

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

January 9, 2026

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

Ref. No.: GL S-4443

HAWAII

Consent to Extension of Sublease Under General Lease No. S-4443, I. Kitagawa & Co., Ltd., Lessee, to Research Corporation of the University of Hawaii, Sublessees, Waiakea House Lots Extension, Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-2-058:001.

APPLICANT:

I. Kitagawa and Company, Limited (IK&C), a Hawaii Corporation, as Sublessor, to Research Corporation of the University of Hawaii (RCUH), a Hawaii State Agency, as Sublessee.

LEGAL REFERENCE:

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

"Revision to Sublease Rent Participation Policy" adopted by the Board of Land and Natural Resources (Board) at its meeting of July 9, 1982, Item F-9; amended at its meeting of May 26, 2000, agenda item D-24; and further amended by "Resubmittal: Amendment to the Sublease Rent Participation Policy" approved by the Board on January 26, 2001, under agenda item D-8 and approved as amended at its meeting of August 24, 2012, Item D-14.

LOCATION:

Portion of Government lands of Waiakea House Lots Extension situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-2-058:001, as shown on the attached map labeled Exhibit A.

AREA:

Total Lease Area: 89,255 square feet, more or less.  
Sublease Area (RCUH): 22,529 square feet, 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: NO

LEASE CHARACTER OF USE:

General Industrial purposes.

SUBLEASE CHARACTER OF USE:

Warehouse and general office purposes.

TERM OF LEASE:

55 years, commencing on September 4, 1975, and expiring on September 3, 2030.  
Last rental reopening occurred on September 4, 2025.

TERM OF SUBLEASE:

Retroactively commencing on April 1, 2024, and expiring on December 31, 2025.

ANNUAL LEASE RENT:

\$77,988.00 per annum (September 4, 2025 – September 3, 2030)  
\$52,900.00 per annum (September 4, 2015 – September 3, 2025)

ANNUAL SUBLEASE RENT:

April 1, 2024 – June 30, 2024: \$2,650.00/month (\$31,800/yr.)  
July 1, 2024 – December 31, 2025: \$3,000.00/month (\$36,000/yr.)

RECOMMENDED ADJUSTMENT TO LEASE RENT:

Pursuant to the "Revision to Sublease Rent Participation Policy" adopted by the Board at its meeting of July 9, 1982, Item F-9, as amended at its meeting of May 26, 2000, Item D-24, and further amended at its meetings of January 26, 2001, Item D-8, and August 24, 2012, Item D-14, Staff was requested to provide an in-house evaluation of the sublease premium due to the State for the subleasing of a portion of GL S-4443, IK&C, Lessee/Sublessor, to RCUH, Sublessee. 'Ohana Housing & Development, Inc. is another sublessee on the property until the

expiration of GLS-4443, on August 31, 2030, and is also factored into the sublease rent participation calculations. The sublease documents and information provided by Lessee were analyzed and staff applied the formula approved by the Land Board on August 24, 2012, agenda item D-14, comprising of the most current Sublease Rent Participation Policy.

Based on analysis of the attached Sublease Rent Participation Calculation (Exhibit B), staff is recommending that the Board approve a one-time charge in the amount of \$3,582.13 as additional lease rent due to excess sublease profit for the sublease term of April 1, 2024 through December 31, 2025.

#### CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

In accordance with Hawaii Administrative Rules (HAR) § 11-200.1-15 and the Exemption List for the Department of Land and Natural Resources reviewed and concurred on by the Environmental Council on November 10, 2020, the subject request is exempt from the preparation of an environmental assessment pursuant to:

Exemption Type 1: "Operations, repairs or maintenance of existing structures, facilities, equipment, or topographical features, involving minor expansion or minor change of use beyond that previously existing"

Part 1, Item No. 40: "Leases of state land involving negligible or no expansion or change of use beyond that previously existing."

The proposed action involves a consent to the extension of a sublease under an existing long-term ground lease for a property that is zoned urban and industrial and is located within the existing Kanoiehua Industrial area. The extension of the sublease will not introduce any new uses to the property. The surrounding area is also a part of the larger Hilo Community Economic District. The subject property and surrounding area have all been heavily disturbed and developed which does not make this a sensitive environment. Further, the proposed action is consistent with the historical and existing uses of the site and surrounding area, therefore, cumulative impacts are not anticipated as a result of the consent to extension of the sublease.

Therefore, Staff recommends that the approval of the issuance of the subject sublease be considered a de minimis action that will probably have minimal or no significant effect on the environment and should be declared exempt from the preparation of an environmental assessment and the requirements of § 11-200.1-17, HAR.

#### 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:

Not applicable as RCUH is a governmental agency.

REMARKS:

General Lease No. S-4443 (GLS-4443) was sold at public auction on September 4, 1975, for the upset price of \$12,000.00 per annum to Hawaii Planing Mill, Ltd. The term of the lease is fifty-five years and set to expire on September 3, 2030.

The terms of the lease required the Lessee to make improvements to the property at a cost of no less than \$60,000.00. The improvements, consisting of fencing the perimeter, construction of an office building, and paving the entire property were completed at a cost of \$96,179.89 and subsequently approved by the Chairperson on October 26, 1976.

A consent to sublease was approved by the Board of Land and Natural Resources (Board) at its meeting of May 15, 1998, under agenda item D-20. The sublease was to Budget Rent-a-Car Systems, Inc. dba Budget Car Sales for a period of 3 years. The sublease agreement was not renewed or extended. Staff's appraiser determined that no rent participation was due to the State.

At its meeting of November 18, 2005, the Board under agenda item D-3, consented to the assignment of lease from Hawaii Planing Mill, Ltd. as Assignor, to IK&C, as Assignee. The consideration paid was \$325,000.00.

On May 16, 2006, the Chairperson, on behalf of the Board, approved the after-the-fact Consent to Sublease of GLS-4443, IK&C, Sublessor, to Hawaii Medical Services Association (HMSA), Sublessee, for business purposes. The sublease for data processing purposes was for a term of three years, commencing on April 1, 2006, and expiring on March 31, 2009. There were no adjustments to the lease rent for sublease rent participation.

On May 28, 2010, the Chairperson, on behalf of the Board, approved an after-the-fact Consent to Extension of Sublease of GLS-4443, IK&C, as sublessor, to HMSA, as sublessee, for an extended term of three years, commencing on April 1, 2009, and expiring on March 31, 2012. This sublease agreement was not renewed or extended.

On October 13, 2023, under item D-3, the Board approved an after-the-fact consent to sublease to `Ohana Housing & Development, Inc. (OH&D) for the purpose of storage of vehicles and containers going and off the port, and to RCUH, for warehouse and general office purposes, as sublessees. The term for OH&D

commenced on December 1, 2022, and expires on August 31, 2030. The approved sublease terms for RCUH consisted of an initial term from July 16, 2015, to December 31, 2015, and several subsequent renewal terms covering the period from January 1, 2016, through March 31, 2024.

An application for a consent to extend the sublease to RCUH was received by the Hawaii District Land Office on February 28, 2024. The term of the sublease extension was for the period April 1, 2024, through December 31, 2025. Upon review of the lease file, it appears the lessee was in default for unpaid rent. Confusion regarding the basis of the default caused lengthy research and discussions between staff, the fiscal office, and the lessee. Eventually, the issue was found to be a billing error that had cascaded into a default and was not attributable to the lessee.

Due to the above billing error and a significant backlog due to short-staffing at Land Division, staff is recommending that the Board retroactively approve an after-the-fact consent to the extension of sublease to RCUH.

IK&C is compliant with all the terms and conditions of the lease agreement including rent, insurance, and performance bond.

No agency or community comments were solicited as the sublease uses are within the lease character of use, no improvements are planned and no significant change in use is contemplated.

RECOMMENDATION:

That the Board:

1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200.1, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment as de minimis actions.
2. After-the-fact consent to the extension of sublease under General Lease No. S-4443 between I. Kitagawa & Company, Limited, as Sublessor, and Research Corporation of the University of Hawaii, 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:
  - a. The standard terms and conditions of the most current consent to sublease form, as may be amended from time to time;
  - b. Assess a one-time charge of \$3,582.13 as additional lease rent for

the period of April 1, 2024 through December 31, 2025;

- c. Review and approval by the Department of the Attorney General; and
- d. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

*Dan Gushiken*

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Dan K. Gushiken  
Land Agent

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APPROVED FOR SUBMITTAL:



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Dawn N. S. Chang, Chairperson

# GLS-4443 (I. Kitagawa & Company, Ltd.) TMK: (3) 2-2-058:001

2-2-58 3RD DIV

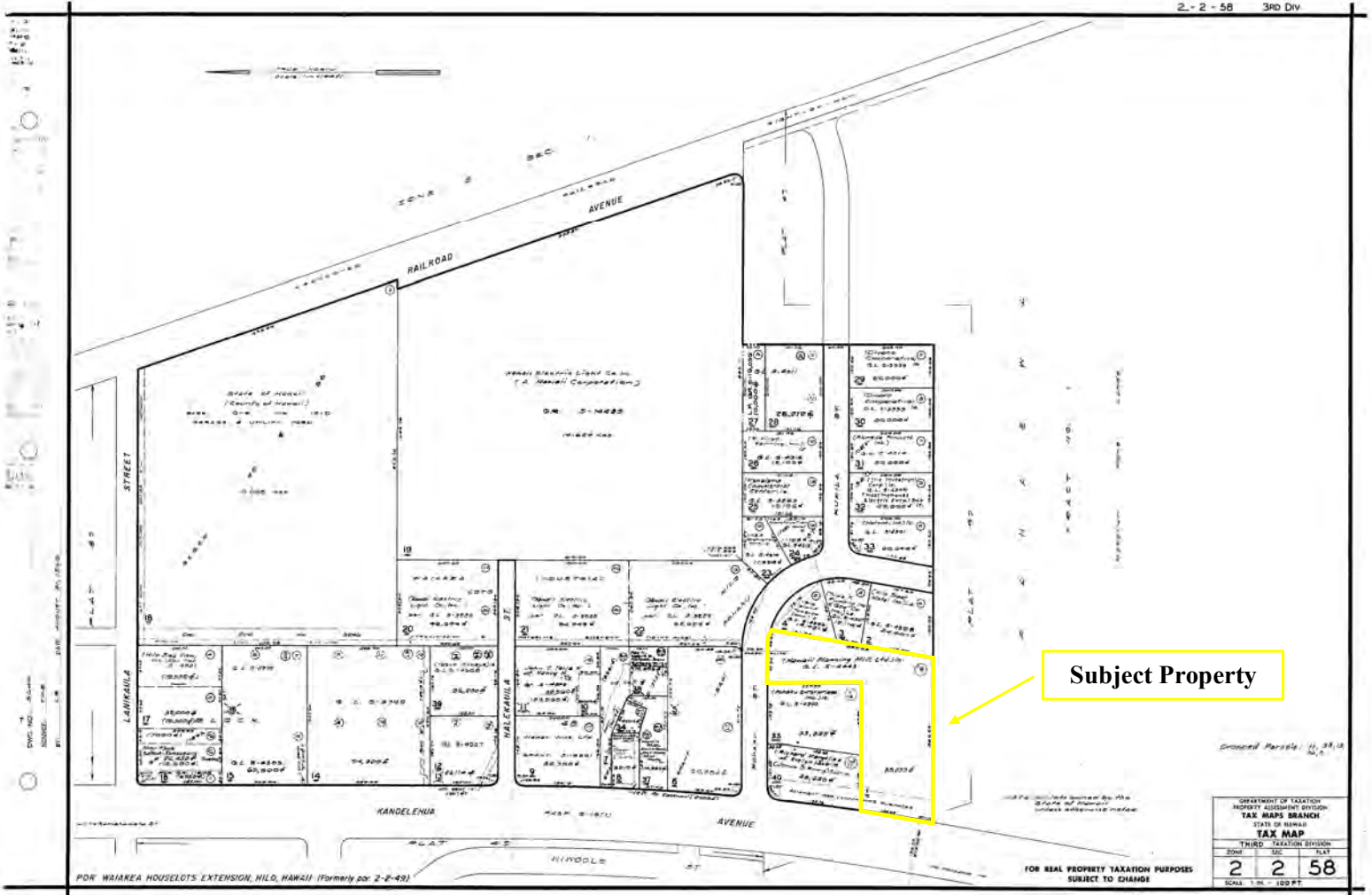


Exhibit A  
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# GLS-4443 (I. Kitagawa & Company, Ltd.) Subleased Areas



JOSH GREEN, M.D.  
GOVERNOR | KE KIA'ĀINASYLVIA LUKE  
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
LAND DIVISION

180 Kalanikoa Street  
Hilo, Hawaii 96720  
PHONE: (808) 961-9590



January 9, 2025

MEMORANDUM

TO: Dawn N. S. Chang, Chairperson

THROUGH: Ryan K. P. Kanaka'ole, Deputy Director

FROM: Dan Gushiken, Land Agent

SUBJECT: In-House Recommendation – Sublease Participation Calculation

GL No.: S-4443  
 Lessee/Sublessor: I. Kitagawa & Co., Ltd.  
 Sublessee: **Research Corporation of the University of Hawaii**  
 Location: Waiakea, South Hilo Hawaii  
 Lease Area: 89,255 square feet  
 (Total building area – 1,632 sq. ft.)  
 Sublease Area: 22,529 square feet  
 Tax Map Key: (3) 2-2-058:001  
 Char. of Use: Lessee: General industrial purposes  
 Sublessee: Warehouse and general office purposes

We have been requested to provide an in-house evaluation of the sublease premium due to the State for the subleasing of a portion of GLS-4443, I. Kitagawa & Co., Ltd. (IK&C), Lessee/Sublessor to Research Corporation of the University of Hawaii (RCUH), Sublessee. The sublease documents and information provided by Lessee were analyzed and staff applied the formula approved by the Land Board on August 24, 2012, agenda item D-14, comprising of the most current Sublease Rent Participation Policy, which provides in part as follows:

*If the lessee subleases improvements not owned by the State, the Board shall not receive any portion of sublease rents from subleasing improved space unless: (i) that right and method of calculation are specifically stated in the lease, or (ii) participation in sublease rents is warranted considering the age of the improvements (including but not limited to the extent to which the improvements have been depreciated or amortized), lessee's expenditures to maintain the same in relation to sublease revenues. And*

*the extent to which the lessee actually occupies and uses the lease premises for its own business.*

In this case, the leasehold improvements consisting of an office building, perimeter fencing and paving of the entire surface area were constructed in 1976 at a cost of \$96,179.89. IK&C Purchased the lease in 2005 at a cost of \$325,000.00 and has not reported any major investment in the property since its purchase. The total cost to lessee of the improvements has been fully amortized over the last 20 years, there is no mortgage on the property and the lessee does not use the premises for its own business. Thus, any income derived from subleasing the premises is subject to a rent participation analysis to determine if sublease rent participation is warranted.

Through a prior approval, IK&C has an additional sublessee on the property, 'Ohana Housing & Development, Inc. (OH&D), that subleases ~66,726 sf. at the current annual rental rate of \$61,000.00. The sublease rent is set to increase by \$500.00 each December until the end of the sublease on August 31, 2030.

The subject sublease to RCUH is for ~22,529 sf. with the annual rental rate of \$31,800.00 for the period January 1, 2023 through June 30, 2024 with an increase to \$36,000.00 annually for the period July 1, 2024 through December 31, 2025.

A prior approval of subleases to OH&D and RCUH resulted in an increase to the annual lease rent of \$568.41 per year for the OH&D sublease through August 31, 2030 and \$770.41 per year for the RCUH sublease through March 31, 2024. These amounts will be included in the rent participation analysis.

The following rent participation analysis provides an allowance for maintenance, insurance costs and a 4.00% return on investment. The analysis does not make allowances for General Excise Tax or Real Property Tax as those costs are passed on to the sublessees.

The sublease calculation table on the following page is for the sublease term beginning **April 1, 2024, through December 31, 2025.**

The analysis shows an annual sublease profit of ~\$17,000 to ~\$20,000. Based on the analysis, staff is recommending a one-time charge of \$3,582.13 as additional rent due to the excess sublease profits for the period April 1, 2024, through December 31, 2025.

## **Sublease Profit Calculation**

### **GL-4443 I. Kitagawa and Company, Ltd.**

	3 months	6 months	1 year
	4/2024-6/2024	7/2024-12/2024	1/2025-12/2025
Rent Income: OH&D	\$15,126.00	\$30,293.00	\$61,038.00
Rent Income: RCUH	\$7,950.00	\$18,000.00	\$36,000.00
<b>Total Sublease Income</b>	<b>\$23,076.00</b>	<b>\$48,293.00</b>	<b>\$97,038.00</b>
LESS Annual Lease Rent	\$13,225.00	\$26,450.00	\$61,263.00
LESS Current Rent Participation	\$142.10	\$284.21	\$568.41
LESS Insurance	\$229.00	\$458.00	\$916.00
LESS R&M (\$300/mth)	\$900.00	\$1,800.00	\$3,600.00
LESS 4% Return on Investment*	\$3,250.00	\$6,500.00	\$13,000.00
<b>Total Allowable Expenses</b>	<b>\$17,746.10</b>	<b>\$35,492.21</b>	<b>\$79,347.41</b>
<b>Sublease Profit</b>	<b>\$5,329.90</b>	<b>\$12,800.79</b>	<b>\$17,690.59</b>
10% Increase to Annual Lease Rent	\$532.99	\$1,280.08	\$1,769.06
<b>Recommended Additional Lease Rent for the period 4/2024-12/2025</b>	<b>\$3,582.13</b>		

\*2005 Purchase Price of Lease = \$325,000.00