

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

June 9, 2017

Ref. No.: GLS-4575

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

KAUAI

Approval of 25-Year Term Extension of General Lease No. S-4575, Fran Shizuno Miyake, Norman David Thompson, and Karen Edith Thompson, Lessee, Nawiliwili Harbor Lots, Lihue, Kauai, Tax Map Key: (4) 3-2-004:014.

APPLICANT AND REQUEST:

Fran Shizuno Miyake, married, tenant in severalty to a one-half undivided interest.

Norman David Thompson, and Karen Edith Thompson, husband and wife, as tenants by the entirety as to a one-half undivided interest.

Proposed improvements to leasehold property will be financed by the Lessee, Fran Shizuno Miyake, Norman David Thompson, and Karen Edith Thompson, pursuant to Act 207, Session Laws of Hawaii and Section 171 36(b) in the amount of approximately \$272,915.00.

In order for Lessee to fully amortize its expenditures, the Lessee is requesting a 25-year extension of General Lease No. S-4575. The extension shall commence on November 30, 2017 and expire on November 29, 2042 for an aggregate term (initial 40 year term plus 25-year extension) of 65 years.

LEGAL REFERENCE:

Act 207, Session Laws of Hawaii 2011
Sections 171 36(b)(3), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Nawiliwili Harbor Lots situated at Lihue, Kauai, identified by Tax Map Key: (4) 3-2-004:014, as shown on the attached map labeled Exhibit A.

AREA:

.576 acre, more or less.

TRUST LAND STATUS:

Section 5(a) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution:

YES _____ NO x

CHARACTER OF USE:

Industrial purposes.

TERM OF LEASE:

Original term of 40 years, commencing on November 30, 1977, and expiring on November 29, 2017.

Requested extension of 25 years commencing on November 30, 2017 and expiring on November 29, 2042.

ANNUAL RENTAL:

\$45,000.00 Due in semi-annual installments of \$22,500.00 on May 31st and November 29th of each year.

RENTAL REOPENINGS:

Reopenings in the original term were at the end of the 20th, and 30th years of the term. The last rental reopening occurred on November 30, 2007.

Reopenings for the extended term shall be on November 30, 2017, November 30, 2027 and November 30, 2037.

PROPOSED IMPROVEMENTS:

The Lessee proposes to install a new roof over the existing roof on the building at a cost of \$272,915.00. In recent years, Lessee expended approximately \$70,000 to replace three of four 12-foot wide roll-up doors and replaced the siding on the front of the building.

DCCA VERIFICATION:

| | | |
|---|------------------|----|
| Place of business registration confirmed: | YES <u> x </u> | NO |
| Registered business name confirmed: | YES <u> x </u> | NO |

Applicant in good standing confirmed: YES x NO

APPLICANT REQUIREMENTS:

Applicant shall be required to:

1. Complete approximately \$228,035.00 worth of improvements to the lease premises by November 29, 2019, and provide the Kauai District Land Office (KDLO) with copies of receipts for the improvements made.

REMARKS:

On June 13, 1975, item F-30, the Land Board approved the issuance of General Lease No. S-4575, a 40-year lease for industrial purposes. Hiroshi Azeka and Patsy Toshiko Azeka was the winning bidder through a public auction held on November 30, 1977.

On April 14, 1978, the Land Board under item F-1-j, approved the request to assign the lease from Hiroshi Azeka and Patsy Toshiko Azeka, assignor, to Hiroshi Azeka and Patsy Toshiko Azeka, husband and wife, as tenants by the entirety as to a one-half undivided interest, and Norman David Thompson and Karen Edith Thompson, husband and wife, as tenants by the entirety as to a one-half undivided interest, as assignees, the whole being held as tenants in common.

Patsy Toshiko Azeka passed away on February 27, 2007. Upon her death, Hiroshi Azeka succeeded to the entire ownership of a one-half interest of the lease.

By letter dated May 24, 2013, Mr. Walton D.Y. Hong, Attorney at Law, on behalf of Hiroshi Azeka, Norman D. Thompson, and Karen E. Thompson, requested a 25-year term extension of General Lease No. S-4575. Lessee is planning a major re-roofing of the building on the leasehold premises, at a proposed cost of about \$272,915.00. (Exhibit B)

On August 15, 2013, Mr. Wendel M. Ishida, Real Estate Appraiser, conducted an onsite physical inspection of the overall current condition and economic remaining life of the building to be at least twenty-five (25) years. (Exhibit C)

Mr. Hiroshi Azeka passed away on April 2, 2014. An order approving final accounts and distribution and settling estate was approved by the Circuit Court of the Fifth Circuit on April 20, 2015. The order vested title of Mr. Azeka's one-half interest in the lease to his daughter, Fran Shizuno Miyake. At its meeting of February 26, 2016, agenda Item D-2, the Board consented to the assignment of Mr. Azeka's interest in the lease to Ms. Miyake.

The subject lease premises are being used substantially for the purpose for which they were leased.

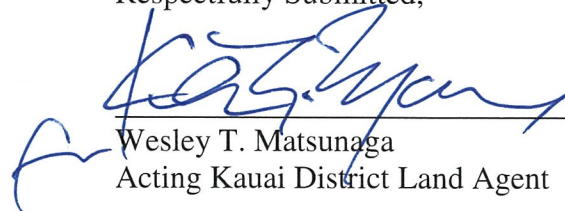
Staff reviewed the file and can report that for the past two (2) years, Lessee had no Notices of Default and that for the past two (2) years; rents, bond, liability and fire insurances have been current, with insurances expiring on January 7, 2018. A combination of bonding and cash in the amount of \$92,660 is being held for the performance bond. The Lessee has never been cited for any other illegal or unlawful activity on the State property. There is no outstanding rental reopening issues.

Staff did not solicit comments from other agencies on the subject request, as there will be no changes to the land use.

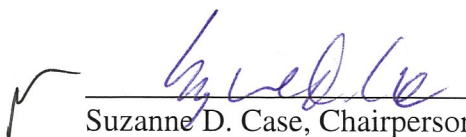
RECOMMENDATION: That the Board:

1. Subject to the Applicant fulfilling the Applicant requirements listed above, Approve a 25-Year Term Extension of General Lease No. S-4575, 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 lease extension form, as may be amended from time to time;
 - B. Lessee shall complete its proposed improvements of approximately \$272,915.00 by November 29, 2019, and submit to Land Division staff receipts verifying payment for the improvements, or the extension shall be subject to cancellation;
 - C. Review and approval by the Department of the Attorney General; and
 - D. Such other conditions as may be prescribed by the Chairperson, which are in the best interests of the State.

Respectfully Submitted,


Wesley T. Matsunaga
Acting Kauai District Land Agent

APPROVED FOR SUBMITTAL:


Suzanne D. Case, Chairperson

Tax Map Location

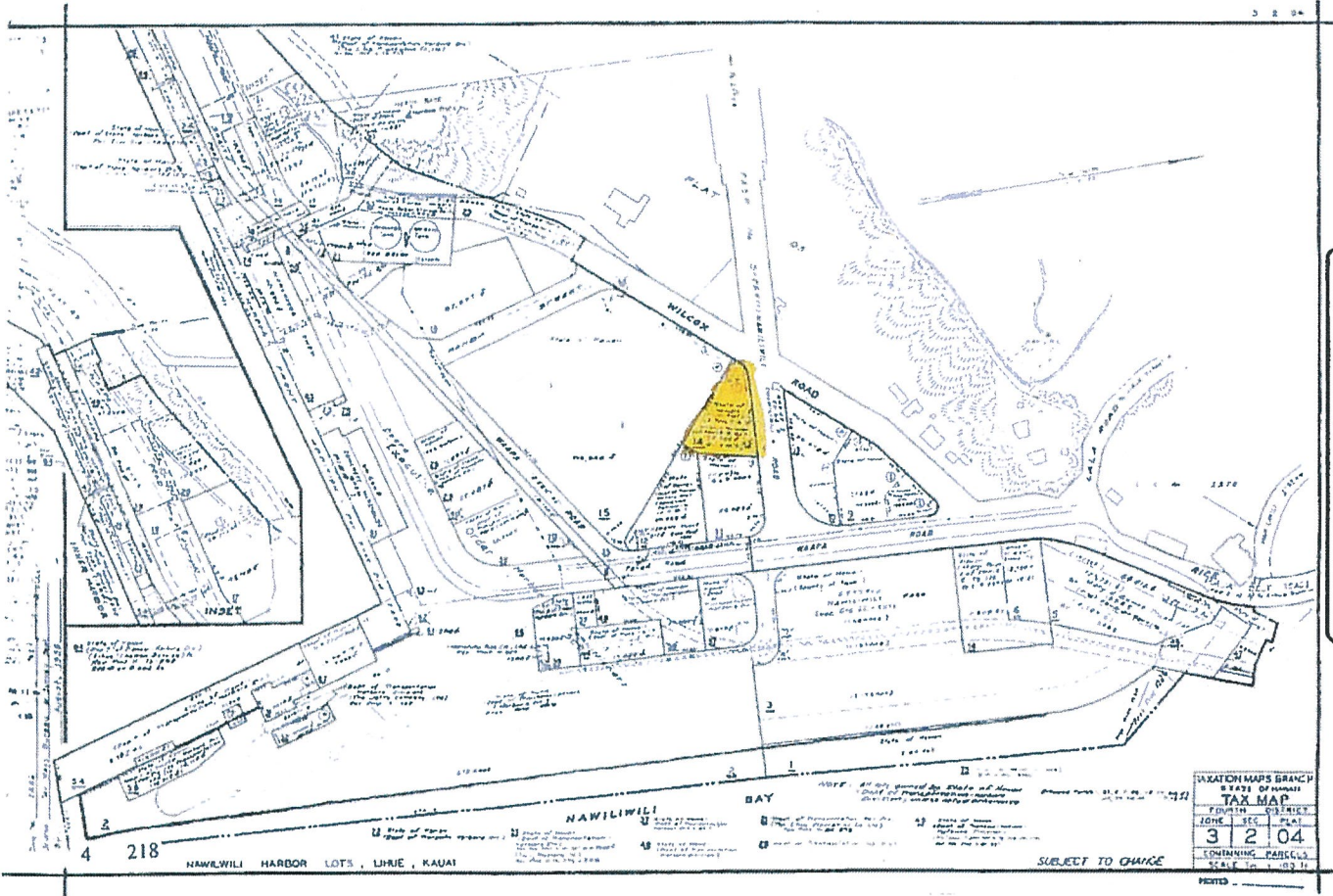
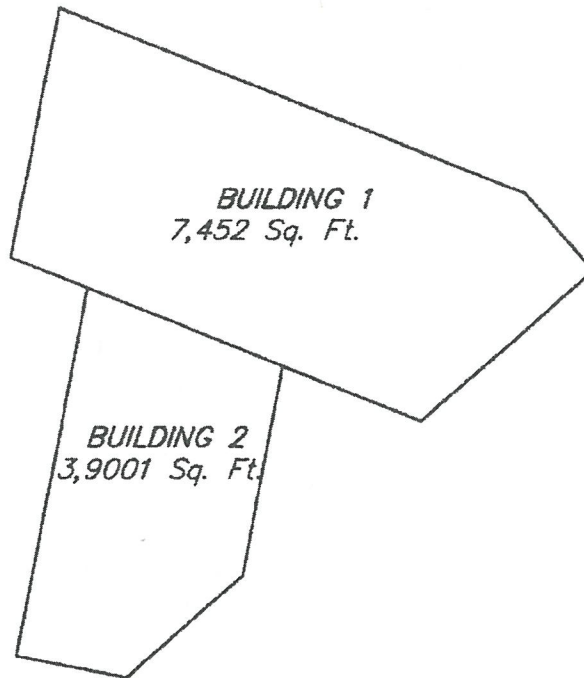


EXHIBIT A



TOTAL BUILDING FLOOR AREA=11,353 Sq. Ft.

WAREHOUSE BUILDINGS 1 AND 2

LOT 1

of Nawiliwili Harbor Lots

At Nawiliwili, Kauai, Hawaii

Tax Map Key J-2-04:14

March 25, 2010

Map Prepared for: Norman D. Thompson

H10-1020

HIRANAKA SURVEYING AND MAPPING
Lihue, Kauai, Hawaii

EXHIBIT A

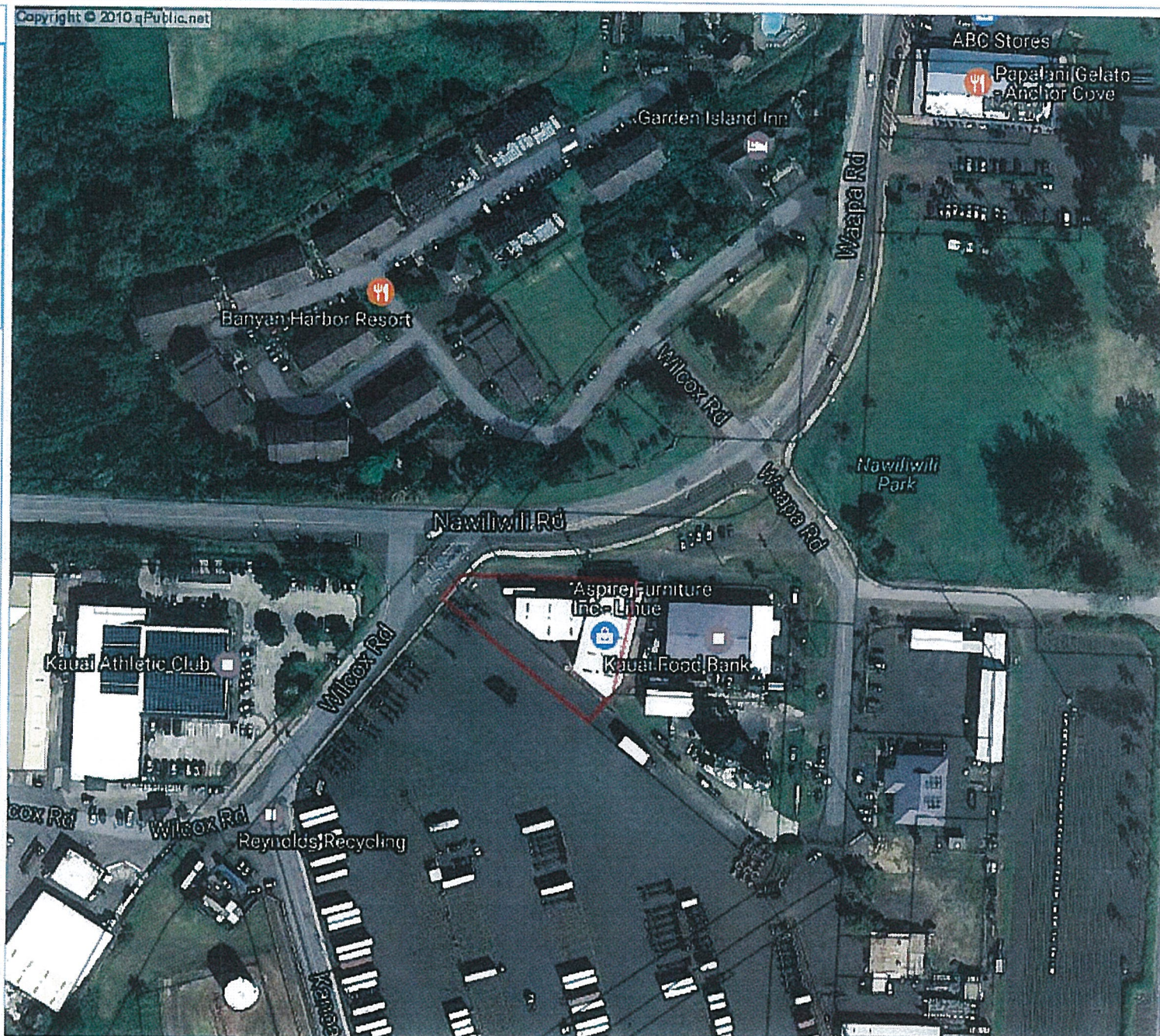
Controls

Available Layers

- ☒ Parcels
- ☐ Parcel Numbers
- ☐ Address #
- ☐ Yearly Sales
- ☐ Buildings
- ☐ Streets (Google)
- ☐ Satellite (Google)
- ☒ Hybrid (Google)
- ☐ Physical (Google)


[Show Scale](#)

EXHIBIT A



WALTON D.Y. HONG

LAW OFFICES OF

WALTON D.Y. HONG

ATTORNEY AT LAW
A Law Corporation
3135 AKAHI STREET, SUITE A
LIHUE, KAUAI, HAWAII 96766-1106

TELEPHONE (808) 245-4757
TELECOPIER (808) 245-5175

May 24, 2013

Department of Land and Natural
Resources of the State of Hawaii
Land Division
Attention: Milo Spindt
Land Agent
3060 Eiwa Street, Room 208
Lihue, HI 96766

Re: Request for extension of State General Lease S-4575
Hiroshi Azeka, Norman D. Thompson, and Karen E. Thompson, Lessees

Gentlemen,

We represent Hiroshi Azeka, Norman D. Thompson and Karen E. Thompson, who are the lessees under State of Hawaii General Lease S-4575. The Lease is for premises situated at Nawiliwili, Kauai, Hawaii, and more particularly identified as Kauai Tax Map Key: 3-2-04-14.

Upon learning that the maximum term for which the Lease can be extended is for an additional twenty-five years, please consider this letter as superseding and replacing my letter of May 17, 2013.

The Lease will currently terminate on November 29, 1917, and the Lessees are respectfully requesting that the term of the Lease be extended for an additional twenty-five (25) years, or until November 29, 2042.

The basis for the extension is the desire of the Lessees to replace the roof on the existing building. Although the Lessees have spent in excess of \$70,000.00 in repairing and maintaining the building over the years, the roof needs repair or replacement. Attached is a copy of a letter, dated April 23, 2013, from The Consolidated Corp. for the proposed roof replacement, at a cost of \$228,035.00.

Such a cost cannot be justified over the 4½ years remaining on the Lease, and the Lessees believe that the maximum 25-year extension would permit them to appropriately and reasonably recover the investment in the roof replacement. The Lessees understand that the lease rental

EXHIBIT B

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4-901 KUHIO HWY. SUITE H
KAPAA, HAWAII 96746
Ph: (808) 821-9771
Fax: (808) 821-9771

THE CONSOLIDATED CORP.

May 4, 2017

Dave Thompson

Kapaa, HI 96746

We propose to furnish labor, material and equipment necessary to complete in place new roof with appurtenances at warehouse building on Nawiliwili Road, TMK 3-2-004-014 for the sum of Two Hundred Seventy Two Thousand Nine Hundred Fifteen dollars (\$272,915).

Work includes new 24 gauge long span roof panel by American Buildings Company over 16 gauge G 90 roof hugger over existing roof. New R - 13 4" insulation and new flashings. Tax included.

Not included are plans and permits or anything else not mentioned above.

Any questions or comments, please call us.

Thank you,

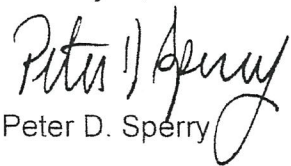

Peter D. Sperry

EXHIBIT B

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WENDEL M. ISHIDA
Real Estate Appraiser
3790 Lohe Road, Kalaheo, Hawaii 96741
Telephone (808) 332-9476 * Fax (808) 332-9652

August 15, 2013

Mr. Norman David Thompson

Kapaa, Hawaii 96746

RE: Consulting Inspection on:
Warehouse located at
TMK: (4) 3-2-04-14

Lihue, Kauai, Hawaii 96766

Dear Norman,

Pursuant to your request, on July 26, 2013, I conducted an inspection and reviewed documentation provided on recent and proposed repairs/maintenance of the above warehouse property.

I understand that your request is in response to the State of Hawaii's Department of Land and Natural Resources requirement that the improvements have an economic remaining life of at least 25 years.

Recent noted replacements to the building includes the re-siding of the entire front of the building, and the replacement of 3 out of 4 (12') roll up doors. A proposal for upgrading the roof (repair and cover with membrane coating) plus the replacement of the 4th roll up door was also noted and is considered in this analysis. Additionally, it has been my personal observation since appraising the property in 1987 and in passing the over the past 26 years, that the building had been diligently maintained.

Based on my onsite physical inspection and review of recent and proposed work related to the building, plus its' overall current condition, it is my professional opinion that the improvements will meet the State's requirement that the overall economic remaining life is at least 25 years.

Please let me know if further clarification or information is required.

Sincerely,



Wendel M. Ishida (CGA 172)
Real Estate Appraiser

EXHIBIT C