

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

August 28, 2009

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

Hawaii

Consent to Sublease General Lease No. S-3583, Yamada Consolidated, Inc.,
Lessee, to Suisan Company, Limited, Sublessee, Waiakea, South Hilo, Hawaii,
Tax Map Key: 3rd/2-2-37:52, 92, & 93.

APPLICANT:

Yamada Consolidated, Inc., a Hawaii corporation/partnership, as Sublessor, to Suisan,
Company Limited, a Hawaii corporation, as Sublessee.

LEGAL REFERENCE:

Section 171-36(a)(6), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Waiakea Lots situated at Waiakea, South Hilo, Hawaii
identified by Tax Map Key: 3rd/2-2-37:52, 92, & 93, as shown on the attached map
labeled Exhibit A.

AREA:

2.57 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

LEASE CHARACTER OF USE:

Commercial/industrial purposes.

SUBLEASE CHARACTER OF USE:

Industrial purposes.

TERM OF LEASE:

The original lease term was 45 years, commencing on 11/05/1959 and expiring on 11/04/2004. The lease was extended from 11/05/2004 through to 11/04/2014. The last rental reopening occurred on 11/16/2001; next rental reopening is scheduled for 11/05/2011.

TERM OF SUBLEASE:

3 years, commencing on 7/15/2009 and expiring on 7/14/2012.

ANNUAL RENTAL:

\$43,000.00.

ANNUAL SUBLEASE RENTAL:

\$6,813.50.

RECOMMENDED ADJUSTMENT TO LEASE RENTAL:

None, as the subject sublease is for improved property only, the improvements are not owned by the State and the Lessee is paying fair market rent as determined by staff appraiser (exhibit B). Therefore, staff recommends no participation in the sublease.

DCCA VERIFICATION:

SUBLESSOR:

| | | |
|---|--------------|--------------|
| 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> |

SUBLESEE:

| | | |
|---|--------------|--------------|
| 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-3583 was awarded to the Hilo Salvage Company, Ltd. as the highest bidder at a public auction held on November 5, 1959, in Hilo, Hawaii. No specific use was mentioned in the lease, however, the property is zoned MG-1 [General Industrial (1-acre)]

By mesne conveyances, General Lease No. S-3583 is now under Yamada Consolidated, Inc., as illustrated below:

| Grantor | Grantee | Board Action |
|---|--|---|
| Hilo Salvage Company, Ltd. | Robert M. Yamada | May 19, 1960 |
| Robert M. Yamada | Ronald Yamada, Donald Yamada and Maile Chong, as Co-Successor Trustees of the Robert M. Yamada Trust, dtd 9/17/77. | Probate No. 5154, Third Circuit Court, Order Approving Final Accounts and Distributing & Settling Estate. September 5, 1985 |
| Ronald Yamada, et al, Trustees of the Robert M. Yamada Revocable Living Trust | Emma Yamada, Trustee of the Emma Yamada Revocable Living Trust, dtd 2/21/80. | February 27, 1987 Item F-1-b |
| Emma Yamada | Yamada Consolidated, Inc. | June 5, 1998, Item D-8 |

General Lease No. S-3583 was subsequently assigned to Robert M. Yamada by action of the Board on May 19, 1960. Mr. Robert M. Yamada passed away on December 11, 1979.

In accordance with the Order of Approving Final Accounts and Distributing and Settling Estate (Probate No. 5154, Third Circuit Court), the subject General Lease was awarded to Trustees of the Revocable Living Trust dated September 16, 1977, made between Robert M. Yamada, Settlor and Ronald Yamada, Donald Yamada and Maile Chong, as Trustees.

At its meeting of February 27, 1987, Item F-1-b, Ronald Yamada, Donald Yamada and Maile Chong, as Co-Trustees/ Grantors, assigned their individual interests of General Lease No. S-3583, to their mother, Emma Yamada, as Trustee of the Emma Yamada Revocable Living Trust dated February 21, 1980.

At its meeting of June 5, 1998, Item D-8, the Board approved the assignment of General Lease No. S-3583, Emma Yamada, Trustee of the Emma Yamada Revocable Living Trust, to the Yamada Consolidated, Inc.

The Sublessee does not plan to do any major improvements or renovations to the warehouse other than install removable shelving for storage purposes.

Upon review of this lease, the staff appraiser has determined that the Lessee is paying fair market rent for the property as determined by appraisal dated 11/16/2001. The warehouse being subleased has a total of 10,000 square feet with both storage and a small office space. It is located on a portion of the lease identified by tax map key parcel 2-2-37:93.

Yamada Consolidated, Inc. 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 11/16/2001; next rental reopening is scheduled for 11/05/2011. There are no outstanding rental reopening issues at this time.

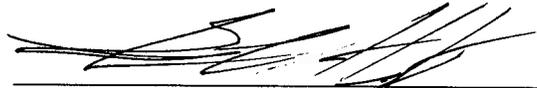
Staff is recommending the Board consent to the sublease agreement between Yamada Consolidated Inc. as the Sublessor and Suisan Ltd. as the Sublessee.

RECOMMENDATION:

That the Board consent to the sublease under General Lease No. S-3583 between Yamada Consolidated, Inc., as Sublessor, and Suisan Company, Limited, as Sublessee, subject to any applicable conditions cited above which are by this reference incorporated herein and further subject to the following terms and conditions:

1. The standard terms and conditions of the most current consent to sublease 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,



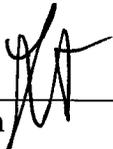
Gordon C. Heit
Land Agent



APPROVED FOR SUBMITTAL:



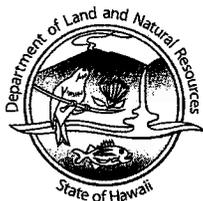
Laura H. Thielen, Chairperson



LINDA LINGLE
GOVERNOR OF HAWAII



Laura H. Thielen
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
LAND DIVISION**

2009 AUG 13 A 11:35

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

RECEIVED
LAND DIVISION
STATE OF HAWAII

August 10, 2009

MEMORANDUM

TO: Laura H. Thielen, Chairperson

THROUGH: Morris M. Atta, Division Administrator *Morris M. Atta*

FROM: Cyrus C. Chen, Real Estate Appraisal Manager *Cyrus Chen*

SUBJECT: In-House Valuation Recommendation – Sandwich Profit Determination for Sublease Between Yamada Consolidated, Inc. (Lessee/Sublessor) and Suisan Company, Ltd. (Sublessee)

GL No.: S-3583
 Lessee/Sublessor: Yamada Consolidated, Inc.
 Sublessee: Suisan Company Ltd.
 Location: Waiakea, S. Hilo, HI
 Land Area: 2.57 acres
 Tax Map Key: (3) 2-3-37: 52, 92, & 93
 Char. of Use: Industrial/commercial purposes

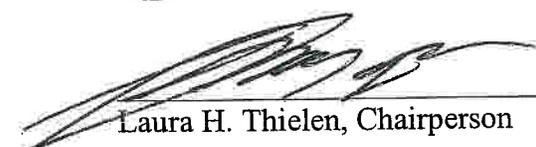
We have been requested to provide an in-house evaluation of the sublease between Yamada Consolidated, Inc. (Lessee/Sublessor) and Suisan Company Ltd. (Sublessee) to see if sublease sandwich profits can be collected. The Lessee, under GL S-3583, owns two warehouse structures that are situated on the property. One 10,000 square foot warehouse is to be subleased to Suisan Company. Lessee is currently paying a ground rent of \$43,000 per annum.

On January 26, 2001, under agenda item D-8, the Land Board approved an amendment to the Sublease Rent Participation Policy. The policy states that as indicated below, where lessees are paying fair market rent and subleasing improvements not owned by the State, the State does not participate in any sublease rents.

"c. If the lessee subleases improvements not owned by the State, the Board shall not receive any portion of sublease rents from subleasing improved space unless that right and method of calculation are specifically stated in the lease."

As the subject lease and lease extension do not detail any calculation of sublease rents for lessee-owned improvements, the State is not entitled to any sublease rent participation. Therefore, as of the date of this evaluation, Staff recommends no participation in this sublease.

Approved/Disapproved:

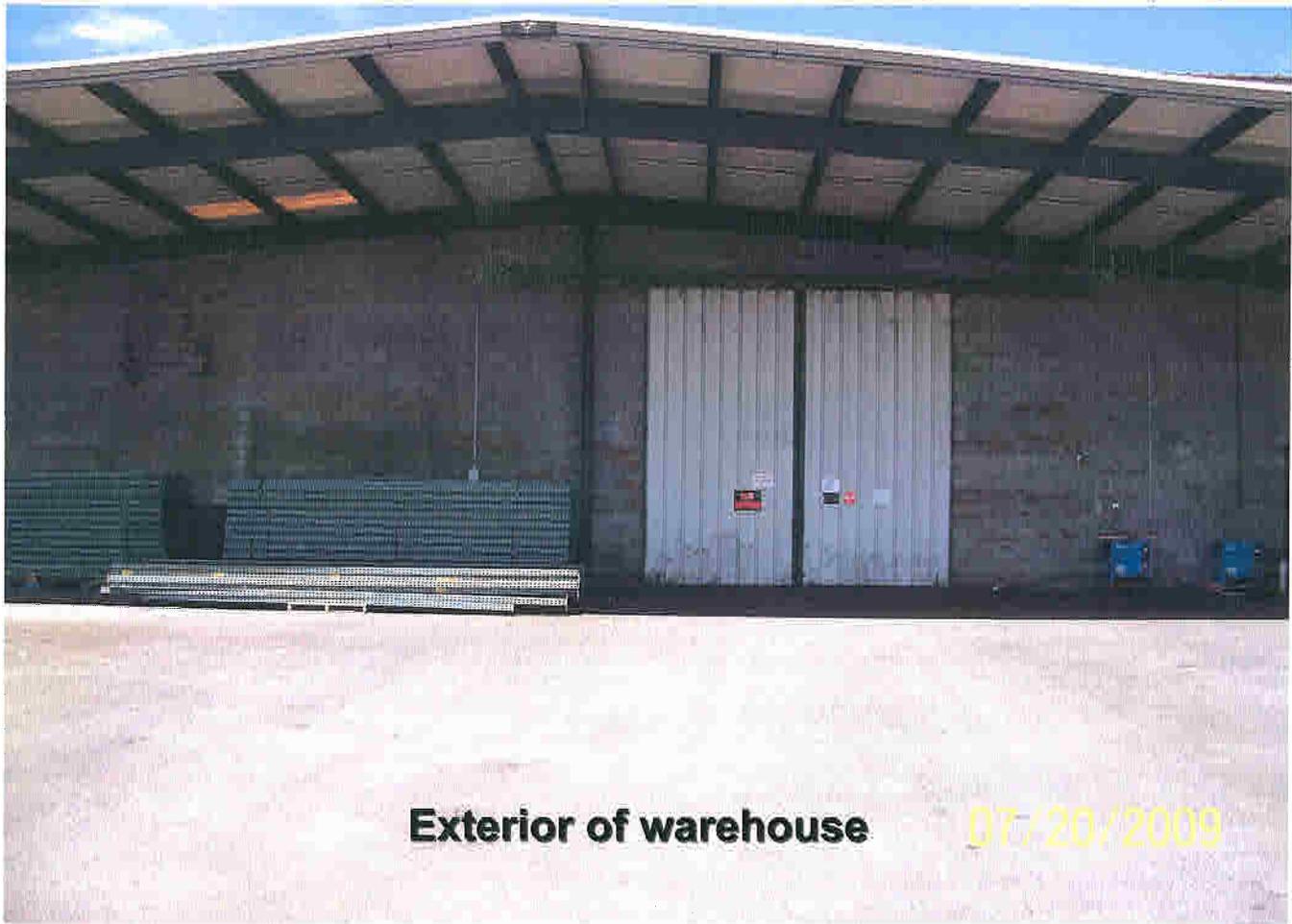


Laura H. Thielen, Chairperson

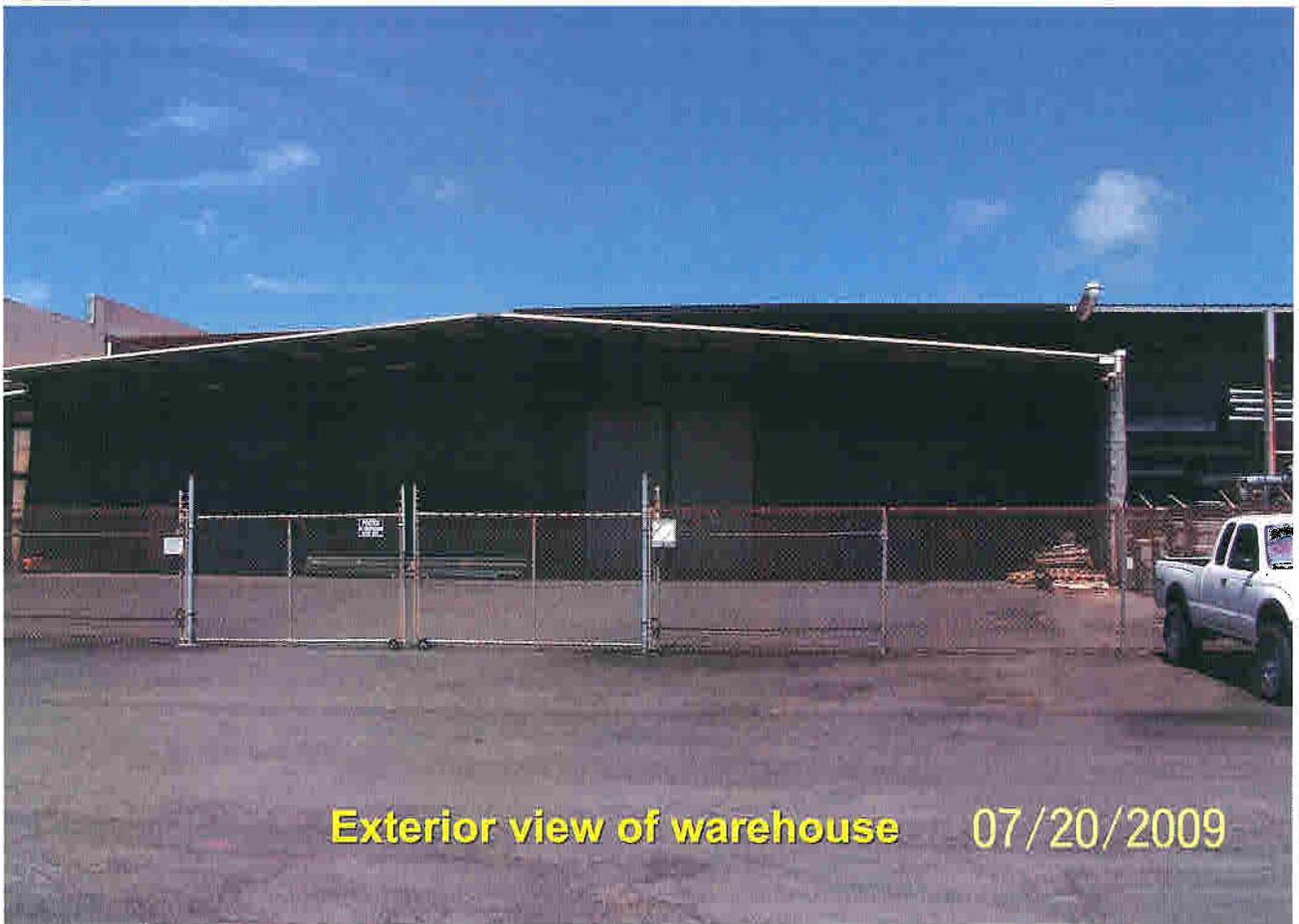


Date

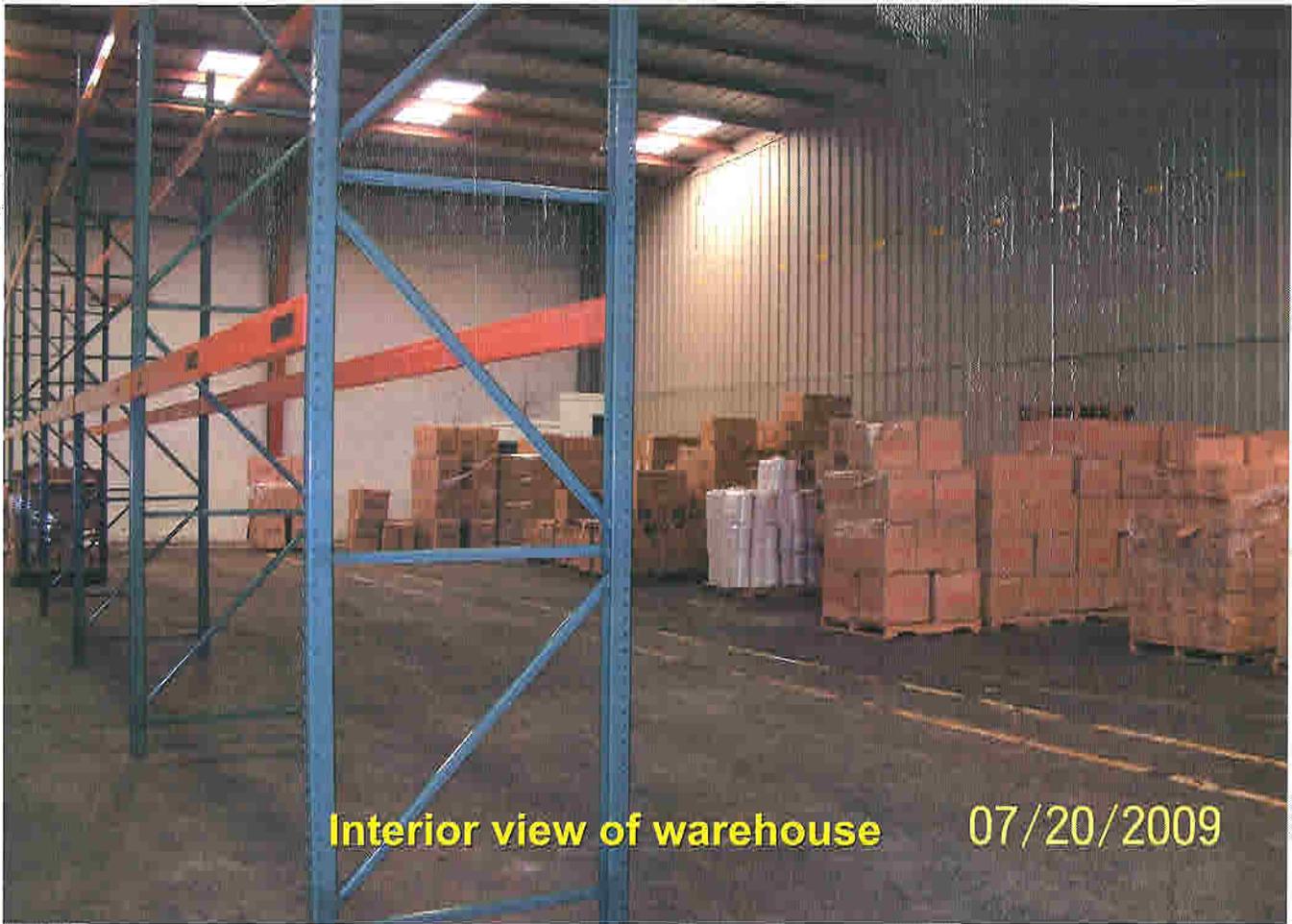
cc: District Branch Files **AUG 12 2009**
Central Files



Exterior of warehouse 07/20/2009



Exterior view of warehouse 07/20/2009



Interior view of warehouse

07/20/2009



Interior view of warehouse

07/20/2009