



# INTER-ISLAND SOLAR SUPPLY

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Feb 3, 1:15pm, room 225

COMMITTEE ON WATER LAND & HOUSING

Testimony in SUPPORT of SB977, relating to APPRAISAL

February 1, 2011

Senator Dela Cruz, Senator Soloman and members of the Committee,

My name is Meleana Judd, I am an Administrative Assistant at Inter-Island Solar Supply. I write in SUPPORT of SB977 on behalf of our Statewide forty or so employees.

A year ago I did not know anything about commercial leases, however after being involved with Citizens for Fair Valuation I have learned about the variety of challenges that can arise in negotiations and renewals. The passage of SB977 and availability of the suggested written report explaining commercial appraisal determinations will help reduce some of the challenge and ambiguity local business owners face in lease negotiations.

Please pass this measure to increase transparency in the expensive arbitration process.

Mahalo,

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**Subject:** Testimony for SB977 on 2/3/2011 1:15:00 PM  
**Date:** Wednesday, February 02, 2011 9:41:46 PM

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Testimony for WLH 2/3/2011 1:15:00 PM SB977

Conference room: 225  
Testifier position: support  
Testifier will be present: No  
Submitted by: Vince Kimura  
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Submitted on: 2/2/2011

**Comments:**

Central Supply is a distributor in the construction industry leasing DLNR property in Hilo. The proposed reopening lease rent is much too high during a very bad economy of slow to no construction. To correctly arbitrate, I will have to know how appointed appraisers arrive at values and contribute to proposed rents. If the income approach is not considered and rents are too high for tenants, we will be forced to seek property elsewhere. A full report from the arbitration panel is very important to help us understand how lease rents are calculated to be fair or unreasonable. I am president of Central Supply, and I support SB977.

## Written Testimony for SB977 – Relating to Appraisals

My name is Loren Tsugawa and I'm the CFO of Hilo Fish Company.

Hilo Fish Company was started in the 1990's by a local man out of the back of his pickup truck. As the company grew, a fixed location was needed to facilitate the growth and thus the Company took over the State lease in its current location in the Kanoelehua Industrial Area (in Hilo). Today, the Company employs about 40 employees in Hilo.

As we all know, the recession began around December 2007. Even though it was declared officially over, recovery is slow as we still continue to feel the effects of it and strive to bring business back to the pre-recession levels.

Our current rent is about \$20,000 per year and is up for renegotiation this month, February 2011. The new rent will take us through to the end of our lease, which is set to expire in 5 years. According to the lease terms, the rent shall be determined by the fair market rental at the time of reopening, which is this month. The State/DLNR had an appraisal done of our property, which resulted in a proposed increase to about \$35,000 per year. That's a \$15,000 increase or 75% increase!! I fell off my chair. How can our rent be increased in these economic conditions? There should be no rent increase at all. How can an increase of 75% be justified? Especially with only 5 years left and with the aging condition of the property, how can the fair market rental amount be determined to increase by such a drastic amount? DLNR will not share how they determined our rent amount. We rejected DLNR's proposal and are prepared to enter arbitration to settle the matter. However, whatever factors are considered by the arbitration panel to determine the rent will be shrouded in secrecy as they will not share how the rent amount was derived. We simply want answers to how they determined our rent.

In speaking with other neighboring lessee's subject to rent renegotiation, it appears many of us are in the same boat. Many of them also experienced drastic increases – some more than 100%!! These large increases will negatively affect many business, including causing some business to fold, while others are forced to make painful cuts.

What is sad is that many of these businesses, often small locally owned operations, have neither the money nor resources to arbitrate the rent increase. Even if they did go through the process, there is no transparency to the proceeding so they are still left in the dark as to how their rent was determined. The simple question of how the rent was determined will still remain.

We don't know how the State's appraiser came up with such a preposterous rent value for our company. The economics in Hilo does not support such a rent increase. We are prepared to enter arbitration to determine our rent. This bill will hold the arbitration panel accountable for

their actions instead of being able to hide their decision behind a perceived shroud of secrecy. We implore you to pass the bill so that we can take comfort in knowing that the rent amount and ultimate livelihood of our business was thoughtfully considered and justified.

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