

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

February 13, 2015

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

PSF No. 15OD-003

OAHU

Consent to the Amendment of the Sublease under General Lease No. S-5805, Waikiki Community Center, Sublessor, to Waikiki Health, dba Waikiki Health Center, Sublessee, Waikiki, Honolulu, Oahu, Tax Map Key: (1) 2-6-025:008.

APPLICANT:

Waikiki Community Center, as Sublessor, to Waikiki Health, dba Waikiki Health Center, as Sublessee, both entities are domestic non-profit corporations.

LEGAL REFERENCE:

Section 171-36(a)(6), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Waikiki, Honolulu, Oahu, identified by Tax Map Key: (1) 2-6-025:008, as shown on the map attached as Exhibit 1.

AREA:

1.56 acres, more or less.

TRUST LAND STATUS:

Non-ceded; acquired after Statehood.
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: No

LEASE CHARACTER OF USE:

Youth, education and multi-service community center to house human services and community activities purposes.

SUBLEASE CHARACTER OF USE:

Health clinic related purposes.

TERM OF LEASE:

30 years, commencing on April 1, 2007 and expiring on March 31, 2037. Next rental reopening is scheduled for April 1, 2017.

TERM OF SUBLEASE:

Effective date beginning on: January 1, 2015 and ending on March 31, 2037.

ANNUAL RENTAL:

\$156.00

SUBLEASE RENTAL:

January 1, 2013 through December 31, 2013: \$1.32 per square foot.

January 1, 2014 through December 31, 2014: \$1.39 per square foot.

January 1, 2015 through December 31, 2015: \$1.46 per square foot.

RECOMMENDED ADJUSTMENT TO LEASE RENTAL:

None.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

In accordance with Hawaii Administrative Rule Sections 11-200-8(a)(1) and the Exemption List for the Department of Land and Natural Resources approved by the Environmental Council and dated December 4, 1991, the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1, that 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". See the Exemption Notification attached as Exhibit 2.

DCCA VERIFICATION:

SUBLESSOR:

| | | |
|---|------------------|--------------|
| 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> |

SUBLESSEE:

| | | |
|---|------------------|--------------|
| 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> |

REMARKS:

The Waikiki Community Center (WCC) is requesting the Board's consent to amend its sublease agreement with Waikiki Health, dba Waikiki Health Center (WHC). WCC's request includes two proposed amendments to the existing sublease. Since 1982, Waikiki Community Center (WCC) has been the lessee for the subject property for community service purposes. In 2007, the Board authorized the issuance of a new 30-year lease to WCC for the purposes cited above.

At its meeting on October 28, 2010, under agenda item D-7, the Board had consented to the sublease under General Lease No. S-5808 from WCC, as the lessee, to WHC, as its sublessee.

Effective as of January 1, 2013, the first of the two proposed sublease amendments consists of the following: (1.01) Premises: the paragraph to be amended by describing the area of the premises in the Health Building from 2,364 square feet on the first floor of the Health Building and 3,418 square feet on the second floor of the Health Building, (1.03) Parking: amendments to the parking spaces section from 5 unassigned parking spaces up to a maximum of 24 assigned parking spaces and (2.01) Rent: to amend the expired rental period from January 1, 2010 through December 31, 2012, to the current rental period of January 1, 2013 through December 31, 2015. See Exhibit 3 for the amendments.

Effective as of January 1, 2015, the second of the two proposed sublease amendments consists of the following: (1.01) Premises: the paragraph to be amended by describing the area of the premises to include an additional 1,111.5 square feet comprising the former Chapel and Sanctuary portion of the Health Building, as included within the floor plan area of Exhibit A, (2.01) Rent: rent payable established for the years 2013-2016 and (3.01) Non-compliance with Public Accommodation Laws: the disclaimer regarding the Public Accommodation Laws. See Exhibit 4 for the amendments.

The "In-House Valuation Recommendation-Waikiki Community Center Sublease Rent Calculation" consists of a memorandum that had been prepared by the staff appraiser in the October 28, 2010 sublease, and is included within Exhibit 5. In the staff appraiser's opinion, there was no sandwich rent involved in the sublease. Staff understands that the current request to amend the sublease bears similarity to the year 2010 sublease in that the proposed sublease rents will generate rental income to pay for some of the operating costs associated with the use of the proposed subleased space. Based upon the staff appraiser's previous analysis, a loss of net operating income is expected to occur. As such, staff believes that a sandwich rent component will not exist in this situation either.

WCC is in compliance with the terms and conditions of the subject master lease. The proposed use would involve negligible or no expansion or change in use of the subject area beyond that previously existing. A copy of the environmental assessment exemption notification is attached as Exhibit 2.

There are no issues regarding any rental reopening, as the next reopening will not occur until 2017. Staff did not solicit comments on the subject request as it is for housekeeping purposes only. Staff has no objection to the request.

Staff now brings this request to the Board for its approval.

RECOMMENDATION: That the Board

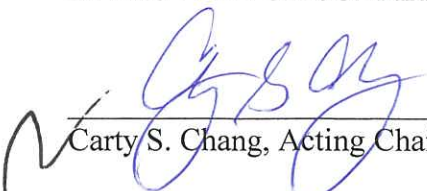
1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200, HAR, that the proposed use will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.
2. Consent to amend the sublease under General Lease No. S-5805 between Waikiki Community Center, as the Sublessor, to Waikiki Health, dba Waikiki Health Center, as the Sublessee, subject to any applicable conditions cited above which are by this reference incorporated herein and further subject to the following terms and conditions:
 - A. The standard terms and conditions of the most current consent to sublease form, as may be amended from time to time;
 - B. Review and approval by the Department of the Attorney General; and
 - C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

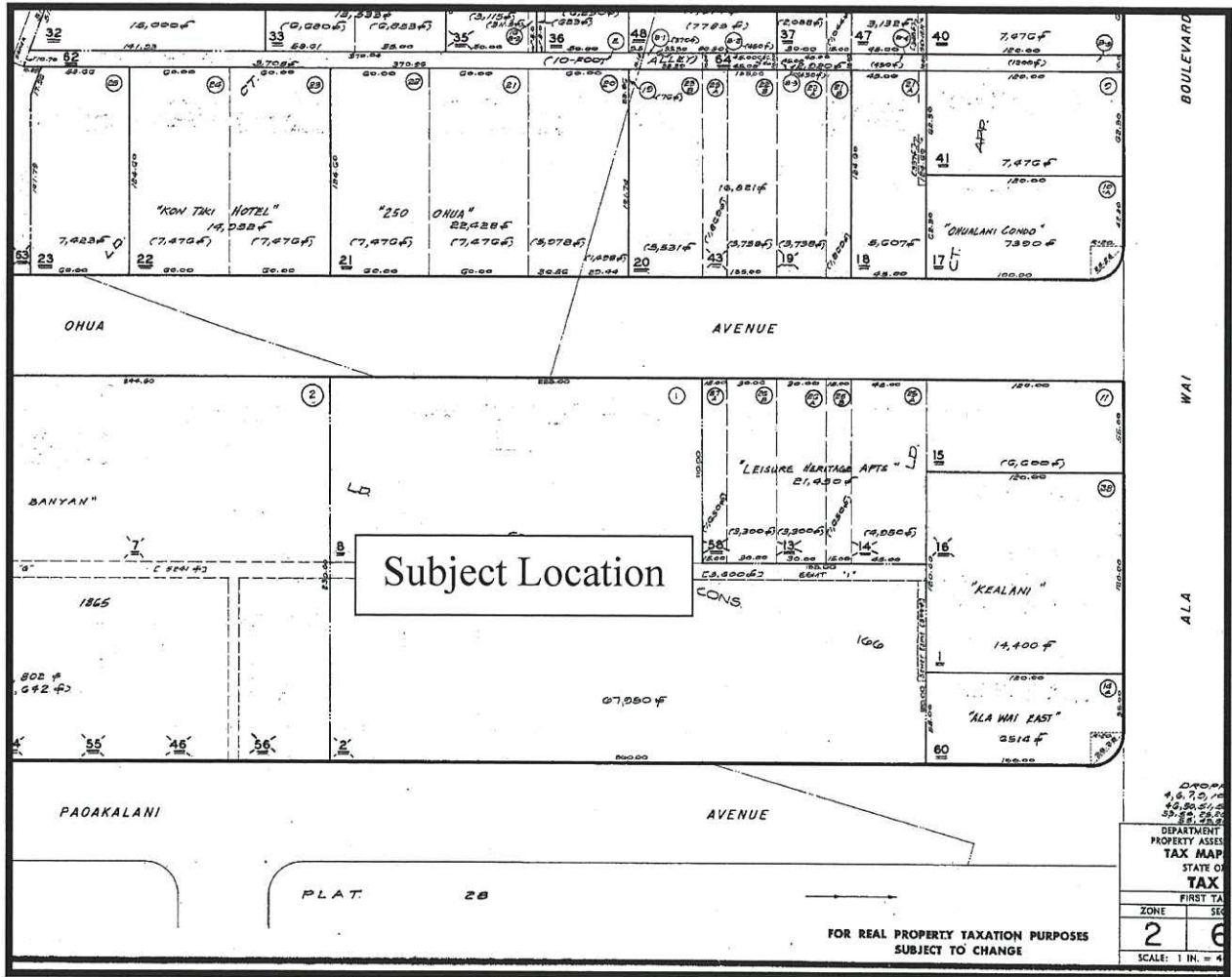


Timmy Chee
Land Agent

APPROVED FOR SUBMITTAL:



Carty S. Chang, Acting Chairperson



TMK (1) 2-6-025:008

EXHIBIT 1

EXEMPTION NOTIFICATION

Regarding the preparation of an environmental assessment pursuant to Chapter 343, HRS and Chapter 11-200, HAR

Project Title: Consent Requested to Amend Waikiki Community Center's Sublease

Project / Reference No.: GL-5805

Project Location: Honolulu, Oahu, TMK (1) 2-6-025:008

Project Description: Request to Amend Waikiki Community Center's Sublease

Chap. 343 Trigger(s): Use of State Land


Exemption Class No.: In accordance with Hawaii Administrative Rule Section 11-200-8(a)(1), the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1, that 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".

The subject request to amend Waikiki Community Center's sublease consists of the continued use of the subject premises for community services purposes. As such, staff believes that the proposed use of the premises would involve negligible or no expansion or change in use of the subject area beyond that previously existing.

Consulted Parties: Not applicable.

Recommendation: It is recommended that the Board find that the proposed use will probably have a minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment.





Carty S. Chang, Acting Chairperson

Date 1/13/15

EXHIBIT 2

WAIKIKI COMMUNITY CENTER-WAIKIKI HEALTH CENTER
AMENDMENT OF SUBLEASE

This Amendment of Sublease (this "Amendment") effective January 1, 2013, by and between WAIKIKI COMMUNITY CENTER, a Hawaii nonprofit corporation ("Sublessor"), and WAIKIKI HEALTH CENTER, a Hawaii nonprofit corporation ("Sublessee"), amends the Sublease dated as of January 1, 2010 between Sublessor and Sublessee ("the Sublease") in the following respects:

1.01 Premises. This paragraph is amended by describing the area of the Premises in the Health Building as 2,364 square feet on the first floor of the Health Building and 3,418 square feet on the second floor of the Health Building, as identified on Exhibit A attached to this Amendment.

1.03 Parking. This Section is amended to read as follows:

1.03 Parking. (a) Effective May 15, 2013, Sublessee shall have the right to use a maximum of twenty-four (24) assigned parking spaces in the parking lot on Ohua Avenue side of the Property (the "Ohua Lot") for parking by Sublessor's employees, invitees, program participants and other persons using the Premises during normal business hours (6:45 am to 8:00 pm, Monday to Friday and 7:00 am to 1:30 pm on Saturday). Sublessee shall have the right to use five (5) parking spaces in the Ohua Lot at no charge, and up to a maximum of nineteen (19) additional parking spaces in the Ohua Lot at the rate of \$75.00 per month plus Hawaii general excise tax, for all or any portion of a month, payable in advance on the first day of each month. Sublessor reserves the right to increase the parking charge effective on January 1 of each year. Sublessor will stripe and identify the parking spaces to be assigned to Sublessee.

(b) Sublessor has promulgated the attached regulations relating to the use of the parking spaces and may amend these regulations from time to time at Sublessor's sole discretion.

(c) Sublessor will distribute to Sublessee a monthly employee parking pass and that will allow Sublessee's access to the Ohua Lot in reserved parking spaces during business hours. Sublessor will provide Sublessee with the appropriate number of monthly passes each month.

(d) Sublessor will distribute to Sublessee to issue to invitees, patients, clients and other guests guest parking passes to place on their dashboards. The color of the parking pass will change monthly. Guest parking passes will allow visitors to park in the lot for up to four (4) hours at a time. If a guest needs to remain in the parking lot for more than 4 hours, Sublessee must notify Sublessor, who will notify Sublessor's parking agent Elite Parking Services.

(e) Several times per day at varying times, employees from Elite Parking Services will monitor the Ohua Lot to ensure that vehicles parked in reserved WH spaces display the appropriate hang tag or pass. If a vehicle does not have a monthly or guest pass displayed, Sublessor's agent Elite Parking Service or Sublessor's staff will

place a "first warning" notice on the vehicle's windshield. If a vehicle is found to be parked without a pass a second time, a "second warning" notice will be placed on the vehicle's windshield, to inform the owner that the third offense will result in the car being towed. Vehicle towing will be managed by Elite Parking Service designee. The name and contact information of the towing company will be displayed on signs in the parking lot entrance. The towing fee will be in accordance with state of Hawaii regulations.

(f) Use of any remaining spaces in the Ohua Lot (including the two (2) handicapped parking spaces) shall be limited to Sublessor, Sublessee and the other sublessees and occupants of the facilities on the Property and their respective employees, invitees, program participants and other persons using the facilities on a non-exclusive basis. Sublessor reserves the right to rent the assigned parking spaces to third parties for use during evening hours (after 5:00 pm).

(g) Sublessor reserves the right to close the entire parking lot or portions of the parking lot at any time and from time to time, for construction or other purposes at the sole discretion of Sublessor. Sublessor shall provide Sublessee with not less than thirty (30) days prior written notice of any scheduled closing of the parking lot, and two (2) days prior written notice of any partial closing of the Ohua Lot.

2.01 Rent. This section is amended by adding the following section 2.01(f):

(f) 2013-2016 Rental Period. For the rental period beginning on January 1, 2013 and continuing through and including December 31, 2015, monthly rent shall be \$1.32 per square foot for the period January 1, 2013, through and including December 31, 2013, \$1.39 per square foot for the period January 1, 2014 through and including December 31, 2014, \$1.46 square foot for the period January 1, 2015 through and including December 31, 2015. Sublessee shall also pay all Hawaii general excise tax, including County surcharge on rent, utilities and other charges, which tax is presently 4.712%.

In all other respects the Sublease, as amended by this Amendment, shall remain in full force and effect.

WAIKIKI COMMUNITY CENTER, a
Hawaii nonprofit corporation

WAIKIKI HEALTH CENTER, a
Hawaii nonprofit corporation

By _____
Name
Its
Sublessor

By _____
Name
Its
Sublessee



To: Waikiki Health Center
From: Georgette Siamani – Senior Manager
Date: April 30, 2013
Subject: Parking Policy & Procedures (Ohua Parking Lot)

Effective May 1, 2013 the Waikiki Health Center will be assigning parking spaces located on **Ohua Street** for employees only. Assigned stalls will be marked “Reserved WH”. The Waikiki Health Center office will be issuing the monthly parking passes to employees each month from the 1st to the 5th that will allow employees the access to the Ohua lot. Parking passes changes **color** each month and should not be copied or duplicated. Parking is available from the time the location opens to closing from 6:00 am to 10:00 pm. Employees are to display the current parking pass in their vehicles at all times on the dashboard when parking at the Ohua lot.

Visitors or guest are welcome to park in the lot for up to 4 hours. Guest parking passes will be issued by the Waikiki Health Center. Arrangements can be made with the WHC office (approval) if guest stay more than 4 hours/extended time.

All employees and guest are to display their current passes on the dashboard when parking at the location. Elite Parking Service will be monitoring and patrolling the location to assure that parking is operating with a smooth transition with available spaces and parking for the employees and guest using the **current** passes. If a vehicle does not have a current monthly or guest pass displayed, Elite Parking Service will place a “first warning” notice on the vehicle’s windshield. If a vehicle is found to be parked without a pass a second time, a “second warning” notice will be placed on the vehicle’s windshield, to inform the owner that the third offense will result in the car being towed. Vehicle towing will be managed by Elite Parking Service’s designee. The name and contact information of the towing company will be displayed on signs in the parking lot entrance. The towing fee will be in accordance with State of Hawaii laws and regulations.

WAIKIKI COMMUNITY CENTER-WAIKIKI HEALTH CENTER
SECOND AMENDMENT OF SUBLEASE

This Second Amendment of Sublease (this "Second Amendment") effective January 1, 2015, by and between WAIKIKI COMMUNITY CENTER, a Hawaii nonprofit corporation ("Sublessor"), and WAIKIKI HEALTH, a Hawaii nonprofit corporation ("Sublessee"), amends the Sublease dated as of January 1, 2010, as amended by Amendment to Sublease effective January 1, 2013, between Sublessor and Sublessee (as amended, "the Sublease") in the following respects:

1.01 Premises. This paragraph is amended by describing the area of the Premises in the Health Building as 2,364 square feet on the first floor of the Health Building and 3,418 square feet on the second floor of the Health Building, and an additional 1,111.5 square feet comprising the former Chapel and Sanctuary portion of the Health Building (the "Additional Premises"), as identified on Exhibit A attached to this Amendment.

2.01 Rent. This section, which was amended by adding the following subsection 2.01(f), describes the rent payable for the Premises, including the Additional Premises:

(f) 2013-2016 Rental Period. For the rental period beginning on January 1, 2013 and continuing through and including December 31, 2015, monthly rent shall be \$1.32 per square foot for the period January 1, 2013, through and including December 31, 2013, \$1.39 per square foot for the period January 1, 2014 through and including December 31, 2014, \$1.46 square foot for the period January 1, 2015 through and including December 31, 2015. Sublessee shall also pay all Hawaii general excise tax, including County surcharge on rent, utilities and other charges, which tax is presently 4.712%.

3.01 Non-compliance with Public Accommodation Laws. Sublessor makes no representation or warranty regarding whether the Premises, the Additional Premises or the Property complies with the requirements of the Americans with Disabilities Act of 1990, or regulations and guidelines, or any other similar law or regulation regarding accessibility ("Public Accommodation Laws"). Sublessee accepts the Premises and the Property in its present condition and assumes all responsibility for compliance with Public Accommodation Laws.

In all other respects the Sublease, as amended by this Second Amendment, shall remain in full force and effect.

WAIKIKI COMMUNITY CENTER, a
Hawaii nonprofit corporation

WAIKIKI HEALTH CENTER, a
Hawaii nonprofit corporation

By _____
Name
Its

Sublessor

By _____
Name
Its

Sublessee

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 93 • 75 +
 120 • 74 +

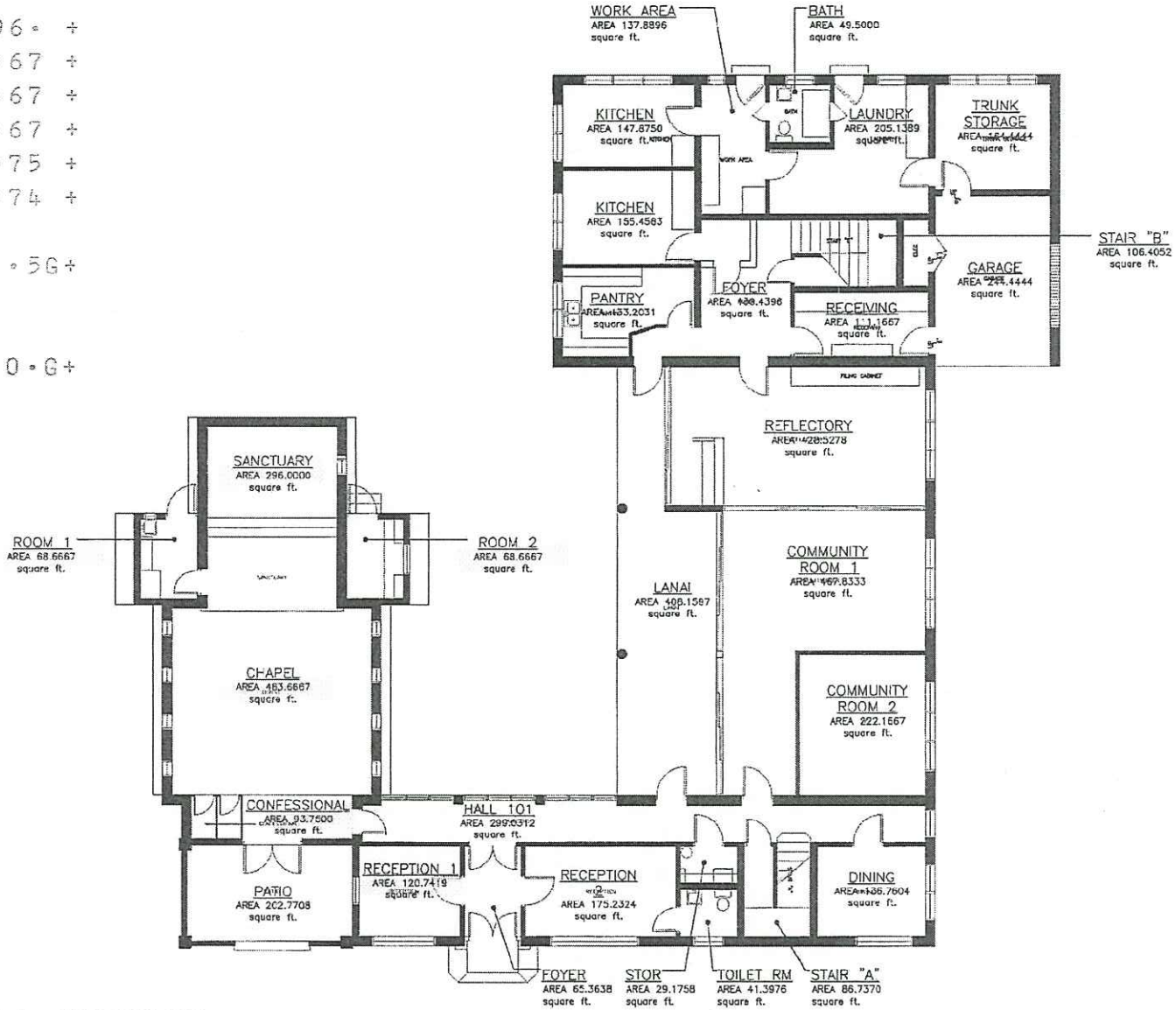
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BUILDING H - FIRST FLOOR PLAN
 SCALE: 3/16" = 1'-0"

EXHIBIT A

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

October 28, 2010

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

PSF No.: 10od-144

OAHU

Consent to Sublease General Lease No. S-5805, Waikiki Community Center, Lessee, to United Self Help, International Church of the Foursquare Gospel dba Hope Chapel Waikiki, Coalition of a Drug Free Hawaii, Waikiki Beach Chaplaincy, Inc., and Waikiki Health Center, Sublessees, Waikiki, Honolulu, Oahu, Tax Map Key: (1) 2-6-025:008.

APPLICANT:

Waikiki Community Center, a domestic non-profit organization, as Sublessor, to United Self Help, International Church of the Foursquare Gospel dba Hope Chapel Waikiki, Coalition of a Drug Free Hawaii, Waikiki Beach Chaplaincy, Inc., and Waikiki Health Center, domestic non-profit organizations, as Sublessees.

LEGAL REFERENCE:

Section 171-36(a)(6), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Waikiki, Honolulu, Oahu, identified by Tax Map Key: (1) 2-6-025:008, as shown on the attached map labeled Exhibit A.

AREA:

1.56 acres, more or less.

TRUST LAND STATUS:

Non-ceded; acquired after Statehood.

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: No

APPROVED BY THE BOARD OF
LAND AND NATURAL RESOURCES *DN*
AT ITS MEETING HELD ON
October 28, 2010

EXHIBIT 5 **D-7**

LEASE CHARACTER OF USE:

Youth, education and multi-service community center to house human services and community activities purposes.

SUBLEASE CHARACTER OF USE:

Community services purposes.

TERM OF LEASE:

30 years, commencing on April 1, 2007 and expiring on March 31, 2037. Next rental reopening is scheduled for April 1, 2017.

TERM OF SUBLEASE:

See Exhibit B.

ANNUAL RENTAL:

\$156.00.

ANNUAL SUBLEASE RENTAL:

See Exhibit B.

RECOMMENDED ADJUSTMENT TO LEASE RENTAL:

None. See Exhibit C attached for review by staff appraiser on sandwich calculations.

DCCA VERIFICATION:

SUBLESSOR:

| | | |
|---|--------------|--------------|
| 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> |

SUBLESSEE:

| | | |
|---|--------------|--------------|
| 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> |

REMARKS:

Since 1982, Waikiki Community Center (WCC) is the lessee of the subject property for

community service purposes. In 2007, the Board authorized the issuance of a new 30-year lease to WCC for the purposes cited above.

The five (5) sublessees are listed on Exhibit B, with their respective area, term, and rent. All of the sublessees are providing community services at the subject premises. According to the review by the staff appraiser, there is no sandwich rent involved.

WCC is in compliance with the terms and conditions of the subject master lease. Staff believes that the proposed use would involve negligible or no expansion or change in use of the subject area beyond that previously existing. A copy of the environment assessment exemption notification is attached as Exhibit D.

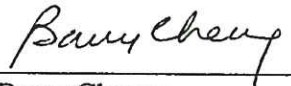
There are no issues regarding any rental reopening, as the next reopening will not occur until 2017. Staff did not solicit comments on the subject request as it is for housekeeping purposes only. Staff has no objection to the request.

RECOMMENDATION:

That the Board consent to the sublease under General Lease No. S-5805 between Waikiki Community Center, as Sublessor, to United Self Help, International Church of the Foursquare Gospel dba Hope Chapel Waikiki, Coalition of a Drug Free Hawaii, Waikiki Beach Chaplaincy, Inc., and Waikiki Health Center, 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:

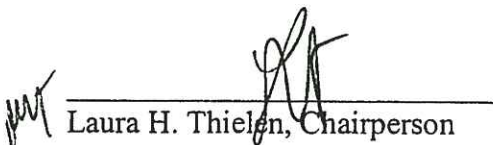
1. The standard terms and conditions of the most current consent to sublease form, as may be amended from time to time;
2. Review and approval by the Department of the Attorney General; and
3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

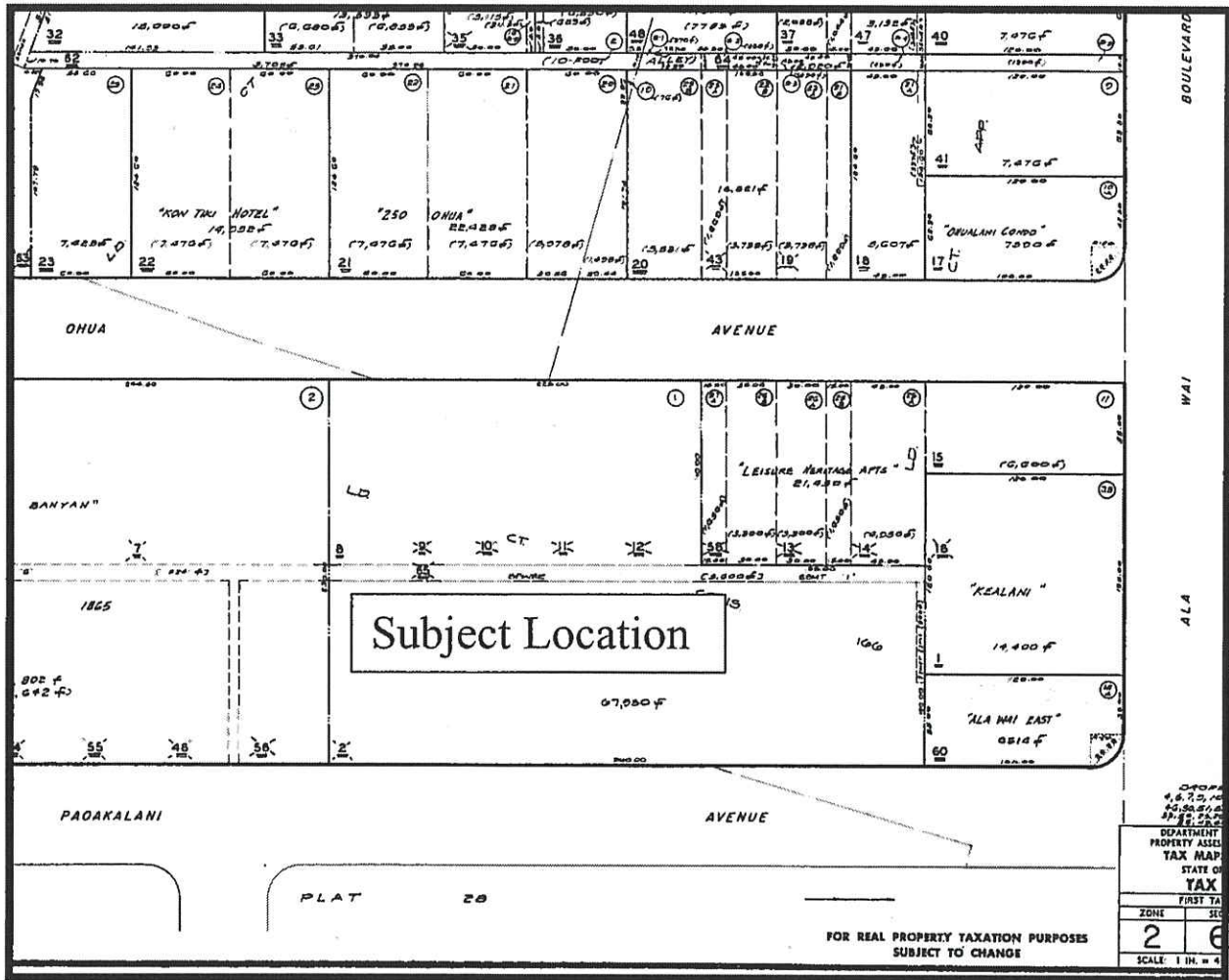


Barry Cheung
District Land Agent

APPROVED FOR SUBMITTAL:



Laura H. Thielen, Chairperson



TMK (1) 2-6-025:008

EXHIBIT A

General Lease No. 5805 - Consent to Subleases

| Name of Sublessees | Premises | Area (sq. ft.) | Commencement of Sublease | Expiration of Sublease | Rent 1 | | Rent 2 | | Rent 3 | |
|----------------------------------|-----------------|----------------|--------------------------|------------------------|----------|------------|----------|------------|----------|------------|
| | | | | | Up to | Up to | Up to | Up to | | |
| United Self Help | H203 | 229 | 3/1/2010 | 2/28/2013 | 231.95 | 2/28/2011 | 239.24 | 2/29/2012 | 246.18 | 2/28/2013 |
| Hope Chapel | 203E | 991 | 6/1/2010 | 5/31/2013 | 1,005.44 | 5/31/2011 | 1,035.30 | 5/31/2012 | 1,066.32 | 5/31/2013 |
| Coalition for a Drug Free Hawaii | 201A | 400 | 3/1/2010 | 2/28/2013 | 405.83 | 2/28/2011 | 417.88 | 2/29/2012 | 430.40 | 2/28/2013 |
| Waikiki Beach Chaplaincy | Building E | 989 | 6/1/2010 | 5/31/2013 | 1,003.41 | 5/31/2011 | 1,033.21 | 5/31/2012 | 1,064.16 | 5/31/2013 |
| Waikiki Health Center | Health Building | 5,752 | 1/1/2010 | 3/31/2037 | 4,458.00 | 12/31/2010 | 4,592.00 | 12/31/2011 | 4,730.00 | 12/31/2012 |

Note:

Rent for the remaining term of the sublease for Waikiki Health Center is subject to reopening, as noted in the sublease agreement.



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
LAND DIVISION

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

October 4, 2010

MEMORANDUM

TO: Laura H. Thielen, Chairperson *LHT*

THROUGH: Russell Y. Tsuji, Land Division Administrator

FROM: Cyrus C. Chen, Real Estate Appraisal Manager *Cyrus Chen*

SUBJECT: In-House Valuation Recommendation – Waikiki Community Center Sublease Rent Calculation

PSF No.: 10OD-144 (GL 5805)
Applicant: Waikiki Community Center
Location: Waikiki, Honolulu, Oahu, Hawaii
Land Area: 64,350 sq. ft.
Building Area: 34,018 sq. ft. (Total)
Tax Map Key: (1) 2-6-25: 8
Char. of Use: Community center purposes

The applicant has been subleasing a portion of their building to the Waikiki Health Center (WHC) via sublease effective January 1, 2010. There are also four smaller subtenants renting spaces of various sizes. These smaller subtenants have subleases, which all commenced between March 1, 2010 and June 1, 2010. The Waikiki Community Center (WCC) is a Hawaii nonprofit corporation, which leases the property from the State for a nominal rent of \$156 per annum. The particulars of these subleases are summarized in Table 1 attached.

The applicant has been subleasing 5,752 square feet of space in the building to Waikiki Health Center (WHC) for \$4,458 per month since January 1, 2010. Four smaller sublessees have also committed to short-term subleases within WCC for three-year terms in spaces ranging from 229 to 991 square feet. The rents typically step up in one-year intervals by an average of approximately 3%.

Nonprofit corporations which are leasing land and improvements from the State are required to share in sublease rents with the State according to the sublease rent participation policy approved by the Board on May 26, 2000, Item D-24, and amended January 26, 2001, Item D-8. According to the policy, if the lessee is paying any amount less than fair market value on

subleases of improvements owned by the State, the Board shall revise the rent to include as additional rent, 100% of that portion of the sublease rent in excess of the original ground rent paid to the State. The formula approved by the Board reflects the intent of the Board regarding the calculation of sublease sandwich profit and shall serve as a guideline in Staff's calculation. Specifically, the formula allows the deduction of management and vacancy loss, repair and maintenance, real property tax, insurance and ground rent before the additional annual rent is assessed. Furthermore, the Board authorizes staff to use their discretion in representing the State's interest in applying the formula to address the varying sublease arrangements that may not fit neatly into the formula.

A previous sublease calculation was performed by Staff dated December 21, 2004, which was based on information supplied by the WCC. This analysis was reviewed and approved by the Chairperson. The analysis recommended no sublease rent due the State due to the negative net income figure derived. A similar method and analysis is the basis for this current analysis based on updated information provided by WCC. When WCC commenced occupancy of the building, no plans were available. In order to begin renovation and upgrade work on the building, plans needed to be prepared after the fact. The WCC contracted an engineering firm to derive more accurate estimates of building areas and served as the basis for their current subleases and data provided to staff. Staff analysis of the subject revenue and expenses pertaining to the subject subleases are summarized in Table 2.


According to WCC, WHC is responsible for 30% of the total common area expenses associated with the center and 60% of the utility costs. The four other subtenants combined are responsible for approximately 9% of the common area expenses.

WCC provided the operating budget for 2009, estimates of operating revenues and expenses. Also provided were replacement and reserve estimates in the near term along with some historical operating expense data for utility, water and sewer charges. Other data submitted included a table displaying facilities square footage derived from an engineering firm. This table indicates individual demised area square footage and common area square footage. These figures were used for calculation of years 2010 to 2013 revenues and expenses and the allocation of these expenses between the subtenants.

Expenses listed were considered regular periodic expenditures necessary to facilitate operation of the building and grounds. Most of the expenses were accounted for in their 2009 property management budget. WCC staff indicates the 2009 property management budget figures are the most recent data available and suggested these figures are the most accurate. For the purposes of this analysis, expenses were allowed to grow at an industry average of 3% per annum, similar to the annual escalation in the sublease rents.

Therefore, based on the foregoing analysis as shown on Table 2, the rent due DLNR for sublease rents from the WHC and the four other subtenants as of the date of this document is \$0 due to the negative \$138,369 net operating income figure calculated.

Approved/Disapproved:

WHT 

Laura H. Thielen, Chairperson

10/11/10

Date

cc: District Branch Files
Central Files

OCT 14 2010

TABLE 1
WAIKIKI COMMUNITY CENTER
PROJECTION OF WAIKIKI HEALTH CENTER SUBLEASE AND OTHER TENANTS
For period of January 2010 to May 2013
310 Paoakalani Avenue
Waikiki, Honolulu, Hawaii
TAX MAP KEY: (1) 2-6-25: 8

| Subtenants | Area | Annual Rent | | | |
|---------------------------|-------|---------------|---------------|---------------|---------------|
| | | 1/10 to 12/10 | 1/11 to 12/11 | 1/12 to 12/12 | 1/13 to 12/13 |
| Waikiki Health Center | 5,752 | \$53,496.00 | \$55,104.00 | \$56,760.00 | \$58,462.80 |
| United Self Help | 229 | \$2,319.50 | \$2,856.30 | \$2,940.28 | \$492.36 |
| Hope Chapel | 991 | \$7,038.08 | \$12,274.30 | \$12,640.74 | \$5,331.60 |
| Coalition for a Drug Free | 400 | \$4,058.30 | \$4,990.46 | \$5,139.76 | \$860.80 |
| Waikiki Beach Chaplaincy | 989 | \$7,023.87 | \$12,249.52 | \$12,615.17 | \$5,320.80 |

TABLE 2
WAIKIKI COMMUNITY CENTER
PROJECTION OF WAIKIKI HEALTH CENTER SUBLEASE AND OTHER TENANTS
For period of January 2010 to December 2013
310 Paoakalani Avenue
Waikiki, Honolulu, Hawaii
TAX MAP KEY: (1) 2-6-25: 8

| GROSS REVENUE | Waikiki Health Center | Other Subtenants | Total |
|--|-----------------------|------------------|------------------|
| Rental Income | | | |
| Gross Leasable Area (Sq. Ft.) | 5,752 | 2,609 | 8,361 |
| Space Rent | \$223,823 | \$98,152 | \$321,975 |
| Facility Use Fees (WHC) | 82,334 | 0 | 82,334 |
| Facility Use Fees (Subtenants) | 0 | 24,975 | <u>24,975</u> |
| Total | | | \$429,283 |
| Total Potential Gross Rental Income Before Expense Recovery | \$306,157 | \$123,126 | \$429,283 |
| Avg. Monthly Rent Per Square Foot of GLA | \$1.11 | \$1.31 | \$1.07 |
| OPERATING EXPENSE SUMMARY | | | |
| Salaries | \$37,070 | \$11,245 | \$48,315 |
| Employee Health/Retirement | 3,895 | 1,181 | 5,076 |
| Payroll taxes & benefits | 7,561 | 2,293 | 9,854 |
| Repairs, maintenance & service contracts | 68,465 | 20,768 | 89,233 |
| Property Management Supplies | 18,199 | 5,520 | 23,719 |
| Maintenance Salaries | 31,661 | 9,604 | 41,265 |
| Insurance | 8,284 | 2,513 | 10,796 |
| Property Mang. Supplies & Other | 19,830 | 6,015 | 25,846 |
| Electricity (WHC) | 96,642 | 0 | 96,642 |
| Electricity (Subtenants) | 0 | 37,130 | 37,130 |
| Professional/Finance fees (not including appraisal) | 6,307 | 1,913 | 8,220 |
| Printing & Publication | 0 | 0 | 0 |
| Water/Sewer (WHC) | 7,656 | 0 | 7,656 |
| Rental & maintenance equipment | 1,883 | 571 | 2,454 |
| Telephone & Internet | 7,984 | 2,422 | 10,405 |
| GET on Facility Rentals | 7,531 | 2,284 | 9,815 |
| Ground Rent | 187 | 57 | 244 |
| Indicated Operating Expense | \$323,153 | \$103,516 | \$426,668 |
| Replacement Reserves for Structural Repairs | \$108,172 | \$32,812 | \$140,984 |
| TOTAL OPERATING EXPENSES w/ Reserves | \$431,324 | \$136,328 | \$567,652 |
| NET INCOME SUMMARY | | | |
| Net Operating Income/Deficit | (\$125,168) | (\$13,201) | (\$138,369) |
| Net Sublease Rents Due | | | \$0 |



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
LAND DIVISION

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

October 28, 2010

EXEMPTION NOTIFICATION

regarding the preparation of an environmental assessment pursuant to Chapter 343, HRS and Chapter 11-200, HAR

Project Title: Consent on Subleases

Project / Reference No.: 10od-144

Project Location: Honolulu, Oahu, TMK (1) 2-6-025:008

Project Description: Consent to subleases

Chap. 343 Trigger(s): Use of State Land

Exemption Class No.: In accordance with the "Division of Land Management's 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, that states: "Operations, repairs, maintenance of existing structures, facilities, equipment, or topographical features, involving negligible or no expansion or change of use beyond that previously existing".

The subject request pertains to the use of the existing leased premises to Waikiki Community Center for community services purposes. As such, staff believes that the proposed use would involve negligible or no expansion or change in use of the subject area beyond that previously existing.

Consulted Parties Not applicable

Exemption Item Description
from Agency Exemption List: Not applicable

EXHIBIT D

Exemption Notification for Consent

October 28, 2010

Page 2

Recommendation:

It is recommended that the Board find this project will probably have minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment.

Laura H. Thielen, Chairperson

Date