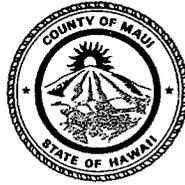


MICHAEL P. VICTORINO
Mayor

SANDY K. BAZ
Managing Director



OFFICE OF THE MAYOR
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov

February 16, 2021

Keani Rawlins-Fernandez, Chair
Budget, Finance, and Economic Development
Maui County Council
200 S. High Street
Wailuku, HI 96793

APPROVED FOR TRANSMITTAL

Mayor

Date

OFFICE OF THE
COUNTY COUNCIL

2021 FEB 17 AM 8:24

RECEIVED

Dear Ms. Rawlins-Fernandez:

SUBJECT: ACQUISITION OF 6.3 ACRES AT 100 MAHALANI STREET WAILUKU, MAUI, HAWAII (BFED-24)

We are in receipt of your letter requesting the Administration's assistance in providing your Committee with responses to the following questions relating to the County's possible acquisition of 6.3 acres at 100 Mahalani Street ("Maui News building"):

1. Who are the officers or board members of Maui Island Holding, LLC?

Maui Island Holdings, LLC is owned by The Nutting Company, Inc.

The Maui News is part of the Ogden Newspapers, Inc., a subsidiary of The Nutting Company, Inc. Bob Nutting serves as President and CEO of both companies.

2. What real estate company represents the property owner? What is the listing agent's name? Who contacted the County about this possible acquisition?

Ben Walin is an agent with Commercial Properties of Maui LLC. Mr. Walin contacted the County.

3. Was a professional office or business inspection performed by a licensed inspector?

None was performed. The County is in the process of procuring proposals.

4. Would the Cost Approach valuation be more appropriate if the County decided not to rent the building?

No, the cost approach to valuation would not be more appropriate if the county decided not to rent the building. The cost approach to valuation is most appropriate for new buildings on parcels with comparable vacant land sales. The Maui News Building is not new. Further, there are no similar vacant land sales to use in the cost approach to value. Consequently, the income and sales comparison approaches are most appropriate.

5. Would the Income Approach valuation change if the County chose not to rent the building?

Two different income approaches to value were completed in the appraisal. Using market rents, the property was valued at \$10,200,000. Using the lease and rents proposed by the Maui News, the property was valued at between \$9,070,000 and \$10,000,000. The top of the range, \$10,000,000 assumes that the Maui News will vacate after one month. The lower end of the range, \$9,070,000 assumes that the Maui News will fully exercise the lease agreement.

6. Does the Administration have a master plan for reducing rental costs for leased office space? Can the Council receive a copy?

The Administration has been working on building or acquiring enough space to relocate county departments that are currently renting office space in Central Maui into county owned facilities.

7. Is there a priority list for which agencies should move from leased to owned property as space becomes available?

Priority is based on current and future lease costs, square

footage requirements and location.

8. The following questions relate to leased property:

a. Which County agencies are paying rent?

Environmental Management, Finance, Housing & Human Concerns, Management – ITSD, Mayor – OED, Planning, and Water Supply. Also the County Auditor is paying rent.

Liquor Control, Public Works – DSA, and Transportation will be relocating to the New Service Center Building.

b. What are the total costs of rent and associated fees paid per month and per year? May the Committee request a breakdown of the expenses per lease and a list of all leased property by address and square footage.

The total monthly rent and cam for the 93,690 square feet currently rented is \$285,681 or \$3,428,175 per year, not including escalation. This includes departments that are relocating to the New Service Center and Kalana O Maui campus.

c. What are the total costs for other expenses related to the leased properties?

CAM or common area maintenance charges include most occupancy costs that are paid in addition to rent.

9. The appraisal states, “Medical providers, non-profit organizations, and public/quasi-public entities will find the subject location very attractive.” Given this statement, will the County consider using the property for a homeless shelter and homeless service center?

No. The statement related to possible relocation of the Department of Housing and Human Concerns from various rental locations into the Maui News site. This includes the Office on Aging which currently rents from J. Walter Cameron Center, across the street.

10. What are the annual maintenance costs for the Maui News building?

*Landscaping is about \$22,000 per year
Annual Backflow Prevention Inspection is about \$200 per year*

A/C Maintenance is not on contract. Filters are changed in-house

11. What are the annual utility costs for the Maui News building?

Electricity averages about \$14,000 per month or \$168,000 per year.

Water averages about \$300 per month or \$3,600 per year

12. What are the annual insurance costs for the Maui News building?

The property is covered by an umbrella policy for the parent company and there is not a cost assigned to the property.

13. The following questions apply if legislative agencies move to the Maui News building:

- a. Which agencies would move into the seventh and eighth floors of Kalana O Maui? Please provide a floor-by-floor diagram or outline with corresponding agencies for Kalana O Maui.

Based on a brief analysis, the space made available by the legislative agencies vacating the Kalana O Maui building would be enough space to relocate the Department of Planning.

- b. What would be the annual savings in rental costs and fees from moving these agencies?

This would save approximately \$540,000 per year, not including escalation.

- c. What would be the renovation costs for Kalana O Maui to accommodate these agencies?

Unknown

- d. How many people or offices could the renovations accommodate in the Council Chamber?

Unknown

- e. Would other agencies move to the Maui News building along with legislative agencies? If so, may the Committee please

request information on which portions and square footage the legislative agencies would occupy, including parking spaces. May the Committee also request information on which agencies would move to the Maui News building and the annual savings in rental costs and fees for moving those agencies.

Other agency relocations to the Maui News building are dependent on an analysis of renovation possibilities and cost.

- f. What would be the cost to renovate the Maui News building in this scenario?

Unknown at this time.

- g. How many agencies would still occupy rental property in this scenario?

We estimate three departments will still occupy rental property that could move into county owned space.

14. The following questions apply if legislative agencies do not move to the Maui News building:

- a. Which agencies would move into the Maui News building?

More analysis would need to be done to identify what departments would be relocated on the Maui News site

- b. What would be the annual savings in rental costs and fees from moving these agencies?

Unknown at this time.

- c. What would be the renovation costs for the Maui News building to accommodate these agencies?

Unknown at this time.

- d. Would there be additional space in Kalana O Maui for legislative agencies to expand beyond the seventh and eighth floors?

Additional space may be available, dependent on potential

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relocation of other offices.

- e. How many agencies would still occupy rental property in this scenario?

Unknown at this time but dependent on renovation costs and the space that can be made available, it may be possible to eliminate all rental occupancy in Central Maui.

Should you have any questions, please contact me at xt. 7855 or Director of Finance Scott Teruya at xt. 7474.

Sincerely,

A handwritten signature in black ink that reads "Michael P. Victorino". The signature is written in a cursive style with a prominent flourish at the end.

MICHAEL P. VICTORINO
Mayor

cc: Budget Director
Director of Finance
Managing Director