

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

September 8, 2023

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

PSF No. GL S-4201

Denial of Lease Extension for General Lease No. S-4201, Stephen Harold Frank, Trustee of the Stephen Harold Frank Living Trust dated March 27, 2014, also known as Stephen Harold Frank Revocable Trust, Lessee, Waiakea, South Hilo, Hawai'i, Tax Map Key: (3) 2-2-058:033.

APPLICANT:

Stephen Harold Frank, Trustee of The Stephen Harold Frank Living Trust dated March 27, 2014, also known as Stephen Harold Frank Revocable Trust, requested an extension of General Lease S-4201 of 40 years, commencing on September 26, 2023, for an aggregate term of 95 years.

LEGAL REFERENCE:

Sections 171-36 and 36.5, Hawaii Revised Statutes (HRS) and Act 149, Session Laws of Hawaii 2018 (Act 149).

LOCATION:

Portion of Government lands of Lot 5, Hilo Industrial Development, Pohaku Street Section, situated at Waiakea, South Hilo, Hawai'i, identified by Tax Map Key: (3) 2-2-058:033, as shown on the attached map labeled Exhibit A.

AREA:

20,648 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:

Light Industrial purposes. The present usage of the leased premises is as an automobile dealership.

TERM OF LEASE:

Original term of 55 years, commencing on September 26, 1968, and expiring on September 25, 2023. Last rental reopening occurred on September 26, 2013; there are no further rental re-openings.

ANNUAL RENTAL:

\$17,978.72

RENTAL REOPENINGS:

Last rental reopening occurred on September 26, 2013; there are no further rental reopenings.

DCCA VERIFICATION:

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

PROPOSED IMPROVEMENTS

The Lessee's proposed improvements consist of the repair and restoration of existing metal roof (\$24,962.00), repaint exterior walls (\$55,680.00), tree trimming and removal (\$1,042.40), landscaping and fencing (\$7,800.00) and replacement of electrical panel (\$4,084.00), totaling \$93,568.40.¹ The estimates describing the Lessee's proposed improvements are attached as **Exhibit B**.

BACKGROUND

General Lease No. S-4201 was awarded to Norona, Inc., a Hawaii corporation, the highest bidder at a public auction sale of government leases held on September 26, 1968.

From the onset, Norona, Inc. incurred financial difficulties. As a result, at its meeting of November 6, 1981 under agenda item F-1-c, the Board of Land and Natural Resources (Board) consented to the assignment of lease to Great Hawaiian Financial Corporation (GHFC), a Hawaii corporation.

Further, GHFC also experienced financial difficulties and filed for reorganization under Chapter 11 of the Bankruptcy Code (Bankruptcy No. 83-00078) in the U.S. Bankruptcy Court for the District of Hawaii. Subsequently, pursuant to the Order

¹ Staff has confirmed the presence of a cesspool on the property, however, the Lessee has not addressed either cesspool closure, connection to county sewer system, or replacement individual wastewater system (IWWS) in their proposed improvement plan.

Confirming Modified Plan entered October 11, 1985, the Board, at its meeting of January 10, 1986, under agenda item F-1-c, consented to the assignment of lease from GHFC to Thrift Guaranty Corporation of Hawaii, a Hawaii nonprofit corporation.

At its meeting of March 8, 1991, under agenda item F-1-f, the Board consented to the assignment of GL S-4201 from Thrift Guaranty Corporation of Hawaii, as Assignor, to Pacific Realty Exchange, Ltd., a Hawaii corporation, as Intermediary Assignee, and Pacific Realty Exchange, Ltd., Intermediary Assignor, to David S. De Luz, Sr., husband of Josephine De Luz (40% interest) and David S. De Luz, Sr., husband of Josephine De Luz (60% interest), as Assignee.

At the meeting of April 13, 2017, under agenda D-2, the Board consented to the assignment of GL S-4201 David S. De Luz, Sr., as Assignor, to Stephen Harold Frank, Trustee of The Stephen Harold Frank Living Trust dated March 27, 2014, also known as Stephen Harold Frank Revocable Trust, as Assignee.

Prior to the execution of the Consent to the Assignment of Lease document, Mr. David S. De Luz passed away.

At the meeting of April 22, 2022, under Agenda D-2, the Board amended its prior Board action of April 13, 2017, under agenda item D-2, by changing the assignor from David S. De Luz, Sr. to Jan K. De Luz, as Personal Representative of the Estate of David Stanley De Luz, Sr., also known as David S. De Luz, Sr., and David S. De Luz, Deceased. In this capacity, Jan K. De Luz is also known as Jan K. De Luz, Personal Representative for David S. De Luz, Sr.

The Assignee, Stephen Harold Frank, Trustee of The Stephen Harold Frank Living Trust dated March 27, 2014, also known as Stephen Harold Frank Revocable Trust (Lessee), has been operating a pre-owned vehicle sales business (Credit Cars Hawaii) on this site for the past 15 years. Because the Lessee/Assignor's primary businesses involve several automobile dealerships, it appears they are utilizing the leased property to sell used cars under one of the subsidiary businesses consistent with the lease's character of use as light industrial purposes.

Lessee 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. Last rental reopening occurred on September 26, 2013. There are no further rental re-openings.

There are no outstanding rental reopening issues. The Lessee is current with rent, insurance, and performance bond. No agency comments were solicited on the request because it involves a lease extension, not a new disposition.

LEASE EXTENSION:

Staff has learned from the Chair's office of allegations made by some lessees of public lands that Land Division has purposely been holding up applications for extensions when in fact processing requests for lease extensions consumes a significant amount of staff time.

Multiple Land Division staff has been conducting due diligence review of extension applications, such as having the lessee's appraisal for existing improvements reviewed by a third-party appraiser for USPAP and methodology compliance, scrutinizing proposed improvements to make sure they qualify as a substantial improvement under Act 149 versus a mere maintenance obligation under the existing lease, and clearing up subleases of the property to which the Board has not previously consented. In cases where the lessee's appraisal or improvement plan does not meet statutory requirements, staff has spent a significant amount of time working with the lessee to ensure that its proposal can qualify under the Act 149 criteria.

In the subject case, Lessee's lease is scheduled to expire on September 25, 2023. To avoid any potential claim that staff held up the processing of the extension application and allowed the lease to expire without presenting the extension request to the Board, staff presents the application to the Board "as is", i.e., with all of its deficiencies and with a negative staff recommendation. Staff will provide early notice of this item to the Lessee so that it can work to make needed revisions to its application to qualify for an extension under Act 149 before the lease expires.

Even if the Lessee ultimately does not obtain a lease extension, staff notes that due diligence is still required for denial of a lease extension as staff will need to assess the condition of improvements, ownership of which will revert to the State upon the expiration of the lease.

Act 149 allows up to a 40-year extension of intensive agricultural, aquaculture, commercial, mariculture, special livestock, pasture, hotel, resort or industrial leases located in the Hilo Community Economic District defined under the act. Extensions under Act 149 must be based on "substantial improvements" to the lease premises:

"Substantial improvements" means any renovation, rehabilitation, reconstruction, or construction of the existing improvements, including minimum requirements for off-site and on-site improvements, the cost of which equals or exceeds thirty per cent of the market value of the existing improvements that the lessee or the lessee and developer installs, constructs, and completes by the date of completion of the total development.

While the estimated cost of the qualifying proposed improvements is \$93,568.40 based on Lessee's appraiser's determination that the market value of the existing improvements is \$305,000.00, it appears that certain proposed improvements -- repainting of exterior walls (\$55,680.00), and tree trimming and removal (\$1,042.40) [totaling \$56,722.40] -- do *not* qualify as substantial improvements. Rather, they would be more appropriately and accurately characterized as a repair and maintenance expenses rather than capital improvements sufficient to qualify as a "substantial improvement" under Act 149. Staff therefore believes the proposed improvements described in **Exhibit B** costing an estimated \$93,568.40 are *not* sufficient to meet the threshold statutory improvement valuation requirement in Act 149.

The Internal Revenue Service (IRS) has provided criteria to determine what would qualify as a capital improvement, which is an improvement that adds to the value of a property,

extends its useful life, or adjusts it to new uses. The property is improved whenever it experiences a betterment, adaption or restoration. An expenditure is for betterment if it facilitates a material condition or defect in the property that existed before it was acquired or when it was produced-it makes no difference whether or not you were cognizant of the defect when you received the unit of property; results in a material addition to the property-for instance, physically broadens, grows, or extends it, or results in a material increase in the property's capacity, productivity, power, or quality.

An expenditure is for a restoration if it returns a property that has plunged into disrepair to its ordinarily efficient operating condition; rebuilds the property to a like-new condition after the end of its useful economic life; replaces a significant part or important structural component of the property; replaces a piece of a property for which the owner has taken a loss, or repairs damage to a property for which the owner has taken a basis adjustment for a casualty loss.²

Further, staff believes that the re-painting of the exterior walls and tree trimming, and removal of trees is a recurring repair and maintenance obligation under the lease, not a “substantial improvement” as intended within the spirit and letter of the extension legislation of Act 149. Generally, repairs are one-time expenditures to keep the property as currently existing in a usable and operating condition.³

Paragraph 10 of the Lease, states:

² Information can be found at this link: <https://www.irs.gov/businesses/small-businesses-self-employed/tangible-property-final-regulations#Whatisthefactsandcircumstancesanalysis>.

³ The United States Supreme Court has recognized the highly factual nature of determining whether expenditures are for capital improvements or for ordinary repairs. See Welch v. Helvering, 290 U.S. 111, 114 (1933) (“[T]he decisive distinctions [between capital and ordinary expenditures] are those of degree and not of kind”); Deputy v. du Pont, 308 U.S. 488, 496 (1940) (observing that each case “turns on its special facts”). Because of the factual nature of the issue, the courts have articulated a number of ways to distinguish between deductible repairs and non-deductible capital improvements. For example:

Illinois Merchants Trust Co. v. Commissioner, 4 B.T.A. 103, 106 (1926), the court explained that repair and maintenance expenses are incurred for the purpose of keeping property in an ordinarily efficient operating condition over its probable useful life for the uses for which the property was acquired. Capital expenditures, in contrast, are for replacements, alterations, improvements, or additions that appreciably prolong the life of the property, materially increase its value, or make it adaptable to a different use.

Estate of Walling v. Commissioner, 373 F.2d 190, 192-193 (3rd Cir. 1967), the court explained that the relevant distinction between capital improvements and repairs is whether the expenditures are to “put” or “keep” property in efficient operating condition.

Plainfield-Union Water Co. v. Commissioner, 39 T.C. 333, 338 (1962), the court stated that if the expenditure merely restores the property to the state it was in before the situation prompting the expenditure arose and does not make the property more valuable, more useful, or longer-lived, then such an expenditure is usually considered a deductible repair. In contrast, a capital expenditure is generally considered to be a more permanent increment in the longevity, utility, or worth of the property.

10. Repairs to improvements. That the Lessee shall, at its own expense, keep, repair and maintain all buildings and improvements now existing or hereafter constructed or installed on the demised premises in good order, condition and repair, reasonable wear and tear excepted.

The disqualification (and deduction) of re-painting of the exterior walls and tree trimming, and removal of trees results in the remaining proposed improvements at a value of \$36,846.00, or only 12.08% ($\$36,846.00 / \$305,000$) of the existing improvement value, well below Act 149's threshold of 30%. Based on the foregoing, staff recommends that the Board deny Lessee's application for an extension of GL S-4201 of 40 years.

Even if all of the proposed work could qualify as improvements under Act 149, staff believes the total proposed improvement value of \$93,568.40 is insufficient consideration to warrant a 40-year extension and would likely recommend a shorter extension.

Land Division procured the services of an appraiser to review and assess the appraisal submitted by the Lessee ("Appraisal Report") relating to the value of the existing improvements expressly referenced in Act 149 in order to ensure the Lessee's appraisal report and valuation is consistent with Uniform Standards of Professional Appraisal Practice (USPAP) and consistent with industry standards. The Department's appraiser reviewed and analyzed the adequacy and methodology used in Lessee's appraisal as it relates to the market value of existing improvements to determine compliance with USPAP and Act 149. Lessee is required to reimburse the Department for the cost of the appraisal review pursuant to Act 149.

Staff notes that GL S-4201 states:

24. Surrender. That the Lessee shall and will at the expiration or sooner termination of this lease, peaceably and quietly surrender and deliver possession of the demised premises to the Lessor, together with all buildings and improvements of whatever name or nature, now on or hereafter erected or placed upon the same, in good order and condition, reasonable wear and tear excepted.

GL S-4201 lease expires on September 25, 2023. If the Board denies the extension request, ownership of the improvements will revert to the Department. Staff has conducted an inspection on August 2, 2023, pursuant to the request for lease extension, which is attached as **Exhibit C**, the property inspection found that the property is in compliance. However, the report also noted that portions of the roof and building rear and sides had rust damage and recommended replacement. In addition, staff intends to procure a property condition inspection report with photos with an assessment of the condition of existing improvements, including identifying potential deficiencies and physical issues and recommended repair and maintenance and upgrades should a surrender occur.

At the site inspection, staff discussed the situation with Lessee's representative, noting that Lessee does not qualify because the painting proposal is a maintenance obligation of Lessee currently under the existing lease that is set to expire in a month. Staff also explained that

if Lessee were to propose bona fide improvements such as converting the cesspool to county sewer or an IWWS or other improvements, Lessee might qualify for the extension. Lessee indicated it would work on revised proposed improvements for the extension request—that was two weeks ago (as of this writing) and staff has not heard or received a revised proposal. Considering the lease expires on September 25, 2023, staff thought it would be prudent for the Board to formally reject the Lessee's proposed improvements and deny the request for an extension. In the event the Lessee submits a revised plan of improvements that staff finds acceptable and then staff may attempt to reschedule (if time permits) the matter for the Board to consider the revised plan and extension request before the lease expires on September 25, 2023.

RECOMMENDATION: That the Board:

1. Deny a 40-year extension of lease term of General Lease No. S4201 Stephen Harold Frank, Trustee of the Stephen Harold Frank Living Trust dated March 27, 2014, also known as Stephen Harold Frank Revocable Trust Lessee, Waiakea, South Hilo, Hawai'i, Tax Map Key: (3) 2-2-058:033.

Respectfully Submitted,



FOR Gordon Heit
District Land Agent

APPROVED FOR SUBMITTAL:



Dawn N.S. Chang, Chairperson

RT

GL S-4201

TMK: (3) 2-2-058:033

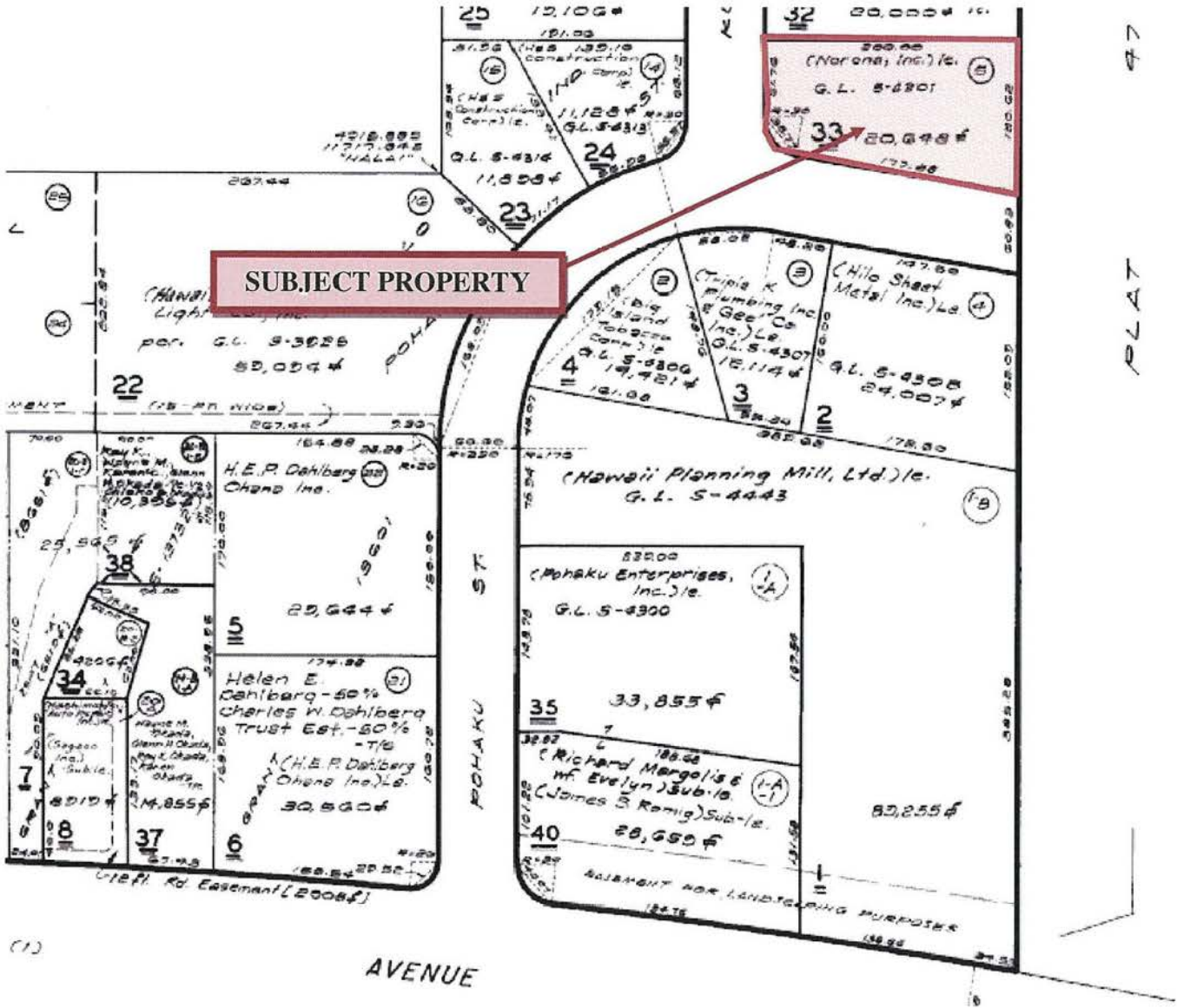


EXHIBIT A

Frank Tunt 4201

**State of Hawaii
Department of Land and Natural Resources
Land Division**

**REQUEST FOR CONSENT TO MORTGAGE AND/OR LEASE EXTENSION
APPLICATION FORM**

This Application Form is for current tenants requesting:

- Consent to mortgage
- Consent to mortgage with lease extension
- **Lessee financed improvements with lease extension**

Please note the following important points:

- 1) We will not process your request unless you are in full compliance with your lease terms and conditions, including but not limited to, the rent, insurance, performance bond, and Conservation Plan requirements.
- 2) Lease extensions may be granted only in certain circumstances, including the type of lease. Furthermore, the Board can extend a lease to the extent necessary to qualify the lease for mortgage lending or guaranty purposes or to qualify the lessee for a loan or to amortize the cost of improvements that are paid for by the Lessee. The aggregate of the initial term and any extensions cannot extend the original lease term by more than forty years). There are more specific requirements in Section 171-36(b), Hawaii Revised Statutes, Act 207 Session Laws of Hawaii 2011, and Act 149 Session Laws of Hawaii 2018.
- 3) If your lease is extended, we will conduct an immediate rent reopening and you will be responsible for paying for such independent appraisal.
- 4) You will be responsible for paying processing fees.

All applications must be complete to be considered for processing. Please submit two copies of the completed application form to the District Branch office in your county:

Oahu District Branch
1151 Punchbowl Street, Room 220
Honolulu, Hawaii 96813
Phone: (808) 587-0433; Fax: (808) 587-0455

Maui District Branch
54 High Street, Room 101
Wailuku, Hawaii 96793
Phone: (808) 984-8103; Fax: (808) 984-8111

Hawaii District Branch
75 Aupuni Street, Room 204
Hilo, Hawaii 96720
Phone: (808) 961-9590; Fax: (808) 961-9599

Kauai District Branch
3060 Eiwa Street, Room 205A
Lihue, Hawaii 96766
Phone: (808) 274-3491; Fax: (808) 241-3537

EXHIBIT B

STATE OF HAWAII
DEPARTMENT OF LAND & NATURAL RESOURCES
REQUEST FOR CONSENT TO MORTGAGE

For DLNR use only:
Date of request: _____
Date request recvd: _____
Type of Request: _____
Assigned Land Agent: _____

I. GENERAL INFORMATION

General Lease No. S-4201

Type of Request:

() Consent to mortgage

() Consent to mortgage with lease extension

(X) Improvements financed by Lessee with lease extension

II. MORTGAGOR/MORTGAGEE

Should the consent be approved, the following information will be used in the preparation of the legal documents. Therefore, please include all applicable parties and legal names.

Mortgagor(s):

Last name

First Name

Last name

First Name

Mortgagee:

Name of Lender

Mailing address:

No. and Street

City

State

Zip Code

Phone number: _____

III. AGENT

If you have an attorney, consultant or other person processing this request for you, please include the following information.

Agent name:

Last name

First Name

Agent address:

No. and Street

City

State

Zip Code

Phone numbers:

() _____ () _____ () _____

Work

Home

Cellular

() _____ () _____

Pager

Fax

E-mail address

IV. MORTGAGE INFORMATION

The following information is required to process your request.

- 1) Amount of mortgage: \$ _____
- 2) Itemized breakdown of how loan funds will be used: (attach separate sheet if required)
- 3) Number of additional years required for loan/mortgage: _____

V. ATTACHMENTS

- 1) Attach independent appraisal report determining market value of the existing improvements.
- 2) Attach two (2) copies the mortgage document.
- 3) Attach development agreement

VI. IMPROVEMENTS FINANCED BY LESSEE

The following information is required to process your request.

- 1) Attach receipts of expenditures.
- 2) Attach a copy of improvement specs.
- 3) Attach 3-years Federal and State tax returns.
- 4) Attach a credit report.
- 5) Attach a copy of bank or savings account.
- 6) Attach independent appraisal report determining economic life of the improvements.
- 7) Number of additional years required: _____.

For DLNR Use Only:	TO CLOSE REQUEST:
Reason for closing: _____	

Approved by DLA: _____	
Date request closed: _____	

SEND TO -



VI.1a

TOTALS

1,042.40	+
24,962.00	+
7,800.00	+
55,680.00	+
29,184.40	◇
4,084.00	+
93,568.40	*

ALAN RJ,

HERE ARE THE ESTIMATES
OF RENOVATIONS/IMPROVEMENT FOR
[REDACTED] LEASE. PLEASE

CALL ME @



OR



EMAIL:



Measurement of the Remaining Economic Life of the Improvements

The lessee intends to make the following improvements and renovations as part of the lessee's substantial improvements agreement with the landlord needed to qualify for the 40 year lease extensions being sought:

1. Tear off 25 feet of both sides of the metal roofing on the Hamakua side of the building, including front wall of 2,100 sq. ft. Install DuraCoat, 26 guage, zincalum, 4 rib roofing panels and secure with self-tapping stainless steel screws. Set 22 linear feet of angled iron at base of wall facing Railraod Avenue and secure loose wall panels. Cover openings at the base of the wall with roofing panels removed from the roof.	\$24,962.00 ✓
2. Prime, treat, and repaint the exterior walls.	\$55,680.00 ✓
3. Remove two trees and trim one other.	\$ 1,042.40 ✓
4. Clear and grade planter area on the inside of the fence around the entire perimeter of property. Regrade the area. Remove all vegetation and roots at the rear of the building. Regrade to allow proper drainage away from the building. Replace 50 feet of fence. Skim float brick wall on Pohaku Street and wall facing Hawaiian Tel. with concrete stucco mortar to be smooth enough to paint to a color to match the remaining building.	\$7,800.00 ✓
5. Replace electrical panel with new 42 circuit panel.	\$ 4,084.00 ✓
Total proposed improvements	\$93,568.40 ✓

One method of measuring economic life is to measure the projected income and expenses for the property, including replacement of long-term items. When the net operating income, after replacements are considered, becomes negative or close to negative for a prolonged period, it indicates the improvements no longer are providing a return to the land and are at the end of their economic life.



Based upon the renovations above being completed, the following charts the projected income and expenses for the subject and deducts the land rent, meaning the net is the income being generated by the building improvements.

Remaining Economic Life 75 Pohaku St.													
Item	NOI Income	Less Land Rents	Income to the Improvements	North 22.5% of the roof & siding repair	Replace 77.5% of Southern Roof	Interior Redecorating	Paving	Septic System	Exterior Paint	New Electrical Panel	Landscaping & Fence Repairs	Tree Removal	Income left to the Bldg
Current Cost				\$ 24,962.00	\$ -	\$ -	\$ -	\$ -	\$ 55,680.00	\$ 4,084.00	\$ 7,800.00	\$ 1,042.40	\$ 93,568.40
2023	\$30,320.40	\$ (18,800.00)	\$ 11,520.40	\$ (24,962.00)	\$ -	\$ -	\$ -	\$ -	\$ (55,680.00)	\$ (4,084.00)	\$ (7,800.00)	\$ (1,042.40)	\$ (82,048.00)
2024	\$30,623.60	\$ (18,800.00)	\$ 11,823.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,823.60
2025	\$30,929.84	\$ (18,800.00)	\$ 12,129.84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,129.84
2026	\$31,239.14	\$ (18,800.00)	\$ 12,439.14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,439.14
2027	\$31,551.53	\$ (18,800.00)	\$ 12,751.53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,751.53
2028	\$31,867.05	\$ (18,800.00)	\$ 13,067.05	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,067.05
2029	\$32,185.72	\$ (18,800.00)	\$ 13,385.72	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,385.72
2030	\$32,507.57	\$ (18,800.00)	\$ 13,707.57	\$ -	\$ -	\$ -	\$ -	\$ (18,500.00)	\$ -	\$ -	\$ -	\$ -	\$ (4,792.43)
2031	\$32,832.65	\$ (18,800.00)	\$ 14,032.65	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,032.65
2032	\$33,160.97	\$ (18,800.00)	\$ 14,360.97	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,360.97
2033	\$33,492.58	\$ (18,800.00)	\$ 14,692.58	\$ -	\$ -	\$ (69,500.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (54,807.42)
2034	\$33,827.51	\$ (23,030.00)	\$ 10,797.51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,797.51
2035	\$34,165.79	\$ (23,030.00)	\$ 11,135.79	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,135.79
2036	\$34,507.44	\$ (23,030.00)	\$ 11,477.44	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,477.44
2037	\$34,852.52	\$ (23,030.00)	\$ 11,822.52	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,822.52
2038	\$35,201.04	\$ (23,030.00)	\$ 12,171.04	\$ -	\$ (68,161.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (55,989.96)
2039	\$35,553.05	\$ (23,030.00)	\$ 12,523.05	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,523.05
2040	\$35,908.58	\$ (23,030.00)	\$ 12,878.58	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,878.58
2041	\$36,267.67	\$ (23,030.00)	\$ 13,237.67	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,237.67
2042	\$36,630.35	\$ (23,030.00)	\$ 13,600.35	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,600.35
2043	\$36,996.65	\$ (23,030.00)	\$ 13,966.65	\$ -	\$ -	\$ -	\$ (98,317.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (84,350.35)
2044	\$37,366.62	\$ (28,211.75)	\$ 9,154.87	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,154.87
2045	\$37,740.28	\$ (28,211.75)	\$ 9,528.53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,528.53
2046	\$38,117.69	\$ (28,211.75)	\$ 9,905.94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,905.94
2047	\$38,498.86	\$ (28,211.75)	\$ 10,287.11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,287.11
2048	\$38,883.85	\$ (28,211.75)	\$ 10,672.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,672.10
2049	\$39,272.69	\$ (28,211.75)	\$ 11,060.94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,060.94
2050	\$39,665.42	\$ (28,211.75)	\$ 11,453.67	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,453.67
2051	\$40,062.07	\$ (28,211.75)	\$ 11,850.32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,850.32
2052	\$40,462.69	\$ (28,211.75)	\$ 12,250.94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,250.94
2053	\$40,867.32	\$ (28,211.75)	\$ 12,655.57	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (116,792.00)	\$ -	\$ -	\$ -	\$ (104,136.43)
2054	\$41,275.99	\$ (34,559.39)	\$ 6,716.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,716.60
2055	\$41,688.75	\$ (34,559.39)	\$ 7,129.36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,129.36
2056	\$42,105.64	\$ (34,559.39)	\$ 7,546.25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,546.25
2057	\$42,526.70	\$ (34,559.39)	\$ 7,967.31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,967.31
2058	\$42,951.96	\$ (34,559.39)	\$ 8,392.57	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,392.57
2059	\$43,381.48	\$ (34,559.39)	\$ 8,822.09	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,822.09
2060	\$43,815.30	\$ (34,559.39)	\$ 9,255.91	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,255.91
2061	\$44,253.45	\$ (34,559.39)	\$ 9,694.06	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,694.06
2062	\$44,695.98	\$ (34,559.39)	\$ 10,136.59	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,136.59
2063	\$45,142.94	\$ (34,559.39)	\$ 10,583.55	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,583.55

These calculations assumes rents will increase 2.25% per year for typical industrial buildings in this market but that the subject building's age will erode this rental increase 2% per year for



depreciation due to age (improvements are roughly 65% of the total rent now). This means the net total operating income should increase by 1% per year. Expenses for long lives items are expected to increase in price at 3% per year.

The chart shows that, with regular replacement of the subject's buildings components, it will maintain a positive cash flow and return to the land beyond the requested extension period.

PROPOSAL



YAMA'S ROOFING INC.

Hilo, HI 96720

Phone: [Redacted]
Fax: [Redacted]



Proposal Submitted To: Credit Cars Hawaii	Phone: [Redacted]	Date: 4/13/23
Street: [Redacted]	Job Name: Same	
City, State and Zip Code: Hilo, Hawaii 96720	Job Location: Same	
Contact: [Redacted]	Prop#:	Fax:

We hereby submit specifications and estimates for:

Tear off 25 ft. of both sides of existing metal roofing on the Hamakua side of the building. Includes the front wall for a total of 2100 sq. ft. Owner to keep torn off roofing panels.

Install DuraCoat, 26 gauge, zincalum, 4-rib roofing panels from HPM.

Secure with self-tapping stainless steel screws.

Set 22 linear feet of angle iron at base of the wall facing Rail Road Ave. and secure loose wall panels. Cover openings at the base of the wall with the roofing panels removed from the roof.

COLOR CHOICE:

THANK YOU FOR CONSIDERING US!

We hereby propose to furnish material and labor, complete in accordance with above specifications, for the sum of:

Twenty-four thousand, nine hundred sixty-two dollars and no cents.....\$24,962.00

Payment to be made as follows: 65% down / Balance due upon job completion.

*Please note that work will commence within 3 weeks to 3 months after receiving deposit

All material is guaranteed to be as specified. All work to be completed in a workmanlike manner according to standard practices. Any alteration or deviation from the above specifications involving extra costs will be executed only upon written orders, and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents, or delays beyond our control. Owner to carry fire and other necessary insurance. Our workers are fully covered by Workman's Compensation Insurance.	Authorized Signature
	<i>Brian P. Peterson</i>
	Brian P. Peterson/ RMI

Note: This proposal may be withdrawn by us if not accepted WITHIN 30 DAYS

Acceptance of Proposal: The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. We understand that Final Payment is due upon completion. A Penalty Fee will be assessed on all accounts outstanding beyond 14 days at 1.5% per week. We have read and will abide by the contract terms.	Signature: <i>[Signature]</i>
	Signature: _____

Date of Acceptance: 4.17.2023



**YAMADA PAINT
CONTRACTING LLC.**

Keaau, Hawaii 96749

Phone [REDACTED]

Contractor License [REDACTED]

PROPOSAL

PHONE [REDACTED]	DATE April 27, 2023
FAX [REDACTED]	
JOB NAME / LOCATION Credit Cars Hawaii Ext Repaint [REDACTED] Hilo HI 96720	
JOB NUMBER 4688	JOB PHONE [REDACTED]

To:

Credit Cars Hawaii
[REDACTED]
Hilo HI 96720

We hereby submit specifications and estimates for:

Exterior Repainting (Roof not included)

Move all items a minimum of 5 feet away from all areas to be painted (by owner). Owner to obtain adjacent property access for manlifts if necessary.

Surface preparation

- 1) pressure and/or mildew wash all surfaces to be coated.
- 2) treat all rust with rust converter.
- 3) prime all rust with rust inhibitive primer.
- 4) remove all loose or peeling paint.
- 5) treat all mildew as necessary.
- 6) caulk all joints and cracks as necessary.
- 7) spackle/putty all open nail heads, holes, etc.
- 8) spot prime all bare areas.

Finishes

Metal siding - treat and prime rust, apply 1 coat primer, 2 coats enamel finish.

Metal beams, purlins - treat and prime rust, apply 2 coats enamel finish.

Wood Siding - apply 1 coat primer, 2 coats enamel finish.

*water to be provided onsite by owner/tenant.

YP will need 20 x 20 area onsite for man lift and materials storage.

Paint Exterior Side of I Beam



Paint Walls / Eaves



Thank you!

We Propose hereby to furnish material and labor - complete in accordance with the above specifications, for the sum of: \$55,680.00

Payment to be made as follows: **50% due upon acceptance**
50% due upon completion

Thank you!

All material is guaranteed to be as specified. All work to be completed in a professional manner according to standard practices. Any alteration or deviation from above specifications involving extra costs will be executed only upon written orders, and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents or delays beyond our control. Owner to carry fire, tornado, and other necessary insurance. Our workers are fully covered by Worker's Compensation insurance. Contractor has the right to resolve alleged construction defects prior to commencing with any litigation in accordance with Section 672 E-11.

Authorized Signature:

Gerald Yamada

Digitally signed by Gerald Yamada
DN: CN=US
E=gerald.yamada@construction.net
C=US, OU=Gerald Yamada
Date: 2023.04.27 09:52:41-1000

Note: This proposal may be withdrawn by us if not accepted within 30 days.

Signature: _____

Signature: _____

Date work to commence and duration of project to be determined upon acceptance of proposal.

Acceptance of Proposal - The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above. I (we) acknowledge that all lien rights have been explained. Bonding is available. If you would like to bond this project, inform us in writing and add 3% of the proposal amount.

Date of Acceptance: _____

4.28.2023

Henry Giraud
[REDACTED]
Kurtistown, HI 96760

April 24, 2023

Credit Cars Hawaii
Attn: Debbie Abran
[REDACTED]
Hilo, HI 96720

Debbie,

As per our discussions, the following is an estimate for the materials and labor for the work listed below. These estimates are good for 30 days and are subject to GET tax.

Landscaping scope of work:

1. Clear and grade plater area on the inside of the fence around entire perimeter of property. Cut down, kill, and/or remove all Ti plants as possible in order to finish planter with suitable material for limited up keep.
2. In rear of building, using a mini excavator, remove all vegetation, roots from mango, coconut, and money tree stumps as possible. Re-grade area to provide suitable slope away from building foundation for proper water drainage and to limit any standing water. Break down and remove planter box in front of south office and replace with suitable material for limited up keep.
3. Remove and haul away all debris and graded materials not used in other areas of project.
4. Supply the materials, labor, and equipment necessary to complete the above work as required.

Estimate \$ 4,000 ✓

Fence:

1. Replace 50' chain-link fence starting at Kukila St and Railroad Ave, going south towards Hawaiian Tel property. Attempt to straighten post as possible. Fence to be of suitable quality and type to match the original to be replaced.
2. Supply the materials, labor, and equipment necessary to complete the above work as required.

Estimate \$ 1,500 ✓

Float Block Wall of South Office:

1. Prepare, skim/float red brick wall on Pohaku St and wall facing Hawaiian Tel, with concrete/stucco mortar to be smooth enough to be painted to color match the entire building.
2. Provide the labor and materials necessary to complete the above work as required.

Estimate	<u>\$ 2,000</u>
	\$ 7,500
Tax	<u>300</u>
Total	\$ 7,800

Thank you,



Henry Giraud

Rec'd: 

Iwamoto electric llc
Electrical Contractor, License [REDACTED]
[REDACTED] Hilo, HI 96720 Cellular Ph [REDACTED]

Owners: Credit Cars Hawaii
[REDACTED]

ATTN: Debbie Abran
Proposal Date: April 16, 2023

Price includes: All labor and materials to remove old panel and upgrade to larger 42 circuit panel in same location with new breakers. Install new 100 amp sub panel approx. 60' away on office wall corner by mid entry. Quote based on M-F work, between 7:30a-4p workday

Prices Exclude:

Painting and patching
Permit and EE drawing (required for permit)
Repair/upgrade/removal on existing service

Materials: \$2,300.00
Labor: \$1,600.00
GET: \$184.00

Total : \$4,084.00

Estimated start date:
Number of days for completion (duration of project): 2 days
Proposal is valid for 30 days.

Acceptance of proposal:

Signature: _____

Print Name: _____

Date: _____

Notice required by law: Do not make payments to a sales-representative. Make all payments directly to Iwamoto Electric; otherwise payments may not be credited to your job. All payments are due in full at project completion, failure of full payment will result in a Mechanic's lien being filed on the property.

Keanu Giraud
Kurtistown, HI
96760

PROPOSAL

Credit Cars Hawaii
Hilo, HI
96720

Date 05/03/2023

Item	Description	Unit Price	Quantity	Amount
Service	Provide and Install Durastar (1) DRA3U28M1B, (1) DRAW12F1B, (1) DRAW18F1B Mini-Split AC in Offices 1 and 2. Includes Piping, Wiring, Line Set Covers, and Misc. Installation Materials. Does NOT Include 30 amp 220V circuit for AC.	7000.00	1.00	7,000.00
NOTES: We look forward to hearing from you!		Subtotal		7,000.00
		Total		7,000.00
		Amount Paid		0.00
		Balance Due		\$7,000.00

UP 3

INSPECTION REPORT
Commercial/Industrial/Resort/Other Business

General Information

Document Number: GLS 4201 or RPS _____

Character of Use Light Industrial

Inspection Date: 8/02/2023 Inspection Time: 9:30 a.m.

Land Agent: Gordon Heit

TENANT INFORMATION

Name: The Stephen Harold Frank Revocable Trust

Home Phone: _____

Address: _____

Business Phone: _____

Hilo, Hawaii 96720

Fax: _____

Contact Person: Debbie

Contact Phone: _____

SITE INFORMATION

TMK: (3) 2-2-058:033

Area: 20,648 square feet

Site Address: _____

Hilo, Hawaii 96720

FISCAL INFORMATION

ITEM	N/A	CURRENT= COMPLIANCE	DEFAULT = NON-COMPLIANCE	COMMENTS
Rent		X		\$17,978.72 annually
Liability Insurance		X		12/01/2023 \$2M - \$1M
Fire Insurance		X		12/01/2023 \$3,110,000.00
Bond		X		\$35,957.50 CD

FIELD INSPECTION RESULTS (refer to Field Inspection Worksheet)

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

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 building plans approved 5/19/1971 construction completed 11/14/1971
Improvement Construction Other structures/misc.	X			note deadlines for % completion

Field Inspection

ITEM	SATISFACTORY?			COMMENTS/NOTES
	N/A	YES	NO	
SUBLEASES				
Consents approved	X			
Use adheres to lease purpose	X			
IMPROVEMENTS				
<u>Buildings/Residences:</u> roof			X	Portions of roof indicate rust damage and should be replaced.
paint		X		Front of building satisfactory
exterior			X	Rear and sides of building show advanced rust and should be replaced.
interior		X		No improvements to interior.
<u>Structures:</u> roads	X			No roadways or sidewalks within property.
walkways	X			
fencelines		X		Fence is in fair to good condition.
others				
PREMISES				
clean, sanitary, orderly		X		Property is generally clean. Some weeds and vines growing on portions of fence.
appropriate storage/use of hazardous materials		X		None visible.
CHARACTER OF USE				
adheres to lease purpose		X		Light industrial purposes.. Used car lot is consistent with allowed county zoning

ITEM	SATISFACTORY?			COMMENTS/NOTES
	N/A	YES	NO	
Other:				<p>Lessee is proposing to make improvements in the amount of approximately \$93,500.00 to qualify for a lease extension pursuant to Act 149.</p> <p>These improvements included the partial replacement of the roof, painting of the exterior walls, landscaping and replacement of electrical panels.</p> <p>Staff explained to the property manager on site that some of the listed items are not considered improvements, but rather maintenance work.</p> <p>In addition, it was explained that the existing wastewater system will need upgrading to a septic system as mandated by Federal EPA and State DOH requirements.</p>



STREET VIEW – SOUTHEAST ENTRANCE



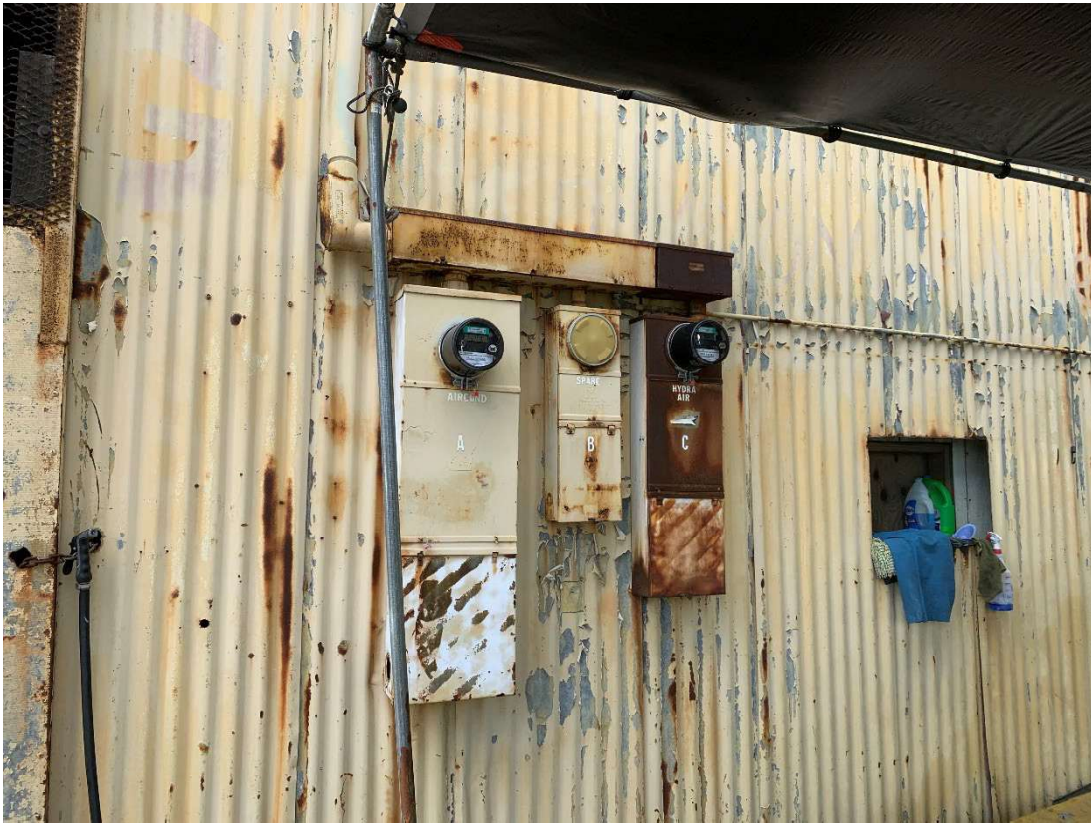
VIEW FROM PARKING LOT



VIEW FROM POHAKU STREET



FRONT OF WAREHOUSE



SIDE VIEW OF WAREHOUSE WITH METER BOXES



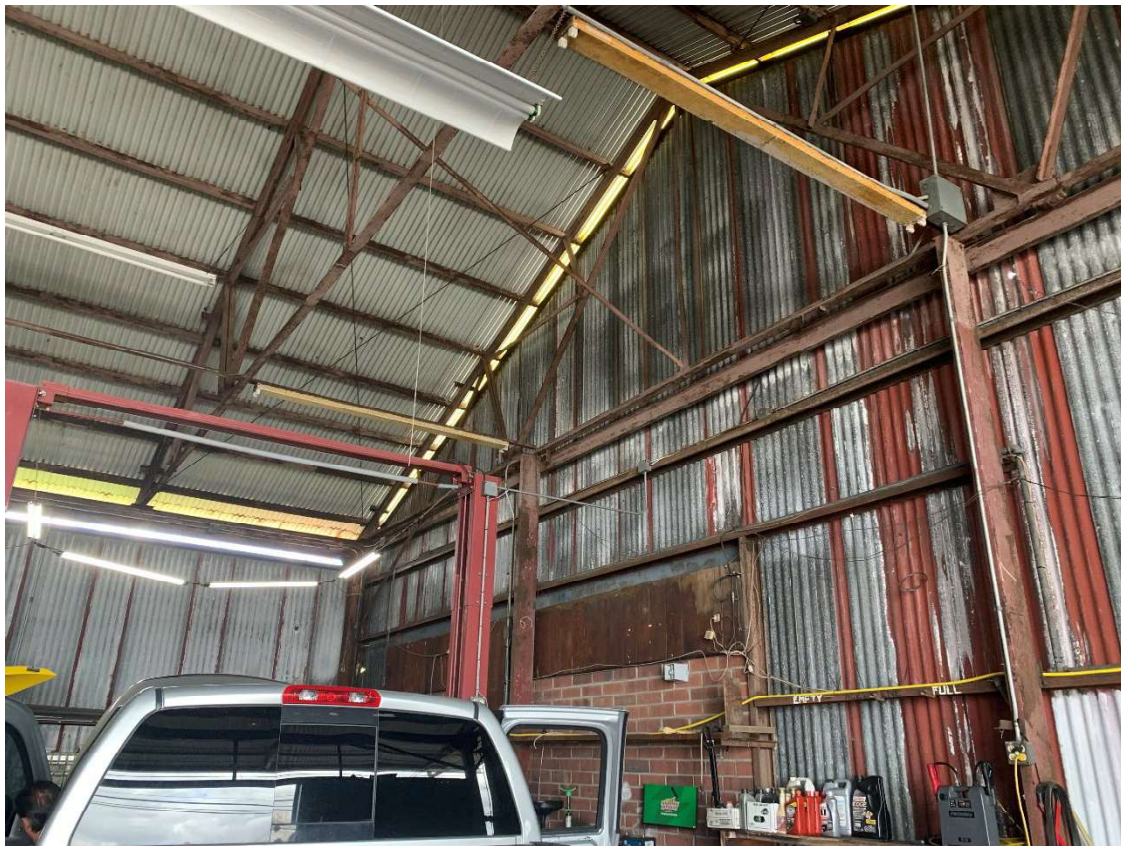
REAR VIEW OF WAREHOUSE



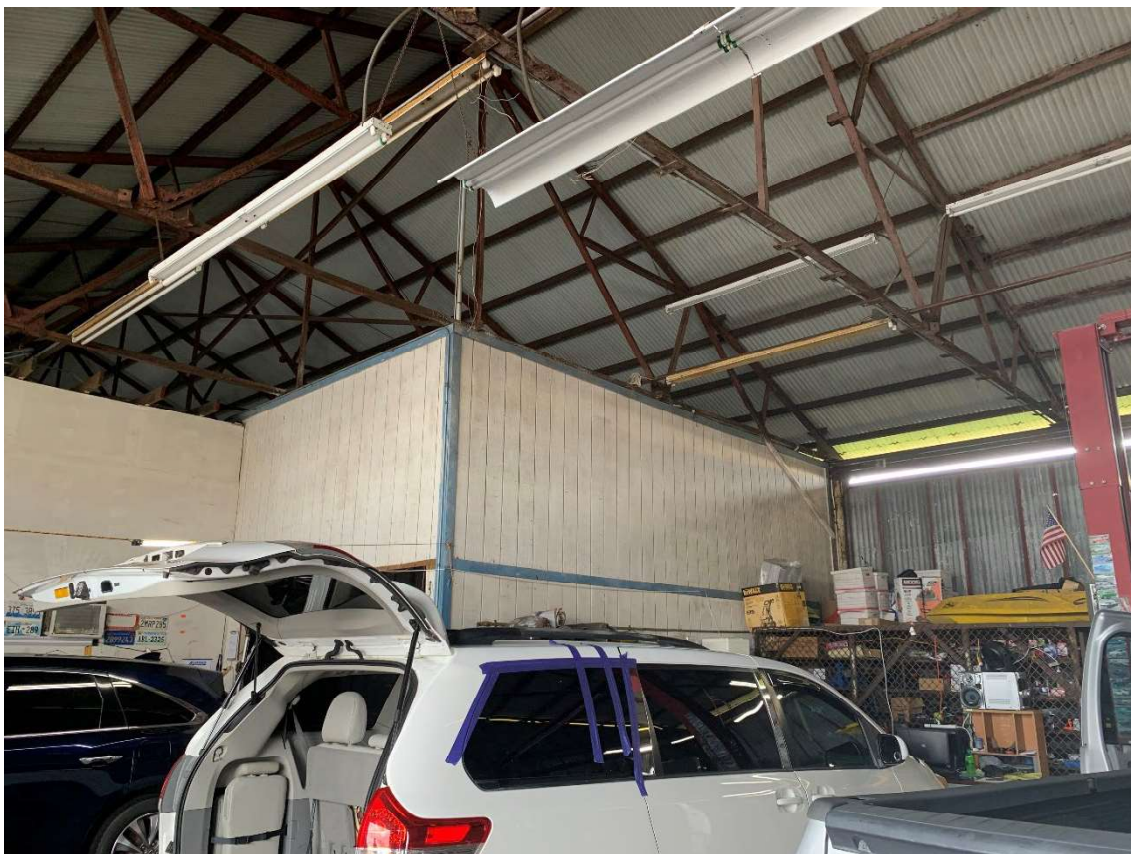
APPROXIMATE LOCATION OF CESSPOOL



CESSPOOL LOCATION



INTERIOR VIEW OF WAREHOUSE



INTERIOR WAREHOUSE USED FOR VEHICLE SERVICE



WAREHOUSE INTERIOR USED FOR STORAGE



STAIRWAY TO LOFT STORAGE AREA