

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Division of State Parks
Honolulu, Hawaii 96813

November 14, 2014

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

SP1201MSRA01

O'ahu

Approval of a Five Year General Lease to Malaekahana Beach Campground, LLC for Campground Purposes at Malaekahana State Recreation Area (Kahuku Section), Lā'ie (Ko'olauloa), O'ahu, TMK: (1) 5-6-001: Parcels 24, 45-47, 49, 51, 53-65.

Applicant:

Malaekahana Beach Campground, LLC, a Hawai'i Limited Liability Company pursuant to a Request for Qualifications/Request for Proposal process (No. SP1201MSRA01) authorized by the Board on January 27, 2014 (the "RFQ/RFP").

LEGAL REFERENCE:

Sections 171-59, 184-3(6) and other applicable sections of Chapter 171, Hawaii Revised Statutes, as amended.

LOCATION:

Mālaekahana State Recreation Area - Kahuku Section, (MSRA), Lā'ie, Ko'olauloa, O'ahu, identified by Tax Map Key: (1) 5-6-001: Parcels 24, 45-47, 49, 51, 53-65 (the "Property"), as shown on the attached map labeled Exhibit A.

AREA:

36.288 acres, more or less, subject to confirmation by the Department of Accounting and General Services, Survey Division.

ZONING:

State Land Use District: Urban
County of Honolulu CZO: R-5

ITEM E-2

TRUST LAND STATUS:

The land was acquired after 1959. It is not trust land.

CURRENT USE STATUS:

The Property is encumbered by Executive Order 3928 setting aside for control and management of the Department of Land and Natural Resources, Division of State Parks (State Parks). On August 10, 2012, (under agenda item E-1), the Board approved the issuance of a revocable permit to Lanihuli Community Development Corporation (LCDC) to operate a commercial campground on the Property which expires December 31, 2014.

CHARACTER OF USE:

Operation of a commercial campground and public day use beach park.

LEASE TERM:

In accordance with the terms and conditions of the RFQ/RFP No. SP1201MSRA01, the term is for a period of five (5) years.

COMMENCEMENT DATE:

The date shall be determined by the Chairperson which is estimated to be January 1, 2015.

MINIMUM MONTHLY RENT:

The minimum monthly rent is \$2,500.

PERCENTAGE MONTHLY RENT:

Seven (7) percent of gross revenue from all sources within the leased premises, excluding State excise tax. Lessee shall pay the minimum monthly rent or the percentage monthly rent, whichever is greater.

METHOD OF PAYMENT:

The minimum monthly rent shall be paid in advance. The percentage rent shall be due in the month following the gross receipts.

RENTAL REOPENINGS:

None.

PERFORMANCE BOND:

Twice the monthly minimum rental amount.

MINIMUM IMPROVEMENTS:

No permanent improvements may be made without Lessor's written approval. In accordance with the RFQ/RFP, Lessee may place temporary structures on the Property consistent with Lessee's detailed proposal summarized herein and in the locations identified on the map attached as Exhibit B.

RENT WAIVER:

In accordance with Applicant's bid and the RFQ/RFP and Lessee's detailed proposal, the first three months of the minimum monthly fee and the monthly percentage fee are waived.

PROPERTY CHARACTERISTICS:

- | | |
|-----------------------------------|--|
| Utilities – | The Property is served by an existing water line which serves the entire premises. The lessee will pay one hundred (100 %) percent of the water charges directly to the Board of Water Supply. Electrical service is separately metered and billed directly to the operator. |
| Existing Authorized Improvements- | One existing bathroom is included on Parcel 53 and there is one manager's residence on Parcel 64. |
| Legal access to property – | Staff has verified that there is legal access to the property off of Kamehameha Highway. |
| Encumbrances – | Encumbered by Executive Order 3928 setting aside for control and management of the Department of Land and Natural Resources, Division of State Parks. |

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

See Exemption Notification attached as Exhibit C.

REMARKS:

On January 27, 2012, the Board approved the issuance of this RFQ/RFP for a lease

and further authorized the Chairperson to appoint members to an evaluation committee that will establish criteria to evaluate the proposals and select an offeror. Further, the Chairperson was authorized to select the best offeror and negotiate and execute the new lease for recreational business and commercial purposes. During the January 27, 2012 Board meeting, the Board asked that State Parks bring back the lease so Board members could see the terms of the lease.

Background

The Property is currently operated by Lanihuli Community Development Corporation (LCDC) as a commercial campground pursuant a month to month, revocable permit (RP) issued by the Board on August 10, 2012. The RP has since been continued through December 31, 2014. LCDC has operated the campground since the 1990's under a series of revocable permits. The intent of the current RP was to allow LCDC to continue to operate the campground while the RFQ/RFP process played out and to address compliance issues with the Department of Health and Environmental Protection Agency regarding certain wastewater matters.

The DLNR and the Department of Health have entered in to an affirmative action plan to correct past violations relating to unpermitted wastewater systems and the closure of what were determined to be large capacity cesspools, some of which were indirectly associated with rental cabins on the Property. The violations have since ceased and under the plan, and during the term of this five year lease, State Parks is required to transition into new, permanent individual wastewater systems to serve the future wastewater needs of the Property. These improvements as well as other park infrastructure will be completed during the term of the new lease and any disruption caused by the construction will be minimized to the extent practicable. During the lease, the lessee will use portable toilets authorized by the Department of Health.

Until the permanent infrastructure improvements are made, this proposed lease calls for temporary overnight guest structures and portable toilets. The permanent improvements made by State Parks are expected to take up to five years to complete and bidders were advised of this at the outset of the RFQ/RFP process. At the end of this proposed lease, State Parks plans to return to the Board for approval for a second, longer term lease, again bid on a competitive basis which would contemplate the lessee constructing new rental cabins. Until such time as the infrastructure is in place, a large investment, such as new cabins would be problematic because the location and scope of the infrastructure improvements are still pending. A five year lease now allows for a reasonable level of investment today while allowing for a more comprehensive future plan.

The RFQ/RFP Process

The process to implement the Board's decision to offer the property for lease under

an RFQ/RFP format is complex. Under the RFQ/RFP format, the Chairperson appointed an evaluation committee of six members (the “EC”). Three members were from DLNR staff and three were from outside the Department. The EC evaluated both the qualifications and the proposals submitted throughout the entire RFQ/RFP process. Staff drafted proposed evaluation criteria for both the qualifications and proposal phases which the EC adopted. The criteria for both the qualifications and proposal phases were included in the RFQ/RFP documents and included a maximum score and weight for each criterion. The criterion score multiplied by the weight resulted in that criterion’s total score. The sum of all criteria scores determined by the EC was the applicant’s total score. For the qualifications phase, a bidder must score an average of at least 75 points to be deemed qualified to bid in the proposal phase. For the proposal phase, the committee selected the proposal with highest total score.

Staff worked closely with the Department of the Attorney General through the process. The RFQ/RFP bidding documents, which included the general lease form, were published on May 16, 2014 and the process was conducted in accordance with the Board direction and §171-59(a) HRS. In the first phase (i.e., the qualifications phase), applicants were asked to provide their qualifications and experience as well as provide a general or conceptual plan representing their vision of the campground operation. During this phase, five applications were received and two applicants were deemed qualified to present proposals.

Under the RFQ/RFP and §171-59(a) HRS, applicants who were not deemed qualified were given the opportunity to seek the Chairperson’s reconsideration regarding the determination that the applicant was deemed not qualified and therefore not eligible to present a proposal. Two of the three applicants who were not deemed qualified sought the Chairperson’s reconsideration. The reconsideration process was stated in the RFQ/RFP document and required that the applicant seeking reconsideration submit a written statement detailing the reason(s) why the applicant believed his/her submittal satisfied the statement of qualifications and satisfied the RFQ criteria. The Chairperson’s reconsideration was limited to information contained in the statement of qualifications and no new information could be considered. After a review of the two reconsideration requests, both were denied by the Chairperson.

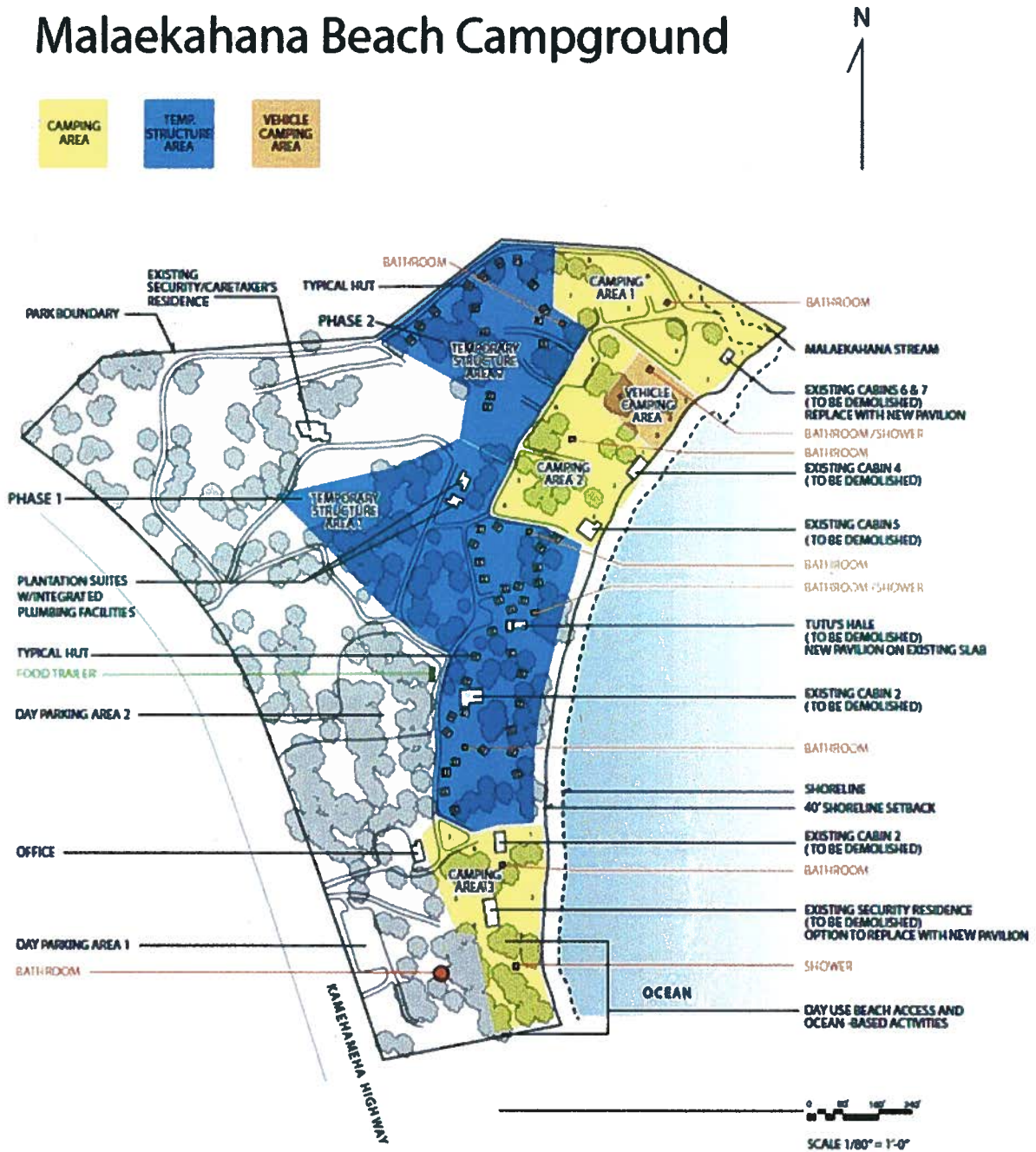
In the proposal or RFP phase, two proposals were considered by the EC. The committee also invited both bidders to present their proposals in person and address questions. Both bidders presented their respective proposals in this manner. EC’s score for Malaekahana Beach Campground, LLC. (MBC), was the highest and MBC was recommended to the Chairperson for approval. On September 16, 2014, the Chairperson approved Malaekahana Beach Campground, LLC., as the selected bidder and negotiations for the lease began. The non-selected bidder did not seek reconsideration of the decision.

Malaekahana Beach Campground's Proposal

Malaekahana Beach Campground, LLC (MBC) is owned and headed by Jim and Mark Reynolds who have long-established ties to the Kahuku/Lā'ie area and had operated a horse pasture on the Property prior to the Department acquiring the land in 1980. Messrs. Reynolds have extensive real estate ownership, financing, management, and construction experience with access to adequate liquid capital to fund their plans well in excess of the nearly \$400,000 planned. The Reynolds also own land adjacent to the Property since 1971 across Malaekahana Stream.

MBC has partnered with Kamaaiana Kids to assist in the day to day operation of the campground and to assist with programs and activities to augment the camping experience. Pursuant to the RFQ/RFP, MBC will operate the campground at levels no greater (in terms of overnight person capacity) than exists today and in locations similar to those used now. Below is a site plan layout indicating the areas for camping, temporary structures and vehicle camping.

Malaekahana Beach Campground



Temporary structures are used to provide an alternative to traditional tent camping and provide shelter for campers who do not have their own tent equipment. MBC will provide the temporary structures at its own cost and expense and remove these structures at the expiration of the lease. The temporary structures will replace existing yurt structures (owned by LCDC) which are used for group camping and extended family camping. Below

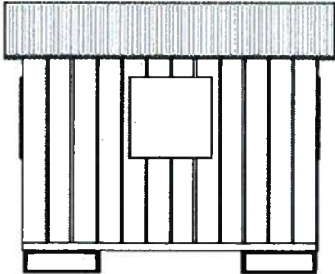
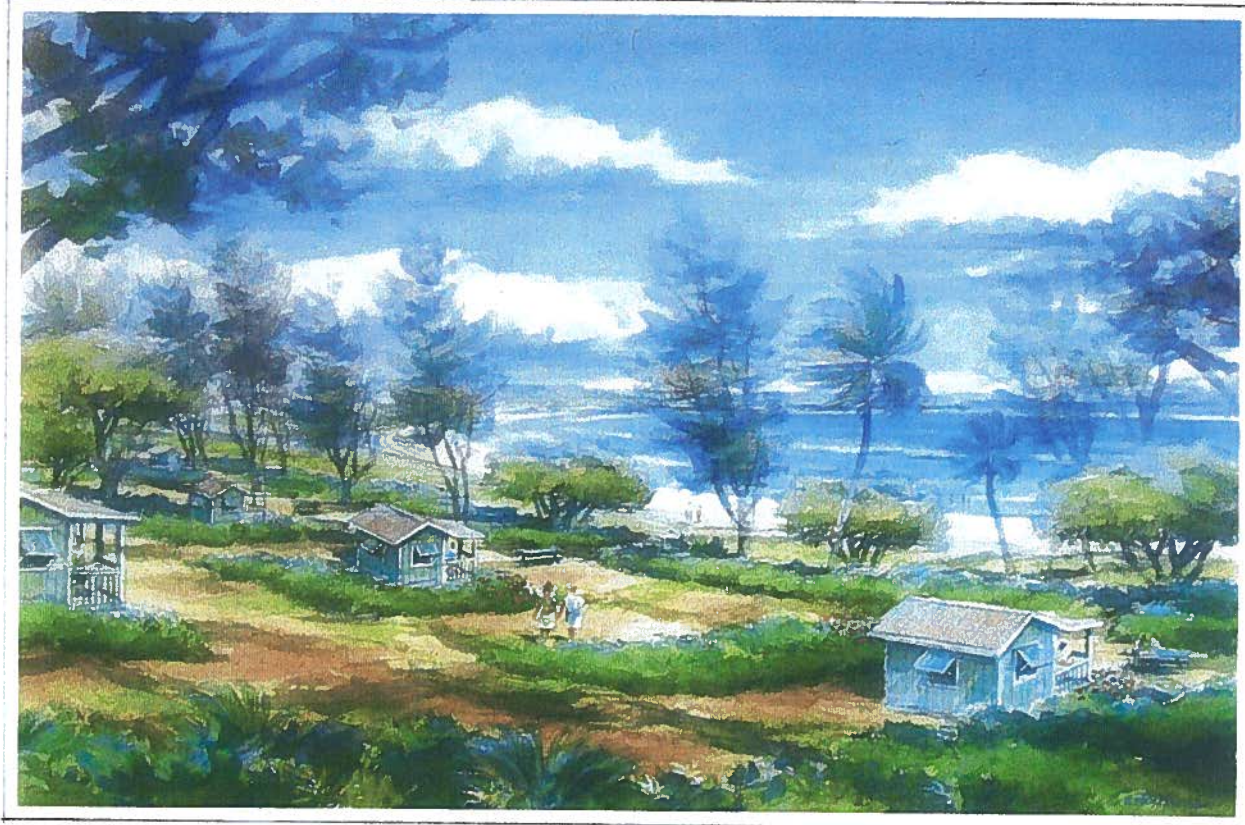
is a recap of the temporary structures planned.

Campsites and Vehicle Camping			
<i>Camping Area</i>	<i>Campsites</i>	<i>No. of People/Campsite</i>	<i>Total No. People</i>
1	1-4	10	40
	5-8	2	8
2	1-7	10	70
3	1-7	10	70
Vehicle Camping	1-4	4	16
Total Camping Area Capacity			204
Temporary Structures			
<i>Area 1</i>		<i>No. of People/Temp. Structure</i>	<i>Total No. People</i>
Plantation Huts	31	4	124
Plantation Suites	2	4	8
<i>Area 2</i>		<i>No. of People/Temp. Structure</i>	<i>Total No. People</i>
Plantation Huts	16	4	64
Grand Total Areas 1 & 2			196
Total Campground Capacity			
400			
Park Toilets and Showers			
Flushable Portable Toilets	16-18*	*Numbers do not include Manager's Home	
Shower Areas	3-5*		
Parking			
Day Parking Area 1			
Day Parking Area 2			
Other Areas			
Proposed Ocean-Based Activity Area			
Proposed Food Truck (located in Day Parking Area 2)			
Proposed Office/Gift Shop/Retail Services			
Proposed Security Staff Residence (currently Manager's Residence)			

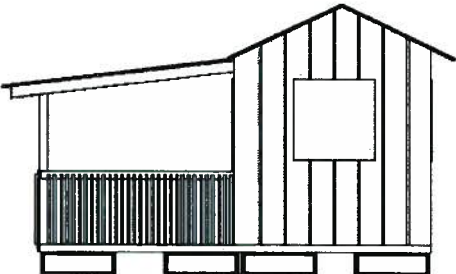
Phasing

MBC's conceptual plan will be implemented in two phases. In the first phase, 33 temporary structures will be used including 31 plantation era style huts and 2 plantation suites. In phase two, up to an additional 16 similar structures would be used. Below are graphic examples of the structures.

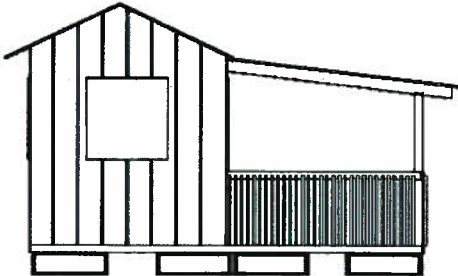
Plantation Huts



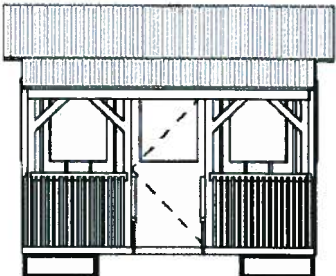
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RIGHT



LEFT

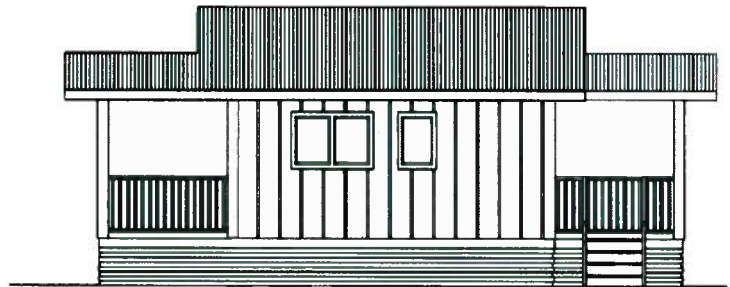


FRONT

Plantation Suites

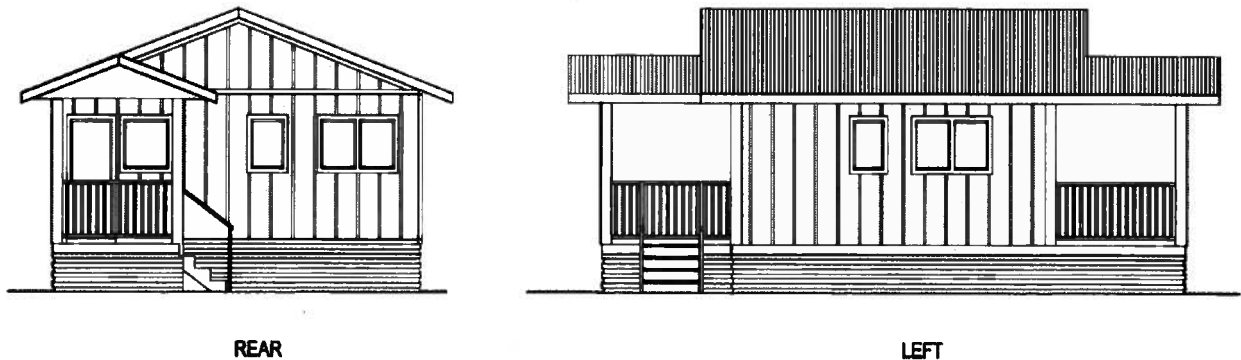


FRONT



RIGHT

The proposed Plantation Suites will also accommodate four people, but provide additional interior space.



The plantation huts will have neither electricity nor plumbing. Guests will use common area sinks and showers and portable bathroom facilities.

Pavilion

MBC proposes to assemble a pavilion on the existing Tutu's Hale area by strapping posts to the existing concrete slab. The pavilion will be made out of wood and be painted with the same color scheme as the plantation huts. The roofing material will, like the plantation huts, be a corrugated roof material.

Campsites

MBC proposes to increase the area of each campsite by approximately 10-40%, which will accommodate up to 10 people per site, while not exceeding the capacities set forth in the RFQ/RFP.

MBC's included the following campsites for tent camping:

- Campsite Area 1 = 8 sites
- Campsite Area 2 = 7 sites
- Campsite Area 3 = 7 sites

Vehicle Camping Area

Vehicle camping will consist of four sites, with one vehicle per site and a maximum of four people at each site.

Toilets and Showers

MBC plans a minimum of 16 new portable toilets will be installed at the property during phases one and two with approximately 8 in the Camping Areas and 8 in the Temporary Structures Areas. The Fresh Flush Toilets are portable, flushable toilets that feature a "fresh flush" valve system fitted into a washstand. The system works by allowing fresh water from the washstand to circulate around the bowl, which is operated by a foot pump, to the tank. Approximately three showers currently exist at the Property. MBC will assess these structures and renovate them to include solar water heating if deemed useable.

Efforts to Preserve Open Space and Access

MBC will perform the following actions in order to help preserve the open space and access of the campsite, in order to help make the site safe for all guests:

- Open space and existing day use access will be open to the public from 7:00 am until 6:45 pm
- Cut and remove all dead and potentially dangerous Ironwood tree branches from the park area;
- Improve the landscape by hand grubbing invasive growth and by establishing indigenous trees and plants;
- Implement a professional permaculture plan to assist in the natural and aesthetic filtration of all gray water that is discharged into the ground;
- Cut back, trim, and maintain all the vegetation on the Malaekahana stream bank for better camper access for any stream activities;
- Plant indigenous plants in coordination with State Parks.

Lighting

MBC will use solar-powered lighting to illuminate the park and rentals. Solar spotlights will be strategically placed throughout the park to illuminate the grounds at night. Each individual solar LED light has its own 6” solar panel that is used to power the light for up to 10 hours. Fifty-four lumens project an aesthetically pleasing yet safe circle of light that extends 50 feet. These lights will be secured high above the ground in either trees or surrounding structures.

On Site Security

MBC intends to retain current security personnel at the Malaekahana State Recreation Area, if possible. Ultimately the Manager’s House will serve as the primary on-site security person’s residence, allowing for 24-hour, 7-day/week security personnel on the premises.

Phase Two:

MBC will pursue additional improvements to the site during Phase II activities in order to maximize growth and revenue potential, while maintaining the appeal of the campground. Phase two improvements will begin thirteen months after occupancy date and include the following:

1) Additional Plantation Huts. The number of plantation huts will increase by no more than 16 structures and be placed within Temporary Structure Area 2 within the limits prescribed in the RFQ/RFP.

2) Pavilion

Other additional improvements that MBC intends to make to the site include building a second pavilion, with the approval of DLNR and their selection of one of the proposed sites: either Camping Area 1 or Camping Area 3 (in the approximate area of one of the existing cabins to be demolished by DLNR). This pavilion will be available to guests at a group rate.

Activities

MBC plans ocean based activities such as kayaking, paddling, surfing Hawaiian sailing canoe activities. In addition, access to food will be provided by mobile food service in accordance with Department of Health rules and regulations.

Camping and Temporary Structure Rates

The table below shows the rental rates for camping and temporary structures.

Rental Type	Rental Cost/Night Res	Rental Cost/Night Non-res
Tent Camping	\$12	\$12
Vehicle Camping	\$12	\$12
Plantation Huts	\$50	\$60
Plantation Suites	\$100	\$115
Pavilion Package Tutu's Hale	\$330	\$350
Pavilion Tent Package	\$330	\$350

Activities Rates

The table below shows the activities rates for Campground guests and day users.

Activity/Rental	Rate
Single Kayaking	\$40/day
Double Kayak	\$50/day
Hawaiian Sailing Canoe (min. 1 hour)	\$75/adult \$60/child
Stand Up Paddle Rental	\$40/day
Stand Up Paddle Lessons (min. 2 hours)	\$100/adults \$85/child
Surf Lessons	\$55/hour (Individual or group)
Surf Boards	\$25/day
Bicycles	\$25/day
Body board	\$10/day
Meal Ticket	\$5/plate lunch (w/ purchase of activity)

* Life jacket, paddle and anchor, etc. included (varies depending on activity)

* Additional items for token fee (dry bag, backrests, etc.)

* Group and renters discounts may be applicable

* Meal tickets only good for activity day and prior to 2pm

* Rates subject to change after further evaluation

DISCUSSION:

In 2004-2005, a similar RFQ/RFP process was approved by the Board which required the potential lessee to make wastewater infrastructure improvements. It also required an Environmental Assessment (EA) under Chapter 343 HRS. The process did not result in a lease. State Parks believes that the requirement for the infrastructure investment and EA may have discouraged bidders. In contrast, the current revocable permit does not offer a long enough time horizon to recoup minimal investment needed to operate the campground professionally today. A five year lease will bridge the gap and allow the lessee to recover the investment necessary to operate the campground today and is supported by MBC's successful bid proposal.

Once State Parks completes the infrastructure improvements, the improved campground will feature the new waterline system and bathroom/shower facilities. After the completion of this five year lease, State Parks plans for some improvements to be made by a future lessee as well. These plans include, in part, the future lessee's construction of rental cabins to replace the decrepit cabins which are planned for demolition later this month.

Through the RFQ/RFP process, State Parks followed the RFQ/RFP process and §171-59(a) HRS properly and MBC's proposal was selected by the EC and recommended to the Chairperson for approval. On September 16, 2014, the Chairperson approved MBC as the selected bidder in accordance with the RFQ/RFP and Section 171-59(a)(3), HRS. State Parks recommends approval of a lease to Malaekahana Beach Campground, LLC, as described in this submittal and that authority be delegated to the Chairperson to negotiate the terms of the lease necessary to carry out the purpose of the RFQ/RFP process.

RECOMMENDATION: That the Board:

1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.
2. Authorize the issuance of a lease to Malaekahana Beach Campground LLC, covering the Property for commercial campground and day use beach park purposes under the 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 general lease 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.

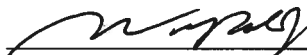
3. Delegate authority to the Chairperson to make appropriate changes to the lease form necessary to accomplish the purpose of effectuating the lease consistent with the RFQ/RFP process and the MBC proposal.

Respectfully Submitted,



DANIEL S. QUINN, Administrator
Division of State Parks

APPROVED FOR SUBMITTAL:



William J. Aila, Jr., Chairperson

Exhibit A Tax Map Key

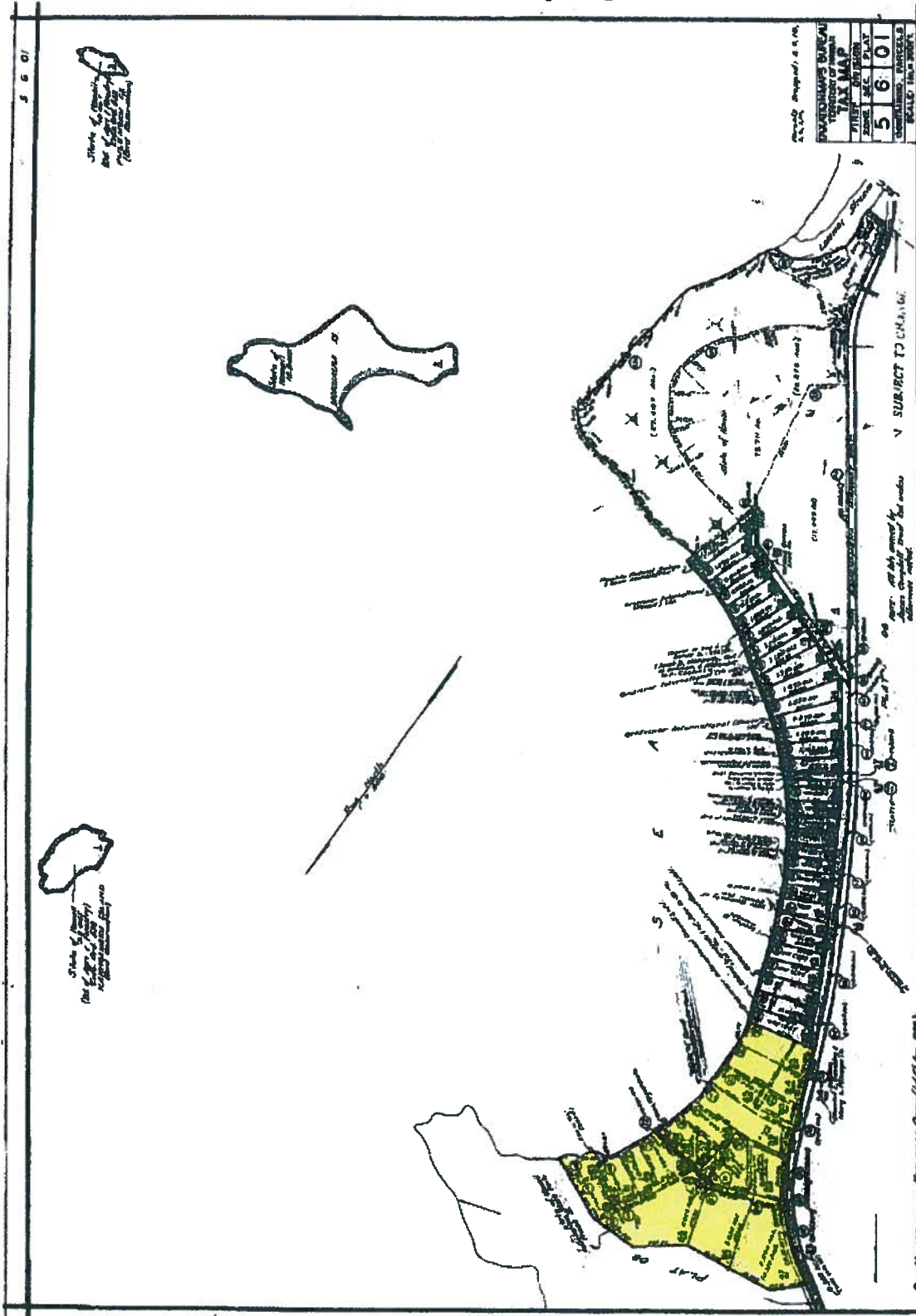


Exhibit B -

Malaekahana Beach Campground

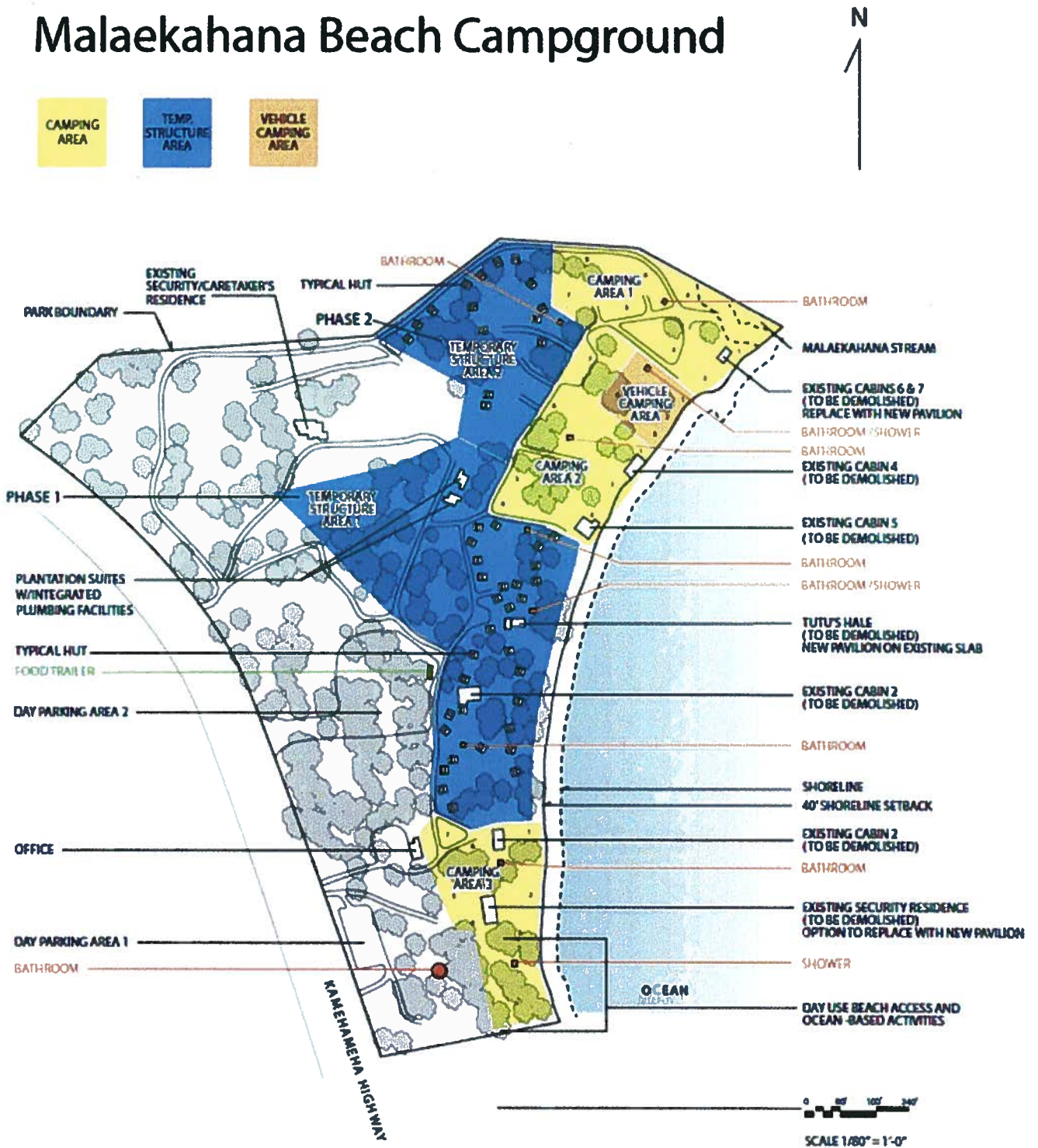


EXHIBIT C - Exemption Notification

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

DIVISION OF STATE PARKS
POST OFFICE BOX 621
HONOLULU, HAWAII 96809

WILLIAM J. AHA, JR.
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

PAUL J. CONRY
INTERIM FIRST DEPUTY

WILLIAM M. TAM
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
MARCOLEA'S ISLAND RESERVE COORDINATOR
LAND
STATE PARKS

EXEMPTION NOTIFICATION

Regarding the preparation of an environmental assessment pursuant to Chapter 343, HRS and Chapter 11-200, HAR.

Project Title: Issuance of Lease to Malaekahana Beach Campground, LLC

Project / Reference No.: No. SP0524

Project Location: Kahuku Section, Mālaekahana State Recreation Area (MSRA), Lā'ie, Ko'olaupua, O'ahu, identified by Tax Map Key: (1) 5-6-001: Parcels 24, 45-47, 49, 51, 53-65

Project Description: General Lease for Commercial Campground and Day Use Beach Park Purposes

Chap. 343 Trigger(s): Use of State Land

Exemption Class No.: In accordance with Hawaii Administrative Rule Section 11-200-8(a)(1), the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1, Numbers 2, 3 5, 6 and 7 of the State Parks Exemption List which exempts operations, repairs or maintenance of existing structures, facilities, equipment or topographical features involving negligible or no expansion of use beyond that previously existing [HAR §11-200-9(a)(1)]

Consulted Parties: None.

Issuance of Lease
November 14, 2014
Page two

Recommendation:

It is recommended that the Board find that this project will probably have minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment.



William J. Alla Jr., Chairperson