

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

October 25, 2013

Ref. No.: GLS-5513

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

HAWAII

Consent to Sublease of General Lease No. S-5513, Hospice of Hilo, Lessee, to  
Technology Credit Corporation, Sublessee, Piihonua, South Hilo, Hawaii, Tax  
Map Key: (3) 2-3-032: portion of 011.

APPLICANT:

Hospice of Hilo (Hospice), a Hawaii non-profit corporation, as Lessee/Sublessor, to  
Technology Credit Corporation, a California corporation, as Sublessee.

LEGAL REFERENCE:

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

LOCATION:

Portion of Government (Crown) lands of Piihonua, Parcel 3, situated at Piihonua, South  
Hilo, Hawaii, identified by Tax Map Key: (3) 2-3-032: portion of 011, as shown on the  
attached map labeled Exhibit A.

AREA:

2.134 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:

YES \_\_\_\_ NO x

LEASE CHARACTER OF USE:

Hospice and allied purposes.

SUBLEASE CHARACTER OF USE:

Commissioning, servicing, accessing, removing, repairing, and replacing of solar photovoltaic systems, and such other uses reasonably necessary to conduct the foregoing.

TERM OF LEASE:

65 years, commencing on October 1, 1997 and expiring on September 30, 2062. Last rental reopening occurred on October 1, 2007. Next reopening is scheduled for October 1, 2017.

TERM OF SUBLEASE:

12 years, commencing on September 1, 2013 and expiring on August 31, 2025.

ANNUAL RENTAL:

\$480.00. Payable in advance, without notice or demand, on October 1st of each and every year.

ANNUAL SUBLEASE RENTAL:

\$1.00.

RECOMMENDED ADJUSTMENT TO LEASE RENTAL:

Not Applicable. Subject sublease is for improved property only and the improvements are not owned by the State.

DCCA VERIFICATION:

SUBLESSOR:

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

SUBLESSEE:

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

CHAPTER 343 – ENVIRONMENTAL ASSESSMENT:

See Exemption Notification attached below as Exhibit B.

In accordance with the "Division of Land Management's Environmental Impact Statement Exemption List", approved by the Environmental Council and dated April 28, 1986, the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1, which states, "Operations, repairs or maintenance of existing structures, facilities, equipment or topographical features, involving negligible or no expansion or change of use beyond that previously existing." Item No. 4 that states, "Repairs, maintenance and renovation of existing structures on leased state lands."

REMARKS:

At its meeting of January 26, 1996, under agenda Item F-6, the Board of Land and Natural Resources approved the direct issuance of a 65-year lease to Hospice of Hilo (Hospice) for hospice purposes. General Lease No. S-5513 commenced on October 1, 1997.

At its meeting of March 23, 2007, Item D-2, the Land Board approved to Amend General Lease No. S-5513, for a reconsideration of rent, setting rents at a nominal rate of \$480 per year, with rental reopening commencing on September 1, 2007 to August 31, 2017.

At its meeting of May 11, 2007, Item D-4, the Land Board approved Second Amendment to correct the commencement of the rental reopening period October 1, 2007 to September 30, 2017.

At its meeting of August 28, 2009, under agenda item D-10, the Land Board approved Third Amendment of General Lease No. S-5513, allowing the lease premises to be encumbered by a mortgage. The Land Board further approved Consent to Mortgage with Estoppel Certificate for \$3,000,000, by First Hawaiian Bank, Mortgagee.

By letter dated July 31, 2013, the Hawaii District Land Office received a request from Hospice, for consent to sublease of General Lease No. S-5513, to Technology Credit Corporation (TCC) for installation of a Solar Photovoltaic (PV) System. The photovoltaic system will involve the mounting/installation of 199 solar panels (YingLi 240 Watt Modules) upon the roof of the Waianuenue facility, which will generate approximately 47.760 kilowatts of electricity.

The subject sublease for the Waianuenue Avenue Facility will involve a Master Lease, with five supplemental agreements. The agreements are identified as, 1) Master Lease Agreement No. 2083, 2) a Solar Site Lease Agreement (the Sublease), 3) Memorandum of Site Lease Agreement, 4) Lease Schedule No. 02, for the PV System, 5) Lease Schedule No. 04, for the air conditioning unit, and 6) Dugied Construction contract. Dugied Construction, Inc., will provide and install the PV system at a cost of \$285,000. The cost of the new system will be paid for by the realized savings from Hospice's monthly electric bills. The system financing is projected to be paid-in-full within the seven years from date the system is operational.

It is anticipated that all energy produced by the system will be utilized by Hospice. However, if the system produces a surplus of energy for distribution on the grid, it will be credited to Hospice's account in accordance with net metering arrangements to be made with the Hawaii Electric Light Company, Inc. (HELCO). The net-metering arrangement with HELCO will enable Hospice of Hilo to maintain full operations.

TCC will continue to own the PV equipment during the term of the sublease, and has the obligation to operate and maintain the equipment on the premises. Through its substantial realized savings from installing the PV and net-metering with HELCO, Hospice will be able to cover the rental costs of the PV system from TCC and reduce expenses in the long-term.

Although it is anticipated that there will be monetary incentives to both Hospice and TCC in entering this arrangement, staff is recommending that the State not capture a portion of Hospice's savings on its electric bills or otherwise collect any sandwich profits under the sublease at this time. Hospice is responding to the State's "Green Initiative" to be more energy self-sufficient while reducing its current energy consumption costs. Staff is including a recommendation that Hospice provide Land Division a copy of its net-metering agreement with HELCO, and that once the PV system is operational, Hospice shall provide HDLO an annual report in January of each year showing the preceding year's electrical use (including charges and credits for electrical consumed and produced on the premises). Staff will monitor the cost-savings and revenues realized from the sublease, and the recommendation below provides for the Board to reserve the right to re-evaluate the sublease rent participation in the future should conditions warrant it.

Staff reviewed the file and can report that Hospice is in compliance with all terms and conditions of the lease. Annual rent is current and liability insurance is scheduled to expire on 4/1/2014. A Performance Bond for \$2.00 cash is deposited with Budget & Finance. The Lessee has never been cited for any illegal or unlawful activity on the State property.

There are no outstanding rental reopening issues since the lease rent is fixed for the entire term.

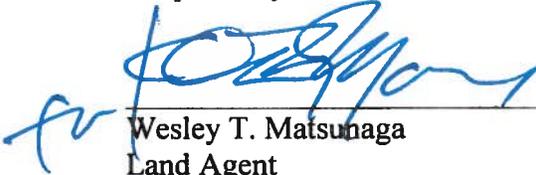
No agency or community comments were solicited, as there will be no change in disposition or use of the land.

**RECOMMENDATION:** That the Board:

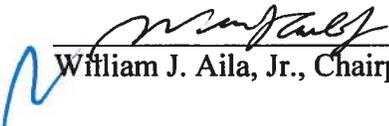
- A. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.

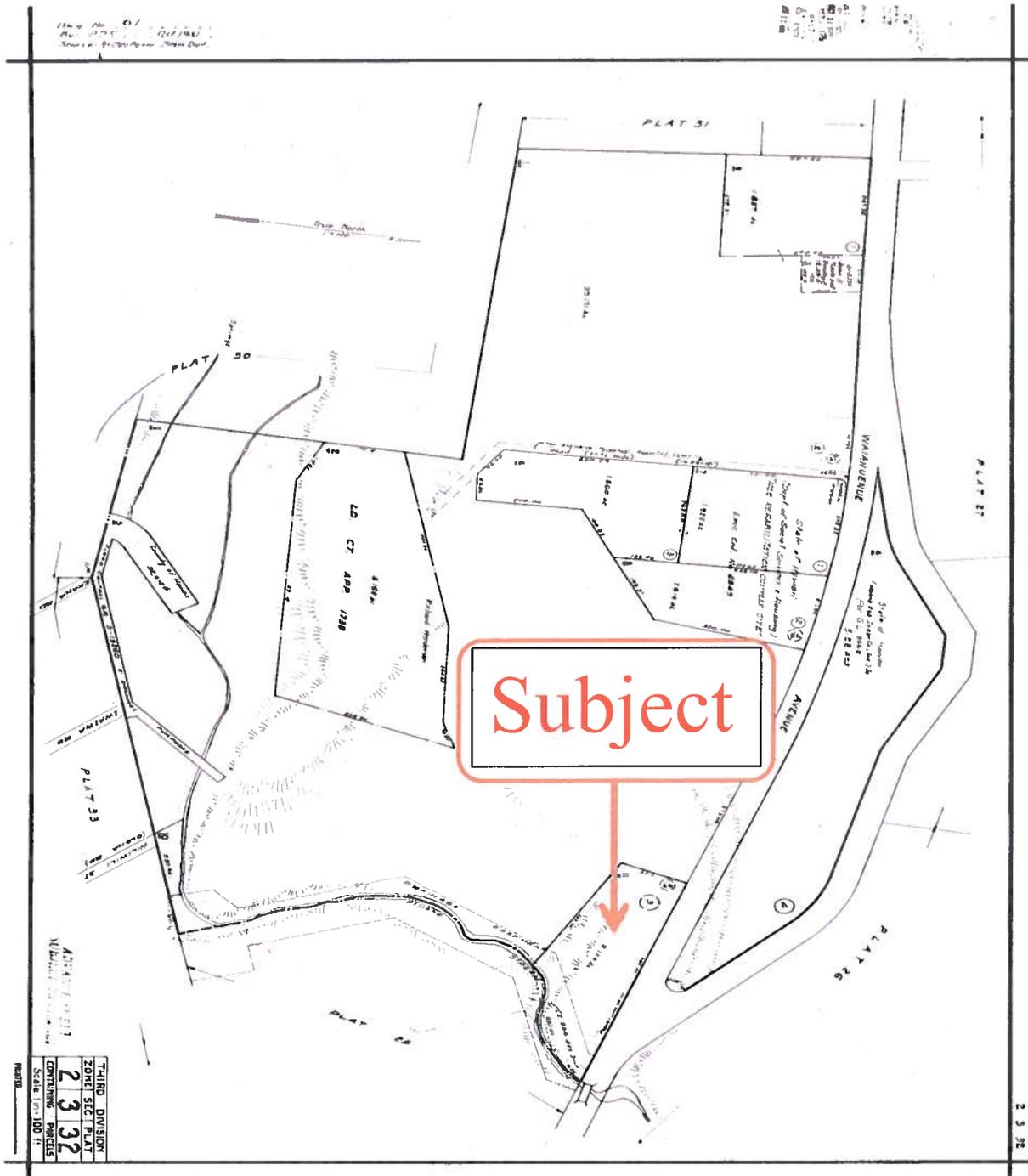
- B. Consent to sublease under General Lease No. S-5513 between Hospice of Hilo, as Sublessor, and Technology Credit Corporation, as Sublessee, subject to any applicable conditions cited above which are by this reference incorporated herein and further subject to the following terms and conditions:
1. The standard terms and conditions of the most current consent to sublease form, as may be amended from time to time;
  2. Lessee shall provide the Hawaii District Land Office (HDLO) with a copy of its net-metering agreement with the Hawaii Electric Light Company, Inc. (HELCO), as may be amended from time to time. Once the photovoltaic system (or any phase of it) is operational, Lessee shall provide an annual report in January of each year to HDLO showing the preceding year's electrical use (including charges and credits for electricity consumed and produced on the premises);
  3. The Board reserves the right to re-evaluate the sublease rent participation in the future and require an additional rent payment under the lease should conditions warrant it;
  4. Review and approval by the Department of the Attorney General; and
  5. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

  
\_\_\_\_\_  
Wesley T. Matsunaga  
Land Agent

APPROVED FOR SUBMITTAL:

  
\_\_\_\_\_  
William J. Aila, Jr., Chairperson



# EXHIBIT A



NEIL

WILLIAM J. AILA, JR.  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT



STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
LAND DIVISION

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**EXEMPTION NOTIFICATION**

Regarding the preparation of an environmental assessment pursuant to Chapter 343, HRS and Chapter 11-200, HAR

Project Title:	Consent to Sublease of General Lease No. S-5513, Hospice of Hilo, Lessee, to Technology Credit Corporation, Sublessee, Piihonua, South Hilo, Hawaii, Tax Map Key: (3) 2-3-032: portion of 011.
Project / Reference No.:	GLS-5513
Project Location:	Piihonua, South Hilo, Hawaii.
Project Description:	Consent to Sublease of General Lease No. S-5513, Hospice of Hilo, Lessee, to Technology Credit Corporation.
Chap. 343 Trigger(s):	Use of State Lands.
Exemption Class No. and Description:	In accordance with the Division of Land Management Environmental Impact Statement Exemption List, approved by the Environmental Council and dated April 28, 1986, the subject project is considered to be exempt from the preparation of an environmental assessment pursuant to: <b>Exemption Class No. 1</b> , which states, "Operations, repairs or maintenance of existing structures, facilities, equipment or topographical features, involving negligible or no expansion or change of use beyond that previously existing." and <b>Exemption Class No. 4</b> , which states, "Repairs, maintenance and renovation of existing structures on leased state lands."

Exemption Item Description from Agency Exemption List:	Operations, repairs or maintenance of existing structures, facilities, equipment or topographical features, involving negligible or no expansion or change of use beyond that previously existing.
--	--

Minor alterations in the conditions of land, water or vegetation.

Recommendation:	It is recommended that the Land Board find that the above requests are exempt from Chapter 343, HRS, as it will probably have minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment. The proposed mounting of the photovoltaic system upon the facility's roof by Technology Credit Corporation, will involve negligible or no expansion or change of use beyond that previously existing.
-----------------	---

\_\_\_\_\_  
William J. Aila, Jr., Chairperson

*N*

10/25/13  
Date