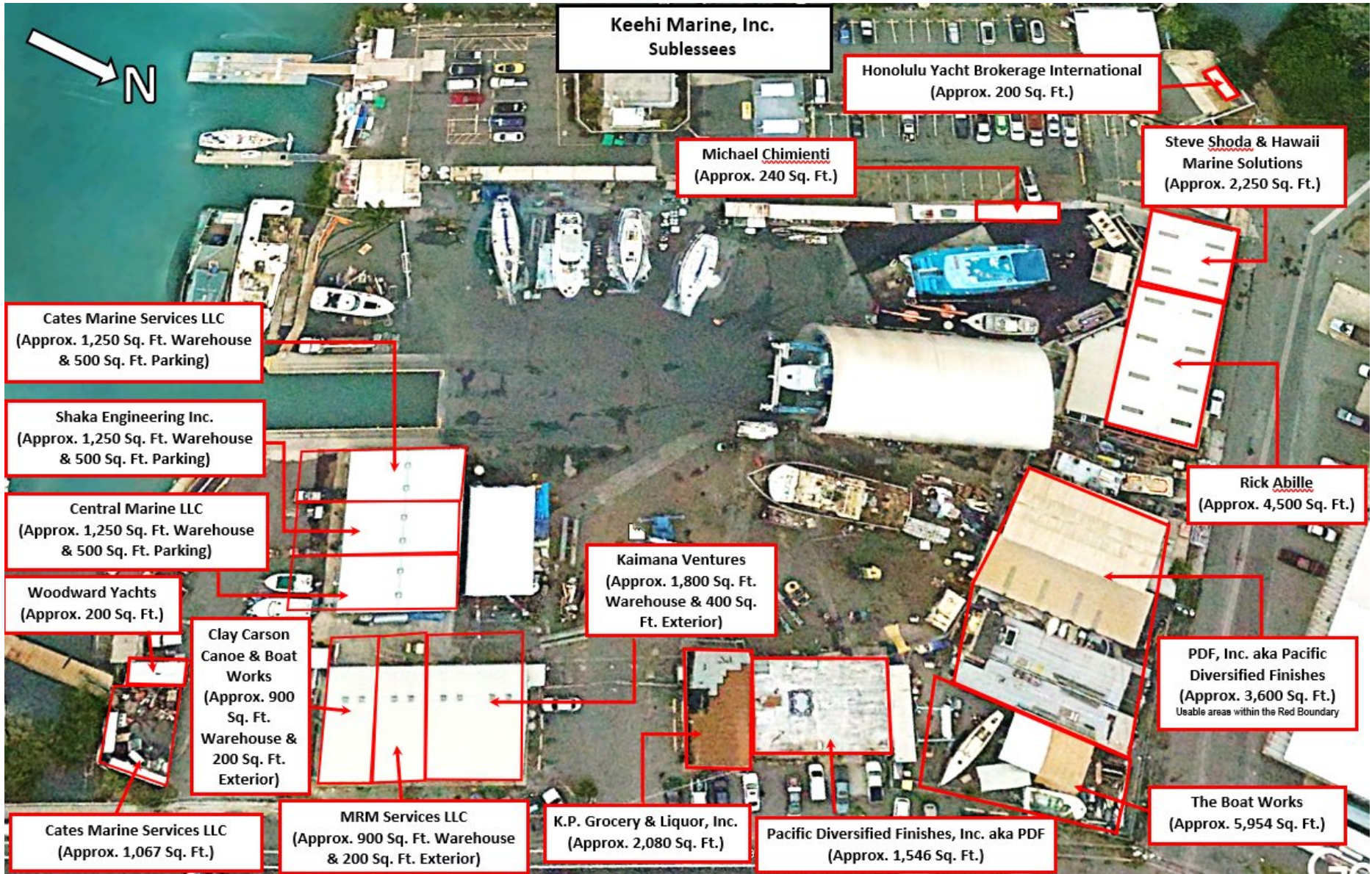


Exhibit A-4

Exhibit B

LAND COURT

REGULAR SYSTEM

AFTER RECORDATION, RETURN BY MAIL [X] PICK-UP []

McCorriston Miller Mukai MacKinnon LLP (PKL)

P.O. Box 2800

Honolulu, HI 96803-2800

(808) 529-7300

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AMENDMENT OF SUBLEASE AGREEMENT

THIS AMENDMENT OF SUBLEASE AGREEMENT (this "*Amendment*") is made as of the 27th day of November, 2024, by and between **KEEHI MARINE, INC.**, a Hawaii corporation, whose post office address is 24 Sand Island Access Road, Honolulu, Hawaii 96819 (the "*Sublessor*"), and **PDF, INC.**, dba PACIFIC DIVERSIFIED FINISHES, a Hawaii corporation, whose post office address is 24 Sand Island Access Road, Honolulu, Hawaii 96819 (the "*Sublessee*").

RECITALS:

A. Sublessor, as the "Sublessor" therein, and Sublessee, as the "Sublessee" therein, entered into that certain unrecorded Sublease dated December 5, 2022 (the "*Sublease*"), for the rental of an area with a demising wall, a restroom facility, a sink, double steel doors, and double glass doors, containing approximately 1546 square feet of floor area, together with approximately 1546 square feet of land area, located at 24 Sand Island Access Road, Honolulu, Hawaii 96819, all as more particularly described in Exhibits A, A-1, A-2 and A-3 of the Sublease (the "*Premises*").

B. The term of the Sublease expires on December 31, 2024 and Sublessee desires to extend the term of the Sublease until December 31, 2025.

C. Sublessor and Sublessee have agreed to amend the Sublease to extend the term of the Sublease until December 31, 2025 upon the same terms and conditions, except that the monthly Base Rent shall be \$5,437.77 for the period January 1, 2025 through December 31, 2025.

AGREEMENT:

NOW THEREFORE, in consideration of the premises, the covenants, terms and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublessor and Sublessee agree as follows:

1. Premises. Section 1.2 on page 1 of the Sublease is hereby deleted in its entirety and the following is substituted in its place:

“1.2 Premises.

The “Premises” consist of the following:

1.2.1 Area with a demising wall, a restroom facility, a sink, double steel doors, and double glass doors, containing approximately 1546 square feet of floor area, together with approximately 1546 square feet of land area located at 24 Sand Island Access Road, Honolulu, Hawaii 96819, all as more particularly described in Exhibits A, A-1, A-2 and A-3 attached hereto and by reference incorporated herein.”

2. Term. Section 1.3 on page 2 of the Sublease is hereby deleted in its entirety and the following is substituted in its place:

“1.3 Term.

This Sublease shall commence on January 1, 2025 (“Commencement Date”) and shall terminate on December 31, 2025.”

3. Base Rent. Section 1.4.1 on page 2 of the Sublease is hereby deleted in its entirety and the following is substituted in its place:

“1.4.1 “Base Rent”: \$5,437.77 per month, together with Hawaii general excise tax thereon at the rate of 4.712%, and a \$500.00 per month electricity fee. The electricity fee may be increased during the term of the Sublease by Sublessor providing thirty (30) days prior written notice to Sublessee that Sublessee’s electricity usage has increased, together with a new monthly electricity fee based upon such increased electricity usage.”

4. Security Deposit. Section 1.6 on page 2 of the Sublease is hereby deleted in its entirety and the following is substituted in its place:

“1.6 “Security Deposit”: US \$5,694.00”

5. Ratification. Except as hereby amended, the Sublease is unmodified, and as so amended, the Sublease is hereby ratified and confirmed and shall continue in full force and effect.


6. Electronic Document and Signatures. Electronically executed copies of this Amendment shall be fully binding and effective for all purposes. Electronic signatures on this document shall be treated the same as original signatures for all purposes.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Sublessor and Sublessee have executed this Amendment as of the date first above-written.

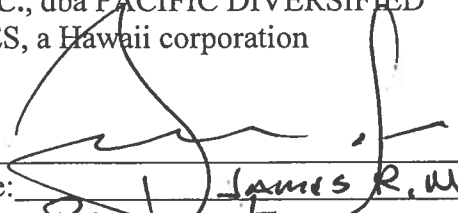
SUBLESSOR:

KEEHI MARINE, INC., a Hawaii corporation

By 
Name: YOSHI MURAOKA
Its Sec/Treas.

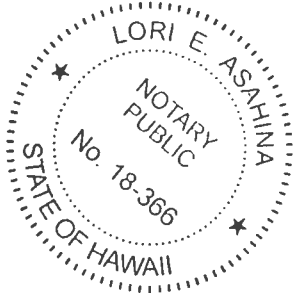
SUBLESSEE:

PDF, INC., dba PACIFIC DIVERSIFIED FINISHES, a Hawaii corporation

By 
Name: James R. Maynard Jr.
Its President

STATE OF HAWAII)
 : SS.
CITY AND COUNTY OF HONOLULU)

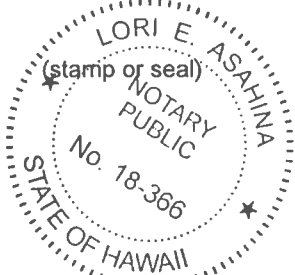
On this 22nd day of November, 2024, before me personally appeared Yoshi Murakami, to me personally known, who, being by me duly affirmed, did say that such person executed the forgoing instrument as the free act and deed of such person, and in the capacity shown, having been duly authorized to execute such instrument in such capacity.



Lori E. Asahina
Name: Lori E. Asahina
Notary Public, State of Hawaii

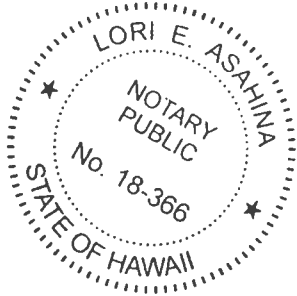
My commission expires: 06-24-2026

Date of Doc: <u>November 27, 2024</u>	# Pages: <u>5</u>
Name of Notary: <u>Lori E. Asahina</u>	Notes:
Doc. Description: <u>AMENDMENT OF SUBLEASE AGREEMENT</u>	
<u>Lori E. Asahina 11-22-2024</u>	
Notary Signature	Date
First Circuit, State of Hawaii	
NOTARY CERTIFICATION	

A circular notary seal for Lori E. Asahina, identical to the one above, but with the text "(stamp or seal)" written inside the inner circle.

STATE OF HAWAII)
) : SS.
 CITY AND COUNTY OF HONOLULU)

On this 22nd day of November, 2024, before me personally appeared James R. Reynolds, Jr., to me personally known, who, being by me duly affirmed, did say that such person executed the forgoing instrument as the free act and deed of such person, and in the capacity shown, having been duly authorized to execute such instrument in such capacity.



Lori E. Asahina
 Name: Lori E. Asahina
 Notary Public, State of Hawaii

My commission expires: 06-24-2026

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<p><u>Lori E. Asahina</u> 11-22-2024 Notary Signature Date</p> <p>First Circuit, State of Hawaii</p> <p>NOTARY CERTIFICATION</p>	

