

August 08, 2008

Sheehan Family Limited
P.O. Box 81
Hanalea, HI 96714

Dear Sheehan Family:

SUBJECT: Rent Schedule for Koke`e Residential Lease for SP 0309,
New Twenty Year Lease, Lot 13, Halemanu Road

Thank you for advising us that you will be obtaining an appraisal in order to negotiate the proposed lease rent. As previously stated, we are not going to provide a copy of our appraisal or information about it at this time. Once your appraisal is complete and you have provided us with your appraiser's proposed lease rent, we will discuss with you procedures for exchanging additional information.

Very truly yours,

DANIEL S. QUINN
State Parks Administrator

5198.6

Sheehan Family Limited Partnership
P.O. Box 81
Honolulu, Hawaii 96714

RECEIVED
STATE PARKS DIV

08 JUL 30 12:43

July 29, 2008

DEPT OF LAND &
NATURAL RESOURCES

Mr. Daniel S. Quinn
Department of Land and Natural Resources
Parks Department
P.O. Box 621
Honolulu, Hawaii 96809

Re: Rent Schedule for Koko's Residential Leases
GL- S-4979 Lot 13 Halemanu Road

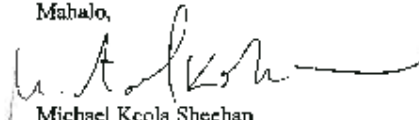
Dear Mr. Quinn,

Following the Land Board meeting of July 25, 2008, and pursuant to Act 225, please be advised that we will be performing our own appraisal of our Leased Premises. The appraiser will be Katie Otsuji of Appraisal Services Kaua'i.

In order for us to evaluate the fairness of the proposed new rent schedule, it is important to know the method or formula you are using to come up with the new rents. Is it based on a percentage of appraised value? Is it based on a certain price per square foot for land and buildings? The new rents appear to be very uniform, while the size and conditions of the cabins vary significantly.

I would like to request a copy of the State appraisal done on our Leased Premises, particularly since we are being asked to pay for it. It would be very helpful in evaluating the anticipated disparity in appraised values, and allow for a honest, open and fair means of evaluating the proposed new rent schedule.

Mahalo,



Michael Keola Sheehan
For Sheehan Family Limited Partnership

Cc: Land Board Members

07/23/08
Dear Brenda,

For a number of years, I've tried to inject a note of reason into the ongoing discussion on the leaseholds. Lauren and Dan (as well as the consultant) will confirm this, and I hope confirm also that I've been effective in putting out the fires - at least quite a nyumber of those fires in relation to the cabins. Thank you. We appreciate your input.

I can't work without information, and I am getting increasing numbers of calls and emails asking me for appraisals and the scientific basis for the well-head protection zone. I've looked on the EPA web site and can find nothing re: pre-existing cesspools in the vicinity of a well. Hawaii State Department of Health tells me that the rules would apply only to new construction, or an increase in the number of bedrooms/bathrooms. We are not going to provide the appraisal for the reasons previously stated. As to cesspools, we agree that rules REQUIRE replacement of cesspools only in the event of new construction or certain improvements. For that reason, we are not looking to replace all the cesspools. The well head protection zone lots are mauka of the wells. We have been advised by consultant R.M. Towill that replacement of those cesspools is prudent and advisable even if not necessarily required. The need to remove cesspools and replace with an approved wastewater treatment system will be reflected in lease rent.

Please remember that, from our point of view, the wells are newcomers. Until the mid-1980s, our water source was from an open stream. The first well was put in about 1985 (?) and the second not until about 2000 (?). A third exploratory well was drilled in late 2005 or 2006. Some of the cabins have been there since 1918 - and my own since 1940 or 1941.

Me ke aloha,

Frank O. Hay

Dear Brenda,

As you might expect, the requirement to install a septic system for those of us within the proposed well-head protection zone has generated some discussion. In particular, we can find no hard requirement in State or Federal regulations that applies to existing construction. Have we missed something?

It's of considerable importance to those who have to spend \$10K or more, and I would very much appreciate a reference to the appropriate regulation.

Is this potentially "fixing something that ain't broke"?

Me ke aloha,

Frank O. Hay

07/22/08

Dear Brenda,

The natives are restless and I've been fielding quite a number of calls. I spoke with an appraiser on Kauai over the weekend, and he told me that he would be unable to prepare a second appraisal without seeing the first (Hastings et al.) appraisal.

I would assume that DLNR will provide us with the appraisal in exchange for our \$404.25. Can I send you a check for that amount? When could I expect a copy of the appraisal? *Lessees will not be getting our appraisals until their own are completed (at which time we may or not be willing to exchange). Your appraiser needs to be preparing his or her independent appraisal not critiquing the methodology in ours.*

Would you also please provide the cost basis for the amount we are asked to reimburse [incidentally, a number of people are unhappy about that, on principle - as one might expect]. If the contract was for \$23K, that amount would indicate approximately a \$200 cost basis. *The total cost for the appraisal was _____ which is divided among the 92 lots proposed to be leased pursuant to the Act.*

In reviewing the terms of the lease, I noticed at page 7, paragraph 13 Assignments: a provision for a lease premium, based on the Board's Assignment of Lease Evaluation Policy. I intend, some years from now, to transfer my lease to my niece and nephew at no charge. Would they be liable for some premium? Could you please provide a copy of that policy. *A copy of the lease premium policy is attached and will also be posted at the website. We prefer not to comment in advance as to its application to specific cases.*

You may also not be aware that, for many of us, fire insurance is not obtainable. For example, I'm sixteen miles from the nearest fire station, a mile in from the paved road, up a narrow winding driveway [TMK 1-4-04:43]. I have not been able to secure fire insurance since Hurricane Iniki. Thank you very much. *We are not willing to take this clause out at this time, but might be willing to consider additional alternatives during negotiations. As you know one of the cabins (Cronrod) previously burned down and this presents a genuine issue.*

Me ke aloha,

Frank O. Hay