

STATE OF HAWAII  
HAWAII COMMUNITY DEVELOPMENT AUTHORITY  
KAKAAKO  
Honolulu, Hawaii, 96813

November 7, 2018

Chairperson and Members  
Hawaii Community Development Authority  
State of Hawaii  
Honolulu, Hawaii

HCDA Board Members:

**SUBJECT:** Leasing the Commercial Space at 545 Queen Street to Volunteer Legal Services Hawaii for a Five-Year Term

**SUMMARY:**

Volunteer Legal Services Hawaii (VLSH) desires to extend their lease of the commercial space at 545 Queen Street for an additional five years. VLSH offers increased rent to extend their current lease.

**BACKGROUND:**

The Hawaii Community Development Authority (HCDA) owns and manages the commercial space located on the first floor of 545 Queen Street. This area contains approximately 1,338 square feet of office space and is part of the Honuakaha Condominium Complex.

VLSH is a non-profit legal service organization, established in 1981, that partners with volunteer attorneys to provide legal assistance to those making low and moderate incomes. A flyer outlining their work in 2017 is attached as Exhibit A.

On August 1, 1999, the HCDA executed a 10-year lease with VLSH for the commercial space at 545 Queen Street. The lease included two additional five-year options to extend, for a maximum lease term of 20 years. Both extension options were exercised, and the original lease is now set to expire on June 31, 2019.

The rent structure under the current lease is as follows:

- \$16,056.00 per year: October 1, 2014 – July 31, 2016
- \$17,661.60 per year: August 1, 2016 – July 31, 2017
- \$19,427.76 per year: August 1, 2017 – July 31, 2018
- \$21,370.54 per year: August 1, 2018 – July 31, 2019

In addition to the above rent, VLSH also pays \$841 in monthly maintenance fees and \$660 for staff parking in ten stalls at the adjacent Honuakaha Parking Garage. VLSH is also responsible for paying for their own utilities and maintaining/ repairing the office space. In 2017, VLSH

installed a new air conditioning system. VLSH maintains this system and other upgrades such as the secure door entry at its own expense.

The executive director of VLSH recently began discussions with HCDA staff about the possibility of extending their lease past 2019. VLSH noted the location at 545 Queen Street is especially beneficial because many of its clients live within the Honuakaha Affordable Housing complex. The location is also easily accessible for both clients and volunteer attorneys, as it is located on a bus line and is walking distance from downtown.

After negotiations with HCDA staff, VLSH submitted a letter on October 2, 2018 detailing its proposal for extending its lease. This proposal letter is attached hereto as Exhibit B. VLSH desires an additional five-year term with the following rent increases:

- \$21,900.00 per year: August 1, 2019 – July 31, 2022 (2.5% increase from previous term)
- \$22,439.07 per year: August 1, 2022 – July 31, 2024 (2.5% increase from previous term)

VLSH also proposes continuing to pay Honuakaha maintenance fees, including any fee increase. VLSH also proposes increasing its parking rent to \$880 a month for ten stalls for staff parking.

#### **ANALYSIS:**

The November 2017 Colliers Portfolio Optimization Analysis Report found that the current VLSH rent schedule is at market rent. The applicable section of this report is attached as Exhibit C. The downtown Honolulu area currently has a high vacancy rate for office space and rents have stagnated.

VLSH proposes a 2.5 percent increase from their current rent, and another 2.5 percent increase in August 2022. These increases would keep their rent competitive at market rates.

HCDA staff notes that of the ten parking stalls VLSH rents, only eight are standard sized. Two stalls would be offered at no cost due to their tight configuration and small measurements. Under these guidelines, VLSH's proposed parking rent of \$880 a month calculates to \$88 per stall. HCDA staff currently pays \$60 per stall.

Although market parking rents in the immediate area are between \$130 and \$200 per stall, VLSH notes its funding is at an all-time low due to receiving no state grants in the last fiscal year. The proposed rent schedule attempts to balance VLSH funding sources with market rents.

HCDA notes that the November 2017 Colliers Portfolio Optimization Analysis Report recommended the commercial space at 545 Queen Street be converted to retail use in the mid to long-term to maximize rent revenue to HCDA. Colliers noted retail use could net \$2.50 per square foot, or about \$40,000 annually. However, this would require further resources to determine what site improvements are necessary to convert the space from office to retail use. Colliers did not recommend extensive retail redevelopment of this site.

Retaining a stable lessee such as VLSH would be beneficial while HCDA conducts market research to determine the next steps for retail development at 545 Queen Street. If the board desires, the lease can be written to include a termination clause, should retail development be pursued sooner than the year 2024.

Respectfully submitted,



Lindsey Doi  
Asset Manager

APPROVED FOR SUBMITTAL:



lo ✓  
Aedward Los Banos, Executive Director  
Hawaii Community Development Authority

**Attachments**

Exhibit A – VLSH 2017 Stats Flyer

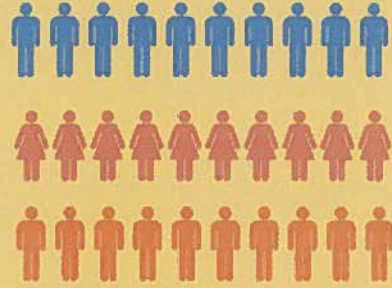
Exhibit B - October 2, 2018 Letter from VLSH Executive Director

Exhibit C - Colliers Portfolio Optimization Analysis Report for 545 Queen St. Commercial Space

# 1,667

67% of those helped are women;  
30% of those helped are homeless or  
at risk of being homeless;  
9% of those helped are veterans;  
55% of those helped had legal issues  
involving minor children

## NEW INTAKES



## LEGAL CLINICS



# 313 + 6

313 Neighborhood Legal Clinics;  
4 Oahu Pop Up Clinics in  
Wahiawa, Waimanalo, Kalihi, and  
Waianae;  
2 Big Island Pop Up clinics in  
Honokaa and Waimea

# 1,800

Legal checkups, educational  
presentations, Clinics, Brief  
Services, Full Representations

## SERVICES PROVIDED



## SERVICES

# \$635,000



RECEIVED

2018 OCT 5 AM 10 48

**VOLUNTEER LEGAL  
SERVICES HAWAII**

October 2, 2018

**SENT VIA U.S. MAIL**

Mr. Aedward Los Banos, Executive Director  
Hawaii Community Development Authority  
547 Queen Street  
Honolulu, HI 96813

Re: Volunteer Legal Services Hawaii Lease

Dear Mr. Los Banos:

Thank you and the Hawaii Community Development Authority ("HCDA") for allowing Volunteer Legal Services Hawaii ("VLSH") to lease the space located at 545 Queen Street, Suite 100 ("Suite 100"). More importantly, by leasing this space VLSH has been able to provide valuable legal services for the low- and moderate- income community of Hawaii for near two decades at this office, and over 37 years collectively.

As you are aware, we are a non-profit and recent funding for VLSH has been at its all-time low including no state funding in the last fiscal year. In good faith, VLSH proposes the following terms for and up to the next five (5) years as follows:

\$21,900.00 per year: August 1, 2019 through July 31, 2022;  
\$22,439.07 per year: August 1, 2022 through July 31, 2024.

In addition to the annual rent, VLSH agrees to pay the monthly common area maintenance fee ("CAM") for Suite 100. VLSH respectfully requests that HCDA provide VLSH at least six (6) months' notice before any CAM increases so our organization can plan accordingly. VLSH will also agree to pay an increase for its current parking rent from \$660.00/mo to \$880.00/mo for the rental of stalls 203, 204, 205, 206, 207, 208, 210, 211, 212, and 213).<sup>1</sup>

If you have any questions, please do not hesitate to contact me at 808-522-0684 or at [angela@vlsh.org](mailto:angela@vlsh.org). Thank you for your time and consideration.

Sincerely,

Angela Kuo Min  
Executive Director

<sup>1</sup> Stalls 203 and 210 were provided to us at no charge due to its size and location in the garage.

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Angela Kuo Min  
Executive Director

545 Queen Street, Suite 100  
Honolulu, Hawai'i 96813  
Phone: (808) 528-7050  
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[www.vlsh.org](http://www.vlsh.org)





## 545 Queen Street Commercial Space

- **Zoning:** This site is zoned MUZ – Mixed-Use commercial which allows for a wide variety of commercial development options.
- **The 1,338 square foot space is leased through 2019 to Volunteer Legal Services.**
- **Office market rent study indicates that Volunteer Legal Services is projected to pay market rents of \$1.33 psf/mo by the end of its lease term which is in-line with market rents.**
- **Retail market rent study indicates that Central Business District retail spaces lease for between \$2.50 to \$2.75 psf/mo. Projected retail rental rates do not support extensive retail redevelopment of this site.**
- **Rents could increase by over 100% from current levels should a retail tenant be secured. Colliers recommends actively marketing space prior to 2019 expiration to test out retailer interest.**

545 Queen Street Commercial Space	
<b>1- Property Characteristics</b>	1,338 sf ground floor office lease to Volunteer Legal Services. Good visibility from Queen Street. Eight parking stalls are assigned to this space lease.
<b>2-Review Ground Lease</b>	Commercial space lease through 7/31/2019. Rent at end of term is \$1.31 psf/mo.
<b>3-Property Inspection</b>	Ground floor office space with good visibility from Queen Street. Interior spaces are in good condition. Tenant mentioned air conditioning problems and there was some water damage to ceiling tiles.
<b>4-Review Building Operations</b>	Building space managed by HCDA.
<b>5-Review Redevelopment Options</b>	Commercial space is part of Honokahua senior rental affordable housing complex. Site could be used as retail frontage.
<b>6-Conduct Market Rent Study</b>	Retail market rent study conducted indicated that average base rents ranged from \$2.54 to \$2.75 psf/mo.
<b>7-Conduct Market Demand Study</b>	Not applicable
<b>8-Conduct Financial Analysis</b>	Financial analysis conducted
<b>9-Create Development Plan</b>	Tenant is currently paying market rents. Consider conversion to retail use.

### Retail Market Rent Study – Central Business District (Smaller than 1,500 sf)

Property Type	Property Name	Address	Comp SF	Sub Market	Base Rent	Actual Rate Type	Term (Months)	Lease Start Date
Retail	Davies Pacific Center	841 Bishop St., Ste 132	796	CBD	\$2.50	NNN	62	6/1/2014
Retail	Central Pacific Plaza	220 S. King St., Ste 15	896	CBD	\$2.48	NNN	121	8/1/2014
Retail	Davies Pacific Center	841 Bishop St., Ste 152	447	CBD	\$2.25	NNN	36	11/1/2015
Retail	TOPA Financial Center	700 Bishop St., Ste 118	497	CBD	\$2.17	NNN	64	12/1/2015
Retail	81 South Hotel Street	81 S. Hotel St., Ste 2C	379	CBD	\$1.85	NNN	25	12/1/2015
Retail	Central Pacific Plaza	220 S. King St., Ste 20	800	CBD	\$2.85	NNN	36	1/1/2016
Retail	Remington College Building	1111 Bishop St., Ste 04	576	CBD	\$2.75	NNN	36	7/1/2016
Retail	Remington College Building	1111 Bishop St., Ste LA06	550	CBD	\$3.25	NNN	38	8/1/2016
Retail	The Arcade Building	212 Merchant St., Ste 4	495	CBD	\$2.75	NNN	60	12/1/2017
Retail	The Arcade Building	212 Merchant St., Ste GF	370	CBD	\$2.75	NNN	36	4/1/2017
Retail	The Arcade Building	212 Merchant St., Ste 3	386	CBD	\$2.75	NNN	60	1/1/2017
Retail	12 South King Street	12 S. King St., Ste 3/2	1,211	CBD	\$2.85	NNN	36	10/1/2016
Retail	The Arcade Building	212 Merchant St., Ste R-1	989	CBD	\$2.65	NNN	64	8/1/2016
Retail	Remington College Building	1111 Bishop St., Ste 5	551	CBD	\$3.25	NNN	37	4/1/2017
Retail	81 South Hotel Street	81 S. Hotel St., Ste 715H-102	1,021	CBD	\$1.07	NNN	12	11/15/2017
					Average	\$2.54		
					Median	\$2.75		