Consent to Assignment of General Lease of Easement No. S-5174, Hilton Hawaiian Village LLC, Assignor, to Hilton Hawaiian Village Lessee LLC, Assignee, Waikiki, Honolulu, Oahu, Tax Map Key: (1) 2-3-037:021 and (1) 2-6-008:029.

APPLICANT:
Hilton Hawaiian Village LLC, a domestic limited liability company, as Assignor, to Hilton Hawaiian Village Lessee LLC, a foreign limited liability company, as Assignee.

LEGAL REFERENCE:
Section 171-36(a)(5), Hawaii Revised Statutes, as amended.

LOCATION and AREA:
Portion of Government lands about 15,677 square feet, more or less, situated at Duke Kahanamoku Beach, Waikiki, Honolulu, Oahu, identified by Tax Map Key: (1) 2-3-037:021 and (1) 2-6-008:029, as shown on the map attached as Exhibit A1 to A2.

TRUST LAND STATUS:
Section 5(a) lands of the Hawaiian Admission Act
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: No

CHARACTER OF USE:
Right, privilege, and authority to construct, reconstruct, use, maintain and repair the umbrella pads, beach sidewalks, utilities, footshowers, and storm drainage lines on, over, and across State land at Kalia, Waikiki.
TERM OF LEASE:

55 years, commencing on October 10, 1986 and expiring on October 9, 2041.

ANNUAL RENT:

$4,080.00, subject to rental reopening every 10 year of the easement during the term. Last reopening happened on October 10, 2016 pending acceptance of the rent from the lessee.

RECOMMENDED PREMIUM:

Not applicable as the subject easement does not allow for a premium.

DCCA VERIFICATION for ASSIGNOR and ASSIGNEE:

Place of business registration confirmed: YES X NO __
Registered business name confirmed: YES X NO __
Good standing confirmed: YES X NO __

REMARKS:

The subject easement was issued by direct negotiation to Hilton Hawaiian Village Joint Venture commenced in 1986 for a term of 55 years over the area shown on Exhibit A2. In 1991, the easement was amended to include an additional 180-square foot area and other housekeeping provisions. In 1998, the lessee changed its name to Hilton Hawaiian Village LLC.

As part of the corporate reorganization of Hilton Worldwide Holdings, Inc. (Hilton), the parent entity of the Assignor, substantially all of Hilton’s real estate assets, including Hilton Hawaiian Village, will be transferred to one of its subsidiaries, Park Hotels & Resorts Inc. (PHR), which was formerly known as Hilton Worldwide, Inc. Shares in PHR will be distributed to Hilton’s public shareholders, making Park a separate public company. Both the Assignor and the Hilton Hawaiian Village Lessee LLC (Assignee) are currently subsidiaries of PHR and will remain subsidiaries of PHR following the reorganization. PHR will elect to qualify as a Real Estate Investment Trust under the U.S. tax laws and will cause the Assignor to lease the hotel to the Assignee, which will enter into a management agreement with Hilton Management LLC (a subsidiary of Hilton and the current manager of the hotel) for the continued daily operation of the hotel. There will be no change in the operation or the daily management of the hotel or the subject concession contract.

Paragraph 13 of the subject easement stipulates that “…the Lessee shall not transfer or assign this lease or any interest therein …provide that with the prior written approval of the Board the assignment and transfer of this lease or unit thereof may be made where anyone of the following conditions are applicable: … (3) it is to the corporate successor
of the Lessee...”.

The assignment would ensure that the holder of the easement is the same entity that controls the hotel. Counsel representing the Hilton group indicates that the Assignor is not expecting to be released from its obligation under the easement. As the Assignor and Assignee are affiliated entities under common control of PHR, staff believes the corporate changes will not alter the daily operation provided under the easement. Therefore, staff recommends the Board consent to the assignment as described above.

Staff did not solicit comments from other agencies as the request pertains to housekeeping purposes only with no change in use or extent of the State land involved.

RECOMMENDATION: That the Board consent to the assignment of General Lease of Easement No. S-5174, between Hilton Hawaiian Village LLC, as Assignor, and Hilton Hawaiian Village Lessee LLC, as Assignee, subject to the following:

1. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time;

2. Review and approval by the Department of the Attorney General; and

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

Respectfully Submitted,

Barry Cheung
District Land Agent

APPROVED FOR SUBMITTAL:

Suzanne D. Case, Chairperson
Subject Location

TMK (1) 2-3-037:021 and 2-6-008:029

EXHIBIT A1
TMK (1) 2-3-037:021 and 2-6-008:029

EXHIBIT A2