

DAVID Y. IGE
GOVERNOR



FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

IN REPLY REFER TO:

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

OAHU

ISSUANCE OF LEASE BY DIRECT NEGOTIATION TO GARDEN & VALLEY ISLE SEAFOOD, INC., UNIT FV9 OF THE DOMESTIC COMMERCIAL FISHING VILLAGE, NEAR PIER 38, TAX MAP KEY: 1ST/1-5-42: PORTIONS OF 7 AND 17, HONOLULU HARBOR, OAHU

LEGAL REFERENCE:

Sections 171-11, -35, -36 and -59 (b), Hawaii Revised Statutes.

APPLICANT:

Garden & Valley Isle Seafood, Inc., a Domestic Profit Corporation, whose mailing address is 225 North Nimitz Highway, Unit 3, Honolulu, Hawaii 96817

LOCATION:

Unit FV9 of the Domestic Commercial Fishing Village, Pier 38, Honolulu Harbor, Oahu, Tax Map Key No: 1st/1-5-42: Portions of 7 and 17, as shown on the attached Exhibit "A".

STATUS:

Governor's Executive Order No. 1346 to the Department of Transportation Harbors Division.

ITEM M-18

AREA:

27,364 square feet, more or less

ZONING:

State Land Use Commission: Urban
City and County of Honolulu: I-3 (Waterfront Industrial)

LAND TITLE STATUS:

Subsection 5(a) of the Hawaii Admission Act, non-ceded.

CHARACTER OF USE:

Construction, installation, operation, use, maintenance and repair of improvements necessary for the storage, processing, and wholesale distribution of seafood products and ancillary services and products, including, but not limited, to the operation of a seafood restaurant, and retail sales of seafood products and produce.

TERM:

Thirty-five (35) years, the commencement date to be determined by the Director of Transportation.

LEASE RENTAL:

- a. Total Annual Rental for the First 5 years. During each of the first five (5) years of this lease, the LESSEE shall pay to the LESSOR for use of the Premises, an annual rental of TWO HUNDRED THOUSAND THREE HUNDRED DOLLARS AND 00/100 (\$200,300.00). If the Waiver Period terminates prior to the end of the first year of this lease, the LESSEE shall pay to the LESSOR the proper prorated amount of the annual rental of TWO HUNDRED THOUSAND THREE HUNDRED DOLLARS AND 00/00 (\$200,300.00) for the remainder of said first year, which total sum is based on the following rental calculation.
- b. Total Annual Rental for the Second 5 years. During each of the sixth (6th) through and including the tenth (10th) years of this lease, the LESSEE shall pay the LESSOR an annual rental of TWO HUNDRED THIRTY THOUSAND THREE HUNDRED FORTY FIVE DOLLARS AND 00/100 (\$230,345.00), which total sum is based on a 15% bump from the first five years.

- c. Total Annual Rental for the Third 5 years. During each of the eleventh (11th) through and including the fifteenth (15th) years of the lease, the LESSEE shall pay the LESSOR an annual rental of TWO HUNDRED SIXTY FOUR THOUSAND EIGHT HUNDRED NINETY SIX DOLLARS AND 75/100 (\$264,896.75) which total sum is based on a 15% bump from the second five years.
- d. Total Annual Rental for the Fourth 5 years. During each of the sixteenth (16th) through and including the twentieth (20th) years of the lease, the LESSEE shall pay the LESSOR an annual rental of THREE HUNDRED FOUR THOUSAND SIX HUNDRED THIRTY ONE DOLLARS AND 26/100 (\$304,631.26), which total sum is based on a 15% bump from the third five years.
- e. Total Annual Rental for the Fifth 5 years. During each of the twenty-first (21st) through and including the twenty-fifth (25th) years of the lease, the LESSEE shall pay the LESSOR an annual rental of THREE HUNDRED FIFTY THOUSAND THREE HUNDRED TWENTY FIVE DOLLARS AND 94/100 (\$350,325.94) which total sum is based on a 15% bump from the fourth five years.
- f. Rental renegotiation by Independent Appraisal for the twenty-sixth (26th) and thirtieth (30th) year.
- g. In addition to the above annual base rental, the applicant is required to pay a proportionate share of the common area maintenance fee assessed by the Domestic Commercial Fishing Village Association for maintenance of the access.

WAIVER OF LEASE RENTAL:

The provisions of the lease require the Applicant to make substantial improvements to the premises, in an amount not less than ONE MILLION DOLLARS AND 00/00 (\$1,000,000.00), including, without limitation, constructing and installing all interior utility lines, equipment and appurtenances necessary for the purpose of the lease. As a result, the lessee's obligation to pay rent to the State during the period of such construction shall be waived for a period not to exceed one year, and the waiver of rental shall terminate as of the date the lessee occupies the premises and commences operations.

CHAPTER 343, H.R.S. - ENVIRONMENTAL ASSESSMENT:

The Harbors Division had both Draft and Final Environmental Assessments done for the Domestic Commercial Fishing Village Project, and a Finding of No Significant Impact was found for the project in June of 1998. The subject lease falls under the aforementioned Environmental Assessments.

APPLICANT REQUIREMENTS:

Applicant shall be required to comply with all lease terms, including all exhibits, addendums, and other lease documents, and specifically shall be required to:

- a. Make substantial improvements to the premises, as defined in the lease, in an amount not less than ONE MILLION DOLLARS AND 00/00 (\$1,000,000.00), with construction commencing no later than January 15, 2016, and concluding not later than one year from the commencement date;
- b. Comply with all environmental laws and regulations, including the Department of Transportation Harbors Division Storm Water Pollution Prevention Programs;
- c. Join and become a member of the Tenants Association of the Domestic Commercial Fishing Village, and pay to the Tenants Association, as billed, its proportionate share of the Tenants Association's operating costs and common area expenses;
- d. Pay a security deposit of TWO HUNDRED THOUSAND THREE HUNDRED DOLLARS AND 00/00 (\$200,300.00), the equivalent to one year's rental;

REMARKS:

The mission of the Department of Transportation Harbors Division is to effectively manage and operate a statewide commercial harbors system that facilitates the efficient movement of people and goods to, from and between the Hawaiian Islands. Our program objectives support the State's economic prosperity and quality of life as well as promote the well being of our cargo, fishing and passenger cruise industries, other maritime related service and support activities, and the enjoyment of certain waterfront facilities by the general public.

The Pier 38 Domestic Commercial Fishing Village ties into this mission as a showcase for Hawaii's fishing and seafood industry as most of Hawaii's commercial fishing fleet docks there and at adjacent piers. The fishing village features fishing equipment suppliers, vessel support services, restaurants, a multi-use meeting and banquet facility, and Honolulu's fish auction. Six mornings a week, approximately 55,000 pounds of fresh catches of Pacific wild-caught ahi, aku, swordfish, mahimahi, opah, opakapaka, monchong, marlin, and other fish are unloaded at the United Fishing Agency, the only fresh tuna auction of its kind in the United States. The Domestic Commercial Fishing Village, and its tenants, serves an important function in Hawaii's economy generating more than \$125 million annually and employing 300 people. This lease is a part of the Domestic Commercial Fishing Village and contributes to its important role to the State.

The lease by direct negotiation rather than by public auction is appropriate in this instance in order to provide the Applicant land wherein it would be able to continue the close association necessary for convenient and efficient processing of fresh fish. This is also consistent with the objective to consolidate major commercial fishing activities in a modern environment and facility for seafood processing.

In addition to the standard sublease language in Department of Transportation Harbors Division leases, staff recommends that the any consent to sublease shall include that all sublease payments shall be assigned to the Department of Transportation Harbors Division in the event of a payment default by the Applicant until such time that the default is cured.

RECOMMENDATION:

That the Board, authorize issuance of a lease by direct negotiation to the Applicant, subject to the terms and conditions outlined above and incorporated herein by reference and further subject to the following:

- 1) Review and approve as to form by the Department of the Attorney General.
- 2) Such other terms and conditions as may be prescribed by the Director of the Department of Transportation to best serve the interests of the State.

Respectfully Submitted,



FORD N. FUCHIGAMI
Director of Transportation

APPROVED FOR SUBMITTAL:



SUZANNE CASE
Chairperson and Member
Board of Land and Natural Resources

■

DOMESTIC COMMERCIAL FISHING VILLAGE PROJECT MAP

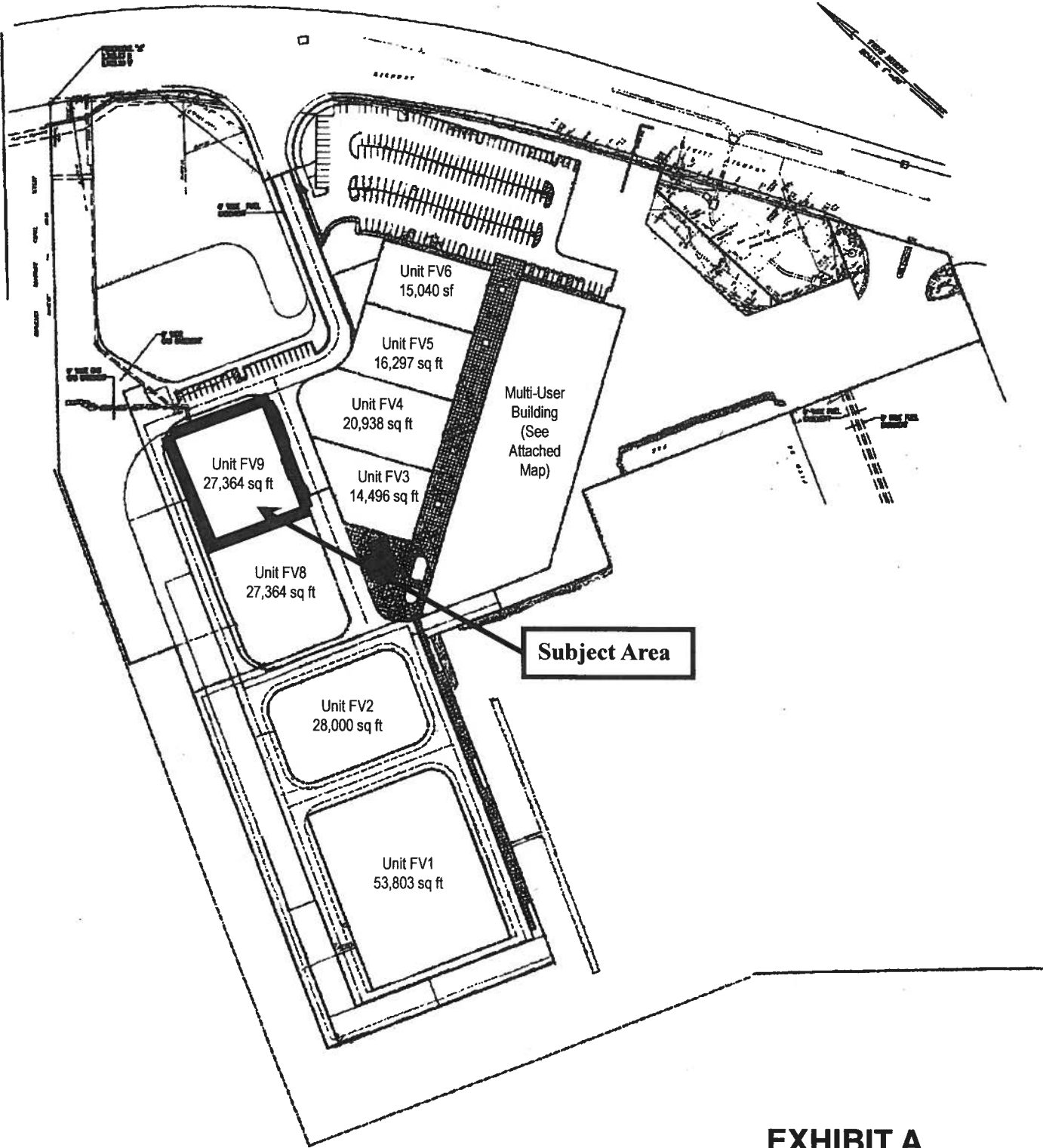


EXHIBIT A