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

February 14, 2014  

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

Project No. SP1401DHSM01  
O‘ahu  

Approval to Solicit Sealed Bids, Authorize the Chairperson to Award and  
Execute the Contract with Approval as to Form by the Department of the  
Attorney General Under a Competitive Bidding Process for a Contract for  
Goods and Services to Collect Entrance Fees and Conduct Parking  
Management Services at Diamond Head State Monument, Kapahulu,  
Waikiki, O‘ahu, TMK: (1) 3-1-042:006 (Por.)  

BACKGROUND:  
Under the Division of State Parks (State Parks) revenue management program,  
parking/entrance fees are generated in five (5) parks statewide. These include Nu‘uanu  
Pali State Wayside, Iao Valley State Monument, Akaka Falls State Park, Hapuna Beach  
State Recreation Area and Diamond Head State Monument (Diamond Head)\(^1\). Each of  
these parks operates under a parking concession contract where revenue is collected and  
split between the operator and State Parks, except for Diamond Head where the  
contractor is paid under a Contract for Goods or Services procurement contract.  

On August 12, 2010, the Board approved a process to solicit bids and enter into a three  
year services agreement to collect entrance fees\(^2\) and manage the parking lot at Diamond  
Head. Pursuant to that process, the award was made to Pro Park, Inc. for a three (3) year  
period which will expire on July 30, 2014. The Division of State Parks (State Parks)  
seeks the Board’s approval issue a new, similar services contract for a period of five (5)  
years commencing August 1, 2014.  

Entrance fees from Diamond Head represent the single largest source of park generated  
revenue\(^3\). In recent years due to the increase in visitor arrivals, revenue has steadily  
increased to over $1.1 Million\(^4\) with approximately 1 million visitors in 2013\(^5\). This  
increase has resulted in the need for greater staffing and more effective parking  
management control.  

Item E-5  

\(^1\) A tax map key indicating the Diamond Head parking area location is attached as Exhibit A.  
\(^2\) The establishment and rates for entrance fees were approved by the Board at its meeting on February 26, 1999,  
under agenda item E-2.  
\(^3\) State Parks’ revenue is further subject to obligations to the Office of Hawaiian Affairs under Section 5(b) of the  
Hawai‘i Admissions Act.  
\(^4\) 2013 Estimate.  
\(^5\) Estimate based on 3,000 persons/day.
Under the current agreement with Pro Park, Inc. (Pro Park), entrance fees are collected by the contractor and 100 percent of the fees are remitted to State Parks. State Parks then pays the Pro Park for services in accordance with the agreement. Pro Park’s compensation for each of the three years was based on the original estimate of man hours, a set management fee and reimbursement for fixed ticket printing costs which averaged a total of $100,457 per year\(^6\). As visitation to Diamond Head has increased, man hour requirements have increased beyond the limits authorized in the contract. Should the Board approve this request, State Parks plans to increase the allotment of man hours in the new bid to reflect current and projected visitation.

**DISCUSSION:**

Over the years, State Parks has considered various fee collection models to enhance revenue. Factors influencing the type of model used include 1) parking management firm competition, 2) visitation counts, 3) access point(s) control and 4) fee/parking rates and revenue history. There is no single model that appears to work best in each application and in the case of Diamond Head, because parking access is used to limit visitation to the park (i.e., when all available parking stalls are occupied, park access is significantly restricted), revenue is maximized and is likely unaffected by the operator’s efforts to increase it. Therefore, a revenue percentage-split model is not likely to generate additional fees and by contrast, a percentage-split model could result in reduced net revenues because bidders may place a premium on variations in revenue for which they have no control. Examples include such events as unforeseen periods of inclement weather, shocks to the economy, and changes in visitor arrivals for events like SARS outbreaks, visa restrictions, etc...Based on this analysis, staff recommends the current fee collection model remain and the opportunity to provide services be offered for competitive bidding based on the cost of providing this essential service under current procurement rules and State law.

State Parks therefore requests the Board approve the solicitation of sealed bids for entrance fee collection and parking management at Diamond Head as described in this submittal.

**TRUST LAND STATUS:**

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

**CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:**

See Exemption Notification attached hereto as Exhibit B.

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\(^6\) A one-time allotment of $1,000 was included for start-up costs.
RECOMMENDATION: That the Board:

1. Approve the solicitation of sealed bids, authorize the Chairperson to award and execute the contract with approval as to form by the Department of the Attorney General under a competitive bidding process for a contract for goods and services to collect entrance fees and conduct parking management services at Diamond Head State Monument; and,

2. Delegate to the Chairperson the authority to issue the Notice to Proceed and all other such authority necessary to complete and implement the contract.

Respectfully Submitted,

Daniel S. Quinn
Administrator

APPROVED FOR SUBMITTAL:

William J. Aila, Jr., Chairperson
EXHIBIT B - EXEMPTION NOTIFICATION

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
DIVISION OF STATE PARKS
POST OFFICE BOX 621
HONOLULU, HAWAII 96809

EXEMPTION NOTIFICATION

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

Project Title: Approval to Solicit Sealed Bids, Authorize the Chairperson to Award and Execute the Contract with Approval as to Form by the Department of the Attorney General Under a Competitive Bidding Process for a Contract for Goods and Services to Collect Entrance Fees and Conduct Parking Management Services at Diamond Head State Monument Kāne‘ohe, Wāikīkī, O‘ahu, TMK: (1) 3-1-042:006 (Por.)

Project / Reference No.: SP1401DHSM01

Project Location: Kāne‘ohe, Wāikīkī, O‘ahu

Project Description: Sealed Bid Solicitation for Entrance Fee Collection at Diamond Head State Monument

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

Exemption Class No.: In accordance with Hawaii Administrative Rule Section 11-200-8(a)(1), the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1 which exempts, "Operations, repairs, or maintenance of existing structures, facilities, equipment, or topographical features, involving negligible or no expansion or change of use beyond that previously existing."

If approved by the Board, the contract for fee collection and parking management replaces a previous contract where there is no expansion of park use or boundaries that which previously existed.
Recommendation: It is recommended that the Board find that this action will probably have minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment.

[Signature]
William J. Aiko, Jr., Chairperson