

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

September 8, 2017

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

Hawaii

Approve a 10-Year Term Extension of General Lease No. S-5001, Pubtime, Inc., Lessee, Pursuant to Act 207, Session Laws of Hawaii 2011; Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-2-032:010.

APPLICANT AND REQUEST:

Pubtime, Inc., lessee, a Hawaii for-profit corporation.

Improvements to the leasehold property financed by the lessee pursuant to Act 207, Session Laws of Hawaii 2011 and Section 171-36, Hawaii Revised Statutes in an amount of approximately \$65,000.00.

In order for the Lessee to fully amortize its expenditures, Lessee is requesting an extension of General Lease No. S-5001 for a period of 10 years, commencing on March 31, 2022 and expiring on March 30, 2032 for an aggregate term of 65 years (initial 55 year term plus the 10 year extension).

LEGAL REFERENCE:

Sections 171-36, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-2-032:010, as shown on the attached map labeled Exhibit A.

AREA:

43,048 square feet, 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:

Business purposes

TERM OF LEASE:

Original term of 55 years, commencing on March 31, 1967 and expiring on March 30, 2022.

Request for an extension of 10 years commencing on March 31, 2022 and expiring on March 30, 2032.

ANNUAL RENTAL:

Current rent is \$29,640.

RENTAL REOPENINGS:

Rental reopenings in the original term were at the end of the 15th, 25th, 35th and 45th years of the term. The last rental reopening occurred on March 31, 2012.

The rent for the extended term shall be determined by appraisal on March 31, 2022 to establish the rent for the extension period of March 31, 2022 through March 30, 2032.

IMPROVEMENTS:

Receipts provided to DLNR show that between July and December of 2016 the lessee made approximately \$65,000.00 of improvements to the property including:

- Roof replacement
- Remodel bar area including an addition of ~600sf of exterior lanai lounge area
- Update electrical and plumbing
- Replace rear parking area dirt surface with gravel
- Reconfigure front parking with designated handicap parking stalls
- Addition of exterior gas operated Tiki torches to landscaping.

DCCA VERIFICATION:

Place of business registration confirmed:	YES
Registered business name confirmed:	YES
Good standing confirmed:	YES

BACKGROUND:

At its meeting of November 19, 1965, Item F-8, as amended on April 15, 1966, Item F-20, the Board of Land and Natural Resources (Board) authorized the sale of a lease at public auction covering the subject parcel. One of the conditions of the lease was that the new lessee must complete construction improvements on the property of a minimum cost of \$75,000 within 18 months of the lease date. The successful bidders were Kiyomi and Fumie Kobata, husband and wife. General Lease No. S-5001 was subsequently executed on March 31, 1967. The Kobatas built a restaurant and bar on the premises.

On July 22, 1969, the Board consented to an assignment of the lease to the Kobatas' closely held corporation, K. Kobata & Sons, Inc., a Hawaii corporation.

At its meeting of December 15, 1995, Item F-1-b, the Board consented to an assignment of the lease from K. Kobata & Sons, Inc. to Rus Sho Den, Inc., a Hawaii corporation. Rus Sho Den, Inc. entered bankruptcy in September 1999. At its meeting of October 8, 1999, Item D-7 as amended, the Board consented to an assignment of the lease from Mary Loo Woo, Bankruptcy Trustee for Rus Sho Den, Inc. to Pubtime, Inc. (Pubtime).

Pubtime has held the lease since the 1999 assignment. At its meeting of July 22, 2009, the Board consented to an After the Fact 100% stock transfer in Pubtime, Inc. from Louis Santiago to Elaine Nakatani.

The current 55-year lease is set to expire on March 30, 2022 and the lessee is requesting a 10 year extension pursuant to Act 207, Session Laws of Hawaii 2011¹ to amortize the cost of improvements to the property of \$65,000.00.

In February 2017, Bloom Appraisers Inc., lessee consultant, tendered its report regarding the economic life of the proposed improvements to the leasehold premises. The report assesses that the improvements will extend the useful life of the property by approximately 20 years (refer to Exhibit B).

A site inspection on June 13, 2017 (inspection report attached as Exhibit C) revealed the property is well maintained and in good condition. The improvements that were done in 2016 added both value and life to the property. A remodel of the bar area opened up the room by replacing one long, solid wall with windows and a glass doorway out to an additional 600sf of exterior lanai/dining area. Updating of the electrical and plumbing brought the property into compliance with current County codes and allowed for the addition of exterior gas operated Tiki torches throughout the landscaping. The roof was replaced and all damaged rafters were replaced/repared. The rear parking area was revamped with the addition of gravel surfacing replacing the previous dirt/mud surface. The front parking lot was reconfigured to provide ADA compliant handicap parking

¹ Act 207, Session Laws of Hawaii 2011 amends Section 171-36(b) of the Hawaii Revised Statutes by allowing the Lessee to: Extend or modify the fixed rental period of the lease: provided that the aggregate of the initial term and any extension granted shall not exceed sixty-five years.

stalls. The lessee is planning to resurface the parking lot in the near future.

The Lessee is in compliance with the terms and conditions of the lease. The Lessee is current with rent, insurance and performance bond. A recent inspection showed good maintenance of the property and existing structures.

Staff is recommending that the rent payable for the 10-year extension period commencing March 31, 2022 be determined by appraisal at that time.

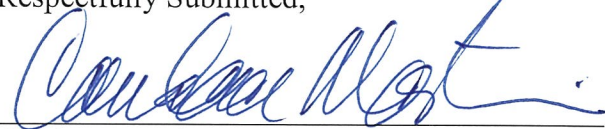
No agency comments were solicited on the request because it involves the extension of a lease; not a new disposition.

RECOMMENDATION:

That the Board, subject to the Applicant fulfilling the Applicant requirements listed above:

1. Authorize the extension of General Lease No. S-5001 to Pubtime, Inc. 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. Review and approval by the Department of the Attorney General; and
 - C. Such other conditions as may be prescribed by the Chairperson which are in the best interests of the State.

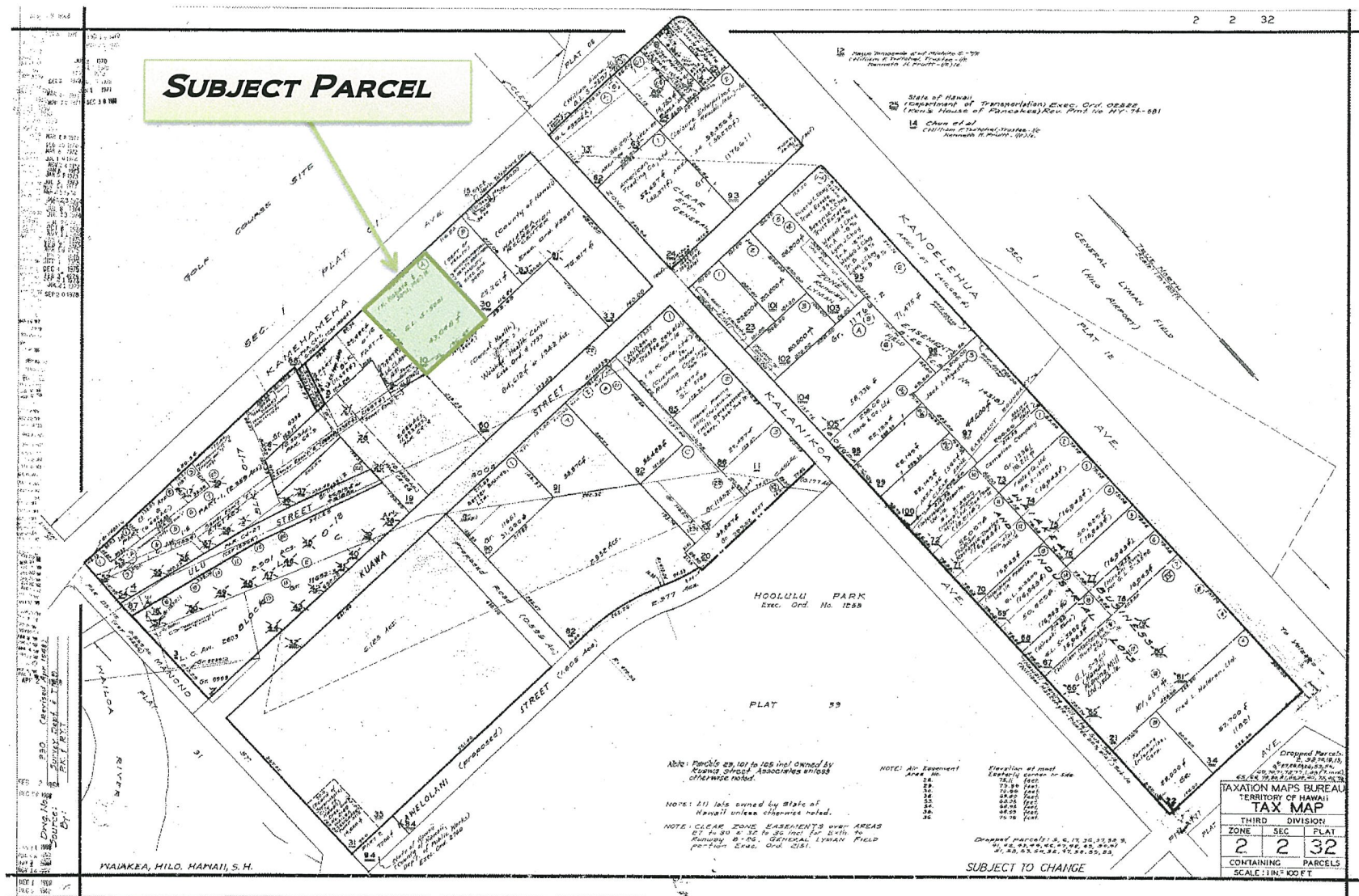
Respectfully Submitted,


Candace Martin
Land Agent

APPROVED FOR SUBMITTAL:


Suzanne D. Case, Chairperson

2 2 32



Bloom Appraisers Inc.
Real Estate Appraisers and Consultants
Bank of Hawaii Building
120 Pauahi Street, Suite 205
Hilo, Hawaii 96720
Phone: (808) 961-3704
Fax: (808) 961-4600
Email-bodhi@hawaii.rr.com

February 7, 2017

State of Hawaii Department of Land and Natural Resources
Land Division
75 Aupuni Street, Room 204
Hilo, Hawaii 96720

Attention: Candace Martin Land Agent

Re: Extension of General Lease No. S-5001, Pubtime, Inc., Lessee, Pursuant to Act 207. Session Laws of Hawaii 2011, Waiakea, South Hilo, Hawaii, TMK: (3) 2-2-032:010 located at 1550 Kamehameha Avenue Hilo, Hawaii 96720

Consulting Letter regarding the Economic Life of the existing improvements. Attached is our consulting letter regarding the economic life of the improvements for the next 10-year period beginning March 31, 2022 and expiring March 30, 2032.

The problem to be solved is to estimate the Fair Market Value of the improvements as of March 29, 2022. Before the lease expires March 30, 2032. Economic Life of the building in March 2022 was estimated to be 70 years and the effective age of 45 years or 60% depreciated. If the building continues to be maintained and the necessary repairs are completed the economic life was estimated to 70 years and the effective age was estimated to be 50 years. Depreciation from all sources was estimated to be 71%.

Subject property is a wood frame building. We recommend the following items be reviewed before extending the lease for additional 10 years.

Roofing report stating the condition of the roof will last 10-15 years.
Plumbing report stating the current plumbing meets the County of Hawaii standing.
Electrical report stating the building is up to code.
Painting contractor states that condition of the exterior will last 5 to 7 years.

CONSULTING LETTER

Thank you for a most interesting assignment


Respectfully submitted,

Robert G. Bloom Jr.

Robert G. Bloom, Jr. CGA-162
Certified General Appraiser
License No. CGA-162
License Renewal 12/31/2015

Signature: _____
Jaime Ortiz Nava, CRA-845
Certified Residential Appraiser
License No. CRA-845
License Renewal 12/31/2017

RGB/JON

INSPECTION REPORT
Commercial/Industrial/Resort/Other Business**General Information**Document Number: GLS 5001 or RPS _____Character of Use Business PurposesInspection Date: 06/13/2017 Inspection Time: 10amLand Agent: Candace Martin **TENANT INFORMATION**Name: Pubtime, Inc.

Home Phone: _____

Address: 561 Kaanini StreetBusiness Phone: (808) 990-5611Hilo, Hawaii 96720

Fax: _____

Contact Person: Elaine NakataniContact Phone: 990-5611**SITE INFORMATION**TMK: (3) 2-2-032:010Area: 43,048 square feetSite Address: 1550 Kamehameha AveHilo, Hawaii 96720**FISCAL INFORMATION**

ITEM	N/A	CURRENT= COMPLIANCE	DEFAULT = NON-COMPLIANCE	COMMENTS
Rent		X		
Liability Insurance		X		
Fire Insurance		X		
Bond		X		

FIELD INSPECTION RESULTS (refer to Field Inspection Worksheet)

ITEM	N/A	COMPLIANCE	NONCOMPLIANCE	COMMENTS
Subleases	X			
Improvements		X		
Premises		X		
Character of Use		X		

Field Inspection Worksheet
Commercial/Industrial/Resort/Other Business

File Review

LICENSES/PERMITS/CONSENTS

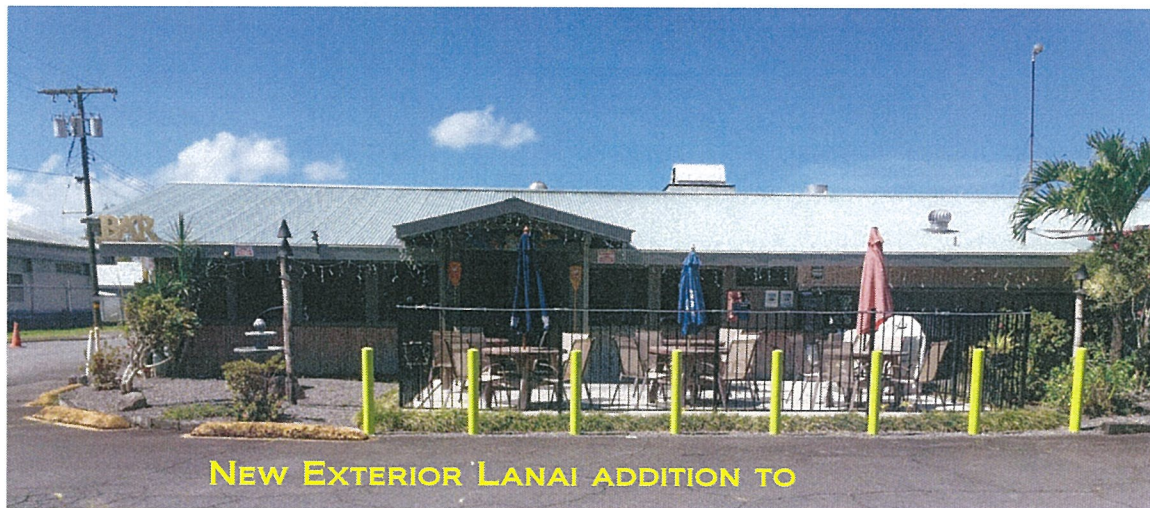
ITEM	DLNR Approval Docs in File			COMMENTS/NOTES/LISTS
	N/A	YES	NO	
Subletting	X			attach copy of list or map if applicable
Improvement Construction Buildings	X			note deadlines for % completion
Improvement Construction Other structures/misc.	X			note deadlines for % completion

Field Inspection

ITEM	SATISFACTORY?			COMMENTS/NOTES
	N/A	YES	NO	
SUBLEASES	X			
Consents approved	X			
Use adheres to lease purpose	X			
IMPROVEMENTS		X		
<u>Buildings/Residences:</u> roof		X		
paint		X		
exterior		X		
interior		X		
<u>Structures:</u> roads		X		Parking areas well kept
walkways		X		
fencelines				
others				
PREMISES		X		
clean, sanitary, orderly appropriate storage/use of hazardous materials	X			
CHARACTER OF USE adheres to lease purpose		X		

ITEM	SATISFACTORY?			COMMENTS/NOTES
	N/A	YES	NO	
Other:				

6/13/2017 – On site inspection showed a property that is being maintained well. Parking lot is in good repair. Most exterior surfaces recently painted. Well maintained landscaping. Visible improvements to exterior lanai, roof and rear parking area.



FRONT



Covered Entryway

Interior Entryway:
Bar to Left, Dining
Area to Right and
Gameroom straight
ahead



Gameroom Area
looking back down
Interior Entryway.



Garden Lanai Dining
Area entry

View of Garden from
Main Dining Area.
Garden Lanai Dining
Area to Left.



Main Dining Area and
Meeting Room

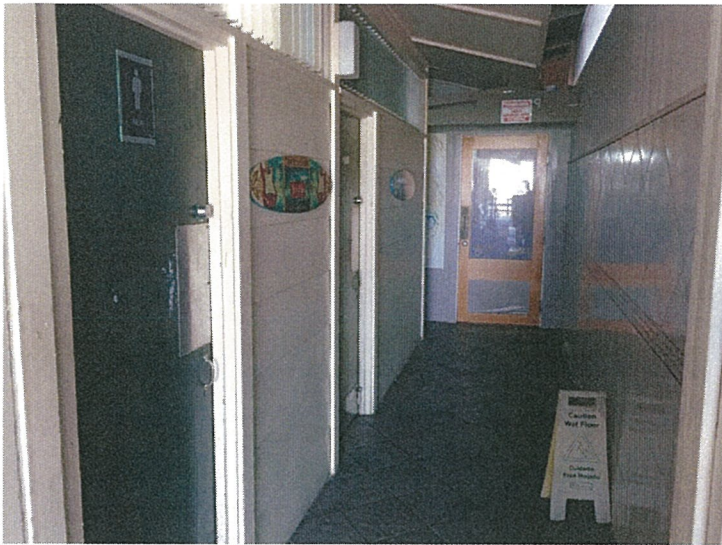


Bar Area

Dance floor in
Bar Area



Outside Lanai from Bar



Restrooms

Kitchen



Rear parking area and deliveries

