

**Testimony of
Thomas W. Holliday
The Hallstrom Group, Inc.
SLUC Docket No. A10-787 Maui R&T Partners, LLC.**

In the Matter of the Petition of Maui R&T Partners, LLC. to Amend the State Land Use District
Boundary of Lands Situated at Kihei, Island of Maui, State of Hawaii, Consisting of 253.05 Acres
from the Agricultural District to the Urban District,
Tax Map Key Nos. (2) 2-2-024: 016 and 017, and (2) 2-2-002: 054 (por.)

My name is Thomas W. Holliday and I am the Chief Economist and a Senior Appraiser/Analyst at The Hallstrom Group, a Honolulu-based real estate consulting firm. I prepared the *Market Study, Economic Impact Analysis and Public Fiscal Assessment for the Proposed Maui Research and Technology Park Master Plan Update* (May 2012) (included as Appendix H in the Final Environmental Impact Statement) and *Affordable Housing Assessment of the Proposed Maui Research & Technology Park Proposed Master Plan* (October 2012) (included as Appendix S in the Final Environmental Impact Statement). I have worked as a real estate development consultant and appraiser in Hawaii since 1980 and have testified as an Expert Witness in real estate market and economic issues on numerous occasions regarding many projects before the State Land Use Commission. A copy of my resume is attached.

I will briefly summarize the methodology and findings of my analyses for the market study, economic impact analysis, public fiscal assessment and affordable housing assessment.

Market Study

The original vision of Maui Research and Technology Park (MRTP) as a use-restricted, large lot, business campus did not provide sufficient diversity of product within an appropriate market context to achieve its technology-driven vision within the Maui economy. The updated plan will provide for a wider spectrum of business park, office, selected light industrial and commercial, and residential use types creating the cumulative attraction and synergy currently lacking in the project, while offering product that is more responsive to current and forecast market and community demands.

As presently proposed, the Master Plan Update will establish a comprehensive, self-sustaining, mixed-use community on approximately 411 acres comprised of 750 single family homes, 500 multifamily units, up to 2,000,000 square feet of office/commercial/employment floor area for a variety of businesses; as well as parks, trails, greenbelts, open space and sites for civic and other supporting uses. The Master Plan will be implemented in two phases through 2034.

The market study forecasts demand for commercial, industrial and residential development within Kihei-Makena through the 2035 planning horizon. The study seeks to answer whether there is sufficient demand to absorb the various "marketable" components of the subject community during a reasonable exposure period given forecast statewide / regional market trends (demand), the inventory of competing developments (supply), and the specific attributes of the MRTTP project (competitiveness).

The "Kihei-Makena Study Area" is a suburban coastal community, with residential-oriented uses in the inland areas (housing units, neighborhood commercial and limited industrial), and resort/vacation-oriented uses dominating the shoreline (condos, hotels, timeshare and destination resorts). It has expanded dramatically in the past three decades, growing four-fold in resident population, adding nearly one million square feet of commercial and industrial floor area, more than 2,500 visitor units, and evolving into an increasingly important hub of the Maui economy that is attracting major new business activity and investment interest.

However, Kihei-Makena remains at present a secondary sector for commercial, office and industrial development meaningfully behind Kahului-Wailuku. It is underserved from a per capita perspective housing 24 percent of the de facto population of the island, but with only 16 percent of the total commercial floor space (estimated at 700,000 square feet) on Maui and only 8 percent of the light industrial floor space (850,00 square feet).. With the expanding population in South Maui, enhancements to the regional highway system, and significant new proposed development, Kihei-Makena is poised for major gains in demand, supply and investment across a broad spectrum of real estate types.

Our market study was population based, founded on projections made by the Maui County Planning Department, as the demand for all residential, commercial, office/business, service and industrial development is a function of the number of persons/consumers within a market area. We identified existing and proposed supply using public and private sources, and estimated absorption based on analysis of MRTTPS competitiveness and application of residual and market share methodologies.

The primary market study conclusions included:

- The subject property is a superior location for the proposed development in regards to access, views, slope, shape, complimentary existing adjacent uses, climate and ability to provide a quality lifestyle and business opportunities for a wide-range of owners and end-users, within a comprehensive, sustainable community. It will have the attributes necessary to be highly competitive in all

its product sectors, will capture a reasonable market share during its offering period, and stimulate business activity and employment throughout the island.

- The demand for warehouse, manufacturing, office/business park and R&D floor space on Maui, what is traditionally referred to as “light industrial”, will total from 5.3 million to 6.7 million square feet through 2035, an increase of 49 to 63 percent from current levels, and equating to 466 to 599 gross acres.
- Based on its locational attributes, timing of development, limited supply of competitive sites in Kihei-Makena, revisions to the restrictions in the MRTP master plan, and other factors, we estimate the subject project could capture from 1.1 million to 1.5 million square feet of the projected demand over the coming two decades, with emphasis on the office/business park, R&D and manufacturing sectors.
- Without MRTP, there will be a shortfall in the Kihei-Makena area residential market of from 1,126 to 5,357 housing units; with a mid-point under-supply of 3,251 units. Our analysis indicated there will be sufficient unmet demand to absorb the 1,250 units of subject inventory in a timely manner
- The proposed 750 single-family homes/lots of the subject development will require approximately 14 years to be absorbed following commencement of pre-sales anticipated for 2017. The proposed 500 multifamily units will sell-out in 13 years.
- While the focus of MRTP commercial development will be the “neighborhood retail” needs of the community residents. There will also be significant patronage created by workers and customers/clients in the park. We estimate this internal demand will total in excess of 175,000 square feet of floor space.
- Additionally, the subject will capture a share of the regional demand totaling 907,000 to 1,506,000 square feet of new gross leasable commercial floor space in Kihei-Makena by 2035 (more than doubling the existing inventory), with MRTP’s portion of this general market need at circa 350,000 square feet.
- As the Maui economy continues to grow and diversity over the next generation, there could be numerous educational, institutional and business/R&D uses possibly seeking out a Maui location. To attract such foundational users, it is imperative that there be large acreage, entitled, serviced parcel(s) in-place to

meet their needs in a timely manner. Such uses require from 30 to 200 acre sites for facilities/campuses of between 300,000 and 1.1 million square feet of floor space. The MRTP master plan provides for such a site(s).

Economic Impact Analysis and Public Fiscal Assessment

A key outcome of the project will be the economic benefits flowing through Maui as a result of the capital investment associated with the build-out of the park and subsequent business activities therein. It will create significant construction-related employment, as well as long-term increases in permanent employment on and off-site and tax revenues to the State and County.

The major impacts, as estimated amounts in 2012 dollars, include:

- Under the updated master plan, the subject development will generate circa \$1.39 billion in capital investment into the island's economy. The construction of the Park and on-going operations/maintenance of the residences, on-site commercial and industrial/businesses, and community facilities, will provide an estimated 63,507 "worker-years" of employment and \$2.7 billion in total wages over the 19-year build-out period. After "stabilization" the urban village community will support some 5,878 permanent jobs on-site with an annual payroll of about \$217 million, and an additional 1,469 workers with \$68.6 million in yearly wages off-site.
- The on-going business activity within the commercial and industrial/business park components will be substantial, both directly on-site and in stimulation of existing off-site companies. During the construction and absorption period, a total of \$6.2 billion in taxable sales/revenues are projected, averaging \$324.7 million per year. Following stabilization, \$557 million annually in business activity will be occurring in the community. The Economic Opportunity Campus Area could additionally contribute upwards of an estimated \$160 million per year in operating revenues to the MRTP, depending upon the ultimate use of the property.
- The majority of the gross operating revenues within the project, 92 percent, will be a result of outside patrons coming to the in-project companies. The base economic impact on Maui will total at least \$7.8 billion during build-out and \$903.9 million annually upon stabilization.

- The County of Maui will realize Real Property and Transient Accommodation taxes, and other secondary receipts and impact fees of \$141.3 million during the 19-year construction and absorption period, and \$28.5 million annually on a stabilized basis thereafter. The net benefit to the County purse will be in excess of \$25.3 million during development, and \$21.5 million annually on a stabilized basis.
- The State of Hawaii will receive Gross Excise, Income, Transient Accommodation taxes, secondary revenues, and impact fees of \$752.5 million during the build and sales projection time frame, and \$84.4 million per year thereafter. The net benefit to the State purse will be in excess of \$466.3 million during development, and a stabilized 'profit' of \$57.3 million per year.

In summary, the Master Plan Update favorably reflects the current trends in the integrated development of mixed-use business/innovation centers within comprehensive, self-sufficient communities nationwide. By making the MRTP a more attractive location for knowledge-based industries within an expanding and diversifying Maui marketplace, the Master Plan Update will be better able to contribute to and strengthen the island's economy as was originally envisioned..

It will not only help meet portions of regional real estate needs in coming decades, but will provide a critical platform for new and expanding upward-trending industries that can create higher paying jobs for residents, with greater positive impact across a wider spectrum of the Maui economy.. .

Affordable Housing Assessment

Our affordable housing assessment analyzed the proposed MRTP Master Plan Update in regards to adherence with State of Hawaii and Maui County affordable housing requirements and other workforce housing issues that may be associated with its development.

Based on our review of the subject residential product design, current market pricing levels (2012), prevailing Maui affordable/workforce housing price guidelines, and investigation/qualification of in-migration factors, we conclude the proposed master plan will provide sufficient numbers of appropriately-priced units to meet State and Maui affordable housing requirements and those created by in-migrating workers in the Park.

The proposed MRTP master plan calls for a total of 1,250 residential units conceptually divided between product types as follows:

- Multifamily -250 units (20 percent of the total units), with current market prices ranging from \$280,000 to \$400,000.
- Town House - 250 units (20 percent of total), with current market prices ranging from \$400,000 to \$650,000.
- House Lots - 175 parcels (14 percent of total), with current market prices ranging from \$225,000 to \$450,000.
- Finished Houses - 575 homes (46 percent of total), with current market prices ranging from \$640,000 to \$1,000,000.

We conclude that some 500 units within the project, or 40 percent of the total planned, would have current market prices meeting 2012 affordability pricing guidelines for Maui; and, 54 percent of the total inventory would have selling prices of under \$600,000. MRTP will build the workforce/affordable units on-site.

Under such conditions, the subject community will internally provide sufficient workforce housing inventory to meet the requirements of the Maui County "Residential Workforce Housing Policy" (Chapter 2.96 Code of Ordinances) which calls for 25 percent affordable units on-site. The project will also meet prevailing State of Hawaii affordability requirements, which typically call for a 20 percent workforce housing set-aside.

THOMAS W. HOLLIDAY
PROFESSIONAL QUALIFICATIONS

Business Affiliation

- | | |
|------------------------------|--|
| Senior Appraiser/
Analyst | The Hallstrom Group, Inc.
Honolulu, Hawaii
Since 1980 |
| Former Staff Appraiser | Davis-Baker Appraisal Co.
Avalon, Santa Catalina Island, California |

Education

- California State University, Fullerton
(Communications/Journalism)
- SREA Course 201- Principles of Income Property Appraising
- Expert witness testimony before State of Hawaii Land Use Commission and various state and county boards and agencies since 1983.
- Numerous professional seminars and clinics
- Contributing author to Hawaii Real Estate Investor, Honolulu Star Bulletin

On January 1, 1991, the American Institute of Real Estate Appraisers (AIREA) and the Society of Real Estate Appraisers (SREA) consolidated, forming the Appraisal Institute (AI).

**Recent Neighbor
Island Assignments**

- Market Study, Economic Impact Analyses and Public Costs/
Benefits (Fiscal Impact) Assessments

Maui

- Maui Research & Tech Park (Mixed-Use Community)
- Maui Lani (Mixed-Use Community)
- Honuaula (Mixed-Use Community)
- Makena Beach Resort
- Maui Business Park, Phase II (Industrial/Commercial)
- Kapalua Mauka (Master Planned Community)
- Hailiimaile (Mixed-Use Master Planned Community)
- Pulelehua (Master Planned Community)
- Westin Kaanapali Ocean Villas Expansion (Resort/
Timeshare)
- Upcountry Town Center (Mixed-Use Project)

Big Island

- Kamakana Villages (Mixed-Use Residential Development)
- W.H. Shipman Ltd, Master Plan (Various Urban Uses)
- Nani Kahuku Aina (Mixed-Use Resort Community)
- Kona Kai Ola (Mixed-Use Resort Community)
- Waikoloa Highlands (Residential)
- Waikoloa Heights (Mixed-Use Residential Development)

Kauai

- Hanalei Plantation Resort (Resort/Residential)
- Kukuiula (Resort/Residential)
- Waipono/Puhi (Mixed-Use Planned Development)
- Eleele Commercial Expansion (Commercial)
- Village at Poipu (Resort/Residential)
- Ocean Bay Plantation (Resort/Residential)

Thomas W. Holliday
Professional Qualifications (continued)

- Major Neighbor Island Valuation Assignments
 - Mauna Lani Bay Hotel
 - Courtyard Kahului Airport Hotel
 - Maui Oceanfront Days Inn
 - Holiday Inn Express - Kona Hotel (proposed)
 - Keauhou Beach Hotel
 - Courtyard King Kamehameha Kona Beach Hotel
 - Aloha Beach Resort
 - Coco Palms Resort
 - Grand Hyatt Kauai
 - Islander on the Beach
 - Waimea Plantation Cottages
 - Coconut Beach Resort
 - Sheraton Maui Hotel
 - Outrigger Wailea Resort Hotel
 - Maui Lu Hotel
 - Coconut Grove Condominiums
 - Palauea Bay Holdings
 - Wailea Ranch
 - Maui Coast Hotel
 - Westin Maui Hotel
 - Maui Marriott Hotel
 - Waihee Beach
 - Kapalua Bay Hotel and The Shops at Kapalua

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