

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

July 14, 2017

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

Hawaii

Consent to Assign General Lease No. S-5162, Mauna Lani Resort (Operation), Inc. Assignor, to DHL Mahi Opco, LLC, Assignee, Lalamilo, South Kohala, Hawaii, Tax Map Key: (3) 6-9-001:017.

APPLICANT:

Mauna Lani Resort (Operation), Inc., as Assignor, to DHL Mahi Opco, LLC, a Delaware corporation, as Assignee.

LEGAL REFERENCE:

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

LOCATION:

Portion of Government lands situated at Lalamilo, South Kohala, Hawaii, identified by Tax Map Key: (3) 6-9-001:017, consisting of approximately 230.067 acres more or less as shown on the attached map labeled Exhibit A.

AREA:

230.067 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

CHARACTER OF USE:

Archaeological park, public beach park, public access roadway to archaeological park and public beach park and commercial recreational use, including but not limited to golf course.

July 14, 2017

TERM OF LEASE:

55 years, commencing on July 24, 1987 and expiring on July 23, 2042. Last rental reopening occurred on July 24, 2007; next rental reopening is scheduled for July 24, 2017.

ANNUAL RENTAL:

\$71,200.00 due in semi-annual payments of \$35,600.00.

CONSIDERATION:

\$ 173,643.58

RECOMMENDED PREMIUM:

No premium required. See Exhibit B.

DCCA VERIFICATION:

ASSIGNOR:

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

ASSIGNEE:

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

REMARKS:

General Lease No. S-5162 (GL S-5162) was issued to Mauna Lani Resort, Inc. for a term of 55 years commencing on July 24, 1987 for the following purposes: (1) an archaeological park; (2) a public beach park; (3) public access roadway to the archaeological park and public beach park; and (4) commercial recreational use, including but not limited to golf course.

At its meeting of October 27, 1995, Item F-1-c, the Board of Land and Natural Resources approved as amended a request for the assignment of the lease to Mauna Lani Resort (Operations), Inc. (MLRI), and the assignment was executed effective as of January 1, 1996.

The subject assignment is a result of the sale of the Mauna Lani Resort property. The Assignor also owns the Mauna Lani Bay Hotel and Bungalows along with the Francis H. I'i Brown Golf Courses (North Course & South Course) and is selling substantially all its assets within the Mauna Lani Resort, including its interest in GL S-5162, to the Assignee. Included in the lease are two (2) holes comprising a portion of the North Course along with an archaeological park and beach area with restrooms and other improvements. See June 22, 2017 inspection photographs attached as Exhibit C.

July 14, 2017

A majority of the property is unimproved land and in conservation zone general. It is covered mostly with kiawe trees and is mauka of the Puako Beach Residential Subdivision. There is a dirt roadway along the back side of the subdivision used for fire mitigation purposes. This road is maintained by the Puako Community Association in cooperation with the Lessee and County of Hawaii Fire Department.

The Lessee is current with all terms and conditions of the lease including rent, insurance and performance bond.

The Assignee has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

The last rental reopening occurred on July 24, 2007. The next rental reopening is scheduled for July 24, 2017.

RECOMMENDATION:

That the Board consent to the assignment of General Lease No. S-5162 from Mauna Lani Resort (Operation), Inc. Assignor, to DHL Mahi Opco, LLC, 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,

  
\_\_\_\_\_  
Gordon C. Heit  
District Land Agent

APPROVED FOR SUBMITTAL:

  
\_\_\_\_\_  
Suzanne D. Case, Chairperson



General Lease No. S-5162  
Mauna Lani Resort (Operation), Inc.

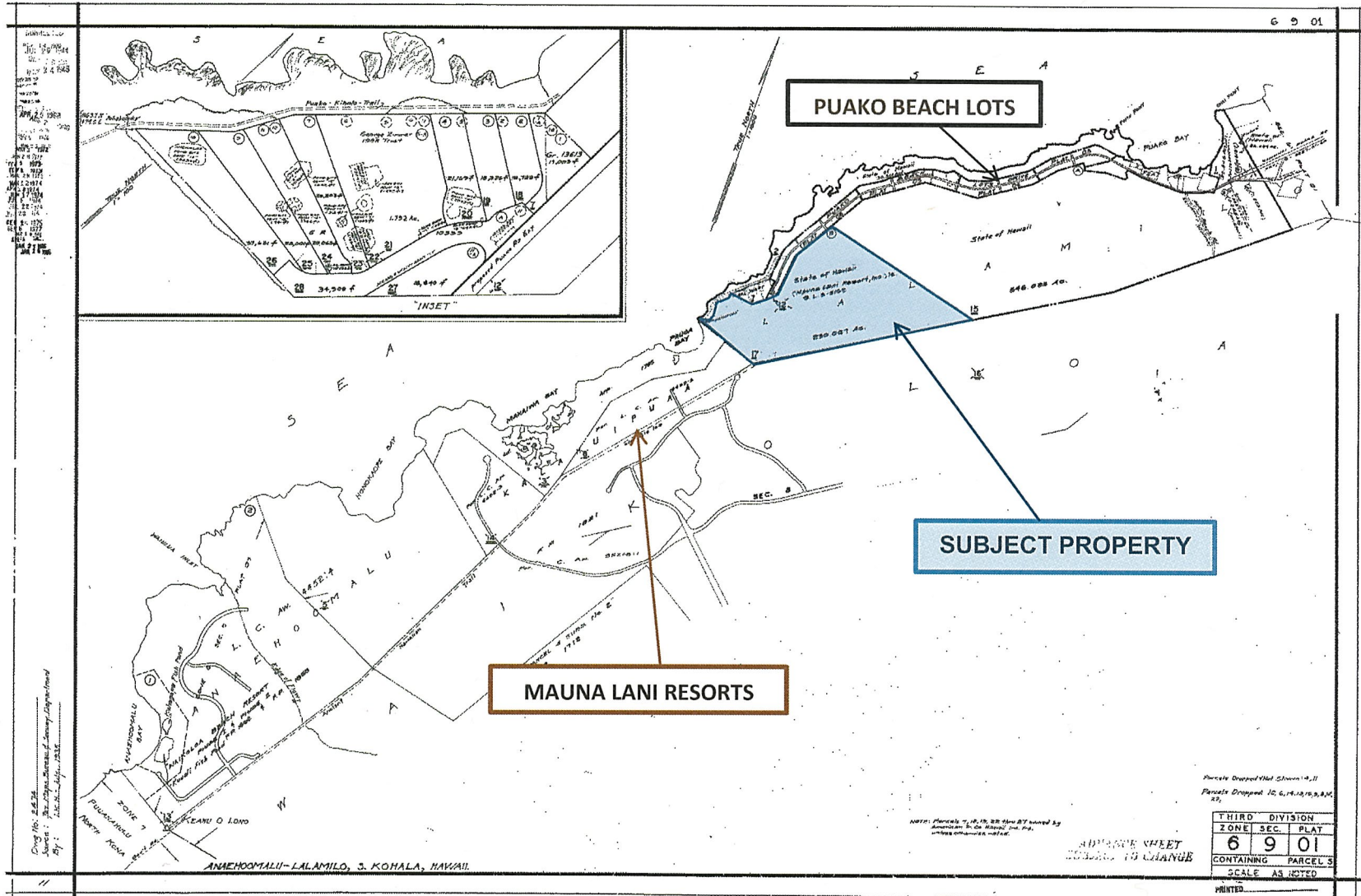


EXHIBIT A





STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division

75 Aupuni Street, Room 204  
Hilo, Hawaii 96720  
PHONE: (808) 961-9590  
FAX: (808) 961-9599

June 20, 2017

MEMORANDUM

TO: Suzanne D. Case, Chairperson

THROUGH: Russell Y. Tsuji, Division Administrator

FROM: Gordon C. Heit, District Land Agent

SUBJECT: In-House Recommendation – Assignment of Lease Calculation

GL No.:	S-5162
Lessee/Assignor:	Mauna Lani Resort (Operation), Inc.
Assignee:	DHL Mahi Opco, LLC
Location:	Lalamilo, South Kohala, Hawaii
Land Area:	230.067 acres more or less
Tax Map Key:	(3) 6-9-001:017
Char. of Use:	Archaeological park, public beach park, public access roadway to archaeological park and public beach park and commercial recreational use, including but not limited to golf course.

We have been requested to provide an in-house evaluation of the assignment premium due to the State for an assignment of GL S-5162 resulting from the acquisition of the assets of Mauna Lani Resort (Operation), Inc. by DHL Mahi Opco, LLC. The lease documents and information provided by lessee were analyzed and staff applied the formula approved by the Land Board on December 15, 1989, agenda item F-10, comprising of the Assignment of Lease Evaluation Policy.

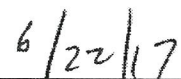
Net consideration	\$173,644
Actual improvement cost	\$1,262,332
Adjusted improvement cost	\$1,380,450
Less depreciation (10 yr. lifespan)	<u>(\$752,973)</u>
Depreciated value of improvements & fixtures	\$627,477
Less adjusted improvement cost	<u>(\$1,380,450)</u>
Excess	(\$453,834)
Premium % (30 years elapsed)	25%
Premium	(\$113,458)

**EXHIBIT B**

Based on these calculations, there is no assignment of lease premium due the State for General Lease No. S-5162.

Approved/Disapproved:

  
\_\_\_\_\_  
Suzanne D. Case, Chairperson

  
\_\_\_\_\_  
Date

cc: District Branch Files  
Central Files





ENTRANCE TO BEACH PARK



BEACH PARK PAVILLION





PATHWAY TO BEACH AREA



PATHWAY FROM BEACH AREA





ENTRANCE TO PETROGLYPH ARCHAEOLOGICAL TRAIL



PETROGLYPH ARCHAEOLOGICAL SIGNAGE





9TH HOLE – NORTH GOLF COURSE - VIEW OF FAIRWAY FROM TEE



10TH HOLE – NORTH GOLF COURSE - VIEW OF FAIRWAY FROM PUTTING GREENS