

MARKET STUDY

PROPOSED LIMA OLA
WORKFORCE HOUSING DEVELOPMENT
Eleele, Kauai, Hawaii 96705
CBRE, Inc. File No. 17-251LA-0964

Anson M. Murayama, P.E.
Chief Executive Officer
COMMUNITY PLANNING & ENGINEERING, INC.
1286 Queen Emma Street
Honolulu, Hawaii 96813

www.cbre.com/valuation

CBRE

May 25, 2017

Anson M. Murayama, P.E.
Chief Executive Officer
COMMUNITY PLANNING & ENGINEERING, INC.
1286 Queen Emma Street
Honolulu, Hawaii 96813

**RE: Market Study of the Proposed Lima Ola
Workforce Housing Development
Eleele, Kauai, Hawaii 96705
CBRE, Inc. File No. 17-251LA-0964**

Dear Mr. Murayama:

At your request we have completed a series of market and econometric analyses associated with the proposed Lima Ola community, a 550-unit master planned workforce and elderly housing residential community to be located on 75 acres fronting the east side of Kaumualii Highway, adjacent to Eleele Iluna (a Kauai Habitat for Humanity project), just south of Kapa Reservoir, on the easterly outskirts of Eleele Village, Kauai, Hawaii.

The project will incorporate community gardens, mini-parks, pathways and open space buffers. All of the proposed inventory will be affordably-priced according to County of Kauai guidelines, intended for full-time resident households with incomes ranging from "less than 80 percent" up to "140 percent" of the median household income on the island. No Transient Vacation Rentals (TVRs) or Accessory Dwelling Units (AWDs) will be permitted in the community which is seeking entitlement under the "201 H Exemption Process" to expedite affordable housing development in the islands.

The property is identified on State of Hawaii Tax Maps as Fourth Division, 2-1-1, Parcel 54, is level to slightly sloping, and generally at street grade. The holding has a central location on the west side of Kauai, favorable access characteristics, desirable climate, mauka and makai (limited) view potentials, and is a natural expansion of the existing Eleele community.

Our study, which builds upon and updates a previous analysis regarding the proposed project published in June 2014, is primarily comprised of three elements:

1. **Market Study.** To ascertain whether there will exist sufficient demand in the South/West Kauai study area (referred to as the "Lihue to Kekaha Corridor") residential real estate market sectors to successfully absorb the finished subject inventory in a timely manner given its characteristics and those of competing in-place and proposed regional development.

2. **Economic Impact Analysis.** To estimate the general and specific effects on the local economy which will result from the development of Lima Ola, including capital investment, construction and on-going maintenance employment, worker wages and household income, contractor/supplier profits, resident expenditures and other regional monetary and employment effects.
3. **Public Cost/Benefit Assessment.** To quantify the impact on the public purse arising from the subject project in regards to tax/fee revenues which will be received by the State of Hawaii and Kauai County due to the project's actualization.

The pertinent results from our studies are presented in the following report, which opens with an Executive Summary describing our salient conclusions. The remainder of the report is comprised of a series of brief discussion and introduction of addenda exhibits containing the tabular presentation of our data, analysis, and modeling for each aspect of the assignment.

The purpose of study was to provide current market data, subject product absorption estimates, economic and fiscal modeling, and an analysis of probable impacts on the Kauai community resulting from the build-out of the proposed master-planned community for inclusion in submittals in the on-going entitlement process of the project.

As part of our investigation and analysis we have:

- inspected the subject property and its environs;
- researched the South/West Kauai residential real property market sectors;
- interviewed knowledgeable parties active in the regional economy and property development;
- reviewed federal, state and county materials, statistics, policies and publications;
- accessed on-line databases; and
- compiled materials from published and private sources, and our files.

There were no extraordinary or hypothetical assumptions made for the purpose of our analysis beyond the assumption that the Lima Ola Master Plan was entitled and developed as proposed.

All conclusions presented herein are subject to the identified limiting conditions, assumptions, and certification of The Hallstrom Team | CBRE, Inc., in addition to any others specifically set forth in the text.

We appreciate the opportunity to be of continuing service to Community Planning & Engineering, Inc., and the County of Kauai Housing Department in regards to this prominent holding and long-envisioned, much-needed project. Please contact us if further discussion or detail is required.

Anson M. Murayama, P.E.

May 25, 2017

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It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE can be of further service, please contact us.

Respectfully submitted,

CBRE - VALUATION & ADVISORY SERVICES

A handwritten signature in black ink that reads "Tom W. Holliday". The signature is written in a cursive, slightly slanted style.

Tom Holliday, CRE, FRICS
Director

Phone: (808) 541-5120

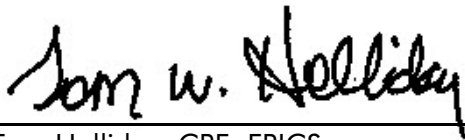
Fax: (808) 541-5155

Email: Tom.Holliday@cbre.com

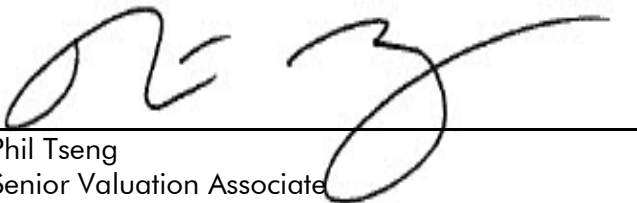
Certification

I certify to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. This assignment is not an appraisal nor is it intended to convey any form of valuation opinion regarding the subject property or its proposed development. Any monetary-based data/figures are for economic and public fiscal modeling only.
7. Tom Holliday has made a personal inspection of the property that is the subject of this report.
8. Phil Tseng provided significant assistance to the persons signing this report.
9. Tom Holliday as a member of The Hallstrom Group, Inc., and now The Hallstrom Team/CBRE has completed numerous studies and appraisals of the subject property, and provided consulting services, dating back to the early 1980s.



Tom Holliday, CRE, FRICS
Director
Phone: 808.541.5120
Email: Tom.Holliday@cbre.com



Phil Tseng
Senior Valuation Associate
Hawaii Appraiser Trainee No. R160510001

Phone: 808.541.5191
Email: Phil.Tseng@cbre.com

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Executive Summary

INTRODUCTION

Note: Portions of this and the Property Description sections, including narrative and artwork are excerpted from documents prepared by other members of the development team. Citations can be provided upon request.

Lima Ola will comprise approximately 75 acres located on the west side of the island of Kauai, approximately seven miles southeast of Waimea town and directly northeast of Eleele town. The project site is located directly mauka from the intersection of Halewili Road and Mauulii Highway.

The proposed community will include approximately 550 residential units with single family, multifamily and senior-designated components all will be priced to meet County of Kauai affordability pricing and workforce housing guidelines and specifically-designed to meet the identified housing needs of Kauai residents and families.



Current Aerial View of Lima Ola Workforce Housing Site, April 2017



Conceptual View of the Proposed Lima Ola Community, Adjacent to Eleele

The Lima Ola property is currently classified as:

- State Land Use (SLU) - "Agriculture District";
- Kauai Island General Plan – "Agriculture" and "Open"; and,
- County of Kauai zoning – "Agricultural".

Capitalizing on a level to slightly sloping, scenic site having favorable climate and view potentials, the subject development is intended to be a leading edge master-planned, sustainable, lifestyle community offering a spectrum of residential unit types priced for Kauai households with incomes ranging from "below 80% of median" to "140% of median".

Assuming sufficient market demand, Lima Ola will transform a vacant bulk acreage holding having limited agricultural use potentials and currently offering nominal regional economic benefit, into an asset providing needed affordable/workforce housing, producing more than a thousand "worker years" of employment and wages during build-out, attracting significant new capital investment, stimulating regional business activity, and meeting currently under-served community needs. This activity will in turn create employment and business opportunities for Kauai residents and an expanded tax base for the state and county.

The Hallstrom Group | CBRE, Inc., assignment was to analyze the proposed Lima Ola community from a real estate market perspective and to identify and quantify probable market and economic impacts associated with the master plan in light of competitive, regional, prevailing and forecast trends in order to answer four basic study questions:

1. Is there sufficient demand to absorb the various residential components of the subject project during a reasonable exposure period given competing developments and projected statewide/regional market trends?
2. Will the subject be an appropriate use of the underlying site relative to market needs, standard land planning objectives, accepted master plan design characteristics, and the area environs?
3. What will be the general/specific and direct/indirect economic impacts on Kauai resulting from the undertaking of the subject development via employment, wages, community operations, population, property values and other economic activity related to the real property asset?
4. What will be the net, new benefit to the state and county "public purse" from the project in regards to increased tax/fee receipts?

These issues were addressed through a comprehensive research and inquiry process utilizing data from market investigation, governmental agencies, various Hawaii-based media, industry spokespersons/sources, on-line databases, published public and private documents, and our files.

The pertinent results of our study are highlighted in the following summary report which contains brief summary narrative, tabular data and other materials contributing to our conclusions. The presentation is divided into six sections:

1. **Primary Study Conclusions**
2. **The Subject Property and Proposed Project**

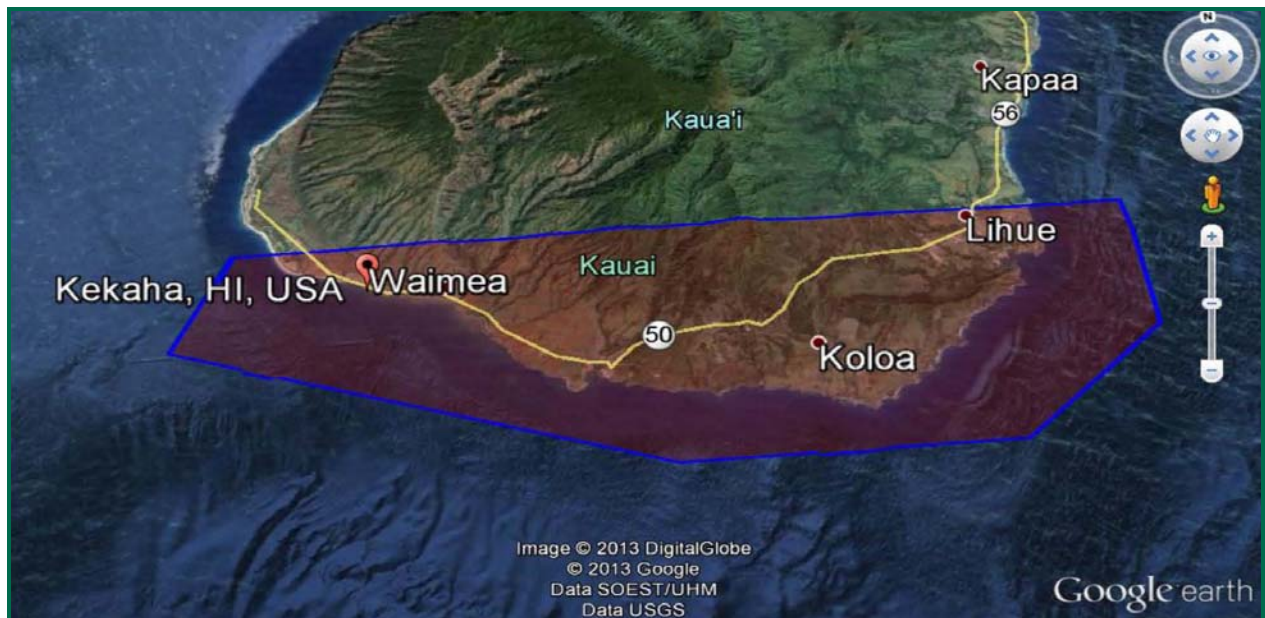
3. Market Study of the Lihue to Kekaha Corridor Residential Market
4. Appropriateness of the Subject for Residential Use and Absorption Estimates
5. Analysis of the Economic Impacts of the Proposed Development
6. Assessment of the Net, New Public Fiscal Benefits Associated with the Project

The primary source information regarding the subject used in our study were:

- Maps, master plans, unit counts, density and infrastructure cost estimates and background materials provided by Community Planning & Engineering, Inc., and other members of the planning team;
- Resident population and housing projections, proposed development and other maps, General plan materials, and other data from the County of Kauai Housing Agency, County of Kauai Planning Department and State of Hawaii Office of Planning;
- The United States 2010 Census and subsequent updates;
- Sales and listing data from the Kauai Island Board of Realtors, Hawaii Information Service and Craig's List; and,
- Data from published and on-line sources and from our files.

The Lima Ola site and environs have been viewed by our firm on many occasions.

We note that the locational terms "South/West Kauai" and the "Lihue to Kekaha Corridor" are used interchangeably throughout the report to describe our focal study region on the island. This primary study area is shown on the following map; shaded and at the bottom of the aerial of the island.



Our *Market Study* time-frame which serves as a basis for subject absorption projections extends approximately 23 years to 2040, although it is anticipated all of the homes and units will be absorbed by the market in a shorter period. General demand for residential product in

South/West Kauai is quantified during this period, existing, planned competitive supply is identified, the appropriateness of the site for the proposed subdivision is analyzed, and absorption is estimated using several market-based methods.

Our *Economic Impact Analysis* and *Public Fiscal Assessment* study forecast period extends over approximately 12 years from presumed commencement of infrastructure emplacement in 2018 through construction and sale of the last condominium units in 2029. This time frame effectively depicts the life-span of the project from ground-breaking, through build-out, and its eventual functional "stabilization". Primary and direct secondary capital/economic outcomes from the development of Lima Ola are quantified on in segments (from 2017-2020 to 2026-2030), the population in the community is identified, and the resultant new taxes to the County and State are estimated.

We have also tested our econometric model outcomes against the Hawaii State Input-Output Study formulae.

It is noted, our model is market-driven and not specifically time-sensitive as it is expressed in constant 2017 dollars and should the project timeline move several years in either direction from our estimate we would not anticipate major changes to our state conclusions. County materials describing Lima Ola speak to a total development period of as long as 20 years or more.

PRIMARY STUDY CONCLUSIONS

Based on our analysis of the subject property, its environs, and envisioned development we have reached the following conclusions as of the First Quarter of 2017 regarding the probable market standing and economic impacts of the proposed Lima Ola community.

It is noted, that all of the larger tables formatted into the report narrative are presented in full-page size (for easier viewing) in the Addenda Exhibits attached to the report body.

At your request, CBRE, Inc. has completed a market study assessing the demand, appropriate unit type/mix, and pricing and absorption levels for the proposed 550 housing units to be built within Lima Ola, a master planned workforce and elderly housing residential community to be located on 75 acres fronting the east side of Kaumualii Highway, adjacent to Eleele Iluna (a Kauai Habitat for Humanity project), just south of Kapa Reservoir, on the easterly outskirts of Eleele Village, Kauai, Hawaii.

The project will incorporate community gardens, mini-parks, pathways and open space buffers. The proposed inventory will all be affordably-priced according to County of Kauai guidelines for households with incomes ranging from "less than 80 percent" up to "140 percent" of the median household income on the island.

The property is identified on State of Hawaii Tax Maps as Fourth Division, 2-1-1, Parcel 27 (portion). The holding has a central location on the west side of Kauai, favorable access characteristics, desirable climate, mauka and makai (limited) view potentials, and is a natural expansion of the existing Eleele community.

The purpose of our assignment was to provide current market data and context in order to:

- Quantify the demand for affordable housing units in the study area (Lihue to Kekaha);
- Identify existing and proposed competitive supply in the region;

- Determine the type of units and mix most appropriate for development at Lima Ola;
- Estimate product pricing parameters; and
- Estimate the absorption period required to sell the units.

The pertinent results from our studies are presented in the following report describing our salient conclusions. The addendum contains the tabular presentation of our data, analysis and modeling for each aspect of the assignment.

As part of our investigation program, we have: visited the subject property and its environs; researched the Lihue-Kekaha residential real property sector; interviewed knowledgeable parties active in the regional economy; reviewed government statistics, policies and publications; accessed on-line databases; and compiled materials from our files and published and private sources.

Based on our investigation and analysis of the proposed Lima Ola Workforce Housing Development and regional residential housing market, our primary conclusions are:

- We project demand for 9,038 additional housing units (mid-point) in the Lihue-Kekaha study area between 2014 and 2040, of which about 67 percent (6,056 units) will be for units priced to be affordable for households making 140 percent or less of the Kauai median income. A reasonable portion of this demand would consider Eleele as a potential housing location.

Excluding Lima Ola, there are some 5,921 additional units proposed for the region; an insufficient supply to meet demand. It is anticipated more than a third of the planned units will be in developments oriented towards visitors and vacation/second-home buyers or with inventory at such high price points as to be unaffordable to virtually all Kauai resident households.

- Within the specific Eleele-Hanapepe study area demand for circa 760 additional housing units is forecast by 2040 based on allocations from the on-going General Plan update studies (prepared by SMS). Apart from Lima Ola, there are only 308 other units proposed for the community; a significant shortfall in supply relative to demand.
- The subject property is an appropriate location for the project and has the physical and locational attributes necessary to support the development.
- The master plan is representative of the highest and best use of the site and will provide competitive residential inventory within the regional market.
- Seniors (55 and over) will comprise an increasing share of the total regional population trending upward from the current level of circa 30 percent to 32.5 percent over the coming 25 years, with about 42 percent of senior households being in the "low income" segment (80 percent or less of the Kauai median). The large majority of the expanding Kauai senior population will be existing residents with in-place housing; however, their housing needs will change over time.

Relocating these smaller, aging households from larger more expensive housing into appropriately-sized and stable "priced" units is a major need for this demographic and will in turn free-up inventory required by, and more suitable for, younger, growing households.

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to any non-intended users does not extend reliance to any such party, and CBRE will not be responsible for any unauthorized use of or reliance upon the report, its conclusions or contents (or any portion thereof).

We appreciate the opportunity to be of service to the Lima Ola development team in regards to this proposed workforce housing community.

Market Study

- The State of Hawaii has steadily rebounded from the 2008-09 recession and associated down-cycle in the real estate market and is now within an extended-term favorable economic period featuring gradually and consistently strengthening property sectors. Sales activity, volume, and prices have all shown meaningful recovery throughout Kauai and in the Lihue-Kekaha Corridor (South/West Kauai); in many cases showing near to full recovery to the levels achieved during the 2004-07 peak market years. Expectations are for continuing economic expansion within the current up-cycle during 2017-18 (and into the mid-term) resulting in increasing demand for real estate inventory and continuing barriers to increased new development.
- Among the favorable economic indicators and trends on Kauai the unemployment rate has dropped to a current level of about 2.9 percent (approaching effective full employment) from a high of some nine percent during the depths of the recession; median household income has grown at a rate approaching four percent compounded annually since 2014; there has been major positive absorption of retail and industrial space since the beginning of 2016 (with 123,000 square feet absorbed in the first quarter of 2017), increasing velocity of commercial space development; and, tourism is continually achieving all-time records year-after-year with total visitor days and spending growing at compounded annual rates above five percent and eight percent respectively since 2009.
- Although showing some trending instability in the first quarter of this year, The Kauai residential real estate market has also shown post-recession recovery and growth. Island-wide the single family residential, condominium and vacant lot sectors are experiencing the highest level of sales activity since 2004-07, and median prices are at their highest since 2007-08, with average prices during full-year 2016 for single family homes reaching \$562,000 and condominium units at \$459,000. South/West Kauai has shown similar trending. General indicators point to up-cycle conditions with increasing demand, sales velocity, and prices in the context of limited supply additions.
- South/West Kauai is one of the three centers of the island's tourism industry, and along with East Kauai ("the Coconut Coast") and the North Shore (Princeville/Hanalei), has evolved into a primary region for economic activity and employment; attracting significant development and capital investment over the past four-plus decades. This trend is anticipated to continue over the long-term, increasing in cumulative attraction as the economy further strengthens. An expanding, increasingly diversified market; highly desirable climate; an emergence of critical mass; and, the availability of well-located development lands, undergird the favorable outlook.

- The University of Hawaii Economic Research Organization (UHERO) *Forecast Project County Forecast* (May 2017) forecasts slowing but continuing annual percentile growth over the next two-plus years for Kauai County for all six projected factors. The UHERO Kauai forecasts are shown below.

COUNTY MAJOR ECONOMIC INDICATORS YEAR-OVER-YEAR % CHANGE						
	2014	2015	2016	2017	2018	2019
KAUAI						
Visitor Arrivals	0.5	4.8	1.2	2.1	2.2	1.8
U.S. Visitor Arrivals	-0.6	4.8	2.7	2.4	2.3	1.7
Japan Visitor Arrivals	-19.0	7.8	-11.0	3.8	3.1	3.7
Other Visitor Arrivals	9.6	4.2	-4.6	0.9	1.8	1.8
Payroll Jobs	1.6	1.6	1.1	1.0	1.2	0.8
Real Personal Income	4.9	3.9	2.9	2.4	2.2	1.7

- Though not issued on a County-basis, the most recent State of Hawaii Department of Business, Economic Development & Tourism (DBEDT) *Quarterly Outlook for the Economy* (2nd Quarter 2017) statewide forecasts show continuing gains in all 12 categories through 2020. The projections are more optimistic than their prior forecasts, and have been gaining upward momentum for the past several years.

ACTUAL AND FORECAST OF KEY ECONOMIC INDICATORS FOR HAWAII: 2014 TO 2019						
Economic Indicators	2015	2016	2017	2018	2019	2020
	Actual		Forecast			
Annual Percentage Change						
Total population	0.6	0.2	0.5	0.8	0.8	0.8
Visitor arrivals ¹	4.3	3.0	2.0	1.5	1.6	1.5
Visitor days ¹	3.5	2.2	2.2	1.4	1.6	1.6
Visitor expenditures ¹	0.9	4.2	5.1	1.9	3.7	3.6
Honolulu CPI-U	1.0	2.0	2.5	2.3	2.3	2.3
Personal income	4.8	4.5	4.7	4.7	4.8	4.8
Real personal income ²	3.8	2.7	2.4	2.3	2.5	2.6
Non-agricultural wage & salary jobs	1.8	1.4	1.0	0.9	1.0	0.8
Civilian unemployment rate ³	-0.8	-0.6	-0.1	0.2	0.1	0.2
Gross domestic product	4.9	4.1	3.7	3.9	3.9	3.9
Real gross domestic product	2.3	2.1	1.9	1.7	1.6	1.6
Gross domestic product deflator (2009=100)	2.5	1.9	1.8	2.2	2.3	2.3

- We conclude the Kauai economy continues in its recovery, regaining virtually all "lost" ground during the recession, is at or approaching peak indicator levels, and the overall near to mid-term outlook is favorable.

- There were some 42,841 residents in the Lihue to Kekaha Corridor as of the study date, and the resident population by 2040 (our market study period time-frame) based on County and State forecasts is expected to reach between 57,675 and 60,466 persons as shown below.

HISTORIC, CURRENT AND PROJECTED RESIDENT POPULATION TOTALS FOR THE STATE, COUNTY AND LIHUE TO KEKAHA STUDY AREA 2010 TO 2040						
	2017	2020	2025	2030	2035	2040
Study Area (Lihue to Kekaha)						
1. Minimum Perspective (1, 2)	42,841	44,004	47,260	50,515	53,971	57,675
Percent of County Total	58.3%	58.9%	59.8%	60.6%	61.3%	62.0%
Average Annual Change in Persons	582	233	651	651	691	741
Average Annual Percent Growth	2.4%	0.5%	1.5%	1.4%	1.4%	1.4%
2. Maximum Perspective (3)	42,841	45,841	49,216	52,716	56,466	60,466
Percent of County Total	58.3%	61.4%	62.3%	63.3%	64.2%	65.0%
Average Annual Change in Persons	582	600	675	700	750	800
Average Annual Percent Growth	2.4%	1.4%	1.5%	1.4%	1.4%	1.4%
(1) From Appendix B - Kauai County General Plan, January 2017. Sourced to SMS Research Kauai 2035 General Plan: Socioeconomic Analysis and Forecasts (2014). 2017 figure extrapolated from State of Hawaii Data Book population estimate for Kauai County as of 2015. For 2025, figure is mid-point between 2020 and 2030 projections. 2040 figure taken from DBEDT Series 2040 projection.						
(2) From same source as cited in footnote #1. Includes the districts of Lihue, South Kauai, Hanapepe-Eleele and Waimea-Kekaha. 2040 figure base on 2035 forecast and same growth rate as for 2030-2035 period.						
(3) Intended to be trending marginally higher than DBEDT Series 2040 population projections.						
Source: Kauai County General Plan January 2017 appendices, DBEDT "2040 Series", and The Hallstrom Team/CBRE, Inc.						

- There are an estimated 17,600 single and multifamily housing units in South/West Kauai of which some 2,992 (or 17.0 percent) are registered as vacation rentals. It is anticipated this percentage will generally increase over the long-term as more resort-residential oriented units are constructed in Poipu, Kukuiula, Kalanipuu and elsewhere in the region. This leaves a total of 14,608 units available to meet resident housing needs in the study area.
- The current average Lihue to Kekaha Corridor resident household size is about 2.86 persons and is forecast to decline in coming decades as a result of evolving family/household trends and an increasingly diverse mix of unit types from new development. By 2040, the average household size in the study area is anticipated to lower to 2.72 persons to 2.75 persons.
- The median prices for residential product in the South/West Kauai during 2016 was at \$675,552 for single family homes and \$422,191 for condominium units. Through the first quarter of 2017, single family homes had a median price of \$788,737 and \$367,317 for condominium units. All indicators in both sectors showed meaningful appreciation during 2016 and have increased by 26 percent to 85 percent since prices reached a recessionary nadir in 2009-11. Median prices are anticipated to increase into the long-term as thousands of higher priced new units manifesting the higher costs of land, construction, impact fees and entitlement, are added to the inventory, and appreciation (though cyclical) continues.
- We estimate the demand for new residential (non-TVH) units in the Lihue to Kekaha region through 2040 will total between 7,358 and 9,743 units, with a mid-point of 8,550. Single family homes and lots will comprise about 62 percent of the total area demand and condominium units 38 percent.

- We estimate approximately 70 percent of the demand for finished single family homes in the primary study area over the next 24 years will be for units with a current price of \$539,000 or less; approximately the upper-price threshold limit for meeting County affordability standards (140 percent of median household income). For multifamily units we estimate that 76 percent of the units will need to be priced at \$480,000 or less (consistent with household incomes at 140 percent or below of median).
- Excluding Lima Ola, there are some 4,251 total proposed residential units in existing and planned South/West Kauai projects according to the County Planning Department. There are a total of some 6,455 cumulative residential and resort-residential units in the Lihue to Kekaha Corridor, with about 37 percent being the latter and not likely to meaningfully service the needs of resident family households.
- The subject property is a superior location for the proposed development in regards to access, climate, views, topography, shape, size, lack of incompatible nearby uses, County planning guidelines and objectives, and ability to provide quality lifestyle opportunities for a diverse spectrum of Kauai residents and households in a sustainable master-planned community. It will have the attributes necessary to be competitive in the workforce and senior housing product sectors, and will capture a reasonable market share during its offering period.
- Based on application of the Gross Demand, Residual Demand and Market Share (or Capture Rate) methods and their correlation we estimate the 550 proposed homes and units of Lima Ola will require about 11 years to be fully absorbed following commencement of pre-sales (tentatively anticipated for 2019). It is anticipated the 125 rental apartments and 90 rental senior units will be quickly absorbed/reserved likely via pre-construction lottery(s) and close escrow as they are built-out through 2026.

Cumulatively, this absorption estimate represents only about 18 percent of total regional demand their offering period; a moderate readily achievable portion of the larger South/West Kauai market, which could be enlarged if some proposed projects fail to reach fruition. Our concluded absorption forecasts for all Lima Ola inventory types are shown below.

PROJECTED LIMA OLA DEVELOPMENT AND ABSORPTION TIMING (1)

Project Year	General Rentals (Multifamily Units)	Senior Rentals (Multifamily Units)	For Sale Multifamily Units	For Sale Single Family Homes	Total Product Absorption in Units
1	Entitlements Completed and Initial Site Work and Infrastructure Commenced				
2	Infrastructure Completed, Vertical Construction Commences and Pre-Sales Begin				
3	20	25	15	10	70
4	20	25	20	12	77
5	20	25	25	15	85
6	20	15	25	15	75
7	20		25	15	60
8	20		25	15	60
9	5		20	15	40
10			25	15	40
11			25	13	38
12			5		5
Totals	125	90	210	125	550

(1) At this time it is assumed project would commence in late 2018 and be built in phases according to market demand with completion predicated on full absorption of product, not other factors.

Source: The Hallstrom Team/CBRE

- Based on our analysis the following unit inventory and tenure mix is indicated for the Lima Ola Development. The mix is not meaningfully changed from our earlier analysis (2014).

PROPOSED LIMA OLA UNIT INVENTORY MIX

Type/Tenure	Rental Units*		For Sale Units		Total
	Elderly	General	Multifamily	Single Family	
Number of Units	90	125	210	125	550
Percent of Total	16.4%	22.7%	38.2%	22.7%	100.0%
Household Income Levels	Less than 80% of Median	Up to 120% of Median	80% to 140% of Median	80% to 140% of Median	
Household Size (Persons)	One to Three	One to Five	Two to Five	Two to Six	

* All "Rental Units" would be in multifamily projects.

- The subject unit product types indicated within this inventory mix are as shown below. Sizes for some of the units have changed from our 2014 conclusions.

PROPOSED LIMA OLA UNIT INVENTORY MODEL TYPES					
Type/Tenure	Rental Units (1)		For Sale Units		Total
	Elderly	General	Multifamily	Single Family (2)	
Number of Units	90	125	210	125	550
Studios	45	19			64
Percent of Total	50%	15%			12%
Avg. Size in Sq. Ft.	500	500			
One Bedroom	36	44	84		164
Percent of Total	40%	35%	40%		30%
Avg. Size in Sq. Ft.	700	700	800		
Two Bedroom	9	50	95	13	167
Percent of Total	10%	40%	45%	10%	30%
Avg. Size in Sq. Ft.	900	900	1,000	1,200	
Three Bedroom		12	31	75	118
Percent of Total		10%	15%	60%	21%
Avg. Size in Sq. Ft.		1,050	1,200	1,500	
Four Bedroom				38	38
Percent of Total				30%	7%
Avg. Size in Sq. Ft.				1,800	

(1) All "Rental Units" would be in multifamily projects.
(2) Average lot size of 5,000 square feet.

- The current monthly rents and selling prices for the indicated Lima Ola units and homes are as follows. For some product types the upper-end of the calculated affordability range is near/at competitive market level pricing; these are marked with an asterisk.

PROPOSED LIMA OLA UNIT INVENTORY PRICING					
Type/Tenure	Rental Units (1)		For Sale Units (4)		Total Units/ % of Total
	Elderly (2)	General (3)	Multifamily	Single Family	
Number of Units	90	125	210	126	550
Studios	45	19			64
Pricing	\$529 to \$976	\$976 to \$1,445 *			12%
One Bedroom	36	44	84		164
Pricing	\$558 to \$1,037	\$1,037 to \$1,540*	\$177,150 to \$347,900*		30%
Two Bedroom	9	50	95	13	167
Pricing	\$659 to \$1,235	\$1,235 to \$1,838	\$231,800 to \$436,800*	\$274,500 to \$479,400*	30%
Three Bedroom		12	31	75	118
Pricing		\$1,413 to \$2,110	\$282,800 to \$519,450*	\$304,150 to \$562,150*	21%
Four Bedroom				38	38
Pricing				\$369,300 to \$590,400	7%

* Figures marked with asterisk are market prices, where market prices are at or less than affordability guidelines.
(1) Monthly net rents, exclusive of or "w/o" utilities.
(2) Rental range shown for households income between 50% and 80% of median.
(3) Rental range shown for households income between 80% and 120% of median.
(4) Price range shown for households income between 80% and 140% of median.

Economic Impact Analysis

We have constructed a model depicting the economic impact of the Lima Ola project on the Kauai and Statewide community during the course of its "lifespan" from anticipated ground-breaking in 2018, through build-out and absorption to 2029, and stabilized "operations" (common element management and maintenance) thereafter.

The model builds on the absorption estimates and data contained in our market study. All estimated amounts are in constant 2017 dollars. We note, that even if the timing of development or absorption moves substantially from our projections it does not change the resultant outcomes or indicators as the use of constant dollars removes time as a determinant variable. The purpose of the model is to illustrate how capital, jobs, wages, population and business activity will flow over time for planning and budgeting purposes apart from and present value considerations.

- The development of Lima Ola will bring in an estimated \$190 million of new, direct capital investment with significant unquantified indirect expenditures into the island's real estate market and generate: \$391.7 million in total new economic activity islandwide during its build-out over a 12-year period (forecast from circa 2018 to 2029). It will contribute some \$21.9 million in annual economic activity on a stabilized basis thereafter.
- The construction of the Lima Ola infrastructure, finished single family homes and multifamily units will directly create an estimated 1,057 "worker-years" of employment (the equivalent of 52 work weeks at 40 hours per week) in the trades and supply businesses during build-out, averaging about 88 worker-years annually, with an estimated \$83.6 million in wages (averaging about \$7 million per year).
- The Community Homeowner's Association, the upkeep, maintenance, and renovations of the 550 units, and Condominium Owners Associations will create 455 worker-years of employment from 2020 through 2030 and associated wages of \$15.1 million. Once stabilized these project components will have 61 FTE positions and annual wages of \$2 million
- Associated secondary/off-site employment during the overall development and absorption time-frame will total 504 worker-years with wages of \$27.3 million and a stabilized FTE job-count of 20 with total wages of \$1 million per year.
- At build-out the resident population of the community will be some 1,058 persons. The cumulative resident household income during the first 11 years of occupancy (2020 through 2030) will total \$375.2 million, and will stabilize at \$42.1 million annually thereafter. Discretionary expenditures into Kauai businesses by the Lima Ola population will be some \$150.1 million during build-out and average \$16.8 million per year on a stabilized basis.
- The on-going maintenance activities in the community will total \$12 million during the projection period and average \$2 million per year on a stabilized basis. The base impact to the Kauai from 2018 through 2030 will be \$391.5 million and average \$21.9 million annually thereafter.
- Application of the State Input-Output Model macro multipliers depicting direct, indirect and induced economic impacts arising from development of Lima Ola results in significantly higher economic out-flow indicators than those from our direct, subject-specific micro model.

- The total State economic impact from construction of the project would reach \$402.8 million, there would be 2,834 total worker-years of jobs created, and the total increase in earnings statewide would be \$168.8 million.
- The State model also estimates the total annual economic output from on-going spending and maintenance activity within Lima Ola would be at \$338.7 million during build-out and \$39.4 million annually on a stabilized basis. The total number of worker-years islandwide attributable to the subject dollars flowing through the economy would be 165 positions upon stabilization.

Secondary Impacts

Lima Ola will have nominal to minor impacts on the socio-economic aspects of the surrounding community that relate to real estate issues.

- The project site is adjacent to existing similar density, moderate suburban development in Eleele but otherwise surrounded by vacant lands.
- The single family homes and multifamily units will be consistent in size, quality, and pricing relative to the existing Hanapepe-Eleele community inventory and should not impact their prices or assessed/appraised values. Values are determined by activity in those projects and regional trending not by a single, new affordable-priced development.
- Property values throughout South/West Kauai are largely driven by external, cyclical economic factors within an existing (and expanding) cumulative mass, not any single new project. Lima Ola will not, in itself, drive regional market values or real property assessments of nearby real estate.
- It is not expected there will be in-migration to Kauai as a direct result of the project. It is primarily intended to provide housing opportunities for families and individuals who are already part of the existing island population base.

Public Fiscal Benefits

Public fiscal impacts, specifically "new" tax dollars and governmental expenditures resulting from the Lima Ola development were estimated using a model of the primary tax receipts which will be generated during the development and stabilized use of the project.

As the 1,508 full-time residents within the community are assumed to be relocating from elsewhere on the island their government fiscal costs are already in-place and factored into existing County and State budgets. Lima Ola will not in itself raise government expenses; however, it may result in reallocation of some spending. We have therefore excluded governmental costs associated with the households from the model.

Similarly, their taxable household income and discretionary spending on Kauai is already "in-place", assumed to be flowing through the Kauai economy and government coffers, and is being appropriately taxed the prevailing context. We have therefore excluded the taxation benefits associated with the households from the model.

However, their new homes at Lima Ola and their association operations and maintenance/renovations will add to the real property tax base of the County along with associated wages and construction costs that are subject to State Gross Excise and Income taxes

as they are resulting from new construction while their existing homes will continue to require servicing even after they depart.

- The County of Kauai will realize "new" Real Property Taxes (\$5.7 million), and other secondary receipts and development fee totaling \$9 million during the 13-year home-building and residency projection period (2018-2030), and \$1.3 million annually on a stabilized basis thereafter. These figures incorporate exemptions for real property tax resident owner-occupants.
- The State of Hawaii will receive "new" Gross Excise and Income taxes and secondary revenues, of \$20.2 million during the 2017-2030 modeling period, and \$319,000 per year thereafter.
- The major economic impacts and "new" public fiscal conclusions are summarized on the following table. The column on the left summarizes the cumulative impacts during the initial 13-year construction and build-out period (2018-2030) covering infrastructure emplacement, lot absorption, home construction and ramp-up to stabilization, and the right hand column the annual impacts after stabilization.

SUMMARY COMPARISON OF MAJOR ECONOMIC IMPACTS AND PUBLIC FISCAL BENEFITS FOR THE LIMA OLA COMMUNITY All Amounts Expressed in Constant, Uninflated 2017 Dollars		
Analysis Item	Cumulative During Build-Out Period	Stabilized Annually Thereafter
Direct Capital Investment	\$190,010,828	
Local Contractor's Profits	\$19,001,083	
Local Supplier's Profits	\$7,600,433	
Worker Years of Jobs	2,016	81
Employee Wages	\$125,986,576	\$3,105,263
Full-Time Resident Population		1,508
Full-Time Resident Household Income	\$375,182,813	\$42,101,850
Resident Population Discretionary Expenditures	\$150,073,125	\$16,840,740
Total Kauai "Base" Economic Impact	\$391,577,638	\$21,926,003
Accounting for "New" Direct Impacts Only		
County of Kauai Gross Tax Receipts	\$8,961,314	\$1,305,884
State of Hawaii Gross Tax Receipts	\$20,153,120	\$318,722
Source: The Hallstrom Team/CBRE		

The Subject Property and Proposed Project



Conceptual rendering of the Lima Ola development plan.
Source: County of Kauai Housing Agency – www.LimaOlaKauai.net

The proposed Lima Ola master planning area encompasses approximately 75 of undeveloped, agriculturally-classified lands located easterly of Eleele village, extending from frontage along Kaumualii Highway to north of Halewili Road, in the Koloa District, County of Kauai, Hawaii, approximately 18 miles from Lihue Airport in the central area of the southwesterly Kauai coastline.

The site is adjacent to the in-construction 125 unit Eleele Iluna (Habitat for Humanity) project, approximately one-half mile from the Eleele Shopping Center and across the Highway from the majority of residential neighborhoods comprising Eleele. It is within a secondary urban area comprised of Eleele, Hanapepe and Port Allen, which currently has some 6,402 residents, 2,597 housing units and commercial (limited) and light industrial uses.

The Lima Ola site, previously long-used for sugar cane production but now cultivated with coffee trees, has a nominally undulating, level to slightly sloping (to makai), terrain, and elevations between circa 175 to 275 feet above sea level. The 75-acre parcel was subdivided from a larger 463-acre A&B agricultural holding prior to county acquisition. There are mauka and/or makai views available from many points on the site, but development will limit the panoramas available from many interior units.

The property is currently within the "Agricultural District" on State Land Use Maps and is shown as "Agriculture" on the Koloa-Poipu-Kalaheo Planning District Land Use Map (County General Plan). These classifications must be changed to "Urban" and "Residential Community" to support Lima Ola. However, it abuts existing urban and residential designated lands and is close to an identified "Urban Center".

The County of Kauai identified six primary design and development goals (each with numerous objectives) to establish a framework for the Lima Ola master plan:

1. Provide a range of affordable housing options.
2. Incorporate smart growth principles.
3. Foster social interaction and a spirit of aloha.
4. Support healthy living initiatives.
5. Allows for building "green" and is environmentally sustainable.
6. Serves as a prudent public investment to Kauai.

In an effort to achieve these objectives, Kauai formed an inclusive planning team of public agencies, community members and private consultants, culminating in the Lima Ola Workforce Housing Development – Master Plan, published by the County of Kauai Housing Agency in March 2012.

The development was initially envisioned for circa 400 residential housing units, with multifamily projects at either end of the site (north and south), and single family homes in between, all surrounding a central community center. Primary access would be via main entrance parkways along Kaumualii Highway, across from Laulea Street, and extending from Halewili Road, with secondary access available from an extension of Mahea Road (through the Habitat for Humanity project).

Subsequent refinements, led by Community Planning and Engineering, Inc., have resulted in the current master plan shown below.



At present, it is anticipated the project will be developed in four phases, requiring up to three decades. The total unit count may range from 530 to 620; however, for purposes of this study it was assumed there would be 550 total units.

Appropriateness of the Site for the Proposed Development

THE SITE

The Lima Ola vision will transform a property that is:

- Currently underutilized and provides nominal housing, economic or lifestyle benefit to the region.
- Centrally-located within the west Kauai corridor between Koloa-Poipu and Waimea-Kekaha.
- Has frontage/access along the two major thoroughfares in the area (Kaumualii Highway and Halewili Road).
- Adjacent/proximate to existing urban (commercial and industrial) and residential uses, with available infrastructure systems and service.
- The most suitable location for the long-term expansion of the Eleele community given the physical constraints of the Hanapepe River, ocean, other water courses/wetlands, topographical limitations, and the Port Allen industrial area; without creating isolated, new urban sprawl.
- Limited in alternative Highest and Best Use(s).

THE MASTER PLAN

Actualization of the Lima Ola master plan will create a regional asset providing:

- Needed affordably-priced housing to a broad-spectrum of qualifying households.
- A diversity of inventory types reflecting specific demographic needs integrated into a single project.
- Targeted, appropriately scaled, efficient housing for seniors; a high-demand, short-supply sector.
- Support for existing area business and enhanced demand for "neighborhood" commercial and industrial services; allowing for the moderate expansion of in-place and new businesses and helping to create a critical mass which will attract needed new services to the region.
- Substantial spending from the thousand-plus new residents which will benefit the larger community by stabilizing and increasing employment and economic activity in the Eleele-Hanapepe-Port Allen area and island-wide.
- Significant "worker years" of employment for west Kauai contractors and tradespeople; many of whom otherwise must commute meaningful distances to job sites.
- An expanded real property and other tax base.
- A 2.8 acre centrally-located community center/park facility; a venue for neighborhood events and interaction among residents and guests.

- A relatively comprehensive, sustainable "village" complementary with the existing Eleele community.

THE MARKET CONTEXT

From a market overview perspective, the proposed development will have the necessary attributes to be compatible with, and competitive within, the west/south Kauai real estate sector:

- *It will offer product types at affordable prices which are in limited supply in the study area.* Given the average price of homes, scarcity of resident-oriented multifamily inventory, and the increasing demand for senior (specialized) housing in west Kauai, the Lima Ola units will appeal to a large number of resident households which comprise the broadest (base) portion of the housing demand pyramid.
- *It is within a market area which has had limited new major residential development in recent years (apart from the in-process Eleele Iluna Habitat for Humanity project).* Most residential construction in Eleele-Hanapepe in the past decade-plus has been individual/custom homes on existing lots, or in minor projects.

This has resulted in an aging housing inventory, estimated at an average of some 22-plus years, that is increasingly costly to maintain, fails to meet the evolving demographic needs of area households, and does not reflect modern design/planning and materials standards. Further, as older homes are comprehensively renovated or expanded and larger more expensive newer homes are built, neighborhoods become dichotomous; a condition being experienced in many communities throughout the islands and not universally considered a positive outcome.

- *Its central location in West Kauai will be desirable within the regional market.* The resident population of the Koloa-Poipu to Kekaha corridor is anticipated to increase by nearly 10,000 persons over the next quarter century. While a significant share of housing demand in the area will be focused towards Koloa-Poipu, where much of the regional employment growth and many of the new units will be built in coming years, the high price of market inventory coupled with demand from non-resident purchasers, will preclude many resident households from obtaining units in close proximity to their jobs. And, the relatively high cost of land limits the potential for either private or public affordably-priced projects.

The Lima Ola site, at about 10 miles distant, is meaningfully closer to the Poipu visitor-driven job market than reasonable alternative sites, such as might be available in Lihue (15 miles). The Lima Ola site is in close proximity to a public transit mainline. Additionally, the commute times for project residents to Koloa-Poipu jobs, and their impact upon traffic movement, will be significantly less than from a Lihue location.

In addition to a favorable (dry) climate, an Eleele location provides ease of access to many south and west Kauai beaches, parks and recreational/outdoor activities.

- *In concert with market trends.* Multi-product, larger, master-planned developments have been part of the Hawaii real estate market for many decades, and they have generally provided higher-quality, more desirable housing and lifestyle opportunities than in standard subdivisions. Such major master planned projects in the State and on Kauai have been traditionally oriented towards resort and upper-end development; however, there are newer projects in-construction and proposed on the neighbor islands which are

seeking to provide more diverse product types at lower costs to better service households in the moderate income range.

Lima Ola represents the evolving edge of such master planning by coupling a fairly comprehensive community design with a total workforce/affordable housing orientation; a rare and progressive concept which will provide low to moderate income households with quality lifestyle opportunities typically reserved for higher earning households and market-priced homes.

- *Maximize the reasonable development potentials of a well-located parcel.* Given the locational and access attributes of the subject property, within the context of long-term expansion of Eleele, and the housing and economic benefits which will flow to Kauai from the project, the proposed master plan is a reasonable confluence of market and general community objectives.

APPROPRIATENESS CONCLUSION

Our market-based analysis regarding the proposed Lima Ola project indicates:

- The subject site is an appropriate location.
- The master plan will result in a community offering a desirable lifestyle.
- Its finished inventory can be competitive in and well-received by the market.
- It is representative of the highest and best use of the property.
- There are no reasonable economic alternative mid to long-term uses evident.

While there may be locations elsewhere on Kauai which are currently in closer proximity to a greater availability of in-place commercial development, services, facilities and amenities, the decentralization of such social/lifestyle "infrastructure" from the Lihue-Kapaa corridor is an inevitable need for Kauai over the long-term as:

- The existing "excess capacity" of businesses, services and facilities will likely be substantially absorbed by the demands associated with the circa 15,000 new residents expected in Lihue and East Kauai over the next 25 years, and new opportunities/capacity will be needed regardless of where the 550 subject units are located.
- The increasing congestion of the Lihue-Kapaa corridor over the mid to long-term will somewhat render moot the benefits of reduced travel time and ease of access associated with a more "central" location on the island.

Market Study of the Proposed Lima Ola Project

The tables containing the contributory data, analysis models, and results, excerpts from which are presented and summarized in this section, are contained in Addenda Exhibit A.

RESIDENTIAL UNIT DEMAND IN THE GENERAL STUDY AREA

The study area of our assignment stretches from Lihue to Kekaha, a 30-mile near-coastal and lower elevation corridor along the southerly and westerly shorelines of Kauai. It includes residential, agricultural, visitor-oriented, and commercial/industrial development, with Lihue being the largest and most urbanized community in the region.

In 2010, the census counted 38,187 residents in the study area, or 56.9 percent of the county total. By the first quarter of 2017, the estimated population of the region had grown to 42,841 persons and 58.3 percent of the island total.

Two series of projections were used as the basis for our population and housing demand estimates, with the first being given most weight in our analysis:

1. "Kauai County General Plan Kakaou – Appendices" dated January 2017; specifically, Appendix B and Appendix D. These models have a planning horizon extending to 2035 and provide data and forecasts for the six individual planning districts comprising the island.
2. The State of Hawaii Department of Business Economic Development and Tourism "2040 Series Report" with population projections, historic trending, and anticipated economic expansions extending to 2040 (our projection horizon). The forecasts for Kauai are only on an island-wide basis.

As previously stated, our projections extend to 2040, or circa 22.5 years from the study date, this is to coincide with the maximum Lima Ola Development master planning range which speaks to the project potentially requiring two-plus decades before build-out (which is not a market-driven timing estimate).

As shown on the following table, we forecast the resident population in the Lihue to Kekaha Corridor, our primary study area, will increase by 2040 to between 57,675 persons (a gain of 34.6% from our 2017 estimate) and 60,466 persons (up 41.4%).

HISTORIC, CURRENT AND PROJECTED RESIDENT POPULATION TOTALS FOR THE STATE, COUNTY AND LIHUE TO KEKAHA STUDY AREA 2010 TO 2040						
	2017	2020	2025	2030	2035	2040
State Total (DBEDT Series 2040)	1,457,600	1,481,240	1,543,240	1,602,340	1,657,500	1,708,920
Average Annual Change in Persons	13,426	4,728	12,400	11,820	11,032	10,284
Average Annual Percent Growth	1.4%	0.3%	0.8%	0.8%	0.7%	0.6%
Kauai County General Plan (1)	73,485	74,693	79,011	83,328	88,013	93,020
Percent of State Total	5.0%	5.0%	5.1%	5.2%	5.3%	5.4%
Average Annual Change in Persons	913	242	864	864	937	1,001
Average Annual Percent Growth	1.9%	0.3%	1.2%	1.1%	1.1%	1.1%
DBEDT Forecasts 2040 Series		75,640	80,000	84,380	88,730	93,020
Persons Variance From Kauai GP		947	990	1,052	717	0
Percent Variance From Kauai GP		1.3%	1.3%	1.3%	0.8%	0.0%
Study Area (Lihue to Kekaha)						
1. Minimum Perspective (2)	42,841	44,004	47,260	50,515	53,971	57,675
Percent of County Total	58.3%	58.9%	59.8%	60.6%	61.3%	62.0%
Average Annual Change in Persons	582	233	651	651	691	741
Average Annual Percent Growth	2.4%	0.5%	1.5%	1.4%	1.4%	1.4%
2. Maximum Perspective (3)	42,841	45,841	49,216	52,716	56,466	60,466
Percent of County Total	58.3%	61.4%	62.3%	63.3%	64.2%	65.0%
Average Annual Change in Persons	582	600	675	700	750	800
Average Annual Percent Growth	2.4%	1.4%	1.5%	1.4%	1.4%	1.4%
(1) From Appendix B - Kauai County General Plan, January 2017. Sourced to SMS Research Kauai 2035 General Plan: Socioeconomic Analysis and Forecasts (2014). 2017 figure extrapolated from State of Hawaii Data Book population estimate for Kauai County as of 2015. For 2025, figure is mid-point between 2020 and 2030 projections. 2040 figure taken from DBEDT Series 2040 projection.						
(2) From same source as cited in footnote #1. Includes the districts of Lihue, South Kauai, Hanapepe-Eleele and Waimea-Kekaha. 2040 figure base on 2035 forecast and same growth rate as for 2030-2035 period.						
(3) Intended to be trending marginally higher than DBEDT Series 2040 population projections.						
Source: Kauai County General Plan January 2017 appendices, DBEDT "2040 Series", and The Hallstrom Team/CBRE, Inc.						

Our "Minimum Perspective/Scenario" population are fully consistent with the forecasts made in Appendix B of the 2017 Kauai General Plan update materials through 2035, as shown below. Our "Maximum Perspective/Scenario" is more reflective of the DBEDT Series 2040 projections which trend upwards at one percent higher than the General Plan figures.

STUDY AREA RESIDENT POPULATION FORECAST LIHUE TO KEKAHA CORRIDOR	
Forecast	2035
The Hallstrom Team/CBRE	
Minimum Scenario	53,971
Percent of County	61.3%
Maximum Scenario	60,466
Percent of County	64.2%
County General Plan Appendix B	
Percent of County	61.3%
Note: 2035 selected for comparison year as that is as far as County forecasts extend. Our model projections extend to 2040.	

At present there is an estimated 17,600 total housing units in the study area, with 83 percent used by full-time resident households and 17 percent for non-full time residents and visitors; with the latter percentage showing continuing growth in recent decades.

We have projected the housing demand which will be associated with the expanding regional population to 2040 based on the:

- Anticipated declining average household size from a current level of 2.86 persons to between 2.72 and 2.75 over the next quarter-century;
- An increasing share of units being used by non-full time residents and visitors, moving upwards to between 17 and 20 percent of total demand; and
- The inclusion of a nominal "vacancy allowance" of 2 to 3 percent, to provide for household movement, units closed for rehabilitation, and promote market stability.

Our forecast model estimates demand for new housing units in the Lihue-Kekaha corridor will range from 7,358 to 9,753 units by 2040, with a mid-point of 8,550 units, as shown following.

QUANTIFICATION OF HOUSING UNIT DEMAND FOR THE LIHUE-KEKAHA STUDY AREA 2017 TO 2040							Additional Units Required by 2040
	2017	2020	2025	2030	2035	2040	
Scenario One: Minimum Based on Appendix B - Kauai General Plan Projections							
Resident Population	42,841	44,004	47,260	50,515	53,971	57,675	
Average Household Size (1)	2.86	2.85	2.83	2.80	2.78	2.75	
Total Resident Units Required	14,979	15,440	16,729	18,041	19,449	20,973	
Vacancy Allowance (2 % of resident unit demand)	300	309	335	361	389	419	
Non-Resident Purchaser Allowance (2) (17% Stabilized of resident unit demand)	2,546	2,625	2,844	3,067	3,306	3,565	
TOTAL MARKET UNIT DEMAND	17,825	18,374	19,908	21,469	23,144	24,958	7,358
Scenario Two: Maximum Based on DBEDT Series 2040 Projections and Marginally Higher Trending							
Resident Population	42,841	45,841	49,216	52,716	56,466	60,466	
Average Household Size (1)	2.86	2.84	2.81	2.78	2.75	2.72	
Total Resident Units Required	14,979	16,141	17,514	18,962	20,533	22,230	
Vacancy Allowance (2% to 3% of resident unit demand)	300	363	438	521	616	667	
Non-Resident Purchaser Allowance (2) (17% to 20% of resident unit demand)	2,546	2,825	3,153	3,508	3,901	4,446	
TOTAL MARKET UNIT DEMAND	17,825	19,329	21,105	22,992	25,050	27,343	9,743
CONCLUDED HOUSING UNIT DEMAND RANGE							
	2017	2017-2020	2021-2025	2026-2030	2031-2035	2036-2040	Totals
MINIMUM DEMAND							
Periodic	225	548	1,534	1,561	1,675	1,813	7,358
Cumulative	225	830	2,458	4,019	5,695	7,508	
Average Annual Demand (3)		202	326	312	335	363	
MAXIMUM DEMAND							
Periodic	225	1,504	1,776	1,887	2,058	2,293	9,743
Cumulative	225	1,785	3,655	5,542	7,600	9,893	
Average Annual Demand (3)		520	374	377	412	459	
MID-POINT DEMAND							
Periodic	225	1,026	1,655	1,724	1,867	2,053	8,550
Cumulative	225	1,308	3,056	4,781	6,647	8,700	
Average Annual Demand (3)		361	350	345	373	411	
(1) Census reported average resident household size for Primary Study Area in 2010 was 2.88 persons, 2015 mid-census estimate ranged from 2.12 persons (Poipu) to 3.50 persons (Eleele). (2) There were 15,562 total "housing units" in the Study Area in 2010; 13,182 were used by resident households (84.7%) and 2,380 were used by non-residents/visitors. Current estimates there are 17,600 housing units in Study Area, with 83.0 percent used by resident households and 17.0 percent used by non-residents/visitors. (3) Existing (or latent) demand is assumed absorbed evenly from 2017 though 2025.							
Source: US Census, County of Kauai, DBEDT and The Hallstrom Team/CBRE.							

Again, our figures for 2035 are generally consistent with the adjusted County/SMS 2014 technical study output.

STUDY AREA HOUSING DEMAND FORECAST LIHUE TO KEKAHA CORRIDOR	
Forecast	2035
<u>The Hallstrom Group, Inc.</u>	
Minimum	5,319
Maximum	7,225
<u>County Technical Studies (SMS) (1)</u>	
	6,139
(1) Adjusted for period between 2014 forecasts and 2017 study date.	
Note: 2035 selected for comparison year as that is as far as County forecasts extend. Our model projections extend to 2040.	

Having established there will be demand for a significant number of new housing units in the study area, we stratified the demand across several characteristics: pricing, unit mix and tenure. We also analyzed demand within the senior household demographic.

1. Unit Pricing

We have allocated the demand for housing units at various price points based on:

- County/HUD 2017 "affordability" pricing and rental criteria for households making 140 percent or less of the median Kauai household income.
- Conventional financing standards for other households.
- Analysis of the proposed supply.
- Historic and forecast trends in the ratio between Kauai household income and housing prices.
- Acknowledgement of the impact of non-resident purchasers on market pricing.

The County of Kauai Housing Agency has recently-released the 2017 median household income estimates, the pricing criteria to be used in assessing "for sale" housing unit affordability, and the monthly levels "for rent" units on the island. Their results are shown on the following tables (taken from their website). For our purposes we have focused on the "Bedroom Count" price/rent guidelines, although they are also issued based on "Family Size".

**COUNTY OF KAUAI
2017 ANNUAL INCOME LIMITS**

Effective: 4/14/2017
Kauai Median Household Income: \$79,200

Household Size:	1	2	3	4	5	6	7	8
HUD Income Limits*:								
30% Limits (Extremely Low)	17,950	20,500	23,500	28,300	33,100	37,950	42,750	47,550
50% Limits (Very Low)	29,900	34,150	38,400	42,650	46,100	49,500	52,900	56,300
60% Limits	35,880	40,980	46,080	51,180	55,320	59,400	63,480	67,560
80% Limits (Low)	47,800	54,600	61,450	68,250	73,750	79,200	84,650	90,100
Workforce Housing Income Limits*:								
100% Limits	55,450	63,400	71,300	79,200	85,550	91,900	98,250	104,550
120% Limits	66,550	76,050	85,550	95,050	102,700	110,300	117,900	125,500
140% Limits	77,650	88,750	99,850	110,900	119,800	128,650	137,550	146,400
Gap Group Income Limits*:								
160% Limits	88,750	101,400	114,100	126,750	136,900	147,050	157,150	167,300
180% Limits	99,800	114,100	128,350	142,600	154,000	165,400	176,800	188,250

*Annual income limits are rounded upwards to the nearest \$50

**COUNTY OF KAUAI
FOR SALE LIMITS BY BEDROOM COUNT**

Effective: 4/14/2017
Kauai Median Household Income: \$79,200

4.25%

Bedroom Size:		Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom	5-Bedroom
HUD Income Limits:							
30% Limits (Extremely Low)	For Sale Price	42,400	49,200	72,000	110,450	149,100	187,600
	CPR Sale Price	-	6,650	29,300	67,800	106,500	144,900
50% Limits (Very Low)	For Sale Price	106,200	117,550	151,500	183,400	210,800	238,000
	CPR Sale Price	63,500	74,850	108,900	140,700	168,100	195,300
80% Limits (Low)	For Sale Price	201,700	219,850	274,500	304,150	369,300	412,850
	CPR Sale Price	159,000	177,150	231,800	282,800	326,600	370,150
Work Force Housing Income Limits:							
100% Limits	For Sale Price	242,500	263,700	327,100	386,200	437,000	487,700
	CPR Sale Price	199,800	221,050	284,400	343,500	394,300	445,000
120% Limits	For Sale Price	301,800	352,400	403,100	474,200	535,200	596,050
	CPR Sale Price	259,100	309,800	360,400	431,550	492,500	553,350
140% Limits	For Sale Price	361,000	390,600	479,400	562,150	633,100	704,200
	CPR Sale Price	318,300	347,900	436,800	519,450	590,400	661,500
Gap Group Income Limits:							
160% Limits	For Sale Price	420,200	453,950	555,500	650,050	731,300	812,300
	CPR Sale Price	377,500	411,250	512,800	607,400	688,600	769,600
180% Limits	For Sale Price	479,200	517,350	631,500	738,000	829,200	920,550
	CPR Sale Price	436,500	474,650	588,800	695,300	786,500	877,950

*For sale prices are rounded upwards to the nearest \$100, is based on a conventional 30-year fixed rate mortgage, and assumes the following:

Assumptions

30-Year Fixed Interest Rate:	4.25%
Monthly Property Tax and Home Insurance:	\$250
Monthly Maintenance and Association Fees for CPR:	\$200
Down Payment:	5.00%

Unit rental "prices" were also based on County/HUD criteria for households with incomes less than 140 percent of the median for Kauai, as shown.

**COUNTY OF KAUAI
RENTAL LIMITS BY BEDROOM COUNT**

Effective: 4/14/2017
Kauai Median Household Income: \$79,200

Bedroom Size:		Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom	5-Bedroom
HUD Income Limits:							
30% Limits (Extremely Low)	Rent w/ utilities*	449	481	588	768	949	1,129
	Rent w/o utilities	230	238	287	406	522	637
50% Limits (Very Low)	Rent w/ utilities*	748	801	960	1,109	1,238	1,365
	Rent w/o utilities	529	558	659	747	811	873
80% Limits (Low)	Rent w/ utilities*	1,195	1,280	1,536	1,775	1,980	2,184
	Rent w/o utilities	976	1,037	1,235	1,413	1,553	1,692
Workforce Housing Income Limits:							
100% Limits	Rent w/ utilities*	1,386	1,486	1,783	2,059	2,298	2,535
	Rent w/o utilities	1,167	1,243	1,482	1,697	1,871	2,043
120% Limits	Rent w/ utilities*	1,664	1,783	2,139	2,472	2,758	3,043
	Rent w/o utilities	1,445	1,540	1,838	2,110	2,331	2,551
140% Limits	Rent w/ utilities*	1,941	2,080	2,496	2,884	3,216	3,549
	Rent w/o utilities	1,722	1,837	2,195	2,522	2,789	3,057
Gap Group Income Limits:							
160% Limits	Rent w/ utilities*	2,219	2,377	2,853	3,296	3,676	4,056
	Rent w/o utilities	2,000	2,134	2,552	2,934	3,249	3,564
180% Limits	Rent w/ utilities*	2,495	2,674	3,209	3,708	4,135	4,563
	Rent w/o utilities	2,276	2,431	2,908	3,346	3,708	4,071

*Includes a utility allowance which assumes the reasonable cost of utilities and is effective 01/01/2017.

The median sales prices for housing units in selected communities within the greater study area during the first quarter of 2017 were as shown.

First Quarter 2017 MLS Median Sale Prices			
	Residential	Condo	Land
Waimea	\$380,000	\$372,000	\$179,000
% Annual Chg.	5.6%	N/A	N/A
Koloa	\$697,500	\$392,500	\$322,000
% Annual Chg.	-4.7%	-47.9%	-19.5%
Lihue	\$500,000	\$277,500	\$280,000
% Annual Chg.	6.4%	N/A	23.1%

In general, outside of the Koloa market area, which includes many expensive/upscale units oriented towards non-resident purchasers and visitor use, the regional market serves the median (100% income households) and gap group (up to 140% of County median) reasonably functionally. However, inventory is limited for those families earning below the median level.

The Kauai Board of Realtors Multiple Listing Data for condominiums, single family homes ("residential") and vacant lots in the study area ("Waimea, Koloa, Lihue") for the period 2000 through mid-May 2017 are summarized following.

KAUAI MLS CONDO STATISTICS WAIMEA, KOLOA, LIHUE			
Year	# of Sales	Sales Average	Sales Volume
2000	225	\$186,124	\$41,877,820
2001	202	\$199,243	\$40,247,144
2002	244	\$209,709	\$51,169,079
2003	271	\$270,295	\$73,249,935
2004	249	\$353,883	\$88,116,849
2005	298	\$473,776	\$141,185,251
2006	496	\$422,478	\$209,549,254
2007	145	\$519,238	\$75,289,573
2008	67	\$472,283	\$31,642,975
2009	88	\$337,945	\$29,739,187
2010	119	\$329,171	\$39,171,390
2011	163	\$316,617	\$51,608,600
2012	139	\$309,928	\$43,079,935
2013	190	\$346,020	\$65,743,824
2014	157	\$355,464	\$55,807,808
2015	203	\$334,082	\$67,818,682
2016	215	\$422,191	\$90,771,136
2017	95	\$367,317	\$34,895,137
Compiled by CBRE			

KAUAI MLS SINGLE FAMILY STATISTICS WAIMEA, KOLOA, LIHUE			
Year	# of Sales	Sales Average	Sales Volume
2000	183	\$311,102	\$56,931,717
2001	182	\$436,221	\$79,392,177
2002	227	\$369,401	\$83,853,934
2003	307	\$438,522	\$134,626,288
2004	287	\$541,851	\$155,511,138
2005	253	\$730,840	\$184,902,588
2006	222	\$828,550	\$183,938,098
2007	192	\$765,818	\$147,037,084
2008	111	\$806,562	\$89,528,361
2009	112	\$590,379	\$66,122,500
2010	149	\$566,727	\$84,442,363
2011	149	\$527,193	\$78,551,825
2012	165	\$680,640	\$112,305,632
2013	192	\$667,912	\$128,239,111
2014	203	\$810,742	\$164,580,690
2015	189	\$734,058	\$138,737,007
2016	263	\$675,552	\$177,670,306
2017	85	\$788,737	\$67,042,667
Compiled by CBRE			

KAUAI MLS LAND STATISTICS WAIMEA, KOLOA, LIHUE			
Year	# of Sales	Sales Average	Sales Volume
2000	70	\$193,596	\$13,551,750
2001	119	\$233,615	\$27,800,215
2002	194	\$155,203	\$30,109,454
2003	211	\$305,989	\$64,563,696
2004	177	\$448,795	\$79,436,768
2005	117	\$601,265	\$70,347,983
2006	251	\$509,399	\$127,859,225
2007	104	\$992,825	\$103,253,834
2008	69	\$736,138	\$50,793,525
2009	33	\$314,594	\$10,381,600
2010	54	\$263,847	\$14,247,750
2011	43	\$434,986	\$18,704,381
2012	60	\$360,440	\$21,626,400
2013	114	\$545,743	\$62,214,656
2014	88	\$520,906	\$45,839,750
2015	53	\$427,160	\$22,639,500
2016	53	\$377,358	\$19,999,950
2017	40	\$390,582	\$15,623,264
Compiled by CBRE			

We also completed a rental survey of the Lihue to Kekaha Corridor over two-plus months (March 15, 2017 through May 20, 2017). During that time there were 50 different units listed for long-term residential tenancy on Craigslist, Hawaii Information Service and other on-line sources, or about 0.3 percent of the total residential housing stock, as follows.

RECENT MONTHLY UNIT RENTS IN LIHUE-KEKAHA CORRIDOR	
	Rental Units
Number of Units	50
<i>Studios</i>	3
Percent of Total	6.0%
Average Rent	\$1,417
<i>One Bedroom</i>	11
Percent of Total	22.0%
Average Rent	\$1,470
<i>Two Bedroom</i>	17
Percent of Total	34.0%
Average Rent	\$1,985
<i>Three Bedroom</i>	14
Percent of Total	28.0%
Average Rent	\$2,230
<i>Four Bedroom</i>	5
Percent of Total	10.0%
Average Rent	\$2,600

With the exception of the one-bedroom product (and assuming "rent with utilities"), the average market rents are "affordable" only to households making more than 100 percent of the county median.

2. Unit Mix

Presently, about 66 percent of the housing stock from Lihue to Kekaha is in single family homes and 34 percent is multifamily units; with the majority of the latter concentrated in Lihue and Poipu.

It is anticipated that as land costs increase, housing prices continue rising, the population ages, and newer master planned developments are built-out (as at Lima Ola) more of the new housing inventory will be multifamily, with a 60 percent single family and 40 percent multifamily mix forecast by 2036 to 2040, as shown.

DIVISION OF PROJECTED DEMAND BY UNIT TYPE FOR HOUSING UNITS IN LIHUE-KEKAHA STUDY AREA 2017 TO 2040						
	2017 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	Total Demand 2017-2040
1. Using Minimum Demand Projections						
Single Family Homes	449	1,042	968	1,022	1,088	4,568
Percent of Total	66%	64%	62%	61%	60%	62%
Multifamily Units	231	586	593	653	725	2,789
Percent of Total	34%	36%	38%	39%	40%	38%
Total	680 100%	1,628 100%	1,561 100%	1,675 100%	1,813 100%	7,357 100%
2. Using Maximum Demand Projections						
Single Family Homes	1,079	1,197	1,170	1,256	1,376	6,077
Percent of Total	66%	64%	62%	61%	60%	62%
Multifamily Units	556	673	717	803	917	3,666
Percent of Total	34%	36%	38%	39%	40%	38%
Total	1,635 0%	1,870 0%	1,887 0%	2,058 0%	2,293 0%	9,743 0%
Mid-Point						
Single Family Homes	764	1,119	1,069	1,139	1,232	5,323
Multifamily Units	393	630	655	728	821	3,228
Total	1,157	1,749	1,724	1,867	2,053	8,550
Source: CBRE, Inc.						

3. Unit Tenure

Currently, about 63 percent of the resident housing units in the study area are owner-occupied and 37 percent are renter-occupied. With increasing housing costs, and high levels of non-resident and investor ownership, the percentage of renters in the regional market is anticipated to increase, with ratios of 56 percent owner-occupied and 44 percent renter-occupied by the 2036 to 2040 period, as shown.

DIVISION OF PROJECTED DEMAND BETWEEN OWNER-OCCUPANTS AND RENTALS FOR HOUSING UNITS IN LIHUE-KEKAHA STUDY AREA 2017 TO 2040						
	2017 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	Total Demand 2017-2040
1. Using Minimum Demand Projections						
Owner-Occupied Units	428	993	921	955	1,015	4,313
Percent of Total	63%	61%	59%	57%	56%	59%
Renter-Occupied Units	251	635	640	720	798	3,045
Percent of Total	37%	39%	41%	43%	44%	41%
Total	680	1,628	1,561	1,675	1,813	7,357
	100%	100%	100%	100%	100%	100%
2. Using Maximum Projections						
Owner-Occupied Units	1,030	1,141	1,113	1,173	1,284	5,741
Percent of Total	63%	61%	59%	57%	56%	59%
Renter-Occupied Units	605	729	774	885	1,009	4,002
Percent of Total	37%	39%	41%	43%	44%	41%
Total	1,635	1,870	1,887	2,058	2,293	9,743
	100%	100%	100%	100%	100%	100%
Mid-Point						
Owner-Occupied Units	729	1,067	1,017	1,064	1,150	5,027
Renter-Occupied Units	428	682	707	803	903	3,523
Total	1,157	1,749	1,724	1,867	2,053	8,550
Note: According to 2015 mid-census estimates, the CDPs comprising the South and West Kauai regions had 64.8% of their total resident household units being owner-occupied and 35.2% being renter-occupied, with an overall range of 37.9% owner-occupied in Koloa and 72.8% in Lihue.						
Source: US Census Bureau, and The Hallstrom Team/CBRE, Inc.						

SENIOR UNIT DEMAND IN THE STUDY AREA

Among the factors contributing to our projection of senior housing demand in the study area were:

- Approximately 28.1 percent of the study area resident population is above 60 years old, at or approaching senior status. This ratio will increase in coming years as persons live longer and more retirees in-migrate to the island.
- About 32 percent of all households in the study area have seniors, many of whom are living with their spouse and no other residents, or living alone. These households contain some 81 percent of the total senior population on the island.
- The average size of senior-only households in the Lihue-Kekaha region is currently estimated at 1.74 persons, a figure that is also expected to grow in coming years as men live longer.
- Some 42 percent of senior households have incomes at 80 percent or less of the Kauai median.

There are currently an estimated 5,604 senior households in the study area, and with a vacancy allowance of two to three percent, they theoretically will comprise about 32-plus percent of the total demand for residential units in the region.

As shown in the summary chart following, senior households will represent demand for between 3,100 and 3,561 total units by 2040. And, from 1,302 to 1,496 of this unit demand will be for

affordably-priced, low income inventory (with household incomes at 80 percent or less than the island-wide median amount).

However, senior demand is, for the most part, not "new"; it is already substantially in-place (apart from retiree in-migration) and is currently housed. They are not necessarily requiring additional units to be constructed unlike, the "natural growth" of population and resident household creation on-going in the region, and from in-migrating non-senior persons.

In this context, developing dedicated senior housing in the study area, and particularly units for low income senior households, provides a service to both seniors and the larger community.

Senior households, especially low income ones, typically have near-fixed (and sometimes declining) incomes, often with a substantial portion of household wealth tied up in their home's equity.

A well-designed, efficient, appropriately-scaled unit is a requirement if the lifestyle of the household is to be kept from declining both economically and physically as the cost and effort to maintain their existing home can be arduous. Yet, due to a lack of available alternative stable housing opportunities seniors may be forced to remain in inappropriate units (large, costly and difficult to maintain).

Commensurately, younger, expanding households which need larger units and have the necessary (growing) income and energy to utilize and maintain a home, often have few alternatives. This is due to the competition for affordable/reasonably-priced units, or units in new projects are too costly, or units that are being purchased by higher income in-migrants and non-resident buyers.

In many instances, providing a senior household with an alternative, appropriate unit "frees up" an existing appropriate home for another household in need. Thus, for the cost of a smaller efficient new senior unit, a larger, now more readily-maintained, home is effectively added to the regional inventory that is needed to house natural and in-migration population growth, while enhancing the lifestyle of a senior household.

Development of appropriately-sized and located senior units is beneficial to a larger spectrum of households and also inhibits urban sprawl.

PROJECTED SENIOR HOUSING DEMAND FOR UNITS IN LIHUE-KEKAHA STUDY AREA 2017 TO 2040							Total Demand 2017-2040
	2017	2017 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	
1. Using Minimum Demand Projections							
Total Study Area Population (1)	42,841	44,004	47,260	50,515	53,971	57,675	
Resident Senior Population (2)	12,038	12,541	13,942	15,407	17,001	18,744	
Percent of Total Population	28.1%	28.5%	29.5%	30.5%	31.5%	32.5%	
In Senior-Only Households	9,751	10,221	11,432	12,711	14,111	15,558	
Percent of Senior Population	81.0%	81.5%	82.0%	82.5%	83.0%	83.0%	
Average Senior Household Size	1.74	1.76	1.77	1.78	1.79	1.8	
Regional Senior Housing Demand	5,604	5,807	6,459	7,141	7,883	8,643	
Vacancy Allowance (2%)	112	116	129	143	158	173	
Total Senior Housing Units Required	5,716	5,924	6,588	7,284	8,041	8,816	3,100
Percent of Total Study Area Demand	32.1%	32.2%	33.1%	33.9%	34.7%	35.3%	
Percent Low Income Senior Households	42%	42%	42%	42%	42%	42%	
Low Income Senior Housing Unit Demand	2,401	2,488	2,767	3,059	3,377	3,703	1,302
Percent of Total Study Area Demand	13.5%	13.5%	13.9%	14.2%	14.6%	14.8%	
2. Using Maximum Demand Projections							
Total Study Area Population (1)	42,841	45,841	49,216	52,716	56,466	60,466	
Resident Senior Population (2)	12,038	13,065	14,519	16,078	17,787	19,651	
Percent of Total Population	28.1%	28.5%	29.5%	30.5%	31.5%	32.5%	
In Senior-Only Households	9,751	10,648	11,905	13,265	14,763	16,311	
Percent of Senior Population	81.0%	81.5%	82.0%	82.5%	83.0%	83.0%	
Average Senior Household Size	1.74	1.76	1.77	1.78	1.79	1.8	
Regional Senior Housing Demand	5,604	6,050	6,726	7,452	8,247	9,061	
Vacancy Allowance (3%)	168	181	202	224	247	272	
Total Senior Housing Units Required	5,772	6,231	6,928	7,676	8,495	9,333	3,561
Percent of Total Study Area Demand	32.4%	32.2%	32.8%	33.4%	33.9%	34.1%	
Percent Low Income Senior Households	42%	42%	42%	42%	42%	42%	
Low Income Senior Housing Unit Demand	2,424	2,617	2,910	3,224	3,568	3,920	1,496
Percent of Total Study Area Demand	13.6%	13.5%	13.8%	14.0%	14.2%	14.3%	
Mid-Point							
Total Senior Housing Unit Demand	5,744	6,077	6,758	7,480	8,268	9,075	3,331
Low Income Senior Housing Unit Demand	2,413	2,553	2,838	3,141	3,472	3,811	1,399
(1) End of period figure. (2) Full-Time Residents over the age of 60. In the CDP areas of South and West Kauai some 28.1% of all residents are over the age of 60 based on 2015 mid-census estimates, ranging from 18.6% in Koloa to 46.5% in Poipu.							
Source: US Census, DBEDT, County of Kauai and The Hallstrom Team/CBRE, Inc.							

RESIDENTIAL UNIT SUPPLY IN THE GENERAL STUDY AREA

In the 2017 General Plan Appendices report "Appendix G – Entitled Projects on Kauai", the Kauai Planning Department identified a total of 4,251 potential "residential" units in 23 major projects in the Lihue to Kekaha Corridor, excluding Lima Ola, as shown below.

There are numerous considerations in assessing the potential supply:

- Not all will be constructed as master plans invariably evolve over time and are often built out to less than maximum allowable densities.
- Infrastructure systems (including water, sewer, and access) may not be available to support development of all of the holdings in a timely manner.
- Some of the projects have been long-proposed but with little forward movement in years as the market, investor/ownership and developer interests change.

- Many lack appropriate entitlements.

Kaua'i County General Plan | Appendix G

Entitled Residential Projects by District

District	Project Name	Housing Units
East Kaua'i	Pi'ilani Mai He Kai (DHHL Anahola)	181
	Kulana	172
	Kapa'a Highlands, Phase 2	769
	TOTAL	1,122
'Ele'ele	A&B 'Ele'ele Residential	201
	Lima Ola (Affordable)	450
	TOTAL	651
Lihue	DHHL Wailua, Phase 1	188
	Kohea Loa - D.R. Horton	444
	Pikake Subdivision	146
	Grove Farm Wailani Residential	1,450
	Koamalu	220
	Waiola Phase I	47
	Waiola Phase II	56
	Waiola Phase II	93
	TOTAL	2,644
North Shore	Kolopua (Princeville Affordable)	44
	TOTAL	44
South Kaua'i	Brydeswood Ranch (A&B)	24
	Kōloa Creekside	72
	Kukui'ula Employee Housing	100
	Kukui'ula	750
	The Village at Koloa Town	34
	Kōloa Camp - Waihononu	50
	CIRI (CLDC) Subdivision	10
	TOTAL	1,040
Waimea	Kekaha lots	40
	Kikiaola Mauka	270
	Kikiaola - Field 14	56
	TOTAL	366
ISLAND TOTAL		5,867

Total Proposed Residential Units Within Study Area (Excluding Lima Ola)

Location	No. Of Units
Elele	201
Lihue	2,644
South Kauai	1,040
Waimea	366
Total	4,251

Source: County of Kauai

The Planning Department subsequently identified a total of 6,455 total residential and resort-residential units in the study area, excluding Lima Ola, as summarized following. Some 63 percent of the units are identified as residential, 37 percent as resort-residential. Of this latter category, most of which are to be located in the Lihue and South Kauai (Poipu) areas, many of the units will be used as TVRs or otherwise outside the available inventory to meet the housing needs of resident families.

Summary of Total Proposed Study Area Residential and Resort-Residential Units			
Location	Residential	Resort-Residential	Total
Lihue	2,498	700	3,198
Hanapepe-Eleele	201	0	201
Waimea-Kekaha	326	250	576
South Kauai	1,040	1,440	2,480
Totals	4,065	2,390	6,455

Subject Unit Mix, Types, Pricing and Absorption

SUBJECT UNIT MIX

In assessing the appropriate mix for the 550 "affordable" workforce units proposed for Lima Ola we have focused on:

- Market needs which are quantifiable;
- Reasonableness in density;
- Diversity of product types; and
- Providing units best servicing the demand segments unmet by the market.

Based on our analysis we conclude the following product mix at Lima Ola is indicated.

PROPOSED LIMA OLA UNIT INVENTORY MIX					
Type/Tenure	Rental Units*		For Sale Units		Total
	Elderly	General	Multifamily	Single Family	
Number of Units	90	125	210	125	550
Percent of Total	16.4%	22.7%	38.2%	22.7%	100.0%
Household Income Levels	Less than 80% of Median	Up to 120% of Median	80% to 140% of Median	80% to 140% of Median	
Household Size (Persons)	One to Three	One to Five	Two to Five	Two to Six	
* All "Rental Units" would be in multifamily projects.					

At 16.4 percent of the total number of proposed subject inventory, the 90-unit low-income senior housing component is marginally larger than the percentage of demand they currently represent in the overall regional market (14-plus percent). However, as we expect this segment to expand as a ratio to the whole market in coming years, there is strong market support for a larger senior housing component, and as noted it provides a service to the overall market by freeing-up existing homes for expanding, younger families.

To the extent the number of units is increased at Lima Ola above the 550 used as a basis in this study (with a count of up to 630 being discussed), we would recommend an increase in the number of senior housing units.

The "general" (all ages and household types) rental component of 125 units was based on our projection that 40-plus percent of all demand in the Lihue-Kekaha area of the island through 2040 would be for rental units, most of which would be oriented towards the affordably-priced end of the overall market range. In conjunction with the senior units, the affordable rentals at Lima Ola will total 215 units, or 39.1 percent of the total inventory.

These units would have rents priced as affordable for households making up to 120 percent of the Kauai median income primarily at the point "affordable" rents begin to merge with market levels (i.e. a gap group household at between 120 percent and 140 percent of median income has alternative rental opportunities in the open market).

The "for sale" single family component of 125 homes, or 22.7 percent of the total subject inventory, was based on market indicators and initial master planning for Lima Ola.

Our analysis indicated that through 2040, some 62 percent of demand for additional residential units in the study area would be for single family homes, and demand for units in the 80 percent to 140 percent of median income pricing segment would be 41 percent during the same period. Multiplication of these factors results in support for as much as 25 percent of the subject units being affordably-priced, for sale single family units.

Further, reiterations of the master plan have variously called for single family homes at Lima Ola to range from 21 percent (135 out of 630 total units) to 31 percent (125 out of a 400 total).

The for sale multifamily component unit count was placed at 210 units, or 38.2 percent of the total, on a residual basis after the other uses had been calculated.

Development of for sale single family homes and multifamily units for households with incomes less than 80 percent of the County median is not a reasonable expectation given the economics/subsidy involved and the difficulty these households may have in obtaining even the minor down-payment required under Kauai standards (five percent).

SUBJECT MODEL TYPES

Based on our analyses of the Kauai and other island's markets, we have determined appropriate inventory model types for the unit mix identified foregoing. All of the units would have square footages at or above the middle of the market range for similar (non-resort) inventory, as shown following.

PROPOSED LIMA OLA UNIT INVENTORY MODEL TYPES					
Type/Tenure	Rental Units (1)		For Sale Units		Total
	Elderly	General	Multifamily	Single Family (2)	
Number of Units	90	125	210	125	550
Studios	45	19			64
Percent of Total	50%	15%			12%
Avg. Size in Sq. Ft.	500	500			
One Bedroom	36	44	84		164
Percent of Total	40%	35%	40%		30%
Avg. Size in Sq. Ft.	700	700	800		
Two Bedroom	9	50	95	13	167
Percent of Total	10%	40%	45%	10%	30%
Avg. Size in Sq. Ft.	900	900	1,000	1,200	
Three Bedroom		12	31	75	118
Percent of Total		10%	15%	60%	21%
Avg. Size in Sq. Ft.		1,050	1,200	1,500	
Four Bedroom				38	38
Percent of Total				30%	7%
Avg. Size in Sq. Ft.				1,800	
(1) All "Rental Units" would be in multifamily projects.					
(2) Average lot size of 5,000 square feet.					

While half of the inventory within the senior/elderly housing component would be studios, as many senior households have a single person and/or the units would be large enough at 500 square feet for a couple. Further these units would be less costly to fully furnish and upkeep, and

have lowered maintenance impacts which would help keep cost low over the long-term; a major consideration for low income senior households.

A handful of two-bedroom units for seniors would be provided to support communal (not limited to spouse) households.

For similar reasons, studios would comprise a portion of the general rentals, as low income singles and couples can have difficulty locating affordable units of any size, and are often in transition as families expand and incomes change over time.

The greatest diversity of model types is for general rentals, as it has potentially the largest range of household types in need of affordable housing, as supported by our rental survey, would be for one- and two-bedroom units and to a lesser extent, three-bedroom units.

Four-bedroom rental units in a multifamily project can prove impracticable to design into a development and are exceptionally rare in the marketplace.

Data indicates one and two-bedroom for sale multifamily units are in highest demand, and were allocated 85 percent of the inventory for that component of Lima Ola. Similarly, three and four-bedroom single family homes comprise the large majority of the regional market and would make up 90 percent of the subject component.

SUBJECT UNIT PRICING

The table below summarizes the current pricing indicated for the proposed Lima Ola housing inventory.

PROPOSED LIMA OLA UNIT INVENTORY PRICING					
Type/Tenure	Rental Units (1)		For Sale Units (4)		Total Units/ % of Total
	Elderly (2)	General (3)	Multifamily	Single Family	
Number of Units	90	125	210	126	550
Studios	45	19			64
Pricing	\$529 to \$976	\$976 to \$1,445 *			12%
One Bedroom	36	44	84		164
Pricing	\$558 to \$1,037	\$1,037 to \$1,540*	\$177,150 to \$347,900*		30%
Two Bedroom	9	50	95	13	167
Pricing	\$659 to \$1,235	\$1,235 to \$1,838	\$231,800 to \$436,800*	\$274,500 to \$479,400*	30%
Three Bedroom		12	31	75	118
Pricing		\$1,413 to \$2,110	\$282,800 to \$519,450*	\$304,150 to \$562,150*	21%
Four Bedroom				38	38
Pricing				\$369,300 to \$590,400	7%
* Figures marked with asterisk are market prices, where market prices are at or less than affordability guidelines.					
(1) Monthly net rents, exclusive of or "w/o" utilities.					
(2) Rental range shown for households income between 50% and 80% of median.					
(3) Rental range shown for households income between 80% and 120% of median.					
(4) Price range shown for households income between 80% and 140% of median.					

In virtually every case, the "market" price which could be obtained for a new unit of that type exceeds the County-directed "affordable" pricing structure based on household income. However, in some instances (as marked by an asterisk) the top of the affordable pricing range is near/at competitive market pricing levels. But given the recovering Kauai real estate market, this may not hold true over the long-term.

SUBJECT UNIT ABSORPTION

The full-size tables for this section of the report are contained in Exhibit B.

We have estimated the probable market acceptance levels and resulting absorption of the residential components of the Lima Ola master plan using three methodologies.

- Gross Demand/Supply Comparison – This technique assumes that if there is insufficient existing and planned supply to meet projected market gross demand levels during the projection period there is rational support for the subject units.
- The Residual Method – In this technique, the competitive inventory planned for the primary study area over the projection period is placed on a time-line depicting their combined anticipated rates of absorption or assuming a reasonable market share. To the extent this periodic supply of units falls short of the forecast periodic demand for product in the Lihue to Kekaha Corridor, an undersupply situation is present and there is "residual" demand remaining for the Lima Ola inventory. This method is considered the most conservative as it allows the proposed competitive product to achieve their absorption potential before the residual demand flows to absorb the subject.
- The Market Shares Method – This approach accounts for the probable competitiveness of the subject inventory regardless of the total level of product being otherwise offered on the market. In essence, it is an estimate of how much of the total forecast demand in the study region the subject could expect to capture on an annual basis in light of its location, product type, estimated pricing, perceived competitiveness, and amenity/ lifestyle characteristics.

Gross Demand for additional housing units in the study area will exceed supply between 2017 and 2040. If only "entitled residential" units are considered as comprising the competitive supply, the regional shortfall over the next 23-years would be between 3,107 units and 5,492 units. If all entitled residential and resort-residential is considered, the shortfall in supply would be from 903 units to 3,288 units. **There is solid support for the Lima Ola product during its proposed development period on a gross demand basis.**

Even if all 6,455 identified residential and resort-residential units for South/West Kauai are built in the projection period and achieve reasonable development speed and absorption velocities, and an allowance of 100 standing yet unsold units is provided, there will still remain substantial unmet Residual Demand (mid-point) for both single family homes and multi-family units in every five-year projection period from 2017 through 2040.

PROJECTION OF POTENTIAL SUBJECT UNIT ABSORPTION USING THE RESIDUAL METHOD BASED ON TOTAL DEMAND FOR RESIDENTIAL UNITS IN THE LIHUE-KAHEKA STUDY AREA							
Segment	TOTAL UNITS PROPOSED Excluding Subject	2017-2020	2021-2025	2026-2030	2031-2035	2036-2040	Total
All Residential Unit Types							
Identified Supply (1)	6,555	855	1,200	1,400	1,500	1,600	6,555
Percentage of Total Supply		13%	18%	21%	23%	24%	100%
Regional Housing Unit Demand (mid-point)	8,550	1,157	1,749	1,724	1,867	2,053	8,550
Shortage or (Excess) Supply	1,995	302	549	324	367	453	1,995
Potential Residual Subject Unit Demand							
at 75% Capture Rate	1,496	227	412	243	275	340	1,496
at 60% Capture Rate	1,197	181	329	195	220	272	1,197
<div style="background-color: #d4edda; width: 100px; height: 10px; display: inline-block;"></div> = Probable Lima Ola Absorption Period. 550 units would require from circa six to twelve years.							
(1) Includes allowance of 100 unsold units in completed projects not included within the identified inventory supply.							
Source: The Hallstrom Team/CBRE							

Using mid-point demand estimates, the residual demand available will be sufficient to absorb the subject units in a timely manner within a 7 to 12-year exposure period (pre-sale to sell-out).

Given the desirable location, its master-planned amenities, anticipated pricing, and lifestyle envisioned for Lima Ola, it will achieve a solid market standing and prove strongly competitive in the regional housing market; able to garner a significant share of demand even though there may be large numbers of competing units proposed.

We estimate the subject could readily achieve an average Market Shares (or "Capture") Rate of between 16 and 25 percent of the total demand for new housing units in the Lihue to Kekaha Corridor.

A total absorption period for the subject residential product of between about 6-plus years and 11-plus years is indicated by this analysis, assuming pre-sales start in 2019, as shown.

SUMMARY OF SUBJECT PROJECTED DEMAND LEVELS USING THE MARKET SHARES METHOD				
Scenario One: Using Minimum Demand Assumptions				
Sales Year		Total Regional Demand	Effective Subject Share	Indicated Total Subject Absorption
Date	Period			
2019	1	170	20.00%	34
2020	2	170	18.00%	31
2021	3	326	16.00%	52
2022	4	326	16.00%	52
2023	5	326	16.00%	52
2024	6	326	16.00%	52
2025	7	326	16.00%	52
2026	8	312	16.00%	50
2027	9	312	16.00%	50
2028	10	312	16.00%	50
2029	11	312	16.00%	50
2030	12	312	8.00%	25
Totals		3,529	15.58%	550
Scenario Two: Using Maximum Demand Assumptions				
Sales Year		Total Regional Demand	Effective Subject Share	Indicated Total Subject Absorption
Date	Period			
2019	1	409	25.00%	102
2020	2	409	22.00%	90
2021	3	409	20.00%	82
2022	4	409	20.00%	82
2023	5	374	20.00%	75
2024	6	374	20.00%	75
2025	7	374	12.00%	45
Totals		2,757	19.95%	550
ANALYSIS MID-POINT				
9.05 Years		3,143	17.50%	550
Source: CBRE, Inc.				

We conclude the 550 proposed units of the Lima Ola master plan will achieve full absorption within approximately ten years from initial pre-sale offerings.

The General Plan Update technical studies (by SMS) published in 2014, but not updated in the current "Appendices" document, also supported the absorption of the Lima Ola inventory during its probable marketing period. They forecast demand for an additional 760 units specifically in Hanapepe-Eleele by 2035; or some 970 if extrapolated for our entire projection period to 2040.

Without the subject product, there are less than 250 units projected to be added in major projects (48 remaining homes at Eleele Iluna and 201 proposed, but unentitled, by A&B), a shortfall of some 720 units in the community.

If demand was strictly limited to this local context, the absorption of Lima Ola would lengthen to circa 15 to 20 years. However, renters and purchasers will be drawn from throughout the Lihue to Kekaha Corridor regional market and affect a quicker absorption.

Other Market Issues

SECONDARY MARKET CONSIDERATIONS

- The impact of possible imposition of resale limitations/exactions ("profit sharing") on absorption, is not an issue for the rental component and should not meaningfully hamper sales velocity for the lower-priced "for sale" units, as there is limited alternative housing available in their affordability range.

However, those in the upper-end of the "gap group" income households (between 120 percent and 140 percent of Kauai median income) have more alternatives available as they have the ability to compete for more market homes whose prices began to merge with the top-end of the Lima Ola inventory.

In some respects, the implementation of this concept inhibits those in the 80 percent to 120 percent of median income range from acquiring equity; a group in need of building-up household wealth.

- Lima Ola will have minor impacts on the socio-economic aspects of the surrounding community that relate to real estate issues.
 1. The proposed residential components will be generally compatible and contextually consistent with existing and planned nearby housing developments.
 2. Property values in the region are largely driven by external, cyclical economic factors within an existing (and expanding) cumulative mass, not any single new project. Lima Ola will not, in itself, drive regional market values or real property assessments of nearby real estate.
 3. It is not expected there will be any in-migration to Kauai as a direct result of the project.
 4. The subject residential inventory will meet Kauai County workforce housing guidelines, providing new, competitively-priced inventory across a broad-spectrum of purchaser demographics.
 5. Lima Ola will contribute to the local and regional economy through discretionary household expenditures.

Economic Impacts of the Proposed Development

The tables containing the data, analysis and modeling comprising this section of our study are contained in Addenda Exhibit C, including the full-size print-outs of those excerpted into the narrative section.

The development of Lima Ola will result in significant expenditures that will favorably impact the Kauai economy on both a direct and indirect basis, increasing the level of capital investment and capital flow in the region, which will in turn create employment and widen the tax base.

From a direct perspective, the proposed 550 workforce/senior housing units will create numerous construction, equipment operator and specialty trade jobs on- and off-site, directly and indirectly, during the planning and emplacement of the infrastructure, and building of the improvements.

After completion of the common systems, vertical construction, support facilities and amenities over a multi-phase, decade-plus development period, there will be permanent employment positions created by the community and various condominium association/apartment management personnel, and the buildings themselves (landscape, service, maintenance, and renovation needs in the course of their use).

Numerous local businesses will see significant profit opportunities arising for contracting companies constructing the improvements, and for local businesses which would supply a substantial portion of the materials needed in the building efforts.

The general island economy also will benefit from the subject development, as its residents will spend large amounts of discretionary income in off-site shops, restaurants, and service establishments throughout South/West Kauai, and in purchasing goods and services. We acknowledge, however, this will not be "new", unanticipated spending on the island from "new" residents and non-resident homeowners, but already in-place spending from existing Kauai households which may be relocated to the Lihue to Kekaha Corridor.

Indirectly, as these wages, profits, and expenditures move through the regional economy, they will have a ripple, or "multiplier," effect which increases the amount of capital flowing to the entire community resulting from the development of the subject.

Construction, operational and other workers earning wages via Lima Ola development and associated off-site/supporting efforts will spend the majority of their income on living and entertainment expenses while supporting and patronizing other island businesses. Much of this spending would be re-directed by these businesses to other island industries, and significant portions of these secondary profits would in turn be put back through the region's economic and tax structure.

These substantial direct and indirect economic impacts associated with the proposed subject project, as quantified following, are all the result of the capital investment and entrepreneurship necessary to convert undeveloped, feral agricultural lands into a moderate-intensity, diverse, sustainable residential community. The Kauai County economy will be meaningfully stimulated by the capital investments, population/user spending and business operations of the development.

Our economic analysis was based on a 12-year build-out and absorption period (2018 through 2029), within a 14-year modeling/projection period (2017 through 2030). The construction may take longer, as it is not an entirely market-driven project and/or if vacant single family lots are

sold instead of finished homes. However, whether full development takes 10 or 20 years, the economic impact during the build-out period and stabilized "operation" of the community and its resident population will be the same following completion. As constant, uninflated 2017 dollars are used throughout the model, time is not a significant variable in the analysis.

Our projected market-driven, build-out timing for Lima Ola is summarized in the table below.

PROJECTED LIMA OLA BUILD-OUT TIMING					
Year	Project Year	Activity	Units Built Annually		
			Multifamily	Single Family	Total
2018	1	Final Entitlements, Clearing and Grubbing, Infrastructure Emplacement			
2019	2	Phase I Infrastructure Completed, Vertical Construction Commences, Initial Pre-Sales Begins			
2020	3	Vertical Construction Continues	60	10	70
	4	Vertical Construction Continues, Phase II Infrastructure Emplaced	65	12	77
2021					
2022	5	Vertical Construction Continues	70	15	85
2023	6	Vertical Construction Continues	60	15	75
		Vertical Construction Continues, Phase III Infrastructure Emplaced	45	15	60
2024	7				
2025	8	Vertical Construction Continues	45	15	60
2026		Vertical Construction Continues, Phase IV Infrastructure Emplaced	25	15	40
2027	9				
2028	10	Vertical Construction Continues	25	15	40
2029	11	Vertical Construction Continues	25	13	38
	12	Vertical Construction Completed, Project Fully Built-Out and Asorbed	5		5
Totals			425	125	550

It is anticipated that final approvals, surveys and planning will require approximately 12 months (through 2017 into early 2018), the initial phase of infrastructure emplacement will begin in 2018, vertical construction and initial "pre-sale" (or rental reservations) will commence in 2019, with the first units being available for occupancy beginning in 2020. Completion/build-out and full absorption/occupancy would be finished by 2029.

The project infrastructure and inventory offering will be phased over four increments. Our model depicts the phasing/offering of the residential product per the anticipated timing in accordance with absorption forecasts and information made available to us. However, our projections are not comprehensively precise at this time, and as previously noted, moving the costs within the context of the modeling timeframe would not change any outcomes from our model.

CAPITAL INVESTMENT AND CONSTRUCTION COSTS

The subject will bring an estimated \$190 million in direct development capital into Kauai over the build-out period for the project, as shown below.

PROPOSED LIMA OLA DEVELOPMENT SCHEDULE AND ESTIMATED CONSTRUCTION COSTS				
All Amounts Expressed in Constant 2017 Dollars				
Item	Development and Sales Period			Totals During Build-Out
	2017 to 2020	2021 to 2025	2026 to 2030	
Phased Infrastructure Emplacement	\$18,858,616	\$20,519,156	\$10,845,056	\$50,222,828
Residential Construction	\$14,897,443	\$86,790,143	\$38,100,414	\$139,788,000
TOTAL PERIODIC CONSTRUCTION COSTS	\$33,756,059	\$107,309,299	\$48,945,470	\$190,010,828
Contractor Profits	\$3,375,606	\$10,730,930	\$4,894,547	\$19,001,083
Supplier Profits	\$1,350,242	\$4,292,372	\$1,957,819	\$7,600,433
Source: The Hallstrom Team/CBRE				

Infrastructure costs were estimated by Community Planning & Engineering, Inc., in conjunction with other development team members at a total of \$50.22 million, broken into four phases, as summarized following.

LIMA OLA Rough Order of Magnitude (ROM) Cost Estimate									
	Phase 1			Phase 2		Phase 3		Phase 4	
On-Site Work & Infrastructure:	Unit Cost	Quantity	Cost	Quantity	Cost	Quantity	Cost	Quantity	Cost
Clearing and Grubbing (AC)	\$5,250	75	\$393,750	21	\$110,250	17	\$89,250	11	\$57,750
Site Work (AC)	\$55,000	75	\$4,125,000	21	\$1,155,000	17	\$935,000	11	\$605,000
Erosion Control (AC)	\$15,500	75	\$1,162,500	21	\$325,500	17	\$263,500	11	\$170,500
Landscaping (AC)	\$98,000	4	\$392,000	4	\$392,000	4	\$392,000	4	\$392,000
Community Center	\$900,000	1	\$900,000	0	\$0	0	\$0	0	\$0
Low Impact Design Improvement	\$52,000	1	\$52,000	1	\$52,000	1	\$52,000	1	\$52,000
Roads and Sidewalks (LFT)	\$805	3,731	\$3,003,455	2,756	\$2,218,580	1,488	\$1,197,840	2,504	\$2,015,720
Driveways & Parking Lots	\$3,358	43	\$144,394	68	\$228,344	20	\$67,160	34	\$114,172
Water System (LFT)	\$231	4,700	\$1,085,700	3,930	\$907,830	2,122	\$490,182	3,571	\$824,901
Sewer System (LFT)	\$385	3,418	\$1,315,930	2,525	\$972,125	1,363	\$524,755	2,294	\$883,190
Storm Drain System (LFT)	\$362	2,051	\$742,462	1,515	\$548,430	818	\$296,116	1,377	\$498,474
Electrical System (LFT)	\$223	10,435	\$2,327,005	7,709	\$1,719,107	4,162	\$928,126	7,006	\$1,562,338
Construction Management Fee		5%	\$782,210	5%	\$431,458	5%	\$261,796	5%	\$358,802
Contingency Fee		5%	\$782,210	10%	\$862,916.60	15%	\$785,389	20%	\$1,435,209
Subtotal:			\$17,208,616		\$9,923,541		\$6,283,115		\$8,970,056
Off-Site Work & Infrastructure:									
Hwy Improvements	\$1,500,000	1	\$1,500,000	0	\$0	0	\$0	1	\$1,500,000
Water System	\$3,750,000	0	\$0	1	\$3,750,000	0	\$0	0	\$0
Construction Management Fee		5%	\$75,000	5%	\$187,500	5%	\$0	5%	\$75,000
Contingency Fee		5%	\$75,000	10%	\$375,000	15%	\$0	20%	\$300,000
Subtotal:			\$1,650,000		\$4,312,500		\$0		\$1,875,000
Grand Total			\$18,858,616		\$14,236,041		\$6,283,115		\$10,845,056
									\$50,222,828

References:

Lima Ola Feasibility Study by RMTC dated January 24, 2013
Lima Ola Master Plan by Kimura International dated March 2012
Conceptual Master Plan Layout by PBR Hawaii dated February 10, 2014

Unit/Home construction costs would total \$139.8 million during modeling period. This is based on average vertical construction costs per unit as shown.

Unit Cost Item	General Rentals (Multifamily Units)	Senior Rentals (Multifamily Units)	For Sale Multifamily Units	For Sale Single Family Homes
Avg Unit Size in Square Feet	783	620	950	1,572
"All-In" Cost Per Square Foot	\$200	\$210	\$225	\$250
Site/Amenity Cost per Unit	\$10,000	\$10,000	\$35,000	\$40,000
Total Construction Cost per Unit	\$166,640	\$140,200	\$248,643	\$433,000
Plus Allocated Infrastructure Cost per Unit	\$75,000	\$75,000	\$80,000	\$140,000
Total Per Unit Cost Before Land	\$241,640	\$215,200	\$328,643	\$573,000
Source: Rider Levitt Bucknall and The Hallstrom Team/CBRE				

Lima Ola development will infuse on average an anticipated \$15.8 million annually into the Kauai building industry on average over the build-out period.

DIRECT BUSINESS PROFITS FROM CONSTRUCTION

While a significant percentage of the materials needed to build the subject infrastructure and residential and community structures must be imported to Kauai, a portion of the construction costs spent in the development will directly flow to local businesses in the form of contractor profits and supplier profits.

Typically, within the industry net contractor profit margins are expected to be at 8 to 20 percent of total construction costs. We have used a conservative ten percent figure. Supplier profits were extrapolated at four percent of total costs.

The total Contractor's Profit generated by Lima Ola for local building companies averages \$1.6 million per year, with a cumulative profit of \$19 million over the construction period. The average annual Supplier's Profit equates to \$633,000 and totals \$7.6 million in aggregate.

EMPLOYMENT OPPORTUNITIES CREATED

Based on indicators provided by the construction of comparable sized projects and Hawaii industry averages, we have estimated the demand for on- and off-site, direct and indirect, full-time equivalent employment positions associated with laying of initial infrastructure systems and construction of the units/homes in the project, and in providing continuing services to the community and occupied residences.

The construction, maintenance, and indirect/off-site employment opportunities created by the subject development will not all be "new" jobs requiring new Kauai residents, but will be vitally needed new opportunities for in-place resident construction trade workers and existing local businesses seeking to expand. The jobs associated with the community and homeowner's associations and maintenance operations will represent an expansion of the employment pool.

It is assumed the off-site/indirect work created will be steered towards existing Kauai supply, equipment providers, and other service companies.

The following table summarizes our worker-years and full-time equivalent (FTE) projections for Lima Ola during build-out and on a stabilized on-going annual basis thereafter.

ESTIMATED YEARLY FULL-TIME EQUIVALENT EMPLOYMENT POSITIONS CREATED BY DEVELOPMENT				Totals During Build-Out
Development and Sales Period				
Construction Employment (1)	2016 to 2020	2021 to 2025	2026 to 2030	
Infrastructure Emplacement	47	51	27	126
Residential Units	99	579	254	932
Total Periodic Construction Jobs	146	630	281	1,057
On-Going Employment				Stabilized Annually
Maintenance & Common Element (2)	21	167	267	455
Total FTE Jobs in Place at End of Period	21	46	61	61
Off-Site Employment (3)	56	266	183	504
Total FTE Jobs in Place at End of Period	7	15	20	20
TOTAL PERIODIC WORKER YEARS	223	1,063	731	2,016
TOTAL END-OF-PERIOD PERMANENT JOBCOUNT	27	62	81	81

(1) Infrastructure construction employment estimated at 1 worker-year for every \$400,000 in costs. Vertical construction employment estimated at 1 worker-year for every \$150,000 in costs. Includes all direct employment associated with construction, on and off-site.

(2) Includes community common element administration, security and maintenance staff of 9 jobs. Assumes three condominium projects with operational staff of 8 persons each, and ratio of one full-time-equivalent maintenance/repair worker for every 20 units/homes.

(3) Estimated at one cumulative off-site employment position for every three on site positions.

Source: The Hallstrom Team/CBRE

A total of 1,057 worker-years of direct employment in the construction trades will be needed for developing Lima Ola.

Community and homeowner's association and maintenance worker-years will total 455 during the modeling period and 61 permanent FTE positions thereafter.

Off-Site/Indirect/Secondary employment created by Lima Ola will total 504 worker-years from 2018 through 2030 and 20 FTE positions per year as stabilized.

WAGE INCOME GENERATED

In accordance with data compiled by the state Department of Labor and Industry Relations, as tempered through our analysis, we have estimated the personal income (in the form of wages) which will flow to Kauai workers as a result of Lima Ola construction and use. The results, expressed in constant 2017 dollars, are shown on the table below.

ESTIMATED YEARLY EMPLOYEE WAGES CREATED BY DEVELOPMENT				
All Amounts Expressed in Constant 2017 Dollars				
	Development and Sales Period			Totals During Build-Out
Construction Wages (1)	2016 to 2020	2021 to 2025	2026 to 2030	
Infrastructure Emplacement	\$3,726,463	\$4,054,585	\$2,142,983	\$9,924,031
Residential Units	\$7,849,959	\$45,732,619	\$20,076,378	\$73,658,957
Total Periodic Construction Wages	\$11,576,422	\$49,787,205	\$22,219,361	\$83,582,988
Maintenance & Common Element (2)	\$682,650	\$5,565,263	\$8,895,263	\$15,143,175
Off-Site Employment Wages (3)	\$3,009,783	\$14,367,683	\$9,882,947	\$27,260,413
TOTAL PERIODIC WAGES	\$15,268,855	\$69,720,150	\$40,997,571	\$125,986,576
				Stabilized Annually
				\$2,014,650
				\$1,090,613
				\$3,105,263

(1) Average annual wage for full-time-equivalent construction worker (all trades) at \$79,040 (\$38/hour X 2,080 hours).
(2) Average annual wage for full-time-equivalent maintenance and security workers at \$33,300 (\$16/hour).
(3) Average annual wage for full-time-equivalent general worker at \$54,080 (\$26/hour), the average wage for all "Total Private Workers" in the state.

Wages taken from State of Hawaii "Hawaii Workforce Infonet" "Publications and Tables> Production Worker H&E Data Hours and Earnings" for 2016.

Source: The Hallstrom Team/CBRE

Total direct construction wages paid during build-out will be \$83.6 million.

Total community and homeowner's association and maintenance employee wages during the modeling period will be \$15.1 million and stabilize at \$2 million thereafter.

Off-sits/indirect employee wages will total \$27.3 million during build-out and be \$1.1 million annually on a stabilized basis.

POPULATION, INCOME AND EXPENDITURES

The single family homes and multifamily/senior units of Lima Ola will be occupied by a collection of full-time resident households. The household members will constitute the population of the subject community and their income and discretionary expenditures will create major positive impacts on the South/West Kauai economy. However, as previously noted, these income and expenditure dollars are not all considered as "new" monies flowing into the island economy as it is assumed the households are already on Kauai, but much will be a relocation into the study region.

We have quantified these focal statistics within the modeling process. The results are shown on the table below.

ESTIMATED RESIDENT POPULATION, HOUSEHOLD INCOME AND DISCRETIONARY EXPENDITURES					
All Amounts Expressed in Constant 2017 Dollars					
	Development and Sales Period			Stabilized	Totals
	2016 to 2020	2021 to 2025	2026 to 2030		
General Multifamily Units Occupied End of Period	35	255	335		
Senior Multifamily Units Occupied End of Period	25	90	90		
Single Family Homes Occupied End of Period	10	82	125		
Total Number of Units/Homes Occupied (End of Period)	70	427	550	550	
Percent of Total Units	13%	78%	100%	100%	
General Multifamily Unit Population End of Period (1)	95	689	905		
Senior Multifamily Units Population End of Period (2)	43	153	153		
Single Family Homes Population End of Period (3)	36	295	450		
Total Resident Population End of Period	173	1,137	1,508	1,508	
RESIDENT HOUSEHOLD INCOME					During Build-Out
General Multifamily Units End of Period (4)	\$2,747,954	\$20,020,806	\$26,301,843		
Senior Multifamily Units End of Period (5)	\$1,265,000	\$4,554,000	\$4,554,000		
Single Family Homes End of Period (6)	\$899,681	\$7,377,381	\$11,246,007		
Average Annual Household Income During Period	\$4,912,634	\$31,952,186	\$42,101,850	\$42,101,850	
Total Household Income During Period	\$4,912,634	\$159,760,931	\$210,509,248		\$375,182,813
TOTAL RESIDENT POPULATION DISCRETIONARY EXPENDITURES (7)					
Average Annually During Period	\$1,965,054	\$12,780,874	\$16,840,740	\$16,840,740	
Total During Period	\$1,965,054	\$63,904,372	\$84,203,699		\$150,073,125

(1) Average household size of 2.4 persons.
(2) Average household size of 1.7 persons.
(3) Average household size of 3.5 persons.
(4) Estimated average household income of \$78,513 per year based on County of Kauai affordability guidelines.
(5) Estimated average household income of \$50,600 per year based on County of Kauai affordability guidelines.
(6) Estimated average household income of \$89,968 per year based on County of Kauai affordability guidelines.
(7) Residents household assumed to have average of 40% of gross income as net disposable.

Source: The Hallstrom Team/CBRE

The top half of the table depicts the absorption and occupancy of the 550 residential units. It is assumed all of the units will be full-time resident households with no second-home/non-resident purchasers/renters.

Projected average household sizes for the various unit types are:

- Single family resident household sizes will average 3.5 persons, totaling 450 persons at build-out.
- General multifamily units (for sale and rentals) would have average household sizes of 2.4 persons, totaling 905 persons at project completion.
- Senior multifamily units (rentals) would have an average household size of 1.7 persons, equating to 153 persons at full absorption.

The total stabilized resident population of Lima Ola will be 1,508 persons from circa 2029 onward.

In accordance with the household income limits associated with the inventory pricing/rents, we estimate that during occupancy of the build-out period the total resident household income will be \$375.2 million, and at \$ 42.1 million annually thereafter.

The resident population of the project will place significant discretionary expenditure dollars into the Kauai economy via year-round, daily expenditures by the households.

We estimate that full-time resident households in the identified Lima Ola income groups will spend only about 40 percent of their total income on discretionary items, with the remainder going towards mortgage debt service and fixed expenses.

By build-out, the discretionary expenditures made by subject project residents in the local market will be at \$16.8 million annually on a stabilized basis, in 2017 dollars. During the development and stabilization model period, (through 2030), the total sum of these expenditures will be \$150.1 million.

OPERATING ECONOMIC ACTIVITY

The on-going, on-site economic activity within the proposed Lima Ola development will flow from Community and Homeowner's Associations and Maintenance/Landscaping/Renovations. We have estimated activities will generate some \$1.9 million in gross sales/revenues annually on a stabilized basis and \$12 million during the modeling period.

SUMMARY OF DIRECT, LOCAL ECONOMIC IMPACTS

As correlated on the table below, annual Total Base Economic Impact on a stabilized after build-out will be \$21.9 million per year; however, 76.8 percent is from resident household spending which is not "new" economic activity being created. During the development period, the aggregate total is \$391.6 million.

SUMMARY OF ECONOMIC IMPACTS ASSOCIATED WITH DEVELOPMENT All Amounts Expressed in Constant 2017 Dollars					
	Development and Sales Period			Totals During Build-Out	Stabilized Annually
	2016 to 2020	2021 to 2025	2026 to 2030		
Construction Activity					
Construction Wages	\$11,576,422	\$49,787,205	\$22,219,361	\$83,582,988	
Contractor Profits	\$3,375,606	\$10,730,930	\$4,894,547	\$19,001,083	
Supplier Profits	\$1,350,242	\$4,292,372	\$1,957,819	\$7,600,433	
Other Construction Costs	\$17,453,789	\$42,498,793	\$19,873,743	\$79,826,324	
Total Construction Impact	\$33,756,059	\$107,309,299	\$48,945,470	\$190,010,828	
Maintenance & Common Element Wages	\$682,650	\$5,565,263	\$8,895,263	\$15,143,175	\$2,014,650
Off-Site Wages	\$3,009,783	\$14,367,683	\$9,882,947	\$27,260,413	\$1,090,613
Total Project Population Spending	\$1,965,054	\$63,904,372	\$84,203,699	\$150,073,125	\$16,840,740
Unit Maintenance & Repairs (1)	\$252,000	\$3,830,400	\$7,907,400	\$11,989,800	\$1,980,000
TOTAL BASE ECONOMIC IMPACT	\$36,765,842	\$194,977,017	\$159,834,779	\$391,577,638	\$21,926,003

(1) Estimated at \$3,600 annually per unit.

Source: The Hallstrom Team/CBRE

STATE INPUT/OUTPUT MODEL

We have also analyzed the impacts of the project for Kauai and Statewide using the *State Input-Output Economic Model* Type II multipliers. These factors quantify the total Direct, Indirect and Induced "effects" of various forms of business and spending activity as it flows through the economy of the islands.

In every instance, application of the macro Input-Output multipliers resulted in higher dollar, employment, and tax revenue indicators than in our subject-focused micro model which was designed to reflect Direct and upper-level Indirect impacts only.

Among the outputs using the State method:

- The \$190 million in cumulative Lima Ola construction costs will generate a total State Economic Output of \$402.8 million during build-out with subsequent community/homeowners association and maintenance/ renovation activity averaging \$630,000 annually on a stabilized basis.
- Direct subject construction wage earnings of \$83.6 million will yield \$168.8 million in statewide wage earnings during build-out and on-going business activity will generate \$28.6 million during the modeling period and \$5.8 million each stabilized year.
- Indirect and induced State taxes during build-out will total \$48.7 million during construction and \$3 million annually thereafter.
- Direct effect jobs created by construction employment will be 2.68 times the number of on-site workers, or a total of 2,834 worker years of employment. The on-going business activity will generate 348 jobs state wide through 2030 and 165 annually thereafter.

ESTIMATES OF TOTAL ECONOMIC IMPACT FROM SUBJECT CONSTRUCTION USING STATE INPUT-OUTPUT MODEL "TYPE II" MULTIPLIERS All Amounts Expressed in Constant 2017 Dollars					
Year	Development and Sales Period			Totals	Stabilized Annually
	2016 to 2020	2021 to 2025	2026 to 2030		
Construction Costs	\$33,756,059	\$107,309,299	\$48,945,470	\$190,010,828	\$297,000
1. Economic Output Multiplier	2.12	2.12	2.12	2.12	2.12
Total State Economic Output	\$71,562,845	\$227,495,714	\$103,764,397	\$402,822,955	\$629,640
2. Earnings Multiplier	0.61	0.61	0.61	0.61	0.61
Total Increase in State Earnings	\$20,591,196	\$65,458,672	\$29,856,737	\$115,906,605	\$181,170
3. State Tax Multipliers	0.12	0.12	0.12	0.12	0.12
Total Increase in State Taxes	\$4,050,727	\$12,877,116	\$5,873,456	\$22,801,299	\$35,640
4. Total Job Multipliers	13.83	13.83	13.83	13.83	13.83
Total State Jobs Created	466.8	1,484.1	676.9	2,627.8	4.1
Construction Employment	146	630	281	1,057	13
5. Direct-Effect Job Multipliers	2.68	2.68	2.68	2.68	2.68
Total Direct Jobs Created	392.5	1,688.1	753.4	2,834.0	35.4
Construction Wages	\$11,576,422	\$49,787,205	\$22,219,361	\$83,582,988	\$713,856
6. Direct-Effect Earnings	2.02	2.02	2.02	2.02	2.02
Total Increase in Direct Earnings	\$23,384,372	\$100,570,153	\$44,883,110	\$168,837,635	\$1,441,989

Source: State Input-Output Model (approved July 2011), and The Hallstrom Team/CBRE

ESTIMATES OF TOTAL ECONOMIC IMPACT FROM SUBJECT OPERATIONS USING STATE INPUT-OUTPUT MODEL "TYPE II" MULTIPLIERS All Amounts Expressed in Constant 2017 Dollars					
Year	Development Year			Totals	Stabilized Annually
	2016 to 2020	2021 to 2025	2026 to 2030		
<u>Household Spending & Maintenance</u>	\$2,217,054	\$67,734,772	\$92,111,099	\$162,062,925	\$18,820,740
1. Economic Output Multiplier	2.09	2.09	2.09	2.09	2.09
Total State Economic Output	\$4,633,642	\$141,565,674	\$192,512,197	\$338,711,513	\$39,335,346
2. Earnings Multiplier	0.66	0.66	0.66	0.66	0.66
Total Increase in State Earnings	\$1,463,255	\$44,704,950	\$60,793,325	\$106,961,531	\$12,421,688
3. State Tax Multipliers	0.16	0.16	0.16	0.16	0.16
Total Increase in State Taxes	\$354,729	\$10,837,564	\$14,737,776	\$25,930,068	\$3,011,318
4. Total Job Multipliers	19.00	19.00	19.00	19.00	19.00
Total State Jobs Created	42.1	1,287.0	1,750.1	3,079.2	357.6
<u>Operating Employment</u>	27.3	61.8	80.7	0.0	80.7
5. Direct-Effect Job Multipliers	2.05	2.05	2.05	2.05	2.05
Total Direct Jobs Created	56.0	126.7	165.4	0.0	165.4
<u>Operating Wages</u>	\$682,650	\$5,565,263	\$8,895,263	\$15,143,175	\$3,105,263
6. Direct-Effect Earnings	1.89	1.89	1.89	1.89	1.89
Total Increase in Direct Earnings	\$1,290,209	\$10,518,346	\$16,812,046	\$28,620,601	\$5,868,948
Source: State Input-Output Model (approved July 2011), and The Hallstrom Team/CBRE					

ANCILLARY ECONOMIC (PHASE II) IMPACTS

From a real property/land use perspective, the subject development has the potential to present socio-economic impacts in the surrounding community. However, we do not believe the effect of the project will meaningfully escalate or negatively impact these issues, or that foregoing the project would mitigate the concerns in any notable way.

There are two potential negative market-based impacts:

Real Property Values -- Demand for developable land and residential units in the South/West Kauai area have been increasing over the long-term (within discrete market cycle) for more than three decades. During this period median prices have increased in some sectors by more than five-fold, surpassing compounded annual appreciation rates in excess of five percent.

These trends exist externally to the subject property, and would be anticipated to continue reasonably unabated over the long-term regardless whether or not Lima Ola were developed. There is little rational or demonstrable market support suggesting regional demand and associated pricing trends will recede if the subject lands were left vacant.

Conversely, the Lima Ola units will likely provide a specific mitigating effect to price increases in the study area, by placing 550 affordable-priced units into an area where such are somewhat limited. And providing substantial amounts of new product will help ease buyer and pricing concerns due to an artificial scarcity of supply.

Without the 550 proposed units/homes, which represent some 13 percent of all planned residential inventory additions in the Lihue to Kekaha Corridor over the next two decades, a significant undersupply situation would again develop in the area, laying the groundwork for a hyper-appreciation cycle of the type that has periodically plagued Kauai resident households since the mid-1970s.

Affordable Housing -- The inclusion 550 affordable-priced units on-site within Lima Ola will constitute one of the largest allowances of affordable units (in total and proportionately) within a new master-planned neighbor island project in state history.

The subject development will be in full-compliance with Kauai County affordable/workforce housing ordinances and guidelines, and will more than off-set any needs resulting from in-migration which could be conceivably associated with the community.

Again, the impact of Lima Ola will be positive on the study area in this regard.

Public Fiscal (Costs/Benefits) from the Proposed Development

The full-size tables depicting the modeling process summarized in this study section are presented in Addenda Exhibit C.

As previously noted, the households of Lima Ola do not represent "new" fiscal benefits flowing to, or increased funding costs spending from, the State of Hawaii and County of Kauai.

It is assumed the Lima Ola household income and spending which would generate tax dollars is already effectively in-place on the island, and the cost of providing government services to them is already being absorbed. The issue is just the relocation of economic and public activity to the Elele community from elsewhere on Kauai.

The exception is for real property taxes, as the "new" houses and units at Lima Ola will mean increased real property assessments and taxes for the County; while their previous homes/units will continue producing assessments and real property taxes that would be paid by a subsequent owner.

Similarly, the on-going community/homeowners association and maintenance/renovation costs of their "new" homes and units new to the County and also included in the model.

Essentially, from a household income and discretionary spending perspective, the full-time resident population of Lima Ola is assumed to live on Kauai prior to their residing at the subject project and is therefore already contributing their State GET and Income taxes, so these are excluded from the model. They are merely moving their home from one location to the other on the island and their public fiscal footprint will remain generally unchanged apart from the additions to the County's real property tax base.

However, even when excluding the taxes on wages and spending by existing residents already integrated within the governmental tax base, Kauai County and the State of Hawaii will still receive millions of dollars in "new" tax receipts from the construction and stabilized operation of Lima Ola from numerous revenue sources.

The purpose of this assessment is to delineate the direct areas in which the construction and long-term operation of Lima Ola will potentially benefit the public "purse."

For the County, the primary new tax source will be from Real Property Taxes paid by the owners of the new subject residential inventory. Real Property Tax assessments were assumed to be at the total per unit cost (for infrastructure and vertical construction) presented foregoing.

It was assumed:

- The multifamily rental units (general and senior components) would be owned by a private third-party and subject to standard real property tax rates of \$6.05 per \$1,000 in assessments, and there would be no homeowners or owner/occupant exemptions.
- The for sale multifamily units would all be owned by private resident households with 100 percent being owner-occupied and receiving an assessment exemption of \$160,000 per unit. The tax rate would be \$6.05 per \$1,000 of the net assessment.
- The for sale single family homes would all be owned by private resident households with 100 percent being owner-occupied and receiving an assessment exemption of \$160,000 per unit. The tax rate would be \$6.05 per \$1,000 of the net assessment.

- The underlying site prior to and during construction and absorption will be owned in fee by the County and would not be subject to real property taxes.

The potential property tax receipts were estimated by applying current prevailing tax rates against the projected market value of the houses and units as they are finished over time.

The total net assessed value of the Lima Ola properties and associated real property taxes based on current tax rates for residential properties during the build-out period and on a stabilized basis are shown below.

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE LIMA OLA DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
Development Period	Development and Sales Period			Totals During Build-Out Period	Stabilized Annually After Build-out
	2017 to 2020	2021 to 2025	2026 to 2030		
PUBLIC BENEFITS (Revenues)					
1. COUNTY REAL PROPERTY TAXES					
Cumulative Assessed Value During Period					
Finished Homes End of Period	70	427	550		550
Vacant Land/Finished Lots Prior to Sale	\$0	\$0	\$0	\$0	\$0
Multifamily Rentals - Assumed Built/Owned by Third-Party, No Exemptions	\$10,212,800	\$146,444,000	\$247,865,000	\$404,521,800	\$49,573,000
Multifamily for Sale - Assumed 100% Owned by Residents, All with Exemptions	\$2,529,643	\$63,241,071	\$145,454,464	\$211,225,179	\$35,415,000
Single Family for Sale - Assumed 100% Owned by Residents, All with Exemptions	\$4,130,000	\$94,990,000	\$222,607,000	\$321,727,000	\$51,625,000
Total Assessed Value	\$16,872,443	\$304,675,071	\$615,926,464	\$937,473,979	\$136,613,000
Real Property Taxes During Period					
Vacant Land/Finished Lots Prior to Sale	\$0	\$0	\$0	\$0	\$0
Multifamily Rentals - Assumed Built/Owned by Third-Party, No Exemptions	\$61,787	\$885,986	\$1,499,583	\$2,447,357	\$299,917
Multifamily for Sale - Assumed 100% Owned by Residents, All with Exemptions	\$15,304	\$382,608	\$880,000	\$1,277,912	\$214,261
Single Family for Sale - Assumed 100% Owned by Residents, All with Exemptions	\$24,987	\$574,690	\$1,346,772	\$1,946,448	\$312,331
Total Real Property Taxes	\$102,078	\$1,843,284	\$3,726,355	\$5,671,718	\$826,509
Source: The Hallstrom Team/CBRE					

Source: The Hallstrom Team/CBRE

We estimate the County will receive some \$5.7 million in real property tax receipts during the build-out/projection period from 2017 through 2030 and annual collections of \$826,509 on a stabilized basis thereafter.

Real Property Taxes (RPT) are forecast to generate about 63.1 percent of total Kauai County General Fund revenues in the 2017-18 fiscal-year budget, with secondary taxes and fees the forming the remainder. It is logical to assume the Lima Ola development and business activities will generate secondary taxes in proportion to RPT as does the overall Kauai community.

The secondary Kauai County receipts are equal to an additional 58 percent of the RPT total (36.9% divided by 63.1%).

Application of this ratio to the Lima Ola property tax sum results in a cumulative total estimated County tax collection from the subject of \$8.9 million during the initial projection period to 2030, and \$1.3 million annually on a stabilized basis.

The State of Hawaii will receive an estimated \$4.4 million in primary receipts from State Income Taxes from worker wages, and profits from businesses based on average statewide corporate and personal payments rates of 4.4 percent and 5.1 percent, respectively, applied against the economic model forecasts. This represents only new/added taxable items as a result of Lima Ola and does not include the resident household incomes.

On an annualized basis after stabilization of the community in 2030, the State will generate income taxes of \$159,000.

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE LIMA OLA DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
Development Period	Development and Sales Period			Totals During Build-Out Period	Stabilized Annually After Build-out
	2017 to 2020	2021 to 2025	2026 to 2030		
	New Tax Collection Monies Only, Does not Include Existing Kauai Residents Moving to Development				
2. STATE INCOME TAXES					
Taxable Personal Income (Worker Wages Only, Excludes Lima Ola Resident Households)	\$15,268,855	\$69,720,150	\$40,997,571	\$125,986,576	\$3,105,263
Taxable Corporate Profits	\$236,292	\$942,685	\$737,988	\$1,916,966	\$14,850
Personal Taxes Paid	\$778,712	\$3,555,728	\$2,090,876	\$4,334,439	\$158,368
Corporate Taxes Paid	\$10,397	\$41,478	\$32,471	\$51,875	\$653
TOTAL STATE INCOME TAXES	\$789,108	\$3,597,206	\$2,123,348	\$4,386,314	\$159,022

The State will collect Gross Excise Taxes (GET) of 4.166 percent on the gross amount of building contracts, construction supplies, spending by workers and residents, and from the on-going business activity (commercial, association and maintenance). During the 13-year construction, absorption and ramp-up period these receipts will total \$10.5 million and a stabilized amount of \$77,000 annually.

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE LIMA OLA DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
Development Period	Development and Sales Period			Totals During Build-Out Period	Stabilized Annually After Build-out
	2017 to 2020	2021 to 2025	2026 to 2030		
	New Tax Collection Monies Only, Does not include Existing Kauai Residents Moving to Development				
3. STATE GROSS EXCISE TAX					
Taxable Transactions (Excludes Lima Ola Resident Spending)					
Construction Contracts	\$33,756,059	\$107,309,299	\$48,945,470	\$141,065,358	\$297,000
Worker Disposable Income Purchases	\$7,634,427	\$34,860,075	\$20,498,785	\$42,494,503	\$1,552,632
Total Taxable Transactions	\$41,390,486	\$142,169,374	\$69,444,256	\$183,559,860	\$1,849,632
TOTAL STATE EXCISE TAX	\$1,724,617	\$5,923,771	\$2,893,534	\$10,541,922	\$77,069

In recent fiscal years, Income Tax and GET have generated about 74 percent of total State revenues, and secondary taxes and fees the remainder. We anticipate Lima Ola activity will result in similar ratios of secondary taxes flowing from the project relative to the primary sources quantified.

The secondary State receipts are equal to 35 percent times the Income Tax and GET totals (26% divided by 74%).

Application of this ratio to the Lima Ola income tax and GET sums results in a cumulative total estimated tax collection from the subject of \$20.2 million during the initial forecasting period through 2030, and \$319,000 annually on a stabilized basis.

Public Costs/Benefits from the Proposed Development

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE LIMA OLA DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
Development Period	Development and Sales Period			Totals During Build-Out Period	Stabilized Annually After Build-out
	2017 to 2020 "New" Tax Collection And Expenditure Monies Only	2021 to 2025	2026 to 2030		
TOTAL GROSS PUBLIC REVENUES					
Real Property Taxes To County of Kauai	\$102,078	\$1,843,284	\$3,726,355	\$5,671,718	\$826,509
Adjustment for Other Proportional Taxes (1)	1.58	1.58	1.58	1.58	1.58
Adjusted Kauai County Revenues	\$161,284	\$2,912,389	\$5,887,641	\$8,961,314	\$1,305,884
Plus Impact Fees	\$0	\$0	\$0	\$0	
Total County of Kauai Receipts	\$161,284	\$2,912,389	\$5,887,641	\$8,961,314	\$1,305,884
To State (Income Taxes and GET)	\$2,513,726	\$9,520,977	\$5,016,881	\$14,928,237	\$236,090
Adjustment for Other Proportional Taxes (2)	1.35	1.35	1.35	1.35	1.35
Adjusted State Revenues	\$3,393,530	\$12,853,319	\$6,772,790	\$20,153,120	\$318,722
Plus Impact Fees (3)	\$0	\$0	\$0	\$0	
Total State of Hawaii Receipts	\$3,393,530	\$12,853,319	\$6,772,790	\$20,153,120	\$318,722
AGGREGATE TAX REVENUES	\$3,554,814	\$15,765,708	\$12,660,431	\$29,114,433	\$1,624,606
<p>(1) Real property taxes comprise 63.1 percent of General Fund in the Proposed County of Kauai 2017-18 budget. Economic activity generates other revenue items of 36.9 percent or additional 58 percent above real property taxes.</p> <p>(2) In recent fiscal years, Gross Excise and Income Taxes have averaged some 74 percent of total State revenues; other revenue items 26 percent, or 35 percent above income and gross excise taxes.</p>					
Source: The Hallstrom Team/CBRE					

The aggregate public revenues to the State and County during the build-out projection period will total \$29.1 million in primary and secondary taxes and \$1.6 million on a stabilized annual basis.

Assumptions and Limiting Conditions

1. CBRE, Inc. through its appraiser (collectively, "CBRE") has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the "Report"), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:
 - (i) Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.
 - (ii) Existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. CBRE appraisers are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.
 - (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.
 - (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.
 - (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.
 - (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.
 - (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.
 - (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.
 - (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.
 - (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property's compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.

- (xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.

Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
6. All furnishings, equipment and business operations have been disregarded with only real property being considered in the Report, except as otherwise expressly stated and typically considered part of real property.
7. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.
8. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of any particular value of the subject property. Other appraisers may reach different conclusions as to the value of the subject property. Furthermore, market value is highly related to exposure time, promotion effort, terms, motivation, and conclusions surrounding the offering of the subject property. The Report is for the sole purpose of providing the intended user with CBRE's independent professional opinion of the value of the subject property as of the date of the Report. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
9. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Any user of the Report is advised to retain experts in areas that fall outside the scope of the real estate appraisal profession for such matters.
10. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
11. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
12. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.

13. The allocations of the total value estimate in the Report between land and improvements apply only to the existing use of the subject property. The allocations of values for each of the land and improvements are not intended to be used with any other property or appraisal and are not valid for any such use.
14. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.
15. The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own appraisers, advisors and other consultants for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.

ADDENDA

Addendum A

MARKET STUDY TABLES

TABLE A

PROJECTED LIMA OLA DEVELOPMENT AND ABSORPTION TIMING (1)

Project Year	General Rentals (Multifamily Units)	Senior Rentals (Multifamily Units)	For Sale Multifamily Units	For Sale Single Family Homes	Total Product Absorption in Units
1	Entitlements Completed and Initial Site Work and Infrastructure Commenced				
2	Infrastructure Completed, Vertical Construction Commences and Pre-Sales Begin				
3	20	25	15	10	70
4	20	25	20	12	77
5	20	25	25	15	85
6	20	15	25	15	75
7	20		25	15	60
8	20		25	15	60
9	5		20	15	40
10			25	15	40
11			25	13	38
12			5		5
Totals	125	90	210	125	550

(1) At this time it is assumed project would commence in late 2018 and be built in phases according to market demand with completion predicated on full absorption of product, not other factors.

Source: The Hallstrom Team/CBRE

HISTORIC, CURRENT AND PROJECTED RESIDENT POPULATION TOTALS FOR THE STATE, COUNTY AND LIHUE TO KEKAHA STUDY AREA 2010 TO 2040 Market Study of the Proposed Lima Ola Community Eleele, Kauai, Hawaii							
	2010	2017	2020	2025	2030	2035	2040
<u>State Total (DBEDT Series 2040)</u>	1,363,621	1,457,600	1,481,240	1,543,240	1,602,340	1,657,500	1,708,920
Average Annual Change in Persons		13,426	4,728	12,400	11,820	11,032	10,284
Average Annual Percent Growth		1.4%	0.3%	0.8%	0.8%	0.7%	0.6%
<u>Kauai County General Plan (1)</u>	67,091	73,485	74,693	79,011	83,328	88,013	93,020
Percent of State Total	4.9%	5.0%	5.0%	5.1%	5.2%	5.3%	5.4%
Average Annual Change in Persons		913	242	864	864	937	1,001
Average Annual Percent Growth		1.9%	0.3%	1.2%	1.1%	1.1%	1.1%
DBEDT Forecasts 2040 Series	67,226		75,640	80,000	84,380	88,730	93,020
Persons Variance From Kauai GP	135		947	990	1,052	717	0
Percent Variance From Kauai GP	0.2%		1.3%	1.3%	1.3%	0.8%	0.0%
<u>Study Area (Lihue to Kekaha)</u>							
1. Minimum Perspective (2)	38,187	42,841	44,004	47,260	50,515	53,971	57,675
Percent of County Total	56.9%	58.3%	58.9%	59.8%	60.6%	61.3%	62.0%
Average Annual Change in Persons		582	233	651	651	691	741
Average Annual Percent Growth		2.4%	0.5%	1.5%	1.4%	1.4%	1.4%
2. Maximum Perspective (3)	38,187	42,841	45,841	49,216	52,716	56,466	60,466
Percent of County Total	56.9%	58.3%	61.4%	62.3%	63.3%	64.2%	65.0%
Average Annual Change in Persons		582	600	675	700	750	800
Average Annual Percent Growth		2.4%	1.4%	1.5%	1.4%	1.4%	1.4%
(1) From Appendix B - Kauai County General Plan, January 2017. Sourced to SMS Research Kauai 2035 General Plan: Socioeconomic Analysis and Forecasts (2014). 2017 figure extrapolated from State of Hawaii Data Book population estimate for Kauai County as of 2015. For 2025, figure is mid-point between 2020 and 2030 projections. 2040 figure taken from DBEDT Series 2040 projection.							
(2) From same source as cited in footnote #1. Includes the districts of Lihue, South Kauai, Hanapepe-Eleele and Waimea-Kekaha. 2040 figure base on 2035 forecast and same growth rate as for 2030-2035 period.							
(3) Intended to be trending marginally higher than DBEDT Series 2040 population projections.							
Source: Kauai County General Plan January 2017 appendices, DBEDT "2040 Series", and The Hallstrom Team/CBRE, Inc.							

TABLE A-2

HISTORIC, CURRENT AND PROJECTED RESIDENT POPULATION TOTALS FOR THE STATE, COUNTY AND SUBJECT PLANNING AREAS 2010 TO 2040 FROM APPENDIX B OF THE JANUARY 2017 GENERAL PLAN APEENDICIES Market Study of the Proposed Lima Ola Community <u>Eleele, Kauai, Hawaii</u> 2017, 2025 and 2040 are extrapolations from the forecasted years.							
	2010	2017	2020	2025	2030	2035	2040
<i><u>State Total</u></i>	1,363,621	1,457,600	1,481,240	1,543,240	1,602,340	1,657,500	1,708,920
Average Annual Change in Persons		18,796	4,728	12,400	11,820	11,032	10,284
Average Annual Percent Growth		1.4%	0.3%	0.8%	0.8%	0.7%	0.6%
<i><u>Kauai County General Plan</u></i>	67,091	73,485	74,693	79,011	83,328	88,013	93,020
Percent of State Total	4.9%	5.0%	5.0%	5.1%	5.2%	5.3%	5.4%
Average Annual Change in Persons		1,279	242	864	864	937	1,001
Average Annual Percent Growth		1.9%	0.3%	1.2%	1.1%	1.1%	1.1%
<i><u>Study Area (Lihue to Kekaha)</u></i>							
<i>Lihue</i>	14,683	17,350	18,017	19,806	21,595	23,456	25,500
Percent of County Total	21.9%	23.6%	24.1%	25.1%	25.9%	26.7%	27.4%
Average Annual Change in Persons		533	133	358	358	372	409
Average Annual Percent Growth		3.6%	0.8%	2.0%	1.8%	1.7%	1.7%
<i>South Kauai</i>	11,696	13,238	13,623	14,680	15,737	16,855	18,000
Percent of County Total	17.4%	18.0%	18.2%	18.6%	18.9%	19.2%	19.4%
Average Annual Change in Persons		308	77	211	211	224	229
Average Annual Percent Growth		2.6%	0.6%	1.6%	1.4%	1.4%	1.4%
<i>Hanapepe-Eleele</i>	6,157	6,402	6,463	6,662	6,860	7,094	7,350
Percent of County Total	9.2%	8.7%	8.7%	8.4%	8.2%	8.1%	7.9%
Average Annual Change in Persons		49	12	40	40	47	51
Average Annual Percent Growth		0.8%	0.2%	0.6%	0.6%	0.7%	0.7%
<i>Waimea-Kekaha</i>	5,651	5,851	5,901	6,112	6,323	6,566	6,825
Percent of County Total	8.4%	8.0%	7.9%	7.7%	7.6%	7.5%	7.3%
Average Annual Change in Persons		40	10	42	42	49	52
Average Annual Percent Growth		0.7%	0.2%	0.7%	0.7%	0.8%	0.8%
<i>TOTAL STUDY AREA</i>	38,187	42,841	44,004	47,260	50,515	53,971	57,675
Percent of County Total	56.9%	58.3%	58.9%	59.8%	60.6%	61.3%	62.0%
Average Annual Change in Persons		931	233	651	651	691	741
Average Annual Percent Growth		2.4%	0.5%	1.5%	1.4%	1.4%	1.4%
Source: Appendix B - Kauai County General Plan, January 2017 , and The Hallstrom Team/CBRE, Inc							

TABLE A-3

**QUANTIFICATION OF HOUSING UNIT DEMAND FOR THE
LIHUE-KEKAHA STUDY AREA 2017 TO 2040
Market Study of the Proposed Lima Ola Community
Eleele, Kauai, Hawaii**

	<u>2017</u>	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>	<u>2040</u>	Additional Units Required by 2040
Scenario One: Minimum Based on Appendix B - Kauai General Plan Projections							
Resident Population	42,841	44,004	47,260	50,515	53,971	57,675	
Average Household Size (1)	<u>2.86</u>	<u>2.85</u>	<u>2.83</u>	<u>2.80</u>	<u>2.78</u>	<u>2.75</u>	
Total Resident Units Required	14,979	15,440	16,729	18,041	19,449	20,973	
Vacancy Allowance (2 % of resident unit demand)	300	309	335	361	389	419	
Non-Resident Purchaser Allowance (2) (17% Stabilized of resident unit demand)	2,546	2,625	2,844	3,067	3,306	3,565	
TOTAL MARKET UNIT DEMAND	17,825	18,374	19,908	21,469	23,144	24,958	7,358
Scenario Two: Maximum Based on DBEDT Series 2040 Projections and Marginally Higher Trending							
Resident Population	42,841	45,841	49,216	52,716	56,466	60,466	
Average Household Size (1)	<u>2.86</u>	<u>2.84</u>	<u>2.81</u>	<u>2.78</u>	<u>2.75</u>	<u>2.72</u>	
Total Resident Units Required	14,979	16,141	17,514	18,962	20,533	22,230	
Vacancy Allowance (2% to 3% of resident unit demand)	300	363	438	521	616	667	
Non-Resident Purchaser Allowance (2) (17% to 20% of resident unit demand)	2,546	2,825	3,153	3,508	3,901	4,446	
TOTAL MARKET UNIT DEMAND	17,825	19,329	21,105	22,992	25,050	27,343	9,743
CONCLUDED HOUSING UNIT DEMAND RANGE							
	<u>2017</u>	<u>2017-2020</u>	<u>2021-2025</u>	<u>2026-2030</u>	<u>2031-2035</u>	<u>2036-2040</u>	<u>Totals</u>
MINIMUM DEMAND							
Periodic	225	548	1,534	1,561	1,675	1,813	7,358
Cumulative	225	830	2,458	4,019	5,695	7,508	
Average Annual Demand (3)		202	326	312	335	363	
MAXIMUM DEMAND							
Periodic	225	1,504	1,776	1,887	2,058	2,293	9,743
Cumulative	225	1,785	3,655	5,542	7,600	9,893	
Average Annual Demand (3)		520	374	377	412	459	
MID-POINT DEMAND							
Periodic	225	1,026	1,655	1,724	1,867	2,053	8,550
Cumulative	225	1,308	3,056	4,781	6,647	8,700	
Average Annual Demand (3)		361	350	345	373	411	

(1) Census reported average resident household size for Primary Study Area in 2010 was 2.88 persons, 2015 mid-census estimate ranged from 2.12 persons (Poipu) to 3.50 persons (Eleele).

(2) There were 15,562 total "housing units" in the Study Area in 2010; 13,182 were used by resident households (84.7%) and 2,380 were used by non-residents/visitors.

Current estimates there are 17,600 housing units in Study Area, with 83.0 percent used by resident households and 17.0 percent used by non-residents/visitors.

(3) Existing (or latent) demand is assumed absorbed evenly from 2017 through 2025.

Source: US Census, County of Kauai, DBEDT and The Hallstrom Team/CBRE.

TABLE A-4

HISTORIC, CURRENT AND PROJECTED RESIDENT HOUSEHOLD TOTALS FOR THE COUNTY AND SUBJECT PLANNING AREAS 2010 TO 2040 FROM APPENDIX d OF THE JANUARY 2017 GENERAL PLAN APEENDICIES Market Study of the Proposed Lima Ola Community Eleele, Kauai, Hawaii 2017, 2025 and 2040 are extrapolations from the forecasted years.							
	2010	2017	2020	2025	2030	2035	2040
<i><u>Kauai County</u></i>	23,240	25,370	25,902	27,345	28,788	30,349	31,974
Average Annual Change in Households		266	106	289	289	312	325
Average Annual Percent Growth		1.8%	0.4%	1.1%	1.1%	1.1%	1.1%
<i><u>Study Area (Lihue to Kekaha)</u></i>							
<i>Lihue</i>	4,983	5,837	6,051	6,666	7,281	7,923	8,623
Percent of County Total	21.4%	23.0%	23.4%	24.4%	25.3%	26.1%	27.0%
Average Annual Change in Households		171	43	123	123	128	140
Average Annual Percent Growth		3.4%	0.7%	2.0%	1.8%	1.8%	1.8%
<i>South Kauai</i>	4,250	4,807	4,946	5,323	5,699	6,096	6,521
Percent of County Total	18.3%	18.9%	19.1%	19.5%	19.8%	20.1%	20.4%
Average Annual Change in Households		111	28	75	75	79	85
Average Annual Percent Growth		2.6%	0.6%	1.5%	1.4%	1.4%	1.4%
<i>Hanapepe-Eleele</i>	1,987	2,065	2,084	2,146	2,207	2,279	2,354
Percent of County Total	8.5%	8.1%	8.0%	7.8%	7.7%	7.5%	7.4%
Average Annual Change in Households		16	4	12	12	14	15
Average Annual Percent Growth		0.8%	0.2%	0.6%	0.6%	0.7%	0.7%
<i>Waimea-Kekaha</i>	1,962	2,124	2,165	2,209	2,253	2,306	2,366
Percent of County Total	8.4%	8.4%	8.4%	8.1%	7.8%	7.6%	7.4%
Average Annual Change in Households		32	8	9	9	11	12
Average Annual Percent Growth		1.7%	0.4%	0.4%	0.4%	0.5%	0.5%
<i>TOTAL STUDY AREA</i>	13,182	14,833	15,246	16,343	17,440	18,604	19,864
Percent of County Total	56.7%	58.5%	58.9%	59.8%	60.6%	61.3%	62.1%
Average Annual Change in Households		330	83	219	219	233	252
Average Annual Percent Growth		2.5%	0.6%	1.4%	1.3%	1.3%	1.4%
Total Increase in Resident Households 2017 Through 2040						5,031	
Average Annual Growth in Households						219	

Source: Appendix D - Kauai County General Plan, January 2017 , and The Hallstrom Team/CBRE, Inc

TABLE A-5

**STRATIATED PROJECTIONS OF SINGLE FAMILY HOUSING UNIT DEMAND
BY SELLING PRICE IN THE LIHUE-KEKAHA STUDYAREA 2017 TO 2040**
Market Study of the Proposed Lima Ola Community
Eleele, Kauai, Hawaii
Expressed in Constant 2017 Dollars

Period	2017 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	Total Demand 2017-2040
1. Minimum Demand Forecasts						
Less Than \$311,000 (1)	135	307	281	291	305	1,319
Percent of Total Demand	30.00%	29.50%	29.00%	28.50%	28.00%	28.86%
\$311,000 to \$539,000 (2)	179	422	397	424	457	1,879
Percent of Total Demand	40.00%	40.50%	41.00%	41.50%	42.00%	41.14%
\$539,000 to \$1,000,000	90	208	194	204	218	914
Percent of Total Demand	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Over \$1,000,000	45	104	97	102	109	457
Percent of Total Demand	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Total Market Demand	449	1,042	968	1,022	1,088	4,568
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2. Maximum Demand Forecasts						
Less Than \$311,000 (1)	324	353	339	358	385	1,759
Percent of Total Demand	30.00%	29.50%	29.00%	28.50%	28.00%	28.95%
\$311,000 to \$539,000 (2)	432	485	480	521	578	2,495
Percent of Total Demand	40.00%	40.50%	41.00%	41.50%	42.00%	41.05%
\$539,000 to \$1,000,000	216	239	234	251	275	1,215
Percent of Total Demand	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Over \$1,000,000	108	120	117	126	138	608
Percent of Total Demand	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Total Market Demand	1,079	1,197	1,170	1,256	1,376	6,077
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

First Quarter 2017 MLS Median Sale Prices			
	Residential	Condo	Land
Waimea	\$380,000	\$372,000	\$179,000
% Annual Chg.	5.6%	N/A	N/A
Koloa	\$697,500	\$392,500	\$322,000
% Annual Chg.	-4.7%	-47.9%	-19.5%
Lihue	\$500,000	\$277,500	\$280,000
% Annual Chg.	6.4%	N/A	23.1%

(1) This price is considered "affordable" for four-person households earning 80% of the median county household income ("Low Income").

(2) This price is considered "affordable" for four-person households earning from 81% to 140% of county median (includes "Below Moderate" to "Gap Income" categories).

Source: Kauai County, DBEDT, MLS and CBRE, Inc.

TABLE A-6

**STRATIATED PROJECTIONS OF MULTIFAMILY UNIT DEMAND
BY SELLING PRICE IN THE LIHUE-KEKAHA STUDYAREA 2017 TO 2040**
Market Study of the Proposed Lima Ola Community
Eleele, Kauai, Hawaii
Expressed in Constant 2017 Dollars

Period	2017 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	Total Demand 2017-2040
1. Minimum Demand Forecasts						
Less Than \$200,000 (1)	99	249	249	271	297	1,166
Percent of Total Demand	43.00%	42.50%	42.00%	41.50%	41.00%	41.81%
\$200,000 to \$480,000 (2)	76	196	202	225	254	954
Percent of Total Demand	33.00%	33.50%	34.00%	34.50%	35.00%	34.19%
\$480,000 to \$1,000,000	42	105	107	118	131	502
Percent of Total Demand	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
Over \$1,000,000	14	35	36	39	44	167
Percent of Total Demand	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Total Market Demand	231	586	593	653	725	2,789
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2. Maximum Demand Forecasts						
Less Than \$200,000 (1)	239	286	301	333	376	1,535
Percent of Total Demand	43.00%	42.50%	42.00%	41.50%	41.00%	41.88%
\$200,000 to \$480,000 (2)	183	226	244	277	321	1,251
Percent of Total Demand	33.00%	33.50%	34.00%	34.50%	35.00%	34.12%
\$480,000 to \$1,000,000	100	121	129	144	165	660
Percent of Total Demand	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
Over \$1,000,000	33	40	43	48	55	220
Percent of Total Demand	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Total Market Demand	556	673	717	803	917	3,666
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

First Quarter 2017 MLS Median Sale Prices			
	Residential	Condo	Land
Waimea	\$380,000	\$372,000	\$179,000
% Annual Chg.	5.6%	N/A	N/A
Koloa	\$697,500	\$392,500	\$322,000
% Annual Chg.	-4.7%	-47.9%	-19.5%
Lihue	\$500,000	\$277,500	\$280,000
% Annual Chg.	6.4%	N/A	23.1%

(1) This price is considered "affordable" for four-person households earning 80% of the median county household income ("Low Income").

(2) This price is considered "affordable" for four-person households earning from 81% to 140% of county median (includes "Below Moderate" to "Gap Income" categories).

Source: Kauai County, DBEDT, MLS and CBRE, Inc.

TABLE A-7

SELECTED STUDY AREA CDP 2015 CENSUS DATA Market Study of the Porposed Lima Ola Community Eleele, Kauai, Hawaii									
Census Designated Place (CDP)	Eleele	Hanapepe	Kalaheo	Kekaha	Koloa	Lawai	Omao	Poipu	Waimea
<i>Percent of Population</i>									
Under 60 Years	74.3%	75.5%	71.7%	71.4%	81.4%	74.7%	68.5%	53.5%	67.0%
60 Years and Over	25.7%	24.5%	28.3%	28.6%	18.6%	25.3%	31.5%	46.5%	33.0%
<i>Percent of Resident Housing Units</i>									
Owner-Occupied	72.0%	72.0%	66.8%	70.6%	37.9%	72.8%	59.9%	71.5%	47.6%
Renter Occupied	28.0%	28.0%	33.2%	29.4%	62.1%	27.2%	40.1%	28.5%	52.4%
<i>Total Households</i>	742	840	1,480	918	774	889	456	492	624
<i>Average Family Size</i>	4.00	3.49	3.37	4.01	4.25	3.08	2.61	2.57	3.34
<i>Average Household Size</i>	3.50	3.13	2.94	3.16	3.37	2.53	2.98	2.12	2.62
Source: US Census, and CBRE, Inc.									

TABLE A-8

**DIVISION OF PROJECTED DEMAND BY UNIT TYPE
FOR HOUSING UNITS IN LIHUE-KEKAHA STUDY AREA 2017 TO 2040**
Market Study of the Proposed Lima Ola Community
Eleele, Kauai, Hawaii

	<u>2017 to 2020</u>	<u>2021 to 2025</u>	<u>2026 to 2030</u>	<u>2031 to 2035</u>	<u>2036 to 2040</u>	<u>Total Demand 2014-2040</u>
<u>1. Using Minimum Demand Projections</u>						
Single Family Homes	449	1,042	968	1,022	1,088	4,568
Percent of Total	66%	64%	62%	61%	60%	62%
Multifamily Units	231	586	593	653	725	2,789
Percent of Total	34%	36%	38%	39%	40%	38%
Total	680 100%	1,628 100%	1,561 100%	1,675 100%	1,813 100%	7,357 100%
<u>2. Using Maximum Projections</u>						
Single Family Homes	1,079	1,197	1,170	1,256	1,376	6,077
Percent of Total	66%	64%	62%	61%	60%	62%
Multifamily Units	556	673	717	803	917	3,666
Percent of Total	34%	36%	38%	39%	40%	38%
Total	1,635 0%	1,870 0%	1,887 0%	2,058 0%	2,293 0%	9,743 0%
<u>Mid-Point</u>						
Single Family Homes	764	1,119	1,069	1,139	1,232	5,323
Multifamily Units	393	630	655	728	821	3,228
Total	1,157	1,749	1,724	1,867	2,053	8,550

Source: CBRE, Inc.

TABLE A-9

**DIVISION OF PROJECTED DEMAND BETWEEN OWNER-OCCUPANTS AND RENTALS
FOR HOUSING UNITS IN LIHUE-KEKAHA STUDY AREA 2017 TO 2040**
Market Study of the Proposed Lima Ola Community
Eleele, Kauai, Hawaii

	2017 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	Total Demand 2017-2040
<u>1. Using Minimum Demand Projections</u>						
Owner-Occupied Units	428	993	921	955	1,015	4,313
Percent of Total	63%	61%	59%	57%	56%	59%
Renter-Occupied Units	251	635	640	720	798	3,045
Percent of Total	37%	39%	41%	43%	44%	41%
Total	680 100%	1,628 100%	1,561 100%	1,675 100%	1,813 100%	7,357 100%
<u>2. Using Maximum Projections</u>						
Owner-Occupied Units	1,030	1,141	1,113	1,173	1,284	5,741
Percent of Total	63%	61%	59%	57%	56%	59%
Renter-Occupied Units	605	729	774	885	1,009	4,002
Percent of Total	37%	39%	41%	43%	44%	41%
Total	1,635 100%	1,870 100%	1,887 100%	2,058 100%	2,293 100%	9,743 100%
<u>Mid-Point</u>						
Owner-Occupied Units	729	1,067	1,017	1,064	1,150	5,027
Renter-Occupied Units	428	682	707	803	903	3,523
Total	1,157	1,749	1,724	1,867	2,053	8,550

Note: According to 2015 mid-census estimates, the CDPs comprising the South and West Kauai regions had 64.8% of their total resident household units being owner-occupied and 35.2% being renter-occupied, with an overall range of 37.9% owner-occupied in Koloa and 72.8% in Lihue.

Source: US Census Bureau, and The Hallstrom Team/CBRE, Inc.

TABLE A-10

**PROJECTED SENIOR HOUSING DEMAND
FOR UNITS IN LIHUE-KEKAHA STUDY AREA 2017 TO 2040**
Market Study of the Proposed Lima Ola Community
Eleele, Kauai, Hawaii

	2017	2017 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	Total Demand 2017-2040
<i>1. Using Minimum Demand Projections</i>							
Total Study Area Population (1)	42,841	44,004	47,260	50,515	53,971	57,675	
Resident Senior Population (2)	12,038	12,541	13,942	15,407	17,001	18,744	
Percent of Total Population	28.1%	28.5%	29.5%	30.5%	31.5%	32.5%	
In Senior-Only Households	9,751	10,221	11,432	12,711	14,111	15,558	
Percent of Senior Population	81.0%	81.5%	82.0%	82.5%	83.0%	83.0%	
Average Senior Household Size	1.74	1.76	1.77	1.78	1.79	1.8	
Regional Senior Housing Demand	5,604	5,807	6,459	7,141	7,883	8,643	
Vacancy Allowance (2%)	112	116	129	143	158	173	
Total Senior Housing Units Required	5,716	5,924	6,588	7,284	8,041	8,816	3,100
Percent of Total Study Area Demand	32.1%	32.2%	33.1%	33.9%	34.7%	35.3%	
Percent Low Income Senior Households	42%	42%	42%	42%	42%	42%	
Low Income Senior Housing Unit Demand	2,401	2,488	2,767	3,059	3,377	3,703	1,302
Percent of Total Study Area Demand	13.5%	13.5%	13.9%	14.2%	14.6%	14.8%	
<i>2. Using Maximum Demand Projections</i>							
Total Study Area Population (1)	42,841	45,841	49,216	52,716	56,466	60,466	
Resident Senior Population (2)	12,038	13,065	14,519	16,078	17,787	19,651	
Percent of Total Population	28.1%	28.5%	29.5%	30.5%	31.5%	32.5%	
In Senior-Only Households	9,751	10,648	11,905	13,265	14,763	16,311	
Percent of Senior Population	81.0%	81.5%	82.0%	82.5%	83.0%	83.0%	
Average Senior Household Size	1.74	1.76	1.77	1.78	1.79	1.8	
Regional Senior Housing Demand	5,604	6,050	6,726	7,452	8,247	9,061	
Vacancy Allowance (3%)	168	181	202	224	247	272	
Total Senior Housing Units Required	5,772	6,231	6,928	7,676	8,495	9,333	3,561
Percent of Total Study Area Demand	32.4%	32.2%	32.8%	33.4%	33.9%	34.1%	
Percent Low Income Senior Households	42%	42%	42%	42%	42%	42%	
Low Income Senior Housing Unit Demand	2,424	2,617	2,910	3,224	3,568	3,920	1,496
Percent of Total Study Area Demand	13.6%	13.5%	13.8%	14.0%	14.2%	14.3%	
<i>Mid-Point</i>							
Total Senior Housing Unit Demand	5,744	6,077	6,758	7,480	8,268	9,075	3,331
Low Income Senior Housing Unit Demand	2,413	2,553	2,838	3,141	3,472	3,811	1,399

(1) End of period figure.

(2) Full-Time Residents over the age of 60. In the CDP areas of South and West Kauai some 28.1% of all residents are over the age of 60 based on 2015 mid-census estimates, ranging from 18.6% in Koloa to 46.5% in Poipu.

Source: US Census, DBEDT, County of Kauai and The Hallstrom Team/CBRE, Inc.

TABLE A-11

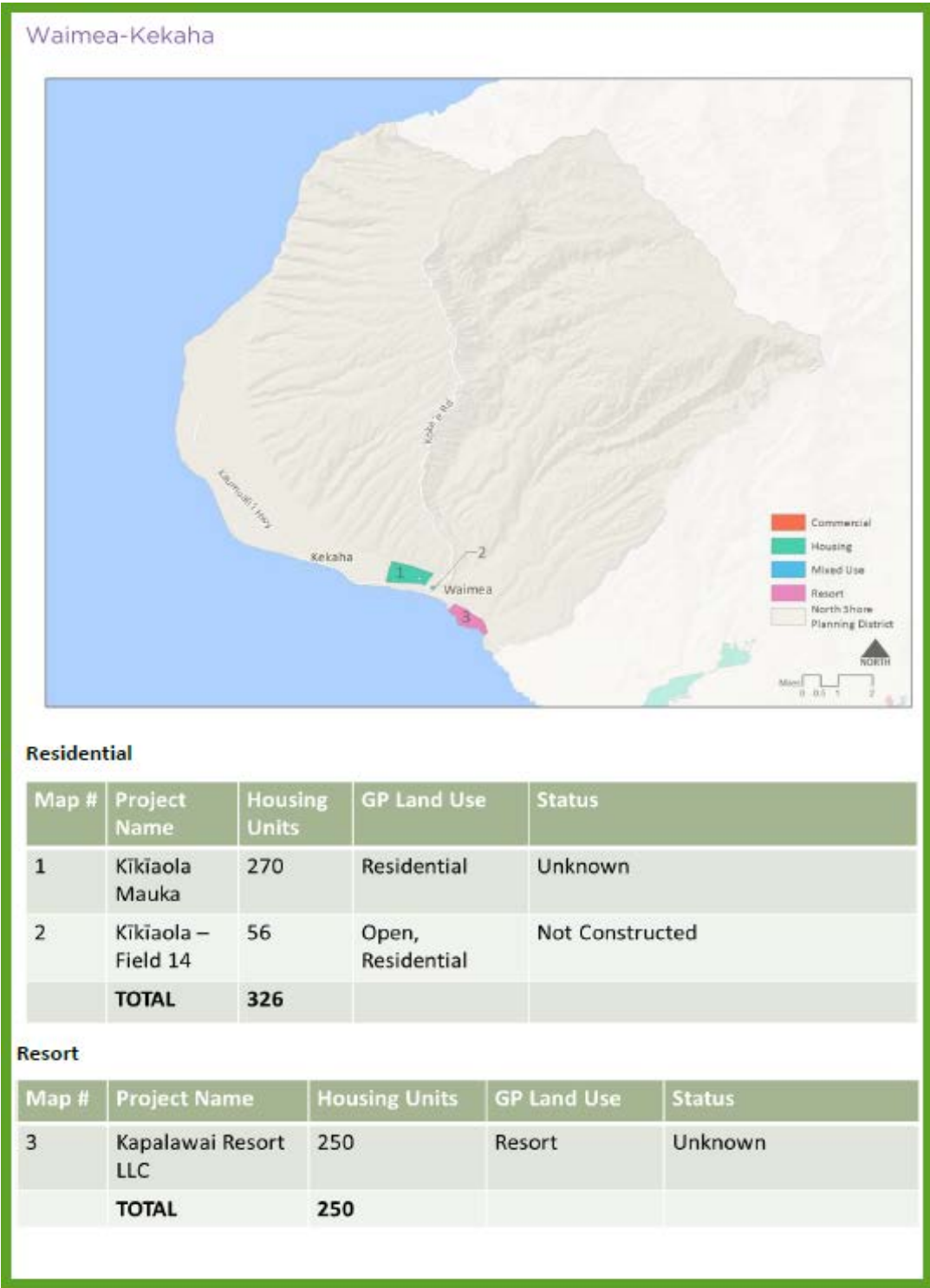
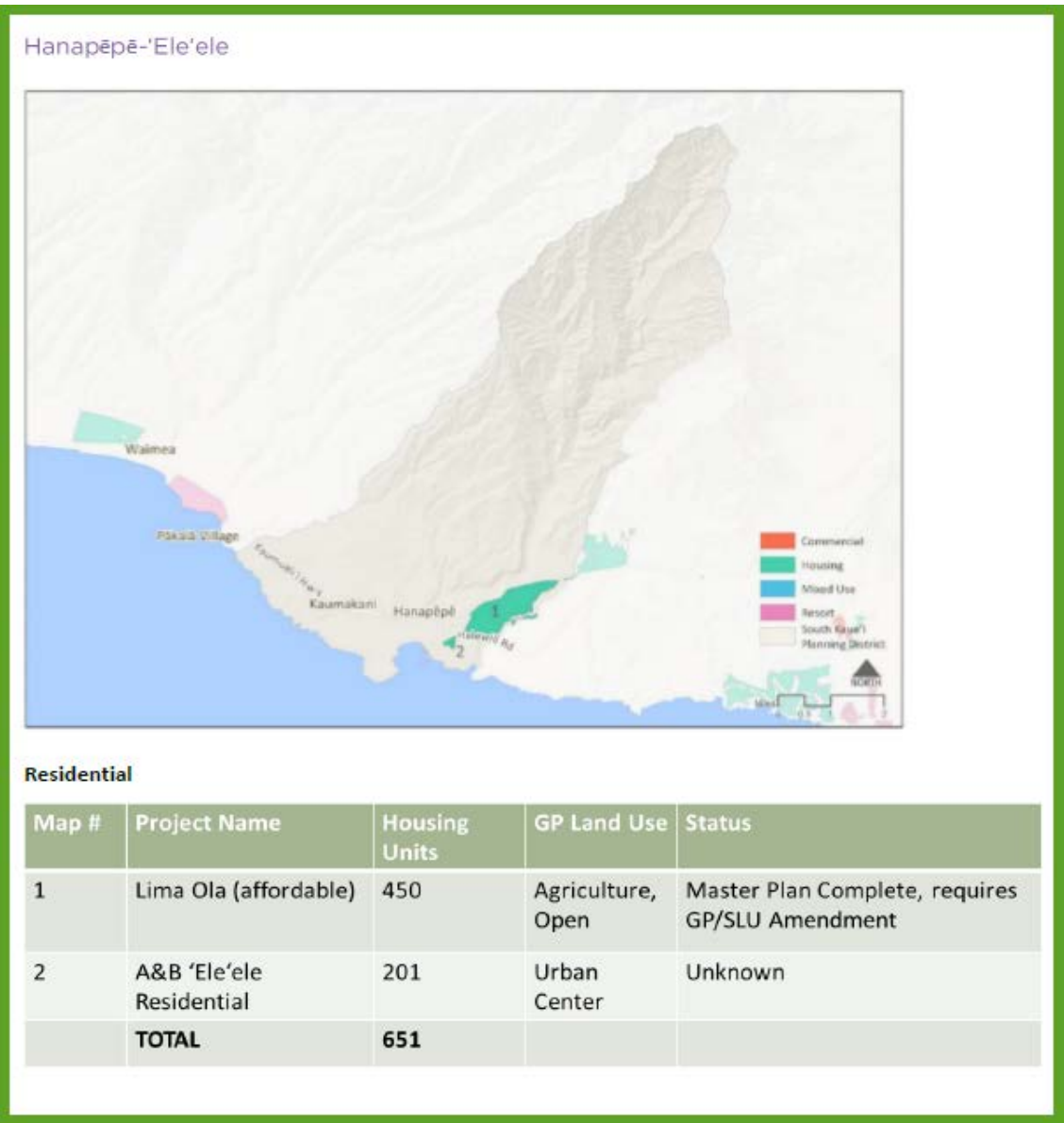
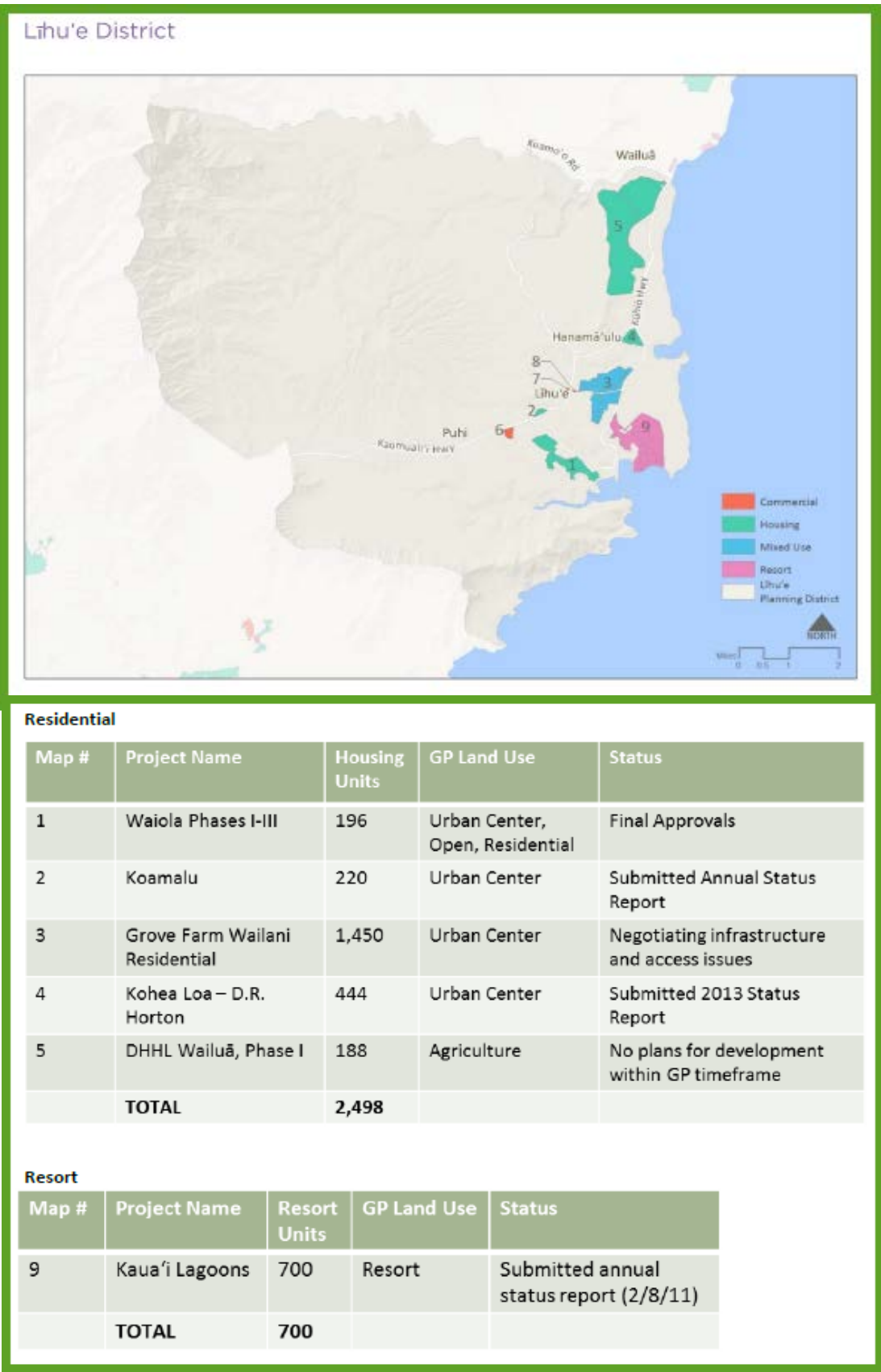
Kaua'i County General Plan Appendix G		
Entitled Residential Projects by District		
District	Project Name	Housing Units
East Kaua'i	Pi'ilani Mai He Kai (DHHL Anahola)	181
	Kulana	172
	Kapa'a Highlands, Phase 2	769
	TOTAL	1,122
'Ele'ele	A&B 'Ele'ele Residential	201
	Lima Ola (Affordable)	450
	TOTAL	651
Lihu'e	DHHL Wailua, Phase 1	188
	Kohea Loa - D.R. Horton	444
	Pikake Subdivision	146
	Grove Farm Wailani Residential	1,450
	Koamalu	220
	Waiola Phase I	47
	Waiola Phase II	56
	Waiola Phase II	93
	TOTAL	2,644
North Shore	Kolopua (Princeville Affordable)	44
	TOTAL	44
South Kaua'i	Brydeswood Ranch (A&B)	24
	Kōloa Creekside	72
	Kukui'ula Employee Housing	100
	Kukui'ula	750
	The Village at Koloa Town	34
	Kōloa Camp - Waihononu	50
	CIRI (CLDC) Subdivision	10
	TOTAL	1,040
Waimea	Kekaha lots	40
	Kikiaola Mauka	270
	Kikiaola - Field 14	56
	TOTAL	366
	ISLAND TOTAL	5,867

Total Proposed Residential Units Within Study Area (Excluding Lima Ola)

Location	No. Of Units
Eleele	201
Lihue	2,644
South Kauai	1,040
Waimea	366
Total	4,251

Source: County of Kauai

TABLE A-12



Summary of Total Proposed Study Area Residential and Resort-Residential Units			
Location	Residential	Resort-Residential	Total
Lihue	2,498	700	3,198
Hanapepe-Eleele	201	0	201
Waimea-Kekaha	326	250	576
South Kauai	1,040	1,440	2,480
Totals	4,065	2,390	6,455

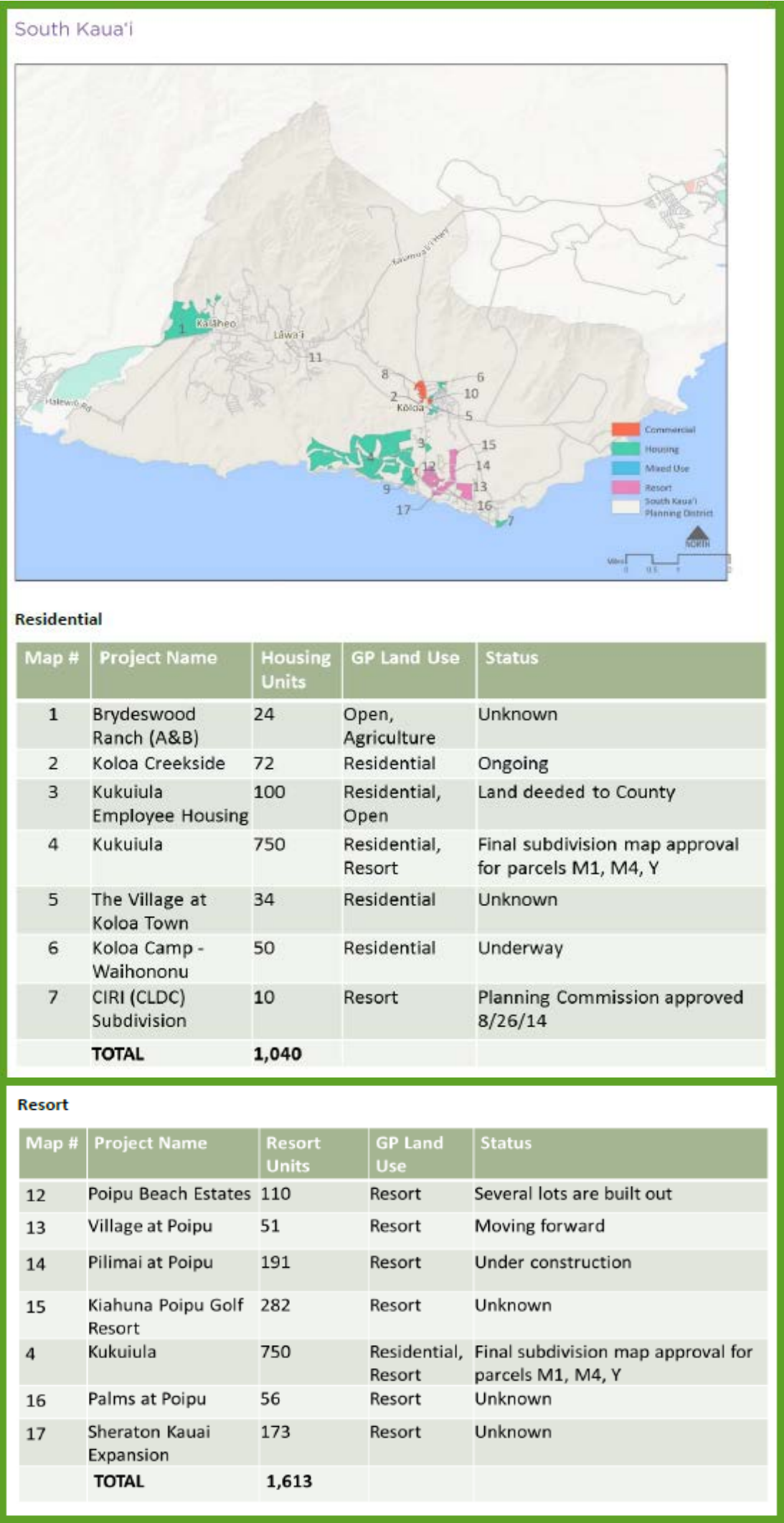


TABLE A-13

NARRATIVE INSERTS

PROPOSED LIMA OLA UNIT INVENTORY MIX					
Type/Tenure	Rental Units*		For Sale Units		Total
	Elderly	General	Multifamily	Single Family	
Number of Units	90	125	210	125	550
Percent of Total	16.4%	22.7%	38.2%	22.7%	100.0%
Household Income Levels	Less than 80% of Median	Up to 120% of Median	80% to 140% of Median	80% to 140% of Median	
Household Size (Persons)	One to Three	One to Five	Two to Five	Two to Six	
* All "Rental Units" would be in multifamily projects.					

PROPOSED LIMA OLA UNIT INVENTORY MODEL TYPES					
Type/Tenure	Rental Units (1)		For Sale Units		Total
	Elderly	General	Multifamily	Single Family (2)	
Number of Units	90	125	210	125	550
Studios	45	19			64
Percent of Total	50%	15%			12%
Avg. Size in Sq. Ft.	500	500			
One Bedroom	36	44	84		164
Percent of Total	40%	35%	40%		30%
Avg. Size in Sq. Ft.	700	700	800		
Two Bedroom	9	50	95	13	167
Percent of Total	10%	40%	45%	10%	30%
Avg. Size in Sq. Ft.	900	900	1,000	1,200	
Three Bedroom		12	31	75	118
Percent of Total		10%	15%	60%	21%
Avg. Size in Sq. Ft.		1,050	1,200	1,500	
Four Bedroom				38	38
Percent of Total				30%	7%
Avg. Size in Sq. Ft.				1,800	
(1) All "Rental Units" would be in multifamily projects.					
(2) Average lot size of 5,000 square feet.					

PROPOSED LIMA OLA UNIT INVENTORY PRICING					
Type/Tenure	Rental Units (1)		For Sale Units (4)		Total Units/ % of Total
	Elderly (2)	General (3)	Multifamily	Single Family	
Number of Units	90	125	210	126	550
Studios	45	19			64
Pricing	\$529 to \$976	\$976 to \$1,445 *			12%
One Bedroom	36	44	84		164
Pricing	\$558 to \$1,037	\$1,037 to \$1,540*	\$177,150 to \$347,900*		30%
Two Bedroom	9	50	95	13	167
Pricing	\$659 to \$1,235	\$1,235 to \$1,838	\$231,800 to \$436,800*	\$274,500 to \$479,400*	30%
Three Bedroom		12	31	75	118
Pricing		\$1,413 to \$2,110	\$282,800 to \$519,450*	\$304,150 to \$562,150*	21%
Four Bedroom				38	38
Pricing				\$369,300 to \$590,400	7%
* Figures marked with asterisk are market prices, where market prices are at or less than affordability guidelines.					
(1) Monthly net rents, exclusive of or "w/o" utilities.					
(2) Rental range shown for households income between 50% and 80% of median.					
(3) Rental range shown for households income between 80% and 120% of median.					
(4) Price range shown for households income between 80% and 140% of median.					

TABLE A-14

RESIDENTIAL UNIT RENTAL LISTINGS IN THE LIHUE-KEKAHA AREA Market Study of the Proposed Lima Ola Community Eleele, Kauai, Hawaii									
Location	Sub Location	Type	Subtype	Beds	Baths	Asking Rent	Utilities	Date Posted	Address
Lihue	Lihue	Apartment	Apartment	2	1.5	\$2,100	Water	3/15/2017	
Lihue	Lihue	Apartment	Apartment	2	1.5	\$1,950	Water	3/15/2017	Wilcox Road
Kekaha	Kekaha	House	House	3	2	\$1,800	Water	3/17/2017	Iwipolena Road
Kalaheo	Kalaheo	House	House	2	2	\$2,400	None	3/25/2017	
Kalaheo	Kalaheo	House	House	2	1	\$2,400	None	3/25/2017	
Kalaheo	Kalaheo	House	House	2	1	\$2,400	None	3/25/2017	
Hanapepe	Hanapepe	House	House	3	2	\$2,500	Water	3/27/2017	4882 Koko Road
Lihue	Lihue	House	House	4	2	\$2,000	None	3/28/2017	
Koloa	Koloa	Apartment	Apartment	0	1	\$1,150	Water/Elec	3/29/2017	Omao Road
Lawai	Lawai	House	House	1	1	\$2,000	Water/Elec/Gas/Wifi	3/29/2017	
Lawai	Lawai	House	House	1	1	\$2,000	Water/Elec/Gas/Wifi	3/29/2017	
Waimea	Waimea	House	House	1	1	\$1,460	Water	4/12/2017	
Kalaheo	Kalaheo	Apartment	Apartment	3	2	\$2,500	Water	4/13/2017	
Lihue	Lihue	Apartment	Apartment	0	1	\$1,600	Water/Elec/Wifi	4/18/2017	4275 Aikepa Street
Lihue	Lihue	Apartment	Apartment	2	2	\$1,900	Water	4/19/2017	3-3400 Kuhio Highway
Waimea	Waimea	Apartment	Apartment	1	1	\$1,800	Water/Elec/Wifi	4/20/2017	Kaumualii Highway
Waimea	Waimea	Apartment	Apartment	1	1	\$1,600	Water/Elec/Wifi	4/20/2017	Kaumualii Highway
Lihue	Lihue	House	Apartment	2	2	\$1,300	Water	4/20/2017	
Kalaheo	Kalaheo	House	House	3	1	\$2,200	None	4/23/2017	Onu Place
Lawai	Lawai	House	House	3	1	\$2,000	Water	4/25/2017	4770 Uha Road
Koloa	Koloa	House	House	3	1.5	\$1,700	None	4/26/2017	3878 Mamaki Street
Waimea	Waimea	Apartment	Apartment	2	1	\$1,200	Water	4/26/2017	9909 Waimea Road
Eleele	Eleele	House	House	4	2	\$2,800	None	4/27/2017	
Eleele	Eleele	House	House	2	2	\$2,000	None	4/28/2017	
Lihue	Lihue	Apartment	Apartment	2	1.5	\$1,500	Water	4/28/2017	4156 Rice Street
Lihue	Lihue	Apartment	Apartment	2	2	\$2,000	Water	4/28/2017	3-3400 Kuhio Highway
Lihue	Lihue	Apartment	Apartment	2	2	\$2,000	Water	4/29/2017	3-3400 Kuhio Highway
Kalaheo	Kai Ikena	House	House	2	1	\$2,400	Water/Elec/Wifi	5/1/2017	
Lihue	Lihue	Apartment	Apartment	1	1	\$1,300	Water/Elec/Wifi	5/1/2017	
Lihue	Lihue	House	House	3	2	\$2,575	None	5/1/2017	3-3400 Kuhio Highway
Lihue	Lihue	House	House	4	3	\$2,900	None	5/1/2017	3-3400 Kuhio Highway
Lihue	Lihue	House	House	3	2	\$2,750	None	5/1/2017	
Eleele	Eleele	House	House	2	2	\$2,000	None	5/5/2017	
Koloa	Koloa	House	House	3	2.5	\$2,100	None	5/5/2017	Waoke Street
Kekaha	Kekaha	House	House	3	3	\$2,100	Water/Elec	5/6/2017	
Hanapepe	Hanapepe	House	House	2	2	\$2,200	Water/Elec	5/8/2017	Kaumualii Highway
Kalaheo	Kalaheo	Apartment	Apartment	3	2	\$2,500	Water	5/9/2017	4460 Ikena Place
Kalaheo	Kalaheo	Apartment	Apartment	1	1	\$1,325	Water/Elec/Wifi	5/10/2017	Waha Road
Kalaheo	Kalaheo	Apartment	Apartment	1	1	\$1,100	Water/Elec/Wifi	5/13/2017	Kikiwi Road
Lihue	Lihue	House	House	3	2	\$2,200	None	5/15/2017	Kepa Street
Eleele	Eleele	House	House	4	2	\$3,000	None	5/15/2017	
Eleele	Eleele	House	House	3	2	\$1,900	None	5/15/2017	4624 Piiai Place
Koloa	Koloa	Apartment	Apartment	0	1	\$1,500	Water/Elec/Wifi	5/16/2017	
Kalaheo	Kalaheo	Apartment	Apartment	1	1	\$1,390	Water/Elec	5/16/2017	Waha Road
Lihue	Lihue	House	House	4	2.5	\$2,300	None	5/16/2017	Palau Mahu Street
Poipu	Poipu	Apartment	Apartment	2	2	\$2,500	Water	5/17/2017	Pee Road
Lihue	Lihue	Apartment	Apartment	1	1	\$1,000	Water	5/18/2017	Rice Street
Kalaheo	Kalaheo	House	House	2	1	\$1,500	None	5/19/2017	4678 Puuwai Road
Lihue	Lihue	House	House	3	2	\$2,400	Water	5/20/2017	3176 Palai Street
Koloa	Koloa	House	House	1	1	\$1,200	Water/Elec/Wifi	5/20/2017	Poipu Road
Source: Various sources (Zillow, Craigslist) compiled by CBRE, Inc.									
			Avg Rent	#					
Studio			\$1,417	3					
One			\$1,470	11					
Two			\$1,985	17					
Three			\$2,230	14					
Four			\$2,600	5					
				50					

TABLE A-15

Row Labels	Count of Location
Eleele	5
Hanapepe	2
Kalaheo	11
Kekaha	2
Koloa	5
Lawai	3
Lihue	17
Waimea	4
Poipu	1
Grand Total	50

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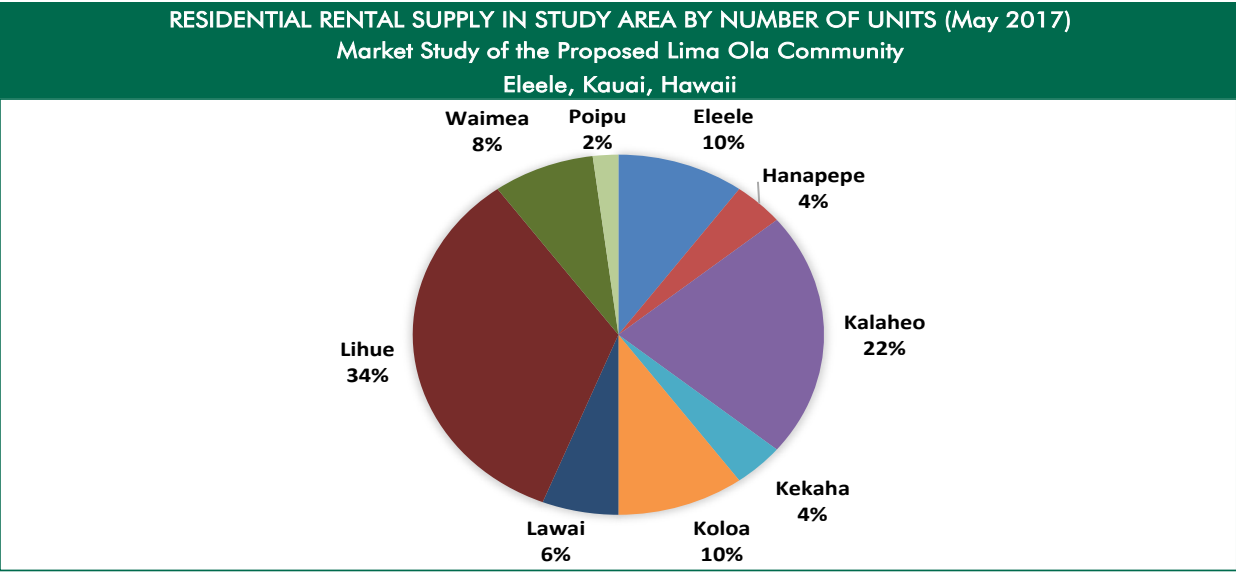


TABLE A-16

Row Labels	Count of Type
Apartment	20
House	30
Grand Total	50

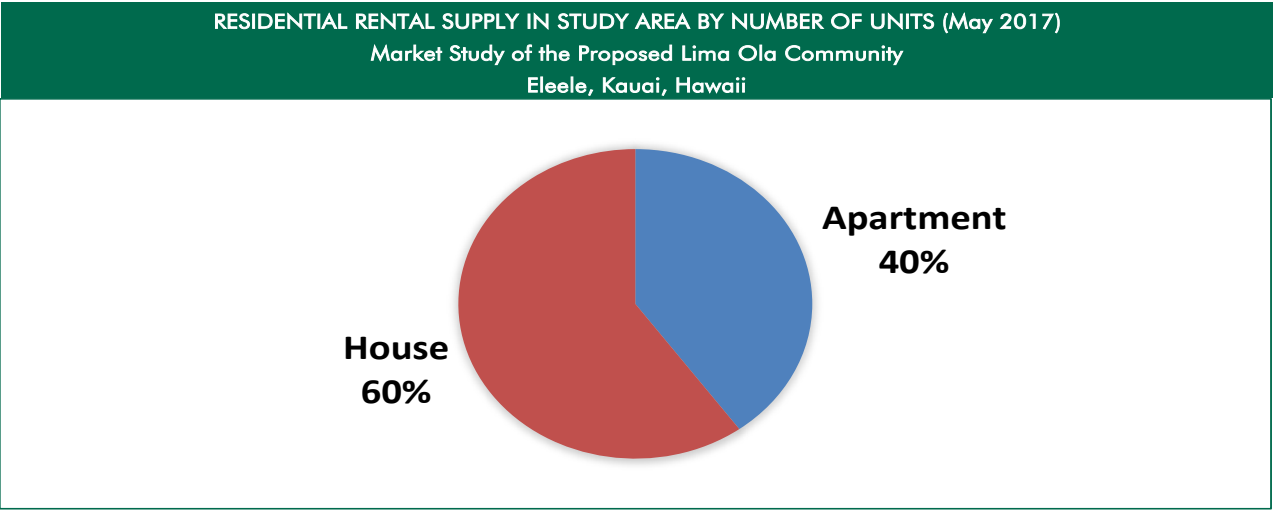


TABLE A-17

Row Labels	Average of Asking Rent
Eleele	\$2,340
House	\$2,340
Hanapepe	\$2,350
House	\$2,350
Kalaheo	\$2,010
Apartment	\$1,763
House	\$2,217
Kekaha	\$1,950
House	\$1,950
Koloa	\$1,530
Apartment	\$1,325
House	\$1,667
Lawai	\$2,000
House	\$2,000
Lihue	\$1,987
Apartment	\$1,706
House	\$2,303
Waimea	\$1,515
Apartment	\$1,533
House	\$1,460
Poipu	\$2,500
Apartment	\$2,500
Grand Total	\$1,968

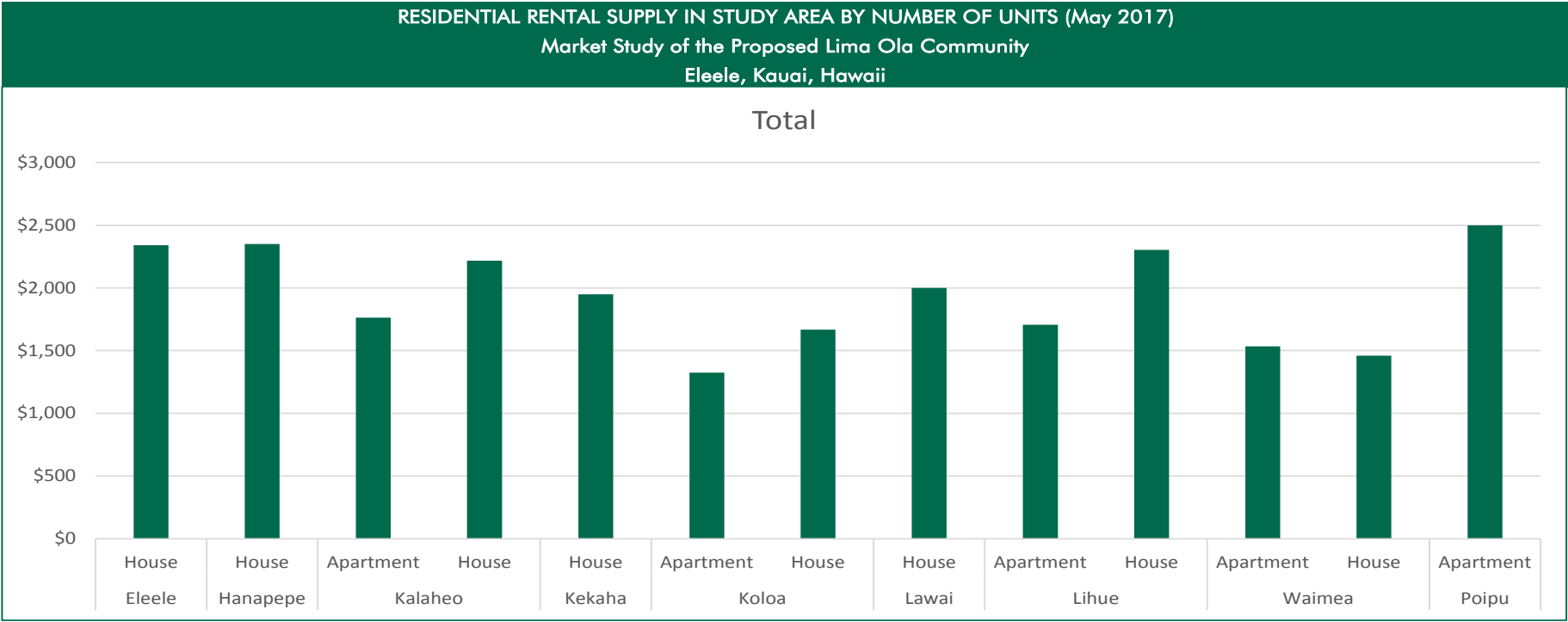


TABLE A-18

KAUAI MLS CONDO STATISTICS			
Year	# of Sales	Sales Average	Sales Volume
2000	225	\$186,124	\$41,877,820
2001	202	\$199,243	\$40,247,144
2002	244	\$209,709	\$51,169,079
2003	271	\$270,295	\$73,249,935
2004	249	\$353,883	\$88,116,849
2005	298	\$473,776	\$141,185,251
2006	496	\$422,478	\$209,549,254
2007	145	\$519,238	\$75,289,573
2008	67	\$472,283	\$31,642,975
2009	88	\$337,945	\$29,739,187
2010	119	\$329,171	\$39,171,390
2011	163	\$316,617	\$51,608,600
2012	139	\$309,928	\$43,079,935
2013	190	\$346,020	\$65,743,824
2014	157	\$355,464	\$55,807,808
2015	203	\$334,082	\$67,818,682
2016	215	\$422,191	\$90,771,136
2017	95	\$367,317	\$34,895,137

Compiled by CBRE

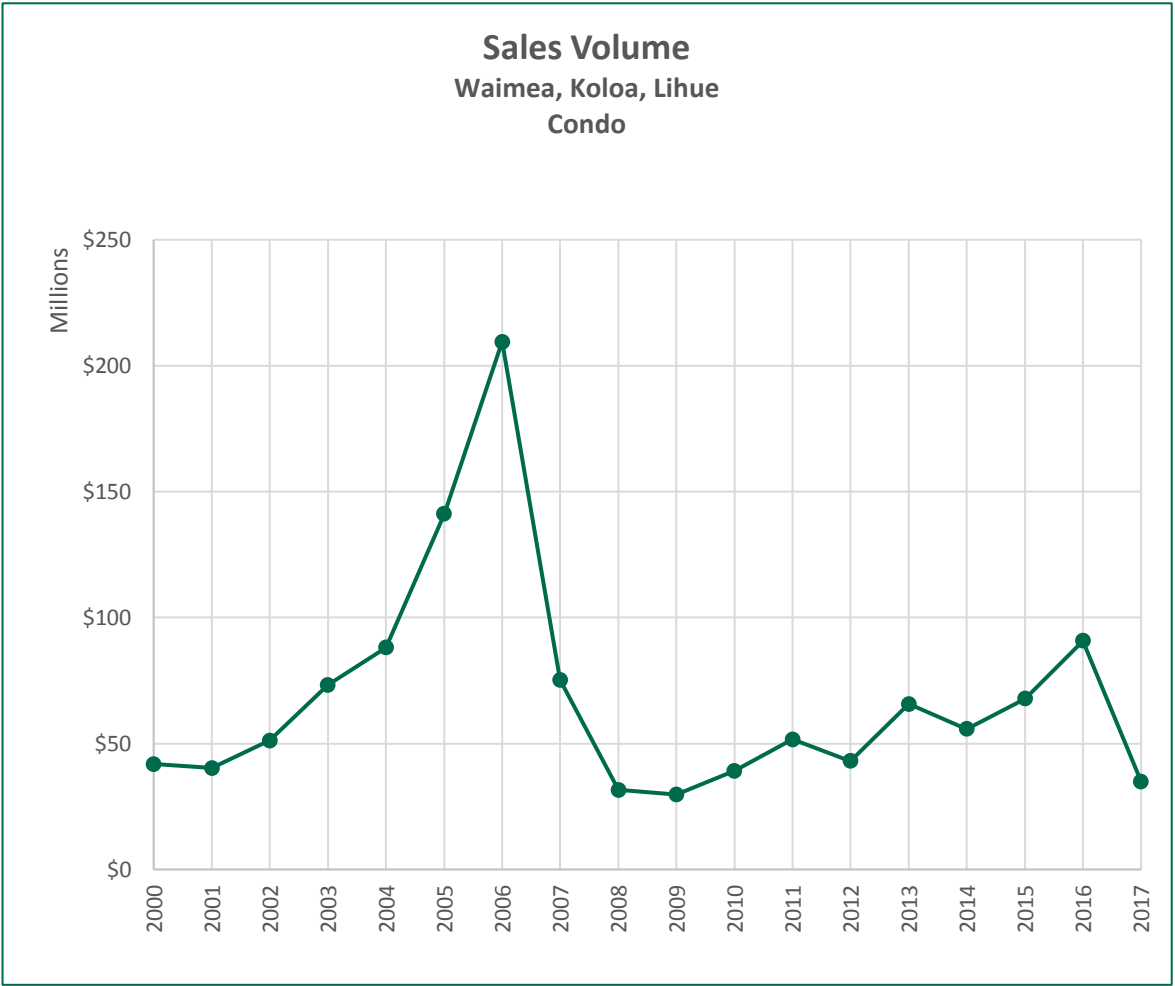
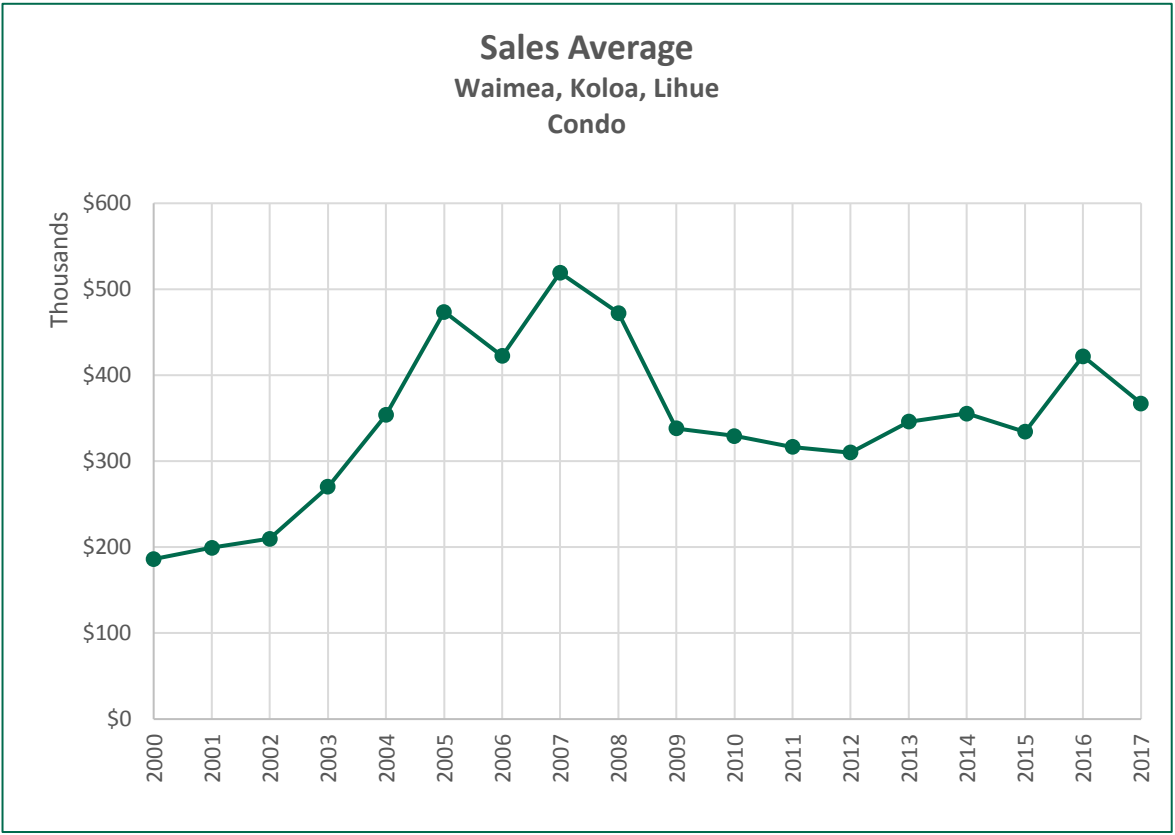
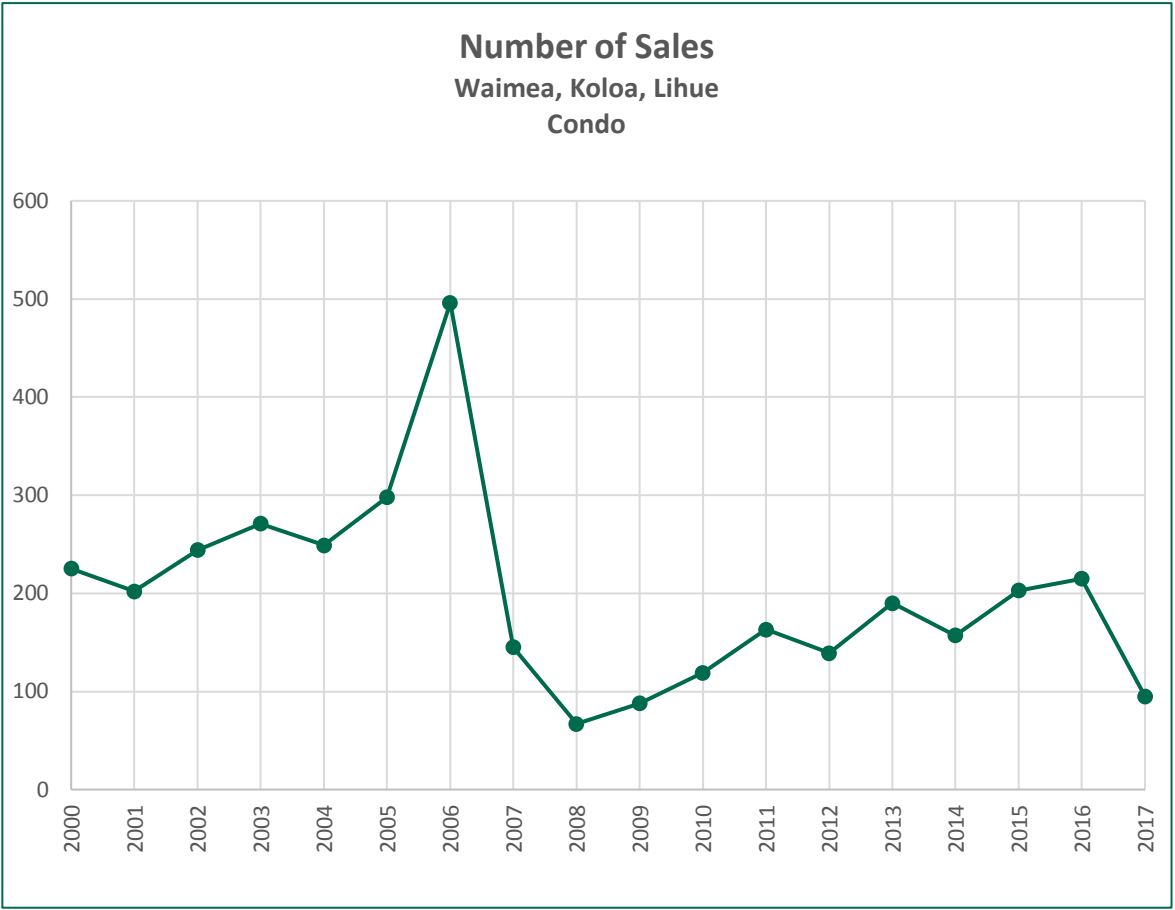


TABLE A-19

KAUAI MLS LAND STATISTICS			
Year	# of Sales	Sales Average	Sales Volume
2000	70	\$193,596	\$13,551,750
2001	119	\$233,615	\$27,800,215
2002	194	\$155,203	\$30,109,454
2003	211	\$305,989	\$64,563,696
2004	177	\$448,795	\$79,436,768
2005	117	\$601,265	\$70,347,983
2006	251	\$509,399	\$127,859,225
2007	104	\$992,825	\$103,253,834
2008	69	\$736,138	\$50,793,525
2009	33	\$314,594	\$10,381,600
2010	54	\$263,847	\$14,247,750
2011	43	\$434,986	\$18,704,381
2012	60	\$360,440	\$21,626,400
2013	114	\$545,743	\$62,214,656
2014	88	\$520,906	\$45,839,750
2015	53	\$427,160	\$22,639,500
2016	53	\$377,358	\$19,999,950
2017	40	\$390,582	\$15,623,264

Compiled by CBRE

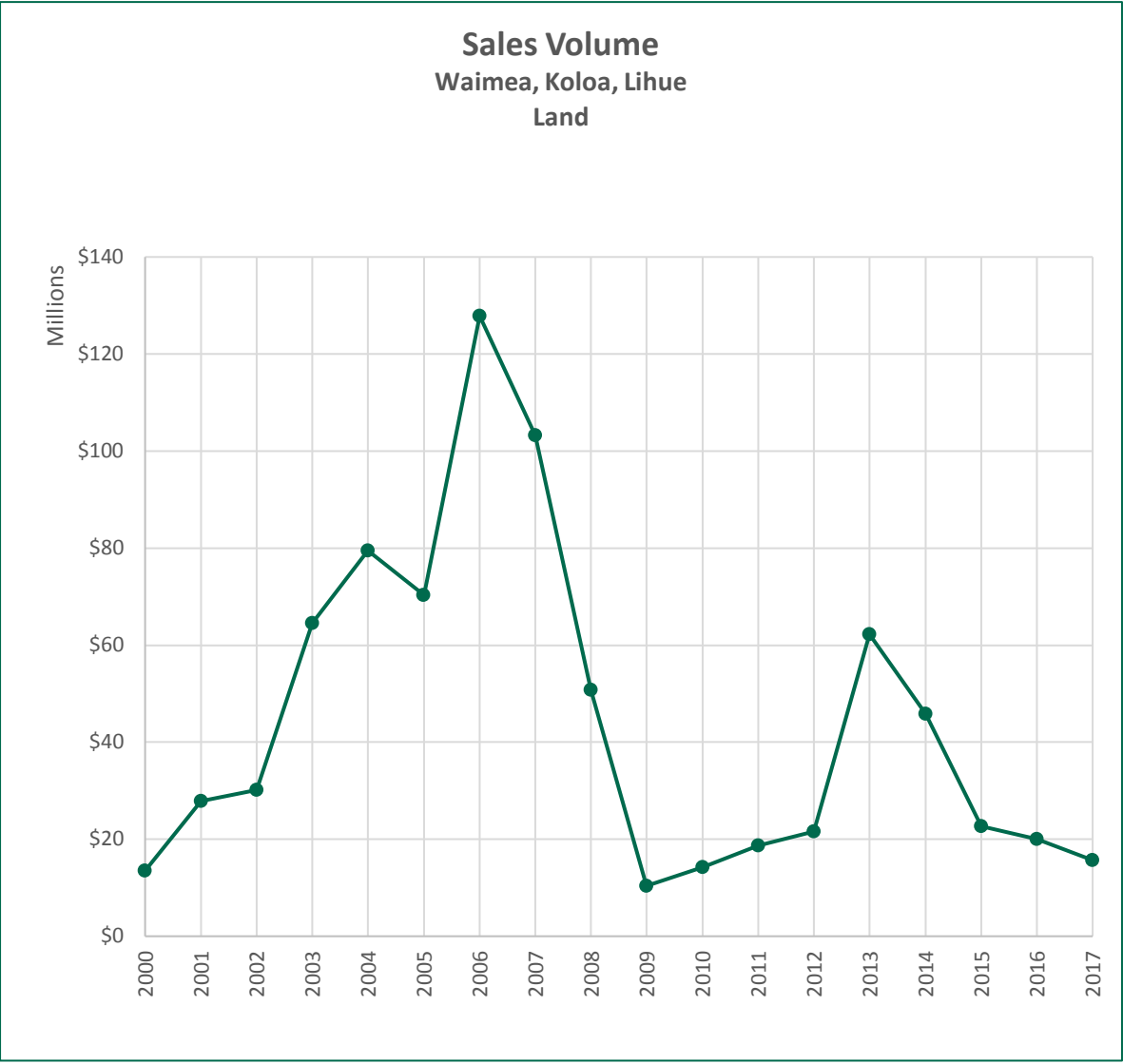
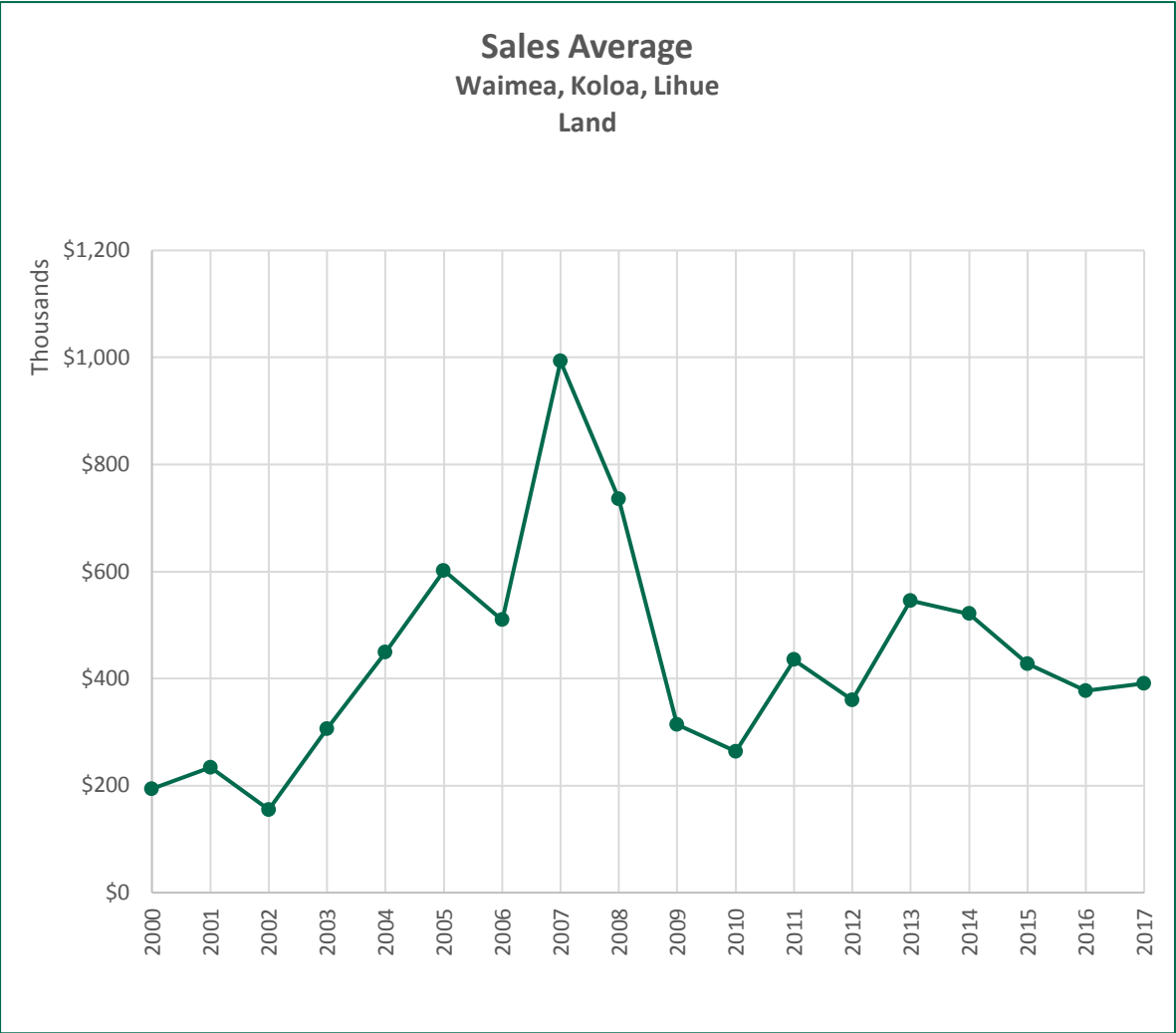
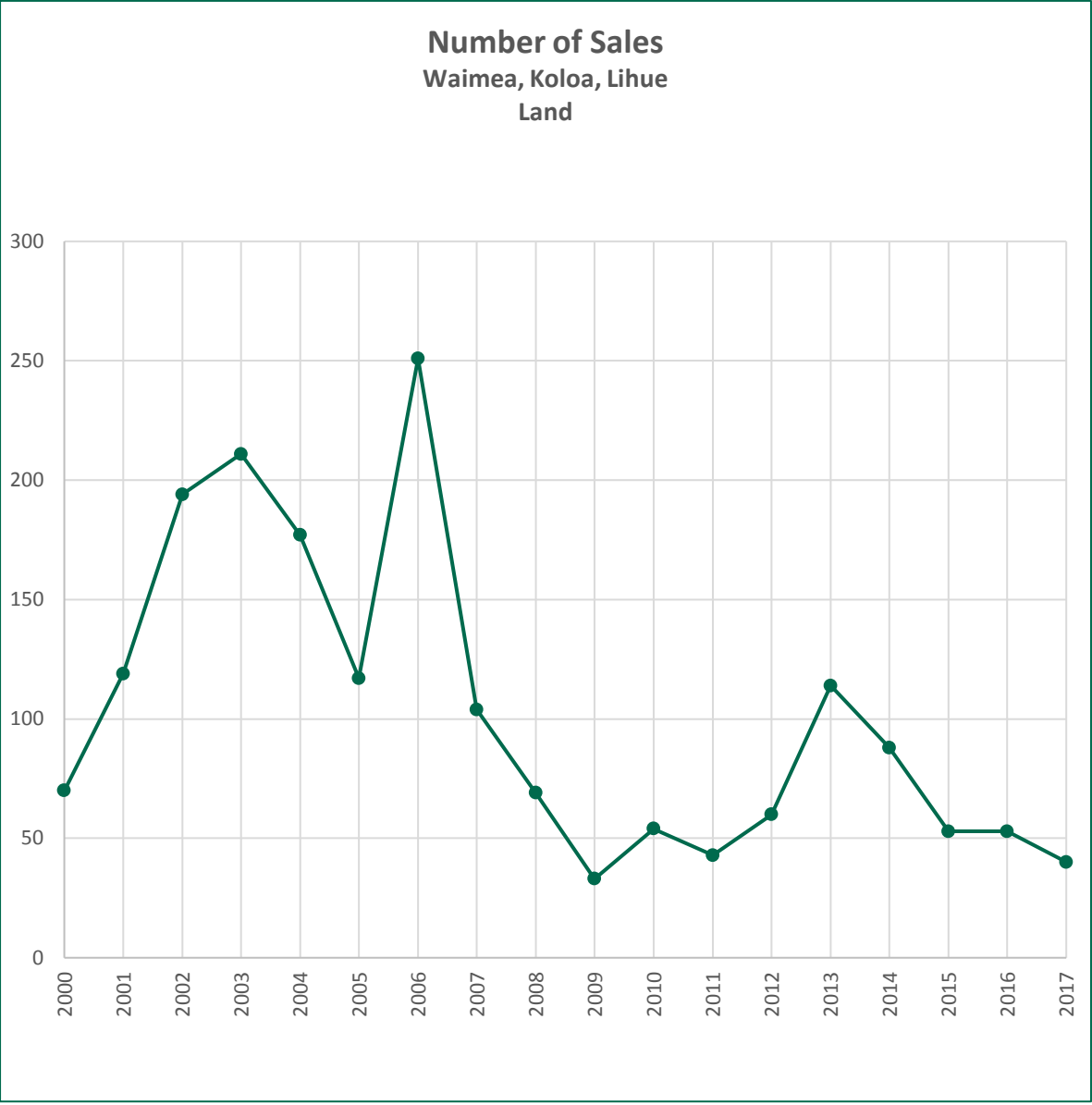
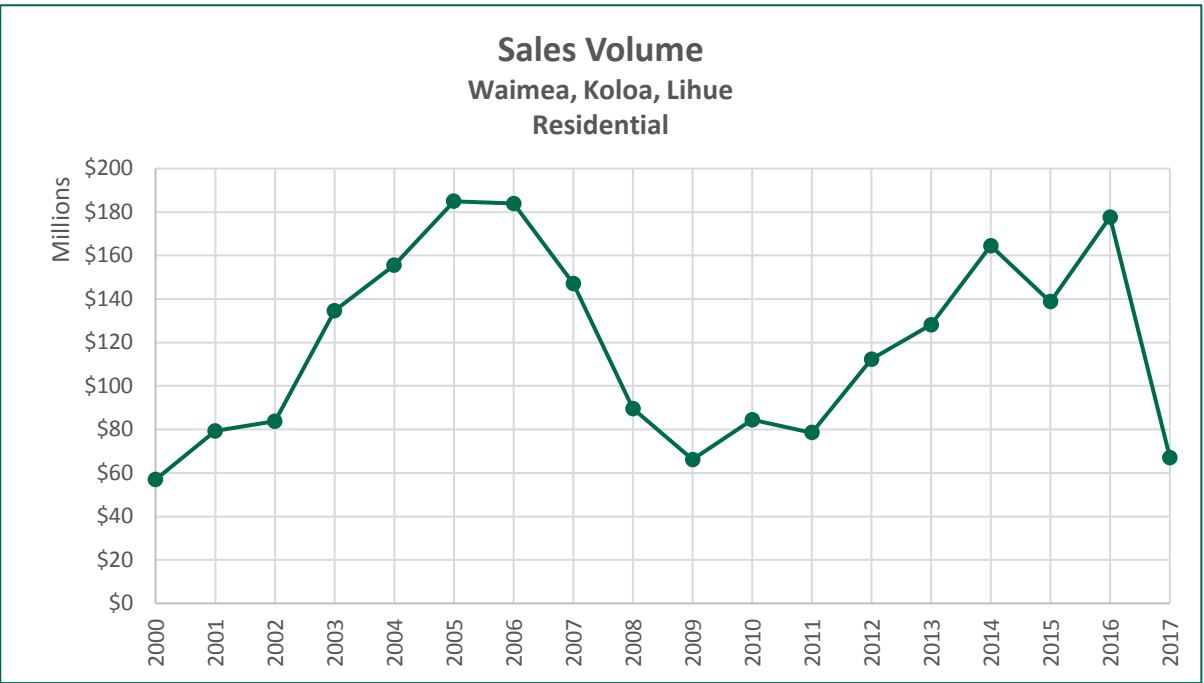
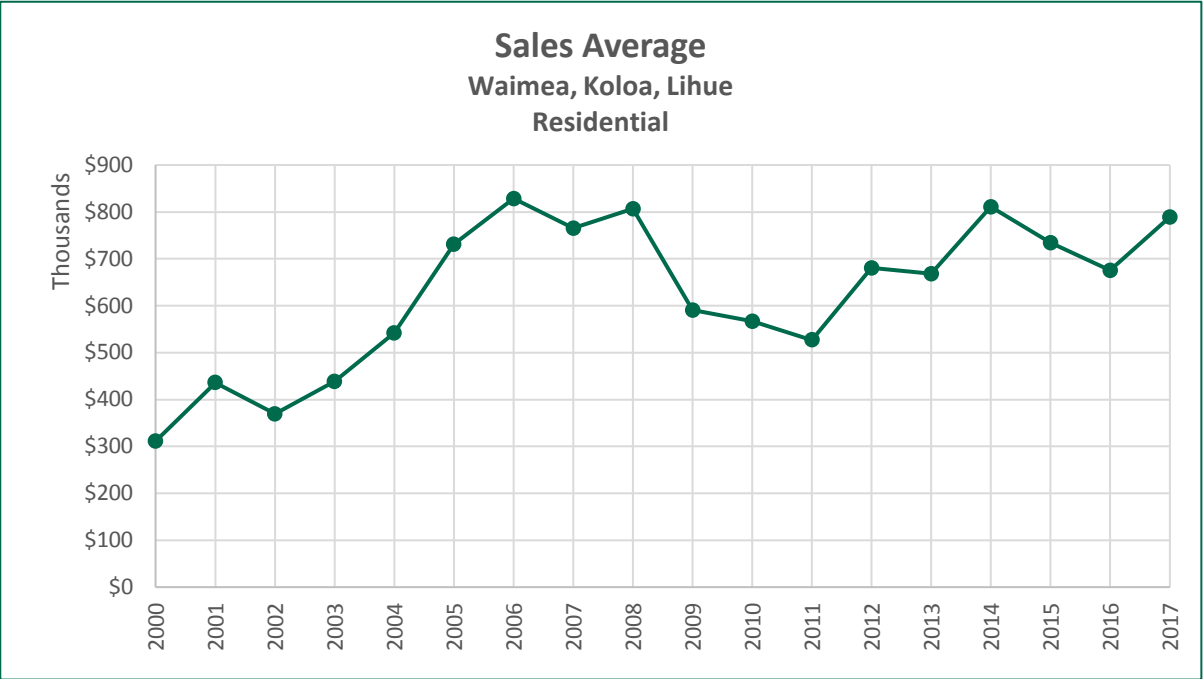
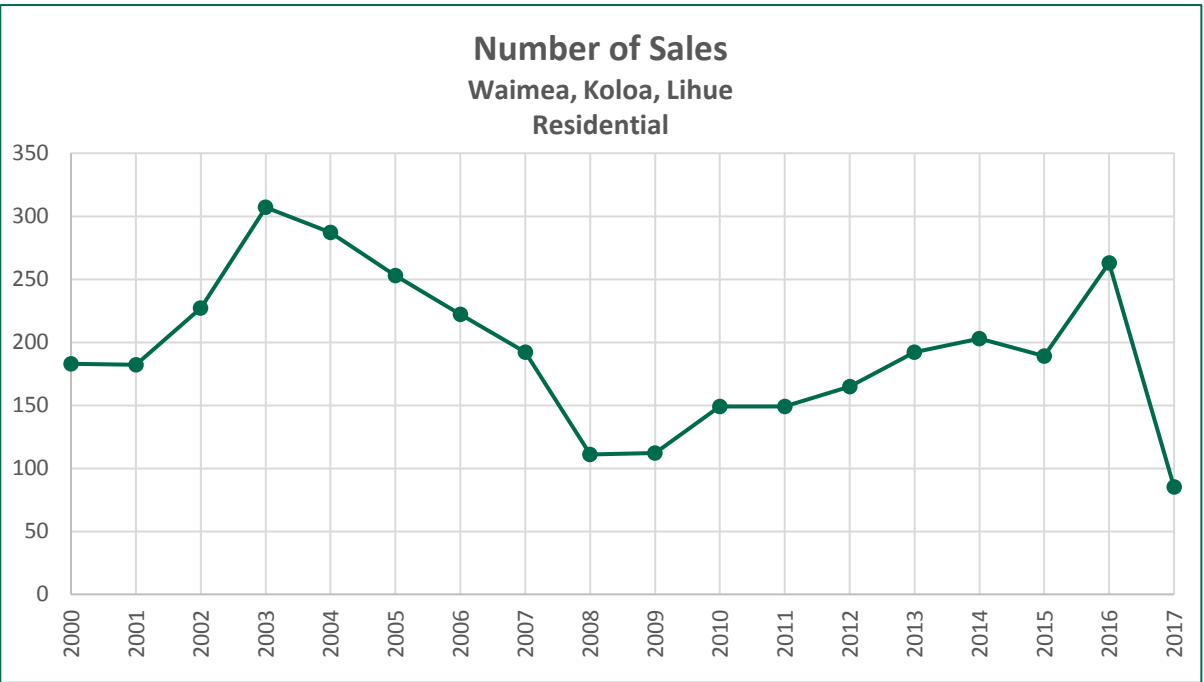


TABLE A-20

KAUAI MLS STATISTICS			
Year	# of Sales	Sales Average	Sales Volume
2000	183	\$311,102	\$56,931,717
2001	182	\$436,221	\$79,392,177
2002	227	\$369,401	\$83,853,934
2003	307	\$438,522	\$134,626,288
2004	287	\$541,851	\$155,511,138
2005	253	\$730,840	\$184,902,588
2006	222	\$828,550	\$183,938,098
2007	192	\$765,818	\$147,037,084
2008	111	\$806,562	\$89,528,361
2009	112	\$590,379	\$66,122,500
2010	149	\$566,727	\$84,442,363
2011	149	\$527,193	\$78,551,825
2012	165	\$680,640	\$112,305,632
2013	192	\$667,912	\$128,239,111
2014	203	\$810,742	\$164,580,690
2015	189	\$734,058	\$138,737,007
2016	263	\$675,552	\$177,670,306
2017	85	\$788,737	\$67,042,667

Compiled by CBRE



Addendum B

ESTIMATED SUBJECT ABSORPTION TABLES

TABLE B-1

PROJECTION OF POTENTIAL SUBJECT UNIT ABSORPTION USING THE RESIDUAL METHOD BASED ON TOTAL DEMAND FOR RESIDENTIAL UNITS IN THE LIHUE-KAHEKA STUDY AREA							
Segment	TOTAL UNITS PROPOSED	2017-2020	2021-2025	2026-2030	2031-2035	2036-2040	Total
Excluding Subject							
<i>All Residential Unit Types</i>							
Identified Supply (1)	6,555	855	1,200	1,400	1,500	1,600	6,555
Percentage of Total Supply		13%	18%	21%	23%	24%	100%
Regional Housing Unit Demand (mid-point)	8,550	1,157	1,749	1,724	1,867	2,053	8,550
Shortage or (Excess) Supply	1,995	302	549	324	367	453	1,995
<u>Potential Residual Subject Unit Demand</u>							
at 75% Capture Rate	1,496	227	412	243	275	340	1,496
at 60% Capture Rate	1,197	181	329	195	220	272	1,197
<div></div> = Probable Lima Ola Absorption Period. 550 units would require from circa six to twelve years.							
(1) Includes allowance of 100 unsold units in completed projects not included within the identified inventory supply.							

TABLE B-2

**SUMMARY OF SUBJECT PROJECTED DEMAND LEVELS
USING THE MARKET SHARES METHOD**

Scenario One: Using Minimum Demand Assumptions

Sales Year		Total Regional Demand	Effective Subject Share	Indicated Total Subject Absorption
Date	Period			
2019	1	170	20.00%	34
2020	2	170	18.00%	31
2021	3	326	16.00%	52
2022	4	326	16.00%	52
2023	5	326	16.00%	52
2024	6	326	16.00%	52
2025	7	326	16.00%	52
2026	8	312	16.00%	50
2027	9	312	16.00%	50
2028	10	312	16.00%	50
2029	11	312	16.00%	50
2030	12	312	8.00%	25
Totals		3,529	15.58%	550

Scenario Two: Using Maximum Demand Assumptions

Sales Year		Total Regional Demand	Effective Subject Share	Indicated Total Subject Absorption
Date	Period			
2019	1	409	25.00%	102
2020	2	409	22.00%	90
2021	3	409	20.00%	82
2022	4	409	20.00%	82
2023	5	374	20.00%	75
2024	6	374	20.00%	75
2025	7	374	12.00%	45
Totals		2,757	19.95%	550

ANALYSIS MID-POINT

9.05 Years	3,143	17.50%	550
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Source: CBRE, Inc.

ANALYSIS MID-POINT

9.05 Years	3,143	17.50%	550
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Addendum C

ECONOMIC IMPACT ANALYSIS TABLES

TABLE B

SUMMARY COMPARISON OF MAJOR ECONOMIC IMPACTS AND PUBLIC FISCAL BENEFITS FOR THE LIMA OLA COMMUNITY All Amounts Expressed in Constant, Uninflated 2017 Dollars		
Analysis Item	Cumulative During Build-Out Period	Stabilized Annually Thereafter
Direct Capital Investment	\$190,010,828	
Local Contractor's Profits	\$19,001,083	
Local Supplier's Profits	\$7,600,433	
Worker Years of Jobs	2,016	81
Employee Wages	\$125,986,576	\$3,105,263
Full-Time Resident Population		1,508
Full-Time Resident Household Income	\$375,182,813	\$42,101,850
Resident Population Discretionary Expenditures	\$150,073,125	\$16,840,740
Total Kauai "Base" Economic Impact	\$391,577,638	\$21,926,003
Accounting for "New" Direct Impacts Only		
County of Kauai Gross Tax Receipts	\$8,961,314	\$1,305,884
State of Hawaii Gross Tax Receipts	\$20,153,120	\$318,722
Source: The Hallstrom Team/CBRE		

TABLE C-1

PROJECTED LIMA OLA BUILD-OUT TIMING					
Year	Project Year	Activity	Units Built Annually		
			Multifamily	Single Family	Total
2018	1	Final Entitlements, Clearing and Grubbing, Infrastructure Emplacement			
2019	2	Phase I Infrastructure Completed, Vertical Construction Commences, Initial Pre-Sales Begins			
2020	3	Vertical Construction Continues	60	10	70
	4	Vertical Construction Continues, Phase II Infrastructure Emplaced	65	12	77
2021					
2022	5	Vertical Construction Continues	70	15	85
2023	6	Vertical Construction Continues	60	15	75
		Vertical Construction Continues, Phase III			
2024	7	Infrastructure Emplaced	45	15	60
2025	8	Vertical Construction Continues	45	15	60
		Vertical Construction Continues, Phase IV			
2026	9	Infrastructure Emplaced	25	15	40
2027	10	Vertical Construction Continues	25	15	40
2028	11	Vertical Construction Continues	25	13	38
2029		Vertical Construction Completed, Project Fully Built-Out and Asorbed	5		5
	12				
Totals			425	125	550

TABLE C-2

Unit Cost Item	General Rentals (Multifamily Units)	Senior Rentals (Multifamily Units)	For Sale Multifamily Units	For Sale Single Family Homes
Avg Unit Size in Square Feet	783	620	950	1,572
"All-In" Cost Per Square Foot	\$200	\$210	\$225	\$250
Site/Amenity Cost per Unit	\$10,000	\$10,000	\$35,000	\$40,000
Total Construction Cost per Unit	<u>\$166,640</u>	<u>\$140,200</u>	<u>\$248,643</u>	<u>\$433,000</u>
Plus Allocated Infrastructure Cost per Unit	\$75,000	\$75,000	\$80,000	\$140,000
Total Per Unit Cost Before Land	\$241,640	\$215,200	\$328,643	\$573,000
Source: Rider Levitt Bucknall and The Hallstrom Team/CBRE				

TABLE C-3

PROPOSED LIMA OLA DEVELOPMENT SCHEDULE AND ESTIMATED CONSTRUCTION COSTS
All Amounts Expressed in Constant 2017 Dollars

Item	Development and Sales Period			Totals During Build-Out
	<u>2017 to 2020</u>	<u>2021 to 2025</u>	<u>2026 to 2030</u>	
Phased Infrastructure Emplacement	\$18,858,616	\$20,519,156	\$10,845,056	\$50,222,828
Residential Construction	\$14,897,443	\$86,790,143	\$38,100,414	\$139,788,000
TOTAL PERIODIC CONSTRUCTION COSTS	\$33,756,059	\$107,309,299	\$48,945,470	\$190,010,828
Contractor Profits	\$3,375,606	\$10,730,930	\$4,894,547	\$19,001,083
Supplier Profits	\$1,350,242	\$4,292,372	\$1,957,819	\$7,600,433
Source: The Hallstrom Team/CBRE				

TABLE C-4

ESTIMATED YEARLY FULL-TIME EQUIVALENT EMPLOYMENT POSITIONS CREATED BY DEVELOPMENT

	Development and Sales Period			Totals During
				Build-Out
Construction Employment (1)	2017 to 2020	2021 to 2025	2026 to 2030	
Infrastructure Emplacement	47	51	27	126
Residential Units	99	579	254	932
Total Periodic Construction Jobs	146	630	281	1,057
On-Going Employment				
Maintenance & Common Element (2)	21	167	267	455
Total FTE Jobs in Place at End of Period	21	46	61	61
Off-Site Employment (3)	56	266	183	504
Total FTE Jobs in Place at End of Period	7	15	20	20
TOTAL PERIODIC WORKER YEARS	223	1,063	731	2,016
TOTAL END-OF-PERIOD PERMANENT JOBCOUNT	27	62	81	81

(1) Infrastructure construction employment estimated at 1 worker-year for every \$400,000 in costs. Vertical construction employment estimated at 1 worker-year for every \$150,000 in costs. Includes all direct employment associated with construction, on and off-site.

(2) Includes community common element administration, security and maintenance staff of 9 jobs. Assumes three condominium projects with operational staff of 8 persons each, and ratio of one full-time-equivalent maintenance/repair worker for every 20 units/homes.

(3) Estimated at one cumulative off-site employment position for every three on site positions.

Source: The Hallstrom Team/CBRE

TABLE C-5

ESTIMATED YEARLY EMPLOYEE WAGES CREATED BY DEVELOPMENT				
All Amounts Expressed in Constant 2017 Dollars				
Construction Wages (1)	Development and Sales Period			Totals During Build-Out
	2017 to 2020	2021 to 2025	2026 to 2030	
Infrastructure Emplacement	\$3,726,463	\$4,054,585	\$2,142,983	\$9,924,031
Residential Units	\$7,849,959	\$45,732,619	\$20,076,378	\$73,658,957
Total Periodic Construction Wages	\$11,576,422	\$49,787,205	\$22,219,361	\$83,582,988
Maintenance & Common Element (2)	\$682,650	\$5,565,263	\$8,895,263	\$15,143,175
Off-Site Employment Wages (3)	\$3,009,783	\$14,367,683	\$9,882,947	\$27,260,413
TOTAL PERIODIC WAGES	\$15,268,855	\$69,720,150	\$40,997,571	\$125,986,576
				Stabilized Annually
				\$2,014,650
				\$1,090,613
				\$3,105,263
(1) Average annual wage for full-time-equivalent construction worker (all trades) at \$79,040 (\$38/hour X 2,080 hours).				
(2) Average annual wage for full-time-equivalent maintenance and security workers at \$33,300 (\$16/hour).				
(3) Average annual wage for full-time-equivalent general worker at \$54,080 (\$26/hour), the average wage for all "Total Private Workers" in the state.				
Wages taken from State of Hawaii "Hawaii Workforce Infonet" "Publications and Tables> Production Worker H&E Data Hours and Earnings" for 2016.				
Source: The Hallstrom Team/CBRE				

TABLE C-6

ESTIMATED RESIDENT POPULATION, HOUSEHOLD INCOME AND DISCRETIONARY EXPENDITURES
All Amounts Expressed in Constant 2017 Dollars

	Development and Sales Period			Stabilized	Totals
	2017 to 2020	2021 to 2025	2026 to 2030		
General Multifamily Units Occupied End of Period	35	255	335	550 100%	
Senior Multifamily Units Occupied End of Period	25	90	90		
Single Family Homes Occupied End of Period	10	82	125		
Total Number of Units/Homes Occupied (End of Period)	70	427	550		
Percent of Total Units	13%	78%	100%		
General Multifamily Unit Population End of Period (1)	95	689	905	1,508	
Senior Multifamily Units Population End of Period (2)	43	153	153		
Single Family Homes Population End of Period (3)	36	295	450		
Total Resident Population End of Period	173	1,137	1,508		
RESIDENT HOUSEHOLD INCOME				\$42,101,850	During Build-Out
General Multifamily Units End of Period (4)	\$2,747,954	\$20,020,806	\$26,301,843		\$375,182,813
Senior Multifamily Units End of Period (5)	\$1,265,000	\$4,554,000	\$4,554,000		
Single Family Homes End of Period (6)	\$899,681	\$7,377,381	\$11,246,007		
Average Annual Household Income During Period	\$4,912,634	\$31,952,186	\$42,101,850		
Total Household Income During Period	\$4,912,634	\$159,760,931	\$210,509,248		
TOTAL RESIDENT POPULATION DISCRETIONARY EXPENDITURES (7)				\$16,840,740	\$150,073,125
Average Annually During Period	\$1,965,054	\$12,780,874	\$16,840,740		
Total During Period	\$1,965,054	\$63,904,372	\$84,203,699		

(1) Average household size of 2.4 persons.
(2) Average household size of 1.7 persons.
(3) Average household size of 3.5 persons.
(4) Estimated average household income of \$78,513 per year based on County of Kauai affordability guidelines.
(5) Estimated average household income of \$50,600 per year based on County of Kauai affordability guidelines.
(6) Estimated average household income of \$89,968 per year based on County of Kauai affordability guidelines.
(7) Residents household assumed to have average of 40% of gross income as net disposable.

TABLE C-7

SUMMARY OF ECONOMIC IMPACTS ASSOCIATED WITH DEVELOPMENT
All Amounts Expressed in Constant 2017 Dollars

	Development and Sales Period			Totals During Build-Out	Stabilized Annually
	2017 to 2020	2021 to 2025	2026 to 2030		
<i>Construction Activity</i>					
Construction Wages	\$11,576,422	\$49,787,205	\$22,219,361	\$83,582,988	
Contractor Profits	\$3,375,606	\$10,730,930	\$4,894,547	\$19,001,083	
Supplier Profits	\$1,350,242	\$4,292,372	\$1,957,819	\$7,600,433	
Other Construction Costs	\$17,453,789	\$42,498,793	\$19,873,743	\$79,826,324	
Total Construction Impact	\$33,756,059	\$107,309,299	\$48,945,470	\$190,010,828	
Maintenance & Common Element Wages	\$682,650	\$5,565,263	\$8,895,263	\$15,143,175	\$2,014,650
Off-Site Wages	\$3,009,783	\$14,367,683	\$9,882,947	\$27,260,413	\$1,090,613
Total Project Population Spending	\$1,965,054	\$63,904,372	\$84,203,699	\$150,073,125	\$16,840,740
Unit Maintenance & Repairs (1)	\$252,000	\$3,830,400	\$7,907,400	\$11,989,800	\$1,980,000
TOTAL BASE ECONOMIC IMPACT	\$36,765,842	\$194,977,017	\$159,834,779	\$391,577,638	\$21,926,003

(1) Estimated at \$3,600 annually per unit.

Source: The Hallstrom Team/CBRE

TABLE C-8

ESTIMATES OF TOTAL ECONOMIC IMPACT FROM SUBJECT CONSTRUCTION
USING STATE INPUT-OUTPUT MODEL "TYPE II" MULTIPLIERS
All Amounts Expressed in Constant 2017 Dollars

Year	Development and Sales Period			Totals	Stabilized
	2017 to 2020	2021 to 2025	2026 to 2030		Annually
<u>Construction Costs</u>	\$33,756,059	\$107,309,299	\$48,945,470	\$190,010,828	\$297,000
1. Economic Output Multiplier	2.12	2.12	2.12	2.12	2.12
Total State Economic Output	\$71,562,845	\$227,495,714	\$103,764,397	\$402,822,955	\$629,640
2. Earnings Multiplier	0.61	0.61	0.61	0.61	0.61
Total Increase in State Earnings	\$20,591,196	\$65,458,672	\$29,856,737	\$115,906,605	\$181,170
3. State Tax Multipliers	0.12	0.12	0.12	0.12	0.12
Total Increase in State Taxes	\$4,050,727	\$12,877,116	\$5,873,456	\$22,801,299	\$35,640
4. Total Job Multipliers	13.83	13.83	13.83	13.83	13.83
Total State Jobs Created	466.8	1,484.1	676.9	2,627.8	4.1
<u>Construction Employment</u>	146	630	281	1,057	13
5. Direct-Effect Job Multipliers	2.68	2.68	2.68	2.68	2.68
Total Direct Jobs Created	392.5	1,688.1	753.4	2,834.0	35.4
<u>Construction Wages</u>	\$11,576,422	\$49,787,205	\$22,219,361	\$83,582,988	\$713,856
6. Direct-Effect Earnings	2.02	2.02	2.02	2.02	2.02
Total Increase in Direct Earnings	\$23,384,372	\$100,570,153	\$44,883,110	\$168,837,635	\$1,441,989

Source: State Input-Output Model (approved July 2011), and The Hallstrom Team/CBRE

TABLE C-9

ESTIMATES OF TOTAL ECONOMIC IMPACT FROM SUBJECT OPERATIONS
USING STATE INPUT-OUTPUT MODEL "TYPE II" MULTIPLIERS
All Amounts Expressed in Constant 2017 Dollars

Year	Development Year			Totals	Stabilized Annually
	2017 to 2020	2021 to 2025	2026 to 2030		
<i><u>Household Spending & Maintenance</u></i>	\$2,217,054	\$67,734,772	\$92,111,099	\$162,062,925	\$18,820,740
1. Economic Output Multiplier	2.09	2.09	2.09	2.09	2.09
Total State Economic Output	\$4,633,642	\$141,565,674	\$192,512,197	\$338,711,513	\$39,335,346
2. Earnings Multiplier	0.66	0.66	0.66	0.66	0.66
Total Increase in State Earnings	\$1,463,255	\$44,704,950	\$60,793,325	\$106,961,531	\$12,421,688
3. State Tax Multipliers	0.16	0.16	0.16	0.16	0.16
Total Increase in State Taxes	\$354,729	\$10,837,564	\$14,737,776	\$25,930,068	\$3,011,318
4. Total Job Multipliers	19.00	19.00	19.00	19.00	19.00
Total State Jobs Created	42.1	1,287.0	1,750.1	3,079.2	357.6
<i><u>Operating Employment</u></i>	27.3	61.8	80.7	0.0	80.7
5. Direct-Effect Job Multipliers	2.05	2.05	2.05	2.05	2.05
Total Direct Jobs Created	56.0	126.7	165.4	348.1	165.4
<i><u>Operating Wages</u></i>	\$682,650	\$5,565,263	\$8,895,263	\$15,143,175	\$3,105,263
6. Direct-Effect Earnings	1.89	1.89	1.89	1.89	1.89
Total Increase in Direct Earnings	\$1,290,209	\$10,518,346	\$16,812,046	\$28,620,601	\$5,868,948

Source: State Input-Output Model (approved July 2011), and The Hallstrom Team/CBRE

Addendum D

PUBLIC FISCAL ASSESSMENT TABLES

TABLE D-1

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE LIMA OLA DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
	Development and Sales Period				
Development Period	2017 to 2020	2021 to 2025	2026 to 2030	Totals During Build-Out Period	Stabilized Annually After Build-out
PUBLIC BENEFITS (Revenues)					
1. COUNTY REAL PROPERTY TAXES					
Cumulative Assessed Value During Period					
Finished Homes End of Period	70	427	550		550
Vacant Land/Finished Lots Prior to Sale	\$0	\$0	\$0	\$0	\$0
Multifamily Rentals - Assumed Built/Owned by Third-Party, No Exemptions	\$10,212,800	\$146,444,000	\$247,865,000	\$404,521,800	\$49,573,000
Multifamily for Sale - Assumed 100% Owned by Residents, All with Exemptions	\$2,529,643	\$63,241,071	\$145,454,464	\$211,225,179	\$35,415,000
Single Family for Sale - Assumed 100% Owned by Residents, All with Exemptions	\$4,130,000	\$94,990,000	\$222,607,000	\$321,727,000	\$51,625,000
Total Assessed Value	\$16,872,443	\$304,675,071	\$615,926,464	\$937,473,979	\$136,613,000
Real Property Taxes During Period					
Vacant Land/Finished Lots Prior to Sale	\$0	\$0	\$0	\$0	\$0
Multifamily Rentals - Assumed Built/Owned by Third-Party, No Exemptions	\$61,787	\$885,986	\$1,499,583	\$2,447,357	\$299,917
Multifamily for Sale - Assumed 100% Owned by Residents, All with Exemptions	\$15,304	\$382,608	\$880,000	\$1,277,912	\$214,261
Single Family for Sale - Assumed 100% Owned by Residents, All with Exemptions	\$24,987	\$574,690	\$1,346,772	\$1,946,448	\$312,331
Total Real Property Taxes	\$102,078	\$1,843,284	\$3,726,355	\$5,671,718	\$826,509
"New" Tax Collection Monies Only, Does not Include Existing Kauai Residents Moving to Development					
2. STATE INCOME TAXES					
Taxable Personal Income (Worker Wages Only, Excludes Lima Ola Resident Households)	\$15,268,855	\$69,720,150	\$40,997,571	\$125,986,576	\$3,105,263
Taxable Corporate Profits	\$236,292	\$942,685	\$737,988	\$1,916,966	\$14,850
Personal Taxes Paid	\$778,712	\$3,555,728	\$2,090,876	\$4,334,439	\$158,368
Corporate Taxes Paid	\$10,397	\$41,478	\$32,471	\$51,875	\$653
TOTAL STATE INCOME TAXES	\$789,108	\$3,597,206	\$2,123,348	\$4,386,314	\$159,022
3. STATE GROSS EXCISE TAX					
Taxable Transactions (Excludes Lima Ola Resident Spending)					
Construction Contracts	\$33,756,059	\$107,309,299	\$48,945,470	\$141,065,358	\$297,000
Worker Disposable Income Purchases	\$7,634,427	\$34,860,075	\$20,498,785	\$42,494,503	\$1,552,632
Total Taxable Transactions	\$41,390,486	\$142,169,374	\$69,444,256	\$183,559,860	\$1,849,632
TOTAL STATE EXCISE TAX	\$1,724,617	\$5,923,771	\$2,893,534	\$10,541,922	\$77,069
"New" Tax Collection And Expenditure Monies Only					
TOTAL GROSS PUBLIC REVENUES					
Real Property Taxes To County of Kauai	\$102,078	\$1,843,284	\$3,726,355	\$5,671,718	\$826,509
Adjustment for Other Proportional Taxes (1)	1.58	1.58	1.58	1.58	1.58
Adjusted Kauai County Revenues	\$161,284	\$2,912,389	\$5,887,641	\$8,961,314	\$1,305,884
Plus Impact Fees	\$0	\$0	\$0	\$0	
Total County of Kauai Receipts	\$161,284	\$2,912,389	\$5,887,641	\$8,961,314	\$1,305,884
To State (Income Taxes and GET)	\$2,513,726	\$9,520,977	\$5,016,881	\$14,928,237	\$236,090
Adjustment for Other Proportional Taxes (2)	1.35	1.35	1.35	1.35	1.35
Adjusted State Revenues	\$3,393,530	\$12,853,319	\$6,772,790	\$20,153,120	\$318,722
Plus Impact Fees (3)	\$0	\$0	\$0	\$0	
Total State of Hawaii Receipts	\$3,393,530	\$12,853,319	\$6,772,790	\$20,153,120	\$318,722
AGGREGATE TAX REVENUES	\$3,554,814	\$15,765,708	\$12,660,431	\$29,114,433	\$1,624,606
(1) Real property taxes comprise 63.1 percent of General Fund in the Proposed County of Kauaii 2017-18 budget. Economic activity generates other revenue items of 36.9 percent or additional 58 percent above real property taxes.					
(2) In recent fiscal years, Gross Excise and Income Taxes have averaged some 74 percent of total State revenues; other revenue items 26 percent, or 35 percent above income and gross excise taxes.					
Source: The Hallstrom Team/CBRE					

TABLE D-2

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE LIMA OLA DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
Development Period	Development and Sales Period			Totals During Build-Out Period	Stabilized Annually After Build-out
	2017 to 2020	2021 to 2025	2026 to 2030		
<u>PUBLIC BENEFITS (Revenues)</u>					
1. COUNTY REAL PROPERTY TAXES					
<i>Cumulative Assessed Value During Period</i>					
<i>Finished Homes End of Period</i>	70	427	550		550
Vacant Land/Finished Lots Prior to Sale	\$0	\$0	\$0	\$0	\$0
Multifamily Rentals - Assumed Built/Owned by Third-Party, No Exemptions	\$10,212,800	\$146,444,000	\$247,865,000	\$404,521,800	\$49,573,000
Multifamily for Sale - Assumed 100% Owned by Residents, All with Exemptions	\$2,529,643	\$63,241,071	\$145,454,464	\$211,225,179	\$35,415,000
Single Family for Sale - Assumed 100% Owned by Residents, All with Exemptions	\$4,130,000	\$94,990,000	\$222,607,000	\$321,727,000	\$51,625,000
Total Assessed Value	\$16,872,443	\$304,675,071	\$615,926,464	\$937,473,979	\$136,613,000
<i>Real Property Taxes During Period</i>					
Vacant Land/Finished Lots Prior to Sale	\$0	\$0	\$0	\$0	\$0
Multifamily Rentals - Assumed Built/Owned by Third-Party, No Exemptions	\$61,787	\$885,986	\$1,499,583	\$2,447,357	\$299,917
Multifamily for Sale - Assumed 100% Owned by Residents, All with Exemptions	\$15,304	\$382,608	\$880,000	\$1,277,912	\$214,261
Single Family for Sale - Assumed 100% Owned by Residents, All with Exemptions	\$24,987	\$574,690	\$1,346,772	\$1,946,448	\$312,331
Total Real Property Taxes	\$102,078	\$1,843,284	\$3,726,355	\$5,671,718	\$826,509
Source: The Hallstrom Team/CBRE					

TABLE D-3

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE LIMA OLA DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
Development Period	Development and Sales Period			Totals During Build-Out Period	Stabilized Annually After Build-out
	2017 to 2020	2021 to 2025	2026 to 2030		
	"New" Tax Collection Monies Only, Does not Include Existing Kauai Residents Moving to Development				
2. STATE INCOME TAXES					
Taxable Personal Income (Worker Wages Only, Excludes Lima Ola Resident Households)	\$15,268,855	\$69,720,150	\$40,997,571	\$125,986,576	\$3,105,263
Taxable Corporate Profits	\$236,292	\$942,685	\$737,988	\$1,916,966	\$14,850
Personal Taxes Paid	\$778,712	\$3,555,728	\$2,090,876	\$4,334,439	\$158,368
Corporate Taxes Paid	\$10,397	\$41,478	\$32,471	\$51,875	\$653
TOTAL STATE INCOME TAXES	\$789,108	\$3,597,206	\$2,123,348	\$4,386,314	\$159,022
3. STATE GROSS EXCISE TAX					
Taxable Transactions (Excludes Lima Ola Resident Spending)					
Construction Contracts	\$33,756,059	\$107,309,299	\$48,945,470	\$141,065,358	\$297,000
Worker Disposable Income Purchases	\$7,634,427	\$34,860,075	\$20,498,785	\$42,494,503	\$1,552,632
Total Taxable Transactions	\$41,390,486	\$142,169,374	\$69,444,256	\$183,559,860	\$1,849,632
TOTAL STATE EXCISE TAX	\$1,724,617	\$5,923,771	\$2,893,534	\$10,541,922	\$77,069
Source: The Hallstrom Team/CBRE					

TABLE D-4

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE LIMA OLA DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
Development Period	Development and Sales Period			Totals During Build-Out Period	Stabilized Annually After Build-out
	2017 to 2020	2021 to 2025	2026 to 2030		
"New" Tax Collection And Expenditure Monies Only					
TOTAL GROSS PUBLIC REVENUES					
Real Property Taxes To County of Kauai	\$102,078	\$1,843,284	\$3,726,355	\$5,671,718	\$826,509
Adjustment for Other Proportional Taxes (1)	1.58	1.58	1.58	1.58	1.58
Adjusted Kauai County Revenues	\$161,284	\$2,912,389	\$5,887,641	\$8,961,314	\$1,305,884
Plus Impact Fees	\$0	\$0	\$0	\$0	
Total County of Kauai Receipts	\$161,284	\$2,912,389	\$5,887,641	\$8,961,314	\$1,305,884
To State (Income Taxes and GET)	\$2,513,726	\$9,520,977	\$5,016,881	\$14,928,237	\$236,090
Adjustment for Other Proportional Taxes (2)	1.35	1.35	1.35	1.35	1.35
Adjusted State Revenues	\$3,393,530	\$12,853,319	\$6,772,790	\$20,153,120	\$318,722
Plus Impact Fees (3)	\$0	\$0	\$0	\$0	
Total State of Hawaii Receipts	\$3,393,530	\$12,853,319	\$6,772,790	\$20,153,120	\$318,722
AGGREGATE TAX REVENUES	\$3,554,814	\$15,765,708	\$12,660,431	\$29,114,433	\$1,624,606
(1) Real property taxes comprise 63.1 percent of General Fund in the Proposed County of Kauaii 2017-18 budget. Economic activity generates other revenue items of 36.9 percent or additional 58 percent above real property taxes.					
(2) In recent fiscal years, Gross Excise and Income Taxes have averaged some 74 percent of total State revenues; other revenue items 26 percent, or 35 percent above income and gross excise taxes.					
Source: The Hallstrom Team/CBRE					

Addendum E

PROFESSIONAL QUALIFICATIONS

PROFESSIONAL QUALIFICATIONS OF THOMAS W. HOLLIDAY, CRE, FRICS

Business Affiliation	Director	The Hallstrom Team CBRE, Inc. Valuation & Advisory Services Honolulu, Hawaii (2015 - Present)
	Senior Analyst/ Supervisor	The Hallstrom Group, Inc. Honolulu, Hawaii (1980 - 2014)
	Former Staff Appraiser	Davis-Baker Appraisal Co. Avalon, Santa Catalina Island, California (1977 -1979)
International Designation and Membership	<ul style="list-style-type: none">• CRE Designation (2015) - The Counselors of Real Estate• FRICS Designation (2016)-Fellow of the Royal Institution of Chartered Surveyors	
Education/Qualifications	<ul style="list-style-type: none">• California State University, Fullerton (Communications/Journalism)• More than 600 Hawaii Hotel/Hospitality Valuation and Consulting Assignments• More than 150 Market Studies, Economic Impact Analyses and Public Fiscal Assessments for Proposed Projects and Entitlement Purposes• Qualified expert witness testimony before State of Hawaii Land Use Commission, County Planning Commissions, County Councils and various state and county boards and agencies since 1983.• Only certified real estate economist by County of Kauai for workforce housing assessments.• Numerous SREA, Appraisal Institute and RICS Courses• Numerous professional seminars and clinics.• Contributing author to Hawaii Real Estate Investor, Honolulu Star Bulletin, Pacific Business News, Other Publications <p>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).</p>	
Recent Assignments	<ul style="list-style-type: none">• Market Study, Economic Impact Analyses and Public Costs/ Benefits (Fiscal Impact) Assessments <p><u>Oahu</u></p> <ul style="list-style-type: none">-- OHA Kakaako Makai (Mixed-Use Project)-- Howard Hughes/Ward Kewalo Basin (Retail Project)-- Marriott Waikiki Parking Lot (Hotel/Timeshare Project)-- Residence Inn Kapolei (Hotel)-- Turtle Bay Resort (Destination Resort Community)-- Waikapu Country Town (Mixed-Use Community)-- Oahu Community Correctional Center Relocation-- Oahu Tourism Spending/Tax Impact Analysis-- Waikapu Country Town (Mixed-Use Community)	

Professional Qualifications of Thomas W. Holliday (continued)

Maui County

- Waikapu Country Town (Mixed-Use Community)
- Lanai City Expansion (Mixed-Use/201H Community)
- Polanui Garden (201H Residential Community)
- Molokai Ranch Holdings (Mixed-Use)
- Makila Rural Subdivision (201H Residential Community)
- Makila Kai (201H Residential Community)
- 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)

Big Island

- Parker Ranch Waimea Town Center (Mixed-Use)
- West Hawaii/Gold Coast Tourism & Hotel Analysis
- Puako Farms/Kamakoa (Residential Subdivision)
- Kau Tea Farm (Agricultural/Mixed-Use Project)
- 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

- Princeville Lodge (Hotel)
- Princeville Phase II (Destination Resort Community)
- Hanalei Plantation Workforce Housing (Resort)
- Lima Ola (Residential Community)
- Coco Palms (Hotel)
- Sheraton Kauai Workforce Housing (Resort)
- Coconut Coast Tourism and Hotel Analysis
- 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)

Professional Qualifications of Thomas W. Holliday (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

Email Address

Tom.Holliday@cbre.com

PROFESSIONAL QUALIFICATIONS OF PHIL TSENG

Business Affiliation	Senior Valuation Associate	CBRE, Inc. Valuation & Advisory Services Honolulu, Hawaii (2015 – Present)
State of Hawaii Certification	Appraiser Trainee License No. R160510001 (2016) Exp. Date: December 31, 2017	
	Real Estate Salesperson License No. RS-77548 (2015) Exp. Date: December 31, 2016	
Education	<ul style="list-style-type: none">• B.A. (Economics, Asian American Studies, Cum Laude) 2015, Claremont McKenna College, Claremont, California	
Appraisal Institute	<ul style="list-style-type: none">• Basic Appraisal Principles• Basic Appraisal Procedures	
Association Membership	<ul style="list-style-type: none">• Honolulu Board of REALTORS®• Omicron Delta Epsilon International Honor Society	
Email Address	<u>Phil.Tseng@cbre.com</u>	