

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Division of Boating and Ocean Recreation  
Honolulu, Hawaii

December 12, 2014

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

OAHU

CONSENT TO MORTGAGE AND AMENDMENT FOR EXTENSION OF LEASE  
TERM, BOATING LEASE NO. B-99-1, WAIKIKI YACHT CLUB, KALIA, WAIKIKI,  
HONOLULU, HAWAII, TAX MAP KEY: (1) 2-3-37:6 & POR. 12.

APPLICANT AND REQUEST:

Waikiki Yacht Club, a domestic Non-Profit Corporation whose address is 1599 Ala Moana Blvd.  
Honolulu, Hawaii 96814

Consent to Mortgage from Central Pacific Bank (CPB) Mortgagee, to Waikiki Yacht Club  
(WYC), A Domestic Non-Profit Corporation, in an amount not to exceed \$4,000,000.00 and For  
WYC to qualify for this mortgage, the Mortgagee CPB would require WYC to obtain an extension  
of Lease No. B-99-1 of 20 years, commencing on July 30, 2034 and expiring on July 29, 2054 for  
an aggregate term of 55 years.

LEGAL REFERENCE:

Sections 171-22 and 36(b), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of the Ala Wai Small Boat Harbor situated at Waikiki, Kalia,  
Honolulu, Hawaii, identified by Tax Map Key: (1) 2-3-37:6  
& por. 12, as shown on the attached maps labeled Exhibit A and B

AREA:

Reclaimed Land: 1.23 acres (53, 770 square feet), more or less.  
Submerged Land: 3.80 acres (165,887 square feet), more or less.

TRUST LAND STATUS:

Section 5(b) (Reclaimed Lands) and 5 (a) (Submerged) of the Hawaii Admission Act  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: YES \_ NO X

CHARACTER OF USE:

The lessee shall use or allow the premises leased to be used solely for the activities of a private, non-profit, recreational boating and ocean activities facility, and ancillary uses.

TERM OF LEASE:

Original term of 35 years, commencing on July 30, 1999 and expiring on July 29, 2034.

Requested extension of 20 years commencing on July 30, 2034 and expiring on July 29, 2054.

ANNUAL RENTAL:

Annual rent of \$150,000.00 of is paid monthly (\$12,500.00).

Gross receipts Percentage Rental is 5%.

Mooring receipts Percentage Rent is 10%

RENTAL REOPENINGS:

Reopening in the original term at the end of the 5<sup>th</sup>, 15<sup>th</sup>, and 25<sup>th</sup> years of the term, or on July 29, 2004, July 29, 2014, and July 29, 2024. The last rental reopening was effective on July 30, 2004 and following in process of July 30, 2014.

Reopening for the extended term of twenty years shall be on July 29, 2034 (immediate reopening), July 29, 2044, and the lease shall terminate on July 29, 2054.

USE OF LOAN PROCEEDS:

The loan proceeds shall be used for renovation and construction upgrades of the club house structure and improvements to portions of the surrounding grounds and support facilities. Please see the attached Exhibit C, showing an itemized breakdown of how the loan funds will be allocated.

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:

Applicant shall be required to pay for an appraisal for the immediate rental reopening.

REMARKS:

The Waikiki Yacht Club requests Consent to Mortgage and an Amendment for Extension of Lease term and with respect to the Department of Land and Natural Resources, Division of Boating and Ocean Recreation, Boating Lease No. B-99-1. The extension will facilitate the financing and renovation of a 4.0 million dollar capital improvement project.

The Waikiki Yacht Club (WYC) has had a long history at the Ala Wai Boat Harbor, and its structures go back many years. Its original agreement with the State was License No. 66, issued in 1952 and while under the State's Department of Transportation in 1992, the club occupied the site under Revocable Permit B-92-03. Following the transfer of the Ala Wai Small Boat Harbor from the Department of Transportation to the Department of Land and Natural Resources (DLNR) in 1992, the WYC was the successful bidder by way of a public auction in 1999. Lease No. B-99-1 commenced on July 30, 1999.

The present clubhouse and portions of the supporting facility were constructed in the mid 50s thru the 60s and after 50 plus years of constant use, the facility has been determined to be in need of major upgrade. In 2012 the WYC Board of Directors undertook a master planning process, surveying the entire facility of its existing condition. This survey was the basis for the 4 million dollar capital improvement project that will repair and replace fully depreciated mechanical systems, as well as provide for improvement of the clubhouse and the surrounding grounds area. The WYC has provided that within the proposed 2014 project, there will be repayment in full the balance of loans taken out for the construction the new docks that took place in 1999. WYC has stated that it now has the financial wherewithal to adequately service the debt proposed. The current lender, Central Pacific Bank (CPB), has pre-approved WYC the financing of this project, contingent upon the Boards approval to the request.

Please see the attached Bank of Hawaii letter shown as EXHIBIT D.

DOBOR requested the lessee provide a brief overview of the present state of the club and provide examples of its activities, the following information was provided.

Presently Waikiki Yacht Club has grown to over a 1,000 members who are actively involved in a wide array of ocean recreation activities, including the support of Hawaiian canoe paddling and sailing sports. Since its inception the club said it has taught over 5,000 young people to safely sail in Hawaiian waters. The paddling program and canoe sports program have grown substantially, serving hundreds of teens, young adults, and seniors. The club continues to work in collaboration with community groups such as the Polynesian Voyaging Society, Palama Settlement, Adaptive Paddlers, and many others in creating programs to ensure deserving young people, seniors, and physically challenged individuals have access to sailing, boating and paddling sports activities. The club is also instrumental in supporting other charitable events in the community, offering non-profit organizations a place to hold their meetings and acting as a sponsor in other outreach activities like the PAL Keiki Fishing Tournament and the Cerebral Palsy Rubber Ducky Race. The club also continues to be considerably involved with the biannual Transpacific Yacht Race by hosting and supporting logistics for vessels representing numerous national and international

teams. WYC is planning to be the primary host to the forthcoming race. In addition, the club's members and its WYC fleet moored fronting the club, are very active in local sailing, and fishing events. Furthermore, the club recently hosted the America's Cup Trophy during its first visit to the State of Hawaii in over 30 years, and is collaborating in the effort to bring the America's Cup challenge races to the Hawaii.

The WYC has provided conceptual and drawings and will move ahead to complete the final architectural plans with the Board's approval of this request. These plans will be forwarded through DOBOR Engineering Section for review, and then will be forwarded to the Chairperson for approval prior to commencing construction. WYC must comply with all federal, State and County requirements during this renovation and improvement project.

The Lessee is in compliance with the terms and conditions of the lease, including rent, insurance, and performance bond.

The leased premises continue to be used substantially for the purpose for which it was leased, and there are no changes planned in the future. At this time there are no outstanding matters with respect to the present rental reopening in 2014.

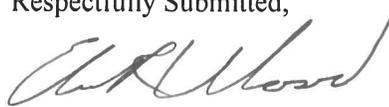
RECOMMENDATION:

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

1. Consent to the mortgage between Waikiki Yacht Club, Mortgagor, and Bank of Hawaii, Mortgagee, 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 amendment for extension of Boating Lease No. B-99-1 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,



Edward R. Underwood  
Administrator

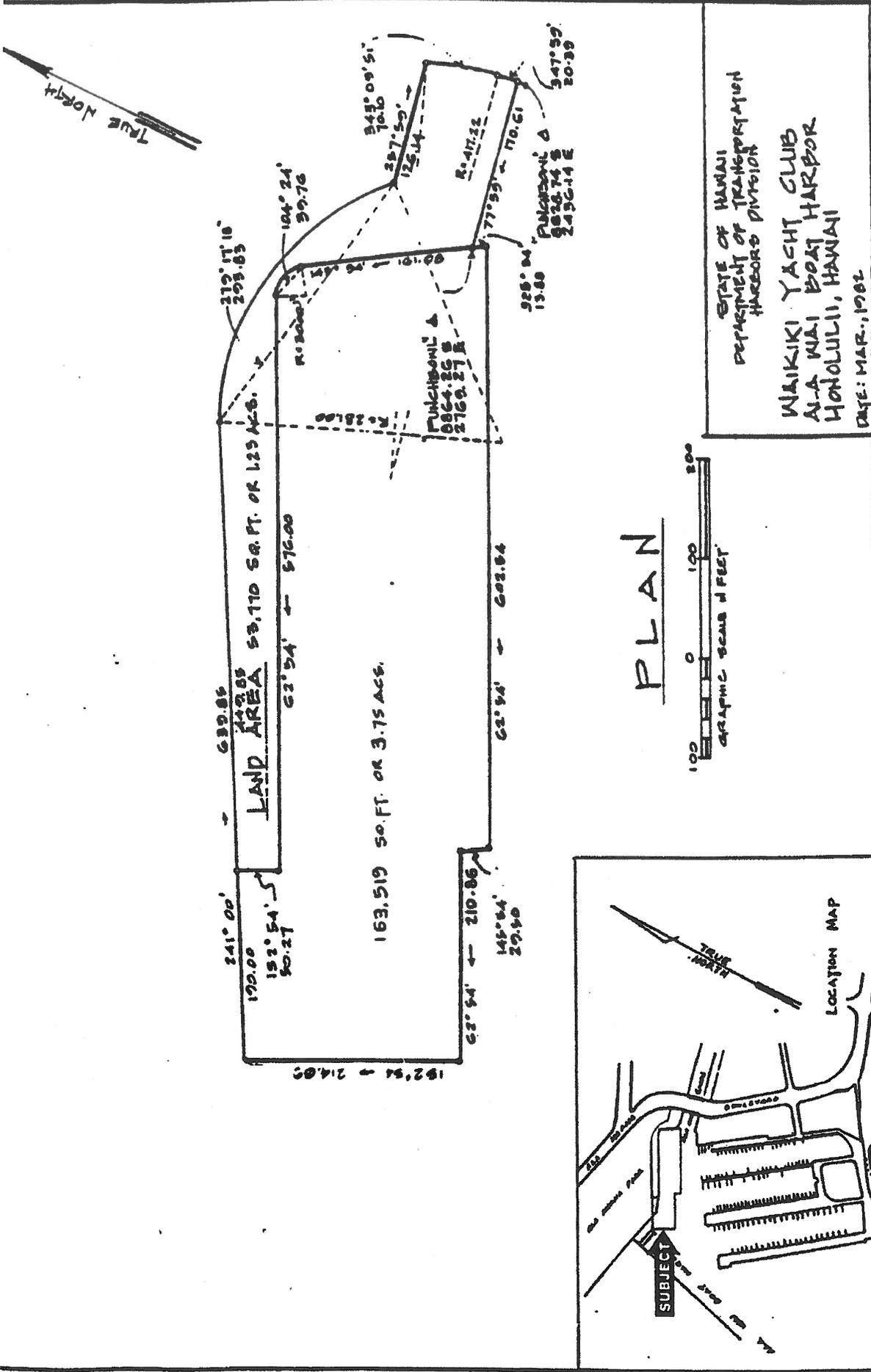
Attachments

APPROVED FOR SUBMITTAL:

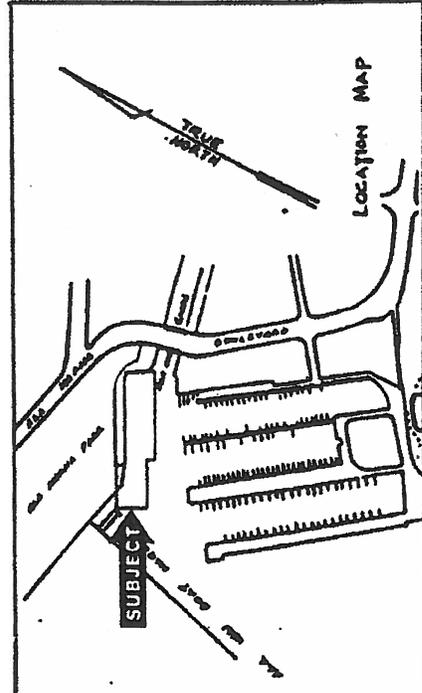
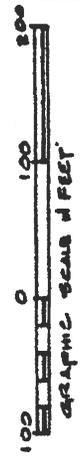


William J. Aila, Jr., Chairperson





PLAN



STATE OF HAWAII  
 DEPARTMENT OF TRANSPORTATION  
 HARBOUR DIVISION  
 WAIKIKI YACHT CLUB  
 AI-A MAI BOAT HARBOR  
 HONOLULU, HAWAII  
 DATE: MAR., 1962

45-1144 Kamehameha  
Highway, Suite 405,  
Kaneohe, Hawaii 96744

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ARCHITECTURE  
DESIGN  
PLANNING  
INTERIOR DESIGN  
QUALITY CONTROL

November 19, 2014

Waikiki Yacht Club  
1599 Ala Moana Blvd.  
Honolulu, Hi 96814

Re: Master Planning Preliminary Construction Cost Estimate  
Waikiki Yacht Club

Based on our recent bids for construction, we anticipate spending the following on the Waikiki Yacht Club Sanctuary and Campus Improvements:

**Planned Construction Improvements:**

Reroof (@20/)	\$ 180,000.00
6" Perimeter Gutters + DS (800x12)	\$ 10,000.00
Pool Baths/Showers/Lockers	\$ 60,000.00
Roof Structural (4 Bays)	\$ 485,800.00
Electrical	\$ 460,000.00
Mechanical	\$ 300,000.00
Kitchen	\$ 700,000.00
Server/Kitchen Storage	\$ 165,000.00
Dining Room	\$ 350,000.00
Dining Room Toilets	\$ 140,000.00
Office/Shop	\$ 230,000.00
Bar renovation	\$ 200,000.00
Bar Bathroom/Shower Locker	\$ 198,000.00
Painting (exterior)	\$ 80,000.00
<b>Construction Subtotal:</b>	<b>\$ 3,558,800.00</b>
Design & Development	\$ 300,000.00
<b>Construction Project Est. Total:</b>	<b>\$ 3,858,800.00</b>

**Additional Items from other funds as available:**

Carpeting Allowance	\$ 25,000.00
Landscape	\$ 80,000.00
A/V	\$ 20,000.00
Furnishings	\$ 150,000.00
<b>Construction Contingency 10%</b>	<b>\$ 380,000.00</b>
<b>Total Other items</b>	<b>\$ 655,000.00</b>

**EXHIBIT C**

Brian Watase  
Assistant Vice President  
Ala Moana Commercial Banking Center

November 19, 2014

Waikiki Yacht Club  
Greg Dunn, Immediate Past Commodore  
1599 Ala Moana Blvd.  
Honolulu, HI 96814

Dear Greg:

Bank of Hawaii (the "Bank") is pleased to submit the financing proposal described in the term sheet below. This letter and term sheet is not a commitment or offer to lend by the Bank, but is only a summary of the credit accommodation we may consider. The contents of the letter should be kept confidential.

We expect to engage in further discussions with you and will require additional information before proceeding to obtain an approval of the proposed credit. If you approve the terms and conditions described here, we will seek the appropriate Bank approval based on such information. However, you understand and acknowledge that such Bank approvals may not be obtained or, if obtained, may be conditioned on additional terms and/ or conditions.

We hope that you will find our proposal fair and flexibly suited to your needs. Please sign and return the enclosed copy of this letter to us, if you approve the attached terms and conditions. By signing below, the Borrower and the undersigned principals of the Borrower are also acknowledging, agreeing, and consenting to the matters set forth in this letter, including, without limitation, such parties' acknowledgement and consent to the Bank conducting customary due diligence with respect to the Borrower (including, but not limited to, obtaining and reviewing credit reports of the Borrower and its related parties). This proposal will expire unless accepted by you on or before December 31, 2014.

We look forward to working with you on this financing request. Should you have any questions please don't hesitate to contact me at (808) 694-8687 or via email at [brian.watase@boh.com](mailto:brian.watase@boh.com).

Sincerely,

