


Reviewed and Approved by Executive Director:  _____

June 2, 2021

FOR ACTION

I. REQUEST

Consider Authorizing the Executive Director to Waive Lease Rent Due from Volunteer Legal Services Hawaii for the Months of July Through December of 2021 in the Amount of \$1,825 a Month.

II. BACKGROUND

On August 1, 2019, the Hawaii Community Development Authority (HCDA) and Volunteer Legal Services Hawaii (VLSH) executed General Lease No. 19-01 for the lease of commercial office space at 545 Queen Street. The lease is attached as Exhibit A. The lease term runs from August 1, 2019 to July 31, 2024.

Under the lease, VLSH agreed to pay the HCDA \$1,825 per month to utilize the 1,338 square foot space as its business office to provide free legal services to the community. VLSH also agreed to pay an additional \$880 per month for the rental of 10 parking stalls in the adjacent parking structure and an additional \$841 per month in common area maintenance (CAM) fees assessed by the Honuakaha Association of Apartment Owners (AOAO).

On June 3, 2020, the HCDA approved a rent waiver for April, May, and June 2020 in response to a request from VLSH for rent relief due to the ongoing COVID-19 pandemic.

In October 2020, VLSH requested additional rent relief for the upcoming 2021 calendar year, citing the elimination of its state funding due to state budget cuts associated with the COVID-19 pandemic. State funding previously provided a third of VLSH's budget, and it remained unclear how much, if any, state funding would be provided in the 2021 legislative session.

On December 9, 2020, the HCDA approved a rent waiver for January 2021 through June 2021, based on the legislative session calendar. The minutes for the December 9, 2020 meeting are attached hereto as Exhibit B.

In a letter dated April 19, 2021 and attached hereto as Exhibit C, VLSH notes its state funding failed to be restored in the 2021 legislative session, and therefore, VLSH requested additional rent relief for the remainder of the 2021 calendar year. VLSH anticipates the earliest its state funding could resume is in July 2022.

VLSH requests HCDA continue to waive lease rent due (\$1,825/month) for July 2021 through December 2021. VLSH agrees to continue paying CAM fees assessed by the AOA (\$841/month) and all parking fees (\$880/month). The requested reduction would equate to a loss of \$10,950 to the HCDA.

VLSH notes the rent waiver would allow VLSH to continue providing free legal services to the low-to-moderate income community of Hawaii, which has grown substantially in the past year. In 2020, VLSH processed over 2,000 new intakes, with its volunteer attorneys providing legal services valued at over \$771,000. Additional statistics on the services provided by VLSH are attached hereto as Exhibit D.

III. DISCUSSION AND ANALYSIS


The VLSH lease represents one of only four market rate leases controlled by the HCDA. Notably, all of the HCDA's other leases to non-profit groups charge nominal or no rent in recognition of the service the lessee provides to the community. Given that VLSH is a non-profit organization that provides free legal assistance to those in need, a waiver or reduction in rent would be consistent with HCDA's mission and prior actions.


HCDA staff agrees that VLSH has proven itself to be a good and reliable tenant over the years. We believe VLSH would not have requested a rent waiver unless it was absolutely necessary, such as in these unprecedented times.

IV. RECOMMENDATION

Authorize the Executive Director to Waive Lease Rent Due from Volunteer Legal Services Hawaii for the Months of July Through December of 2021 in the Amount of \$1,825 a Month and Undertake All Tasks Necessary to Effectuate the Purpose(s) of This For Action.

Attachments: Exhibit A – VLSH Lease Executed August 1, 2019
Exhibit B – December 9, 2020 HCDA Kakaako Meeting Minutes
Exhibit C – April 19, 2021 Letter from VLSH
Exhibit D – 2020 VLSH Statistics

Prepared By: Lindsey Doi, Asset Manager 

Reviewed By: Deepak Neupane, P.E., AIA, Executive Director 

**HAWAII COMMUNITY DEVELOPMENT AUTHORITY
VOLUNTEER LEGAL SERVICES HAWAII
GENERAL LEASE NO. 19-01**

COVER PAGE

This Cover Page of basic lease terms is an integral part of this Lease and all of the provisions hereof are incorporated into the Lease.

PARTIES:

LANDLORD: Hawaii Community Development
ADDRESS OF LANDLORD: Authority 547 Queen Street
Honolulu, Hawaii 96813
Attention: Mr. Aedward Los
Banos, Executive Director

TENANT: Volunteer Legal Services Hawaii
ADDRESS OF TENANT: 545 Queen Street, Suite 100
Honolulu, Hawaii
96813 Attention: Ms.
Angela Kuo Min,
Executive Director

TERM:

COMMENCEMENT: August 1, 2019
EXPIRATION: July 31, 2024

LEASED PREMISES:

TAX MAP KEY NO.: 2-1-031-0210094 Honuakaha, Commercial/Retail
Apartment - 1,338 square feet

USE OF PREMISES:

PERMITTED USES: General Office

RENT:

ANNUAL RENT: \$21,900.00 from August 1, 2019 – July 31, 2022;

	\$22,439.07 from August 1, 2022 – July 31, 2024
MONTHLY CAM:	\$841, or as escalated by Honuakaha AOA
MONTHLY PARKING:	\$880 for stalls 203, 204, 205, 206, 207, 208, 210, 211, 212, and 213
LATE PAYMENT CHARGE:	Five Percent (5%) of Payment Due Per Each Occurrence
SECURITY DEPOSIT:	\$1,825
ELECTRIC:	Submetered and paid by tenant

INSURANCE REQUIREMENTS:

Commercial General Liability:

\$1,000,000 per occurrence and \$2,000,000 in the aggregate
\$1,000,000 Completed Operations Aggregate Limit
\$1,000,000 Each Occurrence Limit
\$1,000,000 Personal & Advertising Limit

Umbrella Liability: \$2,000,000 Aggregate (optional, if other limits cannot be met)

Worker's Compensation:

Coverage A: As required by Hawaii Laws
Coverage B: Employer's Liability:
\$1,000,000 Bodily Injury by Accident Each Accident
\$1,000,000 Bodily Injury by Disease
\$1,000,000 Policy Limit and \$1,000,000 Each Employee

Automobile: \$2,000,000 combined single limit OR \$1,000,000 bodily injury per person, \$1,000,000 bodily injury per accident, and \$1,000,000 property damage per damage

State of Hawaii and HCDA listed as additional insureds.

**HAWAII COMMUNITY DEVELOPMENT AUTHORITY
VOLUNTEER LEGAL SERVICES HAWAII**

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**HAWAII COMMUNITY DEVELOPMENT
AUTHORITY VOLUNTEER LEGAL SERVICES
HAWAII**

LEASE

SECTION 1. PARTIES; PREMISES AND COMPLEX; TERM.

1.1 Parties. This lease ("Lease") is entered into between the HAWAII COMMUNITY DEVELOPMENT AUTHORITY, a body corporate and public instrumentality of the State of Hawaii, hereinafter called the "Landlord," and VOLUNTEER LEGAL SERVICES HAWAII, a Hawaii not for profit corporation, hereinafter called the "Tenant," whose business and post office addresses are as set forth on the Cover Page, attached hereto and made a part hereof.

1.2 Premises And Complex. Landlord hereby leases to Tenant the Honuakaha Commercial/Retail Apartment, identified on the Oahu taxation maps as Tax Map Key No.: 2-1-031-0210094, containing an area of approximately 1,338 square feet (hereinafter called the "Premises"). The Premises is a portion of the Honuakaha Condominium Complex (hereinafter called "Complex") located at 545 Queen Street, City and County of Honolulu, State of Hawaii. The Premises and Complex are more particularly delineated in Exhibit "A," which is attached hereto and made a part hereof.

1.3 Initial Condition Of Premises. Tenant acknowledges that Landlord has not made any representation or warranty as to the condition of the Premises or anything installed or contained therein, including, but not limited to, any express or implied warranty of habitability, or merchantability, fitness for a particular purpose, and that Tenant has not relied upon any statements, commitments or claims made by or on behalf of Landlord.

1.4 Term. The Term of this Lease is as shown on the Cover Page of this Lease, unless sooner terminated as herein provided.

SECTION 2.

RENT.

2.1 Rent. The terms "rent" and "rental" as used herein and elsewhere in this Lease shall be deemed to be and mean annual rent, all additional rents, common area maintenance fees, rental adjustments, and any and all other assessments, taxes, charges and sums, however designated, required hereunder to be paid by Tenant to Landlord or to any third party, and any other payment made or other consideration given by Tenant under this Lease.

2.2 Annual Rent. Tenant shall pay as "annual rent," subject to increases as set forth elsewhere in this Lease, the amount set forth on the Cover Page. Annual rent shall be paid to Landlord in advance, in equal monthly installments, on the first day of each calendar month during the entire term hereof as set forth on the Cover Page, without any setoff or deduction, it being the intention of the parties that, to the fullest extent permitted by law, Tenant's covenant to pay rent shall be independent of all other covenants contained in this Lease, including without limitation, Tenant's continued occupancy of the Premises.

2.3 Place Of Payment. Tenant shall pay rent herein provided to Landlord without notice or demand at the address of Landlord as set forth on the Cover Page. Landlord may from time to time designate another payment address at least ten (10) days prior to the next ensuing rent payment date. Tenant shall pay rent to Landlord by hand delivery or first class mail, postage prepaid.

2.4 Form Of Payment. In the event any two (2) of Tenant's rent payments made by personal or company check shall be dishonored by the drawee financial institution thereof, then Landlord shall have the right to refuse any future rent payments not made by cashier's check drawn on a banking institution located in the United States of America, and Tenant shall be in default until the rent payments are made by cashier's check.

SECTION 3. USE OF PREMISES; COMPLIANCE WITH LAWS; RIGHT TO ENTER; COVENANT AGAINST DISCRIMINATION; EASEMENTS.

3.1 Use Of Premises. Tenant shall use and occupy the Premises during the term hereof for the purpose as set forth on the Cover Page (General Office), including any supporting ancillary uses. Tenant shall not use the Premises for any other purpose without the prior written consent of Landlord, which consent Landlord may grant or deny in Landlord's sole and absolute discretion.

Tenant, its employees, agents, contractors, and invitees, shall not sell, dispense, offer for sale or possess at or within the Premises or Complex for consumption anywhere any alcohol, drugs or substances that may not be legally sold, dispensed, offered for sale and/or possessed without doctor's prescription ("controlled substances"). Tenant, its employees, agents, contractors, and invitees shall not sell, distribute, display, offer for sale or rental or permit the sale, rental or display of any of the following:

(a) Roach clip, bong, water pipe, coke spoon, cigarette wrapping paper, syringe or any other paraphernalia commonly used in or with the use or ingestion of controlled or illicit drugs or substances.

(b) Pornographic newspaper, book, magazine, film, picture, representation, merchandise, or entertainment of any kind.

Regardless of any license or permit Tenant may obtain or be issued, Tenant shall not sell or offer for sale any lottery tickets, gaming tickets or the like, nor shall Tenant conduct or participate in at the Premises any type of game of chance, lottery or gambling activity regulated by any governmental agency.

Tenant, its employees, agents, contractors, and invitees shall not commit, suffer or permit to be committed on the Premises or Complex, or any part thereof any waste, nuisance, strip or unlawful, improper or offensive use, or anything, in Landlord's opinion, that may obstruct or interfere with the rights of other tenants or occupants, including but not limited to noise and offensive and/or unpleasant odors.

3.2 Signs And Storefront. Tenant shall not have the right to place, construct, or maintain on the glass panes or supports of the show windows of the Premises, the doors or exterior walls of the Complex, or any interior portions of the Premises that may be visible from outside of the Premises, any signs, advertisements, names, insignia, trademarks, descriptive material, or any other similar item without Landlord's prior written consent and conformance to the sign ordinance of the City and County of Honolulu. All articles, and the arrangement, style, color, and general appearance thereof, in the interior of the Premises including, without limitation, window displays, advertising matter, signs, merchandise, and store fixtures, shall be in keeping with the character and standards of the Complex, as determined by Landlord. Landlord may remove any item placed, constructed or maintained in violation hereof, and the costs of such removal shall be paid by Tenant to Landlord upon demand as additional rent under the Lease. Except as otherwise provided herein, Tenant shall not, without Landlord's prior written consent, place, construct or maintain upon or about the Premises any advertisement media visible or audible outside the Premises, including, without limitation, searchlights, flashing lights, loudspeakers, or other similar visual or audio media.

3.3 Restrictions On Advertising. All advertisements of Tenant's business conducted at the Premises or Complex, including but not limited to parking and common areas, regardless of the medium, shall be subject to Landlord's prior written approval, which Landlord shall not unreasonably withhold. The name of the Complex "Honuakaha" may not be used in any advertisement permitted hereunder without Landlord's prior

written consent.

3.4 Deliveries. Tenant shall comply with all laws of municipal, State and Federal authorities and regulations of the Complex relating directly or indirectly to deliveries and/or loading. Landlord reserves the right to reasonably regulate the activities of Tenant in regard to deliveries and servicing of the Premises, and Tenant agrees to abide by such regulations of Landlord.

3.5 Compliance With Laws And Regulations Of The Complex. Tenant shall comply with all of the requirements of all municipal, State and Federal authorities and observe all municipal ordinances and State and Federal statutes pertaining to Tenant's business and use and operation of the Premises, now in force or which may hereinafter be in force, including as provided in Section 5. Tenant shall also comply with all applicable Complex restrictions, rules and regulations, including but not limited to, declaration of condominium property regime, bylaws of the association of apartment owners, and house rules, as set forth in Exhibit "B".

3.6 Right To Enter. Landlord and the agents and representatives of the county in which the Premises is situated may enter and cross any portion of the Premises for the purpose of performing any public or official duties; provided, however, in the exercise of such duties, the rights of Tenant to the use and enjoyment of the Premises shall not be unreasonably interfered with and provided that, prior to any entering by Landlord, Landlord shall give forty-eight (48) hours prior written notice and such entry shall be held at a reasonable time during business hours of a weekday, unless otherwise agreed to by Tenant.

3.7 Covenant Against Discrimination. Tenant's use and enjoyment of the Premises shall not be in support of any policy which discriminates against anyone based upon race, sex, color, religion, ancestry, sexual orientation, marital status, creed, familial status, physical handicap, disability, age or HIV (human immunodeficiency virus) infection.

3.8 Alterations. During the term of this Lease, Tenant may, at its sole cost and expense, make any such nonstructural alterations, additions and decorative changes in and to the interior of the Premises, provided that the then value of the Premises is not thereby diminished and provided further that such alterations, additions or changes to the Premises costing in excess of ten thousand dollars (\$10,000) during each Lease Year shall not be made without Tenant submitting its plans and specifications for such alterations, additions or changes to the Premises to Landlord for its prior written approval.

Notwithstanding anything contained herein, Tenant shall not make any alterations, additions or changes: (a) to the signs and storefronts; (b) to the exterior walls, roof or structure or utility systems serving the Premises; and/or (c) that cause any to be made or make any penetration through the roof, floor or walls of the Premises, without Landlord's prior written approval.

Nothing contained in this Section 3.8 shall be deemed to be a waiver by Landlord of any applicable requirement for Tenant to obtain zoning approvals issued by Landlord and otherwise required for a particular improvement, regardless of the cost of the improvement.

3.9 Easements. Landlord reserves the right to establish, or to sell or grant to

others, easements required for utility purposes; provided that such easements shall not unreasonably interfere with Tenant's use of the Premises.

SECTION 4. ASSIGNMENT AND SUBLETTING.

4.1 Prohibition Against Assignment And Subletting. Tenant shall be prohibited from all of the following:

- (a) Assigning, transferring or selling this Lease, or any interest hereunder.
- (b) Subletting the Premises or portions thereof.
- (c) Permitting any subtenant, licensee or concessionaire on the Premises.

Landlord may authorize the use of the Premises by an outside agency or group at Tenant's written request. In this event, Tenant must receive prior written consent of Landlord to proceed. Notwithstanding the above, Landlord and Tenant acknowledge and agree that

SECTION 5.

HAZARDOUS MATERIALS.

5.1 No Release of Hazardous Materials. Tenant shall not cause or permit the escape, disposal or release of any Hazardous Materials except as permitted by law. Tenant shall not allow the storage or use of Hazardous Materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such materials, nor allow to be brought onto the Premises any such materials except to use in the ordinary course of Tenant's business, and then only after written notice is given to Landlord of the identity of such materials and upon Landlord's consent, which consent may be withheld at Landlord's sole and absolute discretion. If any lender or governmental agency, with reasonable cause, shall ever require testing to ascertain whether or not there has been any release of Hazardous Materials by Tenant, and it is determined that Tenant has released Hazardous Materials, then Tenant shall be responsible for the costs thereof. In addition, Tenant shall execute affidavits, representations and the like at Landlord's request concerning Tenant's best knowledge and belief regarding the presence of Hazardous Materials on the Premises placed or released by Tenant.

5.2 Indemnification. Tenant agrees to indemnify, defend, and hold Landlord harmless from any damages and claims resulting from the release of Hazardous Materials on the Premises occurring while Tenant is in possession of the Premises, or elsewhere if caused by Tenant or persons acting under Tenant. These covenants shall survive the expiration or earlier termination of the Lease.

5.3 Definition of Hazardous Materials. For the purpose of this Lease, 'Hazardous Materials' shall mean any pollutant, toxic substance, hazardous waste, hazardous material, hazardous substance, or oil as defined in or pursuant to the Resource Conservation and Recovery Act, as amended, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, the Federal Clean Water Act, or any other Federal, State, or local environmental law, regulation, ordinance, rule, or bylaw, whether existing as of the date hereof, previously enforced, or subsequently enacted.

SECTION 6.

DESTRUCTION.

6.1 Damage Or Destruction To The Premises. If the Premises and/or the common areas serving the Premises (collectively referred to in this Section 6 as the "Premises") are damaged or destroyed to an extent not greater than thirty-three percent (33%) of the then total cost of replacing the Premises, and said damage can be wholly repaired from insurance proceeds made available for such purpose, and the Premises can be fully repaired and restored to the condition existing at the Commencement Date hereof or existing immediately prior to such damage or destruction as designated by Landlord, then Landlord shall commence said repair and restoration of the Premises within ninety (90) days after the date of such damage or destruction and shall diligently prosecute such repair and restoration, to the extent of such designated condition, until completion. If repair or restoration of the Premises is not commenced within such time period for whatever reason, including, without limitation, Landlord's inability to obtain permits, approvals or insurance proceeds (and Landlord's unwillingness to make up the difference at its own expense) required for such repair or restoration, then Landlord and Tenant shall each have the option, for thirty (30) days following the above-referenced 90-day period to terminate this Lease upon thirty (30) days prior written notice given to the other party.

6.2 Substantial Damage To Or Destruction Of Premises. If the Premises are damaged or destroyed to an extent greater than thirty-three percent (33%) of the then total cost of replacing Premises, then Landlord and Tenant shall each have the option, for ninety (90) days after the date of such damage or destruction, to terminate this Lease, prior to the commencement of any repair or restoration, upon thirty (30) days prior written notice given to the other party.

6.3 Damage To Or Destruction Of Premises During Last Year Of Lease. If any damage or destruction to the Premises occurs during the last twelve (12) months of the lease term, Landlord and Tenant shall each have the right to terminate this Lease upon thirty (30) days prior written notice given to the other party.

6.4 Damage Or Destruction Caused By Tenant. In the event of damage or destruction to the Premises or the Complex resulting from fault or negligence of Tenant, its agents, employees, contractors, or invitees, such damage shall be promptly reported to Landlord and shall be repaired by and at the sole expense of Tenant under direction and supervision of Landlord. There shall be no abatement of rent during the period of repair. Tenant shall indemnify and hold harmless Landlord for any damages, injuries, losses, claims, or causes of action arising out of or relating to the repair or restoration of the Premises or the Complex.

6.5 Restoration By Landlord. Should this Lease not be terminated pursuant to this Section 6, and should Landlord elect to repair and restore the portion of the Premises so damaged or destroyed as aforesaid, Landlord shall, subject to the provisions of Section 6.6, promptly and diligently repair and restore the Premises to the same to the condition existing at the Commencement Date hereof or the condition existing immediately prior to such damage or destruction, as designated by Landlord.

6.6 Restoration By Tenant. If the Premises are repaired and restored by Landlord as aforesaid, Tenant, at its sole expense, shall promptly restore, replace and repair all improvements, additions, alterations, fixtures, trade fixtures, apparatus, equipment and personal property, installed, built or owned by Tenant and located on the Premises that were damaged or destroyed, so as to restore the Premises to a

condition substantially equal to that which existed immediately prior to said damage or destruction.

6.7 Abatement Of Annual Rent. If the Premises are damaged or destroyed, then during the period from the date of such damage or destruction until the earlier of: (a) Tenant's reopening for business; or (b) fifteen (15) days after the completion of Landlord's repair and restoration work to Premises, all amounts payable by Tenant hereunder shall be reduced equitably in proportion to the degree the damage or destruction and the repair and restoration work interferes with the normal business conducted on the Premises. Tenant shall continue the operation of its business on the Premises during any such period to the extent reasonably practical from the standpoint of prudent business management, and, in the event Tenant is able to continue the operation of its business on the premises, the obligation of Tenant to pay all other rent shall remain in full force and effect.

6.8 Business Interruption. Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises or of Tenant's personal property, or for any inconvenience, annoyance or loss of business or profit occasioned by any such damage, repair, reconstruction or restoration to any portion of the Complex.

6.9 Waiver Of Statutory Provisions. Tenant hereby waives any and all other provisions of law from time to time in effect during the term of this Lease relating to the effect on leases of partial or total destruction of the premises leased thereunder. Tenant agrees that its rights upon damage or destruction of the Premises or the Complex shall be those specifically set forth herein.

SECTION 7.

REPAIRS AND MAINTENANCE; INSPECTION OF PREMISES.

7.1 Repairs And Maintenance.

(a) Landlord's Covenants: Subject to the provisions of Section 6 hereof, Landlord shall, during the term of this Lease, keep in good order, condition and repair the common and limited common elements (collectively herein referred to as "common elements", "common area(s)" or "common" and as described in Exhibit "A") of the Premises and Complex, except for any damage thereto caused by any act, negligence or omission of Tenant or any of Tenant's agents, employees, contractors, or invitees, and except for reasonable wear and tear. It is an express condition precedent to all obligations of Landlord to repair and maintain that Tenant shall have notified Landlord in writing of the need for such repair and maintenance, and Landlord shall have sixty (60) days from the date of such written notice (or longer in the event the matter requiring repair takes longer than sixty [60] days to repair) within which to make or begin to make such repairs.

(b) Tenant's Covenants: During the term of this Lease, Tenant shall at its sole cost and expense keep and maintain all portions of the Premises including, without limiting the generality of the foregoing, all fixtures, interior walls, floors, ceilings, windows, plate glass, electrical facilities and equipment, and all other personal property equipment in good repair, ordinary wear and tear excepted, and in a strictly clean, neat, orderly and sanitary condition, free of waste, rubbish and debris and other refuse.

If Tenant fails to perform Tenant's obligations under this Section 7.1, Landlord may, at Landlord's option, enter the Premises and perform Tenant's obligations hereunder, and the cost thereof shall be reimbursed by Tenant to Landlord within ten (10) days after demand. Nothing in this Section 7.1 shall be deemed to impose any duty upon Landlord to affect in any manner the obligations herein placed upon Tenant. Tenant expressly waives all rights to make repairs at the expense of Landlord as provided for by law during the term of this Lease.

7.2 Plate Glass. Notwithstanding the provisions of Section 7.1 of the Lease, cleaning and maintenance of all plate glass windows and doors upon or about the Premises shall be the sole responsibility of, and shall be performed at the sole cost and expense of, Tenant. In the event of breakage or other damage necessitating replacement of such plate glass, Tenant shall replace such plate glass and pay all costs associated with repairs and replacement. Landlord reserves the right to approve replacement materials and plans.

7.3 Ventilating And Air Conditioning System. Tenant shall, at its sole cost and expense, install and maintain in good order and repair, and from time to time replace the ventilating and air conditioning facilities serving the Premises. Tenant shall, at Tenant's direct and sole cost and expense, engage the services of a licensed maintenance firm to service the ventilating and air conditioning facilities of the Premises on a regular basis.

7.4 Inspection Of Premises. Tenant will permit Landlord and its agents during the term of this Lease to enter the Premises and examine the state of repair and condition thereof, provided that, prior to any entering by Landlord, Landlord shall give forty-eight (48) hours prior written notice and such entering shall be held at a reasonable time during business hours of a weekday, unless otherwise agreed to by Tenant.

7.5 Common Area Maintenance Fees. Tenant shall pay to Landlord common area maintenance fees (collectively herein referred to as "CAM") for the Premises, as set by the Complex Association of Apartment Owners in proportion to Tenant's common interest of the Premises (more particularly described in Exhibit "B"). CAM shall be payable in the same manner as rent, on the first day of each calendar month. Landlord shall furnish Tenant with annual estimated operating budgets and actual operating statements for each lease year, when the same become available from the Complex Association of Apartment Owners. CAM for 2019 is estimated to be \$841 per month for the Premises, which equates to approximately 63 cents per square foot of leasable area. Any increase in CAM will be properly noticed by the Complex Association of Apartment Owners at least six months in advance of the rate increase taking effect.

SECTION 8.

TAXES AND ASSESSMENTS; UTILITY SERVICES; ACCESS AND USE OF APPURTENANT SPACES; PARKING.

8.1 Taxes And Assessments. Tenant shall pay or cause to be paid, when due, the amount of all taxes, rates, assessments and other outgoings of every description as to which said Premises or any part thereof, or any improvements thereon, or Landlord or Tenant in respect thereof, are now or may hereafter be assessed or become liable by authority of law during the term of this Lease; provided, however, that with respect to any assessment made under any betterment or improvement law which may be payable in installments, Tenant shall be required to pay only such installment together with interest, as shall become due and payable during said term. If any assessment is for an improvement which has a useful life longer than the term of this Lease and ~~therefore~~ is not payable in installments, the amount of the assessment will be prorated between Landlord and Tenant with Tenant's share being in the proportion that the remaining term of this Lease bears to the useful life of the improvement. If Tenant determines that such taxes, rates or assessments are erroneous, Tenant may contest, by appropriate proceedings, or in such other manner as it deems suitable (and without cost or expense to Landlord), such taxes, rates and assessments, but such contest or proceedings shall not postpone the timely payment of the sums assessed.

8.2 Utility Services. Tenant agrees, at its sole cost and expense, to connect to and use the utilities furnished by Landlord to the Premises (including electricity, water, sewer and telephone). Tenant shall pay during the term of this Lease, when due, all water, sewer, gas, electricity, power, telephone, cable television, trash collection and all other utility and services supplied to or consumed in or on the Premises; provided, however, that once Tenant begins paying CAM pursuant to Section 7.5, Tenant shall not be responsible for paying any utility costs for the Premises that are included within said common area expenses.

8.3 Trash Collection. At the election of Tenant, the "Trash Area" designated on Exhibit 'A' may be used at Tenant's sole cost and expense. In the event Tenant chooses to utilize the Trash Area, Tenant will provide a trash receptacle and collection services and maintain the same in a strictly clean, neat, orderly and sanitary condition. Use of the Trash Area shall be in strict compliance with applicable regulations of the Complex. In addition to the remedies for default in this Lease, Landlord shall have the right, in the event of Tenant's failure to comply with this Section 8.3, at Landlord's option, to perform Tenant's obligations hereunder, and the cost thereof shall be reimbursed by Tenant to Landlord within ten (10) days after demand. Nothing in this Section 8.3 shall be deemed to impose any duty upon Landlord to affect in any manner the obligations herein placed upon Tenant.

8.4 Restrooms. Tenant may use the "Restroom Area" designated on Exhibit "A" at no additional expense to Tenant. Tenant is solely responsible for providing janitorial and maintenance services for said "Restroom Area."

8.5 Parking. Tenant shall have the exclusive right to use ten (10) assigned parking stalls numbered 203, 204, 205, 206, 207, 208, 210, 211, 212, and 213 and agrees to observe all regulations of the Complex relating to parking and use of such facilities thereof. Tenant hereby agrees to pay \$880 per month for such exclusive right to use the aforementioned parking stalls, payable in the same manner as rent, on the first day of each calendar month. Landlord reserves the right to change the assigned parking stalls, methods of parking, or parking systems. Landlord further reserves the right to revoke such exclusive parking rights should Tenant fail to observe Complex regulations relating to parking. Parking shall be used exclusively by Tenant's employees and agents, and shall not be leased or utilized by clients or members of the public.

SECTION 9.

SUBORDINATION; ATTORNMENT.

9.1 Subordination. This Lease is subject and subordinate to all present and future mortgages, deeds of trust and other encumbrances affecting the Premises or the Complex of

which the Premises are a part. Within ten (10) days after written request from Landlord, Tenant agrees to execute, at no expense to Landlord, any instrument which may be deemed necessary or desirable by Landlord to further effect the subordination of this Lease to any mortgage, deed of trust or encumbrance. Tenant hereby irrevocably appoints Landlord as attorney-in fact of Tenant at any time for Tenant and in Tenant's name to execute proper subordination agreements to this effect. If any party providing funding or financing to Landlord requires Tenant to furnish such party written notice of any default of this Lease by Landlord, Tenant shall furnish such notice upon being notified of such party and its requirement. Tenant agrees that Tenant shall not have the right to terminate this Lease because of Landlord's default until such party so notified has had, at its option, a reasonable time to cure Landlord's default, or if foreclosure proceedings by such party have commenced, a reasonable time following completion of foreclosure to, at its option, cure Landlord's default.

9.2 Attornment. In the event any proceedings are brought for foreclosure, or in the event of the exercise of the power of sale under any mortgage or deed of trust covering the Premises, Tenant shall, upon delivery to Tenant by the purchaser at any such foreclosure or sale of a non-disturbance agreement, attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the landlord under this Lease. The Lease shall remain in full force and effect so long as Tenant is not in default beyond any applicable notice and cure periods hereunder. In the event of any other sale or assignment of Landlord's interest under this Lease or in the Premises, Tenant shall attorn to and recognize such purchaser or assignee as landlord under this Lease without further act by Landlord or such purchaser or assignee.

SECTION 10. LIENS.

10.1 Liens. Tenant will not commit or suffer any act of neglect whereby the Premises or any improvement thereof or the estate of Tenant in the same shall become subject to any attachment, lien, charge or encumbrance whatsoever, except as hereinafter provided, and Tenant shall indemnify and hold harmless Landlord from and against such attachment, lien, charge and encumbrance and all expenses resulting therefrom. Should any such lien, charge or encumbrance or notice thereof be recorded against or attach to the Premises, or any part thereof, or any interest therein, then unless Tenant shall elect to contest the validity of the same or the amount of the claim in respect of which the same shall have been recorded, as herein provided, Tenant will immediately pay off the same and cause the same to be satisfied and discharged of record. If Tenant shall not elect to contest the validity of the same or the amount of the claim in respect of which the same shall have been recorded, and shall not pay off the same and cause it to be satisfied and discharged of record promptly, Landlord may, at Landlord's option, pay off the same and any amount so paid by Landlord shall thereupon be and become immediately due and payable by Tenant to Landlord; provided, however, that Tenant will have the right to contest the amount or validity of any such lien, charge or encumbrance or the claim in respect of which the same shall have been recorded by appropriate legal proceedings, and Landlord if legally required to do so, will join in such proceedings on condition, however, if Tenant so contests then: (a) that Tenant shall file a bond in form and with surety satisfactory to Landlord in an amount not less than one hundred fifty percent (150%) of the amount of such claim, naming Landlord as additional obligee and conditioned upon discharge or release of the claim in the event of decision adverse to Tenant, including all allowed interest, costs and

attorney's fees incurred by the claimant and all such reasonable expenses incurred by Landlord;

(a) that such proceedings shall not operate to cause the sale of the Premises or the improvements thereon, or any part thereof, to satisfy any such lien, charge or encumbrance; and

(b) that if all or any part of such lien, charge or encumbrance, or claim in respect of which the same shall have been recorded, the amount or validity of which shall have been so contested, shall be finally determined by any court or any other governmental authority of competent jurisdiction to be lawful or valid, Tenant shall promptly pay the same, together with any interest, penalty or fine resulting from such contest by Tenant and shall promptly cause the same to be satisfied and discharged of record.

10.2 Landlord's Lien. Landlord shall have a lien on all improvements, additions, fixtures, machinery, apparatus and equipment (whether installed by Landlord or Tenant), and furniture, stock

in trade, and personal property of Tenant presently or hereinafter situated on the Premises, for all costs, attorney's fees, rent reserved under this Lease, for all taxes and assessments paid by Landlord on behalf of Tenant and for the payment of all moneys as provided in this Lease to be paid by Tenant, and such lien shall continue until the amounts due are paid. Such property shall not be removed from the Premises without the consent of Landlord until all arrearages in rent as well as any other sums of money due to Landlord hereunder shall have first been paid, and all of the covenants, agreements and conditions hereof have been fulfilled and performed by Tenant.

SECTION 11. INDEMNITY; INSURANCE.

11.1 Indemnity.

- (a) Tenant shall indemnify, defend and hold Landlord harmless:
- (1) Except to the extent caused by the negligence of Landlord or others acting through or under Landlord, from and against any claim or demand by third persons for loss, liability or damage, which may arise during the term of the Lease as a result of Tenant's use or occupation of the Premises, or is occasioned by any act or nuisance made or suffered on the Premises by Tenant, or growing out of or caused by any failure on the part of Tenant to maintain the Premises in a safe condition including claims for property damage, personal injury or wrongful death, arising out of any claim relating to the Premises and sidewalks and roadways immediately adjacent thereto and shall reimburse Landlord for all costs and expenses in connection with the defense of such claims; and
- (2) From and against all actions, suits, damages and claims by whomsoever brought or made by reason of the nonobservance or nonperformance by Tenant of any of the terms, covenants and conditions of this Lease to be observed or performed by Tenant or the nonobservance by Tenant of any rules, regulations, ordinances and laws of the Federal, State, municipal or county governments applicable to Tenant's use and operation of the Premises.
- (b) Landlord shall be responsible for the nonobservance or nonperformance by Landlord and others acting through or under Landlord of any of the terms, covenants and conditions of this Lease to be observed or performed by Landlord or others acting through or under Landlord.

11.2 Insurance. Tenant shall procure and maintain at its own cost and expense, during the entire term of this Lease, insurance coverage of the kinds and in amounts greater than or equal to those set forth below:

Commercial General Liability:

\$1,000,000 per occurrence and \$2,000,000 in the aggregate
\$1,000,000 Completed Operations Aggregate Limit
\$1,000,000 Each Occurrence Limit
\$1,000,000 Personal & Advertising Limit

Umbrella Liability: \$2,000,000 Aggregate (optional, if other limits cannot be met)

Worker's Compensation:

Coverage A: As required by Hawaii Laws
Coverage B: Employer's Liability:
\$1,000,000 Bodily Injury by Accident Each Accident
\$1,000,000 Bodily Injury by Disease
\$1,000,000 Policy Limit and \$1,000,000 Each Employee

Automobile: \$2,000,000 combined single limit OR \$1,000,000 bodily injury per person, \$1,000,000 bodily injury per accident, and \$1,000,000 property damage per damage

The above policy or policies shall cover the Premises, including the grounds and all roadways and sidewalks on or immediately adjacent to the Premises. If any Hazardous Substance as determined by Landlord is located on the Premises, said liability insurance shall specifically include coverage for such Hazardous Substance and said minimum insurance amounts shall be increased to three million dollars (\$3,000,000), combined single limit, or such higher amount as Landlord may from time to time designate.

Landlord shall also have the right to from time to time increase the said required minimum insurance to such amounts that are generally required under similar leases by prudent landlords of similar property.

11.3 Fire And "All Risk" Insurance. Tenant shall, at its own expense, at all times during the term of this Lease, procure and maintain fire insurance with an "all risk" coverage endorsement, insuring Tenant's stock in trade, furniture, personal property, movable equipment and trade fixtures, and to the extent installed or paid for by Tenant, the improvements, fixtures and non-movable equipment, all in an amount equal to one hundred percent (100%) of the replacement value thereof. The proceeds received from any claim made under Tenant's insurance policy described in this Section 11.3 shall be used solely to satisfy Tenant's obligations under Section 6.6 hereof, but only to the extent Tenant's obligations under said Section 6.6 become applicable.

11.4 Insurance Policy Provisions. All of the insurance required to be obtained by Tenant pursuant to the provisions of this Section 11 shall be with companies that are: (a) licensed to do business in the State of Hawaii; and (b) acceptable to Landlord. Tenant shall furnish Landlord with a certificate showing such insurance to be initially in force and shall furnish a like certificate upon each renewal of such insurance, each such certificate to contain or be accompanied by an assurance of the insurer that Landlord shall be notified at least thirty (30) days prior to any termination or cancellation of, or material change in, said policy. The procuring of this insurance shall not release or relieve Tenant of its responsibility under this Lease. The insurance required under this Section 11 shall name Landlord and the State of Hawaii as additional insureds. In the event Tenant shall fail to procure and maintain any of the insurance required under this Section 11, Landlord shall have the right, but not the obligation, to obtain said policies and to pay any premium due thereon. The amount of any such premiums shall be reimbursed by Tenant to Landlord within ten (10) days after demand.

11.5 Waiver of Recovery and Subrogation. Landlord and Tenant each agree that neither Landlord nor Tenant (and their successors and assignees) will have any claim against the other for any loss, damage or injury which is covered by insurance carried by either party and for which recovery from such insurer is made, notwithstanding the negligence of either party in causing the loss. Such insurance policy or policies shall expressly specify the waiver of all rights of recovery and of subrogation against Landlord and Tenant.

11.6 Landlord's Insurance. Landlord shall keep the Complex in which the Premises are located insured against loss from all risks as required and set forth in the Complex declaration of condominium property regime and bylaws of the association of apartment owners.

SECTION 12 TERMINATION; SURRENDER; HOLDING OVER

12.1 Termination. This Lease may be terminated for convenience by either party at any time, provided the terminating party provides at least 180-days prior written notice to the other party.

12.2 Surrender.

(a) Improvements: Upon the expiration or sooner termination of this Lease, Tenant shall surrender to Landlord, in good condition and repair, the Premises, together with all improvements, additions, machinery, apparatus, equipment and fixtures therein and thereon, whether installed by Landlord or Tenant (except only the trade fixtures and furniture installed by Tenant, Tenant's stock in trade and personal property), and the same shall thereafter be the property of Landlord. Said property shall include, but not be limited to, all components of the air conditioning and/or ventilating systems (including any portion thereof outside of the Premises), plumbing and electrical systems, security systems, lighting fixtures, lighting components, tubes and bulbs, ceiling and floor tiles and all partitions (whether removable or otherwise).

(b) Trade Fixtures: Trade fixtures, furniture, stock in trade and personal property installed or placed in the Premises at the cost of Tenant shall be the property of Tenant unless otherwise specified in this Lease. "Trade fixtures" shall include all signs of Tenant. Tenant, at its sole cost and expense, shall remove the same prior to the expiration or termination of this Lease, and shall completely repair all damage to the Premises resulting from or caused by such removal. If Tenant fails to remove any of such trade fixtures, furniture, stock in trade and personal property, Landlord may, at Landlord's option,

retain all or any of the same without payment therefore, thereupon vesting title thereto in Landlord; or Landlord may remove the same from the Premises and dispose thereof in any manner, in which latter event Tenant shall, within ten (10) days after demand, pay to Landlord the actual cost of such removal and disposition, and the cost of repair of any and all damage to the Premises resulting from or caused by such removal.

12.3 Holding Over. If Tenant shall continue to occupy the Premises after expiration or sooner termination of this Lease, Tenant shall pay, as liquidated damages, for each month of continued occupancy an amount equal to two (2) times the monthly rent being paid for the month the Lease expires or is terminated, and otherwise subject to all of the terms and provisions of this Lease, including, without limitation, any and all terms and provisions relating to all other rent payable hereunder. Tenant hereby indemnifies and holds Landlord harmless from any and all losses and liabilities resulting from Tenant's failure to timely surrender the Premises upon the expiration or termination of the Lease.

SECTION 13 LATE PAYMENT CHARGE; INTEREST ON PAST DUE OBLIGATIONS

13.1 Late Payment Charge. If Tenant fails to pay any rent within ten (10) days of due date on the first of the month, Tenant shall pay to Landlord, in addition to the interest provided for in Section 13.2, a late payment charge for each occurrence of an amount as shown on the Cover Page of this Lease to help defray the additional cost to Landlord for processing such late payment.

13.2 Interest On Past Due Obligations. Any rent or other monetary obligation of Tenant accruing to Landlord under the terms and provisions of this Lease which shall not be paid when due shall bear interest at twelve percent (12%) per annum from the date when the same becomes due and payable by the terms and provisions hereof until paid. Landlord shall have the right to demand payment of interest due currently at any time.

SECTION 14 DEFAULTS; REMEDIES.

14.1 Defaults. The occurrence of any of the following shall constitute a material breach and default of this Lease by Tenant:

(a) Failure by Tenant to pay the rent or any part thereof at the times and in the manner aforesaid and such failure continues for fifteen (15) days after payment becomes due whether or not notice is given.

(b) Failure by Tenant to observe and perform any of the covenants, terms and conditions herein contained where such failure continues for a period of more than thirty (30) days after delivery by Landlord of a written notice of such breach or default by personal service, registered mail or certified mail to Tenant at its last known address; provided, however, that if the default is of such nature that the same can be rectified or cured, but cannot with reasonable diligence be done within said thirty (30) day period, then such default shall be deemed to be rectified or cured if Tenant, within said thirty (30) day period, commences to rectify and cure the same and thereafter completes such rectification and cure with all due diligence.

(c) Any petition in bankruptcy is filed, or Tenant is adjudicated as bankrupt or insolvent, or a receiver or trustee is appointed to take possession of substantially all of the assets of Tenant, or Tenant makes a general assignment for the benefit of creditors, or Tenant takes any action under any State or Federal insolvency or bankrupt act, or should the Premises or any portion thereof be abandoned by Tenant or taken or seized under levy of execution or attachment against Tenant, and the same continues in effect for a period of thirty (30) days.

14.2 Remedies. In the event of any default as aforesaid by Tenant, then and in such event, at Landlord's option, Landlord shall have all of the following rights:

(a) Re-entry and Termination. The right to terminate this Lease and to re-enter the Premises and take possession thereof, and to terminate all of the rights of Tenant in and to the Premises and this Lease.

(b) Re-entry Without Termination. The right without terminating this Lease to re-enter the Premises and to occupy the same, or any portion thereof, and to lease the whole or any portion thereof,

for and on account of Tenant as hereinafter provided.

(c) Termination After Re-entry. The right, even though it may have re-let all or any portion of the Premises, to thereafter at any time elect to terminate this Lease for such previous default on the part of Tenant, and to terminate all of the rights of Tenant in and to the Premises and this Lease.

(d) Removal of Persons and Property. Pursuant to said rights or re-entry, Landlord may remove all persons from the Premises by any lawful means available and using such force as may be necessary therefor and may, but shall not be obligated to, remove all or portions of property therefrom, including, but not limited to, Tenant's property, and may, but shall not be obligated to, enforce any rights Landlord may have against said property, or store the same in any public or private warehouse or elsewhere at the cost and for the account of Tenant or the owner or owners thereof or to treat all or portions of said property as having no value and to dispose of said property accordingly.

(e) No Termination. Anything contained herein to the contrary notwithstanding, Landlord shall not be deemed to have terminated this Lease or the liability of Tenant to pay any rent or other sum of money thereafter to accrue hereunder, or Tenant's liability for damages under any of the provisions hereof, by any such re-entry, or by any action in unlawful detainer or otherwise to obtain possession of the Premises, unless Landlord shall have notified Tenant in writing that Landlord has so elected to terminate this Lease. Tenant covenants and agrees that the service by Landlord of any notice in unlawful detainer and the surrender of possession pursuant to such notice shall not (unless Landlord elects to the contrary at the time of, or at any time subsequent to, the service of such notice, and Landlord's election be evidenced by written notice thereof to Tenant) be deemed to be a termination of this Lease, or the termination of any liability of Tenant hereunder to Landlord.

14.3 Re-letting.

(a) In the event Landlord elects to re-enter the Premises as hereinabove provided, or should Landlord take possession thereof pursuant to legal proceedings or pursuant to any notice provided for by law, Landlord may at Landlord's option either terminate this Lease, or may from time to time without terminating this Lease re-let the Premises, or any portion thereof (but nothing contained herein shall be construed as obligating Landlord to re-let the whole or any portion of the Premises) for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rental or rentals and upon such other terms and conditions as Landlord in Landlord's sole discretion may deem advisable. In addition to the foregoing, Landlord shall have the right, but not the obligation, to make such alterations and repairs to the Premises, and to divide or subdivide the Premises, as may be required or occasioned by any such re-letting. In the event Landlord re-lets the Premises, or any portion thereof, Landlord may execute any lease either in Landlord's own name or in the name of Tenant as Landlord shall see fit, but Tenant in such lease of re-letting shall be under no obligation whatsoever to see to the application by Landlord of any rent collected by Landlord from such tenant, nor shall Tenant hereunder have any right or authority whatsoever to collect any rent from the tenant in the lease of re-letting.

(b) Upon each such re-letting, Landlord shall apply the rentals and sums received from such re-letting in the following order:

(1) First, to the payment of costs of recovering the Premises including, without limitation, court costs and reasonable attorney's fees.

(2) Second, to the payment of any costs and expenses of said re-letting including, without limitation, the costs of alterations and repairs, dividing and subdividing of the Premises in connection therewith, and to the payment of any brokerage commission or other similar expenses of Landlord in connection with such re-letting.

(3) Third, the balance, if any, shall then be applied by Landlord, from time to time, but in any event no less often than once each month, on account of the payments of rent and other payments on the part of Tenant due and payable hereunder.

(4) Fourth, the residual, if any, shall be held by Landlord and applied in payment of future rent and other payments on the part of Tenant as the same may become due and payable hereunder provided that at the end of the term of this Lease any residual shall be paid to Tenant.

(c) Landlord reserves the right to bring such actions for the recovery of any deficits remaining unpaid by Tenant to Landlord hereunder as Landlord may deem advisable from time to time without being obligated to await the end of the term hereof for a final determination of Tenant's account; and the commencement or maintenance of one or more actions by Landlord in this connection shall not bar Landlord from bringing other subsequent actions for further accruals pursuant to the

provisions herein.

14.4 Damages On Termination. Should Landlord at any time terminate this Lease for any default, breach, or failure of Tenant hereunder, then, in addition to any other rights or remedies available to Landlord hereunder or by law provided, Landlord may have and recover from Tenant all damages Landlord may incur by reason of such default, breach, or failure including, without limitation, all costs of recovering the Premises including, without limitation, court costs and reasonable attorney's fees for services in recovering possession, all costs and expenses of any re-letting including, without limitation, all costs of alterations and repairs, dividing and subdividing of the Premises in connection therewith, all brokerage commissions or other similar expenses of Landlord in connection with such re-letting, or, at the option of Landlord, Landlord may have and recover from Tenant the worth at the time of termination of this Lease, of the excess, if any, of the total monthly rent and other charges reserved in this Lease for the remainder of the term hereof, over the then reasonable rental value of the Premises for the same period, and court costs and reasonable attorney's fees of Landlord, all of which amounts shall be immediately due and payable by Tenant to Landlord

14.5 Waiver Of Default. The waiver by Landlord of any default or breach of any of the provisions, covenants or conditions hereof on the part of Tenant to be kept and performed shall not be a waiver of any preceding or subsequent breach of the same or any other provision, covenant or condition contained herein. The subsequent acceptance of rent or any other payment hereunder by Tenant to Landlord shall not be construed to be a waiver of any preceding breach by Tenant of any provision, covenant or condition of this Lease other than the failure of Tenant to pay the particular rental or other payment or portion thereof so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rental or other payment.

14.6 Remedies Cumulative. The remedies available to Landlord are cumulative and not exclusive, and the exercise of any remedy by Landlord shall not preclude its exercise of any other rights and remedies Landlord may have according to this Lease or by law provided.

14.7 Landlord's Nonperformance. If Landlord fails to perform any obligation which, if unperformed, would result in termination of this Lease, Tenant, upon 10 day's advance notice, may perform such obligation for the account of Landlord and bill Landlord for the cost thereof, or deduct such cost from rentals accruing under this Lease.

SECTION 15

SECURITY DEPOSIT.

15.1 Purpose. Tenant has, concurrently with the execution of this Lease, deposited with Landlord the sum set forth on the Cover Page as "Security Deposit." The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of this lease. The Security Deposit shall not be assigned, transferred or encumbered by Tenant, and any attempt to do so shall not be binding upon Landlord. If, at any time during the term of the Lease, any rent or portion of any rent payable by Tenant to Landlord shall not be timely paid, then, Landlord may, at its option (but shall not be required to), appropriate and apply any portion of said Security Deposit to the payment of any such overdue rent. In the event of the failure of Tenant to keep and perform any of the terms, covenants and conditions of this Lease to be kept and performed by Tenant, then, at the option of Landlord, Landlord may (but shall not be required to) appropriate and apply any portion of said Security Deposit, or so much thereof as may be necessary, to compensate Landlord for all loss or damage sustained or suffered by Landlord due to such default on the part of Tenant. Should the entire Security Deposit, or any portion thereof, be appropriated and applied by Landlord for the purposes set forth herein, or for any other lawful purpose, then Tenant shall, within ten (10) days after written demand by Landlord, deliver to Landlord a sum sufficient in cash to restore the Security Deposit to the original sum of the Security Deposit. In no event shall Landlord be deemed to be a trustee of such funds and Landlord shall not be required to deposit such funds separately from other unrelated funds. Further, Tenant shall not be entitled to interest on any such sums deposited under this Section 15.1. Neither the Security Deposit nor the application thereof by Landlord, as hereinabove provided, shall be a bar or defense to any action in unlawful detainer or to any action which Landlord may at any time commence for a default of any of the covenants or conditions of this Lease.

15.2 Return. If Tenant shall have timely and completely complied with all of the terms, covenants and conditions of this Lease, the Security Deposit shall be returned in full to Tenant at the end of the term of this Lease.

SECTION 16 CONDEMNATION.

(a) Consequences of Condemnation. In the event at any time or times during the term of this Lease said Premises or any part thereof shall be required, taken or condemned by any authority having the power of eminent domain, including Landlord, which event is sometimes hereinafter referred to as a "taking" or "condemnation," then and in every such case the estate and interest of Tenant in the Premises so required, taken or condemned shall cease and determine upon the acquisition by such authority of the right to possession thereof or title thereto, and the annual rent herein reserved for the remaining Premises, if any, shall be reduced for and during the unexpired balance of said term, effective as of the date when Tenant shall by reason of such taking lose such right to possession or title, whichever first occurs, in the ratio that the area bears to the square footage of the Premises immediately prior to such taking.

(b) Compensation and Damages. In every such case where said Premises or any part thereof is required, taken or condemned, all compensation and damages payable for or on account of any land or improvements hereby demised shall be payable to and be the sole property of Landlord, and Tenant shall have no interest in or claim to such compensation or any part thereof whatsoever.

(c) Partial Taking. In the event of a partial taking of the Premises not required for the reasonable use by Tenant, in Landlord's sole and absolute discretion, this Lease shall continue in effect and the rent due hereunder shall be reduced in the ratio that the area bears to the square footage of the Premises immediately prior to such taking. Such rent reduction shall be effective upon the acquisition by the condemning authority of the right to possess thereof or title thereto.

(d) Termination of Lease. In the event that: (1) all of the Premises shall be so required, taken or condemned; or (2) only part of said Premises shall be so required, taken or condemned, thereby rendering the balance of said Premises unsuitable for the purposes of Tenant, in Landlord's sole and absolute discretion; then, and in every such case, this Lease shall terminate upon the acquisition by the condemning authority of the right to possession thereof or title thereto. Upon such termination, Tenant shall be relieved of all further obligations under this Lease and Landlord shall refund to Tenant any unused portion of the rent paid in advance prior to the effective date of such termination.

(e) Temporary Taking. In the event at any time or times during said term a temporary taking of solely Tenant's leasehold interest in said Premises or any part thereof by any authority having the power of eminent domain, including Landlord, for its temporary use or occupancy, then and in every such case, notwithstanding the foregoing provisions of this Section 16, such taking shall not result in any reduction in rent hereunder, nor give Tenant any right to terminate this Lease with respect to any part of said Premises, nor excuse Tenant from the full and faithful performance of its covenants and obligations hereunder for the payment of money, nor excuse or relieve Tenant from the performance of its covenants and obligations hereunder for the payment of money, except to the extent that and for so long as the performance of such covenants and obligations shall be rendered impossible by reason of the loss by Tenant of possession of such part of said Premises subject to such taking; but in every such case of taking of a leasehold interest Tenant shall be entitled to claim and recover from the condemning authority its damages sustained by reason thereof, and all compensation and damages payable for or on account of such taking of any part of the leasehold interest of Tenant hereunder shall be payable to and be the sole property of Tenant.

(f) Loss of Business Damages. Notwithstanding the foregoing provisions of this Section 16, Tenant shall have the right to claim and recover from the condemning authority, but not from Landlord if Landlord is not the condemning authority, such compensation as may be separately awarded or recoverable by Tenant in its own right on account of any and all damage to its business or loss to its improvements not demised to Landlord, additions, alterations, fixtures, trade fixtures, apparatus, equipment, and personal property by reason of any condemnation and for or on account of any cost or loss to which Tenant might be put in altering or removing the improvements, or any part thereof, or any furnishings and equipment therein.

SECTION 17

GENERAL PROVISIONS.

17.1 Extension Of Time. Notwithstanding any provision contained herein to the contrary, wherever applicable, Landlord may, for good cause shown, allow additional time beyond the time or times specified herein to Tenant in which to comply with, observe, or perform any of the terms, conditions and covenants contained herein.

17.2 Consent By Lessor. Except as otherwise specifically provided in this Lease, in all cases under this Lease where the consent or approval of Landlord is required, Landlord shall not unreasonably withhold such consent or approval nor shall Landlord require the payment of any moneys therefor, other than reasonable out-of-pocket expenses incurred by Landlord in connection with such consent or approval. If Landlord has not, within sixty (60) calendar days after such request, given Tenant written notice that its consent or approval is withheld, such consent or approval shall be deemed to have been given by Landlord. Upon any refusal of Landlord to give its approval or consent, Landlord shall, together with notice thereof, provide Tenant written reasons for its refusal.

17.3 Force Majeure. Landlord and Tenant covenant and agree with each other that neither party shall be deemed to be in default for the nonobservance or nonperformance of any covenant, obligation or undertaking required under this Lease in the event that and as long as such observance or performance is prevented, delayed, or hindered by an act of God, public enemy, war or national defense preemptions, unavailability of material, strikes, lockouts, or action of the labor union, failure of power or any other such causes which are not within the respective control of such party. In the event of any delay arising by reason of any of the foregoing events, the time for performance of such covenant, obligation, or undertaking as provided for in this Lease shall be extended for a period equal to the number of days of such delay, and the respective parties shall commence such observance or performance of the covenant, obligation or undertaking so delayed immediately after removal of the delaying cause. The provisions of this subsection shall not operate to excuse Tenant from the timely payment of rent as required by the terms and conditions of this Lease or to extend the term of this Lease, or to extend the time period in which any notice is provided or any right is to be exercised.

17.4 Notices. Any notice or demand to be given to or served upon either Landlord or Tenant in connection with this Lease shall be deemed to have been sufficiently given or served for all purposes by being sent as registered or certified mail, postage prepaid, addressed in the case of Landlord to:

Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813

or at such other address as Landlord may from time to time designate in writing to Tenant, and in the case of Tenant to:

Volunteer Legal Services Hawaii
545 Queen Street, Suite 100
Honolulu, Hawaii 96813

or at such other address or to such other persons as Tenant may from time to time designate in writing to Landlord, and any such notice or demand shall be deemed conclusively to have been given or served upon the earlier to occur of the actual date of delivery or five (5) days after the date of mailing.

17.5 Estoppel Certificates. Within thirty (30) calendar days after a request by Tenant, Landlord shall execute and deliver to Tenant a certificate certifying that this Lease is unmodified and in full force and effect, or in full force and effect as modified and stating the modification, that there are no defenses or setoffs against Landlord's obligations under this Lease or stating such defenses or

setoffs as are claimed by Landlord, the amount of any security deposit, and the date to which rent and other sums payable by Tenant under this Lease have been paid. Tenant shall be responsible for preparing such a certificate.

17.6 Severability. If any covenant, condition, or other provision of this Lease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Lease or the application of such covenant, condition or provision to persons or circumstances other than those as to which it is invalid or unenforceable is not affected and each covenant, condition, or provision of this Lease shall be valid and enforced to the fullest extent permitted by law.

17.7 Captions. Captions of Sections and Subsections of this Lease, the Cover Page and the Table of Contents are for convenience only and shall not be considered in resolving any questions of interpretations or construction of any term, covenant, or provision.

17.8 Joint And Several. All of the terms, covenants and conditions contained in this Lease to be performed by Tenant if Tenant shall consist of more than one person or organization, shall be deemed to be joint and several.

17.9 Relationship Of Parties. Nothing contained in this Lease shall create any relationship between the parties other than that of Landlord and Tenant. It is acknowledged and agreed that Landlord does not in any way or for any purpose become a partner of Tenant in the conduct of Tenant's business or a joint venturer or a member of a joint or common enterprise with Tenant.

17.10 Gender – Variation In Pronouns. The terms "Landlord" and "Tenant" wherever used herein shall be applicable to one or more persons, as the case may be, and the singular shall include the plural, and the neuter shall include the masculine and feminine and when appropriate shall refer to action taken by or on behalf of Landlord or Tenant by their respective employees, agents or authorized representatives. The word "person," "persons," "party," and "parties," wherever used in this Lease shall include all individuals, partnerships, firms, trusts, associations and/or corporations or any other form or forms of business entity(ies).

17.11 Landlord's Performance For Account Of Tenant. If Tenant shall default in the performance of any covenant on its part to be performed by virtue of any provision of this Lease, Landlord may, after any notice and the expiration of any period respect thereto, as required pursuant to the applicable provisions of this Lease, perform the same for the account of Tenant. If Landlord, at any time, is compelled to pay or elects to pay any sum of money or to do any act that would require the payment of any sum of money by reason of the failure of Tenant, after any notice and the expiration of any period respect thereto, as required pursuant to the applicable provisions of this Lease, to comply with any provision of this Lease, or if Landlord is compelled to or elects to incur any expense including reasonable attorney's fees, in bringing, prosecuting or defending any action or proceeding instituted by reason of any default of Tenant hereunder, the sum or sums so paid by Landlord, with interest, costs and damages, shall be paid by Tenant to Landlord within ten (10) days of demand.

17.12 Time. Time is of the essence of this Lease and of each and every provision thereof.

17.13 Governing Law. This Lease shall be governed, construed and enforced in accordance with the laws of the State of Hawaii.

17.14 Recordation. Tenant shall not record this Lease, nor shall it permit the recordation of a "short form" memorandum of Lease. Landlord shall have the right to record this Lease or a "short form" memorandum of Lease, in its sole discretion. Landlord may prepare and execute a "short form" memorandum of Lease and Tenant shall execute the same within ten (10) days of tender by Landlord.

17.15 Voting Rights. The voting rights of Landlord under the terms of the Complex as set forth in the declaration of condominium property regime and bylaws of the association of apartment owners

shall not be assigned or transferred to Tenant, and Tenant as lessee under this Lease shall not be deemed to have any rights of ownership in the Premises with regard to voting rights under the Complex declaration of condominium property regime and bylaws of the association of apartment owners, such rights being specifically reserved to Landlord. Any problems or grievances with the Complex will be resolved through Landlord.

17.16 Counterparts. This Lease may be executed in counterparts (including counterparts transmitted by facsimile or email), each of which shall be deemed an original regardless of the date of its execution and delivery. All of such counterparts together shall constitute one and the same Lease, binding all of the Parties hereto, notwithstanding all of the Parties are not signatory to the original or the same counterparts.

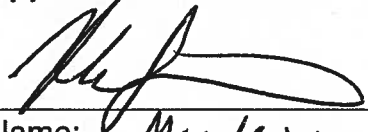
17.17 Entire Agreement; Amendments. This Lease contains the entire agreement of Landlord and Tenant and shall supersede any and all prior communications, representations, or agreements, both verbal and written, between the Parties regarding the leasing of the Premises by Tenant. The Lease may only be amended by a written agreement signed by both Landlord and Tenant.

IN WITNESS WHEREOF, the parties hereto have caused this General Lease No. 19-01 to be executed as of the day and year first above written.

Approved by Hawaii Community Development Authority at its meeting held on:

April 3, 2019

Approved as to form:


Name: Max Levine
Title: Deputy Attorney General, State of Hawaii

LANDLORD:

HAWAII COMMUNITY DEVELOPMENT
AUTHORITY

By: 
Name: Aedward Los Banos
Title: Executive Director

TENANT:

VOLUNTEER LEGAL SERVICES HAWAII

By: 
Name: Angela Kuo Min
Title: Authorized Signatory

EXHIBITS

INDEX

1. Exhibit A
 - Premises Map
 2. Exhibit B
 - Declaration of Condominium Property Regime
 - Bylaws of the Association of Apartment Owners
 - House Rules
-
-

Architectural floor plan of a building on Queen Street. The plan shows a 'COMMERCIAL/RETAIL APARTMENT' with a 'RESTROOM AREA' and a 'TRASH AREA'. A 'CONDUIT TO CONTROLLER' is indicated. The building is situated on 'QUEEN STREET' and 'NIBBICA CREUET'. A scale bar and north arrow are present.

@o.yro. 1:vn

**STATE OF HAWAII
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
KAKAAKO MEETING**

Wednesday, December 09, 2020

MINUTES

I. CALL TO ORDER/ROLL CALL

The Hawaii Community Development Authority (“Authority” or “Board”), a body corporate and a public instrumentality of the State of Hawaii met virtually (utilizing the state-supported Zoom Meeting platform) for a meeting on December 09, 2020.

Board Chairperson, John Whalen, called the meeting to order at 12:32 p.m.
Those present were as follows:

Members Present: John Whalen, Chairperson
Kevin Sakoda
Phillip Hasha
Jason Okuhama
Daniel Ikaika Ito
Lynn Araki-Regan, DOT (Ex-Officio)
Craig Hirai, B&F (Ex-Officio)
Wei Fang

Members Excused: Kathy Sokugawa, DPP (non-voting)
Chason Ishii

Legal Counsel: Kelly Suzuka, Deputy Attorney General

Staff Present: Deepak Neupane, Executive Director
Garet Sasaki, Administrative Services Officer
Lindsey Doi, Asset Manager
Tessa Malama, Kalaeloa Planning Director
Francine Murray, HCDA Program Specialist
Tommilyn Soares, HCDA Secretary

A quorum was present.

Acknowledgement that the Meeting is Being Convened Virtually

Chair Whalen reiterated the wording contained in the Meeting Agenda regarding the state’s response to the COVID-19 pandemic, the state’s efforts to slow the community spread of the virus and Governor David Y. Ige’s issuance of Supplementary Emergency Proclamations which suspended Chapter 92 of the Hawaii Revised Statutes to the extent necessary to enable public boards and commissions to conduct business without holding meetings open to the public.

With regard to the foregoing, Chair Whalen reiterated wording contained in the Meeting Agenda noting that HCDA welcomes public attendance via the Zoom link, HCDA's Facebook page and YouTube Channel contained in the meeting agenda, HCDA also welcomes public comment and public participation via submission of written and or verbal testimony (consistent with the social distancing guidelines and Emergency Proclamation directives in effect).

Chair Whalen stated that individuals from the public who have requested to provide testimony are on standby and will be permitted to speak during the public testimony session of the specific agenda item.

II. APPROVAL OF MINUTES

1. Regular Meeting minutes of November 04, 2020

Minutes of the November 04, 2020 Kakaako meeting were approved as presented.

III. ACTION ITEM

2. Approve the Proposed Draft Kakaako Reserved Housing Rules Amendments, Dated December 9, 2020, to Allow for Payment of Equity Sharing Without Sale or Transfer of a Reserved Housing Unit and Direct the Executive Director to Hold Public Hearings for the Rule Amendment.

Mr. Deepak Neupane provided an update for board members.

Mr. Neupane summarized the staff report regarding this action item. He drew attention to the recommendations provided by the Permitted Action Group, specifically recommendation number three listed in the staff report, which considered implementing a policy similar to that of this action item.

Mr. Neupane read a direct passage from page 218-25 of the draft rules; this passage in a newly written paragraph that states that reserved housing unit owners may pay all or a portion of the shared equity on their unit. He summarized that this added paragraph would govern all reserved housing units, whether previously built or will be developed in the future. He stated that this rule would be similar to that of Hawaii Housing Finance and Development Corporation (HHFDC).

Mr. Neupane pointed out that if the Authority were to approve, moving forward the next steps would be to inform stakeholders and provide them the opportunity to comment, preparing a report and presentation to be seen by the Small Business Regulatory Review Board (SBRRB), and finally, making a request to the Governor to allow for public hearings. He explained that the current HCDA statute regarding public hearings requires that HCDA holds two public hearings before implementing any rule amendments. After completing that process, he would like to combine the public hearing with a board meeting in order to bring the matter to the board for adoption, before transmitting it to the Governor's office for final approval.

Mr. Neupane closed his opening statement by saying that the board has been provided with basic information on how many reserved housing units there are and how much equity shared is currently outstanding.

Member Fang asked Mr. Neupane to go over the estimated timeline for the full process that he described. Mr. Neupane stated that it would probably be completed by the end of June 2021. Member Fang stated that she had two concerns with the timeline; first, being that the agency is short a staff member and will have to continue their other work as assigned in addition to this, and second, how this amendment to the rules will be perceived by the public. Member Fang shared that she thinks there will need to be careful communication with the public and extra effort to get public participation. She stated that she thinks it is an interesting idea, but that she has personal pros and cons. She said she would not want it to seem like HCDA is ramming through a new idea during this time of uncertainty due to COVID and that it would be great to get a lot of public engagement around it. Finally, she stated that this would signal an important shift for HCDA.

Mr. Neupane stated that this was a recommendation that was presented by the Permitted Interaction Group back in 2018 and later adopted by the board, so moving forward, it would just be implementing the recommendation. He acknowledged that there would be substantial outreach with the various stakeholders. He stated that he has checked with the Deputy Attorney Generals to ensure that public hearings can be held remotely in order to be able to take into consideration the public's opinion while adhering to the current safety guidelines. He pointed out that participation in this virtual board meeting exceeds that of previous, in-person board meetings. He acknowledged the staff constraints at HCDA but stated that he feels that things should continue to move forward. He also pointed out that in the language of the rule, it states that reserved housing unit owners "may" take this action, but that it is not obligatory in nature.

Chair Whalen stated that he hopes that an amendment like this will not take three years as it had in a past situation. He said that he understood the concern that Member Fang raised, particularly that the people who have reserved housing units are able to understand the situation. Mr. Neupane said that if the board were to approve this motion during this meeting, his plan would be to immediately notify all of the reserved housing unit owners that this amendment is being proposed, as well as, solicit comments from the owners and the general public.

Member Hirai asked for clarification that the topic at hand is shared appreciation; he then asked when the shared appreciation is due under the current rules. Mr. Neupane pointed out that currently the rule says it is due at the sale or transfer of the unit. Member Hirai asked if it is a one-time thing, to which Mr. Neupane agreed. They established that currently, a reserved housing unit owner is unable to buyout their shared equity up front. Member Hirai asked if HHFDC currently allows this, to which Mr. Neupane confirmed to be correct. Member Hirai stated that he can see why people would want to pay their shared equity right now due to the current low interest rates. Mr. Neupane stated that he had also thought of that point to support the opportune timing of the matter.

Member Sakoda asked Mr. Neupane to put a big picture view on why someone would want to buyout their shared equity. Mr. Neupane stated that people tend to see shared equity as an obligation that stays with the property, and if they were able to pay the shared equity, they would be free and clear. Member Sakoda asked if paying off the shared equity removed the regulatory overhead that the unit owners would typically take on. Mr. Neupane says that it does, but that the reserved housing units are regulated over set periods of time, and that regulated term period would remain intact, even with the shared equity payment. This means

that if they wanted to sell their unit, they would have to wait for the term to end in order to sell at the market price or if they wanted to sell their unit within the regulated term, it would have to be sold at the price that is established by HCDA's formula. Member Sakoda asked if the shared equity amount remains the same. Mr. Neupane answered that yes, the shared equity is calculated at the time of the unit's creation, and this amount will never change. Member Sakoda said that he felt that there is no true economic benefit for someone to pay their shared equity, so he was wondering if he may have missed any incentives or reasons that someone may have for wanting to pay off the shared equity.

Ms. Lindsey Doi Leaverton, HCDA Asset Manager, asked to jump into the conversation to offer input. Ms. Doi Leaverton stated that she has previously received numerous requests from people who had been looking to prepay their shared equity. She pointed out that their biggest desire in doing so is to forgo the back and forth interaction with HCDA. She mentioned the example of refinancing, as that process typically takes weeks of back and forth between unit owners and the agency to go through the proper paperwork and necessary steps; she pointed out that HCDA slows down the different processes that unit owners typically go through, and paying the shared equity removes HCDA from that side of unit ownership.

Member Sakoda asked Ms. Doi Leaverton if, in her view, that would be the only reason that unit owners would be interested in paying off their shared equity. Ms. Doi Leaverton shared that in her practice, that is the key item that has continuously come up. Mr. Neupane also chimed in that he understands the point that Member Sakoda made, but pointed out that the amendment to this rule does not make unit owners required to pay the shared equity, but rather gives them the opportunity to do so. He added that HCDA currently has roughly \$90 million of equity out there, and that implementing this policy could bring in money that could be used to invest in other projects in the future. Member Sakoda clarified that the original idea was to relieve the buyer of need for cash to which Mr. Neupane agreed.

Member Sakoda asked for a gauge on how much of the \$90 million does Mr. Neupane anticipate being paid. Mr. Neupane said maybe 10 to 25 percent; he added that due to the varying amounts of shared equity, giving owners the option to pay a partial amount will also be useful especially for those unit owners whose shared equity is of greater dollar value. Member Sakoda asked if Mr. Neupane has thought of any type of incentive to motivate people to pay their shared equity. Mr. Neupane answered that giving them an avenue to do so will be an incentive.

Member Fang asked if once the policy is approved and ready to be implemented, how the workload will be on HCDA. Ms. Doi Leaverton acknowledged that it may be difficult at the start due to the possible volume of requests, but she feels that it will be better for HCDA in the long run because HCDA will no longer be involved in the aspects that she mentioned before like refinancing, which she stated is a large portion of their current workload.

Member Okuhama asked if HCDA gets a big chunk of money in the future, will there possibly be a move to take the funds from HCDA. Mr. Neupane stated that the money can be used to implement other recommendations that the board has proposed and to invest in other opportunities within the district. He stated that he is cognizant that it would be unwise to sit on a large sum of money for an extended period of time.

Member Hirai asked what fund the money will be going to. Mr. Neupane stated that it will be going to the revolving fund. Member Hirai suggested having a plan for what to do with the money. Mr. Neupane acknowledged that the money will not come in a large sum, but rather smaller quantities. Chair Whalen stated that the Deputy Attorney Generals could assess how the draft amendment is formulated to designate where the money goes and what purpose it should serve.

Member Sakoda asked where the liability goes when someone purchases a unit. Mr. Neupane stated that shared equity is the difference between the market value of a unit and the affordable price that is set by HCDA. Member Hirai clarified that it is a purchase price reduction.

There were no further questions and no public testimony.

MOTION:

Member Okuhama motioned for the board to approve the proposed draft Kakaako reserved housing rule amendments, dated December 9, 2020, to allow for payment of equity sharing without sale or transfer of a reserved housing unit and direct the Executive Director to hold public hearings on the rule amendment and authorize the Executive Director to undertake all tasks necessary to effectuate the purpose for this Action Item.

Member Hasha seconded the motion.

Executive Director Neupane conducted the roll call vote. Motion passed with 8 yes votes and 1 excused.

3. Authorize the Executive Director to Waive HCDA's First Option to Purchase Ke Kilohana Unit 3002 and Defer the Payment of Shared Equity to Allow the Unit Owner to Rent the Unit.

Ms. Lindsey Doi Leaverton, Asset Manager presented the staff report.

Ms. Doi Leaverton explained the situation of the owner of Ke Kilohana Unit 3002. Due to the pandemic, the unit owner will have to move to the continental U.S. in order to retain her employment. Therefore, the unit owner would be having to pay for her unit in Ke Kilohana, along with her living expenses on the mainland, which will create a large financial hardship. The unit owner requested the ability to rent out her unit at Ke Kilohana while she will live on the mainland. Ms. Doi Leaverton noted that the unit owner's regulated term is set to expire in April 2021, at which time the unit owner would be allowed to rent out her unit anyway; this request would allow her to begin renting out her unit prior to the regulated term finishing. Ms. Doi Leaverton pointed out that this request is a temporary measure for the period that the unit owner will be living on the mainland, as the unit owner has stated that she intends to move back to Hawaii when she is able to find work.

Public Testimony:

Ms. Sora Yi, unit owner thanked the board for their time and shared her personal testimony regarding her situation. In her testimony, she stated that her regulatory term ends in June 2021, rather than April 2021 as Ms. Doi Leaverton had stated.

Member Sakoda asked for clarification on the current rules in terms of the rent charge that a unit owner can set once their regulated term has ended. Mr. Neupane confirmed that once the regulated term has ended, the unit can be rented out at market price, or the price that the unit owner chooses.

Member Fang asked if a unit owner will be able to rent out their unit at a chosen price if they have paid off their shared equity but are still within the regulated term. Mr. Neupane clarified that for the time of the regulatory term, the unit must be sold or rented at the reserved housing sales price that is calculated by HCDA.

Member Hirai asked Mr. Neupane if the Attorney Generals were okay with this. Mr. Neupane stated that they have already reviewed it and are fine with the rule language.

There was no other public testimony, and no additional comments or questions from Board members.

MOTION:

Member Ito motioned for the board to authorize the Executive Director to waive HCDA's first option to purchase Ke Kilohana unit 3002 and defer the payment of shared equity to allow the unit owner to rent the unit.

Member Fang seconded the motion.

Ms. Doi Leaverton conducted the roll call vote. Motion passed with 8 yes votes and 1 excused.

4. Authorize the Executive Director to Expend Up to \$82,427.00 from the Hawaii Community Development Revolving Funds, to Retain a Consultant to Assist the Hawaii Community Development Authority in Complying with the State Department of Health, National Pollutant Discharge Elimination Systems General Permit Requirements for the Kakaako Community Development District and Kewalo Basin Harbor Small Municipal Separate Storm Sewer Systems.

Mr. Neupane presented the staff report.

Mr. Neupane stated that HCDA has been handling this for a number of years, as it is a requirement of the Department of Health and Environmental Protection Agency. He added that the City and County handles it for all of the municipal storm water, and that within Kakaako, there are several storm water inlets that are within HCDA property. He has previously asked the City and County in the past if HCDA could be included in their program, but they declined his request.

Member Fang asked if the consultant mentioned in the action item is the same one that they have used in the years past and if HCDA will have to do this every year if the City and County chooses not to work with the agency. Mr. Neupane confirms that it is the same consultant and that HCDA will have to do this every year if the agency does not come to an agreement with the City and County. Member Fang suggested to possibly amending the language to either automatically approve this transaction or move the ability to approve to a staff level at HCDA.

Chair Whalen pointed out that this action is not discretionary, but rather, noncompliance would result in consequences. Mr. Neupane recalled a meeting with the DOH years prior in which they were looking to expand their programs, but he steered them in the direction of having the responsibility remain with the City and County.

Member Sakoda asked Mr. Neupane what the range of the storm water that is collected is; through his reading he deduced that there is one exit at the end of Keawe St. Mr. Neupane stated that water is collected from Makiki through Honolulu and that flow of water comes to the storm drainage on Keawe St.

Mr. Neupane suggested changing the motion to say “expend funds” rather than expend a certain amount. Member Hirai asked if a cap should be set, and gives the example of “up to \$100,000,” because he is unsure if the amount should be left open ended. Member Fang asked if a bid must occur every year. Mr. Neupane stated that this service is considered a professional service so HCDA must go through the procurement process every year. He also stated that taking into consideration Member Hirai’s suggestion, it can be worded to state that the contract must not exceed \$100,000.

Member Sakoda asked why the amount would be set to \$100,000. Mr. Neupane stated that HCDA has used the same consultant for the last few years and that the cost has been between \$75,000 and \$100,000 so it would be based on that. Member Sakoda stated that he is concerned that the proposals would be near the limit. Mr. Neupane stated that that is always the challenge. Member Hirai stated that he does not think it should be left open ended. Chair Whalen recalled an exception in which the board had authorized up to \$1,000,000 on a project that ended up costing close to half of that amount.

Member Sakoda asked if the board was changing the action item to be approved perpetually to mitigate administrative issues and if approving the item as is would be an issue. Member Fang confirmed that that was the intent behind her suggestion. However, she said that when she initially shared her suggestion, she had failed to acknowledge the procurement piece of the matter.

Member Sakoda stated that in contrast, he would like the matter to come up annually due to its strange nature, as it is outside of the scope of HCDA’s operations. Mr. Neupane stated that he has no preference between the original motion or the suggested amended motion. Member Fang stated that she does not wish to overcomplicate things and would be fine leaving the motion as presented.

There was no comments or questions and no public testimony.

MOTION:

Member Fang motioned for the board to authorize the Executive Director to expend funds to retain a consultant to assist the HCDA in complying with the DOH and Permit requirements relating to the stormwater drainage systems belonging to HCDA, from the Hawaii Community Development revolving funds, and undertake all tasks necessary to effectuate the purpose(s) for this For Action Item.

Member Sakoda seconded the motion.

Mr. Neupane conducted the roll call vote. Motion passed with 8 votes and 1 excused.

5. Authorize the Executive Director to Waive Lease Rent Due from Volunteer Legal Services Hawaii for the Months of January through December 2021 Due to the COVID-19 Pandemic.

Ms. Doi Leaverton explained that Volunteer Legal Services Hawaii (VLSH) submitted a letter to HCDA asking for a waiver for the calendar year of 2021 in response to the financial hardships they are experiencing due to the pandemic. Ms. Doi Leaverton reminded the board of the previous rent waiver that was granted to VLSH for the same reasons.

Ms. Angela Minn of Volunteer Legal Services provided comments.

Ms. Minn explained that typically, one third of VLSH's budget is provided through state funding, however, due to the pandemic, the budget was eliminated. She noted that one third of their budget comes on a fiscal year basis, and that VLSH is anticipating getting \$0 again. Ms. Minn stated that she has been trying to cut expenses when possible. She acknowledged that she understands VLSH is making a big ask with this request, but also noted that they have been good tenants in terms of timely payments and being helpful members in the community.

Ms. Minn stated that VLSH, although facing hardships, is still doing their best to continue to offer their services to the community. She then explained the monetary details of her proposal; those being to waive the rent portion of their agreement and also to pay a portion of their parking fees.

Member Hirai asked Ms. Doi Leaverton if there is Common Area Maintenance (CAM) on VLSH's rent. Ms. Doi Leaverton confirmed that there is indeed CAM on their rent and went into detail regarding the specific monetary values being discussed. She stated that the rent payment that VLSH is requesting to be fully waived equates to \$1,825 per month. In addition, she noted that VLSH did not request to waive any part of their \$841 CAM payment. Lastly, she stated that they are also requesting reduced parking fees, specifically a \$675 per month reduction on their typical payment of \$880, which would make their monthly payment for parking come down to \$205.

Ms. Doi Leaverton explained to the board that in the discussion and analysis of her staff report, she offered the option of waiving the lease rent portion but maintaining the full parking fees of VLSH because the stalls leased could generate revenue for HCDA.

Member Hirai asked Ms. Doi Leaverton if the stalls could be sublet to someone else in the case that VLSH was not using them. Ms. Doi Leaverton explained that she had previously discussed that with Ms. Minn, and that it was determined that VLSH would indeed need all their stalls; she then asked Ms. Minn if VLSH would consider Member Hirai's suggestion. Ms. Minn stated that currently, VLSH is mostly working remotely, but that they plan to be back in their office with the new year. Ms. Minn explained that she has a staff of seven and that their extra stalls are used for the volunteer attorneys who come to their office to assist clients. Therefore, she would like to retain the full number of stalls listed in their lease agreement.

Member Sakoda asked Ms. Minn to give an idea of the volume of people that VLSH assists. Ms. Minn stated that the number of people they assist has remained constant. She explained that VLSH takes between 3,000 to 4,000 calls per year, and of that number, 2,000 to 3,000 qualify for their services. She stated that because VLSH is funded by certain state grants, they have income and asset thresholds that they use to assess who qualifies for their services. In addition, VLSH only covers certain areas of law, therefore they are not able to assist people in legal matters that are outside of their scope. In these cases, VLSH provides a referral to the appropriate agency for those clients.

Ms. Minn explained that for those who do qualify for their services, they are able to talk to an attorney to get customized help with their specific case, rather than general legal information. She stated that her staff prepares the necessary information prior to the client's meeting with an attorney, in order to make their meeting effective and favorable to the client; if a client needs further services, VLSH will find an attorney to go to court with the client. Ms. Minn explained that in the last year alone, VLSH had over 3,200 hours logged from volunteer attorneys; she stated that at a base rate of \$2 to \$3 per hour, that equates to over \$800,000 of legal services that are being provided to the community at no cost. She also explained that the attorneys who volunteer are doing so purely because they want to, as the Hawaii State Bar does not mandate pro bono work.

Member Sakoda asked for clarification on the number of people that VLSH assists per year. Ms. Minn stated that VLSH helps about 3,000 per year. She further notes that VLSH also counts the people that they provide legal education to through their outreach into the community.

Member Sakoda asked if VLSH has materials that explain who they are and what their services are. Ms. Minn confirmed that they do. Member Sakoda asked Ms. Minn if she could send that information to the HCDA staff because he believes the work of VLSH is honorable and useful to the community and would like to spread the word. Ms. Minn stated that she will send over the necessary documents to Ms. Doi Leaverton.

Ms. Doi Leaverton stated that the given recommendation is a smaller portion of the full request that was submitted by VLSH. She explained that the recommendation is for the first quarter of 2021, but that it is the board's decision on what the period should be.

Chair Whalen asked the board if a member would like to move on the item as presented or as amended to change the period and/or inclusion of a reduced parking payment. Member Sakoda asked for clarification on the parking situation. Ms. Doi Leaverton reminded the board that Ms. Minn does foresee needing all of their agreed stalls. Member Hirai asked if VLSH could sublease the stalls. Ms. Doi Leaverton confirmed this to be true. Member Hirai suggested a timeframe of six months based on the current legislative session.

MOTION:

Member Sakoda motioned for the board to authorize the Executive Director to waive lease rent due from Volunteer Legal Services Hawaii for the months of January through June 2021 in the amount of \$1,825 a month and undertake all tasks necessary to effectuate the purpose of this for action item.

Member Okuhama seconded.

Motion passed with 8 yes votes and 1 excused.

IV. MONTHLY REPORT OF THE EXECUTIVE DIRECTOR

Monthly Report and Other Status Reports

Approved permit applications that did not require HRS 206E-5.6 public hearings.

Mr. Neupane noted the monthly report provided in the board packet and stated if any there are any questions, Garet Sasaki, HCDA Administrative Services Officer will be happy to answer any questions.

There were no questions and no public testimony.

V. ADJOURNMENT

There being no further comment or questions on the Report of the Executive Director, Chair Whalen thanked those who joined the meeting on Zoom and adjourned the meeting at 1:41 p.m.

John P Whalen

February 3, 2021

John Whalen, Chairperson

Date

Trever Asam
Board President

Angela Kuo Min
Executive Director



545 Queen Street, Suite 100
Honolulu, Hawaii 96813
Phone: (808) 528-7050
Fax: (808) 524-2147

www.vlsh.org

April 19, 2021

SENT VIA U.S. MAIL & E-MAIL

Hawaii Community Development Authority
ATTN: Ms. Lindsey Doi Leaverton, Asset Manager
547 Queen Street
Honolulu, Hawaii 96813

Re: Volunteer Legal Services Hawaii 2021 Rental Relief Request

Dear Hawaii Community Development Authority Board:

On behalf of Volunteer Legal Services Hawaii's ("Volunteer Legal") Board of Directors and the people we serve, I again want to express our deep appreciation to the Hawaii Community Development Authority ("HCDA") and its Board of Directors for granting our earlier rental relief request. I am writing for a rental relief request of Volunteer Legal's lease of space from HCDA under that certain General Lease No. 19-01 commencing August 1, 2019 ("Lease") for July through December 2021.

While we are hopeful the economy of Hawaii continues to increase in the coming months, unfortunately, state funding remains at a zero for many non-profits including Volunteer Legal. The earliest Volunteer Legal anticipates state funding will resume is not until July 2022. Due to the financial hardships brought on by the global COVID-19 pandemic, we respectfully request that HCDA continue to reduce Volunteer Legal's rent for July through December 2021. In good faith, Volunteer Legal will continue to pay the monthly CAM of \$841 and the \$880 in parking during this waiver request period. Volunteer Legal has always been on-time paying tenant and would not submit this request if it were not needed. The rent waiver would help fill the void from state funding and is necessary to continue our legal programs in the community. Volunteer Legal hopes that this request will only be temporary and there will be annual state funding provided again, and Volunteer Legal will resume our full rental payments per our Lease. Support from HCDA through a rent waiver would greatly support Volunteer Legal, help provide for the loss of funding and will be essential in order for Volunteer Legal to sustain these times.

If you have any questions or would like to discuss this request, please contact me at angela@vlsh.org or 808-522-0684. Thank you for your time and consideration.

Sincerely,

Angela Kuo Min
Executive Director



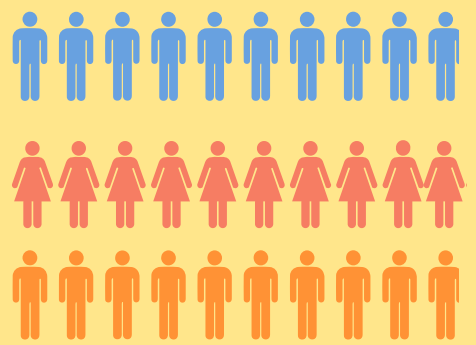
**VOLUNTEER LEGAL
SERVICES HAWAI'I**

2020 STATS

2,047

NEW INTAKES

19% of those helped are homeless or
at risk of being homeless;
11% suffer from domestic violence
6% of those helped are veterans;
26% of those helped are disabled;
16% of those helped are seniors.



LEGAL CLINICS

270



270 Neighborhood Legal Clinics
(virtual/over the phone starting in
March 2020);
1 Oahu In-Person Pop Up Clinic
in Wahiawa in February 2020.



416

LEGAL QUESTIONS ANSWERED ONLINE

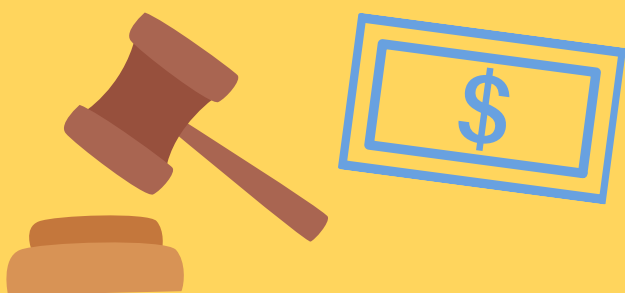
Legal questions answered online
by a Volunteer Attorney on
Hawai'i Online Pro Bono (HOP)/
Hawai'i Free Legal Answers



SERVICES VALUED AT OVER

\$771,000

(at an average hourly rate of \$250)



200+ volunteer
attorneys donated over
3,084 hours in person,
over the phone and online
in 2020

VOLUNTEER LEGAL SERVICES HAWAI'I

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