

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

October 13, 2023

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

PSF No.: 22HD-090

HAWAII

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

APPLICANT:

I. Kitagawa and Company, Limited (IK&C), a Hawaii Corporation, as Sublessor, to 'Ohana Housing & Development, Incorporated (OH&D), a California Corporation, and Research Corporation of the University of Hawaii (RCUH), a Hawaii State Agency, as Sublessees.

LEGAL REFERENCE:

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

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

LOCATION:

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

AREA:

*Total Lease Area:* 89,255 square feet, more or less.

OH&D: 66,726 square feet, more or less.

RCUH: 22,529 square feet, more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

LEASE CHARACTER OF USE:

General Industrial purposes.

SUBLEASE CHARACTER OF USE:

OH&D: Storage of vehicles and containers going on and off the port.

RCUH: Warehouse and general office purposes.

TERM OF LEASE:

55 years, commencing on September 4, 1975 and expiring on September 3, 2030. Last rental reopening occurred on September 4, 2015; next rental reopening is scheduled for September 4, 2025.

TERM OF SUBLEASE:

OH&D: 7 years and 9 months, retroactively commencing on December 1, 2022 and expiring on August 31, 2030.

RCUH: 8 years and 8 months, retroactively commencing on July, 16, 2015, and expiring on March 31, 2024.

ANNUAL LEASE RENTAL:

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

\$36,780.00 per annum (September 4, 2005 – September 3, 2015)

As noted above, the rent will be re-opened on September 4, 2025.

ANNUAL SUBLEASE RENTAL:

OH&D: \$5,000.00 per month (\$60,000.00 per annum) with annual increase of \$500.00.

RCUH: July 16, 2015 – December 31, 2018: \$2,400.00/month (\$28,800.00/yr.)  
January 1, 2019 – December 31, 2020: \$2,650.00/month (\$31,800.00/yr.)  
January 1, 2021 – March 31, 2021: \$2,252.50/month (\$27,030.00/yr.)  
April 1, 2021 – December 31, 2022: \$2,650.00/month (\$31,800.00/yr.)  
January 1, 2023 – March 31, 2024: \$2,650.00/month (\$31,800.00/yr.)

RECOMMENDED ADJUSTMENT TO LEASE RENTAL:

Pursuant to the “Revision to Sublease Rent Participation Policy” adopted by the Board at its meeting of July 9, 1982, Item F-9, as amended at its meeting of May 26, 2000, Item D-24, and further amended at its meetings of January 26, 2001, Item D-8, and August 24, 2012, Item D-14, approved as amended, Staff have been requested to provide an in-house evaluation of the sublease premium due to the State for the subleasing of a portion of GL S-4443, IK&C, Lessee/ Sublessor to ‘Ohana Housing & Development, Inc., Sublessee. The sublease documents and information provided by Lessee were analyzed and staff applied the formula approved by the Land Board on August 24, 2012, agenda item D-14, comprising of the most current Sublease Rent Participation Policy.

Based on the analysis above, staff is recommending that the Board increase the annual lease rent for the following sublease terms:

- RCUH: Staff is recommending that the Board approve a one-time charge of \$6,160.32 for the terms past due from July 16, 2015 – July 15, 2023 and increase annual lease rent an additional \$770.04 /yr. for upcoming terms from July 16, 2023 – March 31, 2024.
- OH&D: Staff is recommending that the Board approve a one-time charge of \$481.28 for the terms past due from December 1, 2022 – July 15, 2023 and increase annual lease rent an additional \$568.41/yr. for upcoming terms from July 16, 2023 - August 31, 2030<sup>1</sup>

Please see Sublease Rent Participation Calculation Memos for reference, attached as Exhibit B.

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<sup>1</sup> There is a final rental reopening scheduled under GL S-4443 for September 4, 2025. If the ground rent payable to the State by IK&C under the lease changes at that time, it will impact the calculation of the sublease rent participation due to the State. Staff is including a recommendation below that the Board authorize staff to re-evaluate the sublease rent participation after the rental reopening and return to the Board for any adjustment needed.

**CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:**

In accordance with Hawaii Administrative Rules (HAR) § 11-200.1-15 and the Exemption List for the Department of Land and Natural Resources reviewed and concurred on by the Environmental Council on November 10, 2020, the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Type 1: "Operations, repairs or maintenance of existing structures, facilities, equipment, or topographical features, involving minor expansion or minor change of use beyond that previously existing"; and Part 1, Item No. 40: "Leases of state land involving negligible or no expansion or change of use beyond that previously existing." The subleases are de minimis actions that will probably have minimal or no significant effect on the environment and should be declared exempt from the preparation of an environmental assessment and the requirements of § 11-200.1-17, HAR.

**DCCA VERIFICATION:**

**SUBLESSOR:**

Place of business registration confirmed:	YES <u>X</u>	NO <u>__</u>
Registered business name confirmed:	YES <u>X</u>	NO <u>__</u>
Good standing confirmed:	YES <u>X</u>	NO <u>__</u>

**SUBLESSEE:**

**OH&D**

Place of business registration confirmed:	YES <u>X</u>	NO <u>__</u>
Registered business name confirmed:	YES <u>X</u>	NO <u>__</u>
Good standing confirmed:	YES <u>X</u>	NO <u>__</u>

**RCUH**

Not applicable because RCUH is a governmental agency.

**REMARKS:**

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

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

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

At its meeting of November 22, 2005, the Board under agenda item D-3, consented to the assignment of lease from Hawaii Planing Mill, Ltd. as Assignor, to IK&C, as Assignee.

On May 16, 2006, the Chairperson, on behalf of the Board, approved the after-the-fact Consent to Sublease of GLS-4443, IK&C, Sublessor, to Hawaii Medical Services Association (HMSA), Sublessee, for business purposes. The sublease term was for three years, commencing on April 1, 2006 and expiring on March 31, 2009. HMSA occupied the building as is with little or no improvements made to the interior. The intended use by the sublessee was for data processing purposes. There were no adjustments to the lease rent for sublease rent participation as the subject lease was for improved property only, the improvements were not owned by the State, and IK&C pays fair market rent.

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

On November 7, 2022, we received applications for consent to sublease GLS-4443, IK&C, Sublessor, to 'Ohana Housing & Development, Inc. (OH&D) and Research Corporation of the University of Hawaii (RCUH), Sublessees. IK&C subleases the entire subject property and does not operate any business of its own on the said property.

OH&D has entered into its sublease on the agreed commencement date of December 1, 2022. OH&D intends to operate under the said sublease until its expiration date of August 31, 2030. OH&D will use the premises for storage of vehicles and containers going on and off the port. OH&D has no plans to make improvements to the premises.

RCUH entered into its sublease on the agreed commencement date of July 16, 2015. RCUH operated under the said sublease until the expiration date of December 31, 2022 using the premises for warehouse and general office space purposes. RCUH did not make any significant improvements to the premises. RCUH did not submit any request for extension for consent to sublease GLS-4443 beyond December 31, 2022.

From January 1, 2016 until its expiration date of December 31, 2022, RCUH extended the sublease eight times:<sup>2</sup>

- 1) Amendment to Lease made on January 18, 2016, RCUH extended the sublease term from January 1, 2016 to December 31, 2016. The rent remained at \$2,400.00/month.
- 2) Second Amendment to Lease made on January 11, 2017, RCUH extended the sublease term from January 1, 2017 to December 31, 2017. The rent remained at \$2,400.00/month.
- 3) Third Amendment to Lease made on January 22, 2018, RCUH extended the sublease term from January 1, 2018 to December 31, 2018. The rent remained at \$2,400.00/month.
- 4) Fourth Amendment to Lease made on January 16, 2019, RCUH extended the sublease term from January 1, 2019 to December 31, 2019. The rent was raised from \$2,400.00/month to \$2,650.00/month.
- 5) Fifth Amendment to Lease made on December 30, 2019, RCUH extended the sublease term from January 1, 2020 to March 31, 2020. The rent remained at \$2,650.00/month.
- 6) Sixth Amendment to Lease made on March 25, 2020, RCUH extended the sublease term from April 1, 2020 to December 31, 2020. The rent remained at \$2,650.00/month.
- 7) Seventh Amendment to Lease made on January 13, 2021, RCUH extended the sublease term from January 1, 2021 to December 31, 2021. The rent was also reduced to \$2,252.50/month for the term from January 1, 2021 until March 31, 2021. Beginning April 1, 2021 until December 31, 2021, the rent was again increased to \$2,650.00/month.
- 8) Eighth Amendment to Lease made on January 18, 2022, RCUH extended the sublease term from January 1, 2022 to 31, 2022. The rent remained at \$2,650.00/month.

IK&C is requesting consent to sublease GLS-4443 after-the-fact, for both OH&D and RCUH. Applications were received by Staff on November 7, 2022. Brian Kitagawa, President of IK&C, Lessee/Sublessor of GLS-4443, passed away in November 2019. His wife, Nan Kitagawa, has subsequently taken over as President, and has been learning to run his business since. She did not become aware of any noncompliance issues with their subleases until they ran into nonpayment with a sublessee following the COVID shutdown. Towards the end of 2022, the property was cleaned up and the official request for consent to

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<sup>2</sup> All amendments below are for the RCUH sublease despite the titles saying, "Amendment to Lease".

sublease was submitted. The transfer of power has been a difficult process for Ms. Kitagawa as she dealt with the hardship of losing her husband, and furthermore trying to improve performance and address problems as she becomes aware of them. Staff is recommending that the Board retroactively approve the after-the-fact consents for subleasing GLS-4443 to OH&D and RCUH.

The Board's "Revision to Sublease Rent Participation Policy" adopted by the Board at its meeting of July 9, 1982, Item F-9, as amended at its meeting of May 26, 2000, Item D-24, and further amended at its meetings of January 26, 2001, Item D-8, and August 24, 2012, Item D-14, approved as amended, provides in part as follows:

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

In this case, the leasehold improvements consisting of an office building and perimeter fencing were constructed in 1976 at a cost of \$96,179.89. Additionally, the Lessee paved exterior surface areas. Lessee has not reported any major investment in the property since this initial construction. In accordance with the policy set forth above, staff believes the State should participate in sublease rents in the total amount of \$10,385.16 for the period from July 16, 2015 to August 31, 2030. See Exhibit B attached for the specific calculations.

IK&C is compliant with all the terms and conditions of the lease agreement including rent, insurance, and performance bond. The last rental reopening was on September 4, 2015. The next rental reopening is scheduled for September 4, 2025. There are no outstanding rental reopening issues. The Lessee does not plan on requesting a lease extension.

No agency or community comments were solicited as the sublease uses were within the lease character of use, no improvements were planned and no significant impact to the environment was observed.

**RECOMMENDATION:**

That the Board:

1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200.1, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment as de minimis actions.
2. Consent to the sublease under General Lease No. S-4443 between I. Kitagawa & Company, Limited, as Sublessor, and 'Ohana Housing & Development, Incorporated, and Research Corporation of the University of Hawaii, as Sublessees, subject to any applicable conditions cited above which are by this reference incorporated herein and further subject to the following terms and conditions:
  - a. The standard terms and conditions of the most current consent to sublease form, as may be amended from time to time;
  - b. For RCUH, apply a one-time charge of \$6,160.32 for the sublease terms past due from July 16, 2015 to July 15, 2023 and increase the annual lease rent an additional \$770.04/yr. for the period beginning July 16, 2023 through March 31, 2024 or, if the sublease is terminated earlier than March 31, 2024 for any reason, then through the last day of such shorter sublease term;
  - c. For OH&D, apply a one-time charge of \$481.28 for the sublease terms past due from December 1, 2022 through July 15, 2023 and increase the annual lease rent an additional \$568.41/yr. for the period beginning July 16, 2023 through August 31, 2030 or, if the sublease is terminated earlier than August 31, 2030 for any reason, then through the last day of such shorter sublease term; provided, however, that staff may return to the Board after the September 4, 2025 scheduled rental reopening under General Lease No. S-4443 for any adjustment in the sublease rent participation calculation for the period September 4, 2025 through September 3, 2030 that may be warranted by a change in the ground rent charged to I. Kitagawa & Company, Limited;
  - d. Review and approval by the Department of the Attorney General;  
and
  - e. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.



Respectfully Submitted,

*Dan Gushiken*

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Dan K. Gushiken  
Land Agent

APPROVED FOR SUBMITTAL:



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Dawn N. S. Chang, Chairperson

*gch*

*km*

*RT*





# GLS-4443 (I. Kitagawa & Company, Ltd.)



**RCUH**

**'Ohana Housing & Development**

Google Earth

Imagery Date: 1/21/2013 19°42'08.50" N 155°03'48.63" W elev 0 ft eye alt 1217 ft



JOSH GREEN, M.D.  
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE  
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



DAWN N. S. CHANG  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

## Exhibit B Memo 1 of 2

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

75 Aupuni Street, Room 204  
Hilo, Hawaii 96720  
PHONE: (808) 961-9590  
FAX: (808) 961-9599

October 13, 2023

#### MEMORANDUM

TO: Dawn N. S. Chang, Chairperson

THROUGH: Russell Y. Tsuji, Division Administrator

FROM: Dan Gushiken, Land Agent

SUBJECT: In-House Recommendation – Sublease Participation Calculation

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

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

The following calculations are for the sublease term beginning **July 16, 2015 through March 31, 2024**. The calculation allows for the allowances for property insurance, General Excise Tax, Real Property Tax, and return on investment for improvements.

CALCULATION:

Annual Lease Rent:	\$52,900.00
Annual Sublease Rent (\$2,540.00/month): <sup>1</sup>	\$30,480.00
Less G. E. Tax (4.712%):	<u>\$ 1,436.22</u>
Effective Annual Sublease Ground Rent:	<u>\$29,043.78</u>
Less Real Property Tax (2022 Taxes): <sup>2</sup>	\$ 3,800.12
Insurance: <sup>3</sup>	\$ 231.20
Investment Return: <sup>4</sup>	<u>\$ 3,960.12</u>
Total Allowances:	<u>\$ 7,991.44</u>
Income to Land:	\$29,043.78
Less Total Allowances:	- \$ 7,991.44
Less Prorated Annual Lease Rent: <sup>5</sup>	- <u>\$13,351.96</u>
Total Excess Lease Revenue:	<u>\$ 7,700.38</u>
<b>DLNR Annual Rent Participation (10%):</b>	<b><u>\$ 770.04</u></b>

Based on the analysis above, staff is recommending that the Board approve a one-time charge of **\$6,160.32<sup>6</sup> for the sublease terms past due from July 16, 2015 – July 15, 2023** and increase the annual lease rent an **additional \$770.04/yr. for the period beginning July 16, 2023 through March 31, 2024 or, if the sublease is terminated earlier than March 31, 2024 for any reason, then through the last day of such shorter sublease term.**



Approved/Disapproved:



\_\_\_\_\_  
Dawn N. S. Chang, Chairperson

Sep 15, 2023

\_\_\_\_\_  
Date

<sup>1</sup> Average sublease rent charged for the period from July 16, 2015 through March 31, 2024 (rounded to the nearest tenth)

<sup>2</sup> Prorated area of property being subleased (22,529 sq. ft.) out of the total area (89,255 sq. ft.) is 25.24% of the total 2022 property tax (\$15,055.97) listed by the Hawaii County Real Property Tax Office (RPTO).

<sup>3</sup> Prorated area of property being subleased (22,529 sq. ft.) out of the total area (89,255 sq. ft.) is 25.24% of the total insurance premium for the property (\$916.00).

<sup>4</sup> Prorated area of building being subleased (1,632 sq. ft.) out of the total area (89,255 sq. ft.) is 1.83% of the 2023 market building value based by RPTO (\$216,400), times 4.25% return on investment.

<sup>5</sup> Prorated annual lease rent based on percent of area being subleased. RCUH is occupying 22,529 sq. ft. out of the total leased area of 89,255 sq. ft. (25.24%) multiplied by the annual lease rent (\$52,900).

<sup>6</sup> \$770.04/yr. additional lease rent (annually) times the subject periods of 7/16/15 – 7/15/23 (8 years).

JOSH GREEN, M.D.  
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE  
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



DAWN N. S. CHANG  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

## Exhibit B Memo 2 of 2

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

75 Aupuni Street, Room 204  
Hilo, Hawaii 96720  
PHONE: (808) 961-9590  
FAX: (808) 961-9599

October 13, 2023

#### MEMORANDUM

TO: Dawn N. S. Chang, Chairperson

THROUGH: Russell Y. Tsuji, Division Administrator

FROM: Dan Gushiken, Land Agent

SUBJECT: In-House Recommendation – Sublease Participation Calculation

GL No.: S-4443  
Lessee/Sublessor: I. Kitagawa & Co., Ltd.  
Sublessee: **'Ohana Housing & Development, Inc.**  
Location: Waiakea, South Hilo Hawaii  
Lease Area: 89,255 square feet  
(Total building area – 1,632 sq. ft.)  
Sublease Area: 66,726 square feet  
Tax Map Key: (3) 2-2-058:001  
Char. of Use: Business purposes

Pursuant to the "Revision to Sublease Rent Participation Policy" adopted by the Board at its meeting of July 9, 1982, Item F-9, as amended at its meeting of May 26, 2000, Item D-24, and further amended at its meetings of January 26, 2001, Item D-8, and August 24, 2012, Item D-14, approved as amended, Staff have been requested to provide an in-house evaluation of the sublease premium due to the State for the subleasing of a portion of GL S-4443, I. Kitagawa & Co., Ltd., Lessee/Sublessor to 'Ohana Housing & Development, Inc., Sublessee. The sublease documents and information provided by Lessee were analyzed and staff applied the formula approved by the Land Board on August 24, 2012, agenda item D-14, comprising of the most current Sublease Rent Participation Policy.

The following calculations are for the requested sublease term beginning **December 1, 2022 through August 31, 2030**. The calculation allows for the allowances for General Excise Tax, Real Property Tax, and property insurance.

CALCULATION:

Annual Lease Rent:	\$52,900.00
Annual Sublease Rent (\$5,000.00/month):	\$60,000.00
Less G. E. Tax (4.712%):	<u>\$ 2,827.20</u>
Effective Annual Sublease Rent:	<u>\$57,172.80</u>
Less Real Property Tax: <sup>1</sup>	\$11,255.84
Insurance: <sup>2</sup>	<u>\$ 684.80</u>
Total Allowances:	<u>\$11,940.64</u>
Income to Land:	\$ 57,172.80
Less Total Allowances:	- \$ 11,940.64
Less Prorated Annual Lease Rent: <sup>3</sup>	- \$ 39,548.04
Total Excess Lease Revenue:	<u>\$ 5,684.12</u>
<b>DLNR Annual Rent Participation (10%):</b>	<b><u>\$ 568.41</u></b>

Based on the analysis above, staff is recommending that the Board approve a one-time charge of **\$481.28<sup>4</sup>** for the terms past due from **December 1, 2022 – July 15, 2023** and increase the annual lease rent an **additional \$568.41/yr. for the period beginning July 16, 2023 through August 31, 2030 or, if the sublease is terminated earlier than August 31, 2030 for any reason, then through the last day of such shorter sublease term.<sup>5</sup>**

Approved/Disapproved:



\_\_\_\_\_  
Dawn N. S. Chang, Chairperson

Sep 15, 2023

\_\_\_\_\_  
Date

<sup>1</sup> Prorated area of property being subleased (66,726 sq. ft.) out of the total area (89,255 sq. ft.) is 74.76% of the total 2022 property tax (\$15,055.97) listed by the Hawaii County Real Property Tax Office (RPTO).

<sup>2</sup> Prorated area of property being subleased (66,726 sq. ft.) out of the total area (89,255 sq. ft.) is 74.76% of the total insurance premium for the property (\$916.00).

<sup>3</sup> Prorated annual lease rent based on percent of area being subleased. OHD is occupying 66,726 sq. ft. out of the total leased area of 89,255 sq. ft. (74.76%) multiplied by the annual lease rent (\$52,900).

<sup>4</sup> \$568.41/yr. additional lease rent times the subject period from 12/1/22 – 7/15/23 (0.625 years).

<sup>5</sup> There is a final rental reopening scheduled under GL S-4443 for September 4, 2025. If the ground rent payable to the State by IK&C under the lease changes at that time, it will impact the calculation of the sublease rent participation due to the State. Staff is including a recommendation below that the Board authorize staff to re-evaluate the sublease rent participation after the rental reopening and return to the Board for any adjustment needed.