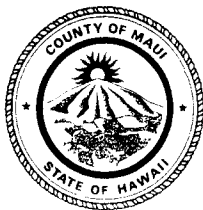


ALAN M. ARAKAWA
MAYOR



RECEIVED

KEITH A. REGAN
MANAGING DIRECTOR

OFFICE OF THE MAYOR

Ke'ena O Ka Meia
COUNTY OF MAUI - Kalana O Maui

April 11, 2017

Honorable Michael White, Chair
And Members of the Maui County Council
200 South High Street
Wailuku, Hawaii 96793

Dear Chair White:

**SUBJECT: ONE MAIN PLAZA LEASES
TMK: (2) 3-4-014-007 (POR)**

The administration has negotiated a significant rent reduction at One Main Plaza. The County has separated leased premises into Short-Term and Long-Term Leases. Short-Term Leases are considered any lease 5 years or less, and Long-Term Leases are 9 years. There are Early Termination Rights only for the Short-Term leases as those Suites are scheduled to relocate to the new Service Center Facility in Kahului.

The current average base rent is \$2.40 per square foot per month, and the annual base rent is \$1,069,562.76. The average base rent for Fiscal Year 2018 under this agreement will be \$1.87 per square foot per month, and the annual base rent will be \$772,630.02, a \$296,932.74 reduction.

The short-term leases annual base rent will be reduced to \$2.15 per square foot per month and will increase by 3% annually. The long-term leases annual base rent will be reduced to \$1.75 per square foot per month and will increase by 2% annually.

Upon the termination of the short-term leases, the annual base rent will reduce by approximately \$200,000.00, which will contribute towards the payment of the debt service on the new Service Center Building.

The base rent in Fiscal Year 2026 for the long-term leases would be \$2.05 per square foot per month. This would be approximately \$113,547.00 less rent than is currently being paid for those Suites.

The administration would appreciate the County Council's support in its effort to reduce expenses. However, in order to achieve the significant savings, the County of Maui needs to commit to the Long-Term leases. The Landlord will not consider any Early Termination Clauses for the Long-Term leases as the base rent reduction amount is significant.

RECEIVED
2017 APR 13 PM 2:39

The alternative is to continue on a month-to-month tenancy or execute a shorter term lease with higher base rents and annual increases.

Copies of the Landlord executed Letter of Intent for the Short-Term and Long-Term Leases are enclosed for your reference.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Arakawa". The signature is fluid and cursive, with the first name "Alan" and last name "Arakawa" clearly distinguishable.

ALAN M. ARAKAWA
Mayor

Enclosure

- Xc: Department of Environmental Management
Department of Finance
Department of Housing & Human Concerns
Department of Management
Department of Planning
Department of Water

ALAN M. ARAKAWA
Mayor



DANILO F. AGSALOG
Director

MARK R. WALKER
Deputy Director

**COUNTY OF MAUI
DEPARTMENT OF FINANCE
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793**

November 7, 2016

Saunders Property Company
4040 MacArthur Blvd, Suite 300
Newport Beach, CA 92660
Attn: Philip Anshutz

**SUBJECT: ONE MAIN PLAZA LONG-TERM LEASES
SUITES 102, 200, 219, 225, 310, 315, 319/335, 601, 610/625, 619/640
& 640A**

Dear Mr. Anshutz,

Please accept this letter as communication of the County of Maui's Letter of Intent to confirm the general terms and conditions under which the Landlord would consider amending the leases for the above referenced premises. Please refer to the attached spreadsheets for the details of the Base Rent Schedules.

Please refer to the attached spreadsheet for details of the Base Rent Schedules and the Detailed Base Rent Schedule for each Suite.

1. **Exhibit A – Base Rent Schedules.** Rent effective date shall be July 1, 2017
 - a. **Long-Term Base Rent.** \$1.75 psf with annual 2% increases commencing at the beginning of each Fiscal Year. Lease Term is 9 years. Landlord is responsible for paying any Conveyance Taxes due to the State of Hawaii.
2. **Exhibit B – Long-Term Base Rent Suites.**
 - a. **Suite 640** – Suite 640 will be renumbered Suite 630 upon commencement of the Lease Amendment
 - b. **Suite 640A** - Suite 640A will be renumbered Suite 640 upon commencement of the Lease Amendment


PA

OMP Long-Term Lease Letter
November 7, 2016
Page 2 of 3

Please review the above terms and conditions, Exhibit A & Exhibit B and execute the attached acknowledgement page. This letter and exhibits will be submitted to the Maui County Council for approval.

Should you have any questions, please contact Guy Hironaka, Real Property Manager, at (808) 270-7725 or guy.hironaka@co.maui,hi.us.

Sincerely,


DANILO F. AGSALOG
Director of Finance

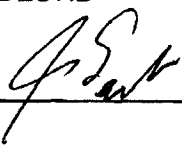
Cc: Keith A. Regan, Managing Director

PA

**ACKNOWLEDGEMENT OF BASE RENT SCHEDULES
LONG-TERM LEASES
EXHIBITS A & B**

LANDLORD

DATE


BY: _____

11-10-16

BY:

COUNTY OF MAUI

DATE

BY: **DANILO F. AGSALOG**
Finance Director

APPROVAL RECOMMENDATION

BY: **KEITH A. REGAN**
Managing Director

PA

**EXHIBIT A
ONE MAIN PLAZA
LONG-TERM BASE RENT SCHEDULES**

LONG-TERM LEASES (MORE THAN 5 YEARS)

FISCAL YEAR		TERM		INCREASE	BASE RENT
FY	2018	07/01/17	06/30/18		\$1.75
FY	2019	07/01/18	06/30/19	\$0.035	\$1.79
FY	2020	07/01/19	06/30/20	\$0.036	\$1.82
FY	2021	07/01/20	06/30/21	\$0.036	\$1.86
FY	2022	07/01/21	06/30/22	\$0.037	\$1.89
FY	2023	07/01/22	06/30/23	\$0.038	\$1.93
FY	2024	07/01/23	06/30/24	\$0.039	\$1.97
FY	2025	07/01/24	06/30/25	\$0.039	\$2.01
FY	2026	07/01/25	06/30/26	\$0.040	\$2.05

NOTES:

- 1 Annual Base Rent increase of 2%

PA

**EXHIBIT B
ONE MAIN PLAZA
LONG-TERM LEASES
LANDLORD'S BASE RENT OFFER OF 1.75 PSF (2% ANNUAL INCREASES)**

UNIT # NO(S)	TENANT	SQ. FT.	Total SQ FT	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
102	Water	2,808		\$4,914.00	\$5,012.28	\$5,113.37	\$5,214.46	\$5,318.35	\$5,425.06	\$5,534.57	\$5,644.08	\$5,756.40
			2,808	\$4,914.00	\$5,012.28	\$5,113.37	\$5,214.46	\$5,318.35	\$5,425.06	\$5,534.57	\$5,644.08	\$5,756.40
200	DEM	2,620		\$4,585.00	\$4,676.70	\$4,771.02	\$4,865.34	\$4,962.28	\$5,061.84	\$5,164.02	\$5,266.20	\$5,371.00
225	DEM	2,556		\$4,473.00	\$4,562.46	\$4,654.48	\$4,746.49	\$4,841.06	\$4,938.19	\$5,037.88	\$5,137.56	\$5,239.80
610	DEM	2,434										
625		3,281										
			5,715	\$10,001.25	\$10,201.28	\$10,407.02	\$10,612.76	\$10,824.21	\$11,041.38	\$11,264.27	\$11,487.15	\$11,715.75
			10,891	\$19,059.25	\$19,440.44	\$19,832.51	\$20,224.59	\$20,627.55	\$21,041.41	\$21,466.16	\$21,890.91	\$22,326.55
219	ITSD	553		\$967.75	\$987.11	\$1,007.01	\$1,026.92	\$1,047.38	\$1,068.40	\$1,089.96	\$1,111.53	\$1,133.65
			553	\$967.75	\$987.11	\$1,007.01	\$1,026.92	\$1,047.38	\$1,068.40	\$1,089.96	\$1,111.53	\$1,133.65
310	Planning	520		\$910.00	\$928.20	\$946.92	\$965.64	\$984.88	\$1,004.64	\$1,024.92	\$1,045.20	\$1,066.00
315	Planning	1,452		\$2,541.00	\$2,591.82	\$2,644.09	\$2,696.36	\$2,750.09	\$2,805.26	\$2,861.89	\$2,918.52	\$2,978.60
319	Planning	683										
335		3,156										
			3,819	\$6,683.25	\$6,816.92	\$6,954.40	\$7,091.88	\$7,233.19	\$7,378.31	\$7,527.25	\$7,676.19	\$7,828.95
601	Planning	2,612		\$4,571.00	\$4,662.42	\$4,758.45	\$4,850.48	\$4,947.13	\$5,046.38	\$5,148.25	\$5,250.12	\$5,354.60
619	Planning	2,416										
640		1,090										
			3,506	\$6,135.50	\$6,258.21	\$6,384.43	\$6,510.64	\$6,640.36	\$6,773.59	\$6,910.33	\$7,047.06	\$7,187.30
640A	Planning	874		\$1,529.50	\$1,560.09	\$1,591.55	\$1,623.02	\$1,655.36	\$1,688.57	\$1,722.65	\$1,756.74	\$1,791.70
			12,783	\$22,370.25	\$22,817.86	\$23,277.84	\$23,738.03	\$24,211.00	\$24,696.76	\$25,195.29	\$25,693.83	\$26,205.15
TOTALS			27,035	\$47,311.25	\$48,257.48	\$49,230.74	\$50,204.00	\$51,204.29	\$52,231.62	\$53,285.99	\$54,340.35	\$55,421.75
ANNUAL RENT @ \$1.75 psf with 2% increases				\$567,735.00	\$579,089.70	\$590,768.82	\$602,447.94	\$614,451.48	\$626,779.44	\$639,431.82	\$652,084.20	\$665,061.00

27

ALAN M. ARAKAWA
Mayor



DANILO F. AGSALOG
Director

MARK R. WALKER
Deputy Director

**COUNTY OF MAUI
DEPARTMENT OF FINANCE
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793**

November 7, 2016

Saunders Property Company
4040 MacArthur Blvd, Suite 300
Newport Beach, CA 92660
Attn: Philip Anshutz

**SUBJECT: ONE MAIN PLAZA SHORT-TERM LEASES
SUITES 303, 305, 546 & 547**

Dear Mr. Anshutz,

Please accept this letter as communication of the County of Maui's Letter of Intent to confirm the general terms and conditions under which the Landlord would consider amending the leases for the above referenced premises. Please refer to the attached spreadsheets for the details of the Base Rent Schedules.

Please refer to the attached spreadsheet for details of the Base Rent Schedules and the Detailed Base Rent Schedule for each Suite.

1. **Exhibit A – Base Rent Schedules.** Rent effective date shall be July 1, 2017
 - a. **Short-Term Base Rent.** \$1.85 psf with annual 3% increases commencing at the beginning of each Fiscal Year. Lease Term is 4 years.
 - b. **Short-Term Base Rent with Early Termination Right.** \$2.15 psf with annual 3% increases commencing at the beginning of each Fiscal Year. Lease Term is 4 years. Right to Terminate with 120 days prior written notice effective after 1/1/2020.

2. **Exhibit B – Short-Term Base Rent Suites.**
 - a. **Suites 303 & 305** – The lease for Suite 530 will terminate upon completion of Landlord's build-out of Suite 303. Base Rent for Suite 303 will be \$1.85 psf should build-out be completed prior to July 1, 2017.
 - b. **Suites 546 & 547** – Scheduled to relocate to the new Service Center Building in the 2nd Quarter of FY 2021 (October – December 2020). The County of Maui shall have the right to terminate with 120 days prior written notice to Landlord effective January 1, 2020.

PA

One Main Plaza Leases
November 7, 2016
Page 2

- c. **Suite 502** – The County of Maui exercised the 6-month option to extend until December 31, 2017. A lease amendment for 2 additional 6-month options to extend will be prepared and executed. This lease is for a limited-term project and is not part of the negotiations for the other leases.

Please review the above terms and conditions, Exhibit A & Exhibit B and execute the attached acknowledgement page. This letter and exhibits will be submitted to the Maui County Council for approval.

Should you have any questions, please contact Guy Hironaka, Real Property Manager, at (808) 270-7725 or guy.hironaka@co.maui.hi.us.

Sincerely,


for **DANILO F. AGSALOG**
Director of Finance


Cc: Keith A. Regan, Managing Director

PA

**ACKNOWLEDGEMENT OF BASE RENT SCHEDULES
SHORT-TERM LEASES
EXHIBITS A & B**

LANDLORD

DATE

BY:  _____

11-10-16

BY: _____

COUNTY OF MAUI

DATE

BY: **DANILO F. AGSALOG**
Finance Director

APPROVAL RECOMMENDATION

BY: **KEITH A. REGAN**
Managing Director

PTA

**EXHIBIT A
ONE MAIN PLAZA
SHORT-TERM BASE RENT SCHEDULES**

SHORT-TERM LEASES (5 YEARS OR LESS)

FISCAL YEAR	TERM		INCREASE	BASE RENT
FY 2018	07/01/17	06/30/18		\$1.85
FY 2019	07/01/18	06/30/19	\$0.056	\$1.91
FY 2020	07/01/19	06/30/20	\$0.057	\$1.96
FY 2021	07/01/20	06/30/21	\$0.059	\$2.02

SHORT-TERM LEASES (RIGHT TO EARLY TERMINATION)

FISCAL YEAR	TERM		INCREASE	BASE RENT
FY 2018	07/01/17	06/30/18		\$2.15
FY 2019	07/01/18	06/30/19	\$0.065	\$2.22
FY 2020	07/01/19	06/30/20	\$0.066	\$2.28
FY 2021	07/01/20	06/30/21	\$0.068	\$2.35

NOTES:

- 1 Annual Base Rent increase of 3%

SPECIAL SHORT-TERM LEASE (SUITE 502)

FISCAL YEAR	TERM		INCREASE	BASE RENT
FY 2018	07/01/17	12/31/17		\$2.12
OPTION 1	01/01/18	06/30/18	\$0.000	\$2.12
OPTION 2	07/01/18	12/31/218	\$0.064	\$2.19

NOTES:

- 1 Annual Base Rent increase of 3%
- 2 Limited Term Special Project

PA

**EXHIBIT B
ONE MAIN PLAZA
SHORT-TERM LEASES
3% ANNUAL INCREASES**

UNIT # NO(S)	TENANT	SQ. FT.	Total SQ FT	FY 2018	FY 2019	FY 2020	FY 2021
303	OED	1,161		\$2,147.85	\$2,212.87	\$2,279.04	\$2,347.54
305	OED	1,662		\$3,074.70	\$3,167.77	\$3,262.51	\$3,360.56
			2,823	\$5,222.55	\$5,380.64	\$5,541.55	\$5,708.11
502	ITDS	751	751	\$1,593.47			
546	DHHC	2,663		\$5,725.45	\$5,898.55	\$6,074.30	\$6,255.39
547	DHHC	2,479		\$5,329.85	\$5,490.99	\$5,654.60	\$5,823.17
			5,142	\$11,055.30	\$11,389.53	\$11,728.90	\$12,078.56
TOTALS		8,716	8,716	\$17,871.32	\$16,770.17	\$17,270.45	\$17,786.66
ANNUAL RENT with 3% increases				\$204,895.02	\$201,242.02	\$207,245.41	\$213,439.97

NOTES:

- 1 Suite 530 lease will terminate upon Landlord build-out of Suite 303. Suite 303 & 305 will be combined into a single lease
Base Rent is \$1.85 psf with 3% annual increases
- 2 Suite 502 will expire on December 31, 2017.
(2) 6-month Options to Extend. (1/1/18 - 6/30/18) & (7/1/18 - 12/31/18)
Base Rent is \$2.12 psf for FY 2018 with 3% increase for 2nd option period
- 3 DHHC is scheduled to relocate to new Service Center Building in 2nd Qtr of FY 2021 (End of Calendar Year 2020)
Right to terminate with 120 days notice anytime after 1/1/2020
Base Rent is \$2.15 psf with 3% annual increases