

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

November 13, 2015

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

Kauai

Final Approval to Authorize the Extension, Amendment and Restatement of General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee, for an Aggregate Term of 55 Years; Final Approval of Plans and Specifications for Improvements to Lease Premises, por. of Kapaa Town Lots, Kapaa, Kawaihau, Kauai, Tax Map Keys: (4) 4-5-011:046 and (4) 4-5-012:005.

APPLICANT AND REQUEST:

Pixar Development, LLC, is requesting final approval of the extension of the lease term of General Lease No. S-3832, and General Lease No. S-5578 pursuant to Act 219 Session Laws of Hawaii 2011, which authorizes the extension of hotel and resort leases along the Kapaa Town Lots area of Kapaa, Hawaii.

LEGAL REFERENCE:

Section 171- 36(b), Hawaii Revised Statutes, as amended, and Act 219 SLH 2011.

LOCATION:

Portion of Government lands situated at Kapaa, Kauai, Hawaii, identified by Tax Map Keys: (4) 4-5-011:046 and (4) 4-5-012:005.

AREA:

GL S-3832 – 0.5930 acre, more or less.
GL S-5578 – 0.2210 acre, more or less.
TOTAL: 0.8140 acre, more or less.

TRUST LAND STATUS:

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

CHARACTER OF USE:

Resort-hotel purposes and uses accessory or incidental thereto and customarily conducted within resort-hotel areas.

TERM OF LEASE:

Requesting an extension of approximately 51.5 years from the end of the current expiration date of the lease, for an aggregate term of 55 years (3.5 years remaining on the lease plus 51.5-year extension).

Requesting an extension of 51.5 years from the end of the current expiration date of the lease, for an aggregate term of 55 years (3.5 years remaining on the lease plus 51.5-year extension).

ANNUAL RENTAL:

The minimum revised annual rent to be paid by the Lessee shall be based on the fair market value of the subject land to be developed as determined by an appraiser for the Board, with such determination to address, as applicable, the percentage of rent to be paid by Lessee when gross receipts exceed a specified amount.

RENTAL REOPENINGS:

GL S-3832 and GL S-5578:

Reopenings in the extended term shall be as of the date of this Board action, and at the end of the 10th, 20th, 30th, 40th, and 50th years of the extended term.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

The Final Environmental Assessment for the subject project was published in the OEQC's The Environmental Notice dated October 23, 2015 with a finding of no significant impact (FONSI). See Exhibit AA attached.

DCCA VERIFICATION:

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

APPLICANT REQUIREMENTS:

Lessee shall:

1. Pay for an appraisal to determine the fair market value of the lands to be developed, as determined by an appraiser for the Board, with such determination to address, as applicable, the percentage rent where gross receipts exceed a specified amount

pursuant to Act 219 SLH 2011.

REMARKS:

At its meeting of April 25, 2014, Item D-2, the Board of Land and Natural Resources approved in concept the request of Pixar Development, LLC, Lessee under General Lease No. S-3832, and General Lease No. S-5578 (Lessee), for an extension of its leases pursuant to Act 219 Session Laws of Hawaii 2011 (Act 219). The requested extension is for 51.5 years from the end of the current expiration date of the leases of May 17, 2019, for an aggregate term of 55 years (3.5 years remaining on lease plus 51.5-year extension).¹

At its meeting of July 25, 2014, Item D-1, the Board approved the negotiated Development Agreement and proposed plans and specifications for improvements to the leases and authorized the extension, amendment and restatement of the leases for an aggregate term of 55 years.

At its meeting of September 26, 2014, Item D-3, the Board amended its prior action of July 25, 2014, to clarify that the approval of the lease extensions and plans and specifications was in concept only, and that the Lessee was to return to the Board after publication of the anticipated Finding of No Significant Impact (FONSI) in The Environmental Notice for final approval of these items. A copy of the September 26, 2014 Board action is attached as Exhibit BB, and includes the Board action of April 25, 2014 (Exhibit 1 of Exhibit BB, and the Board action of July 25, 2014 (Exhibit 2 of Exhibit BB).

As detailed in the prior Board approvals, Lessee plans to add a third floor and elevator to its existing two-story hotel on the premises of GL S-3832, and to replace the existing asphalt parking lot in the premises of GL S-5578 with a concrete parking lot. The FONSI for the project was published in the October 23, 2015 issue of The Environmental Notice, and Lessee now returns to the Board for final approval of the lease extensions and plans and specifications for the improvements to the leases. Staff is recommending approval.

RECOMMENDATION: That the Board:

1. Authorize the extension, amendment and restatement of General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee, covering the subject property under the terms and 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 extension, amendment and

¹ The prior Board action of April 25, 2014 discussed a 50-year extension with five years then remaining on the leases. However, the environmental assessment process took about more than a year to finalize, and staff is recommending that the lease extensions, if approved, commence on the date of today's Board action. This will result in a 51.5-year extension on the leases, which have approximately 3.5 years left to run.

- restatement of lease document form, as may be amended from time to time;
- b. The commencement date of the extended, amended and restated lease shall be November 13, 2015;
 - c. Review and approval by the Department of the Attorney General; and
 - d. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
2. Approve the plans and specifications for the improvements proposed by Lessee in connection with the extension of the terms of General Lease No. S-3832 and General Lease No. S-5578.

Respectfully Submitted,




Marvin Mikasa
District Land Agent

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson



at the existing Materials Recycling Facility, (2) increase the site grade on the mauka portion of the landfill to reach a maximum elevation of 255 ft. amsl, and (3) use renewable energy (gasification and solar energy) to provide power to the Materials Recycling Facility. No changes in the horizontal boundaries of the landfill or to ongoing landfill operations are proposed. The purpose of the Proposed Action is to expand recycling and reclamation efforts, create feedstock for renewable energy, and maximize the use and energy efficiency of the existing PVT ISWMF. The need for the Proposed Action is to support the construction industry and renewable energy providers. The Proposed Action would also increase landfill capacity and the diversion of C&D waste from landfill disposal to recycling, both of which maximize the use of existing facilities.

KAUAI

3. Hotel Coral Reef 5(e) FEA (FONSI)

HRS §343-5

Trigger(s): Proposed Use of State Lands

Island: Kaua'i

District: Kawaihau

TMK: (4) 4-5-011:046 and (4) 4-5-012:005

Permits: County Class IV, SMA, and Variance Permits Required

Applicant: Hotel Coral Reef, c/o Ron Agor, Agor Architects, LLC, 460 Ena Road, Suite 303, Honolulu, HI 96815. (808) 947-2467

Approving

Agency: Department of Land and Natural Resources, Kalanimoku Building, 1151 Punchbowl Street, Honolulu, HI 96813. Contact: Suzanne Case, (808) 587-0400

Consultant: Ron Agor, Agor Architects, LLC, 460 Ena Road, Suite 303, Honolulu, HI 96815. (808) 947-2467

Status: Finding of No Significant Impact Determination.

Hotel Coral Reef is proposing a third story addition over an existing two story concrete hotel building. The existing building is approximately 112 feet wide by 36 feet deep by 18 feet high. The third story addition will be over the existing two story building, raising the height to approximately 35 feet high. The footprint of the building will remain the same with the exception of the addition of a 68 square feet elevator.

Hotel Coral Reef received from the Board of Land and Natural Resources approval of a 55 year lease extension for the continued use of the hotel on state lands. The major condition of the lease extension was that the lessee is required to make "Substantial improvements to the existing structure. Hotel Coral Reef presented this project to the BLNR as representing their intent to substantially improve the existing structure.

Hotel Coral Reef is an existing small 21 room hotel makai of Kuhio Highway in Kapa'a, Kaua'i. The site is along a county park that is between the hotel and the shoreline. The proposed third story addition will add 6 new rooms to the hotel operations. The increase in the room count will help Hotel Coral Reef meet the payment of the new lease amount.



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

September 26, 2014

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

PSF No: 10KD-133

Kauai

Amend Prior Board Action of July 25, 2014, Item D-1, Approve Negotiated Development Agreement, and Proposed Plans and Specifications for Improvements for General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee; Authorize the Extension, Amendment and Restatement of General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee, for an Aggregate Term of 55 Years, Kapaa Town Lots, Kapaa, Kawaihau, Kauai, Tax Map Keys: (4) 4-5-011:046 and (4) 4-5-012:005. The purpose of the amendment is to clarify that the Board's approval of the lease extensions is in concept only at this time.

BACKGROUND:

On April 25, 2014, Item D-2, the Board approved the request of Lessee Pixar Development, LLC (Lessee) for approval in concept of an extension of the lease terms under General lease No. S-3832 and General Lease No. S-578, pursuant to Act 219, SLH 2011, which authorizes the extension of hotel and resort leases. A copy of the April 25, 2014 Board submittal is attached as Exhibit 1 (less its exhibits).

On July 25, 2014, Item D-1, the Board approved the negotiated Development Agreement, and proposed plans and specifications for the improvements to the lease premises. The Board additionally authorized the extension, amendment and restatement of the leases for an aggregate term of 55 years. A copy of the July 25, 2014 submittal is attached as Exhibit 2 (less its Exhibits).

Lessee's planned improvements include the addition of a third story with six new guest rooms to an existing two-story hotel of 16 rooms. Because the project increases the height and density of the hotel, it is not exempt from the requirements of Hawaii Revised Statutes Chapter 343 on environmental assessments. The approved Board submittal explains that the Lessee will need to conduct an environmental assessment and secure a Finding of No Significant Impact (FONSI), or complete an environmental impact statement, before conducting any of the improvements on the premises and obtaining the

APPROVED BY THE BOARD OF
LAND AND NATURAL RESOURCES
AT ITS MEETING HELD ON
September 26, 2014

D-3

EXHIBIT BB

lease extensions.

REMARKS:

Shortly after the Board approval of July 25, 2014, staff submitted a document request to the Department of the Attorney General for the preparation of the approved Development Agreement. The assigned deputy attorney general noted that the July 25, 2014 staff submittal that recommended the approval of the lease extensions at that time was contrary to current Hawaii law. Current Hawaii law provides that an agency cannot enter into a lease of state lands until the requirements of HRS chapter 343 have been met. The submittal should have provided that the Lessee would need to conduct the environmental assessment in compliance with HRS Chapter 343 and obtain a FONSI for the project, or if there were significant impacts, complete the environmental impact statement process. The submittal should have further provided that once this process was complete, staff would return to the Board for review and approval of the results and, if appropriate, recommend the extension of the leases.

Accordingly, staff seeks to amend the prior Board action of July 25, 2014 to delete the final approval of the lease extensions, and to clarify that the Board approves the lease extensions in concept only. Lessee will need to return to the Board once it has complied with HRS Chapter 343 to request the final approval of the extension of the leases. Staff has also revised the negotiated Development Agreement to be consistent with the foregoing, and a redline of that agreement showing changes to the version presented to the Board at the July 25, 2014 meeting is attached as Exhibit 3.

RECOMMENDATION: That the Board amend its prior Board action of July 25, 2014, under agenda item D-1, by:

- A. Deleting Applicant Requirement no. 3 on page 3 and replacing it with the following:

Execute the negotiated Development Agreement, and proceed to satisfy Lessee's obligations thereunder; and

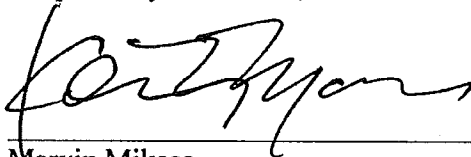
- B. Deleting the items 1 through 3 of the Recommendation section and replacing them with the following:

1. As required by Act 219, Session Laws of Hawaii 2011, determine that:

- a. The development proposed is of sufficient worth and value to justify the extension, in concept, of General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee;

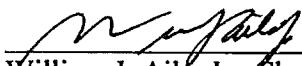
- b. The estimated period of time to complete the Development Plan, including compliance with HRS Chapter 343, is twenty-four (24) months as set forth in the Development Agreement; and
 - c. The minimum revised annual rent to be paid by Lessee under the conceptually approved lease extensions shall be based on the fair market value of the subject land to be developed, as determined by an appraiser for the Board, with such determination to address, as applicable, the percentage of rent to be paid by Lessee when gross receipts exceed a specified amount.
2. Approve the negotiated Development Agreement, and approve in concept the proposed plans and specifications for improvements by Lessee, in connection with its requested extension of the term of General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee.
 3. Approve in concept the extension, amendment and restatement of General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee, covering the subject property under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - a. Once Lessee has complied with the HRS Chapter 343 requirement above, staff will return to the Board with the results of the HRS Chapter 343 process for review and approval by the Board. The Board will then determine whether to give final approval to the lease extension; and
 - b. This approval in concept shall not be deemed to be an approval of the lease extensions at this time.
- C. All other terms and conditions listed in its July 25, 2014, approval to remain the same.

Respectfully Submitted,



Marvin Mikasa
Acting District Land Agent

APPROVED FOR SUBMITTAL:


William J. Aila, Jr., Chairperson

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

April 25, 2014

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

Kauai

Request for Approval in Concept of an Extension of Lease Term, General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee, por. of Kapaa Town Lots, Kapaa, Kawaihau, Kauai, Tax Map Keys: (4) 4-5-011:046 and (4) 4-5-012:005.

APPLICANT AND REQUEST:

Pixar Development, LLC is requesting an extension of General Lease No. S-3832 and General Lease No. S-5578, pursuant to Act 219, SLH 2011, which authorizes the extension of hotel and resort leases.

LEGAL REFERENCE:

Sections 171-36(b), Hawaii Revised Statutes, as amended, and Act 219 SLH 2011.

LOCATION:

Portion of Government lands of Kapaa Town Lots, situated at Kapaa, Kawaihau, Kauai, identified by Tax Map Keys: (4) 4-5-011:046 and (4) 4-5-012:005, as shown on the attached map labeled Exhibit A.

AREA:

GL S-3832 – 0.5930 acres, more or less.
GL S-5578 – 0.2210 acres, more or less.
TOTAL: - 0.8140 acres, more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

APPROVED BY THE BOARD OF
LAND AND NATURAL RESOURCES
AT ITS MEETING HELD ON
April 25, 2014 U.A.

D-2

EXHIBIT 1

CHARACTER OF USE:

GL S-3832: Hotel purposes.

GL S-5578: Hotel parking purposes.

TERM OF LEASE:

GL S-3832: Original term of 55 years, commencing on May 18, 1964, and expiring on May 17, 2019.

GL S-5578: Original term of 20 years, commencing on May 18, 1999, and expiring on May 17, 2019.

ANNUAL RENTAL:

GL S-3832 - current rent is \$122,360.00 annually, due in quarterly installments of \$30,590.00 on February, May, August and November of each year.

GL S-5578 - current rent is \$26,910.00 annually, due in quarterly installments of \$6,727.50 on February, May, August and November of each year.

RENTAL REOPENINGS:

GL S-3832:
Reopenings in the original term were at the end of the 15th, 25th, 35th and 45th years of the term. The last rental reopening occurred on May 18, 2009.

GL S-5578:
Reopenings in the original term were at the end of the 10th year of the term. The last rental reopening occurred on May 18, 2009.

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>X</u>	NO <u> </u>
Registered business name confirmed:	YES <u>X</u>	NO <u> </u>
Applicant in good standing confirmed:	YES <u>X</u>	NO <u> </u>

APPLICANT REQUIREMENTS:

Applicant shall comply with the requirements of Act 210 SLH 2011, negotiate a development agreement with department staff, and return to the Board at a later date for review and approval of the development agreement and requested lease extension.

REMARKS:

In 1962, Ichiji and Masako Matsumura built a small hotel on their private lands at Kapaa, Kauai designated as TMK: (4) 4-5-012:006 (Parcel 6). After acquiring a lease of the adjoining State land designated as TMK: (4) 4-5-011:046 (Parcel 46), they built an additional wing of the hotel of masonry construction containing 16 guest rooms. It was renovated in 2006. Abutting Parcel 46 is TMK: (4) 4-5-012:005 (Parcel 5), which is improved with a parking lot for the hotel. Photos of the hotel and parking area are included as Exhibits B-1 and B-2, respectively.

Land Division's files show the following lease history for the two State parcels:

General Lease No. S-3832 (covering Parcel 46) was sold at public auction on May 18, 1964 to Mr. and Mrs. Matsumura for a term of fifty-five (55) years expiring on May 17, 2019.

General Lease No. S-4648 (covering Parcel 5) was sold at public auction on May 16, 1980 to Dale M. Matsumura for a term of fifteen (15) years expiring on June 14, 1995.

On September 24, 1985, the Matsumuras notified Land Division that they were in the process of selling the entire hotel operation, which included General Lease No. S-3832 and General Lease No. S-4648. At its meeting of October 11, 1985, Item F-14, the Board of Land and Natural Resources approved the consent to sale of General Lease No. S-3832 and General Lease No. S-4648 from the Matsumuras to Michael Wayne Warriner and Linda J. H. Warriner, husband and wife, via agreement of sale. At its meeting of March 13, 1987, Item F-1-c, the Board approved the Consent to Assignment of General Lease No. S-3832 and General Lease No. S-4648 to the Warriners upon satisfaction of the agreement of sale.

In 1997 the Warriners filed for divorce. The decree of divorce specified that Michael Wayne Warriner's interest in General Lease No. S-3832 was awarded to Linda J. H. Warriner.

At its meeting on October 8, 1993, Item F-5, the Board approved a request for extension of General Lease No. S-4648 for a term of five (5) years ending on June 13, 2000. Due to the lack of follow through, it expired on June 14, 1995.

At its meeting on July 24, 1998, Item D-17, the Board approved authorization to sell a lease at public auction for the premises formerly covered by General Lease No. S-4648, and also approved the issuance of an interim revocable permit. Revocable Permit No. S-7145 was thereafter issued to Linda J.H. Warriner for hotel parking lot use only. In May, 1999, Linda J.H. Warriner became the lessee under General Lease No. S-5578 for hotel parking purposes after she bid successfully at auction.

At its meeting on October 26, 2001, Item D-10, the Board approved the Consent to Assignment of General Lease No. S-3832 and General Lease No. S-5578, Linda J.H. Warriner, Assignor, to Pixar Development, LLC, Assignee.

Pixar Development, LLC (Pixar) is in compliance with lease terms and conditions regarding rent and insurance.

Pixar is requesting a 50-year extension from the end of the current lease set to expire on May 17, 2019 for an aggregate term of 55 years (5 years remaining on lease plus 50-year extension) in order to amortize the cost of the improvements necessary to upgrade the hotel and parking lot.

Act 219, Session Laws of Hawaii 2011, authorizes the Board of Land and Natural Resources to extend hotel and resort leases (that have not been sold or assigned within the past five years) up to an additional fifty-five (55) years. As a condition to the extension, the Lessee must commit to substantial upgrades to the existing improvements. "Substantial improvements" means any renovation, rehabilitation, reconstruction or construction of the existing improvements, including minimum requirements for off-site and on-site improvements, the cost of which equals or exceeds fifty per cent (50%) of the market value of the existing improvements that the Lessee or the Lessee and developer install, construct, and complete by the date of completion of the total development."

The act also stipulates that prior to entering into a development agreement, the lessee shall submit to the Board the plans and specifications for the total development being proposed. The Board shall review the plans and specifications and determine: 1) Whether the development proposed is of sufficient worth and value to justify the extension; 2) The estimated time to complete the improvements and expected date of completion; 3) The minimum revised annual rent based on the fair market value of the lands to be developed, as determined by an appraiser for the Board, and the percentage rent where gross receipts exceed a specified amount.

Pixar is estimating new improvement costs for the premises under General Lease No. S-3832 in the amount of approximately \$662,000 and has submitted a critical path and plans that include elevator, and a new third floor to existing building with six new guest rooms. (See Exhibits C and D)

Pixar has provided staff with a Summary Appraisal Report dated November 1, 2013 for General Lease No. S-3832 that indicates the market value of the existing improvements on TMK: (4) 4-5-011:046 was \$644,000 as of that date. (See Exhibit E). As noted above, the proposed new improvements for this parcel amount to \$662,000, which exceeds the 50% threshold of Act 219.

Pixar has also provided a Summary Appraisal Report dated March 1, 2014 for General Lease No. S-5578 that indicates the market value of the existing improvements (parking lot) on TMK: (4) 4-5-012:005 was \$38,000 as of that date. (See Exhibit F). The proposed improvements for this parcel, including removing the asphalt parking lot,


replacing with stamped concrete, and restriping, amount to \$30,104, which exceeds the 50% threshold of Act 219. (See Exhibit G).

Although Act 219 indicates in its preamble that the intention of the act is to help rehabilitate the Banyan Drive area of Hilo, Hawaii, there is nothing in the operative provisions of the act to limit its effect to Hilo or Hawaii Island. Staff is therefore requesting that the Board consent to an agreement in concept for the extension of General Lease Nos. S-3832 and S-5578 so that Pixar can prepare plans and specifications for the improvements and submit to staff for review and ultimately to the Board for approval. Additionally, staff is requesting authority to negotiate a development agreement with Pixar and return to the Board for approval of the development agreement and lease extension.


RECOMMENDATION:

That the Board, subject to the Applicant fulfilling the Applicant requirements listed above, approve in concept the request to extend General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee, covering the State owned parcels identified by Tax Map Keys: (4) 4-5-011:046 and (4) 4-5-012:005 pursuant to Act 219 Session Laws of Hawaii 2011 and Section 171-36(b), Hawaii Revised Statutes, as amended, with the understanding that the approval in concept shall not be deemed to be an approval of the development proposal or lease extension at this time, as staff shall return to the Board at a later date for review and approval of development agreement and lease extension, including plans and specifications for improvements submitted by the Lessee. Land Division staff is authorized to negotiate a development agreement with the Lessee, subject to review and approval by the Board.

Respectfully Submitted,


Marvin Mikasa
Acting District Land Agent

APPROVED FOR SUBMITTAL:


William J. Aifa, Jr., Chairperson

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

July 25, 2014

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

Kauai

Approve Negotiated Development Agreement, and Proposed Plans and Specifications for Improvements for General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee; Authorize the Extension, Amendment and Restatement of General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee, for an Aggregate Term of 55 Years, Kapaa Town Lots, Kapaa, Kawaihau, Kauai, Tax Map Keys: (4) 4-5-011:046 and (4) 4-5-012:005.

APPLICANT AND REQUEST:

Pixar Development, LLC, is requesting approval of the negotiated Development Agreement, and its proposed plans and specifications for improvements in connection with the extension of the lease term of General Lease No. S-3832, and General Lease No. S-5578 pursuant to Act 219 Session Laws of Hawaii (SLH) 2011, which authorizes the extension of hotel and resort leases along the Kapaa Town Lots area of Kapaa, Hawaii.

LEGAL REFERENCE:

Section 171- 36(b), Hawaii Revised Statutes, as amended, and Act 219 SLH 2011.

LOCATION:

Portion of Government lands situated at Kapaa, Kauai, Hawaii, identified by Tax Map Keys: (4) 4-5-011:046 and (4) 4-5-012:005, as shown on the attached maps labeled Exhibits A & B of Exhibit 1.

AREA:

GL S-3832 – 0.5930 acres, more or less.
GL S-5578 – 0.2210 acres, more or less.
TOTAL: 0.8140 acres, more or less.

APPROVED BY THE BOARD OF
LAND AND NATURAL RESOURCES
AT ITS MEETING HELD ON

July 25, 2014 uo

D-1

EXHIBIT 2

TRUST LAND STATUS:

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

CHARACTER OF USE:

Resort-hotel purposes and uses accessory or incidental thereto and customarily conducted within resort-hotel areas.

TERM OF LEASE:

GL S-3832: Original term of 55 years, commencing on May 18, 1964, and expiring on May 17, 2019.

Requesting an extension of 50 years from the end of the current expiration date of the lease, for an aggregate term of 55 years (5 years remaining on the lease plus 50-year extension).

GL S-5578: Original term of 20 years, commencing on May 18, 1999, and expiring on May 17, 2019.

Requesting an extension of 50 years from the end of the current expiration date of the lease, for an aggregate term of 55 years (5 years remaining on the lease plus 50-year extension).

ANNUAL RENTAL:

GL S-3832 - current rent is \$122,360.00 annually, due in quarterly installments of \$30,590.00 on February, May, August and November of each year.

GL S-5578 - current rent is \$26,910.00 annually, due in quarterly installments of \$6,727.50 on February, May, August and November of each year.

RENTAL REOPENINGS:

GL S-3832:

Reopenings in the original term were at the end of the 15th, 25th, 35th and 45th years of the term. The last rental reopening occurred on May 18, 2009.

GL S-5578:

Reopenings in the original term were at the end of the 10th year of the term. The last rental reopening occurred on May 18, 2009.

Reopenings in the extended term shall be as of the date of this Board action, and at the end of the 10th, 20th, 30th, 40th, and 50th years of the extended term.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

Lessee's proposed improvements include the addition of a third story two an existing two-story hotel. This aspect of the project increases the density and height of the existing improvements, and therefore the project is not exempt from the requirements of HRS Chapter 343. Prior to commencing any work on the project, Lessee shall be required to publish an environmental assessment with the Office of Environmental Quality Control in compliance with the HRS Chapter 343 and HAR Chapter 11-200, and obtain a Finding of No Significant Impact (FONSI) for the project, or if there are significant impacts, complete the environmental impact statement process.

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>X</u>	NO <u> </u>
Registered business name confirmed:	YES <u>X</u>	NO <u> </u>
Applicant in good standing confirmed:	YES <u>X</u>	NO <u> </u>

APPLICANT REQUIREMENTS:

Lessee shall:

1. Comply with the requirements of Act 219 SLH 2011;
2. Prior to commencing any work on the project, publish an environmental assessment with the Office of Environmental Quality Control in compliance with the HRS Chapter 343 and HAR Chapter 11-200, and obtain Finding of No Significant Impact (FONSI) for the project, or if there are significant impacts, complete the environmental impact statement process;
3. Execute the negotiated Development Agreement, and proceed with its proposed plans and specifications for improvements in connection with the extension of the lease term of General Lease No. S-3832, and General Lease No. S-5578 pursuant to Act 219 SLH 2011 upon approval by the Board; and
4. Pay for an appraisal to determine the fair market value of the lands to be developed, as determined by an appraiser for the Board, with such determination to address, as applicable, the percentage rent where gross receipts exceed a specified amount pursuant to Act 219 SLH 2011.

REMARKS:

At its meeting of April 25, 2014, Item D-2, the Board of Land and Natural Resources approved in concept the request of Pixar Development, LLC, Lessee under General Lease No. S-3832, and General Lease No. S-5578 (Lessee), for an extension of its leases pursuant to Act 219 Session Laws of Hawaii 2011 (Act 219). The requested extension was for 50 years from the end of the current expiration date of the lease of May 17, 2019, for an aggregate term of 55 years (5 years remaining on lease plus 50-year extension). A copy of the Board action of April 25, 2014, Item D-2, is attached as Exhibit 1.

The Board approval in concept required Lessee to negotiate a development agreement with Land Division, and provide plans and specifications for its construction project. Staff reports that Lessee has negotiated a proposed Development Agreement (DA) with Land Division, a copy of which is attached as Exhibit 2. Lessee has also provided staff with plans and specifications for its construction project to include the addition of a third story to an existing two-story hotel on TMK: (4) 4-5-011:046 (Parcel 46), and the replacement of an existing asphalt parking lot on TMK: (4) 4-5-012:005 (Parcel 5) with a new concrete parking lot. See Exhibit B of Exhibit 2 attached.

As discussed in the Board action of April 25, 2014, one of the conditions of Act 219 is that a lessee must commit to substantial improvements to the existing facilities on the premises. "Substantial improvements" means any renovation, rehabilitation, reconstruction or construction of the existing improvements, including minimum requirements for off-site and on-site improvements, the cost of which equals or exceeds fifty per cent (50%) of the market value of the existing improvements that the lessee or the lessee and developer install, construct, and complete by the date of completion of the total development." Lessee has provided staff with a Summary Appraisal Report dated November 1, 2013 that indicates that the estimated market value of the leasehold interest in real property improvements associated with the subject property, as of April 25, 2014, is \$644,000. Fifty percent of that amount is \$322,000.

The proposed plans and specifications for improvements to General Lease No. S-3832 include a new third floor to existing building with six new guest rooms, and extension of the elevator shaft to the third floor. The construction cost is now estimated to be \$455,527.¹ For General Lease No. S-5578, removal the existing asphalt parking lot and replacement with stamped concrete and new striping are planned. The cost of this project is estimated to be \$30,104. Both projects exceed the minimum improvement amount to qualify for an extension under Act 219.

Act 219 directs the Board to review the plans and specifications and determine: 1) Whether the development proposed is of sufficient worth and value to justify the extension; 2) The estimated time to complete the improvements and expected date of completion; 3) The minimum revised annual rent based on the fair market value of the lands to be developed, as determined by an appraiser for the Board, and the percentage rent where gross receipts exceed a specified amount.

Staff is requesting that the Board review and approve the negotiated Development Agreement and the proposed plans and specifications for improvements by Lessee, and thereby approve the extension of the term of the leases. The minimum revised annual rent will need to be established by independent appraisal, which will be obtained upon Board approval of today's action. Additionally, staff is requesting authority to direct the Department of the Attorney General to prepare the extended, amended and restated lease documents at the appropriate time (after Lessee's compliance with HRS Chapter 343).

¹ In the Board Submittal of April 25, 2014, Item D-2, the estimated cost of \$662,000 was based on concrete construction. The new estimated cost is based on wood frame construction.

Staff is recommending that both leases be amended and restated to incorporate the current lease conditions approved by the Department of the Attorney General.

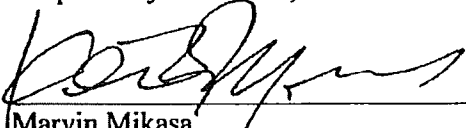
The leased premises have been used substantially for the purpose for which they were leased. There are no outstanding renewal reopening issues.

RECOMMENDATION: That the Board:

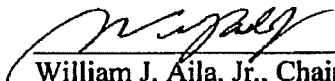
1. As required by Act 219, Session Laws of Hawaii 2011, determine that:
 - a. The development proposed is of sufficient worth and value to justify the extension of General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee;
 - b. The estimated time to complete the improvements and expected date of completion is twenty-four (24) months as set forth the in the Development Agreement; and
 - c. The minimum revised annual rent to be paid by the Lessee shall be based on the fair market value of the subject land to be developed as determined by an appraiser for the Board, with such determination to address, as applicable, the percentage of rent to be paid by Lessee when gross receipts exceed a specified amount.
2. Approve the negotiated Development Agreement, and the proposed plans and specifications for improvements by Lessee, in connection with an extension of the term of General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee.
3. Subject to the Applicant fulfilling all of the Applicant requirements listed above, authorize the extension, amendment and restatement of General Lease No. S-3832, and General Lease No. S-5578, Pixar Development, LLC, Lessee, covering the subject property under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - a. The extended, amended and restated leases shall not be issued until the Lessee complies with the HRS Chapter 343 condition in the Applicant Requirements above;
 - b. The standard terms and conditions of the most current extension, amendment and restatement of lease document form, as may be amended from time to time;
 - c. Review and approval by the Department of the Attorney General; and

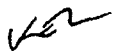
- d. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,


fr _____
Marvin Mikasa
Acting District Land Agent

APPROVED FOR SUBMITTAL:



William J. Aila, Jr., Chairperson 

DEVELOPMENT AGREEMENT

FOR

PIXAR DEVELOPMENT, LLC

* * *

**Department of Land and Natural Resources
Land Division**

State of Hawaii

EXHIBIT 3

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (the “**Agreement**”) is made and dated effective as of this _____ day of _____, 2014 (“**Effective Date**”), by and between the **STATE OF HAWAII**, by its Chairperson of the Board of Land and Natural Resources (“**Chairperson**”) by the authority granted by the Board of Land and Natural Resources (“**Board**”) at its meetings held on April 25, 2014, Item D-2, and July 25, 2014, Item D-1, for the Department of Land and Natural Resources, Land Division, whose principal place of business and post office address is 1151 Punchbowl Street, Room 220, Honolulu, Hawaii 96813 (“**State**”), and **PIXAR DEVELOPMENT, LLC**, a Hawaii limited liability company, whose principal place of business and post office address is c/o Hotel Coral Reef, 1103 N. Broadway, Santa Ana, CA 92701 (“**Lessee**”).

RECITALS:

A. The State owns in fee simple those certain parcels of land, a portion of government lands, situated at Kapaa Town Lots, Kapaa, Kawaihau, Kauai, shown as the shaded area on **Exhibit A** attached hereto, incorporated herein and made a part hereof. The parcels consist of approximately 0.5930 acre identified by Tax Map Key No. (4) 4-5-011:046 (“**Parcel 46**”) and approximately 0.2210 acre identified by Tax Map Key No. (4) 4-5-012:005 (“**Parcel 5**”). Parcels 46 and 5 are sometimes referred to hereinafter collectively as the “**Subject Property**.” Parcel 46 is currently leased to Lessee under General Lease No. S-3832 for a term of fifty-five (55) years from May 18, 1964 to May 17, 2019 (“**Parcel 46 Lease**”). Parcel 5 is currently leased to Lessee under General Lease No. S-5578 for a term of twenty (20) years from May 18, 1999 to May 17, 2019 (“**Parcel 5 Lease**”). The Parcel 46 Lease and Parcel 5 Lease are sometimes referred to hereinafter collectively as the “**Leases**.”

B. On April 25, 2014, under Agenda Item D-2, the Board agreed in concept to Lessee’s request to extend the term of the Parcel 46 Lease and Parcel 5 Lease pursuant to Act 219, Session Laws of Hawaii 2011 (“**Act 219**”), and Section 171-36(b), Hawaii Revised Statutes (“**HRS**”), as amended. Act 219 authorizes the Board to extend the term of hotel or resort leases that have not been sold or assigned within the last five (5) years for lessees who commit to substantial improvements to the existing improvements. Act 219 defines “substantial improvements” to mean “any renovation, rehabilitation, reconstruction, or construction of the existing improvements, including minimum requirements for off-site and on-site improvements, the cost of which equals or exceeds fifty per cent of the market value of the existing improvements...”.

C. A summary appraisal report prepared for the Lessee determined the market value of the leasehold improvements on the Parcel 46 to be \$644,000 as of November 1, 2013. Fifty per cent of this amount is \$322,000. A summary appraisal report prepared for the Lessee determined the market value of the leasehold improvements on the Parcel 5 to be \$38,000 as of March 1, 2014. Fifty per cent of this amount is \$19,000.

D. Pursuant to Act 219 and as a condition to the requested extension of the term of

the Lease, Lessee is required to negotiate and enter into a development agreement with the State for the terms and conditions of the proposed development and improvements to be constructed at the Subject Property, subject to review and approval by the Board. No extension to the term of the Leases is to be approved until the State and Lessee mutually agree to the terms and conditions of the development agreement. Under other applicable law, where a lease extension triggers compliance with HRS Chapter 343 on environmental assessments, the Board cannot approve the extension until the lessee complies with HRS Chapter 343 and the Board accepts the results of the HRS Chapter 343 process. At its meeting of July 25, 2014, Item D-1, as amended by its meeting of _____, 2014, Item D-, the Board approved in concept Lessee's proposed development and improvements to be constructed at the Subject Property, subject to compliance with HRS Chapter 343, and additionally gave final approval to this Agreement.

E. This Agreement sets forth the terms and conditions that Lessee must satisfy and successfully perform in order for it to be issued, and retain the benefit of, an extension of the terms of the Leases by the State for the Subject Property pursuant to Act 219.

AGREEMENT:

In consideration of the recitals and the mutual covenants, obligations and conditions set forth in this Agreement, the State and Lessee hereby mutually agree as follows:

1. Term. The term of this Agreement shall commence on the Effective Date and terminate on the Completion Date as defined in Paragraph 8 herein, unless terminated sooner pursuant to the terms of this Agreement.

2. Continuation of the Payment of Lease Rental. Lessee shall continue to pay to the State, throughout the term of this Agreement, all rent and other charges due by Lessee under the Leases pursuant to the terms and conditions of the Leases. Upon the execution of the instruments extending, amending and restating the Leases (the extended, amended and restated Leases, hereinafter called the "EAR Leases"), Lessee shall pay to the State the Revised Annual Rent as defined in subparagraph 3.A.3) herein, and all other rent and other charges due by Lessee under the EAR Leases pursuant to their terms and conditions.

3. Development Plan.

A. Pursuant to Act 219, prior to entering into a development agreement, Lessee prepared and submitted to the Board the plans and specifications of its proposed development plan for the substantial upgrades to the existing improvements on the Subject Property, a copy of which is attached hereto as **Exhibit B** incorporated herein and made a part hereof ("**Development Plan**"). All such plans and specifications of the Development Plan shall meet the requirements of and be in full compliance with this Agreement and all applicable municipal, county, state and federal regulations, rules, codes and ordinances. The Board reviewed the Development Plan at its meetings held on July 25, 2014 Item D-1 and _____, 2014, Item D-, and determined that:

1) The Development Plan proposed in this Agreement is of sufficient worth and value to justify the extension (in concept) of the term of the Lease;

2) The estimated period of time to complete the Development Plan, including compliance with HRS Chapter 343, shall be twenty-four (24) months; and

3) The minimum revised annual rent to be paid by Lessee under the conceptually approved lease extensions shall be based on the fair market value of the Subject Property to be developed, as determined by an appraiser for the Board, with such determination to address, as applicable, the percentage of rent to be paid by Lessee when gross receipts exceed a specified amount (“**Revised Annual Rent**”).

B. The State granted ~~final~~ conceptual approval of the Development Plan and final approval of this Agreement at its meeting held on July 25, 2014, Item D-251, as amended by its meeting of _____, 2014, Item D-_____, subject to Lessee’s acceptance of certain specified conditions, if any.

In the event of any certain specified conditions, Lessee shall notify the State in writing whether it accepts such conditions within thirty (30) days of Lessee’s receipt of notice of any such certain specified conditions to the State’s final approval of its Development Plan. If Lessee fails to accept such conditions within the thirty (30)-day period, the State shall be deemed to have denied final approval of the Development Plan and to have elected to terminate this Agreement effective as of the date that is one (1) day after the date of the expiration of such thirty (30)-day period. Neither Lessee nor the State shall have any further rights, duties or obligations under this Agreement, except as to any provisions of this Agreement which expressly survive its termination.

C. Prior to commencing any construction work on the project (which includes, but is not limited to, the addition of a third story to the existing two-story hotel located on Parcel 46), Lessee shall be required to publish an environmental assessment with the Office of Environmental Quality Control in compliance with the HRS Chapter 343 and HAR Chapter 11-200, and obtain a Finding of No Significant Impact (FONSI) for the project, or if there are significant impacts, complete the environmental impact statement process, and return to the Board for approval of the results of the HRS Chapter 343 process. ~~The EAR Leases shall not be issued until the conditions of this subparagraph C are fully satisfied.~~ In the event the Lessee fails to satisfy the conditions of this subparagraph C within two years from the Effective Date, then this Development Agreement shall be deemed null and void, and all Board approvals for the extension of the Leases shall be automatically revoked.

D. Lessee shall have submitted evidence reasonably satisfactory to the Chairperson that Lessee has adequate funding and/or financing to fully develop the Subject Property in accordance with the approved Development Plan, including without limitation, pro forma financial statements for the project, financing and/or equity commitment letters, and confirmations/evidence of tax credit eligibility.

E. Notwithstanding anything contained in this Agreement to the contrary, no such final approval of the Development Plan by the State shall be deemed a warranty or other representation on its part that (1) Lessee will be able to obtain all necessary federal, state and county entitlements, permits or other approvals required to enable Lessee to develop the Subject Property in accordance with the approved Development Plan; or (2) such approved Development Plan by the State and the plans and specifications of substantial upgrades to the existing improvements on the Subject Property described therein are legal or structurally safe or sound.

F. In the event that Lessee does not accept the Revised Annual Rent to be paid by Lessee under the EAR Leases, and notifies the State in writing within thirty (30) days of Lessee's receipt of written notice from the State of such Revised Annual Rent, the State shall deem that Lessee has elected to terminate this Agreement effective as of the date of Lessee's written notice to the State. Neither Lessee nor the State shall have any further rights, duties or obligations under this Agreement, except as to any provisions of this Agreement which expressly survive its termination. In the event that Lessee fails to notify the State in writing that Lessee does not accept the Revised Annual Rent to be paid by Lessee under the EAR Leases within thirty (30) days of Lessee's receipt of written notice from the State of such Revised Annual Rent, the State shall deem that Lessee has accepted the Revised Annual Rent to be paid by Lessee under the EAR Leases pursuant to its terms and conditions.

4. Condition of the Subject Property. The State makes no representations regarding the condition or suitability of the Subject Property and of the existing structures and improvements at the Subject Property for the approved Development Plan. Lessee shall, at its sole cost and expense, be responsible for conducting its own investigations and due diligence regarding the Subject Property and the existing structures and improvements at the Subject Property, and any site work necessary to implement the approved Development Plan, including but not limited to the removal of hazardous materials, if any. Lessee acknowledges and agrees that it assumes all risks of development at the Subject Property.

5. Construction Period. Lessee shall have twenty-four (24) months from the Effective Date to complete the substantial upgrades to the existing improvements on the Subject Property in accordance with the approved Development Plan ("**Construction Period**").

Lessee shall, at Lessee's sole cost and expense, expeditiously and diligently seek to obtain all necessary and appropriate permits and/or other regulatory approvals from the Federal Government, State of Hawaii (including the State Legislature if applicable), and/or County of Hawaii ("**County**") so as to enable Lessee to complete the substantial upgrades to the existing improvements on the Subject Property in accordance with the approved Development Plan. Lessee shall use diligent and all commercially reasonable efforts to obtain all required permits and/or other regulatory approvals from the Federal Government, State of Hawaii and/or County.

6. Hazardous Materials. Lessee shall not cause or permit the escape, disposal or release of any hazardous material in completing the approved Development Plan at the Subject Property, except as permitted by law. Lessee shall not allow the storage or use of such materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the

storage and use of such materials, nor allow to be brought onto the Subject Property any such materials except to use in the ordinary course of Lessee's business, and then only after written notice is given to the State of the identity of such materials and upon the State's consent, which consent may be withheld at the State's sole and absolute discretion. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of hazardous materials by the Lessee, then the Lessee shall be responsible for the reasonable costs thereof. In addition, Lessee shall execute affidavits, representations and the like from time to time at the State's request concerning Lessee's best knowledge and belief regarding the presence of hazardous materials on the Subject Property placed or released by Lessee.

Lessee agrees to indemnify, defend, and hold the State harmless, from any damages and claims resulting from the release of hazardous materials on the Subject Property occurring while Lessee is in possession, or elsewhere if caused by the Lessee or persons acting under the Lessee. These covenants shall survive the expiration or earlier termination of this Agreement.

For the purpose of this Agreement, "hazardous material" shall mean any pollutant, toxic substance, hazardous waste, hazardous material, hazardous substance, or oil as defined in or pursuant to the Resource Conservation and Recovery Act, as amended, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, the Federal Clean Water Act, or any other federal, state, or local environmental law, regulation, ordinance, rule, or by-law, whether existing as of the date ordinance, rule, or by-law, whether existing as of the date hereof, previously enforced, or subsequently enacted.

7. Bonds. Pursuant to Act 219, no construction shall commence until Lessee has filed with the State sufficient bonds conditioned upon the full and faithful performance of all the terms and conditions of this Agreement, which shall consist of a completion bond and a labor and materialmen's bond in the amount of \$485,631 in such form and upon such terms and conditions as may be approved by the State. The Development Plan proposes upgrades to the existing improvements at the Subject Property in the amount of \$485,631 (\$455,527 for Parcel 46 and \$30,104 for the Parcel 5).

The Lessee shall, at its own cost and expense, within fifteen (15) days from the Effective Date of this Agreement, procure and deposit with the State and thereafter keep in full force and effect during the term of this Agreement, such bonds acceptable to the State in the amount of \$485,631 as aforesaid, which bonds shall name the State as obligee, conditioned upon the full and faithful observance and performance by Lessee of all the terms, conditions and covenants of this Agreement, including, but not limited to, the completion of the substantial improvements requirement in accordance with the approved Development Plan at the Subject Property on or before the date of completion, free from all liens and claims, pursuant to the approved Development Plan. Lessee shall indemnify, defend, and hold the State harmless from all liens, suits, actions or damages arising out of, caused from or attributable to the work performed pursuant to the substantial improvements requirement in accordance with the approved Development Plan at the Subject Property incorporated herein this Agreement. These bonds shall provide that in case of a breach or default of any of the terms of this Agreement, covenants, conditions and agreements of such bonds, the full amounts payable pursuant to the

terms and conditions of such bonds shall be paid to the State as liquidated and ascertained damages and not as a penalty.

8. Completion of Construction; Inspection. Upon completion of the substantial upgrades to the existing improvements on the Subject Property in accordance with the approved Development Plan by Lessee, Lessee shall provide written notice to the State acknowledging and confirming the same. Representatives of the State and Lessee shall then conduct a final inspection and walk through of the Subject Property within fourteen (14) days of such written notice, and a "punchlist" shall be mutually prepared and agreed upon by representatives of the State and Lessee within seven (7) days of such inspection and walk through of the Subject Property. Such punchlist shall itemize any areas of construction that were not in accordance with the approved Development Plan, or any unauthorized construction or work not acceptable to the State or any other governmental agency having jurisdiction over such work. Lessee, at Lessee's sole cost and expense, shall immediately repair all deficiencies identified as potential safety hazards on the punchlist, and all other deficiencies on the punchlist shall be remedied within fourteen (14) days of the preparation of the same.

If the State is satisfied that completion of the substantial upgrades to the existing improvements on the Subject Property have been performed in accordance with the approved Development Plan by Lessee, including any and all punchlist items, then the State shall confirm and notify Lessee of the same in writing ("**Completion Date**"), at which time Lessee shall have the right to terminate the bonds posted by Lessee pursuant to Paragraph 7 hereof.

9. Justification of Sureties. Any bonds required by this Agreement shall be supported by the obligation of a corporate surety organized for the purpose of being a surety and qualified to do business in the State of Hawaii, or by not less than two (2) personal sureties, corporate or individual, for which justifications shall be filed as provided in Section 78-20, HRS; provided, however, the Lessee may furnish a bond in like amount, conditioned as aforesaid, executed by it alone as obligor, if, in lieu of any surety or sureties, it shall also furnish and at all times thereafter keep and maintain on deposit with the State security in certified checks, certificates of deposit (payable on demand or after a period the State may stipulate), bonds, stocks or other negotiable securities properly endorsed, or execute and deliver to the State a deed or deeds of trust of real property, all of a character which is satisfactory to State and valued in the aggregate at not less than the principal amount of the bond. It is agreed that the value of any securities which may be accepted and at any time thereafter held by the State shall be determined by the State, and that the Lessee may, with the approval of the State, exchange other securities or money for any of the deposited securities if in the judgment of the State the substitute securities or money shall be at least equal in value to those withdrawn. It is further agreed that substitution of sureties or the substitution of a deposit of security for the obligation of a surety or sureties may be made by the Lessee, but only upon the written consent of the State and that until this consent is granted, which shall be discretionary with the State, no surety shall be released or relieved from any obligation, except for any bonds terminated by Lessee after the Completion Date pursuant to the terms of Paragraph 8 hereinabove.

10. Waiver, Modification, Reimposition of Bond and Liability Insurance Provisions. Upon substantial completion of the improvements contemplated herein and after forty-five (45) days after the filing and publication of the Notice of Final or Substantial Completion by Lessee,

and upon substantial compliance by the Lessee with the terms, covenants, and conditions contained in this Agreement on its part to be observed or performed, the State at its discretion may in writing, waive or suspend the performance bond or improvement bond requirements or both or may, in writing, modify the particular bond(s) or liability insurance requirements by reducing its amount; provided, however, that except for any bonds terminated by Lessee after the Completion Date pursuant to the terms of Paragraph 8 hereinabove, the State reserves the right to reactivate the bonds or reimpose the bond(s) or liability insurance in and to their original tenor and form at any time throughout the term of this Agreement.

11. Modifications to the Development Plan. Lessee shall be entitled to make changes or modifications to the approved Development Plan as may be required to address and satisfy any comments made or issues raised by the appropriate agencies of the Federal Government, State of Hawaii and/or County without the further consent or approval by the State, provided that: (a) Lessee provides advance written notice to the State of such changes or modifications, including a reasonably specific explanation as to why such changes or modifications are being undertaken and their anticipated effect; and (b) such changes or modifications: (i) do not materially alter or change the Development Plan as approved by the State; (ii) do not reduce the rents and all other charges to be paid by Lessee under the Leases or EAR Leases; (iii) do not provide for uses that are not permitted by applicable laws or ordinances; or (iv) do not adversely affect or delay the Construction Period for more than one hundred and eighty (180) days.

In addition, the State recognizes that from time to time the approved Development Plan may require changes or modifications initiated by Lessee. Lessee may make any such changes or modifications to said approved Development Plan with the prior written consent of the State, which consent may be withheld by the State in its sole and absolute discretion, provided that such changes or modifications: (a) do not materially alter or change the Development Plan as approved by the State; (b) do not reduce the rents and all other charges to be paid by Lessee under the Leases or EAR Leases; (c) do not provide for uses that are not permitted by applicable laws or ordinances; or (d) do not adversely affect or delay the Construction Period for more than one hundred and eighty (180) days.

12. Agreement in Concept to Issue Extension of Term of Leases. Upon execution of this Agreement and the satisfaction of the conditions of subparagraph 3.C above, the State will request the Board to give final approval to the issuance of EAR leases. ~~Department of the Attorney General to prepare the EAR Leases.~~ Pursuant to Act 219, the EAR Leases shall use the most current lease form and leasing practices and policies of the State, and shall reflect a period not longer than fifty-five (55) years. ~~With approximately five (5) years remaining on the current term of the Lease as of the Effective Date of this Agreement, the Lessee is eligible for an extension term of approximately fifty (50) years.~~ If approved, The EAR Leases will cover the aggregate term of fifty-five (55) years, and will provide that in the event that the Lessee fails to successfully perform, timely satisfy or fully comply with any of the terms and conditions of this Agreement and/or approved Development Plan, the EAR Leases will be rescinded and the Parcel 46 Lease and Parcel 5 Lease, together with their original termination dates, will be reinstated. ~~The State and Lessee will promptly sign the EAR Leases when the form thereof is approved by the Department of the Attorney General and Lessee.~~

13. Default; State's Right to Terminate Agreement and/or Rescind ~~In-Concept Approval of Lease Extension~~. The State may, at its option and in its sole and absolute discretion, upon written notice to Lessee without prejudice to any other remedy or right of action, terminate this Agreement and/or rescind the in-concept approval of the EAR Leases at any time for any one of the following reasons:

A. If Lessee fails to pay rent or any part thereof or any other charge, payment or amount it is obligated to pay or that is due by Lessee under the Leases ~~or the EAR Leases~~, and this failure continues for a period of more than thirty (30) days after delivery by the State of a written notice of such breach or default and demand for cure, by personal service, registered mail or certified mail to Lessee that the same is past due;

B. If Lessee fails to observe or perform any of the material covenants, terms and conditions contained herein this Agreement, including but not limited to, those listed in subparagraphs (i) through (v) herein, or in the Leases ~~or the EAR Leases~~ on the Lessee's part to be observed and performed, and such breach or default continues for a period of more than sixty (60) days after delivery by the State of a written notice of such breach or default and demand for cure, by personal service, registered mail or certified mail to Lessee of such breach or default, or if such breach or default in observance and performance of such other covenants cannot reasonably be cured within said sixty (60)-day period, then such longer time as may be required, provided that Lessee shall within said period commence such cure and thereafter diligently prosecute the same to completion within sixty (60) days thereafter;

(i) If Lessee fails to obtain any and all Federal Government, State of Hawaii (including the State Legislature if applicable), and County permits and approvals required and necessary for the completion of the approved Development Plan;

(ii) If Lessee fails to satisfy the conditions of subparagraph 3.C within two years from the Effective Date;

(iii) If Lessee becomes bankrupt or insolvent, or seeks protection under any provision of any bankruptcy or insolvency law or any similar law providing for the relief of debtors, or abandons the project contemplated under the approved Development Plan, or if any assignment is made of Lessee's rights hereunder for the benefit of creditors;

(iv) If the Subject Property or any part of the Subject Property, appurtenances or improvements are used, or intended to be used in any manner to commit or to facilitate the commission of a crime; or

(v) If the Lessee is not in compliance with Section 171-36(a)(4), HRS.

Any default under this Agreement by the Lessee shall be cause by the State to terminate this Agreement and rescind the in-concept approval of the EAR Leases, and the State shall have all other rights and remedies provided herein, in the Lease or by law with respect to a default by the Lessee under this Agreement. In addition, any default by the Lessee under the ~~Lease or EAR Leases~~ shall be cause by the State to terminate this Agreement and rescind the in-

concept approval of the EAR Leases, and the State shall have all other rights and remedies provided herein, or in the Lease ~~or the EAR Leases~~, as applicable, or as otherwise provided by law with respect to a default by the Lessee under the Lease ~~or EAR Leases~~.

Upon any early termination by the State under this Agreement, this Agreement shall terminate on the date as provided for in the State's written notice, and shall become null and void except as to any provisions which expressly survive termination in this Agreement. The in-concept approval of the EAR Leases shall be rescinded and Lessee shall not be entitled to an extension of the term of the Leases for the Subject Property pursuant to Act 219. Upon the effective date of termination and without waiving any other remedies to which it may be entitled, the State shall be entitled to: (1) prosecute any claim against Lessee for fees, costs or other payments or charges that accrued prior to the effective date of termination, including the interest thereon; and (2) assert any claim that it may have against Lessee for any damages, costs, or expenses, suffered or incurred by the State, which obligations shall survive termination of this Agreement, and/or the Leases ~~and/or EAR Leases~~.

14. Non-Waiver. The waiver by the State of any breach by the Lessee of any term, covenant, or condition of this Agreement or the Leases, nor of the State's right of re-entry for breach of covenant, nor of the State's right to declare and enforce a forfeiture for any breach, and the failure of the State to insist upon strict performance of any term, covenant, or condition, or to exercise any option conferred, in any one or more instances, shall not be construed as a waiver or relinquishment of any such term, covenant, condition or option.

15. Liens. Lessee will not commit or suffer any act or neglect whereby the Subject Property or any improvements thereon or the estate or interest of the State therein shall at any time during the term of this Agreement become subject to any attachment, judgment, lien, charge or encumbrance whatsoever, and will indemnify, defend and hold the State harmless from and against all loss, cost or expense with respect thereto (including reasonable attorney's fees). If any lien for work, labor, services or materials done for or supplied to the Subject Property by, on behalf of, or through Lessee is filed against the Subject Property, Lessee shall have sixty (60) days from the date of filing in which to cause such lien to be discharged of record by payment, deposit, bond or other reasonably satisfactory alternative approved by the State, as the case may be. The foregoing covenants of Lessee shall survive expiration or any early termination of this Agreement.

16. Expenses to be Paid by Lessee. Pursuant to Act 219, Lessee shall pay all costs and expenses incurred by the State in connection with the processing, analyzing and negotiating of any request for a lease term extension and document, and the development agreement.

17. Observance of Laws, Ordinances and Regulations. Each party hereto, and their respective officers, agents, assigns, employees, consultants and/or contractors, or persons acting for or on its behalf, shall at all times observe and comply with all applicable laws, ordinances, rules and regulations of the federal, state, county and municipal governments, now in force or which may be in force.

18. Archaeology; Historic Preservation. Lessee, including any agent or contractor, upon encountering any previously unidentified archaeological resources such as artifacts, shell, bone or charcoal deposits, human remains, or any historic properties or burials, on the Subject Property, will immediately stop all work and contact the State DLNR Historic Preservation Division in compliance with Chapter 6E, HRS.

19. Recordation. This Agreement shall not be recorded. However, upon request by either the State or Lessee, a short form memorandum of this Agreement shall be prepared by the State and shall be duly executed and acknowledged in proper form and may be placed of record so as to give public notice as to the existence of this Agreement.

20. Notices. Any notice or demand to the State or Lessee provided for or permitted by this Agreement shall be given in writing and: (a) mailed as registered or certified U.S. mail, return receipt requested, postage prepaid, addressed to such party at its post office address herein specified or the last such address designated by such party in writing to the other; or (b) delivered personally within the respective County as applicable, the State or to any officer of Lessee, or (c) sent by facsimile transmission (herein "Fax") to the Fax number, if any, of such party as specified herein or such other Fax number designated by such party in writing to the other. Any such written notice shall be deemed conclusively to have been received at the time of such personal delivery, or receipt of Fax, or at 4:00 p.m. on the third business day after being deposited with the United States mail as aforesaid, as follows:

If to the State: Board and Department of Land and Natural Resources
1151 Punchbowl Street, Room 220
Honolulu, Hawaii 96813
Attention: Chairperson
Fax No.: (808) 587-0390

And a copy to: Department of the Attorney General
Attention: Land/Transportation Division
Kekuanaoa Building
465 South King Street, Suite 300
Honolulu, Hawaii 96813
Fax No.: (808) 587-2999

If to Lessee: Pixar Development, LLC
c/o Hotel Coral Reef
1103 N. Broadway
Santa Ana, CA 92701
Attention: Mike Harrah
Fax No.: (714) 543-9972

And a copy to: email: MFH@caribound.com

21. Status Reports; Lessee Cooperation. Lessee acknowledges that the State's staff may be required to periodically report to the Board during the term of this Agreement on the status of Lessee's progress of the approved Development Plan incorporated herein this Agreement. Lessee agrees to reasonably assist and meet with the State's staff in making such reports, including without limitation, upon commercially reasonable advance written notice, having a representative available to answer questions at any meetings of the Board at which such reports are given, providing information that State's staff reasonably requests for the purposes of making such reports, and being available to meet with the State's staff prior to the time such reports are made.

22. Costs and Attorney's Fees. Lessee shall pay all costs, including reasonable attorney's fees, and expenses which may be incurred by or paid by the State in enforcing the covenants, terms and conditions of this Agreement, including, but not limited to, recovering possession of the Subject Property, or in the collection of delinquent fees, taxes, assessments, and any and all other amounts or charges. In case the State shall, without any fault on its part, be made a party to any litigation commenced by or against the State, the Lessee shall pay all costs, including reasonable attorney's fees, and expenses incurred by or imposed on the State.

23. Construction and Amendment. This Agreement has been negotiated extensively by Lessee and the State with and upon the advice of their respective counsel, all of whom have participated in the drafting hereof. Consequently, the usual rule of construction shall not be applicable, which provides that the document is to be interpreted against the interests of the party who has primarily drafted the language in an agreement. No amendment or modification of this Agreement or any Exhibit attached hereto shall be effective unless incorporated in a written instrument executed by and between the State and Lessee. The State and Lessee agree to execute such other documents and instruments as may be reasonably requested by the other party and as may be necessary to effectuate the terms and conditions of this Agreement.

24. Governing Law. This Agreement shall be construed, interpreted, and governed by the laws of the State of Hawaii.

25. Ratification. To the extent of any conflict or inconsistency between the terms of this Agreement and the terms of the Leases, the terms of this Agreement shall govern and control to the extent only where there is any conflict or inconsistency with regard to the terms and conditions that Lessee must satisfy and successfully perform in order for it to be issued an extension of the terms of the Leases by the State for the Subject Property pursuant to Act 219.

26. Headings. The article and paragraph headings herein are inserted only for convenience and reference and shall in no way define, describe or limit the scope or intent of any provision of this Agreement.

27. Partial Invalidity. In case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect which is not material to the transactions contemplated hereunder, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall

be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

28. Assignment. Any and all rights under this Agreement granted to Lessee may not be sold, assigned, conveyed or transferred in any manner by Lessee to any other person or entity. Notwithstanding the foregoing, however, Lessee may assign this entire Agreement and the development rights provided for herein to an institutional lender or lenders providing financing for the development of all or any portion of the Subject Property as security for the repayment of such loan or loans, with the prior written consent of the State.

29. State's Right to Assign. It is specifically understood and agreed that the State (through the Board) may convey or otherwise transfer the Subject Property subject to the terms and conditions of this Agreement, and assign this entire Agreement (including, but not limited to the assignment of any lease issued or to be issued under this Agreement) to any other department or agency of the State of Hawaii, subject to such department or agency affirmatively agreeing to accept such Subject Property subject to the terms and conditions of this Agreement and assuming all undertakings and obligations under this Agreement and/or the extension of the term of the Lease issued or to be issued under this Agreement. Upon any such assignment, Lessee agrees to attorn to the assignee on the terms and conditions of this Agreement, the lease, or any other lease that is part of this Agreement.

30. Development Rights. Upon the expiration or any early termination of this Agreement by the State for whatever reason, all development rights, permits, approvals, plans, specifications, etc. prepared by or for Lessee in connection with Lessee's efforts relating to the proposed development and improvements to be constructed at the Subject Property or under this Agreement shall, to the extent owned by and/or assignable by Lessee, vest with and become a part of the Subject Property of the State. At the request of the State, Lessee shall do all things reasonably necessary to assign to the State, all such development rights, permits, approvals, plans, specifications, etc.

31. Modification. This Agreement may only be amended or modified by written agreement signed by all parties; provided however, this Agreement may only be amended or modified with the approval of the Chairperson.

32. DLNR. Notwithstanding anything herein to the contrary, it is specifically understood and agreed by the parties that: (a) the "State" as used herein means the Department of Land and Natural Resources, State of Hawaii, and the "Chairperson" as used herein means the Chairperson of the Board of Land and Natural Resources; (b) whenever action is taken, or required to be taken by the "State" under this Agreement (e.g., approve, disapprove, consent or otherwise), it shall be deemed to be an act of only the Board of Land and Natural Resources, and shall not be construed to be the act of any other department or agency of the State of Hawaii. Lessee acknowledges and accepts the responsibility for obtaining all entitlements and governmental approvals from the other applicable governing boards, agencies and departments of the State, County and Federal Government.

33. No Third Party Beneficiaries. No third party beneficiaries are intended by this Agreement, and the terms and provisions of this Agreement shall not give rise to any right in third parties to enforce the provisions of this Agreement.

34. Nondiscrimination. The use of the Subject Property shall not be in support of any policy which discriminates against anyone based upon race, creed, color, national origin or a physical handicap.

35. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

36. Time is of the Essence. Time is of the essence in all provisions of this Agreement.

37. Exhibits. The following exhibits are attached to this Agreement and deemed incorporated herein this Agreement by reference:

Exhibit A: Map of Subject Property

Exhibit B: Lessee's Development Plan.

[THE NEXT PAGE IS THE SIGNATURE PAGE.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first above written.

Approved and Executed by the Chairperson pursuant to authority granted by the Board of Land and Natural Resources at its meetings held on April 25, 2014, and July 25, 2014, and _____, 2014.

STATE OF HAWAII

By _____
Chairperson of the Board of Land and
Natural Resources
State

APPROVED AS TO FORM:

Name: _____
Deputy Attorney General
Dated: _____

PIXAR DEVELOPMENT, LLC,
a Hawaii limited liability company

By _____
Name: _____
Its: _____
Lessee

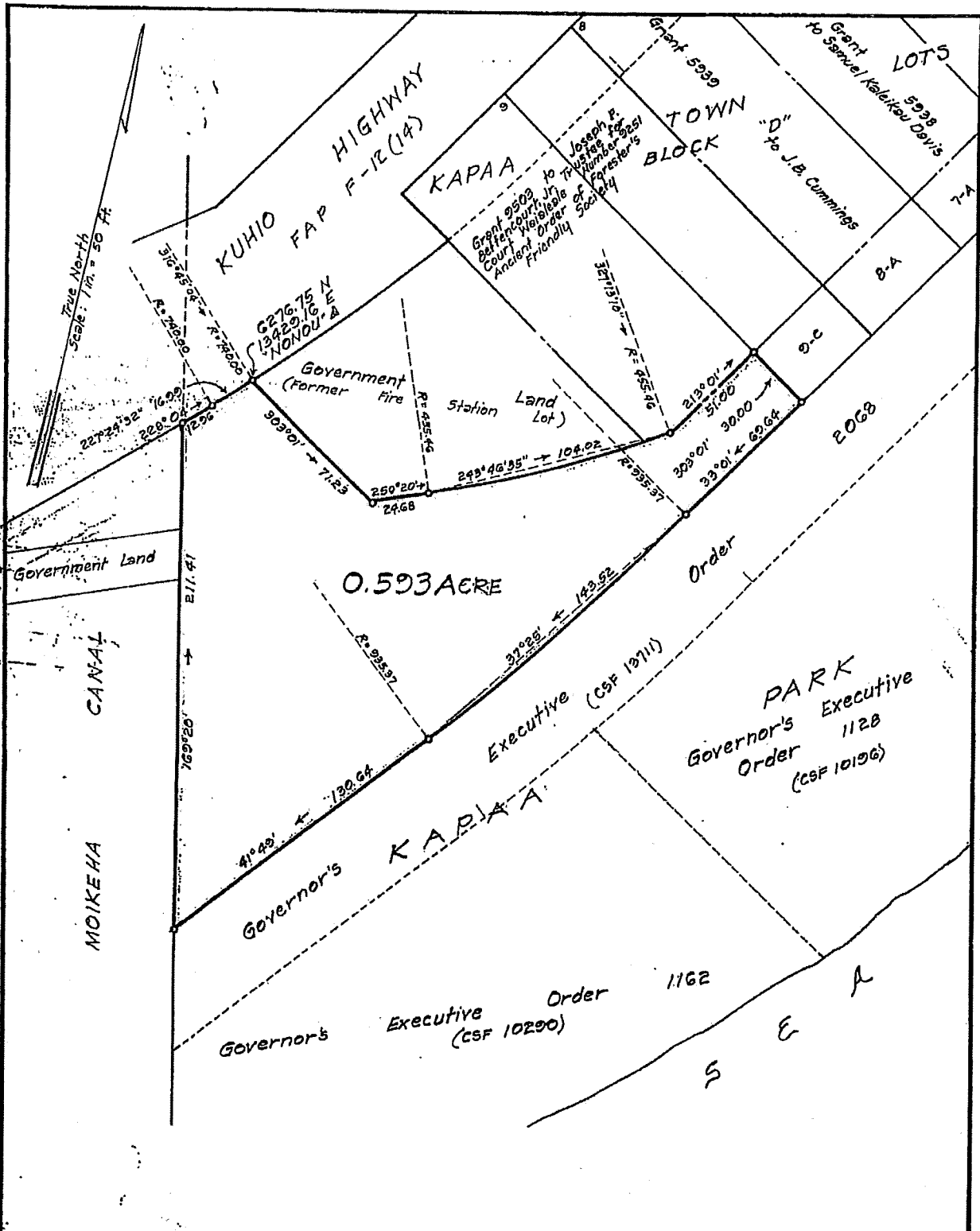
STATE OF HAWAII)
) SS.
COUNTY OF _____)

On this _____ day of _____, 20____, before me personally appeared _____ to me personally known, who, being by me duly sworn, did say that he/she is the _____ of **PIXAR DEVELOPMENT, LLC**, a Hawaii limited liability company, and that the foregoing instrument was signed in behalf of said company by authority of its _____, and the said _____ acknowledged said instrument to be the free act and deed of said company.

Notary Public, State of Hawaii

My commission expires: _____

**EXHIBIT A
MAP**

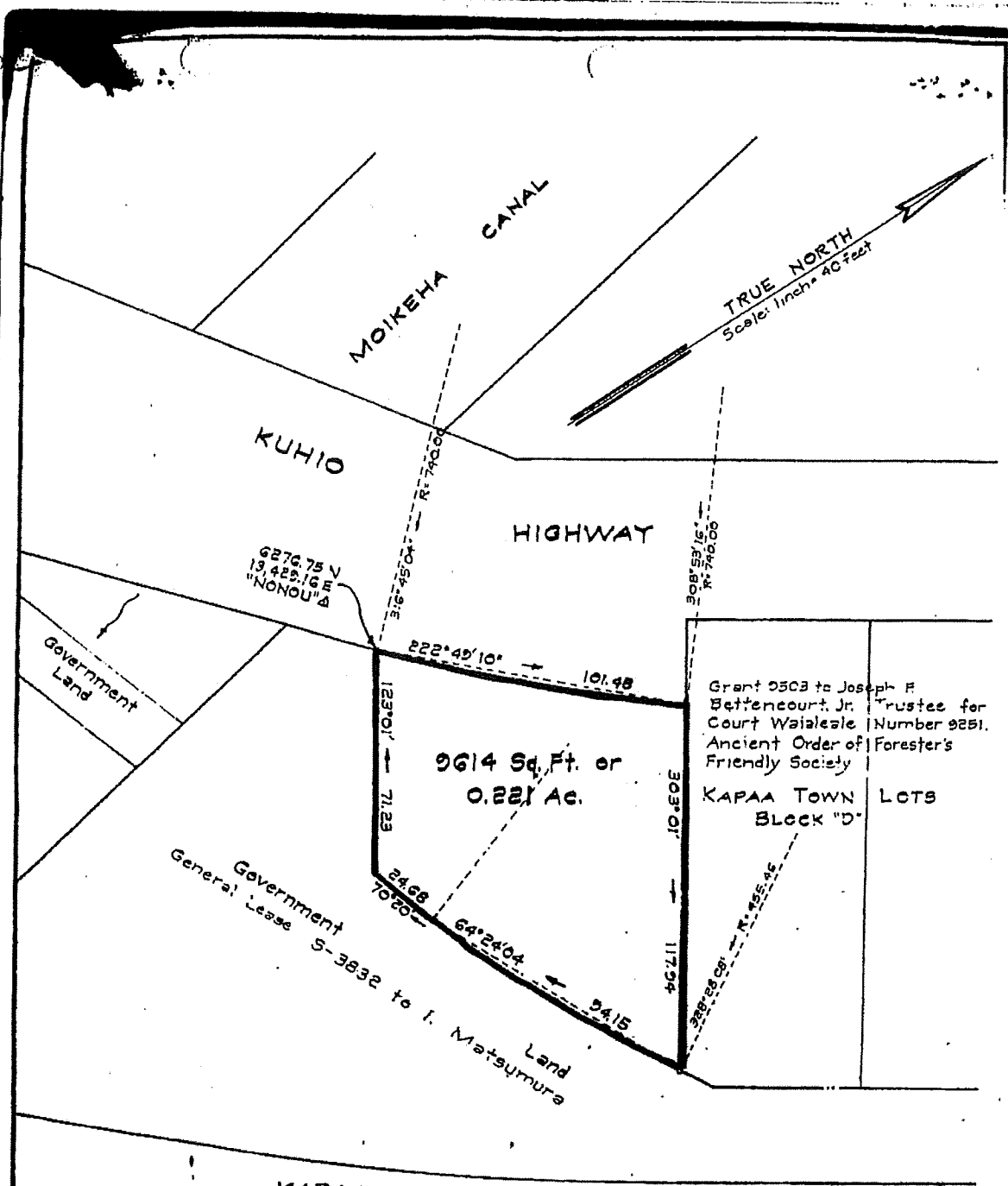


PORTION OF THE GOVERNMENT (CROWN) LAND OF KAPAA
 Adjacent to east side of Moikeha Canal and Extending from
 Kuhio Highway to Kapaa Park, Executive Order 2068
 Kapaa, Kawaihau (Puna), Kauai, Hawaii

Scale : 1 inch = 50 feet

JOB-1765
 C. BK D.G. 3:133

EXHIBIT A



PRELIM. APPR'D.
Department of the
Attorney General

PORTION OF
GOVERNMENT (CROWN) LAND OF KAPAA.
(FORMER FIRE STATION LOT)

Kapaa, Kawaihou (Puna), Kauai, Hawaii
Scale: 1 inch = 40 feet

REDUCED NOT TO SCALE

JOB K-204(79)
C. BK 3 (NUHA)

TAX MAP 4-5-12:5

SURVEY DIVISION
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
STATE OF HAWAII

C. S. F. No. 18,690

JUN 20, 1977

EXHIBIT B
LESSEE'S DEVELOPMENT PLAN

**HOTEL CORAL REEF
A 6 HOTEL UNIT ADDITION
TO
TMK: 4-5-11:046
4-1516 Kuhio Highway
Kapaa, Kauai, Hi**

EXHIBIT B

SECTION 1.0 – PROJECT DATA

PROJECT: Proposed 6-Unit Hotel Addition
4-1516 Kuhio Highway
Kapaa, Kauai, Hawaii
TMK: 4-5-11: 46, 4-5-12:5, and 4-5-12:6

**APPLICANT/
AGENT:** Agor Architects, LLC
4385 Pahe'e Street
Lihue, Hi 96766

**APPROVING
AGENCY:** BLNR, State of Hawaii

ZONING: State Land Use District - Urban
General Plan - Urban Center
County - C-G/ST-P
- Special Management Area

APPROVALS REQUIRED State: BLNR
County of Kauai: Class IV Zoning Permit
ST-P Use Permit
SMA Minor

HISTORY and PURPOSE:

The county tax records indicate that the hotel was in existence on TMK: 4-5-12:6 since 1961. A second hotel building on TMK: 4-5-12:46, a state leased land, appears to have been built in 1966.

In the year 2001, Pixar Development, LLC received approval for a Class VI Zoning Permit (Z-IV-2001-18) and a SMA Use Permit (SMA-U-2001-4). The permit included work for adding shutters, window boxes, lava rock walls, a swimming pool, a sundry shop, relocation of various rooms and facilities, and interior renovations of guest rooms.

The entity of Pixar Development, LLC and Hotel Coral Reef was sold to Michael Harrah in 2004. Michael Harrah, now of Pixar Development, LLC, completed the construction work approved under the above mentioned zoning and SMA permits.

The purpose of this application is for a third floor addition of 6 new hotel units above the existing two story hotel building on TMK: 4-5-12: 46. (See Site Plan, Exhibit "B.1")

SECTION 2.1 – GENERAL DESCRIPTION OF ACTION’S TECHNICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL CHARACTERISTICS:

1. **PROJECT SUMMARY:** This project entails six new hotel units on a new third floor addition to an existing two story hotel structure on TMK: 4-5-11:46.
2. **PROJECT AREA DESCRIPTION:** The project is located in eastern portion of Kapaa fronted by Kuhio Highway. Moikeha drainage canal is adjacent and to the south of the property. Across the Kuhio Highway is the Aloha Lumber Company facilities. To the east and makai of the project is Kapaa State Park. The existing shoreline vegetation is approximately 93 feet away and along the state park.
3. **TECHNICAL:** The existing Hotel Coral Reef consists of three parcels of land adjacent to each other. An existing two story 16 room hotel structure and a swimming pool are on TMK: 4-5-11:46. The proposed new third floor is planned to be constructed over the existing hotel building situated on this property. The existing parking lot for the hotel is on TMK: 4-5-12:5 with 23 existing parking stalls. An existing hotel structure with 5 units and the hotel’s reception and lobby is located on TMK: 4-5-12:6.

DENSITY: The subject structure is on TMK: 4-5-11:46 which is .594 acre. The density for the parcel is calculated is $20 \times 2 \times .594 = 24$ hotel units. The project proposes 6 new additional units, totaling 22 hotel units.

EXISTING LOT COVERAGES:

<u>Lot</u>	<u>Lot Size</u>	<u>(E)Lot Coverage</u>	<u>New Coverage</u>	<u>Total</u>
TMK: 4-5-11: 46 27%	25,881 SF	6,887 SF	48 SF	6,935 SF
TMK: 4-5-12:5 82%	9,626 SF	7,900 SF		7,900 SF
TMK: 4-5-12:6 70%	8,982 SF	6,716 SF		6,716 SF

PARKING REQUIREMENTS:

Hotel Units (Existing)	21 Units/3 Units per Stall	7 Stalls
Proposed Hotel Units	6 Units/3 Units per Stall	2 Stalls
Hotel Employees	6 Employee/1 Stall per 3	2 Stalls
	Total Stalls Required	11 Stalls
	Total Stalls Provided	23 Stalls

PROPOSED CONSTRUCTION: The proposed new construction shall be over the existing two story 16 unit hotel structure on TMK: 4-5-11:46. (See Exhibit "B.1" to "B.4.2") The new construction will include 6 new hotel units. The existing stairways will be extended to the third floor. A 3 story chair lift is proposed.

The height of the proposed structure from grade to the top of the ridge shall be 35 feet maximum to the top of the roof. (See Exhibit "B.4.1" The height and maximum floors conform to the CZO standards

The new construction meets the minimum setbacks as required by the CZO. The front setback requirement is 10 feet, the side yard setback requirement is 5 feet or ½ the distance from the grade to the top plate, and the rear setback requirement is 10 feet. The existing building has a five feet rear setback at the northeast corner of the subject building, however the new construction is set back to meet the minimum 10 rear setback at that corner.

The design of the new proposed third floor will entail board and batten siding and pitched composition roof. The railings will be anodized dark bronze aluminum.

ZONING: The properties fronting Kuhio Highway are zoned C-G, General Commercial. The property where the new construction will take place is zoned C-G/ST-P. The development is located within the Special Planning Area "C" of the Kapaa-Wailua Development Plan. The areas designated general commercial in Special Planning Area "C" shall be subject to the CZO as to the permitted uses but shall follow the design standards and guidelines of the Kapaa-Wailua Development Plan.

INFRASTRUCTURE: Water, Sewer, Electrical, Telephone, and Cable services are available along Kuhio Highway. All utilities will be underground within the project.

ROADS and TRAFFIC: Traffic on Kuhio Highway will be minimally impacted with the addition of only 8 hotel units. The developer will work with the respective county and state departments to resolve any traffic impact issues that may be stated in comments by the respective departments.

4. ECONOMICS:

The addition of only 6 hotel units will have a minimal impact on the economy of the area. However, it is anticipated to enhance the viability of the hotel economies.

5. ENVIRONMENTAL CHARACTERISTICS.

The properties relating to this project is developed and well landscaped. The addition of the proposed third floor above the existing two story hotel will create only a minimal visual impact to the area. The proposal will be compatible with the larger structures in the area, such as the former Aloha Lumber Building, Otsuka's Furniture Store, and the Kauai Professional Building, all nearby and along Kuhio Highway, all over 40 feet in height.

The properties experienced no exposure of historic or cultural assets in previous construction. No impact on historic or cultural assets is anticipated. Construction will take place at the top of the existing two story structure and minimal shallow excavation will be anticipated for the chair lift installation.

No rare, threatened or endangered species or their habitats exist on the properties.

SECTION 2.2 – DESCRIPTION OF THE ENVIRONMENT

1. **LAND USE:** The subject parcels are presently zoned general commercial. The parcel where the proposed addition will take place is zoned general commercial and special treatment, C-G/ST-P. The use has been in hotel use since 1953 and will continue its current use.
2. **TOPOGRAPHY:** The properties are relatively level with little to no slope. No grading will be required for the project.
3. **GEOLOGY:** Maps and soils descriptions are from the Soils Survey of the Islands of Kauai, Oahu, Maui, Molokai and Lanai, State of Hawaii, by the U.S. Department of Agriculture Soils Conservation Services. The soil is Silty Sand that is well drained. Permeability is moderate and run-off is slow with slight erosion impact. The sand is dominantly from coral and seashells.
4. **CLIMATE:** The mean annual rainfall throughout the study area is about 22 inches per year. Average temperatures in the region range from the 60's to the low 90's degree Fahrenheit. Temperature differences between day and night are about 15 degrees. The consistent direction of the trade winds is from the northeast at between 10 to 15 miles per hour.
5. **FLOOD:** Fema Flood Insurance Rate Map Panel 150002 0135 C indicates that the properties are in the AE Zone with the Base Flood Elevation at 8. The lowest floor elevation of the subject structure is at 7.5 msl. The proposed improvement value is less than 50% of the appraised replacement value, therefore conforms to the Fema requirements.
6. **FLORA & FAUNA:** The site has been developed and landscaped well over the last 20 years plus. There are no endangered species of flora or fauna.
7. **NOISE:** Due to the absence of noise sources, the noise levels in the area are considered to be within the range of normal urban levels.
8. **AIR QUALITY:** The air at the subject properties and the surrounding areas is normally relatively clear and low in pollution because of the absence of major urban centers.
9. **HISTORIC PRESERVATION:** There have been no evidence of historic/cultural significance on the site as experienced during past construction activities. The proposed project will not include ground excavation therefore is not anticipated to have any impact on possible undiscovered historic/cultural assets.

SECTION 3.3 – PROBABLE IMPACT AND MITIGATIVE MEASURES

1. Short Term Impact
 - A. Construction: No earthwork is planned for this project, therefore, no site dust is or erosion from rain runoff are anticipated. Temporary construction noise relating to small construction projects will be expected.
 - B. Traffic: Traffic in the area will increase minimally during the construction period. Parking will be available on site for workers.
 - C. Employment: The construction will have a minimal but positive impact on the island's construction economy. The project will provide opportunities for local contractors to bid on the construction work.
2. Long Term Impact
 - A. Traffic: The proposed 6 additional hotel units will have minimal impact of the roadways in the area.
 - B. Visual: The project will entail a structure that is 35 feet high to the top of the ridge. However, as described above, it is compatible with a few existing buildings in the immediate area.
3. Mitigative Measures

In the short term, during construction, measures will be taken to minimize impacts such as increased noise. Parking will be available on site for workers during construction,

The State Department of Transportation is preparing for the widening of Kuhio Highway east of the Wailua River. This work will relieve some of the traffic congestion during peak hours.

Visually the project will be of scale and character of existing structures in the area.

SECTION 3.4 – ENVIRONMENTAL FINDINGS AND DETERMINATIONS:

Significance Criteria: The applicant is using the Department of Health Rules (11-200-12) to determine whether an action may have a significant impact on the environment, including all phases of the project, its expected consequences both primary and secondary, its cumulative impact with other projects, and its short and long-term effects. In making the determination, the Rules establish “Significance Criteria” to be used as a basis for identifying whether significant environmental impact will occur. According to the Rules, an action shall be determined to have a significant impact on the environment if it meets any one of the following criteria:

1. Involves an irrevocable commitment to loss or destruction of any natural or cultural resources;

The proposed project will not cause any irrevocable loss of natural or cultural resources. The site has been an active Hotel Site since 1953. No significant archaeological or historical sites are known to exist on the subject site. The construction does not include any substantial excavation, as the proposed work includes work above the existing 2 story structure.

2. Curtails the range of beneficial uses of the environment;

This project will not curtail the range of beneficial uses of the environment. The proposed use will actually have minimal impact on the environment.

3. Substantially affects the economic or social welfare of the community or state;

The project will have a positive impact on the commercial construction industry for Kauai.

4. Substantially affects public health;

During the construction period there will be minor impacts to air quality (saw dust) and noise levels. After completion of the construction work, these will be insignificant or not detectable.

5. Involves substantial secondary impacts, such as population changes or effects on public facilities;

Public facilities will not be impacted by this project. Public sewer lines and water are available to handle the project.

6. Involves a substantial degradation of environmental quality;

There will be no degradation of the environment caused by this project

7. Substantially affects a rare, threatened or endangered species or its habitat;

No endangered plant or animal species in the area will be threatened or endangered.

8. Detrimentially affects air or water quality or ambient noise levels;

No air or water quality issues face the development of this project. Ambient noise levels will be minimally increased.

SECTION 4.0 - SPECIAL MANAGEMENT AREA PERMIT (SMA):

The proposal's projected cost is less than \$ 500,000.00, therefore an SMA-Minor permit is required.

The proposed development conforms to the objectives of the Hawaii Coastal Zone Management Act in that it;

- Will not prevent access to coastal recreational opportunities by the public.
- Will not obstruct the protection, preservation or restoration of any resources that are significant to the Hawaiian or American history or culture.
- Will not be contrary to the protection, preservation and/or restoration of the quality of coastal scenic and open space resources.
- Will not interfere or diminish any valuable coastal ecosystems.
- Will not reduce or curtail any public or private facilities and improvements important to the State's economy.
- Will not increase hazard to life and property from tsunami, storm waves, stream flooding, erosion, and subsidence.
- Will not prevent development review processes, communications, and public participation in the management of coastal resources and hazards.

The proposed development conforms to the policies of the Hawaii Coastal Zone Management Act as follows:

1. Recreational Resources: The project will not have any adverse impact on any recreational opportunities in the area. Kapaa Beach Park and a state remnant land is between the subject site and the coast and will not be adversely impacted.
2. Historic Resources: There are no known historic resources on the subject site. The site was originally developed for motel and hotel purposes. By information of the county tax office the hotel was build in 1953.
3. Scenic and Open Space Resources: The Kapaa Beach Park and a state remnant land exists between the subject site and the coast gives the public ample opportunity to enjoy the scenic and open space resources of the area. The project will not adversely impact the existing scenic and open space resources currently enjoyed by the public from the park.
4. Coastal Ecosystems: The development will not have negative impacts on the coastal ecosystem in that it;
 - will not interfere with valuable coastal ecosystem of significant biological or economic importance.
 - will not disrupt or degrade coastal water ecosystems.
 -

- will not adversely impact the promotion of water quantity and quality planning and management practices.
5. Economic Uses: Kapaa is one of the County's primary visitor destination areas. The proposed addition of 6 hotel units will assist in serving the needs of visitors and residents, and thus, will be an economic benefit to the community.
 6. Coastal Hazards: The site is located in the AE Zone of the FEMA FIRM maps with base flood elevation of 8' MSL. The proposed structure will be less than 50% of the appraised replacement value, therefor conforms to the standards and guidelines of FEMA.

JUSTIFICATION FOR APPROVAL SOUGHT:

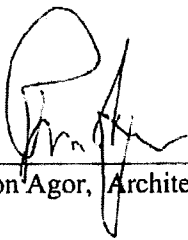
The proposed project meets the Special Management Area Guidelines in that;

- A public park exists between the shoreline and this project, therefore the public will have continued access to the beach.
- The existing adjacent public park that provides access to the beach will be continued.
- Solid and liquid waste generated by this project will be disposed in conformance with the health department requirements, thus, will not adversely effect SMA area resources.
- No alterations of the existing land forms or vegetations will take place to adversely effect water, scenic, recreational resources and will not increase the danger of floods, landslides, erosion, siltation, or earthquakes.
- The development will not have any substantial adverse environmental or ecological effects.
- The development is consistent with the county general plan and zoning ordinance.
- The development is consistent with the Special Planning Area "C" of the Kapaa-Wailua Development Plan.
- No dredging, filling or altering of any bay, estuary, salt marsh, river mouth, slough or lagoon will take place.
- No beach or recreational area will be reduced by this project.
- This project will not reduce or impose restrictions upon public access to tidal and submerged lands, beaches, rivers, streams within the SMA areas and the mean high tide line where there is no beach.
- This project will be placed over an existing structure on the property, therefore the line of sight towards the sea from Kuhio Highway will not be diminished anymore that it existed, and will not interfere with existing public views of the shoreline from the public park.
- This project will not adversely affect water quality, existing areas of open water free of visible structures, existing and potential fisheries, fishing grounds, wildlife habitats, estuarine sanctuaries, potential or existing agricultural uses of lands.

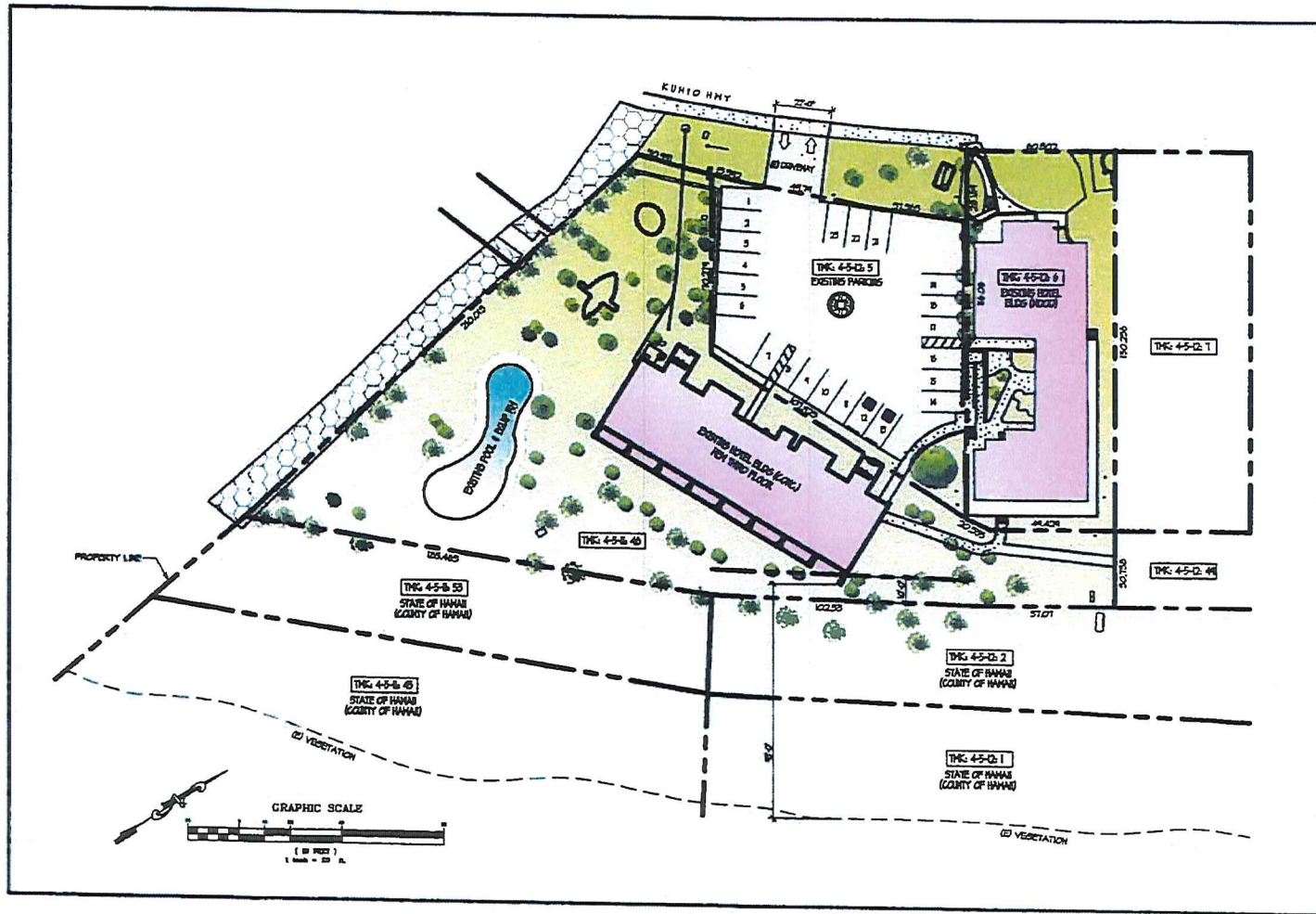
CONCLUSION:

Based upon the foregoing discussion and analysis, the proposed application for a Class IV Zoning Permit and a Use Permit for the development of the proposed additional 6 hotel units complies with the applicable provisions of the Kauai General Plan, the Kapaa-Wailua Development Plan, the Comprehensive Zoning Ordinance of the County of Kauai, Chapter 205A, Hawaii Revised Statutes, and the Special Management Area Rules and Regulations of the County of Kauai. Thus, the proposed application is justified, reasonable and appropriate at this time.

The Owner and the applicant respectfully requests for the approval of this development plan by the Board of Land and Natural Resources.

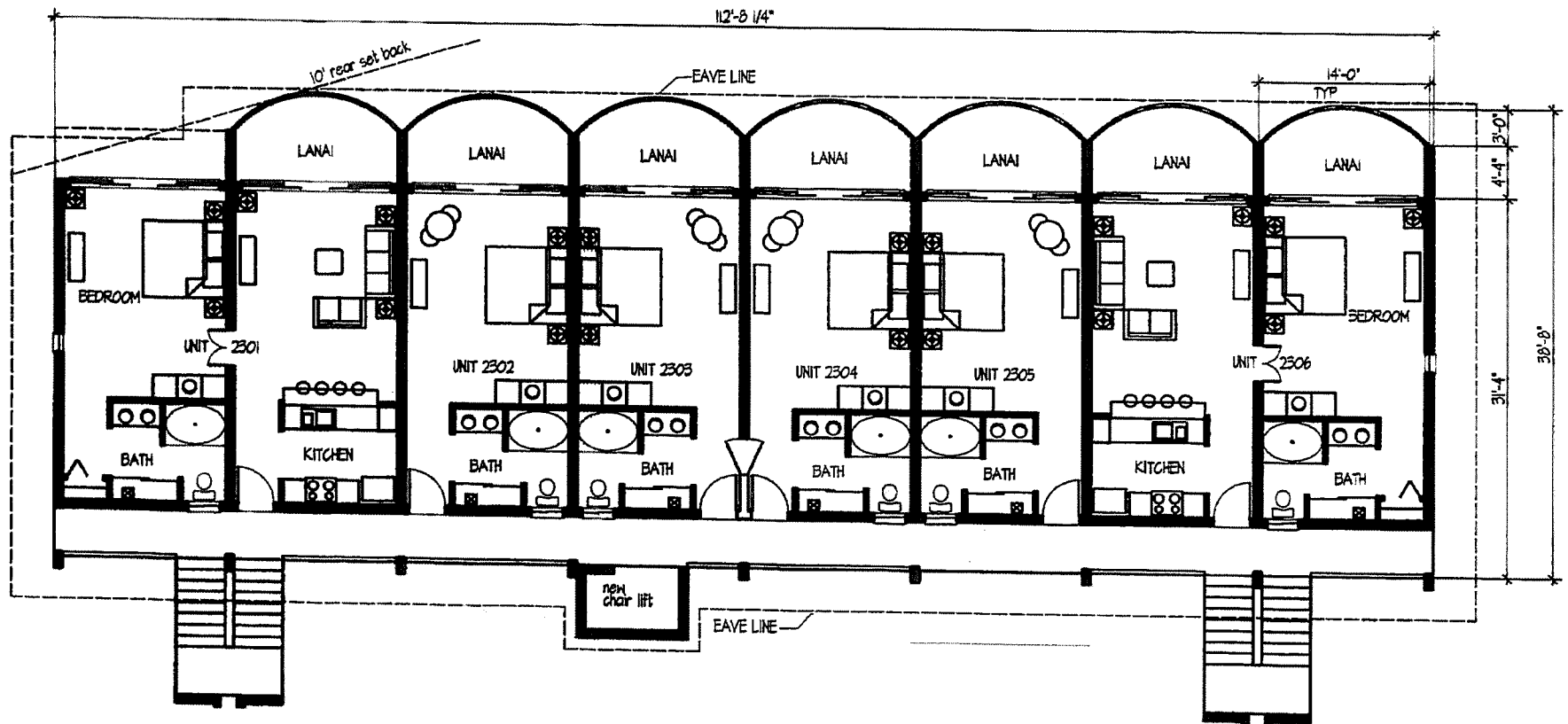


Ron Agor, Architect

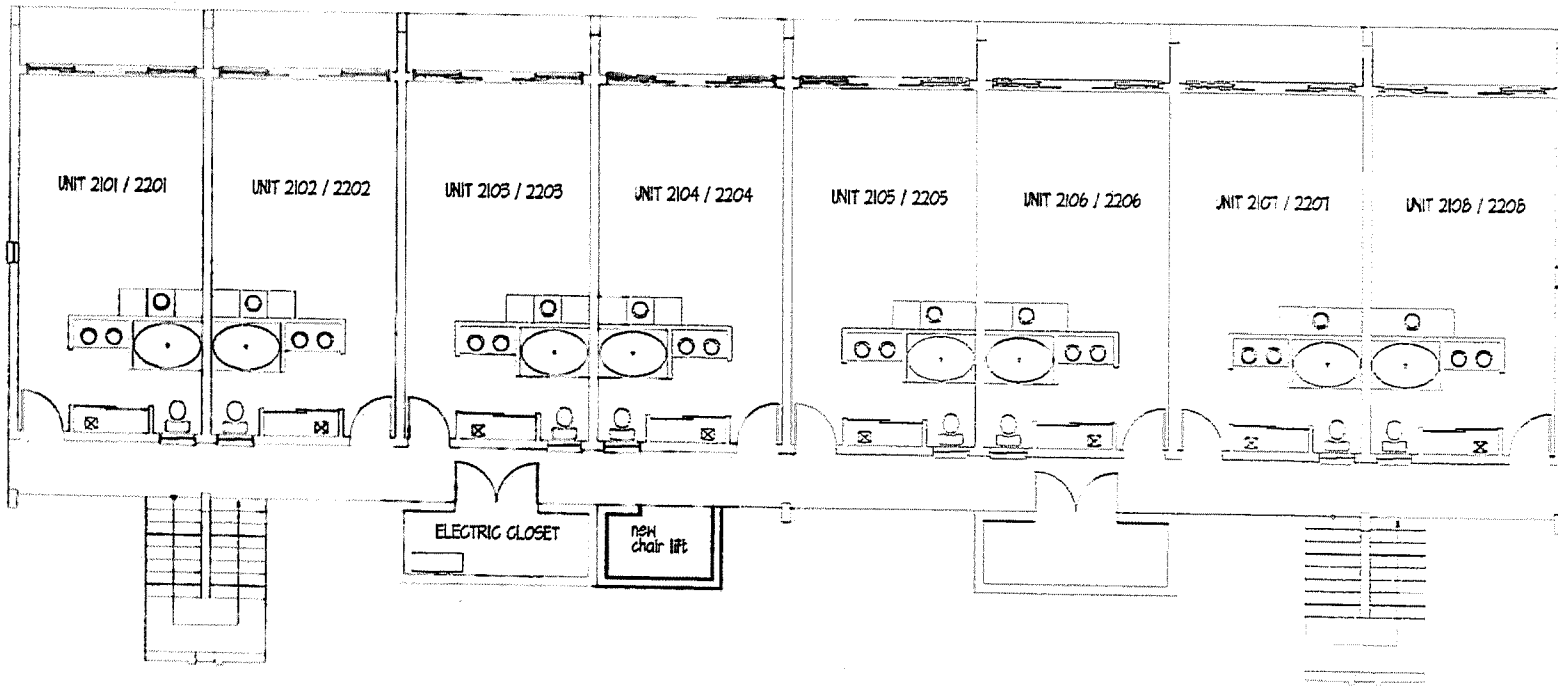


SITE PLAN
 SCALE: 1" = 40'-0"

EXHIBIT "B.1"
HOTEL CORAL REEF



NEW: THIRD FLOOR
 SCL: 1/8" = 1'-0"
 3RD FLOOR, 1978 CP



EXISTING: 1ST & 2ND FLOOR

1ST FLOOR: 4,482 SF
 2ND FLOOR: 4,482 SF



NEW 3RD FLOOR

(E) 1ST AND 2ND FLOOR

3D RENDERING
IMAGE

EXHIBIT "B.3"
HOTEL CORAL REEF

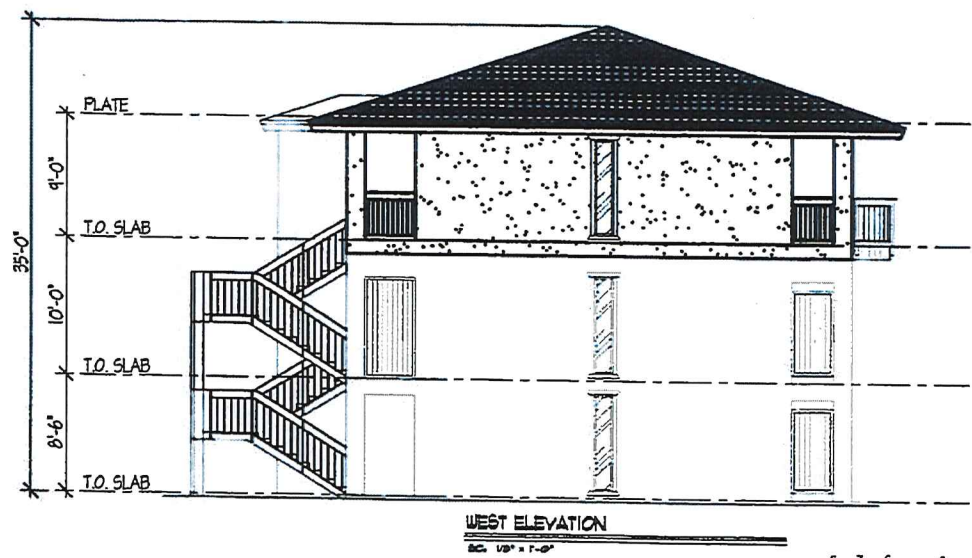
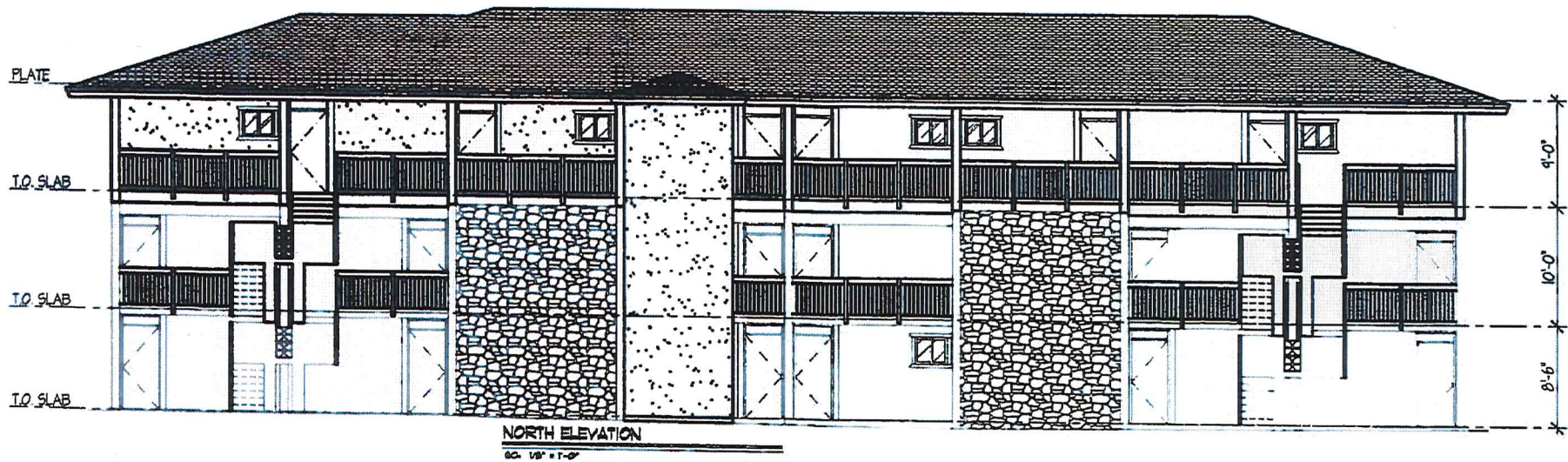
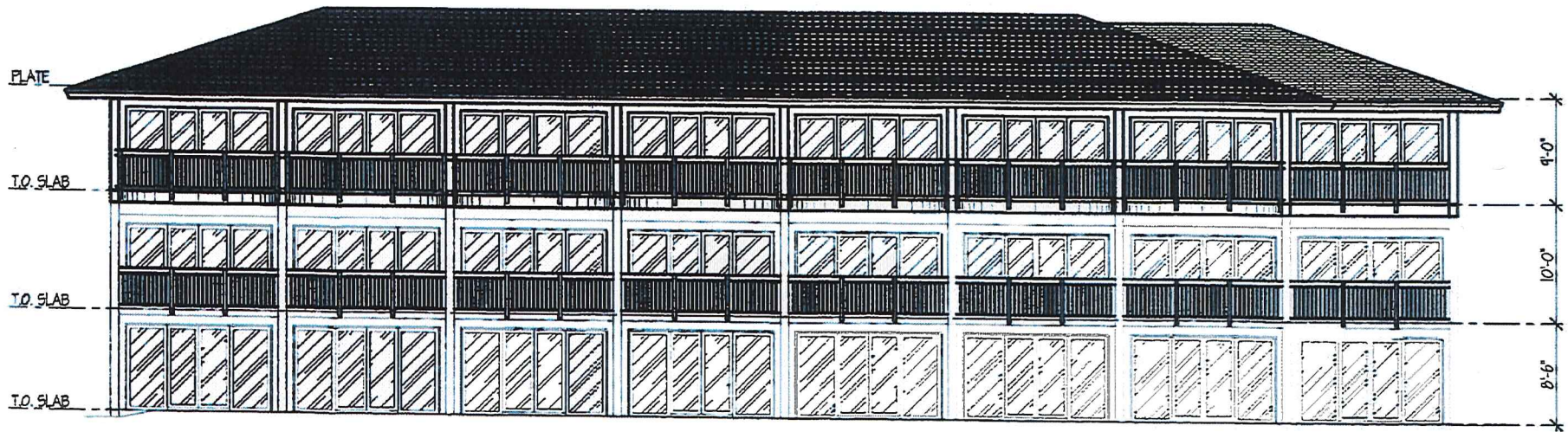
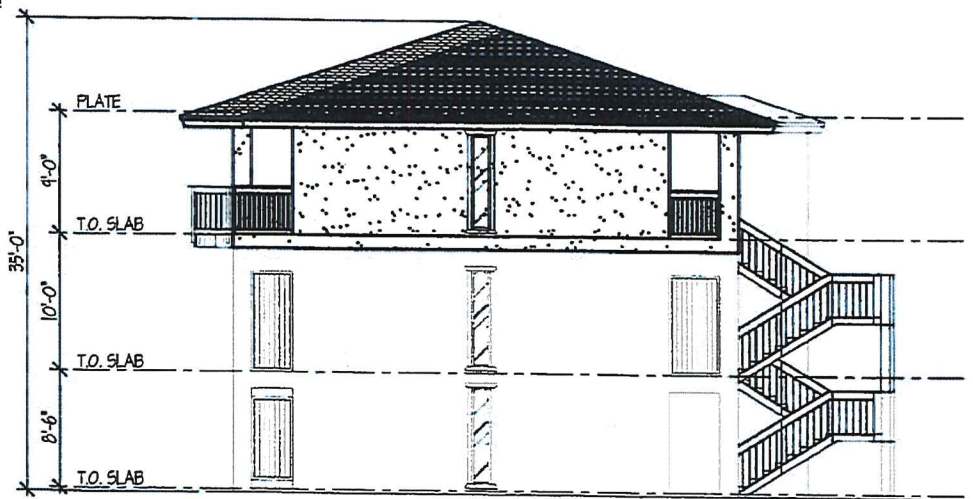


EXHIBIT B.4.1
HOTEL CORAL



SOUTH ELEVATION

25' 10" x 11'-0"



EAST ELEVATION

25' 10" x 11'-0"



EXHIBIT 'B42'
HOTEL CORAL

**SPECIFICATIONS
(Short form)**

FOR

**Hotel Coral Reef
TMK: 4-5-11:046
4-1516 Kuhio Highway
Kapaa, Kauai, HI**

ARCHITECT:

**Agor Architects, LLC
460 Ena Road, Suite 207
Honolulu, Hawaii 96815
Tel:(808) 947-2467
ron@agorarchitects.com**

July 2014

DIVISION 1 - GENERAL REQUIREMENTS

SECTION 01010 - SUMMARY OF WORK

1.01 PROJECT SCOPE

- A. The construction of 6 new hotel units above and existing two story hotel building..
- B. Site work, including water connection, electrical, telephone, and cable TV service and connection of propane gas for the tankless water heaters.

1.02 PLANS AND SPECIFICATIONS

- A. The contractor shall review the plans and specifications carefully during the bidding process and report any discrepancies to the Architect for clarification and or additional information.
- B. Should the Owner and Contractor make changes to the plans and specifications without notification to the Architect, the Architect will remove his responsible for the project. Any and all changes shall be submitted in writing via fax, e-mail or letter.
- C. The Contractor shall coordinate with the Owner on the selection and allowances of the following items to be submitted as part of the bid.
 - Interior: Cabinets and counters, plumbing and electrical fixtures, appliances, flooring, and bath accessories.

1.03 COORDINATION

- A. The Contractor shall lay out his work and his operation so as to minimize disruptions and inconveniences to neighboring properties and roadways, as well as the hotel operations.

1.04 SCHEDULING

- A. Scheduling for utilities, including electrical, telephone, cable TV, water and sewer shall be set prior to construction. Contractor to coordinate with utility companies.

DIVISION 2 - SITE WORK

SECTION 02000 - SITE

SCOPE OF WORK

- A. All materials stored on site shall not interfere with the operations of the hotel.
- B. Construction vehicles shall park only in designated parking stalls. Construction traffic shall not interfere with the regular operations of the hotel.

2.01 EXECUTION

- A. Site shall be kept clean at all time.
- B. At completion of construction leave site free of construction debris.

DIVISION 3 CONCRETE

SECTION 03001 - CONCRETE

1.01 SCOPE OF WORK

- A. The placement of all concrete work shown on plans including hardware inserts.

2.01 MATERIALS

- A. Portland Cement: ASTM C15-74, Type I.
 - 1. Chair Lift Slab: 2500 psi ultimate compressive strength at 28 days.
 - 2. Slump of fresh concrete shall not exceed 4 inches.
- B. Reinforcing Steel: $F_y=40$ KSI for foundations, per ASTM A615.

3.01 EXECUTION

- A. All work shall be in accordance with recommendation of the American Concrete Institute and the UBC. Placement of reinforcing shall be as recommended by the A.C.I. Detailing Manual.
- B. Finishes:
 - 1. Walks and pads: Pailmyre Fiber (4") broom once across float finished surface.
 - 2. Slabs: Float smooth finish.
- C. Control Joints: Provide control joints at floor slabs as appropriate to minimize cracking.
- D. Curing: Cover slabs, walks and landings with Visqueen vapor barrier for seven days and keep damp. Curing agent compounds may be used to expedite the curing process.
- E. Backfill: Remove slab edge forms and backfill for finish grading.
- F. Leave site in clean condition ready for subsequent work by others.

DIVISION 4 MASONRY

SECTION 04300 - CONCRETE MASONRY UNITS

1.01 SCOPE OF WORK

- A. Install concrete masonry units for foundation and stair construction as shown on plans.
- B. Install required brackets, bolts, mechanical and electrical inserts.
- C. Install cement plaster finish on exterior portions of CMU foundation walls.

2.01 MATERIALS

- A. Concrete masonry units: ASTM C90-75, Grade N-1.
- B. Mortar: Type M per U.B.C., waterproofing admixture.
- C. Grout: Coarse grout per U.B.C. 1:1/10:2/5:2 parts by volume of cement, hydrated lime, sand, and gravel.
- D. Reinforcing Steel: ASTM A615, Grade 40.

3.01 EXECUTION

- A. All work shall conform to the IBC Code and per industry standards.
- B. Install masonry units plumb and true. Units shall not be off line from wall surface more than 1/32 of an inch.
- C. Lap all reinforcing steel 30 bar diameters.
- D. Cement finish all 4 sides of the exterior cmu foundation columns.
- E. Clean Up: Leave site in a clean condition ready for subsequent work by others.

DIVISION 5 METALS

SECTION 05500 - MISCELLANEOUS METALS

1.01 SCOPE OF WORK

- A. Supply and install foundation anchors, framing anchors, brackets, bolts, and straps.

2.01 MATERIALS

- A. Steel plates, bars, etc.: ASTM A-245, Grade C.
- B. Steel Shapes: ASTM A-36.
- C. Steel Bolts: ASTM A-307.
- D. All fabricated metal brackets and related bolts shall be stainless steel.
- E. Miscellaneous framing connectors: "Simpson" or approved equal.
- F. All miscellaneous metals exposed to weather shall be of stainless steel. All miscellaneous metals concealed in framing shall be galvanized steel.
- G. All fasteners and nails for exterior trims and fascias shall be stainless steel.

3.01 EXECUTION

- A. Submit shop drawings for all fabricated brackets.

DIVISION 6 WOOD

SECTION 06100 - ROUGH CARPENTRY

1.01 SCOPE OF WORK

A. Provide all rough carpentry work shown on plans and specified herein including but not limited to:

1. Wall studs and posts, roof framing, roof sheathing, fascias, plywood roof sheathing wall plywood sheathing and shearwalls, siding and hardware.
2. Framing anchors, straps, ties, brackets, bolts, lag bolts, screws, nails, etc., per plans and the County Building Inspector's requirements.
3. Windows and exterior doors with proper flashing.
4. Provide vapor barrier (tyvec or equal) over exterior wood studs prior to installation of plywood shear panels.
5. Soffits.
6. Wood framed backing for shelves, mirrors, cabinets, counter top back splashes and bathroom accessories.

2.01 MATERIALS

- A. Framing Lumber: Hi-bor Treated Douglas Fir. All beams shall be DF # 1. Glue Lam Beams: Fb=2400 psi E=18,000,000
- B. Pre-Fabricated Floor Joists: Contractor shall verify spans of floor joists with the floor joist manufacturer. Provide manufacturer's engineering submittal of floor joists.
- C. Pre-Fabricated Roof Trusses: Contractor shall provide engineering of wood trusses for submittal to the Building Division for approval.
- D. Plywood: Roof Sheathing-Index 32/16 nailed with 8d @ 6,6,12. Treated.
Floor Sheathing-Index 32/16 nailed w /8d 6,6,10 & glued, Treated.
- E. Siding: 5/8" R/S Plywood with 1x3 battens at 16" OC

ROUGH CARPENTRY CONTINUED.....

- F. Exterior Fascia and trims: re-sawn finger joint paint grade material. Provide optional cost for the use of MiraTec Trim Products.
- G. Corrosive resistant nails shall be used for all framing. Provide submittals.
- H. Wood railings: Redwood, lpe or approved composite materials. Provide submittals for approval. (See tile for waterproofed lanais.)
- J. Anchors, straps, ties, brackets, etc. per section 05500.

3.01 EXECUTION

- A. All work shall be performed in accordance with the best standards of practice relating to the trade and under constant supervision of a competent foreman, who shall carefully plan and layout the work as required to carry out the intent of the plans and specification.
- B. Coordinate and cooperate with other trades to assure true alignment of fixtures, bath accessories, shelves, etc.
- C. All work shall at a minimum conform to the General Construction Requirements and Conventional Construction Provisions respectfully, and the Conventional Light-Frame Construction in High Wind Areas of the IBC Code.
- D. Keep site clean and orderly. Keep framing debris in a designated area. At completion of work, leave site in a clean manner for other trades.

SECTION 06200 - FINISH CARPENTRY

1.01 SCOPE OF WORK

- A. Provide all finish carpentry and millwork complete. Contractor and owner shall be responsible for all finish detail designs, including but not limited to:
1. Wood shelves, interior doors & trims, installation of cabinets and trims for cabinets and counter tops.
 2. Installation of wood interior finish heads, jambs, sills, trims, and aprons, for windows and doors, and all baseboards.
 3. Provide and install all lower and upper cabinets.
 3. Bathroom accessories.

2.01 MATERIALS

- A. Wood shelves: Finish plywood with finish edge.
B. Nails: Stainless Steel.
C. Base boards: 4-1/4" high stepped molding, paint grade.
D. Door trims: 2-3/4" stepped molding, paint grade.
E. Window trims: 2-3/4" stepped molding, paint grade.
F. Window head & jamb: 1x paint grade.
G. Window stool: 1x paint grade.
H. Window apron: 2-3/4" stepped molding, paint grade.
J. Cabinets: Manufactured wood panel cabinets selected by Owner.

3.01 EXECUTION

- A. Deliver all materials under protective cover and store within dry enclosed areas. Verify all dimensions shown on drawings by taking field measurements. Take such field measurements as may be required and be responsible for same. Report any major discrepancy between plans and field dimensions to the Architect.
- B. Provide manufacturer's brochures and cut sheets of cabinets for approval.
- C. Inspect and approve all framing work for acceptance prior to commencement of finish work. Coordinate with framer on required blocking for finish work.

FINISH CARPENTRY CONTINUED.....

- D. Install all work to details plumb, level, and to line and securely anchored. Make scribes where required. Mitre corners of trims. Clean and sand woodwork to receive finish.
- E. Coordinate the installation of base boards on corners of bullnose drywall. Base boards at corners shall be shaped to be compatible with the bullnose.

DIVISION 7 - MOISTURE PROTECTION

SECTION 07320 - ROOF SHINGLES

1.01 SCOPE OF WORK

- A. Provide labor, material, and equipment required for the installation of the ThickButt Roof Shingles.
- B. Roofing installation shall include but not be limited to:
 - 1. Waterproofing underlayment.
 - 2. Battens.
 - 3. Pan flashing, valley flashing, and anti-ponding foam.
 - 4. Flashings.
 - 5. Roof Shingles.
 - 6. Tile fasteners for high wind areas.

1.02 SUBMITTALS

- A. Provide four copies of roofing material submittals with manufacturer's recommendations and the appropriate manufacturer's installation guide for approval prior to installation.

1.03 GUARANTEE

- A. Provide a 20 year written warranty on the material and a two year warranty on workmanship.

2.01 MATERIALS

- A. Thick Butt Shingles. Color: To be selected by Owner.
- B. Fasteners: Stainless steel type, of sufficient length to penetrate roof sheathing and as per manufacturer's recommendations for high wind areas.
- C. Flashing. See Sheet Metal Section.

3.01 EXECUTION

- A. Inspect all roof sheathing surface for acceptability.

ROOFING CONTINUED.....

- B. Install a layer of 30 lb felt on sheathing.
- C. Install roofing per manufacturer's recommendation for high wind areas and the IBC.
- D. Leave site free of debris, waste materials, etc.

SECTION 07620 - SHEET METAL

1.01 SCOPE OF WORK

- A. Furnish and install all flashing per plans and specified herein.

2.01 MATERIALS

- A. Lead roof flashing at plumbing vents.
- B. 20 oz copper at roof. Provide Owner with optional cost of Pre-colored aluminum.
- C. Building flashings shall be 20 oz copper. Provide Owner with optional cost of Pre-colored aluminum.
- D. Rain gutters, downspouts and diverters shall be pre-colored aluminum. Protect materials from galvanic reaction.
- E. Fasteners shall be of materials not to create a galvanic reaction.

3.01 EXECUTION

- A. Inspect all surfaces and conditions where sheet metal is to be installed for acceptability before proceeding with work.
- B. Installation shall provide a complete watertight system.
- C. Leave site in a clean condition ready for subsequent work by others.

SECTION 07900 - SEALANTS AND CAULKING

1.01 SCOPE OF WORK

- A. Furnish and install all sealant and caulking required for all exterior and interior.

2.01 MATERIALS

- A. Exterior compounds shall be one or two component polysulfide liquid polymer ase rubber compound, which cure at normal temperature to a flexible firm rubber, tack free paintable, and in gun grade consistency.
- B. Interior sealant and caulking shall be Butyl-based compound, smooth flowing, single component, architectural grade, synthetic, general purpose caulking compound, composed of non-oily, non-hardening, tack free, paintable, and in gun free consistency.
- C. Colors to match adjacent work.

3.01 EXECUTION

- A. Sealant and caulking shall be provided at all joints and space gaps in exterior framing including but not limited to: roof eave blocking, exterior fascia and trims, and exterior wall siding
- B. Sealant and caulking shall be provided for the interior finishes including but not limited to: gaps in drywall, and finish trims.
- C. Joints and spaces to be caulked or sealed shall be completely cleaned of all dirt, dust, mortar, oil and other foreign materials which might adversely affect this work. Surfaces shall be thoroughly dry before application of caulking and sealants.
- D. All exterior nails/fasteners shall be counter sunk and sealed.
- E. Clean surfaces of all materials and adjoining caulked and sealed joints of any smears of compound or other soil during application.

DIVISION 8 - DOORS & WINDOWS

SECTION 08210 - DOORS

1.01 SCOPE OF WORK

- A. Furnish and install all exterior and interior wood doors per plans and as specified herein.

2.01 MATERIALS

- A. Interior Doors: 1-1/2" hollow core raised panel, paint grade.
- B. Exterior Doors: 1-3/4" solid core raised panel wood paint grade.

3.01 EXECUTION

- A. Install all doors per standard trade practices.
- B. All door edges, top and bottom, shall be sealed and painted.
- C. Leave site in a clean condition.

SECTION 08631 - WINDOWS & GLASS DOORS

1.01 SCOPE OF WORK

- A. Furnish and install all windows and glass doors shown on plans.
- B. This Contractor shall visit the site and become familiar with all dimensions of framed openings.

1.02 SUBMITTALS

- A. Provide four copies of window and glass door submittals for approval. Submittals shall include data on meeting the City of Honolulu's glazing requirements for high wind.
- B. Provide submittals indicating window and door components that are in substantial conformance with these specification.

2.01 MATERIALS

- A. Window Frame: Extruded high impact resistant polyvinyl chloride (PVC) frame and sash members with multi-chamber design. Frame and sash corners shall be mitered and welded with extruded aluminum reinforcement bars. Extrusions shall be AAMA certified and tested per ASTM D 4726-92.
- B. Window Hardware/Fasteners: Provide non-corrosive steel and color coordinated exposed hardware compatible with vinyl window members and components of window units.
- C. Screens: Equip operating vents with extruded aluminum baked enamel finish insect screens to match window units.
- D. Windows shall be by Insulate Industries or equal.
- E. Door Hardware/Fasteners: Non-corrosive steel hardware throughout. Stainless steel or equal.
- F. Fixed Glass, Sliding Windows, Glass Doors: Thickness per UBC Chapter 5-4.

WINDOWS & GLASS DOORS CONTINUED.....

3.01 EXECUTION

- A. Install per standard trade practices and manufacturer's recommendations.
- B. Provide proper exterior flashing at head and jambs.
- C. Provide caulking and sealant per section 07900.
- D. Leave site in a clean condition for subsequent work.

SECTION 08705 - FINISH HARDWARE

1.01 SCOPE OF WORK

- A. Provide and install door locksets and hardware as required.

2.01 MATERIALS

- A. Finish hardware: Contractor shall submit to Owner for approval all finish hardware prior to purchase of the same.
- B. The following are acceptable manufacturers:
 - 1. Locksets: Schlage (D Series) , Sargent, Russwin, or equal.
 - 2. Hinges: McKinney, Soss, and Stanley, or equal.
 - 3. Miscellaneous: Stanley, Quality and Pemko, Folger Adam.
- C. Quality, function, finish, and design of all hardware shall be in accordance with the following description matter and schedule of Typical Requirements:
 - 1. Locksets and Strikes: Shall be furnished in accordance with the American National Standards Institute Specifications: lever type handles per ADA requirements shall be operable without requiring tight grasping, pinching, and twisting of the wrist.
 - 2. Finish: Oil Rubbed Bronze

3.01 EXECUTION

- A. Install hardware per standard trade practices.
- B. Provide three sets of keys. One key each for all locksets of exterior doors for the residence, studio and barn.

SECTION 08800 - GLASS AND GLAZING

1.01 SCOPE OF WORK

- A. All glass and glazing for windows.
- B. Bathroom mirrors.
- C. Temp Glass Shower and Tub Enclosures

2.01 MATERIALS

- A. All glass and glazing shall conform to Federal Specifications DD-G451, and each piece shall bear manufacturer's label showing strength and quality.
- B. Thickness and type shall be per the IBC Code.
- C. All glass for doors and windows shall meet the requirements of the City and County of Honolulu's high wind standards.
- D. All windows adjacent to doors less than 2'-0" shall be of tempered glass.

3.01 EXECUTION

- A. Install in accordance with recommendations outlined in "Glazing Manual" published by Flat Glass Jobbers Association.
- B. Leave job in a clean condition ready for subsequent work by others.

DIVISION 9 - FINISHES

SECTION 09260 - GYPSUM WALLBOARD

1.01 SCOPE OF WORK

- A. Furnish and install drywall on all interior walls, and ceilings.

2.01 MATERIALS

- A. Gypsum wallboard throughout. 1/2" at walls and 5/8" at ceilings with framing at 24" oc.
- B. Install 5/8" Type "X" Gypsum wallboard in garage and underside of usable stairways.
- C. Use plastic beads. Radius at all exposed corners (bullnose). Square off corners at baseboards.
- D. Provide moisture resistant (green board) in bathrooms.

3.01 EXECUTION

- A. Install drywall per Section 4711 of the Uniform Building Code and the Drywall Construction Manual by the Gypsum Drywall Contractors' International.
- B. Window head and jambs shall have returned gypsum board with radius corners.
- C. Drywall at walls shall not be more than 1/4" above the subfloor.
- D. Drywall cut-outs for electrical boxes shall not exceed the size of the electrical cover plates.
- E. Radius (bullnose) at all exposed corners throughout. Square off corners at baseboards.
- F. Finish: Light orange peel.
- G. Leave job in a clean condition ready for subsequent work by others.

SECTION 09300 - COUNTER TOPS

1.01 SCOPE OF WORK

- A. Provide labor, materials and accessories for the installation of Granite counter top and splashes.

2.01 MATERIALS

- A. Kitchen & Living Room Bar: Granite
 - 1. Granite as shown on plans.
- B. Kitchen countertops: Granite
 - 1. Granite as shown on plans.
 - 2. Granite countertop 6" splash
- C. Lavatory Tops: Granite
 - 1. Granite as shown on plans.
 - 2. Granite countertop 6" splash

3.01 EXECUTION

- A. Granite shall be installed in accordance with the manufacturer's recommendations and standard trade practices.
- B. Faucet holes shall be made on site.
- C. All granite tops shall be cleaned after installation.
- D. Leave site clean and free of debris and left over accessories.

SECTION 09310 - TILE

1.01 SCOPE OF WORK

- A. Provide material, labor, equipment and all accessories for the installation of all tile work.

1.02 ALLOWANCE

- A. Provide \$ 4.00/SF allowances for tile material only. Tile to be selected by Owner, purchased by Contractor. Contractor to include installation, substrates, mortar, grout, sealant, etc. in the contract total. (Not in allowance)

1.03 SUBMITTALS

- A. Contractor shall provide submittals of recommended tile sealants to be applied upon completion of installation and cleaning.

2.01 MATERIALS

- A. Tile walls shall be standard grade complying with ANSI A137.1. Materials to be selected by Owner.
 - 1. Floor tile shall be non-slip.
 - 2. Shower floor shall be non-slip. Provide shower pan.
 - 3. Tile Shower wainscot to ceiling or as shown in drawings.
 - 4. Tile above pre-manufactured tubs and tub decks.
- B. All trim shapes shall be provided. External corners shall be rounded convex. Internal vertical corners shall be square. Top of wainscot and splash shall be full bull nose. Base shall be full concave cove.
- C. Other shapes such as curbs, beads, shoes, round out corners and square corners, counter edges, etc. shall be provided to achieve a neat complete installation.
- D. Portland Cement Mortar shall be per ASTM C150. Type I hydrated lime per ASTM C206, type S, sand per ASTM C144, and water shall be potable. Grout shall be sealed with grout sealant, non-shrinking, with standard range of color.

TILE CONTINUED.....

- E. Waterproof Admixture shall be approved integral waterproof admixture.

3.01 EXECUTION

- A. Inspect all walls and floor surfaces prior to commencement of work. Surfaces shall be sound, clean, free of oily film, and in proper condition for application of tile.
- B. Install tile work per the Tile Council of America "Ceramic Tile Installation Handbook"
- C. Work shall be carefully laid out in an endeavor to center the tiles, to space them evenly, and to avoid cutting them. If cutting is required, all cut ends shall be rubbed smooth and even. Lay out tile on floors and lengthwise on walls so that not tile less than 1/2 size occurs. Use full courses to produce nearest attainable required heights without cutting tile. All joints shall be consistently in line. All cutting and drilling shall be done neatly to fit closely around pipes, fixtures and fittings so that cover plates will overlap cuts.
- D. Apply mortar setting beds not less than 3/4" thick over concrete. Apply mortar beds over area no greater than can be covered with tile before the initial set. E. Install wonder board or equal substrate on shower and bath walls.
- F. Grouting and Pointing of Joints: Joints shall be saturated with water and then grouted with prepared tile grout mix. Remove surplus grout before it hardens and leave face of tile clean.
- G. Provide expansion joints in floor at 8' intervals both ways.
- H. Cleaning: Remove all debris, unused material etc., and give the finished surface a thorough cleaning. Do not permit traffic on tile floors for 24 hours after installation. Leave tile work clean and free from cracked, chipped, or broken tile. Protect tile until completion of project.

SECTION 09500 - FLOORING

1.01 SCOPE OF WORK

- A. Furnish and install all flooring depicted on the floor plans.

1.02 ALLOWANCES

- A. Tile \$ 4.00 a SF
- B. Pre Manufactured Wood \$ 3.50 a SF
- C. Carpet \$ 3.00 a SF (27/yard)

1.03 WARRANTY

- A. Provide a manufacturer's maximum warranty on materials and a two year warranty on workmanship.

1.04 SUBMITTALS

- A. Provide four submittals of manufacturer's information for approval prior to installation.

2.01 MATERIALS

- A. Contractor to coordinate with Owner for selection of flooring materials.
- B. Wood: Provide allowance in bid for flooring material. Include subfloor and all miscellaneous materials for the installation of wood floors in base bid.

3.01 EXECUTION

- A. All work shall be in accordance with their standard trade practices and the manufacturer's recommendation. Concrete floor preparation shall be in accordance with the manufacturer's recommendations.
- B. Coordinate with concrete contractor for any required recess in slab to accommodate floor levels.
- C. Leave work in a clean condition ready for subsequent work by others.

SECTION 09900 - PAINTING

1.01 SCOPE OF WORK

A. Furnish labor, materials, and equipment for a complete painting work.

2.01 MATERIALS

A. Materials used are to be Sinclair Paint Company, Pratt and Lambert Company, Dupont Company, Sherman Williams, Benjamin Moore, or Olympic. B. Colors are as selected by Owner.

3.01 EXECUTION

- A. Apply all materials in strict accordance with the manufacturer's printed instructions.
- B. Putty with oil and whiting putty colored to match finish work, all nail holes and open joints in finish work after priming work has been applied.
- C. Sand and prime all finish carpentry work immediately after installation by carpenters. Back prime frames and trims before installation.
- D. Thoroughly clean all spots, smears, spills, etc., and leave the entire premises perfectly clean.

3.02 SCHEDULE OF TREATMENTS

As reference, all paint specified are Sinclair for the purpose of establishing quality.

A. EXTERIOR SURFACES:

1. Galvanized Metal Surfaces:

- 1st coat 25 Zinc Dust Primer
- 2nd coat & 3rd coat: 248 Sash & Trim Primer
- 4th coat: 4800 Aqua Sash

2. Wood Surfaces:

- 1st coat: 289 Exterior Wood Primer
- 2nd and 3rd coat: Semi-Gloss Enamel

PAINTING CONTINUED.....

3. Wood Doors and Frames:

- 1st coat: 248 Sash & Trim Primer 2nd and
- 3rd coat: Semi-Gloss Enamel

4. Concrete and Masonry Vertical Surfaces:

- 1st coat: 320 Cinder Block Filler
- 2nd and 3rd coat: 1300 Series Stuc-o-life

B. INTERIOR SURFACES:

1. Gypsum Board Surfaces:

- 1st coat: 1770 Pigmented PVA Sealer
- 2nd and 3rd coat: 1770 Sinwall Vinyl Latex

2. Gypsum Board Surfaces In Bathrooms & Kitchen:

- 1st coat: 1770 Pigmented PVA Sealer
- 2nd coat: 1790 Aqua Coater
- 3rd coat: 4000 Aqua Satin Enamel

3. Wood Doors: Painted

- 1st coat: 1790 Aqua Coater
- 2nd and 3rd coat: 4000 Satin Enamel

4. Wood Surfaces: Painted

- 1st coat: 1790 Aqua Coater
- 2nd and 3rd coat: 4000 Satin Enamel

DIVISION 10- SPECIALTIES

SECTION 10800 BATH ACCESSORIES

1.01 SCOPE OF WORK

- A. Provide and install all towel bars, and paper holders. Mirrors shall be provided and installed under Section 08800.

2.01 MATERIALS

- A. Contractor to coordinate with Owner for selection.
- B. All bathroom accessories shall be selected by Owner.
- C. Provide stainless steel fasteners throughout.

3.01 EXECUTION

- A. Install all bath accessories securely, level and plumb.

DIVISION 11 - EQUIPMENT

SECTION 11452 - APPLIANCES

1.01 SCOPE OF WORK

- A. Provide labor, material, and equipment for the installation of all appliances.

2.01 MATERIALS

- A. Contractor to coordinate with Owner for selections.

3.01 EXECUTION

- A. Contractor shall coordinate with cabinet ordering for all appliances required spaces.
- B. Contractor shall coordinate plumbing and electrical work for all appliances.
- C. Provide all instruction manuals and warranties prior to final inspection.
- D. Leave site free of debris, crates, boxes etc.

DIVISION 15 - MECHANICAL

SECTION 15400 - PLUMBING

1.01 SCOPE OF WORK

- A. Provide labor, material, and equipment for the entire plumbing work. Include water heater, garbage disposal and plumbing to refrigerator ice maker.
- B. Solar Water Heating System: This contractor shall submit a alternative proposal for a solar water heating system with an electrical back up element. The contractor is to review the plans, visit the site and submit his proposal based on his best recommendations.

1.02 SUBMITTALS

- A. Provide submittals of all plumbing fixtures, faucets, etc. for approval prior topurchasing.
- B. Provide submittals for the proposed solar water heating system for approval prior to purchasing unit.

2.01 MATERIALS

- A. Contractor shall coordinate with Owner for selections.
- B. All materials shall meet the standards of the Uniform Plumbing Code and County requirements. Trade names below are to establish minimum acceptable quality only. Acceptable brand names are Kohler, American Standard, Moen, Eljer and Haws.

3.01 EXECUTION

- A. All work shall conform to the Uniform Plumbing Code and County requirements.
- B. All fixtures and faucets shall be installed per manufacturer's recommendations and standard trade practices.
- C. Provide supply water shut off valve (accessible) at each fixture.
- D. This contractor shall visit the site and verify the effective connection to the existing water system and sewer system for the site.
- E. Leave job in a clean condition ready for subsequent work by others.

DIVISION 16 - ELECTRICAL

SECTION 16050 - ELECTRICAL BASIC MATERIALS & METHODS

1.01 SCOPE OF WORK

- A. Furnish all labor and materials required to complete wiring system, including service, meter loop, panelboards, outlets, wall switches, outlet boxes, telephone and cable as shown on plans and per requirements of the NEC.
- B. Install service entrance equipment per KECO requirements.
- C. Provide all electrical as inferred by the plans and specifications. This Contractor shall review the floor plans and verify all required receptacles for appliances, fans, equipments, and plumbing fixtures. These receptacles shall be provided whether shown on the electrical plans or not.
- D. Minimum requirements for residential receptacles, GFI receptacles, smoke detectors, etc. shall be provide.
- E. Report and discrepancies found on the plans and specifications to the Architect prior to bid submittal.

1.02 CODES AND STANDARDS

- A. The Contractor shall obtain and pay for the electrical permit as required by local laws or rules. All work shall be inspected by the proper local authorities as it progresses.
- B. The Contractor shall pay all inspection fees and shall deliver certificates of completion and inspection to the Architect. Costs of permits and inspection fees shall be included in the Contractor's quoted price for installation.

1.03. SUBMITTALS

- A. Provide the following submittals for the Architect's approval
 - 1. Metering Equipment (200 Amps)
 - 2. Panel Boards
 - 3. Light Fixtures & Receptacles
 - 4. Light Switches

ELECTRICAL CONTINUED.....

2.01 MATERIALS

- A. Provide all materials for a complete electrical system.
- B. Materials shall be new and free from defects, suited for the intended use and listed by Underwriter's Laboratories.
- C. Junction, switch, and outlet boxes shall be non-metallic of proper type, shape, size, and gangs to suit the device of outlet. D. All light fixtures shall be "LED".
- D. Recessed cans and trims for recessed lighting shall be provided and installed as part of the base bid. (not an allowance item)
- E. Wiring in dry spaces shall be NEC Type NMC and in damp spaces NEC Type UF. UF wiring shall be in concealed ceilings, floors, walls, millwork, and wood mouldings.
- F. Conductors shall be solid copper for sizes No. 10 and smaller and stranded copper for sizes No. 8 and larger. Aluminum not permitted.
- G. Main panel board shall be square D or approved equal, no fuse load center. Main breaker as required. 20 amp breakers to the number required by NEC for lighting and convenience outlet. Past typed circuit labeling list at inside cover. Material shall be corrosive free.
- H. Contractor to provide all recessed lighting and trims as located on plans as part of base bid.

3.01 EXECUTION

- A. The entire electrical installation shall be complete in every detail, ready for use and shall be clear of all grounds and shorts. All work shall be in conformance to the National Electric Code.
- B. Services shall be installed as directed by the Utility Company.
- C. Telephone and Cable services shall be installed per their respective utility companies. Coordinate all pre-wiring.

ELECTRICAL CONTINUED.....

- D. Wall switches shall be placed 4'-0" to center above finish floor. Where more than one switch occurs at the same place provide ganged switches under one cover late. Cover plates shall be white.
- E. Convenient outlets shall be 12" above finish floor in open rooms or as specified on plans. Verify heights for outlets above counters and for appliances. Cover plates shall be white.
- F. Exterior outlets shall be weatherproof, GFI type.
- G. Paint exterior recessed lighting cans with rust proofing paint prior to installation.

3.02 TESTING

- A. When the entire system is completed and all equipment and fixtures installed, turn on current and test the installation for a period of 30 minutes under full load. Correct any defect or malfunctioning discovered during test immediately.