

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

September 13, 2013

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

Hawaii

Consent to Assign General Lease No. S-5642, JJCO Properties, LLC, Assignor, to Edmund Clarence Olson, Trustee of the Edmund C. Olson Trust No. 2, Assignee, Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-2-032:062.

APPLICANT:

JJCO Properties, LLC, a Hawaii Limited Liability Company, as Assignor, to Edmund Clarence Olson, Trustee of the Edmund C. Olson Trust No. 2, as Assignee.

LEGAL REFERENCE:

Section 171-36, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Waiakea, South Hilo, Hawaii identified by Tax Map Key: (3) 2-2-032:062, as shown on the attached map labeled Exhibit A.

AREA:

35,291 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:

Business, commercial or light industrial purposes as allowed under county zoning.

TERM OF LEASE:

30 years, commencing on 12/01/2004 and expiring on 11/30/2034
The first rental reopening is scheduled for 12/01/2024.

ANNUAL RENTAL:

\$28,533.76.

CONSIDERATION:

\$ 750,000.00.

RECOMMENDED PREMIUM:

\$ -0-. (Refer to Exhibit B attached.)

DCCA VERIFICATION:

ASSIGNOR: *JJCO Properties, LLC*

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>

ASSIGNEE: *Edmund Clarence Olson, Trustee of the Edmund C. Olson Trust No. 2*

Assignee as a Trust is exempt and as such are not required to register with the DCCA.

REMARKS:

General Lease No. S-5642 (GL S-5642) was sold at public auction on October 21, 2003 to JJCO, Inc., the corporate name for Jackson Auto Group. The commencement date of the lease was December 1, 2004. Lessee completed construction of a 1,920sf auto retail building and a 1,388sf auto service center in June 2006.

At its meeting of February 23, 2007, agenda item D-1, the Board consented to the assignment of lease from JJCO, Inc. to JJCO Properties, LLC. The purpose of the assignment was to transfer ownership of the lease to the property management division of the organization.

The Lessee has been in the auto sales and service business in Honolulu for many years. They have utilized the subject property for service, repairs and retail sales of parts for Volvo vehicles. They are now divesting themselves of their current automobile concerns and have sold their dealerships on Oahu and are now selling this portion of the business.

The Edmund C. Olson Trust No. 2 (Trust) is a private landowner invested in sustainable agriculture, managed natural-resource conservation and cultural legacy preservation, community development and education, and renewable energy. The Trust is involved in various endeavors on multiple islands and is a current permittee of the State for the development, diversion and use of water from several tunnels within the Kau Forest Reserve.

The purpose for acquiring GL S-5642 is to consolidate vehicle parking/servicing for the Trust's tour company, Hilo Bay Tours, LLC, which currently has 8 vehicles being parked at 3 separate locations on the island. Further, the centralized location will aid in increasing the operational efficiency of the business. The proposed intended use is consistent with current use and county zoning code.

The sale does not include any fixtures, inventory, business name nor other trade-specific assets. The sale is for the improvements and land lease only.

The Lessee is in compliance with all terms and conditions of the lease with regard to rent, insurance and performance bond requirements.

The Assignee 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.

There are no outstanding rental reopening issues at this time. The lease provides for the annual rent to be increased 5% every five years, beginning the end of the 5th year and continuing until the rental reopening of the 20th year scheduled for December 1, 2024.

Agency comments were not solicited on this request because it involves an assignment of lease and not a new disposition.

RECOMMENDATION:

That the Board consent to the assignment of General Lease No. S-5642 from JJCO Properties, LLC, Assignor, to Edmund Clarence Olson, Trustee of the Edmund C. Olson Trust No. 2, Assignee, subject to the following:

1. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time;

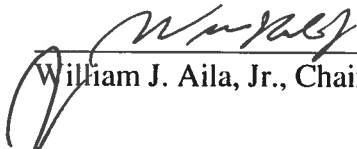
2. Review and approval by the Department of the Attorney General; and
3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



Candace Martin
Land Agent

APPROVED FOR SUBMITTAL:



William J. Aila, Jr., Chairperson

EXHIBIT A

2 2 32

Subject Property

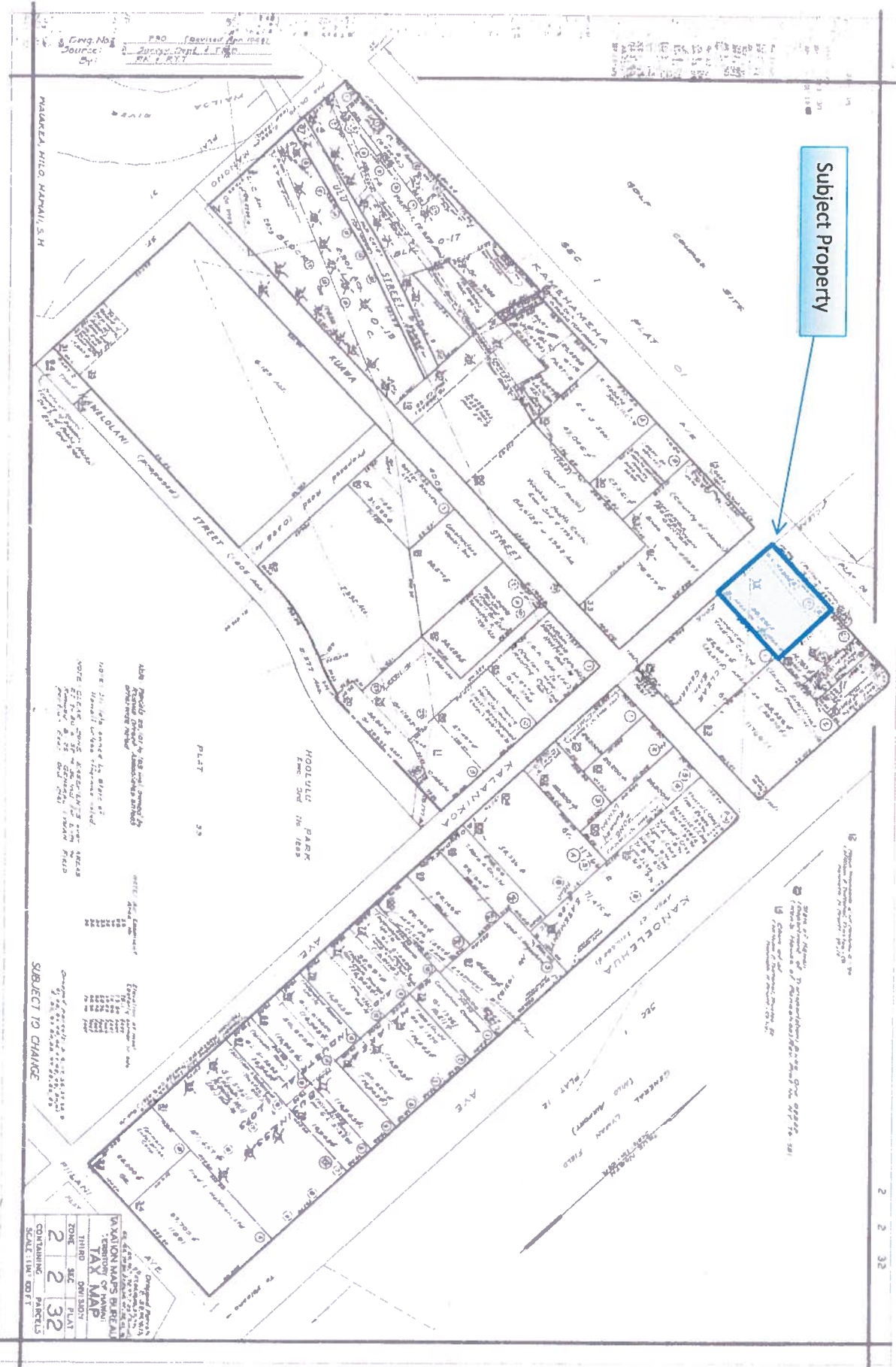




EXHIBIT B

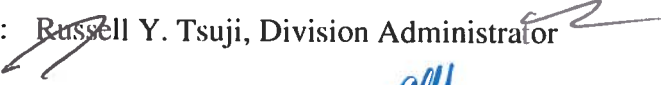
STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
LAND DIVISION


POST OFFICE BOX 621
HONOLULU, HAWAII 96809

August 30, 2013

MEMORANDUM

TO: William J. Aila, Jr., Chairperson

THROUGH: Russell Y. Tsuji, Division Administrator 

FROM: Candace Martin, Land Agent 

SUBJECT: In-House Recommendation – Assignment Premium Calculation

GL No.:	S-5642
Lessee/Assignor:	JJCO Properties, LLC
Assignee:	Edmund Clarence Olson, Trustee of the Edmund C. Olson Trust No. 2
Location:	Waiakea, South Hilo, Hawai'i
Lease area:	35,291 sf.
Tax Map Key:	(3) 2-2-032:062
Character of Use:	Business, Commercial, Light Industrial

We have been requested to provide an in-house evaluation of the assignment premium due to the State for an assignment of GL S-5642 actuated by the sale of the lease to Edmund Clarence Olson, Trustee of the Edmund C. Olson Trust No. 2. The assignment document, sales contract, financial statements and other pertinent information provided by Lessee were analyzed and staff applied the formula approved by the Land Board on December 15, 1989, agenda item F-10, and modified by the Board at its meeting on June 13, 2003, agenda item D-28, comprising the Assignment of Lease Evaluation Policy.

General Lease No. S-5642 was sold at public auction on October 21, 2003 with a lease commencement date of December 1, 2004. Lessee completed construction of a 1,920sf auto retail building and a 1,388sf auto service center in June 2006. In February 2009, the lease was assigned to the property management division of the organization, JJCO Properties, LLC.

The Lessee has been in the auto sales and service business in Honolulu for many years. They have utilized the subject property for service, repairs and retail sales of parts for Volvo vehicles.

They are now divesting themselves of their current automobile concerns and have sold their dealerships on Oahu and now want to sell this portion of the business also.

The covenants of the lease allow the Board to condition its consent on payment by the Lessee of a premium based on the amount of consideration that exceeds the Adjusted Depreciated Cost of Improvements as calculated in accordance with the Assignment of Lease Evaluation Policy.


The total consideration of the sale of lease is \$750,000. The actual cost of improvements was \$1,059,155. Trade fixtures are not included in the sale.

ASSIGNMENT PREMIUM CALCULATION: GL No. S-5642

Total Consideration		\$ 750,000
Actual Improvement Cost (2006)	\$1,059,155	
Adjusted Improvement Cost (2013)	\$1,254,387	
Less Depreciation (28.5 year lifespan)	<u>(\$322,766)</u>	
Adjusted Depreciated Cost of Improvements	\$ 931,620	<u>(\$931,620)</u>
Excess		<u>(\$181,620)</u>
Premium Percentage (6-10 years lapsed)		45%
Premium		(\$ - 0 -)

Based on these calculations resulting in a negative excess consideration, there is no premium due to the State on this assignment.

Approved/Disapproved:



William J. Aila, Jr., Chairperson



Date

Cc: District Files
Central Files