

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

November 13, 2015

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

Hawaii

Consent to Second Amendment of Mortgage with Estoppel Certificate, General Lease No. S-5266, Hilo Medical Investors, Ltd.(L.P.), Lessee, Piihonua, South Hilo, Hawaii, Tax Map Key: (3) 2-3-031:021.

APPLICANT AND REQUEST:

Hilo Medical Investors, Ltd.(L.P.), requesting an amendment to the consent to mortgage from Bank of Hawaii, Mortgagee, in an amount not to exceed \$ 18,920,000.00.

LEGAL REFERENCE:

Section 171-22, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of situated at Piihonua, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-3-031:021, as shown on the attached map labeled Exhibit A.

AREA:

9.173 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

CHARACTER OF USE:

Long-term care nursing facility purposes.

TERM OF LEASE:

55 years, commencing on 3/30/1993 and expiring on 3/29/2048. Last rental reopening occurred on 03/30/2013; next rental reopening is scheduled for 3/30/2023.

ANNUAL RENTAL:

\$40,000.00 per annum.

USE OF LOAN PROCEEDS:

This request is for an amendment of the mortgage that received the Chairperson's initial consent on August 8, 1994 which was subsequently amended on January 12, 2007 to allow a \$2,000,000.00 increase to the mortgage (from \$14,400,400.00 to \$16,400,000.00). The mortgage has a current balance of approximately \$13,600,000.00. The Lessee is requesting consent to increase the amount financed by an additional \$5,320,000.00 for a total not to exceed \$18,920,000.00.

The mortgage and security agreement encumbers all of the mortgagor's leasehold interest in General Lease No. S-5266 (GL 5266) together with all improvements. The mortgage and security agreement also encumbers the mortgagor's fee simple lands identified as Tax Map Key: (3) 2-4-003:052 and all improvements thereon. The current appraisal estimates the total market value of the leasehold interest to be \$11,780,000.00 and the total market value of the fee simple interest to be \$26,470,000.00. The combined total market value of both properties used to secure the mortgage being \$38,250,000.00.

Funds of approximately \$2,350,000.00 will be used to renovate the rehabilitation gyms, replace carpeting/tile and refurbish common areas of GL 5266. Funds of approximately \$2,950,000.00 will be used to update HVAC system, replace carpeting, refurbish common areas and purchase new furniture for the improvements on the fee simple property.

REMARKS:

At the public auction of Government leases held on August 10, 1992, GL 5266 was awarded to Hilo Healthcare Investors, Inc., the highest bidder.

At its meeting of July 9, 1994, under agenda item F-1-f, the Board consented to the assignment of lease from Hilo Healthcare Investors, Inc. to Hilo Medical Investors, Ltd. (L.P.).

On August 8, 1994, the Chairperson consented to the mortgage and security agreement between Bank of Hawaii and Hilo Healthcare Investors, Inc. (L.P.) in the amount of \$14,400,000.00. The mortgage and security agreement encumbers all of the mortgagor's

leasehold estate in General Lease No. S-5266 (GL 5266) together with all improvements. The mortgage and security agreement also encumbers the mortgagor's fee simple lands identified as Tax Map Key: (3) 2-4-003:052 and all improvements thereon. The funds were used to finance improvements on both properties.

On January 12, 2007, the Chairperson consented to an amendment of the mortgage and security agreement. The amendment allowed a \$2,000,000.00 increase of the loan to \$16,400,000.00.

This request is for a second amendment of the mortgage that received the Chairperson's consent on August 8, 1994 and was subsequently amended on January 12, 2007. The mortgage has a current balance of approximately \$13,600,000.00. The Lessee is requesting consent for an additional \$5,320,000.00 to the existing mortgage for a total not to exceed \$18,920,000.00.

Mortgagor/mortgagee has provided staff with copies of the amendment to mortgage, preliminary title report and appraisal. The title report revealed only the aforementioned encumbrances to the properties. The request for an estoppel certificate is part of the mortgagee's standard policies.

The lessee is compliant with all the terms and conditions of the lease with regards to rent, insurance and performance bond requirements.

The last rental reopening occurred on 03/30/2013 with next rental reopening scheduled for 3/30/2023. There are no rental reopening issues.

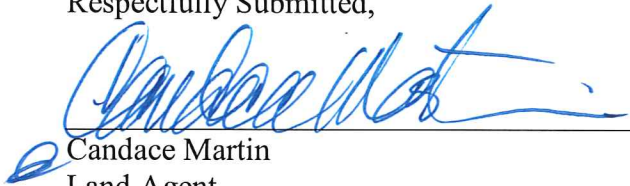
No comments were solicited for this action as there is no new disposition or change in land use.

RECOMMENDATION: That the Chairperson;

- A. Consent to the second amendment of mortgage of General Lease No. S-5266 between Hilo Medical Investors, Ltd.(L.P.), Mortgagor, and Bank of Hawaii, Mortgagee, subject to the following:
 1. The loan proceeds shall be used for the purposes as stated in "Use of Loan Proceeds" above. The Lessee shall maintain records of loan expenditures which may be inspected by the Department;
 2. The standard terms and conditions of the most current consent to mortgage form, as may be amended from time to time;
 3. Review and approval by the Department of the Attorney General; and

4. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
- B. Authorize the execution of an Estoppel Certificate subject to the following:
1. The standard terms and conditions of the most current estoppel certificate 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 interest of the State.

Respectfully Submitted,



Candace Martin
Land Agent

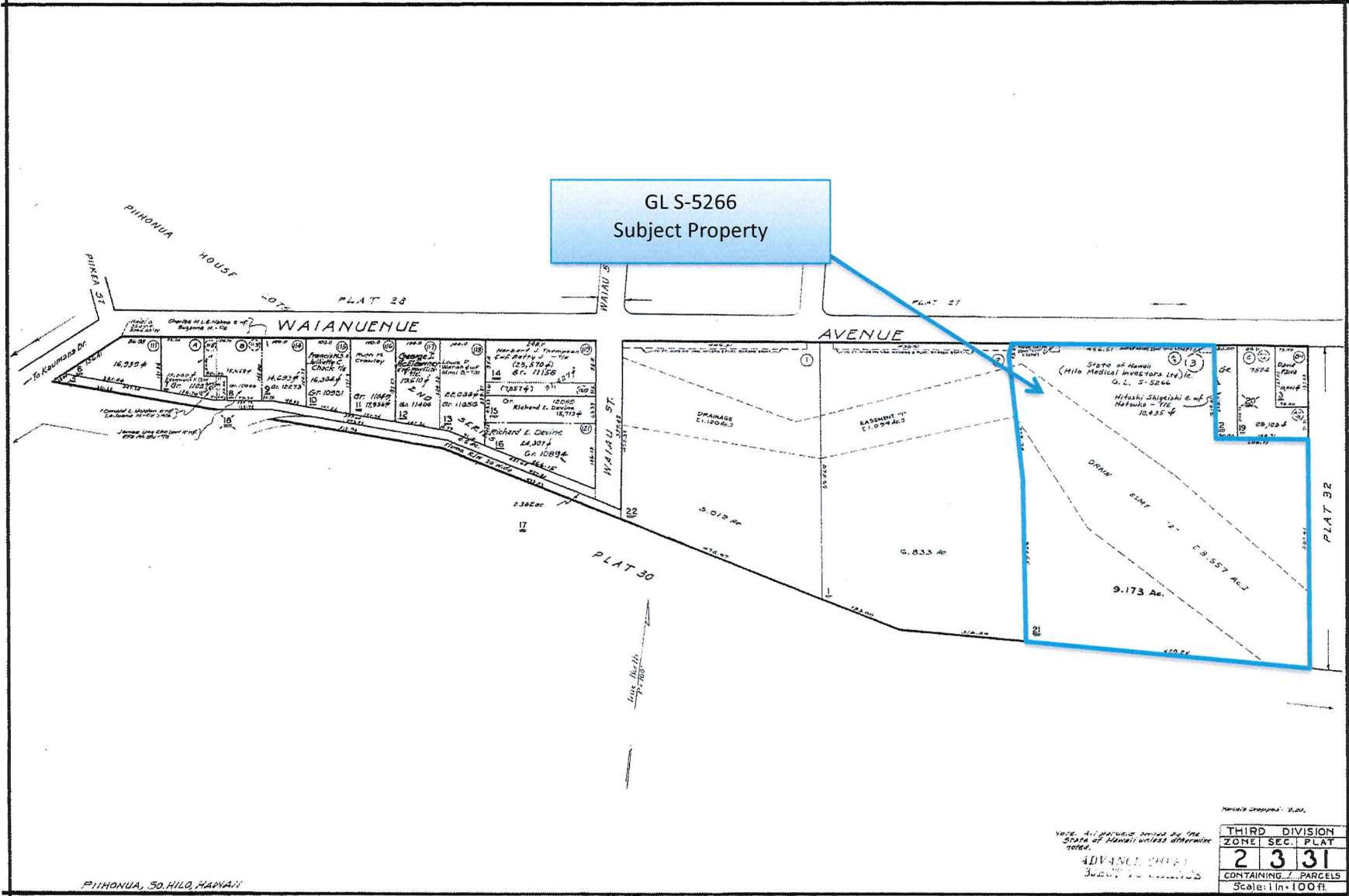
APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson

Handwritten initials

EXHIBIT A



GL S-5266
Subject Property

PIIKOIA, SO. HILO, HAWAII

NOTE: All parcels owned by the State of Hawaii unless otherwise noted.
ADVANCE SHEET
3/20/2018 10:00 AM

THIRD DIVISION		
ZONE	SEC.	PLAT
2	3	31
CONTAINING 7 PARCELS		
Scale: 1 in = 100 ft.		