

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

February 5, 2020

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

HCDA Board Members:

SUBJECT: Shall the Authority Authorize the Executive Director to Amend HCDA Lease No. 9-03 with the State of Hawaii Department of Public Safety, to Extend the Lease Term at 240 Keawe Street, Up to Five Additional Years and Include a Provision for Rent?

SUMMARY:

The State of Hawaii Department of Public Safety (DPS) is requesting to amend Lease No. 9-03 for their holding facility at 240 Keawe Street. The extension request is for an additional three years, plus an additional two-year extension option. The amendment would also include rent for the site. There is no rent provision in the current lease.

AUTHORITIES:

The Board must approve any amendments to leases over one year in duration.

BACKGROUND:

The Hawaii Community Development Authority (HCDA) entered into Lease No. 9-03 with DPS on June 1, 2010. The lease covers an approximately 23,000 square foot paved lot located at 240 Keawe Street, which DPS operates as its Sheriff Division Receiving Desk, a secure facility. DPS installed several portable trailers on site, as well as secure perimeter fencing.

Lease No. 9-03 currently does not include any rent paid to HCDA, and instead stipulated that DPS establish a special patrol district in Kakaako to provide in-kind security services for the HCDA. At the time of execution of Lease No. 9-03, the HCDA struggled to provide security services for the parks of Kakaako Makai, and this agreement was a bargain for both state agencies.

On July 8, 2015, DPS and HCDA exercised the option to extend Lease No. 9-03 for an additional five-year term expiring on May 31, 2020. DPS had intended to secure an alternate facility for its Receiving Desk prior to the termination of Lease No. 9-03; however, these plans have not yet been finalized.

On May 14, 2019, DPS requested an additional five-year extension of Lease No. 9-03 under the same lease terms, see Exhibit A. HCDA staff met with DPS to discuss the possibility of an extension and noted that zero-dollar rent would not be considered.

On November 1, 2019, the HCDA transferred the majority of its Kakaako Makai properties to the City and County of Honolulu. With the transfer, HCDA is no longer responsible for the maintenance and security of the parks in Kakaako Makai. Therefore, in-kind security services are no longer necessary in Kakaako Makai. HCDA staff recommended DPS resubmit a revised request that included a rent structure for consideration.

On January 21, 2020, DPS submitted a revised request for a three-year extension to Lease No. 9-03, with an additional two-year option to extend if DPS has not completed the relocation of the Sheriff Division Receiving Desk by May 31, 2023. DPS' revised request also includes a rent provision of \$80,000 annually. This letter is attached as Exhibit B.

With the inclusion of market rate rent, DPS is requesting to remove Exhibit B from Lease No. 9-03, which would require DPS to provide in-kind security services on behalf of HCDA.

ANALYSIS:

DPS notes its facility at 240 Keawe Street is temporary, and DPS continues to engage in discussions with the State of Hawaii Department of Accounting and General Services (DAGS) to relocate the facility to a permanent site. Although DPS says such discussions have been unsuccessful for the past two years, DPS has recently discussed relocating its facility to a location under DAGS jurisdiction.

DPS notes that such a relocation would require legislative appropriations and construction time; therefore, the requested two-year option would only be exercised if the facility was not ready for DPS occupation by May 31, 2023. DPS also requested an early termination clause to enable them to terminate the lease at any time, including within the initial three-year term, if DPS secures an alternate facility.

In November 2017, the HCDA retained Colliers International to create a portfolio optimization analysis to determine the highest and best use of HCDA's properties. For the 240 Keawe site, Colliers recommended redeveloping the site into retail use to generate an estimated \$3.50 to \$4.00 per square foot each month. Colliers' summary of findings is attached as Exhibit C.

In the short term, Colliers recommended using the 240 Keawe site as surface parking, as the lot is already paved and fenced. Similar reserved parking stalls in the immediate area rent for about \$120 a month. HCDA staff estimates the 23,000 square foot parcel could yield about 60 reserved stalls with a total of \$7,200 in monthly revenue.

DPS' proposed \$80,000 annual rent (\$6,666.66 monthly) appears to be consistent with market values.

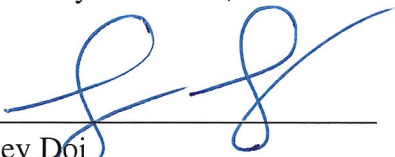
HCDA staff drafted a proposed second amendment to General Lease No. 9-03 that includes the above provisions. The draft amendment is attached as Exhibit D. All other lease provisions from the current lease would be left unchanged.

RECOMMENDATION:

HCDA staff recommends that the Board:

Authorize the Executive Director to Amend Lease No. 9-03 for 240 Keawe Street with the State of Hawaii Department of Public Safety to Extend the Lease Term Up to Five Additional Years and Include a Provision for Rent.

Respectfully submitted,



Lindsey Doi
Asset Manager

APPROVED FOR SUBMITTAL:



Garrett Kamemoto, Interim Executive Director

Attachments

Exhibit A – PSD May 14, 2019 Request Letter
Exhibit B – PSD Revised Request Letter Dated January 21, 2020
Exhibit C – Colliers Report 2017 for 240 Keawe Street
Exhibit D - Draft Second Amendment to Lease No. 9-03

Exhibit A

DAVID Y. IGE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF PUBLIC SAFETY
919 Ala Moana Boulevard, 4th Floor
Honolulu, Hawaii 96814

NOLAN P. ESPINDA
DIRECTOR

Maria C. Cook
Deputy Director
Administration

Jodie F. Maesaka-Hirata
Deputy Director
Corrections

Renee R. Sonobe Hong
Deputy Director
Law Enforcement

No. _____

May 14, 2019

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

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HAWAII COMMUNITY
DEVELOPMENT
AUTHORITY

Re: Request to Extend Lease 09-03

Dear Executive Director Los Banos,

The Department of Public Safety would like to extend, for another five years, the attached First Amendment to Lease 09-03, entered into in May 2015. The current lease term ends on May 31, 2020. PSD would also like to extend all lease terms. If HCDA is not amenable to the zero dollar rent in Article 3, PSD would like to engage in discussions with HCDA with sufficient time to explore all options and alternatives, including funding.

We appreciate your anticipated efforts to facilitate an agreement and look forward to hearing back from you by June 15, 2019 to discuss a possible lease extension. Please contact PSD Deputy Director for Law Enforcement Renee Sonobe Hong at 587-2562 for further discussions. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Nolan P. Espinda".

Nolan P. Espinda
Director

Enclosure (Lease 09-03 and First Amendment)

DAVID Y. IGE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF PUBLIC SAFETY
919 Ala Moana Boulevard, 4th Floor
Honolulu, Hawaii 96814

NOLAN P. ESPINDA
DIRECTOR

Maria C. Cook
Deputy Director
Administration

Shari L. Kimoto
Deputy Director
Corrections

Renee R. Sonobe Hong
Deputy Director
Law Enforcement

No. _____

January 21, 2020

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

Re: Request for Second Amendment Lease 09-03

Dear Executive Director Los Banos,

Thank you for your meeting on November 22, 2019 in response to our letter dated May 14, 2019 requesting another extension to Lease 9-03.

The Department of Public Safety is requesting to enter into a Second Amendment to Lease 9-03 which would:

- 1) Extend the lease for three (3) years to May 31, 2023, with a provision that would allow for an additional 2 years to May 31, 2025 if our department has not completed the relocation of the Sheriff Division Receiving Desk to another location by May 2023;
- 2) Include a rent provision of \$80,000 annually in Section 3.1;
- 3) Remove Section 17.1 and amend Section 17.2; and
- 4) Remove Section 23.3 and Exhibit B because the Kakaako Makai parks and surrounding streets were transferred by your agency to the City and County of Honolulu. The Sheriff Division does agree to provide a law enforcement co-response to support the Honolulu Police Department as we have been.

Over the last two years, we had begun to explore the possibility of relocating the Sheriff Division Keawe Street Receiving Desk to other locations, but have so far been unsuccessful. We have recently engaged in discussions with DAGS regarding the permanent relocation of our Sheriff Division Receiving Desk to a location under DAGS jurisdiction. As you are aware, any possible site would require legislative appropriation for renovation and/or construction, permitting, and other requirements. For this reason, we are requesting a three year extension to May 31, 2023, with the ability to extend for an additional two years, if such a relocation cannot be successfully completed by May 31, 2023.

Aedward Los Banos, Executive Director
January 21, 2020
Page 2

Although our lease extension request to your agency was submitted on May 14, 2019, we were unable to secure a meeting until November 22, 2019. As such, we did not submit a budget request for lease rent. Since the operation of the Keawe Receiving Desk is a critical function for the Sheriff Division, however, we will offer to pay \$80,000 annually. My department will submit future budget requests. This amount of \$80,000.00 is based upon discussions with you that a financial study conducted for HCDA recommended surface parking as an alternative. It was further shared that 50 – 60 parking stalls could be created at a comparable rate of \$120.00 per stall per month.

We also propose deleting Section 17.1 because like HCDA, the Department of Public Safety is a State agency and not subject to county property taxes. We similarly propose amending Section 17.2 to exclude assessments or levy by county authorities.

Finally, we propose to remove Section 23.3 and Exhibit B because the Kakaako Makai parks and surrounding streets were transferred by your agency to the City and County of Honolulu. The Sheriff Division does agree to provide a law enforcement co-response to support the Honolulu Police Department as we have been.

Please contact Deputy Director for Law Enforcement Renee Sonobe Hong at 587-2562 for further discussions. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Nolan P. Espinda", written over a horizontal line.

Nolan P. Espinda
Director

Enclosures (May 14, 2019 letter, Lease 09-03, and First Amendment)

DAVID Y. IGE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF PUBLIC SAFETY
919 Ala Moana Boulevard, 4th Floor
Honolulu, Hawaii 96814

NOLAN P. ESPINDA
DIRECTOR

Maria C. Cook
Deputy Director
Administration

Jodie F. Maesaka-Hirata
Deputy Director
Corrections

Renee R. Sonobe Hong
Deputy Director
Law Enforcement

No. _____

May 14, 2019

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

Re: Request to Extend Lease 09-03

Dear Executive Director Los Banos,

The Department of Public Safety would like to extend, for another five years, the attached First Amendment to Lease 09-03, entered into in May 2015. The current lease term ends on May 31, 2020. PSD would also like to extend all lease terms. If HCDA is not amenable to the zero dollar rent in Article 3, PSD would like to engage in discussions with HCDA with sufficient time to explore all options and alternatives, including funding.

We appreciate your anticipated efforts to facilitate an agreement and look forward to hearing back from you by June 15, 2019 to discuss a possible lease extension. Please contact PSD Deputy Director for Law Enforcement Renee Sonobe Hong at 587-2562 for further discussions. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Nolan P. Espinda".

Nolan P. Espinda
Director

Enclosure (Lease 09-03 and First Amendment)

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HAWAII COMMUNITY
DEVELOPMENT
AUTHORITY

FIRST AMENDMENT TO LEASE

This First Amendment ("Amendment") to Lease 9-03 dated June 1, 2010 ("Lease") is entered into as of 2 July 2015, by and between the Hawaii Community Development Authority, a body corporate and public instrumentality of the State of Hawaii ("Landlord"), and the State of Hawaii by its Department of Public Safety, pursuant to Section 171-30, Hawaii Revised Statutes ("Tenant") (collectively, "Parties").

WITNESSETH:

WHEREAS, the Parties executed and entered into the Lease;

WHEREAS, pursuant to the Lease, the Parties may extend the original Lease for one additional five (5) year term; and;

WHEREAS, the Parties desire to amend the Lease to extend the Lease term an additional five (5) years for a period ending on May 31, 2020; and;

WHEREAS, the Parties desire to amend the Lease to redefine the Premises;

NOW THEREFORE, the Parties agree as follows:

- A. Section 2.2 shall be deleted in its entirety and replaced with the following:
Section 2.2 Premises. The Premises is that certain 21,131 sf lot located on Keawe Street, Honolulu, Hawaii 96813, TMK (1) 2-1-015:043, enclosed by the security fence as depicted on the attached Exhibit A-1, incorporated herein by reference thereto ("Premises")
- A. Remove Recitals Section A.
- B. Remove Recitals Section B.
- C. Remove all references to "Complex" and replace with the "Premises" if not already provided for in the following Sections: 1.12, 1.14, 1.17a2, 1.17.b1, 1.17.b3, 4.1.a, 7.3.b, 9.4, 11.1, 12.3, 14.1, 16.1, 16.3.a, 16.3.b, 17.1, 17.2, 18.1, 18.2, 18.3, 18.6, 23.4.d, 24.16.b2
- D. Remove Exhibit A and replace with enclosed Exhibit A1.

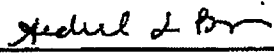
With the exception of the foregoing, all other terms and conditions of the Lease shall remain in full force and effect.

This Amendment shall be governed by and construed under the laws of the State of Hawaii.

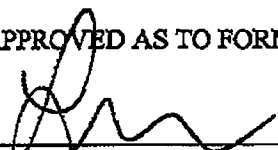
This Amendment may be executed in several duplicate counterparts and such counterparts, when executed, shall constitute a single agreement. Any party may execute and deliver this Amendment by signing the signature page and electronically transmitting a facsimile thereof.

IN WITNESS WHEREOF, HCDA have caused this Amendment to be executed as of the day and year first above written.

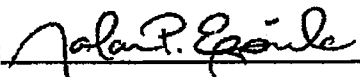
Hawaii Community Development Authority

By: 
for Anthony J.H. Ching
Executive Director

APPROVED AS TO FORM:


Deputy Attorney General

State of Hawaii
Department of Public Safety

By: 

Name: Nolan P. Espinda

Its: Director

APPROVED AS TO FORM:


Deputy Attorney General

DAVID Y. IGE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF PUBLIC SAFETY
919 Ala Moana Boulevard, 4th Floor
Honolulu, Hawaii 96814

CH 114 11-11-2 16910
NOLAN P. ESPINDA
DIRECTOR

Cathy Ross
DEPUTY DIRECTOR
ADMINISTRATION

Alan Asato
DEPUTY DIRECTOR
CORRECTIONS

Shawn H. Tsuha
DEPUTY DIRECTOR
LAW ENFORCEMENT

No. 2015-888

April 24, 2015

Anthony J.H. Ching, Executive Director
Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813

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HAWAII COMMUNITY
DEVELOPMENT
AUTHORITY

Dear Executive Director Ching,

The Department of Public Safety (PSD) would like to extend, for another five years, Lease 09-03 Department of Public Safety Keawe Street Lot, per Article 23, Section 4 (23.4) "Option to Extend Lease Period," of the lease agreement. The PSD would also like to extend all lease terms that were applicable during the initial lease period per Article 23, Section 5 (23.5) "Lease Terms During Extended Period."

We appreciate all your efforts to facilitate this agreement and will continue to ensure that the Sheriff Division remains a good partner in maintaining the health, safety and welfare of the overall Kakaako community. If there are any concerns, please feel free to contact PSD Deputy Director for Law Enforcement Shawn Tsuha at 587-1255.

Sincerely,

Nolan P. Espinda
Director

AGREEABLE TO EXTEND LEASE PERIOD:

☒ Yes ☐ No

Signature: Date: _____
Anthony J.H. Ching, Executive Director
Hawaii Community Development Authority

DAVID Y. IGE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF PUBLIC SAFETY
919 Ala Moana Boulevard, 4th Floor
Honolulu, Hawaii 96814

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NOLAN P. ESPINDA
DIRECTOR

Cathy Ross
DEPUTY DIRECTOR
ADMINISTRATION

Alan Asato
DEPUTY DIRECTOR
CORRECTIONS

Shawn H. Tsuha
DEPUTY DIRECTOR
LAW ENFORCEMENT

No. _____

April 24, 2015

Anthony J.H. Ching, Executive Director
Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813

Dear Executive Director Ching,

The Department of Public Safety (PSD) would like to extend, for another five years, Lease 09-03 Department of Public Safety Keawe Street Lot, per Article 23, Section 4 (23.4) "Option to Extend Lease Period," of the lease agreement. The PSD would also like to extend all lease terms that were applicable during the initial lease period per Article 23, Section 5 (23.5) "Lease Terms During Extended Period."

We appreciate all your efforts to facilitate this agreement and will continue to ensure that the Sheriff Division remains a good partner in maintaining the health, safety and welfare of the overall Kakaako community. If there are any concerns, please feel free to contact PSD Deputy Director for Law Enforcement Shawn Tsuha at 587-1255.

Sincerely,

Nolan P. Espinda
Director

AGREEABLE TO EXTEND LEASE PERIOD:

☐ Yes ☐ No

Signature: _____ Date: _____

Anthony J.H. Ching, Executive Director
Hawaii Community Development Authority

LEASE

THIS LEASE ("Lease") is entered into as of June 1, 2010 between:

HAWAII COMMUNITY DEVELOPMENT AUTHORITY ("Lessor"), a body corporate and public instrumentality of the State of Hawaii, whose principal place of business is 461 Cooke Street, Honolulu, Hawaii 96813; and

The **STATE OF HAWAII**, hereinafter called "Lessee," by its **DEPARTMENT OF PUBLIC SAFETY**, pursuant to Section 171-30, Hawaii Revised Statutes ("Lessee"), whose principal place of business is 919 Ala Moana Blvd. 4th Floor Honolulu, HI 96814

(each party hereto, a "Party").

Recitals

A. Lessor owns the 22,929 square foot lot on Keawe street, Honolulu, Hawaii 96813, TMK: (1) 2-1-15-43 and the contiguous 3.336 acre lot fronting Forrest Avenue known as Lot 4 on file Plan 2335 (Referred to below as the "Complex.")

B. Lessee wishes to lease from Lessor parcel 43 and a portion of Lot 4, as more fully described in **Exhibit A** hereto (such part, the "Premises") subject to the terms below. Lessor is amenable to leasing the Premises to Lessee subject to such terms.

we don't own lot 4 anymore

NOW, THEREFORE, in consideration of the premises and the Parties' mutual undertakings, the Parties agree as follows:

ARTICLE 1 DEFINITIONS

The following definitions shall apply throughout this Lease.

Section 1.1 **Leasehold.** "Leasehold" means the leasehold in the Premises granted hereby.

Section 1.2 **Leasehold Commencement Date.** "Leasehold Commencement Date" means the date on which the Leasehold commences, as specified in Section 2.1 below.

Section 1.3 **Leasehold Expiration Date.** "Leasehold Expiration Date" in effect as of a given time means the date then in effect as of the beginning of which the Leasehold is to expire. The Leasehold Expiration Date as of the date hereof is specified in Section 2.1 below and may be subsequently modified as agreed to by the Parties (including pursuant to Section 23.4 below).

Section 1.4 **Term.** "Term" means the period from the date hereof until the expiration or (earlier) termination hereof.

Lease: HCDA/Dept. of Public Safety (Sheriff Div.)

Section 1.5 Lease Term. "Lease Term" means the period from the Leasehold Commencement Date until the expiration or (earlier) termination hereof.

Section 1.6 Lease Period. "Lease Period" means the period from the Leasehold Commencement Date to (but excluding) the Leasehold Expiration Date.

Section 1.7 Month. "Month," for any calendar month that overlaps the Lease Term, means the part that does so. A Month equal to a calendar month may be referred to as a "full" Month; a Month less than a calendar month may be referred to as a "short" Month.

Section 1.8 Year. "Year," for any 12-month period:

(a) that begins on:

(1) the date corresponding to the first day of the calendar month in which the Leasehold Commencement Date lies; or

(2) an anniversary of the date defined by clause (1) above; and

(b) that overlaps the Lease Term,

means the part of the period that overlaps the Lease Term. A Year equal to a 12-month period described in clause (a) above may be referred to as a "full" Year; a Year less than such a period may be referred to as a "short" Year.

Section 1.9 Rent. "Rent" for a given Month means the sum of:

(a) Base Rent; and

(b) Additional Rent

for the Month. Base Rent and Additional Rent are defined in Article 3 below.

Section 1.10 Person. "Person" means a natural person; a corporation, partnership, limited liability company, organization, or association; a government or political subdivision of it; or other legally recognized entity, whether acting in an individual, fiduciary, or other capacity.

Section 1.11 Representative. "Representative" of a Person means a shareholder or other equity holder, member, director, officer, employee, consultant, agent, or representative of the Person.

Section 1.12 Tenant. "Tenant" means any tenant of Lessor with respect to any part of the Complex.

Section 1.13 Invitee. "Invitee" of a Tenant means a customer, supplier, or other business visitor of the Tenant at its Premises.

Section 1.14 Common Facility. "Common Facility" means any area, improvement, or facility (including a mall, parking area, access road, driveway, landscaped area, stairway, ramp, comfort station, or entrance or exit to any of the foregoing) provided by Lessor within or appurtenant to the Complex for the common or joint use and benefit of Tenants and their Representatives and Invitees.

(2) "leasable floor space" shall (A) include columns, stairs, elevators, escalators or other interior construction or equipment and (B) exclude space on the roofs or penthouses or other structures on roofs unless they are used or occupied for business purposes; and

(3) the gross leasable area "for a given Month" shall be the gross leasable area on the first day of the Month (except that, in the case of a short Month that begins after the first day of the corresponding calendar month, Lessor may use any reasonable time or averaging method within the month for determining the gross leasable area of the Premises or Complex).

Section 1.18 Hazardous Materials. "Hazardous Materials" means and includes any and all electromagnetic radiation, radioactive materials, asbestos, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, any law regulating the same.

Section 1.19 Hazardous Materials Laws. "Hazardous Materials Laws" means and includes all federal, state or local laws, ordinances or regulations, now or hereafter in effect, relating to environmental conditions, industrial hygiene or Hazardous Materials, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 *et seq.*; the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901 *et seq.*; the Federal Water Pollution Control Act of 1972 (commonly known as the Clean Water Act), 33 U.S.C. Section 1251, *et seq.*; the Hazardous Materials Transportation Act of 1975, 49 U.S.C. Section 1251 *et seq.*; the Clean Air Act of 1970, 42 U.S.C. Section 7401 *et seq.*; the Toxic Substances Control Act of 1976, 15 U.S.C. Sections 2601 through 2629; the Safe Drinking Water Act of 1974, 42 U.S.C. Sections 300f through 300j; Act 212 of the 1989 Session Laws of Hawaii and any similar state or local laws or ordinances and the regulations now or hereafter adopted, published or promulgated pursuant thereto.

ARTICLE 2 LEASE OF THE PREMISES

Section 2.1 Lease. Lessor leases to Lessee and Lessee leases from Lessor the Premises from (and including) **June 1, 2010** (the Leasehold Commencement Date) to (and excluding) **May 31, 2015** (the "initial" Leasehold Expiration Date, and the foregoing Lease Period, the "Initial" Lease Period) (a) in **"AS IS AND WHERE IS CONDITION"** and **"WITH ALL FAULTS"** and (b) upon the terms hereof. In addition to the Leasehold, Lessee shall have, as an appurtenance to thereto, those rights, as set forth in Article 7 below, in the Common Facilities.

Section 2.2 Premises' Area. For all purposes hereof, as of the date hereof, the Premises' area is deemed to consist of (a) **22,929** parcel 43 and (b) a portion of Lot 4 for overflow parking usage, as necessary

≈ 50.4' area

notwithstanding that an accurate measurement of the Premises may reveal that their interior, exterior, or total area is more or less than that stated above.

Section 1.15 Common-Facilities Expense

(a) "Common-Facilities Expense" means the total cost and expense incurred by Lessor in operating and maintaining the Common Facilities.

(b) Items of Common-Facilities Expense include, to the extent they are incurred with respect to the Complex as a whole or to the Common Facilities, property taxes; assessments; management and accounting fees; the cost of water and electricity, gardening and landscaping, repairs, line painting, lighting, sanitary control, rubbish removal, depreciation of machinery and equipment used in such maintenance; the cost of personnel to implement such services, to direct parking, and to provide security services for the Common Facilities; and reserves for future maintenance and repair work.

(c) Items of Common-Facilities Expense do not include items of expense commonly known and designated as carrying charges, such as principal and interest on mortgage indebtedness and capital items.

Section 1.16 Transfer "Transfer" with respect to this Lease, the Premises, or any interest in either means:

(a) (A) an assignment of some or all of Lessee's interest or rights or (B) a delegation of some or all of Lessee's duties and duties hereunder, effected voluntarily or by operation of law;

(b) a sublease of the Lease;

(c) a license to use the Premises for the conduct of business;

(d) a mortgage, lien, or pledge with respect to the Leasehold or any other right of Lessee hereunder.

Section 1.17 Pro Rata Share

(a) Lessee's "Pro Rata Share" of a given amount with respect to a given Month is the product of:

(1) the amount; and

(2) the ratio of (i) the Premises' gross leasable area for the Month to (B) the Complex's total gross leasable area for the Month.

(b) For purposes of calculating the ratio in subsection (a)(2) above:

(1) "gross leasable area" with respect to the Complex or Premises means the actual number of square feet of leasable floor space within the exterior faces of the exterior walls (except party walls as to which the center thereof instead of the exterior face thereof shall be used) of all floors, including mezzanines, showcases and entrances within the exterior limits of the Complex or Premises, respectively;

ARTICLE 3 RENT

Section 3.1 Base Rent

(a) **In General.** For each Month, Lessee shall pay to Lessor the Month's Rent, in advance, by the first day of the Month. Such payment shall be made at Lessor's address, as set forth in Section 24.7(e) below or as Lessor may designate pursuant thereto, without any setoff or counterclaim. .

(b) **Base Rent.** Except as provided in subsection (c) below, "Base Rent" for each Month shall be the amount set forth in the table below opposite the period in which the Month lies.

Period	Amount
Initial Lease period: June 1, 2010 through May 31, 2015	\$0 (Zero Dollars)

(c) Base Rent shall be pro rated for a short Month.

Section 3.2 **Additional Rent.** "Additional Rent" for each Month shall be the sum of (a) all amounts required to be paid pursuant to Sections 3.3, 3.4, 8.1, 10.2, 10.3, 12.3, 17.1, 17.2, and 20.2 below and (b) all other amounts required to be paid by Lessee hereunder, whether or not any such amount is designated as "additional rent." On the due date for payment of a given Month's Base Rent, if any part of the Rent for a previous Month remains unpaid, the unpaid amount shall be deemed part of Additional Rent included in Rent due for the given Month. However, nothing herein shall be deemed to suspend or delay the time for payment of any amount of money as otherwise set forth herein or to limit any remedy of Lessor.

Section 3.3 **Interest on Unpaid Rent.** Rent not paid when due shall bear interest from the date due until paid at the lesser of the maximum rate allowable by law or one and one-half percent (1.5%) per month compounded monthly. Upon Lessor's presentation of an invoice for any such accrued interest, Lessee shall pay the amount invoiced as part of Additional Rent for the Month following such presentation.

Section 3.4 Late Charge

(a) Lessee acknowledges that any late payment of Rent by Lessee will cause Lessor to incur costs not contemplated hereby and that the exact amount of such costs are extremely difficult and impractical to measure or predict. Such costs include processing accounting charges and late charges that may be imposed on Lessor by the terms of any encumbrance and note secured by an encumbrance covering the Premises. Therefore, if any part of Rent is not paid when due, Lessee shall pay to Lessor an additional sum of five percent (5%) of the unpaid part as a late charge. The Parties agree that this late charge represents a fair and reasonable estimate of the costs that Lessor will incur due to a late payment. Acceptance of any late charge shall not constitute a waiver of Lessee's default with respect to the overdue amount or prevent Lessor from exercising any of the rights and remedies available to Lessor.

(b) Upon Lessor's presentation of an invoice for any such late charge, Lessee shall pay the amount invoiced as part of Additional Rent for the Month following such presentation.

ARTICLE 4 ALTERATIONS AND ADDITIONS; RELOCATION

Section 4.1 Changes and Additions to Buildings.

(a) Lessor reserves the right at any time (1) to make alterations or additions (including additional stories) to the Complex and (2) to build other structures adjoining it. Lessor also reserves the right, from time to time, to construct other buildings or improvements at or nearby the Complex, to make alterations or additions to them, to build additional stories on any such buildings, to build structures adjoining them, and to construct double-deck or elevated parking facilities. Such improvements shall not interfere with Lessee's ability effectively to operate within the Premises.

(b) Lessor and Lessee understand and agree that Building Improvements to be placed at the Keawe Street site will be modular and Lessee intends to relocate said modular buildings to another, as yet to be determined location off-site at its expense upon expiration of this Lease. Said improvements shall remain the property of Lessee. Lessee shall obtain Lessor's prior consent to the installation of the modular improvements before installation.

Section 4.2 Right to Relocate. The purpose of the site plan attached hereto in Exhibit A is to show the approximate location of the Premises. Lessor reserves the right at any time to relocate the various buildings, automobile parking areas, and other Common Facilities shown on the site plan.

ARTICLE 5 USE OF PREMISES

Section 5.1 Use

(a) Lessee shall use the Premises solely for the purpose of conducting the business of operation of office and base facilities for the Department of Public Safety (such business or any other business permitted hereunder or by Lessor pursuant hereto, the "Business").

(b) Lessee shall continuously (1) occupy the Premises and (2) conduct the Business therein. Lessee shall not use or permit or suffer the use of the Premises for any other business or purpose. Lessee shall not change the type of business constituting the Business without Lessor's prior consent, which Lessor may withhold in its sole discretion.

Section 5.2 Conformity to Law. Lessee represents that its intended use of the Premises conforms to law, including zoning requirements of all governmental authorities. Lessee acknowledges that Lessor makes no representation or affirmation that such use is an appropriate use of the Premises.

Lessee assumes all risks with respect to its intended use. The appropriateness of such use shall not be a condition to performance of Lessee's obligations hereunder.

**ARTICLE 6
[RESERVED]**

**ARTICLE 7
COMMON FACILITIES**

Section 7.1 Right to Use Common Facilities

(a) Except as provided in subsection (b) below, Lessee and its Representatives and Invitees shall have the right in common with other Tenants and their Representatives and Invitees to use the Common Facilities.

(b) Lessee or any Representative of it shall not, without Lessor's prior consent, use (1) parking areas designated by Lessor for customer parking or (2) parking areas reserved for the use of other Tenants or their Representatives or Invitees. Lessor may withhold its consent in its sole discretion.

(c) Lessee's Invitees shall be entitled to use only those open parking stalls designated for use of customers.

Section 7.2 Control of Common Facilities by Lessor

(a) Subject to Section 7.1 above, the Common Facilities shall be subject to Lessor's exclusive control and management at all times.

(b) Lessor may promulgate and amend reasonable rules and regulations concerning them (any such rule or regulation, as amended from time to time, a "Rule"). No Rule shall be enforceable against Lessee before reasonable written notice has been given to Lessee. A breach of any Rule of which Lessee has received such notice shall be a breach hereof.

(c) Lessor shall have the right from time to time to change the areas, level, location and arrangement of the Common Facilities.

(d) Lessor shall take such action as necessary to prevent unauthorized use of the parking areas. Lessor may (1) designate parking areas for Lessee's Representatives and (2) restrict parking for them.

(e) Lessor may (1) temporarily close any portion of the Common Facilities as may, in the opinion of Lessor's counsel, be legally necessary or advisable to prevent a dedication of such portion or the accrual of any rights to any Person or the public in such portion; (2) restrict noncustomer parking; and (3) do such other acts with respect to the Common Facilities as Lessor reasonably determines are necessary or appropriate to improve them for the use of Tenants and their Representatives and Invitees.

Section 7.3 Exclusion of Trespassers

(a) At any time, Lessor may deny access to or use of the Common Facilities by any Person other than Lessee or a Representative or Invitee of it, provided that Lessee or its Representative or Invitee uses the Common Facilities in accordance with the Rules.

(b) Lessee's rights hereunder in and to the Common Facilities shall be subject to the same rights of Lessor and other Tenants (or their Representatives or Invitees) using the Common Facilities with Lessee. Lessee shall keep them free and clear of any obstructions created or permitted by Lessee or resulting from Lessee's operations. Lessee shall not permit its Representatives or Invitees to use the parking areas, entrances, or exits within the Common Facilities other than for normal parking and for ingress and egress to and from the Complex or Common Facilities in accordance with the Rules.

(c) Without limiting Lessor's right under subsection (a) above, Lessee shall have the right to deny access to or use of the Common Facilities by any Person not authorized by Lessor, Lessee, or other Tenants to use the Common Facilities.

ARTICLE 8 COMMON-FACILITIES EXPENSE

Section 8.1 Estimated Monthly Payment

(a) To cover Lessee's share of the Common-Facilities Expense for each Month, subject to subsection (b) and Section 8.2 below, Lessee shall pay to Lessor, as part of Additional Rent, Lessee's Pro Rata Share of the Month's estimated Common-Facilities Expense.

(b) Lessor shall estimate the Common-Facilities Expense for each Month in good faith. In the case of a short Month, Lessor shall estimate the Common-Facilities Expense for the corresponding calendar month and pro rate that amount for the Month.

Section 8.2 Annual Adjustment; Additional Payment or Refund. Within 60 days after the end of each calendar year that ends within the Lease Term (or within 60 days after the end of the Lease Term), Lessor shall furnish to Lessee a statement showing the actual Common-Facilities Expense for each calendar month of the year (or part thereof overlapping the Lease Term) and Lessee's portion of such expense. If, as indicated in the statement, Lessee's total payments of its share of the estimated Common-Facilities Expense for that period were less than Lessee's share of the actual expense for that period, Lessee shall pay to Lessor the deficiency within 10 business days after receipt of the statement; otherwise, Lessor shall, at Lessee's election and within 10 business days after receipt of Lessee's election in writing, pay to Lessee the surplus or credit it against any amount due or to be due by Lessee.

ARTICLE 9 SIGNS, FIXTURES, ALTERATIONS

Section 9.1 Installation by Lessee. All fixtures installed by Lessee shall be new or completely reconditioned. Lessee shall not (a) make or cause to be made any alterations, additions or improvements; (b) install or cause to be installed any trade fixtures, exterior signs, floor covering, interior or exterior lighting, plumbing fixtures, shades or awnings; or (c) make any changes to the

storefront without Lessor's prior consent. Lessee shall present to Lessor plans and specification for such work at the time approval is sought.

Section 9.2 Removal and Restoration by Lessee

(a) All alterations, decorations, additions and improvements to the Premises (1) by Lessee or (2) by Lessor on Lessee's behalf by agreement under this Lease (any of the foregoing modifications, in this section, an "improvement") shall remain Lessee's property during the Term. Lessee shall not remove any improvement prior to the end of the Term without Lessor's prior consent.

(b) (1) At the end of the Term, Lessor may require Lessee to remove any improvement and restore the Premises as provided in Section 10.3 below. (2) If (A) Lessor does not require the removal of an improvement or (B) Lessor so requires and Lessee fails to comply, then the improvement shall become Lessor's property.

Section 9.3 Bonds Against Liens. Prior to commencing an improvement, Lessee (a) shall furnish evidence satisfactory to Lessor that Lessee is financially able to pay the contractor and (b) shall furnish a copy of a bond in an amount, in a form and with surety acceptable to Lessor, naming the Parties as obligees and insuring completion of the proposed work, including materials and labor, free and clear of all liens.

Section 9.4 Signs, Awnings, and Canopies. Lessee shall not install any sign, awning, canopy, or other improvement on the outside of the Premises or Complex without Lessor's prior consent, which Lessor may be withheld in its sole discretion. Any permitted installation of an electrically operated improvement shall be done only by a licensed electrician. Any permitted improvement shall comply with the Rules and with law, including codes and ordinances of the City and County of Honolulu.

ARTICLE 10 MAINTENANCE

Section 10.1 Maintenance by Lessee

(a) **Good Order.** Lessee shall at all times keep all glass (interior and exterior), the Premises' interior, and all fixtures, equipment and appurtenances thereof (including lighting and plumbing fixtures), and floor covering in good order, condition and repair, damage by unavoidable casualty excepted. Lessee shall not paint any portion of the Premises' exterior without Lessor's prior consent, which Lessor may withhold in its sole discretion.

(b) Lessee shall maintain and repair the exterior and structural portions of the Premises (i.e., foundation, support columns, and floor or roof, and all plumbing, electrical wiring, sewer and drain facilities to the Premises).

(c) **Clean Condition.** Lessee shall maintain the Premises in a clean, neat, and orderly condition, as determined by Lessor in its sole discretion. Lessee's failure to do so shall be a material breach hereof.

Section 10.2 Lessee's Failure to Maintain. If Lessee fails to maintain or repair the Premises pursuant to Section 10.1 above as soon as reasonably possible after Lessor's demand:

(a) Lessor may make such repairs or restore the Premises to a clean and orderly condition without liability to Lessee for any loss or damage that may occur to Lessee's merchandise, fixtures or other property, or to the Business on account of such repairs; and.

(b) upon completion thereof and Lessor's presentation of an invoice for the cost of such repairs, Lessee shall pay such cost as part of Additional Rent for the Month following such presentation.

Section 10.3 Surrender of Premises. At the end of the Term, Lessee (a) shall surrender the Premises in the same condition as they were upon delivery of possession to them under this Lease, reasonable wear and tear and damage by unavoidable casualty excepted; (b) shall surrender all keys for the Premises to Lessor at the place then fixed for the payment of Rent; and (c) shall inform Lessor of all combinations on locks, safes and vaults, if any, in the Premises.

ARTICLE 11 LESSOR'S NONLIABILITY

Section 11.1 Failure of Utilities or Equipment. Lessor shall not be liable to Lessee for any damages occasioned (a) by the failure, disintegration, malfunction, or interruption of service of any electrical, plumbing, gas, water, sprinkler, or sewage system; (b) by the bursting, leaking or overflowing or running of any tank, washstand, closet or waste or other pipes in or about the Premises or the Complex; (c) by water coming into the Premises from any source; or (d) by acts or omissions of other Tenants, occupants of adjacent property, or the public.

Section 11.2 Loss of Property. Any property kept or stored on the Premises by Lessee shall be at its own risk. Lessee shall defend and hold harmless Lessor from and against any claim arising out of damage to such property, including subrogation claims by Lessee's insurance carriers, unless such damage is caused by Lessor's willful act or gross negligence.

ARTICLE 12 INSURANCE

Section 12.1 Liability Insurance and Business Interruption Insurance. Lessee shall self insure and any permitted subtenant of it shall procure at its own expense and keep in force during the Lease Term: (a) a policy of comprehensive general liability insurance (Owners', Landlords, and Tenants' Public Liability Insurance) with minimum limits of not less than **ONE MILLION DOLLARS (\$1,000,000)** for injury to one person and not less than **TWO MILLION DOLLARS (\$2,000,000)** for injury to more than one person arising out of one occurrence; (b) a policy in the sum of not less than **TWO MILLION DOLLARS (\$2,000,000)** insuring claims of third parties for property damage; and (iii) a policy of business interruption (use and occupancy) insurance insuring that the rent received hereunder shall be paid to Lessor for a period of up to one (1) year if the Premises are destroyed or rendered inaccessible by a risk insured against by a policy of standard fire and extended coverage insurance with vandalism and malicious mischief endorsements. Any such policy shall be with an insurance company authorized to do business in the State of Hawaii, shall name Lessor and the State of

Hawaii and their elected officials, officers, employees and volunteers as additional insureds, and shall cover the entire Premises and the areas appurtenant thereto, including the sidewalks upon which the Premises abut. A current certificate of any such policy shall be deposited with Lessor. Upon Lessor's request, Lessee shall increase the limits and coverage of any such policy to amounts in line with prevailing prudent business practices and as necessary for Lessor's reasonable protection. Each such policy shall provide that it will not be canceled without written notice to Lessor at least thirty (30) days prior to the effective date of the proposed cancellation.

Section 12.2 Fire Insurance. Lessee shall self insure or procure and keep in full force during the Lease Term a policy of fire insurance, sprinkler leakage coverage, including standard extended coverage, in sufficient insurable amounts to cover the Premises and all goods, wares, merchandise, furniture, fixtures, supplies and other personal property located, stored or placed in or on the Premises.

Section 12.3 Lessee's Liability for Increased Fire Insurance. Lessee shall not keep, use, sell, or offer for sale in or upon the Premises any article that may be prohibited by the standard form of fire insurance policy. Lessee shall pay as part of Additional Rent any increase in premiums for fire and extended coverage insurance on the Premises or Complex that the insurer may charge Lessor because of any change in the type of merchandise Lessee sells in the Premises, whether or not Lessor has consented to such change. Upon Lessor's presentation of an invoice for such increase, Lessee shall pay the amount invoiced as part of Additional Rent for the Month following such presentation.

Section 12.4 Workmen's Compensation Insurance. Lessee shall maintain Workmen's Compensation Insurance in a sufficient amount to cover Workmen's Compensation liability under the laws of the State of Hawaii.

Section 12.5 Plate Glass. Lessee shall self insure or insure and keep insured any and all plate and other glass in and about the Premises. The insurance shall name the Parties as insureds.

Section 12.6 Indemnification of Lessor. Lessee, as a state agency, shall be liable, subject to the applicable provisions of chapter 661, Hawaii Revised Statutes (Actions By and Against the State) and chapter 662, Hawaii Revised Statutes (State Tort Liability Act) for all claims and demands for property damage, loss, personal injury or death on the Premises arising out of Lessee's use or occupancy of the Premises that is caused by the negligence or wrongful act or omission of any officer or employee of Lessee while acting within the scope of the office or employment, or persons acting for Lessee in an official capacity, temporarily, whether with or without compensation.

Section 12.7 Waiver of Subrogation

(a) Notwithstanding anything herein to the contrary, each Party (as "insured") releases the other Party and its Representatives from any claims for loss due to injury or damage to (1) any Person or (2) the Premises or insured's fixtures, personal property, improvements, or alterations in or on the Premises, which loss is of a kind covered by a policy in favor of insured and in force at the time of the loss (even if the loss exceeds the insurance proceeds because of a deductible or because of the limits of coverage).

(b) In addition, Lessor shall not be liable to Lessee for any part of:

(1) a loss caused by fire; or

(2) any other loss that is of a kind that is or would be covered by an insurance policy that Lessee is required to procure or maintain hereunder.

(c) Except as provided in subsection (d) below, each Party (as "obligor") shall cause the insurer under each insurance policy obtained by obligor to waive any right of recovery against the other Party (as "obligee") by subrogation in connection with a loss of a kind covered by the policy.

(d) If an insurance policy cannot be obtained with a waiver of subrogation or is obtainable only by the payment of a premium greater than that charged by insurance companies issuing policies without waiver of subrogation, obligor shall so notify obligee. Obligee shall have ten (10) days after receiving the notice (1) to place the insurance with a company that is reasonably satisfactory to obligee and that will carry the insurance with a waiver of subrogation or (2) to agree to pay the additional premium if the policy is obtainable at additional cost. If the insurance cannot be obtained without a waiver of subrogation or obligee declines to pay the additional premium charged, obligor shall be relieved of its obligation to obtain a waiver of subrogation rights with respect to the insurance involved.

ARTICLE 13 UTILITIES AND TRASH REMOVAL

Section 13.1 Meters. Lessee may, at its own expense, install meters recording the amount of electricity and water furnished exclusively to the Premises.

Section 13.2 Utility Charges. Lessee shall pay (a) all charges for electricity, water, telephone, and other utility services, (b) all charges for removal of trash from the Premises, and (c) all other charges incurred by Lessee in connection with its use and enjoyment of the Premises on or before the dates upon which such charges become delinquent.

Section 13.3 Lessor Not Liable. Lessor shall not be liable for interruption of service or other problems with any of the foregoing services in Section 13.2 above.

ARTICLE 14 OFFSET STATEMENT, ATTORNMENT AND SUBORDINATION

Section 14.1 Offset Statements. If Lessor's mortgagee or a prospective purchaser of Lessor's mortgage or Lessor's interest in the Complex desires a statement from Lessee as to claims against Lessor on account of prepaid rent or otherwise, Lessee shall deliver such statement (in recordable form, if requested) to the party desiring it. Such statement (a) shall certify, if true, that this Lease is in full force and has not been modified since the date hereof or, if not true, shall state the manner in which the Lease is not in force or has been modified since the date hereof and (b) shall certify, if true, that Lessee has no defenses to enforcement hereof or setoffs against any amounts Lessee may owe hereunder or, if not true, shall state the defenses or setoffs claimed by Lessee.

Section 14.2 Attornment. If a mortgagee elects to have this Lease take priority over its mortgage, then, upon the mortgagee's notifying Lessee to that effect, this Lease shall have priority over the mortgage to the same extent as if this Lease had been recorded prior to the mortgage. If Lessor's

interest in the Premises is foreclosed under any mortgage heretofore or hereafter made by Lessor, whether or not this Lease is terminated by such foreclosure, Lessee shall, upon the request of Lessor's successor, attorn to the successor and recognize it as lessor hereunder. If this Lease is terminated by such foreclosure, the Lease shall, upon the successor's request, be reinstated as a lease between the successor and Lessee, but the successor shall not be liable for any act or omission of Lessor nor be subject to any setoffs or defenses that Lessee may have had against Lessor. Lessee shall execute, acknowledge, and deliver such instruments as may be requested by any party in interest to carry out the purposes of this section.

Section 14.3 Subordination of Lease to Mortgage

(a) If:

(1) any mortgage now or hereafter in effect with respect to the Premises so provides or the mortgagee of such mortgage agrees with the Parties in writing to recognize and be bound by this Lease in the event of foreclosure; and

(2) Lessee is not in default hereunder,

(b) then:

(1) this Lease and all of the rights of Lessee hereunder shall be subordinated to the mortgage; and

(2) Lessee shall execute, acknowledge, and deliver such instruments as may be required to effect or perfect such subordination.

ARTICLE 15 TRANSFERS

Section 15.1 Restriction on Transfer

(a) Lessee shall not, without Lessor's prior consent:

(1) Transfer or attempt to Transfer any interest in the Leasehold or any other right of Lessee hereunder; or

(2) suffer a Transfer of such interest.

(b) Any Transfer in contravention hereof shall be void. Any attempted Transfer in contravention hereof shall be a material breach hereof.

(c) Lessor may (1) withhold its consent to a Transfer in its sole discretion or (2) condition Lessor's consent on an adjustment of Base Rent or such other changes in the Lease as Lessor deems desirable in its sole discretion.

Section 15.2 Assignment. If Lessee assigns the Leasehold with Lessor's consent, Lessor may collect Rent from the assignee and apply the net amount collected to the Rent due from Lessee.

Section 15.3 No Release of Lessee. Notwithstanding any permitted Transfer, Lessee shall remain fully liable hereunder.

ARTICLE 16 WASTE, GOVERNMENTAL REGULATIONS

Section 16.1 Waste or Nuisance. Lessee shall not commit or suffer to be committed any waste upon the Premises or any nuisance or other act or thing that may disturb the quiet enjoyment of any other Tenant or any other Person within five hundred (500) feet of the Complex's boundaries.

Section 16.2 Governmental Regulations. Lessee, at its sole cost and expense, shall comply with all applicable laws of city, county, state, and federal governmental authorities now or hereafter in force pertaining to the Premises.

Section 16.3 Hazardous Materials

(a) Lessee shall maintain the Premises in compliance with, and shall not cause the Premises or the Complex to be in violation of, any Hazardous Materials Laws. Lessee shall not use, generate, manufacture, treat, handle, refine, produce, process, store, discharge, release, dispose of or allow any Hazardous Materials in, on, under, or around the Premises or the Complex in violation of any Hazardous Materials Laws.

(b) Lessee shall indemnify, defend and hold harmless Lessor and its Representatives from any loss, damage, cost, expense or liability, direct or indirect (including attorneys fees) arising out of or attributable to the violation of any Hazardous Materials Laws or the unlawful use, generation, manufacture, treatment, handling, refining, disposal or presence of Hazardous Materials in, on, under, or around the Premises or the Complex, including all foreseeable and unforeseeable consequential damages, the costs of any required or necessary repair, clean up or detoxification of the Premises or the Complex, and the preparation and implementation of any closure, remedial or other required plans. Lessee shall immediately advise Lessor in writing if Lessee at any time becomes aware of any violation of any Hazardous Material Laws or of any claim made pursuant to any Hazardous Material Laws in respect of the Premises or the Complex.

ARTICLE 17 REAL PROPERTY TAXES

Section 17.1 Tax on Land and Improvements. Lessee shall pay to Lessor, as part of Additional Rent, Lessee's Pro Rata Share of all real property taxes assessed during or with respect to any part of the Lease Term on the value of all improvements in the Complex and the land associated with it. Upon Lessor's presentation of an invoice for Lessee's Pro Rata Share of any real property taxes, Lessee shall pay the amount invoiced as part of Additional Rent for the Month following such presentation.

Section 17.2 Assessment. If any assessment is levied against the Complex under any improvement district or betterment laws or by a government authority, Lessee shall pay, as part of

Additional Rent, Lessee's Pro Rata Share of each annual or other periodic installment of such assessment during the Lease Term. Upon Lessor's presentation of an invoice for Lessee's Pro Rata Share of any such assessment, Lessee shall pay the amount invoiced as part of Additional Rent for the Month following such presentation.

ARTICLE 18 DESTRUCTION OF OR DAMAGE TO BUILDINGS

Section 18.1 Repairs by Lessee. If, during the Term, (a) any part of the Complex is damaged or destroyed by any casualty insurable under standard fire and extended coverage insurance policies, or (b) the Complex is damaged to an extent less than twenty-five percent (25%) of the then tax-assessed value thereof by any other casualty, then Lessee, subject to any delay or inability from cause beyond Lessee's control, shall repair or rebuild the part damaged or destroyed to substantially the condition in which the part was immediately prior to such damage or destruction.

Section 18.2 Noninsured Casualty

(a) (1) If, during the Term, (A) any part of the Complex is damaged or destroyed by a casualty not insurable under standard fire and extended coverage policies or (B) the Complex is damaged to an extent of twenty-five percent (25%) or more of the then tax-assessed value thereof by any other casualty, (2) then Lessee may elect either (A) to terminate this Lease or (B) to repair or restore the part damaged or destroyed to substantially the condition in which the part was immediately prior to such damage or destruction. No later than 30 days after the casualty, Lessee shall advise Lessor in writing of Lessee's election.

(b) If, in accordance with subsection (a) above, Lessee elects to repair or rebuild the part damaged or destroyed, then (1) this Lease shall remain in full force and effect, (2) the Parties waive provisions of any law to the contrary, and (3) Base Rent shall be abated as provided in Section 18.6 below.

Section 18.3 Continuation of Business. During any period of reconstruction or repair of the Premises or Complex, Lessee shall continue to conduct the Business in the Premises to the extent reasonably practicable.

Section 18.4 Repairs by Lessee. Lessee shall, in the event of damage or destruction affecting the Premises, unless this Lease is terminated pursuant to Section 18.2(a) above, forthwith replace or fully repair all plate glass, exterior signs, trade fixtures, equipment, display cases, and other installation originally installed by Lessee.

Section 18.5 Insurance Proceeds. Subject to Section 12.1 above, Lessor shall have no interest in the proceeds of any insurance carried by Lessee on its interest in this Lease. Lessee shall have no interest in the proceeds of any insurance carried by Lessor.

Section 18.6 Abatement of Base Rent. Base Rent shall be abated proportionately during any period in which damage to or destruction of the Premises or other part of the Complex not caused by Lessee or any of its Representatives substantially interferes with the operation of the Business in the Premises. Such abatement shall continue for the period commencing with such destruction or damage

and ending with the completion by Lessee of such work, repair or reconstruction as Lessee is obligated to do.

ARTICLE 19 CONDEMNATION

Section 19.1 Total Taking. If the whole of the Premises is taken by any public authority under the power of eminent domain (such authority, "condemnor," and such taking, "condemnation"), then this Lease shall terminate as of the day possession is taken by condemnor.

Section 19.2 Partial Taking

(a) Except as provided in subsection (b) below, if a part (less than the whole) of the Premises is condemned, then:

(1) this Lease shall terminate as to the part taken and shall continue in full force and effect as to the remainder of the Premises;

(2) Base Rent shall be reduced in the proportion that the gross leasable area taken bears to the Premises' gross leasable area; and

(3) Lessee, at its own cost and expense, shall repair the remainder of the Premises to the extent necessitated by such taking.

(b) If, following a partial taking of the Premises, the remainder cannot be made tenantable for the conduct of the Business, Lessee may, within thirty (30) days after the filing of such condemnation action, terminate this Lease effective as of the date condemnor takes possession.

(c) If more than fifty percent (50%) of the gross leasable area of the Premises is condemned, either Party, by written notice to the other delivered on or before the date of surrendering possession to condemnor, may terminate this Lease, effective as of such surrender of possession.

(d) Except as provided in Sections 19.4-19.5 below, all compensation and damages of any type awarded for any taking, whole or partial, shall belong to and be the property of Lessor.

Section 19.3 Total or Majority Condemnation of Parking Areas

(a) Termination

(1) If:

(A) the whole of the parking areas in the Common Facilities is condemned; or

(B) more than one-half of such areas is condemned or becomes unusable as a result of the condemnation,

(2) then this Lease shall terminate as of the date possession is taken by condemnor unless Lessor:

(A) takes immediate steps to provide at its expense other parking facilities substantially equal to the condemned parking areas;

(B) notifies Lessee in writing of Lessor's determination to provide such facilities within 20 days after such date; and

(C) provides such facilities within ninety (90) days from such date.

(b) **No Claim.** If this Lease is terminated pursuant to subsection (a) above, Lessee shall have no claim against Lessor or condemnor for the value of any unexpired part of the Lease Period.

Section 19.4 Lessee's Damages. Lessee shall have the right to claim and recover from condemnor, but not from Lessor, such compensation as may be separately awarded or recoverable to Lessee in its own right on account of any cost or loss to which Lessee might be put in removing Lessee's merchandise, furniture, fixtures and equipment.

Section 19.5 Temporary Taking

(a) If any part of the Leasehold or appurtenant rights are condemned, but Lessor's fee in the Premises is not, this Lease shall not terminate and such condemnation shall not excuse Lessee from performance of its obligations hereunder. However:

(1) Lessee shall be entitled to present or pursue against condemnor Lessee's claims for and to receive all compensation or damages sustained by Lessee because of such condemnation;

(2) Lessor's right to recover compensation or damages shall be limited to compensation for damages, if any, to its reversionary interest; and

(3) while Lessee is not in possession of the Premises because of such condemnation, the Leasehold and Lessee's other interests hereunder shall not be subject to forfeiture for Lessee's failure to perform any covenant hereunder other than the payment of money.

(b) If condemnor fails to keep the Premises in the state of repair required hereunder, or to perform any other covenant hereunder other than the payment of money, then Lessee shall perform such covenant within ninety (90) days after Lessee resumes possession of the Premises.

(c) During the period that Lessee is not in possession of the Premises because of such condemnation, Lessee shall pay to Lessor, in lieu of Rent otherwise due each Month, but in addition to any other payments required of Lessee hereunder, an annual rental equal to the average annual rental paid by Lessee over the applicable period specified below:

(1) if the period from the Leasehold Commencement Date until condemnor's taking of possession spans at least three full Years, then the applicable period is the last three full Years;

(2) otherwise, the applicable period is the period from the Leasehold commencement until condemnor's taking of possession.

Lessee shall pay such annual rental in 12 equal installments, due in advance on the first day of each Month, except that an installment shall be pro rated for a short Month.

(d) At any time after such condemnation proceedings are commenced, Lessor may require Lessee to assign to Lessor all compensation and damages payable by condemnor to Lessee as security for the performance of Lessee's obligations hereunder. Such assignment shall not relieve Lessee of such obligations. Lessor shall hold the assigned amount without liability for interest thereon and may apply the amount to the payment of rents, taxes, assessments, insurance premiums and all other sums from time to time payable by Lessee pursuant hereto as such sums fall due. Lessee shall pay Lessor any remainder of such sums after such application has exhausted the assigned amount.

ARTICLE 20 DEFAULT OF LESSEE

Section 20.1 Default and Right to Re-enter

(a) Lessee shall be in default hereunder if Lessee:

(1) fails timely to pay any rental due hereunder within ten (10) days after notice from Lessor that the same is overdue and unpaid;

(2) abandons the Premises; or

(b) Upon any such default, Lessor shall have the immediate right of re-entry in addition to any other rights or remedies Lessor may have hereunder or by law. Upon re-entry, Lessor may remove all persons and property from the Premises and may store removed property in a public complex or elsewhere at the cost of and for the account of Lessee. Such re-entry, removal, and storage shall be available to Lessor without (1) service of notice or resort to legal process or (2) Lessor's being deemed guilty of trespass or becoming liable for any loss or damage that may be occasioned by such re-entry, removal, and storage.

Section 20.2 Other Default

(a) If:

(1) Lessee materially fails to perform an obligation, other than the payment of money, hereunder;

(2) Lessor notifies Lessee of the default and demands that it be remedied; and

(3) Lessee:

(A) fails to cure the default within 30 days after such notice, when the default can be remedied within such period; or

(B) fails to initiate a cure within the period or (i) diligently pursue a cure until a cure is effected, if the default cannot be remedied within the period,

(b) then Lessor may:

(1) cure such default for the account of and at the cost and expense of Lessee; or

(2) terminate this Lease by notice to Lessee at least five business days before the effective date of the termination.

Upon Lessor's presentation of an invoice for any cost incurred by Lessor for such cure, Lessee shall pay the amount invoiced as part of Additional Rent for the Month following such presentation.

Section 20.3 Right to Relet

(a) If Lessor re-enters the Premises pursuant to Section 20.1. above or takes possession pursuant to law, Lessor may:

(1) terminate this Lease; or

(2) without terminating this Lease, (A) make such alterations and repairs as may be necessary to restore the Premises to the condition they were in on the Leasehold Commencement Date and (B) relet the Premises or a part thereof for the remainder of the Lease Period at such rental and upon such other terms as Lessor in its sole discretion deems advisable.

(b) Rentals received by Lessor from the reletting shall be applied first to the payment of any indebtedness other than Rent hereunder from Lessee to Lessor; second, to the payment of any costs and expenses of such reletting, including brokerage fees and attorney's fees and of costs of such alterations and repairs; third, to the payment of Rent due and unpaid before the reletting, and fourth, to the payment of Rent as it becomes due and payable hereunder.

(c) If for any Month including or following the re-entry date, the rentals, as applied pursuant to subsection (b) above are insufficient to cover the Month's Rent, Lessee shall pay the deficiency to Lessor by the end of the Month.

(d) No such re-entry or taking possession of the Premises by Lessor shall be construed as an election on Lessor's part to terminate this Lease, unless notice of such intention is given to Lessee or unless the termination of the Lease is decreed by a court of competent jurisdiction.

(e) Lessor may terminate this Lease at any time following a reletting.

ARTICLE 21 LESSOR'S ACCESS

Section 21.1 Access. Lessor or its Representatives shall have the right to enter the Premises during business hours to examine them, to show them to prospective purchasers, or to make such repairs as Lessor may deem necessary or desirable. Lessor shall be allowed to bring all materials into and upon the Premises that may be required for such purposes without such action's constituting a complete or partial eviction of Lessee. Rent shall be abated while such repairs are being made if they result in loss or interruption of Business or otherwise impair Lessee's use of the Premises.

Section 21.2 Notice. During the six months prior to the Leasehold expiration date in effect, Lessor may exhibit the Premises to prospective tenants or purchasers and place upon the Premises the usual notices "To Let" or "For Sale." Lessee shall not remove or otherwise impair or thwart such notices.

ARTICLE 22 QUIET ENJOYMENT: HOLDING OVER

Section 22.1 Lessor's Covenant

(a) On the Leasehold Commencement Date, Lessor shall deliver to Lessee possession of the Premises free and clear of all tenants and occupants, liens, encumbrances or zoning violations that would interfere with Lessee's use of the Premises. Upon timely payment by Lessee of Rent and the performance of all other of Lessee's obligations hereunder, Lessee shall be entitled peaceably and quietly to hold and enjoy the Premises without hindrance or interruption, subject to the terms hereof.

(b) However:

(1) Lessee shall be responsible for determining that its intended use of the Premises is consistent with zoning regulations applicable to them; and

(2) if any Tenant in the Premises holds over through or beyond the Leasehold Commencement Date or if, by some other cause beyond Lessor's control, Lessor is unable to deliver possession of the Premises to Lessee on the Lease Commencement Date, then all Rent otherwise due shall be deferred until such delivery occurs.

Section 22.2 Holding Over

(a) Any holding over by Lessee after the expiration hereof with Lessor's consent shall be construed to be a tenancy from month to month. For each calendar month, Lessee shall pay in advance by the first of the month the sum of the Base Rent in effect at the expiration hereof and any Additional Rent calculated in the same manner as during the Lease Term. All other terms hereof shall apply to the tenancy to the extent practicable.

(b) Lessee acknowledges that any holding over by it after the expiration hereof without Lessor's consent will cause Lessor to incur costs not contemplated hereby and that the

exact amount of such costs are extremely difficult and impractical to measure or predict. Such costs include delay in development, loss of prospective lessees, repossession costs, change orders and opportunity cost. If Lessee continues to occupy the Premises after the expiration hereof without Lessor's permission, Lessee shall pay as liquidated damages (and in lieu of actual damages) an amount equal to 300% of the Base Rent in effect at the expiration hereof.

ARTICLE 23 OTHER TERMS

Section 23.1 Operating Expenses. The Parties understand that Lessee shall be responsible for all service costs for maintaining the Premises, including costs for refuse removal, janitorial services, landscaping services, utilities and repairs pursuant to Section 10.1 above.

Section 23.2 Fire Safety System. Lessor makes no warranties or representations regarding the fire safety system for the Premises.

Section 23.3 Establishment of Patrol District. Effective March 1, 2009 and continuing through the term of this Lease, Lessee shall establish the Kakaako Makai District and state owned parks in the Kakaako Mauka District (both as defined in HAR §15-22 and 23) as a Department of Public Safety Patrol District and shall provide law enforcement and patrol services with a scope not less than that set forth in Exhibit B attached hereto.

Section 23.4 Option to Extend Lease Period

(a) Subject to the terms in subsection (b) below, Lessee shall have the option to extend the Lease Period for another five years following the Initial Lease Period (the additional five-year period, the "Extended Period").

(b) The option shall expire at 4 p.m. on the 180th day preceding the Initial Leasehold Expiration Date and shall automatically terminate if Lessee commits a material breach hereof at any time before the option's expiration. While the option is in force, Lessee must exercise the option by notice to Lessor. Even if the option is timely exercised, it shall be of no effect if:

(1) Lessee commits a material breach hereof at any time before the Initial Leasehold Expiration Date; or

(2) Lessor terminates this Lease pursuant hereto or in accordance with law before such date.

(c) Except as provided in subsections (a)-(b) above, upon the expiration or termination hereof, Lessor shall not be obligated to extend or renew this Lease or to enter into another lease of the Premises with Lessee.

(d) Anything in this Lease to the contrary notwithstanding, should the Lessor offer the Complex for a development proposal that includes 200,000 +/- square feet of state office building; then, upon completion of the state office building, Lessee will be provided sufficient space in the building to relocate its operations. Should the building be ready for

occupancy during the term of this lease the Parties agree that Lessee will relocate its operations and this Lease will be terminated.

Section 23.5 Lease Terms During the Extended Period

(a) **Lease Terms.** All terms of this Lease applicable during the Initial Lease Period shall apply *mutatis mutandis* during the Extended Period, except for such terms as by their nature or context (A) apply only to the Initial Lease Period or (B) may not be analogously applied to the Extended Period.

ARTICLE 24 MISCELLANEOUS

Section 24.1 Word Use. In this Lease, unless otherwise indicated herein or required by the context:

- (a) words in the singular form include the plural and conversely;
- (b) words signifying one gender include the others;
- (c) "or" is not exclusive;
- (d) forms of the verb "include" are not limiting; and
- (e) "hereof," "herein," "hereunder," and words of similar construction refer to this Lease as a whole and not to any particular part.

Section 24.2 Accord and Satisfaction. No payment by Lessee or receipt by Lessor of an amount less than the Rent or other amount due or overdue shall be deemed to be other than on account of the earliest Rent or other amount due. No (a) endorsement of a check made payable to Lessor by Lessee (or any Person paying for Lessee's benefit) or (b) statement on or letter accompanying any check or payment of Rent or other amount accepted by Lessor shall be deemed an accord and satisfaction. Lessor may accept such check or payment without prejudice to Lessor's right to recover the balance of such Rent or other amount due and may pursue any other remedy provided herein or by law.

Section 24.3 Entire Agreement

- (a) This Lease is composed of the body (beginning with the preamble and ending with the Parties' signatures) and Exhibits A and B.
- (b) This Lease constitutes the complete and exclusive agreement between the Parties with respect to the subject matter herein and supersedes all prior oral or written agreements or statements between or by the Parties with respect to such subject matter. This Lease may not be amended, supplemented, superseded, or canceled except by an instrument signed by the Parties.

Section 24.4 Lessor's Consent

(a) ... Wherever this Lease (1) provides that an act of Lessee requires Lessor's consent and (2) does not provide that Lessor may withhold its consent in its sole discretion, Lessor shall not unreasonably or arbitrarily withhold its consent.

(b) Except as otherwise provided herein, no consent by Lessor shall require the payment of money as a condition to giving consent, other than a reasonable charge for the processing of Lessee's request for and Lessor's preparation of the consent.

Section 24.5 Relationship of the Parties: The Parties intend that the relationship between them hereunder shall be solely that of lessor and lessee. Nothing herein shall be construed (a) to create a partnership, joint venture, or co-ownership or (2) to constitute either Party an agent or legal representative of the other Party.

Section 24.6 Force Majeure

(a) If a Party is delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or other reason of a like nature not the fault of the Party delayed in performing work or doing acts required hereunder, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay.

(b) Subsection (a) above shall not apply (1) to an obligation to pay money (whenever accruing) or (2) a performance that was due prior to the occurrence of the events otherwise excusing performance under that subsection.

Section 24.7 Communications

(a) All communications (including notices, statements, reports, invoices, requests, demands, consents, and waivers) between the Parties provided for hereunder shall be in writing.

(b) A written communication may be sent to the recipient by any of the following methods:

(1) personal delivery (including by prepaid private courier service) to an officer or other responsible employee of the recipient;

(2) delivery by postal service, registered or certified, first-class postage prepaid; or

(3) electronic transmission, with all charges prepaid.

(c) A communication sent by electronic means is considered to be "in writing" if the recipient has a device (e.g., telecopier or computer, including software) that is able to convert the electronically transmitted information into information readable by a person.

(d) Any written communication delivered to a recipient at its address or sent to the recipient at its telecopier number or e-mail address provided in subsection (e) below shall be deemed to be validly and effectively given (1) when received, if receipt occurs before 4 p.m. on a business day, or (2) at the commencement of the next business day, otherwise.

(e) Any written communication may be given to a recipient at its address, telecopier number, or e-mail address below:

For Lessor:

Attention: Executive Director
461 Cooke Street
Honolulu, Hawaii 96813
Phone: 808-594-0300
Telecopier: 808-594-0299
E-mail: contact@hcdaweb.org

For Lessee:

Attention: Director
Department of Public Safety
Administration
919 Ala Moana Blvd. 4th Floor
Honolulu, HI 96814

Telecopier: 808-587-1421
E-mail: psd.webmaster@hawaii.gov

or at such other address, telecopier number, or e-mail address as the recipient may subsequently designate to the sender by five business days' advance notice in the manner provided in this section.

Section 24.8 Headings. Headings of subdivisions, exhibits, and other parts hereof have been inserted for convenience of reference only and shall not be used in interpreting this Lease.

Section 24.9 Successors and Assigns. All rights and liabilities herein given to or imposed upon the respective Parties shall extend to and bind their respective successors and assigns.

Section 24.10 Governing Law. This Lease shall be governed by and construed under the internal laws of the State of Hawaii.

Section 24.11 Jurisdiction. Each Party submits itself to the nonexclusive jurisdiction of the United States District Court for the District of Hawaii and of any Hawaii state court sitting in Honolulu, Hawaii for the purposes of all legal proceedings arising out of or relating to this Lease. Each Party waives, to the fullest extent permitted by applicable law, any objection that the Party may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 24.12 Waiver of Jury Trial. Each Party waives, to the fullest extent permitted by law, any right to trial by jury in any legal proceeding arising out of or relating to this Lease.

Section 24.13 Counterclaims. If Lessor commences any proceeding for nonpayment of rent or other amount payable by Lessee hereunder, Lessee will not interpose any counterclaim in such proceeding. This shall not, however, be construed as a waiver of Lessee's right to assert such claim in any separate action brought by Lessee.

Section 24.14 Waiver. No waiver of any provision hereof shall be effective unless it is in writing and signed by the Party to which the waiver is attributed. A waiver of a single breach shall not be deemed to be a waiver of any other breach theretofore or thereafter occurring.

Section 24.15 Cumulative Remedies. No election or partial exercise of a right or remedy hereunder shall preclude (a) any additional exercise of the right or remedy or (b) an election of any other right or remedy hereunder. The rights or remedies provided herein are cumulative and not exclusive of any other rights provided by law.

Section 24.16 Legal Expenses

(a) If a Party (as "plaintiff") brings a court action against the other Party (as "defendant") to enforce plaintiff's rights hereunder or for declaratory relief in any way relating hereto and prevails in such action, plaintiff shall be entitled to recover from defendant plaintiff's legal costs and expenses, including reasonable attorneys' fees and costs of reasonable investigation, preparation and professional and expert consultation incurred in connection with such action, including any appeal of such action.

(b) If any Party (as "obligee"), without fault on its part, is made a party to any court action, other than one described in subsection (a) above,

- (1) to which action the other Party (as "obligor") is a party;
- (2) which action arises out of or relates to this Lease; the Premises, or the Complex; and
- (3) in which action obligor is found at fault or otherwise does not prevail,

then obligor shall pay obligee's costs and expenses, including reasonable attorneys' fees and costs of reasonable investigation, preparation and professional and expert consultation incurred in connection with such action, including any appeal of such action.

Section 24.17 Recordation. Neither this Lease nor any memorandum hereof shall be recorded.

Section 24.18 Time of Essence. Time is of the essence as to all obligations to be performed promptly or by or at a specified time hereunder.

Section 24.19 Additional Actions. Each Party shall execute, acknowledge, or deliver any additional document reasonably necessary to effectuate the purposes hereof.

Section 24.20 Sale by Lessor

- (a) If:
- (1) Lessor conveys the fee in the Premises to a successor (as "transferee");
 - (2) Lessor delegates all of its obligations and liabilities to be performed thereafter to transferee; and

- (3) transferee expressly assumes all of such obligations and liabilities,
- (b) then:
- (1) Lessor shall be released from them; and
- (2) Lessee shall (A) look solely to transferee for their performance and (B) attorn to transferee.

Section 24.21 Shared Access. The parties agree that the Complex will share an access drive with the balance of lot 4 that will connect onto Keawe Street and Forrest Avenue for the benefit of both the Lessee and the public usage of the Forrest Avenue parking lot.

Section 24.22 Savings Clause. The unenforceability, invalidity, or illegality of any provision hereof shall not render the other provisions unenforceable, invalid, or illegal. If a provision of this Lease is determined by a court or other tribunal to be unenforceable, then said court or other tribunal shall attempt to construe such provision so that it is enforceable, consistent, however, with the intent of the Parties and of the provision.

Section 24.23 Effect of Termination or Expiration. Upon the termination or expiration hereof, no Party shall have:

- (a) any liability hereunder to the other Party, except for liabilities accrued prior to the termination or expiration; or
- (b) any further obligation hereunder to the other Party, except for those obligations in Sections 9.2(b)(1), 10.4, 12.6, and 16.3(b), which obligations shall survive the termination or expiration.

IN WITNESS WHEREOF, the Parties have executed this Lease as of the date first written above.

Approved as to form for Lessor by the
Department of the Attorney General, State of
Hawaii
By: *[Signature]*
Diane Taira
Deputy Attorney General

Lessor:
Hawaii Community Development Authority
By: *[Signature]*
Anthony J.H. Ching
Executive Director

Approved as to form for Lessee by the
Department of the Attorney General, State of
Hawaii

By: 
~~Diane Fink~~ Lisa Iwakura
Deputy Attorney General

Lessee:
Department of Public Safety


By: 
Clayton Frank
Director

EXHIBIT A
PREMISES
(Not to Scale)

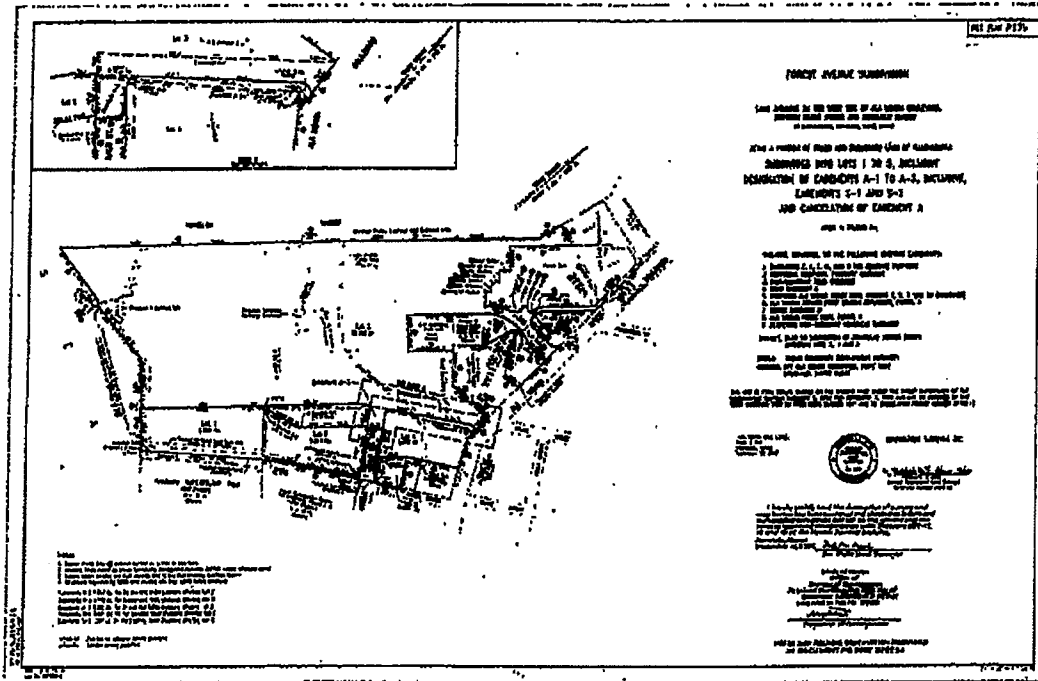


EXHIBIT B

SPECIFICATIONS

Lessee shall provide security services for the Hawaii Community Development Authority (HCDA)'s Kakaako Makai District and state parks in the Mauka District as reflected on Exhibit C (collectively called "Project") in accordance with these Specifications.

REQUIREMENTS FOR LESSEE

1. General

a. Lessee shall ensure the following performance of its deputies:

- 1). To provide a law enforcement presence and response, and shall provide general public contact and normal law enforcement functions in both public and non-public areas including, but not limited to, enforcement of traffic violations, misdemeanor criminal investigations, arrest and apprehension for criminal activity, security patrols and surveillance and roadway and traffic control.
- 2) Maintain and submit to Lessor a daily bulletin as a summary of all criminal and non-criminal reports and arrests made (except pending cases).
- 3) Enforcement of Park Rules and Regulations by verbal warnings and issuance of citations to violating persons.

b. Lessee shall lock or cause to be locked all security gates and comfort station(s) gates at such time determined by the HCDA at Kakaako Waterfront Park, Kakaako Makai Gateway Park and Kewalo Basin Park and Kewalo Basin.

2. The work requires:

- 24/7 availability
- Lessee shall ensure that each deputy assigned is briefed as to the law enforcement services provided.

3. Lessee shall provide all necessary equipment to complete the requirements of the specifications contained herein.

8 - 240 Keawe Street



240 Keawe Street

- Zoning: This site is zoned MUZ mixed commercial use which provides for commercial development options.
- A short term lease exists with the Department of Public Safety until 5/31/2020. A portable office building is being used as the Sheriff's office. Ingress and egress is off of Keawe Street.
- This property benefits from good visibility from Ala Moana Boulevard and ingress and egress from Keawe Street. Property is across from Kamehameha Schools' Salt mixed-use development.
- Retail market rent study projects rents for a development at this site would range from \$3.50 to \$4.00 psf/mo (see Historic Pump Station for retail rent study).
- ***Short-term development option is to keep this site as parking. There is potential for a retail development in mid-term of up to 10,000 square feet based on demand. Self-storage demand appears to be oversupplied.***

240 Keawe Street	
1- Property Characteristics	22,949 sf parcel. Temporary sheriffs office located on site. Zoning - MUZ. Limited visibility from Ala Moana Boulevard. Ingress and egress from Keawe Street.
2-Review Ground Lease	Lease to Department of Public Safety. Term of lease is from 6/1/2010 - 5/31/2020 with no rent charged.
3-Property Inspection	Vacant lot used for temporary Sheriff's office.
4-Review Building Operations	Building operations handled by tenant
5-Review Redevelopment Options	Encumbered lease through 2020. Zoning allows for office and retail uses.
6-Conduct Market Rent Study	Retail rent indicates average net monthly rent of \$3.70 psf/mo.
7-Conduct Market Demand Study	Retail demand study indicates support for 10,000 to 15,000 sf.
8-Conduct Financial Analysis	Financial analysis conducted
9-Create Development Plan	Consider retail development

Office Market Rent Study

Office Rent Study - 240 Keawe Street

Property Type	Property Name	Comp SF	Sub Market	Lease Comment Date	Actual Base Rent	Actual Rate Type	Term (Months)
Office	675 Auahi Street	1,540	Kakaako	4/1/2015	\$0.70	NNN	120
Office	670 Queen Street	1,559	Kakaako	5/1/2016	\$0.80	NNN	34
Office	670 Queen Street	1,016	Kakaako	9/1/2016	\$0.77	NNN	25
Office	670 Queen Street	768	Kakaako	11/1/2016	\$0.91	NNN	28
Office	Auahi Business Center	611	Kakaako	12/1/2016	\$2.00	NNN	59
Office	670 Queen Street	2,059	Kakaako	3/1/2017	\$1.50	NNN	36
Office	760 Halekauwila Street	644	Kakaako	7/1/2017	\$2.20	Modified Gross	36
Office	760 Halekauwila Street	529	Kakaako	7/1/2017	\$1.59	Modified Gross	36
Office	760 Halekauwila Street	920	Kakaako	7/1/2017	\$2.45	Modified Gross	36
				Average	\$1.44		
				Median	\$1.50		

Retail Market Rent Study

Retail Market Rent Study - Historic Pump Station and 240 Keawe Street

Property Type	Property Name	Comp SF	Sub Market	Actual Rate	Actual Rate Type	Term (Months)	Lease Start Date
Retail	660 Ala Moana Building	7,160	Kakaako	\$2.50	NNN	126	4/1/2015
Retail	685 Auahi Street	751	Kakaako	\$3.75	NNN	60	6/1/2015
Retail	660 Ala Moana Building	970	Kakaako	\$3.50	NNN	60	12/1/2015
Retail	675 Auahi Street	610	Kakaako	\$4.50	NNN	60	2/1/2016
Retail	685 Auahi Street	1,940	Kakaako	\$3.75	NNN	60	3/1/2016
Retail	SALT Our Kakaako	1,100	Kakaako	\$3.50	NNN	124	6/1/2016
Retail	660 Ala Moana Building	492	Kakaako	\$4.00	NNN	60	5/1/2016
Retail	Auahi Business Center-330	3,315	Kakaako	\$3.18	NNN	120	7/1/2016
Retail	660 Ala Moana Building	2,030	Kakaako	\$3.15	NNN	64	7/1/2017
Retail	Keauhou Lane	13,122	Kakaako	\$3.50	NNN	180	1/1/2017
Retail	Keauhou Lane	1,926	Kakaako	\$4.00	NNN	60	1/1/2017
Retail	Keauhou Lane	3,491	Kakaako	\$2.00	NNN	144	1/1/2017
Retail	Keauhou Lane	920	Kakaako	\$5.15	NNN	60	1/1/2017
Retail	Keauhou Lane	1,151	Kakaako	\$4.50	NNN	60	1/1/2017
Retail	Keauhou Lane	1,811	Kakaako	\$3.00	NNN	120	1/1/2017
Retail	Keauhou Lane	2,977	Kakaako	\$4.10	NNN	120	1/1/2017
Retail	Keauhou Lane	1,154	Kakaako	\$4.50	NNN	60	1/1/2017
				Average	\$3.68		
				Median	\$3.75		

Self Storage Analysis

KAKAAKO SELF STORAGE FACILITIES						
Facility		Total Units	Avg. Unit Size	Building area (sf)	Land area (sf)	Avg Rate psf/mo
StorQuest Kakaako	840 Kawaiahao Street, 4th Flr	1,512	29	43,597	n/a	\$2.06
Public Storage (1)	1067 Kapiolani Blvd	1,600	122	194,445	52,272	\$4.26
U-Haul Storage	438 Kamakee St	939	34	32,128	29,414	\$1.94
A-American Self Storage (1)	720 South St	1,422	32	45,009	14,874	\$3.96
Dillingham Self Storage (1)	935 Dillingham Blvd	1,100	114	125,387	65,776	\$3.41
The Lockup Self Storage (1)	1901 Kapiolani Blvd	1,415	91	129,024	34,664	\$4.59
ExtraSpace Storage (1)	1414 Kalakaua Ave	info not avail		141,149	32,539	\$4.04
	Total	7,988		710,739	96,560	\$3.06
(1) Climate controlled						

There are four self-storage facilities in the immediate Kakaako area with a total of nearly 5,500 units. Within a 3-mile radius, there are more than 8,000 units. This equates to 9.02 square feet of space per person as compared to the 3.02 for urban Honolulu and 8.32 US average. Occupancy rates average in the 85% range and new condo projects also have some storage units available for residents. Average rents per square foot are \$3.06 per month.

Because of these factors, Colliers does not project any additional demand for self storage facilities in the area.

Construction costs for self storage facilities are estimated at \$200 to \$225 per square foot for a climate controlled building. The site could likely hold low-rise multi-level facility with a 10,000 square foot footprint.

KAKAAKO SELF STORAGE DEMAND ANALYSIS				
	<u>1-mile</u>	<u>3-mile</u>		
Existing	19,456	200,582		
New developments (2017 -2019)	<u>15,488</u>	<u>15,488</u>		
Total	34,944	216,070		
			<u>Urban Core (1)</u>	<u>U.S. (1)</u>
Self Storage Inventory (sf)	315,179	710,739	2,996,700	
sf per person	9.02	3.29	3.02	8.32
(1) 2015 Self Storage Almanac				

Exhibit D

SECOND AMENDMENT TO LEASE

This Second Amendment ("Amendment") to Lease 9-03 dated June 1, 2010 ("Lease") is entered into as of _____ 2020, by and between the Hawaii Community Development Authority, a body corporate and public instrumentality of the State of Hawaii ("Lessor"), and the State of Hawaii by its Department of Public Safety, pursuant to Section 171-30, Hawaii Revised Statutes ("Lessee") (collectively, "Parties").

WITNESSETH:

WHEREAS, the Parties executed and entered into the Lease;

WHEREAS, the Parties desire to amend the Lease to extend the Lease term an additional five (5) years for a period ending on May 30, 2025; and;

WHEREAS, the Parties desire to amend the Lease to increase the Base Rent due;

NOW THEREFORE, the Parties agree as follows:

A. Section 2.1 shall be deleted in its entirety and replaced with the following: Section 2.1 **Lease**. Lessor leases to Lessee and Lessee leases from Lessor the Premises from (and including) June 1, 2010 (the Leasehold Commencement Date) to (and excluding) May 31, 2025 (a) in "**AS IS AND WHERE IS CONDITION**" and "**WITH ALL FAULTS**" and (b) upon the terms hereof. In addition to the Leasehold, Lessee shall have, as an appurtenance to thereto, those rights, as set forth in Article 7 below, in the Common Facilities.

B. Section 3.1 (b) shall be deleted in its entirety and replaced with the following: Section 3.1 (b) **Base Rent**. Except as provided in subsection (c) below, "Base Rent" for each Month shall be the amount set forth in the table below opposite the period in which the Month lies.

Period	Amount
Initial Lease period: June 1, 2010 through May 30, 2020	\$0 (Zero Dollars)
May 31, 2020 through May 30, 2025	\$6,666.66 monthly (\$80,000 annually)

C. Remove Section 17.1

D. Remove Section 23.3.

E. Remove Section 23.4.

F. Remove Section 23.5.

G. Remove Exhibit B.

With the exception of the foregoing, all other terms and conditions of the Lease shall remain in full force and effect.

This Amendment shall be governed by and construed under the laws of the State of Hawaii.

This Amendment may be executed in several duplicate counterparts and such counterparts, when executed, shall constitute a single agreement. Any party may execute and deliver this Amendment by signing the signature page and electronically transmitting a facsimile thereof.

IN WITNESS WHEREOF, HCDA have caused this Amendment to be executed as of the day and year first above written.

Hawaii Community Development Authority

By: _____
Garett Kamemoto
Interim Executive Director

APPROVED AS TO FORM:

Deputy Attorney General

State of Hawaii
Department of Public Safety

By: _____

Name: _____

Its: _____

APPROVED AS TO FORM:

Deputy Attorney General