

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

November 8, 2013

Ref. No.: GLS-5976

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

HAWAII

Consent to Sublease of General Lease No. S-5976, Hospice of Hilo, Lessee, to Technology Credit Corporation, Sublessee, Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-4-001:179.

APPLICANT:

Hospice of Hilo, a Hawaii non-profit corporation, as 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, Lot 4-A, situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-4-001:179, as shown on the attached map labeled Exhibit A.

AREA:

3.500 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 February 22, 2008 and expiring on February 21, 2073. First rental reopening is scheduled for February 22, 2018.

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 February 22nd of each and every year.

ANNUAL SUBLEASE RENTAL:

\$1.00.

RECOMMENDED ADJUSTMENT TO LEASE RENTAL:

None. 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

REMARKS:

By letter dated July 31, 2013, the Hawaii District Land Office received a request from

Hospice of Hilo (Hospice) for consent to sublease of General Lease No. S-5976, to Technology Credit Corporation (TCC) for installation of a solar photovoltaic (PV) system. The PV system will involve the mounting/installation of 348 solar panels (YingLi 240 Watt Modules) at the Kapiolani Street Facility. The proposal is to install 348 panels on the roof of the facility at a cost of \$480,000, which would generate 83.520 kilowatts of energy, and two air conditioning units at a cost of \$70,000. The Kapiolani Street Facility, which operates 24-hours a day, has an average electrical cost of \$628.18 per day or \$18,843.05 per month. Installation of the PV system will drastically reduce Hospice's overall energy cost to less than half of its current monthly expense. Instead of paying \$18,843 to the electric company, it would be paying only \$8,000+ to TCC for PV rental.

The subject sublease for the Kapiolani Street Facility will involve 1) a Master Lease Agreement No. 2083, 2) a Solar Site Lease Agreement, 3) Lease Schedule No. 01, for the roof mounted PV System, 4) Lease Schedule No. 03, for the air conditioning unit, and 5) Dugied Construction contract. Dugied Construction, Inc., will provide and install the PV system. 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 to maintain full operations around the clock.

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.

In the near future, Hospice intends to install an additional 486 panels to its photo-voltaic system upon the Kapiolani Facility grounds, to generate another 111.60 kilowatts of power. A separate request will be forthcoming, upon completing an EA with FONSI determination from OEQC for the PV installation on the Kapiolani Facility grounds.

Staff reviewed the file and can report that Lessee is in compliance with all terms and conditions of the lease. Annual rent is current and liability insurance is scheduled to expire on 8/1/2014. A Performance Bond, an American Savings Bank 12-month Certificate of Deposit for \$960.00 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-5976 between Hospice of Hilo, as Lessee/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;

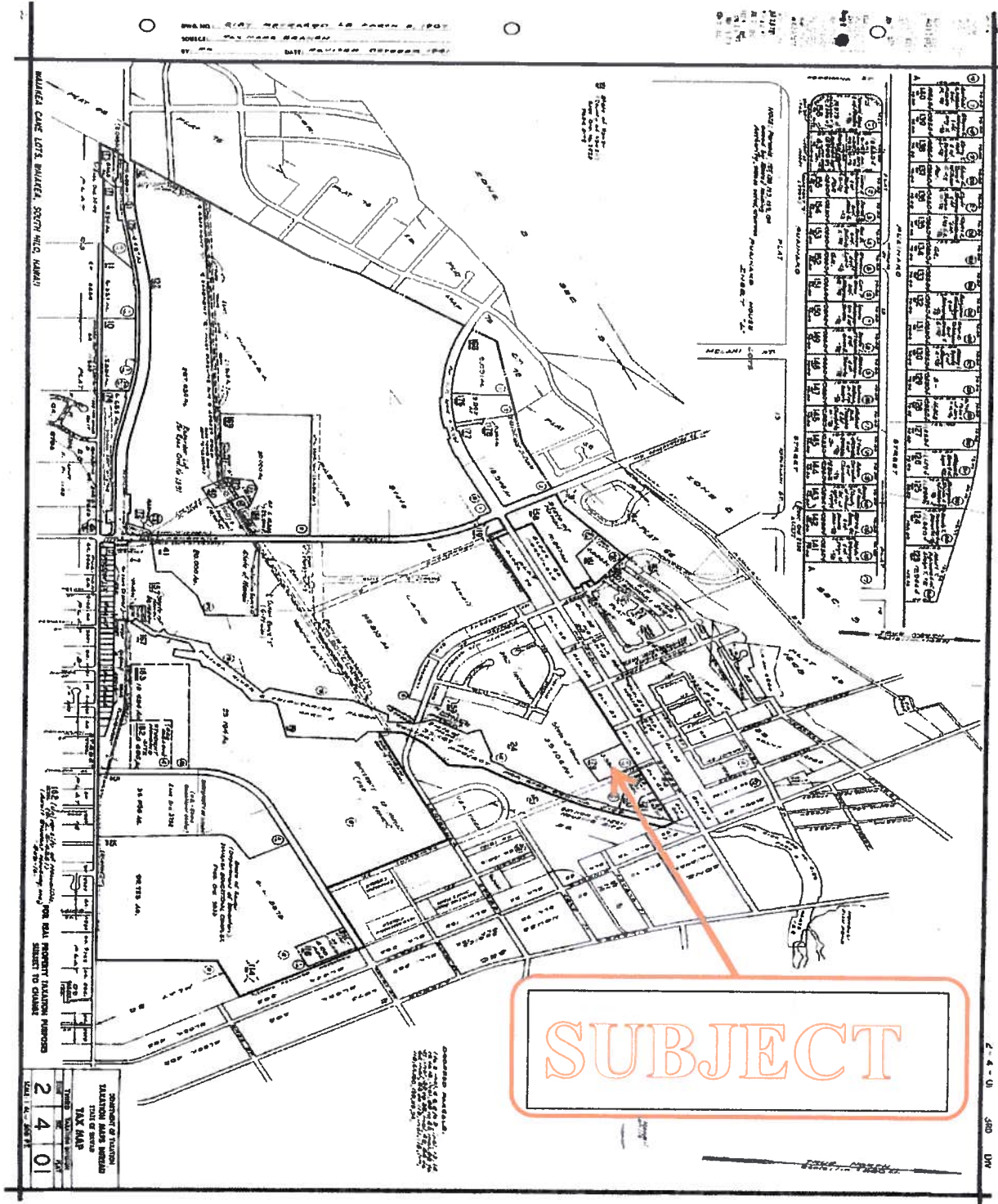
4. Review and approval by the Department of the Attorney General; and
5. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

  
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Wesley T. Matsunaga  
Land Agent

APPROVED FOR SUBMITTAL:

  
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William J. Aila, Jr., Chairperson



**EXHIBIT A**



NEIL ABERCROMBIE  
GOVERNOR OF HAWAII

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-5976, Hospice of Hilo, Lessee, to Technology Credit Corporation, Sublessee.

Project / Reference No.: GLS-5976

Project Location: Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-4-001: 179.

Project Description: Consent to Sublease of General Lease No. S-5976, 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:

**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." and  
**Exemption Class No. 4**, which states, "Minor alterations in the conditions of land, water or vegetation."

**EXHIBIT B**

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 request 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.



  
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William J. Aila, Jr., Chairperson

10/21/13  
Date