

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

July 22, 2022

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

OAHU

Consent to Mortgage and Seek Board’s Authorization to Execute Estoppel Certificate, Consent to Subleases, General Lease No. S-4644, Vallejo Venture 99 LLC, Lessee, Kalauao, Ewa, Oahu, Tax Map Key: (1) 9-8-013:014

APPLICANT AND REQUEST:

Vallejo Venture 99 LLC, Lessee/Mortgagor, requesting consent to mortgage from Standard Insurance Company, Mortgagee, in an amount not to exceed \$9,650,000.00.

LEGAL REFERENCE:

Section 171-22 and 36, Hawaii Revised Statutes (“HRS”), as amended.

LOCATION:

Portion of Government lands situated at Kalauao, Ewa, Oahu, identified by Tax Map Key: (1) 9-8-013:014, as shown on the attached map labeled **Exhibit A**.

AREA:

3.697 acres, 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: No

CHARACTER OF USE:

Commercial use consistent with zoning (B-2 Community Business District) purposes.

TERM OF LEASE:

65 years, commencing on May 14, 1980 and expiring on May 13, 2045.

ANNUAL RENTAL:

Current rent is \$664,000, due in semi-annual installments of \$332,000 on the 14th day of May and November of each year.

USE OF LOAN PROCEEDS:

Payoff on Existing Mortgage:	+/- \$7,863,493
Estimated Exit Fee:	+/- \$1,200,000
Estimated Closing Costs (2%):	\$193,000
Other/Future Expenses:	<u>\$393,507</u>
Amount of Mortgage:	\$9,650,000

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>x</u>	NO <u> </u>
Registered business name confirmed:	YES <u>x</u>	NO <u> </u>
Applicant in good standing confirmed:	YES <u>x</u>	NO <u> </u>

APPLICANT REQUIREMENTS:

None

REMARKS:

The lease was sold by public auction in 1980 for a 55-year term for commercial uses. Vallejo Venture 99 LLC ("Lessee") became the lessee pursuant to a foreclosure proceeding in 2005. At its meeting of August 9, 2013, agenda item D-16, the Board gave its consent to a mortgage of \$9.7 million and extended the lease term for 10 years. The current expiration date of the subject lease is May 13, 2045.

Lessee intends to obtain a new mortgage of \$9.65 million, of which about \$400,000 will be put toward renovation of a vacant unit. Lessee is currently negotiating with potential tenants for this unit. Lessee secured a loan commitment from a life insurance company in the form of a 17-year mortgage.

Based on the promissory note, loan agreement, and other documents relevant to the loan provided by the Lessee, staff noted the following:

- The current amortizing loan is scheduled for payoff on February 1, 2027, with a final lump sum payment of \$6.4 million due.
- The requested 17-year mortgage will be fully amortized (i.e., no balloon payment like the scenario above) in 2039 at a fixed rate of 5.25% for the first 10 years.

Thereafter, the adjusted interest rate for the remaining seven years will be determined by the Lender at its prevailing annual interest rate for similar loans. There is no cap in the loan terms for the future adjusted interest rate.

- Lessee represents that it has always made mortgage payments on time with no defaults.

Lessee also requests the Board authorize the Chairperson execute an estoppel certificate, as requested by the mortgagee. A draft estoppel certificate is attached as **Exhibit B**.

There were various approvals in the past from the Board or Chairperson granting consent to subleases on the subject premises. With multiple turnovers of the subtenants, some of the subleases did not obtain the proper consent. Working with the Lessee, staff prepared a complete list of subleases with pertinent particulars as shown on **Exhibit C** and recommends the Board consent to the subleases. In some cases, e.g. KFC, approval was already given to the sublease for the period 1987 to 2022. The current request will cover the additional 10 years commencing July 2022 to July 2032. Staff will work with the Department of the Attorney General to properly document the sublease consents.

The Lessee is in compliance with the terms and conditions of the lease regarding rent, liability insurance, performance bond, and consent to subleases mentioned above. A recent site inspection confirmed utilization of the building is compliant with the character of use in the lease.

Staff did not solicit comments from other government agencies as there is no change in the use of the subject State parcel. Staff has no objection to the request.

RECOMMENDATION: That the Board:

1. Consent to the mortgage between Vallejo Venture 99 LLC, Mortgagee, and Standard Insurance Company, Mortgagee, as described above, subject to the following:
 - A. The loan proceeds shall be used solely for the operations or improvements of the leased premises as identified in the "Use of Loan Proceeds" section above. The Lessee shall maintain records of loan expenditures which may be inspected by the Department;
 - B. The standard terms and conditions of the most current consent to mortgage form, as may be amended from time to time;
 - C. Review and approval by the Department of the Attorney General; and
 - D. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

2. Authorize the Chairperson to execute the Estoppel Certificate as shown on Exhibit B, subject to the following:
 - A. Review and approval by the Department of the Attorney General; and
 - B. Such other conditions as may be prescribed by the Chairperson which are in the best interests of the State.

3. Consent to the subleases under General Lease No. S-4644 between Vallejo Venture 99 LLC, as Sublessor, and the sublessees shown on Exhibit C, as Sublessees, subject to any applicable conditions cited above which are by this reference incorporated herein and further subject to the following terms and conditions:
 - A. The standard terms and conditions of the most current consent to sublease form, as may be amended from time to time;
 - B. Review and approval by the Department of the Attorney General; and
 - C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

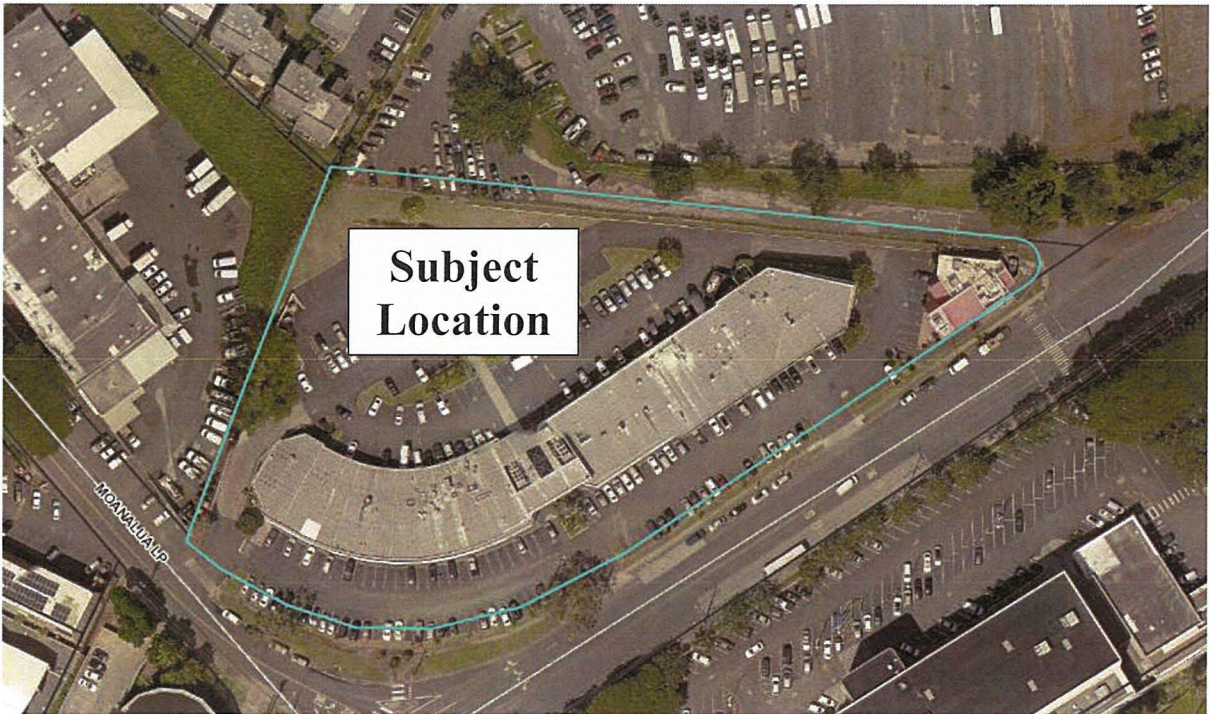
Darlene Bryant-Takamatsu

Darlene Bryant-Takamatsu
Land Agent

APPROVED FOR SUBMITTAL:

Suzanne D. Case

Suzanne D. Case, Chairperson *ST*



TMK (1) 9-8-013:014

EXHIBIT A

AFTER RECORDATION, RETURN BY MAIL OR PICKUP :

TYPE OF DOCUMENT:
ESTOPPEL CERTIFICATE

(TOTAL PAGES: _____)

PARTIES TO DOCUMENT:

TAX MAP KEY FOR PROPERTY: (1) 9-8-013-014

ESTOPPEL CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

That, as of this ____ day of _____, 2022, the **STATE OF HAWAII**, by its Board of Land and Natural Resources, hereinafter referred to as the "Lessor," certifies to **STANDARD INSURANCE COMPANY**, an Oregon corporation, whose address is 10265 NE Tanasbourne Drive, Hillsboro, OR 97124, that to the best of the Lessor's knowledge:

(1) The Lessor leased to Cormax Corporation, a Hawaii corporation, the premises described in General Lease No. S-4644 dated August 26, 1980, on file in the Land Division, Department of Land and Natural Resources of the State of Hawaii and recorded in the Bureau of Conveyances of the State of Hawaii (the "Bureau") in Liber 17243 at Page 100 (the "Lease"), which by mesne assignment, the Lease was assigned to **VALLEJO VENTURE 99 LLC**, a California limited liability company (the "Lessee") by that certain Assignment and Assumption of General Lease No. S-4644 dated April 15, 2005, recorded in the Bureau as Document No. 2005-078168, with consent thereto by the State of Hawaii by instrument recorded in the Bureau as Document No. 2005-092521 and which Lease was amended by that certain Extension of General Lease No. S-

EXHIBIT B

4644 dated January 31, 2014, recorded in the Bureau as Document No. A-51440254. As hereinafter used, the term "Lease" means the Lease as so amended;

(2) As far as the Lessor is aware, the Lessee is not in default under the Lease in any respect as of this date nor has any event occurred which with the passage of time and/or the giving of notice would constitute a default under the Lease;

(3) There are no claims for damages, rents due, or other liability which the Lessor is aware of against the Lessee arising out of the Lease or performance of the terms, covenants or conditions of the Lease; and

(4) The Lease is in full force and effect and has not been modified, supplemented, extended or, except as set forth above, amended as of this date.

IN WITNESS WHEREOF, the STATE OF HAWAII, by its Chairperson of the Board of Land and Natural Resources, has caused the seal of the Department of Land and Natural Resources to be hereunto affixed and have caused these presents to be executed the day, month and year first above written.

Approved by the Board of Land and
Natural Resources at its meeting held
on _____, 2022

STATE OF HAWAII

By _____

SUZANNE CASE

Chairperson

Board of Land and Natural Resources

APPROVED AS TO FORM:

Lessor

Name:
Deputy Attorney General

Dated _____

Sublessee Name	Unit #	Start Date	End Date	Building area (SF)	Sublease rent	Insurance	Property Taxes	% share
Kazi Foods Corp of Hawaii/KFC National Management Co.	Pad A	7/25/1987	7/24/2032	2900	\$ 8,322.50	\$ 273	\$ 825	4.74%
S.K.Y. USA, Inc. dba Ninja Sushi	B101	4/15/2006	5/1/2027	1294	\$ 5,763.00	\$ 122	\$ 368	2.12%
COMMONWEALTH BUSINESS BANK	B104	6/22/2022	11/22/2027	1574	\$ 5,509.00	\$ 148	\$ 448	2.57%
JOCOR ENTERPRISES, LLC dba Volcano E-Cigs	B109	1/3/2018	2/29/2024	806	\$ 4,350.94	\$ 76	\$ 229	1.32%
Calvin K.W. Lau dba Superior Jewelry	B110	11/16/1995	7/31/2022	806	\$ 3,500.00	\$ 76	\$ 229	1.32%
Kim Chee Restaurant #7, LLC.	B112	2/6/2001	6/30/2026	1612	\$ 8,000.00	\$ 151	\$ 458	2.64%
LEGACY HOLDINGS GROUP, LLC dba Teapresso	B116	11/1/2021	1/31/2027	806	\$ 2,216.50	\$ 76	\$ 229	1.32%
BACKSTREET FOOD CO 2 GO, LLC dba Kehau's Kitchen	B118	5/1/2000	MTM	806	\$ 4,237.21	\$ 76	\$ 229	1.32%
Mimi Nails and Spa, Inc.	B120	6/1/2008	5/31/2023	806	\$ 4,331.78	\$ 76	\$ 229	1.32%
SEVEN ELEVEN HAWAII, INC.	B112	3/31/1986	11/30/2022	2418	\$ 10,403.05	\$ 227	\$ 688	3.95%
Herbert K. Horita Realty	B128	3/1/1994	12/31/2023	2955	\$ 9,708.37	\$ 278	\$ 840	4.83%
VACANT (FORMER TONY ROMAS)				5039				8.24%
Dr. Wayne S. Matsuyama	B211B	3/1/1989	4/30/2025	1341	\$ 5,365.00	\$ 126	\$ 381	2.19%
Pho My Lien, Ltd.	B213B	9/27/2010	10/31/2022	1584	\$ 7,824.29	\$ 149	\$ 450	2.59%
Tax Services of America dba Jackson Hewitt Service	B216	1/1/2007	12/31/2024	792	\$ 3,533.22	\$ 74	\$ 225	1.30%
HAWAII CANCER CARE INC.	B219-235	7/27/2020	9/27/2030	8945	\$ 26,835.00	\$ 841	\$ 2,544	14.63%
Hawaii State Federal Credit Union	C101	5/1/2000	8/31/2025	3896	\$ 19,866.83	\$ 366	\$ 1,108	6.37%
TBB Alea LLC	C115	1/1/2011	5/31/2026	3100	\$ 9,765.00	\$ 291	\$ 882	5.07%
HAWAII ENDODONTICS, LLC	C118	7/10/2021	5/7/2032	2170	\$ 9,070.60	\$ 204	\$ 617	3.55%
Central Pacific Bank	C126B-133	5/1/1995	6/30/2025	2738	\$ 13,606.22	\$ 257	\$ 779	4.48%
Hawaii Dental Group, Inc. and American Dental Alliance	C201-206	7/1/2002	8/31/2024	2955	\$ 12,232.60	\$ 278	\$ 840	4.83%
Derek B. Tom, DDS	C207	3/1/2005	11/30/2024	3238	\$ 10,948.88	\$ 304	\$ 921	5.30%
DAVID J DUNG DDS, MS., INC	C-214	12/1/2014	11/30/2024	813	\$ 3,248.00	\$ 76	\$ 231	1.33%
Ichiriki Japanese Nabe Restaurant Alea LLC	C216	4/1/2011	8/31/2023	4204	\$ 12,886.40	\$ 395	\$ 1,196	6.87%
El Tres Burros Ltd. dba Chez Monique	C226	1/1/1998	12/31/2028	3553	\$ 14,913.84	\$ 334	\$ 1,010	5.81%
				61151				100.00%

EXHIBIT C