



1       7.       **To what professional organizations do you belong?**

2               I am a member of the Appraisal Institute and The Counselors of Real Estate. I am a past  
3       President of the Hawaii Chapter of the Appraisal Institute (2009) and past Chair of the Hawaii  
4       Chapter of The Counselors of Real Estate (2011).

5       8.       **Have you ever been qualified as an expert witness on market and economic/fiscal**  
6       **impacts before the Land Use Commission?**

7               Yes. I have been qualified as an expert witness before the State Land Use Commission,  
8       and also before the Second Circuit Court of the State of Hawaii.

9       9.       **Are you familiar with the proposed development plans for the Pu'unene Heavy**  
10       **Industrial Subdivision ("Project") and the Petition Area?**

11              Yes. The Petition Area is approximately 86.030 acres located at TMK No. (2) 3-8-008:  
12       019. The Project is proposed as a heavy industrial subdivision to be known as the Pu'unene  
13       Heavy Industrial Subdivision to consist of approximately 28 heavy industrial lots that will range  
14       in size from 0.5 acre to 20 acres. Related infrastructure improvements to support the Project  
15       include the construction of internal roadways, drainage retention systems, grading work,  
16       landscaping and utilities (e.g., water, telephone, cable, electric, private water system, individual  
17       wastewater systems, etc.). The developable lots within the Project will encompass approximately  
18       66 acres, and the interior roadways and drainage retention area will encompass approximately 20  
19       acres.

20       10.      **Please identify the studies your firm prepared for the Project.**

21              ACM was retained by Petitioner CMBY 2011 Investment, LLC to prepare two studies for  
22       the Project in anticipation of Petitioner seeking a district boundary amendment from the Land Use  
23       Commission, a Community Plan Amendment from the County of Maui, and a rezoning from the  
24       County of Maui.

25              I prepared a study titled "Market Study, Economic Impact Analysis and Public  
26       Costs/Benefits Assessment for the proposed Pu'unene Heavy Industrial Subdivision in Wailuku,  
27       Island and County of Maui" dated July 2011 ("**Market Study**"). A copy of that Market Study is  
28

1 included as Appendix M of the Environmental Assessment that was prepared by Chris Hart &  
2 Partners, which I understand was filed as Petitioner's Exhibit 1.

3 ACM also prepared a study titled "Agricultural Impact Assessment for the Proposed  
4 Pu'unene Heavy Industrial Subdivision in Wailuku, Island and County of Maui" dated July 2011  
5 ("AIA"). A copy of that AIA is included as Appendix N of Petitioner's Exhibit 1.

6 **11. Please describe the scope of the Market Study.**

7 The objective of the Market Study was to analyze the Central Maui heavy industrial  
8 market as it relates to this proposed Project. The objectives of the Market Study were as follows:  
9 (1) to define and delineate the market area; (2) to identify and analyze the current supply and  
10 demand conditions specific to the subject's market; (3) identify, measure and forecast the effect  
11 of anticipated developments or other factors on future supply; and (4) forecast the effect of  
12 anticipated economic or other factors on future demand.

13 **12. Are you aware of the relevant criteria that the Land Use Commission must consider**  
14 **prior to granting a reclassification such as what is proposed?**

15 I am aware that Hawaii Revised Statutes § 205-17(3)(C) requires the Land Use  
16 Commission to consider the impact of a proposed reclassification on agricultural resources, and  
17 under subsection (E), the Commission must consider the impact of the proposed reclassification  
18 on provisions for employment opportunities and economic development. I further understand that  
19 similar requirements are imposed under the Land Use Commission's rules, HAR § 15-15-  
20 50(c)(13).

21 **13. Did you rely on any other studies or external data in drawing your conclusions and**  
22 **making your assessment of the Project?**

23 Yes. Exhibit B to the Market Study contains demographic data obtained from Claritas.

24 **14. Please describe the methodology used to conduct the Market Study.**

25 We studied economic trends and demographics, and supply and demand factors for  
26 industrial property. In the process, we gathered as much information as possible on heavy  
27 industrial real estate sales on Maui and, more specifically, in the Wailuku-Kahului region.

1 Specific attention was paid to industrial land ownership, the availability of vacant parcels, and the  
2 future supply of additional heavy industrial land.

3 The Market Study was developed and prepared in conformity with, and subject to, the  
4 requirements of the Code of Professional Ethics and the Standards of Appraisal Practice of the  
5 Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice.

6 15. **Are the methodologies that you used consistent with generally accepted industry**  
7 **standards?**

8 Yes.

9 16. **Please describe the economic uses surrounding the Petition Area.**

10 The Maui Raceway Park, located to the west of the Petition Area, provides a wide range  
11 of recreational uses such as drag racing, auto cross racing, go kart racing, dirt oval track racing,  
12 radio controlled model aircraft flying and dirt bike racing. Additional nearby uses include the  
13 Hawaiian Cement quarry, the Maui Consolidated Facility for the Hawaii Army National Guard  
14 and HC&S commercial sugarcane production. The Central Maui Baseyard, which includes heavy  
15 industrial uses, is located approximately 1 mile to the north of the Petition Area.

16 The State of Hawai'i Department of Hawaiian Home Lands ("DHHL") and the State  
17 Department of Land and Natural Resources ("DLNR") both own land near the Petition Area, and  
18 both worked together to prepare the Pulehunui Master Plan (August 2012), which will include  
19 approximately 755 acres of DHHL and DLNR's land in the area. The proposed land uses within  
20 the Pulehunui Master Plan area include public/quasi-public, commercial, industrial and open  
21 space lands. The public/quasi-public lands would accommodate such uses as public agency  
22 baseyards and training facilities for police and fire crews, wastewater treatment facility and onsite  
23 water treatment facility while tenants of the industrial lots would be engaged in warehousing,  
24 assembly, manufacturing, alternative energy uses and similar industrial activities. The Maui  
25 Regional Public Safety Complex is planned to be located within Pulehunui.

1     **17. Is the Petition Area suited for the Project?**

2             Yes. The Petition Area is ideally situated for heavy industrial activities because it is  
3 physically distanced from residential development, is centralized, and will be convenient for  
4 customers and suppliers, and is in close proximity to the transportation facilities located at the  
5 Kahului Harbor and the Kahului Airport. Additionally, the use of the Petition Area for heavy  
6 industrial purposes will support trade and employment on Maui and is consistent with other  
7 existing heavy industrial uses in the area.

8     **18. What is the current supply and demand for the economic use that will be provided**  
9 **by the Project?**

10            Based on the Market Study, there is high demand on Maui for heavy industrial land.  
11 There have not been any purely heavy industrial projects developed in Central Maui for more  
12 than a decade. The vast majority of available industrial land in Central Maui is zoned for light  
13 industrial use and most of the land zoned for heavy industrial use is already in use. The  
14 availability of heavy industrial land in Central Maui is so limited that rising land values and  
15 industrial rents are making it infeasible for heavy industrial users to build or expand their  
16 operations. While supply of heavy industrial land has stagnated, demand has increased and is  
17 expected to rise even higher. The growth of Maui's population (41.67% from 1980 - 1990, and  
18 26.73% from 1990 - 2000) has led to an increase in the provision of light industrial goods and  
19 services. It is anticipated that all lots within the Project will be sold within 10 of being brought to  
20 market. The projected absorption rate is 6.6 acres per annum.

21     **19. What are "heavy industrial" uses?**

22            By "heavy industrial" I am referring to businesses that fabricate, process and manufacture  
23 the materials needed by light industrial users has not expanded. Such heavy industrial users may  
24 include businesses that manufacture or treat goods from raw materials, in addition to industrial  
25 warehouse users and those seeking secured baseyards. The County of Maui M-2 Heavy Industrial  
26 District allows for any use permitted in the various Business Districts, and the M-1 Light  
27 Industrial District.

1 This has resulted in land that is zoned M-2 being used for uses other than purely  
2 industrial. Ordinance 3977, which the County enacted in September 2012, a copy of which was  
3 filed as Petitioner's Exhibit 39, created the M-3 Restricted Industrial District. The purpose and  
4 intent of this District is to allow uses that "include the manufacture, processing, storage or  
5 treatment of goods from raw materials . . . [and] is intended to include manufacturing and  
6 nuisance industries." Importantly, general retail and office uses are specifically excluded from  
7 the M-3 District.

8 20. **What are the anticipated economic impacts of the Project?**

9 21. Development of the Project is expected to generate significant expenditures by the  
10 Petitioner, as well as by secondary owners of the lots within the Project. These investments will  
11 have positive impacts on the County and State economies. During the 30-month infrastructure  
12 construction phase, the Project is expected to spend approximately \$8,000,000 on construction  
13 costs per year, \$5,920,000 off-island indirect sales per year, and \$4,144,000 Maui indirect sales  
14 per year. During individual lot build-out, the Project is expected to generate average costs of  
15 \$17,504,000 per year (inclusive of individual lot sales). In addition, approximately \$14,348,000  
16 per year out on off-Island indirect sales and approximately \$10,044,000 per year on Maui indirect  
17 sales will be generated.

18 22. The development of the Project will generate new County and State revenues,  
19 primarily in the form of conveyance tax, real property taxes, excise tax and income tax. The  
20 initial conveyance taxes expected are approximately \$132,000. County real property taxes are  
21 expected to generate \$1,161,000 per year once the lots are developed. Over the course of  
22 infrastructure development and subsequent lot construction, excise tax will exceed \$5,000,000.

23 23. Development of the Project will create new job opportunities for architects,  
24 engineers, surveyors, land planners and other consultants during the design and entitlement  
25 process, heavy equipment operators, tractor-trailer drivers and utility personnel for infrastructure  
26 development, and masons, carpenters, sheet metal works, roofers, plumbers, electricians, etc., and  
27 finish work will require cabinet makers, carpet and tile installers and landscapers for vertical  
28 construction. The increase in employment opportunities at the Project will cause an increase in

1 demand at area stores, restaurants, service stations, etc., which will in turn drive a need for  
2 additional employees at those establishments.

3 The Project is projected to cause a direct increase of 32 jobs a year on Maui, and an  
4 indirect increase of 33 jobs a year during infrastructure development alone. In addition, the  
5 development will create a demand for 17 jobs off-Island during the initial infrastructure  
6 development period. Total direct and indirect payroll attributed to this phase of development is  
7 forecasted to be \$3,871,000 per year. Individual lot construction is expected to create a demand  
8 for 70 direct and 72 indirect jobs on Maui a year. The increase in off-Island indirect employment  
9 is estimated at 38 jobs a year. Total direct and indirect payroll attributed to this period is  
10 forecasted to be \$8,494,000 per year.

11 24. **In your professional opinion, will the development of the Project have beneficial**  
12 **economic impacts on the State of Hawaii and County of Maui?**

13 Yes. The Project will serve the high demand for heavy industrial land, will increase job  
14 opportunities, generate sales, and generate taxes.

15 25. **Please describe the scope of the AIA.**

16 The objectives of the AIA were to analyze the agricultural real estate market in an effort  
17 to determine general and specific effects arising from the development of the proposed Project.

18 26. **Did you rely on any other studies or external data in drawing your conclusions and**  
19 **making your assessment of the Project?**

20 Yes, ACM relied on the State of Hawaii Data Book (2009).

21 27. **Please describe the methodology used to conduct the AIA.**

22 We studied agricultural trends and demographics, and supply and demand factors. In the  
23 process, we have gathered as much pertinent information as possible with respect to agricultural  
24 property in the County of Maui, as well as the State of Hawaii in general.

25 The AIA was developed and prepared in conformity with, and subject to, the requirements  
26 of the Code of Professional Ethics and the Standards of Appraisal Practice of the Appraisal  
27 Institute, and the Uniform Standards of Professional Appraisal Practice.

1 28. **Are the methodologies that you used consistent with generally accepted industry**  
2 **standards?**

3 Yes.

4 29. **Please describe the current regional agricultural supply.**

5 402,352 acres of land in the County of Maui, 244,088 of which is on Maui Island, is in the  
6 State Land Use Agricultural District. In 2009, the USDA National Agricultural Statistics Service  
7 reported that approximately 230,000 acres of land on Maui Island were in farms. Thus, the  
8 Petition Area represents only four-hundredths of one percent (0.04%) of Maui's farm land and  
9 removing the land from agricultural use will have negligible impact on the County of Maui's  
10 overall farm land supply.

11 30. **Please describe the agricultural uses at the Petition Area.**

12 The Petition Area is not being actively farmed, and was not as of the date of the AIA.  
13 However, I understand that a small area at the southern edge of the Petition Area was used by  
14 A&B/Hawaiian Commercial & Sugar Co. to grow sugarcane. Historical agricultural uses at the  
15 Petition Area include commercial sugarcane cultivation and pig farming.

16 31. **Is the soil underlying the Petition Area suited to agricultural activities?**

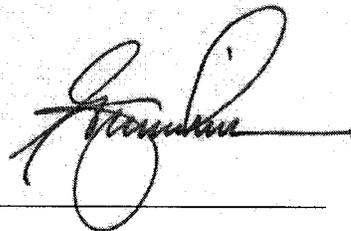
17 No. The soils underlying the Petition Area are not well suited to agricultural activities.  
18 The overall LSB productivity rating is "E" (the lowest rating), and the ALISH rating of the soils  
19 is Unclassified (i.e., residual land). The USDA National Conservation Research Service Land  
20 Capability Grouping for the Petition Area is primarily Class VII, with some areas in Class VI  
21 (Class VIII are the worst quality soils and preclude agricultural uses). It is generally recognized  
22 that the effective cutoff for agricultural use is Class IV. Subclass VIIs soils have very severe  
23 limitations due to their undesirable texture or because they are extremely steep, rocky, or stony.  
24 Subclass VI soils have severe limitations because of stoniness or unfavorable texture. These  
25 soils are very stony, very rocky, extremely stony, or extremely rocky and have slopes of 0 to 35  
26 percent. The unsuitable soil conditions and poor productivity ratings of the Petition Area soils  
27 preclude any feasible agricultural development on the site.

1 32. **In your professional opinion, will the development of the Project have an adverse**  
2 **effect on any agricultural resources?**

3 No. Given the adequate supply of agricultural land to meet demand in the State of Hawaii  
4 and the County of Maui, the small fraction of the overall agricultural land in the State and County  
5 that the Petition Area represents, the poor soils, the fact that no significant agricultural activities  
6 have taken place within the Petition Area for years, the prior use of the property as an  
7 unpermitted solid waste management facility, i.e., scrap metal storage property, the long-term  
8 effects on agricultural production resulting from the development of the Project is expected to be  
9 very minimal. Reclassification to the Urban District is not expected to have any significant  
10 agricultural resources.

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14 DATED: Wailuku, Hawaii, August 15, 2013.

15  
16 Respectfully submitted,

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21 GLENN K. KUNIHISA

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