APPENDIX J

Baseline Assessment of Marine Water Chemistry and Marine Biotic Communities dated February 2014

BASELINE ASSESSMENT OF MARINE WATER CHEMISTRY AND MARINE BIOTIC COMMUNITIES PIILANI PROMENADE KIHEI, MAUI, HAWAII

Prepared for:

Piilani Promenade North LLC
&
Piilani Promenade South LLC

By:

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February 2014

I. INTRODUCTION AND PURPOSE

The Piilani Promenade project, located in North Kihei, Maui, is a development with a mix of Light Industrial and Business/Commercial uses with 226 apartment units which are proposed on three large developable parcels comprising 68.19 acres. Associated onsite and offsite infrastructure improvements are also proposed, including but not limited to water, sewer, roads, drainage, electrical, bicycle and pedestrian pathways and landscaping. A Maui Electric Company (MECO) substation is also proposed on the project site.

The main part of project site is located mauka of Piilani Highway, with two small triangular shaped parcels makai of the highway at the intersection with no aspect of the project involving direct alteration of the shoreline or nearshore marine environment (Figure 1).
None of the proposed land uses includes any direct alteration of the coastal areas or nearshore waters, and the entire project site is separated from the coastline by other development as well as North Kihei Road. As a result, potential effects to the marine environment from the project are limited only to alteration of basal groundwater flowing beneath the site with subsequent discharge to the ocean.

In the interest of addressing these concerns and assuring maintenance of environmental quality, a baseline marine environmental assessment and potential impact analysis of the nearshore areas makai of the Piilani Promenade project site was conducted in November 2013. The rationale of this assessment was to collect a set of baseline data to accurately depict both qualitatively and quantitatively the existing physical, chemical and biological setting of the marine areas that could be potentially affected by the project. Because the only reasonable way the project could affect marine waters is by adding subsidies to groundwater, it was determined that the most effective method of determining the potential for such impacts was to determine the existing degree of groundwater input to the ocean off the site. If the existing groundwater input is of a minor extent, it can be assumed that there is not sufficient input for any subsidies from the project site to affect water quality to a detectable degree.

Existing marine community structure, primarily in terms of coral reef assemblages was also described based on rapid ecological assessment (REA) surveys. Evaluation of the existing condition of the water chemistry and marine communities provides an insight into the physical and chemical factors that influence the marine setting, which provide a basis for determining the potential for changes that could be produced by the project. As coral communities are both long-lived and attached to the bottom, they serve as the best indicators of the time-integrated forces that affect offshore reef areas. Understanding the existing physical, chemical and biological conditions of the marine environment that presently occur provides a basis for predicting potential affects that might occur as a result of the proposed Piilani Promenade project.

II. METHODS

A. Water Quality/Chemistry

All fieldwork was conducted on November 20, 2013. As the goal of the assessment was to evaluate the potential for alteration of groundwater discharge, evaluation of water chemistry was

limited to determining variations in salinity and temperature, which are the two physico/chemical components that reflect the mixing of groundwater and marine water in the coastal ocean. Groundwater has a salinity of essentially zero, which open ocean water has a salinity of approximately 35 parts per thousand (‰). Submarine groundwater typically enters the ocean at or near the shoreline resulting in a nearshore zone of mixing characterized by lower salinity, and often lowered temperature (groundwater is typically cooler than ocean water). Weather and sea conditions during the sampling consisted of calm winds and small surf of 1-2 feet breaking on the shoreline. These conditions are somewhat atypical for the Kihei coastline which is generally affected by tradewinds. As a result, conditions during the survey can be considered to have minimum mixing, which should represent the highest detectable groundwater discharge.

Salinity and temperature were assessed along three survey transects that extended perpendicular to the shoreline originated at the beach and extending approximately 100 meters (m) offshore. Data was collected by towing a continuously recording CTD instrument (RBR Model 620) behind a personal watercraft at a dept of approximately 10 centimeters (3 inches) below the surface (Figure 1). These tows were conducted at the upper layer of the water as this is the zone that lower density groundwater will be most evident. Hence, the three surface transects comprised a sampling scheme is designed to span the greatest range of salinity with respect to potential freshwater efflux at the shoreline. Sampling was limited to the nearshore zone because this area receives the majority of groundwater discharge, and hence is most important with respect to identifying the effects of shoreline modification.

B. Marine Biotic Community Structure

Biotic composition of the survey area was assessed by divers using SCUBA working from a small boat. Dive surveys were conducted by swimming in a zigzag pattern from the shoreline across the reef to a water depth of approximately 10 m (30 feet) in the same areas as the CTD tows were conducted. During these underwater investigations, notes on species composition were recorded, and numerous digital photographs recorded the existing conditions of the area. All fieldwork was conducted by Dr. Steven Dollar.

III. RESULTS

A. Water Quality/Chemistry - *Distribution of Salinity and Temperature*

Figure 2 shows values of salinity and temperature for continuous horizontal tows along three transects originating downslope from the north (transect 1) central (transect 2) and southern (transect 3) boundaries of the Piilani Promenade project site. With respect to salinity, several trends are apparent. First, on all three transects there is a zone between the shoreline and approximately 30 m (90 feet) offshore where there is a distinct gradient of salinity, with lowest values nearest the shoreline. On all three transects the gradients span a salinity range of about 0.5‰. These gradients reflect the dimension of the zone where groundwater is mixing with ocean water, and is consistently restricted to within approximately 30 m of the shoreline.

The second major trend is that the overall salinity on transect 1 is lower than on transects 2 and 3. In addition the variation within the trace of transect 1 is substantially wider than on transects 2

and 3. These patterns indicate that the location of transect 1 is subjected to somewhat different water masses than transects 2 and 3. The most likely explanation for these patterns is that transect 1 is located on a boundary between water from Maalaea Bay, which may have lower salinity as a result of recent heavy rainfall and runoff, and open ocean waters. Thus, the slightly lower overall values and increased "noise" in the profile for transect 1 relative to the other transects reflects the incomplete mixing of these two water masses. The slightly upward trend of the profile in transect 1 near the ocean terminus of the transect also suggests that there is some mixing of fresh water emanating from the shoreline that diminishes with distance from shore.

Results of the temperature trances in Figure 2 also reveal patterns that indicate a mixing of groundwater and marine waters in the nearshore zone extending from the shoreline to a distance of approximately 30 m from shore. Beyond this distance, temperature is nearly constant on transects 2 and 3. However, the nearshore gradients for each transect are slightly different with temperature slightly elevated on transects 1 and 3 relative to offshore values, and slightly lower values on transect 2 relative to offshore values. These differences indicate that while slightly different factors may be affecting temperature in the nearshore zone, the effect of cooler groundwater is not a dominant feature affecting these overall patterns.

In sum, horizontal gradients of salinity and temperature indicate that there is a detectable zone of mixing of groundwater and ocean water from the shoreline to a distance of approximately 30 m offshore. Beyond this distance, water chemistry, in terms of salinity and temperature reflect open ocean conditions with little effect from inputs from land. Thus, any future input from groundwater subsidies would likewise be limited in effects to water chemistry to a distance of approximately 30 m from shore.

B. Reef Community Structure

1. Physical Structure

Physical composition of the shoreline area makai of the Piilani Promenade site consists of several structures. The approximate northern half of the shoreline area consists of a narrow sand beach that grades into a rubble zone within the intertidal zone. At the approximate center of the survey area the shoreline is built up with a boulder wall that extends into the intertidal zone. The shoreline area at the southern end of the survey area consists of a small corridor of white sand that is the ocean terminus of a stream bed. Just to the south of the sand delta is a rock wall of a fishpond (Figure 1).

As can be seen in Figure 1, the offshore area fronting the project site is composed of a wide shallow reef platform that extends 50-60 meters (~150-180 feet) offshore and extends to a depth of about 3-4 meters (~10-13 feet). Within the intertidal zone along the beach front bottom composition consists of a rubble bed consisting of broken and eroded limestone chunks interspersed with sand patches (Figure 3). With increasing distance from shore beyond the zone of wave impact, rubble chunks become larger, and are interspersed with patches of coarse white sand (Figure 3). Moving seaward water depth increases gradually, with bottom composition

remaining a mix of sand and rubble with occasional outcroppings of eroded limestone from fossil reef structures (Figures 4-6).

At the outer edge of the reef platform, bottom composition turns to a bed of coarse white sand that extends seaward beyond the limits of the present survey (Figure 7).

2. Biotic Community Structure

Overall, biotic community structure throughout the shallow reef flat fronting the Piilani Promenade project site can be considered depauperate, with no well-developed coral reef communities. Such lack of well-developed living coral reef structure is likely a result of the combination of large volumes of sand and loose rubble, which do not provide for an abundance of solid surfaces for settling coral planular. In addition, the frequent occurrence of breaking waves over the shallow platform result in concussive forces that are too strong for most corals to withstand. Wave action also causes resuspension of sand and movement of rubble fragments which scour the bottom, creating conditions too harsh for settlement and growth of rich reef communities.

However, the area is not completely devoid of macrobenthic (bottom dwelling) organisms. In the sand rubble zone, isolated coral heads colonies occur, primarily of the species *Porites lobata* (Figure 4), and *Pocillopora* spp. (Figure 5). These two genera are the two most common on virtually all Hawaiian reefs. Other species observed were the "soft coral" *Zooanthus* sp. (Figure 6). As can be seen in Figures 5 and 6, most of the coral heads were growing on large rubble fragments that extended somewhat above the level of the sand rubble floor of the shallow platform. Although the elevation above the reef floor is only several inches, the distance is apparently required for reduction in sand and rubble scouring to allow coral colonization.

The other class of benthic organisms that were common on the reef platform was sea urchins. The most common urchins were the small boring species *Echinometra mathaei* that occurred in holes bored into the limestone outcrops and rubble mounds. Other urchin species that were observed included the spiny urchins *Echinothrix diadema*, and *E. calamaris*, and the collector urchin *Tripneustes gratilla* (Figures 5 and 6). Many of these urchins were observed in holes in elevated chunks of coral rubble (Figure 6).

Macroalgae were rare in the inner sand-rubble zone, likely in response to the shifting nature of the substratum. However, at the outer boundaries of the shallow reef platform, where bottom composition consists of beds of coarse sand, the introduced red alga Acanthophora specifera occurs in monospecific beds (Figure 7, top). These beds extend to a depth of approximately 15 feet where they disappear, and bottom composition consists entirely of sand flats (Figure 7, bottom).

IV. DISCUSSION and CONCLUSIONS

The purpose of this assessment is to assemble the information to make valid evaluations of the potential for impact to the marine environment from the proposed Piilani Promenade project that is planned for a 69 acre parcel of land mauka and makai of Piilani Highway in Kihei, Maui. As the project is not located on the shoreline, and will not structurally alter the shoreline or nearshore marine environment, the only source of potential effect to the ocean is through changes to groundwater as a result of materials leaching from the project site to basal groundwater lens, with subsequent input to the nearshore ocean. As there have been no preliminary estimates of the amount of changes to groundwater hydraulic and chemical fluxes that will result from the project, a most reasonable technique for evaluating potential for impact is to evaluate the magnitude of groundwater flux downslope from the project. If the present magnitude can be considered minor, it can be reasoned that there is even if there are subsidies to groundwater from the project, the overall input over existing conditions will not be sufficient to cause significant negative impacts to the marine environment.

Results of recorded continual horizontal profiles of salinity and temperature from the shoreline to a distance offshore beyond the influence of input from land revealed that there was indeed a detectable input of groundwater (noted by decreased values of salinity below open ocean values) at the shoreline. However, the groundwater signals consistently extended only to a distance of approximately 30 meters (~90 feet offshore). The width of the mixing zone is a result of both relatively low input, and dilution-mixing by physical forces of wind waves and currents. At the time of the surveys winds were calm and surf breaking on the shoreline was less than one foot. These conditions represent the calmest that can occur, hence the documented width and magnitude of the zone of mixing can be considered maximal; during typical tradewind conditions with higher surf, the zone of mixing will be commensurately smaller.

Results of assessments of the physical and biotic setting of the nearshore area indicates that within a distance of 30 meters from shore, bottom composition consists of a mix of sand and rubble which provides a constantly shifting unstable surface for marine organisms to settle and grow. In addition, continual scour by moving sand in the nearshore zone adds to the harshness of the habitat in terms of suitable habitat. As a result, the reef zone that has any potential for being affected by input from land contains no biotic communities that could be affected. While some isolated corals and other benthic fauna and flora occur on the outer regions of the reef flat, these areas are beyond the influence of inputs from land.

All of these considerations indicate that the proposed Piilani Promenade project will not have any significant negative or likely even measurable, effect on water quality or marine biota in the coastal ocean offshore of the property. Because of groundwater subsidies are likely to be small, based on calculations from similar projects, they are likely to remain within the wide variation in nutrient concentrations of the entirely of Central Maui. As the effects of groundwater input have been shown to be small and restricted in area, and typical ocean conditions have strong mixing characteristics of the nearshore environment, and there is not a biotic community structure in the area of effect, the changes to the marine environment as a result of Piilani Promenade project will likely be undetectable, with no change from the present conditions.

FIGURE 1. Aerial photograph of area of North Kihei, Maui, Hawaii showing location of Piilani Promenade project site. The main project site is located mauka of Piilani Highway, while two small triangular parcels are located makai of the Highway. Also shown are locations of three ocean transects extending from the shoreline to approximately 100 m offshore along which salinity and temperature profiles were acquired.

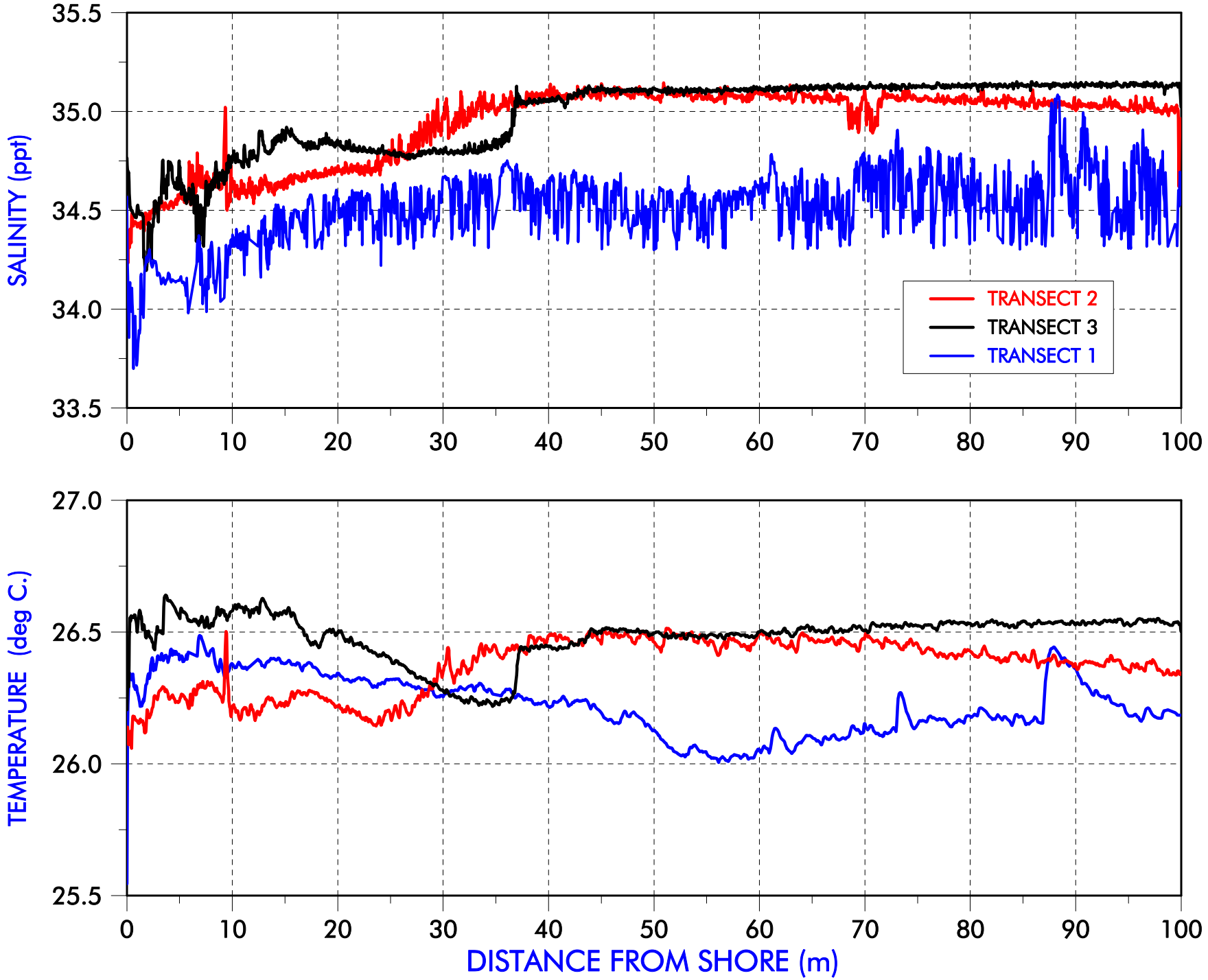
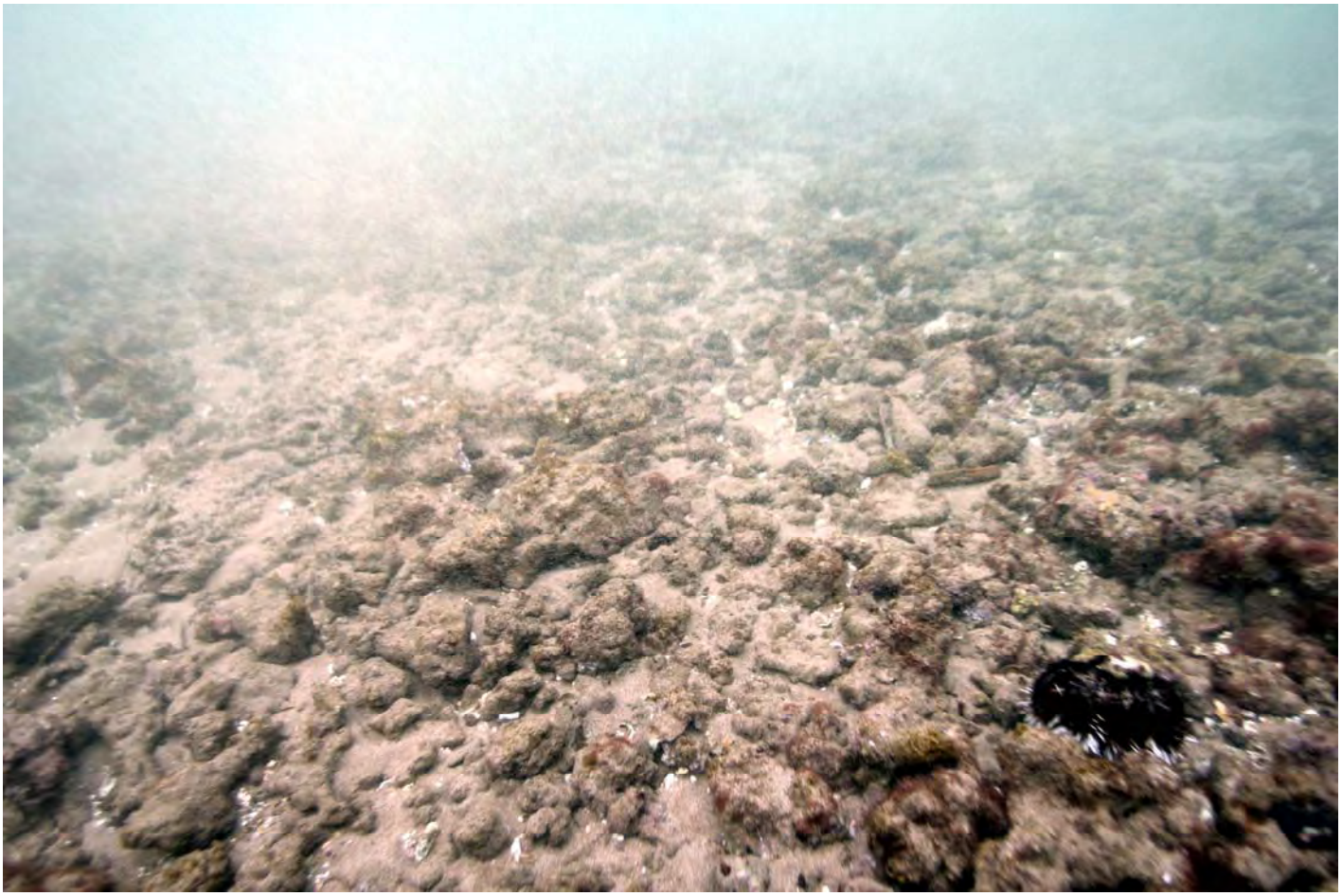


FIGURE 2. Plots of salinity (top) and temperature (bottom) in surface water on three transects that extended from the shoreline to approximately 100 m offshore of the Piilani Promenade property. For locations of transects, see Figure 1.



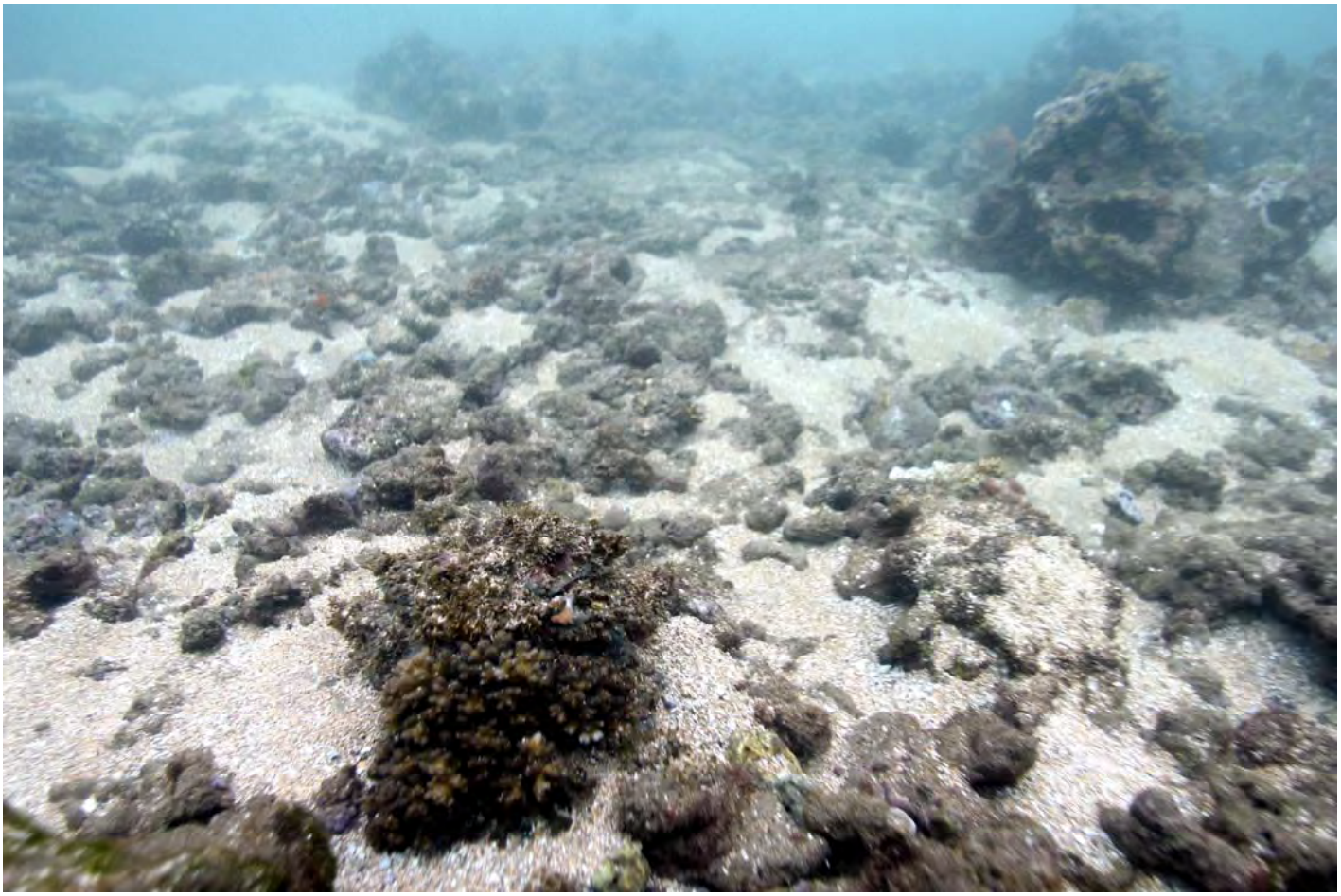


FIGURE 3. Two views of sand and rubble bottom of nearshore zone downslope from the Piilani Promenade Project site in Kihei, Maui, Hawaii. Water depth in both photos is 2-3 feet.

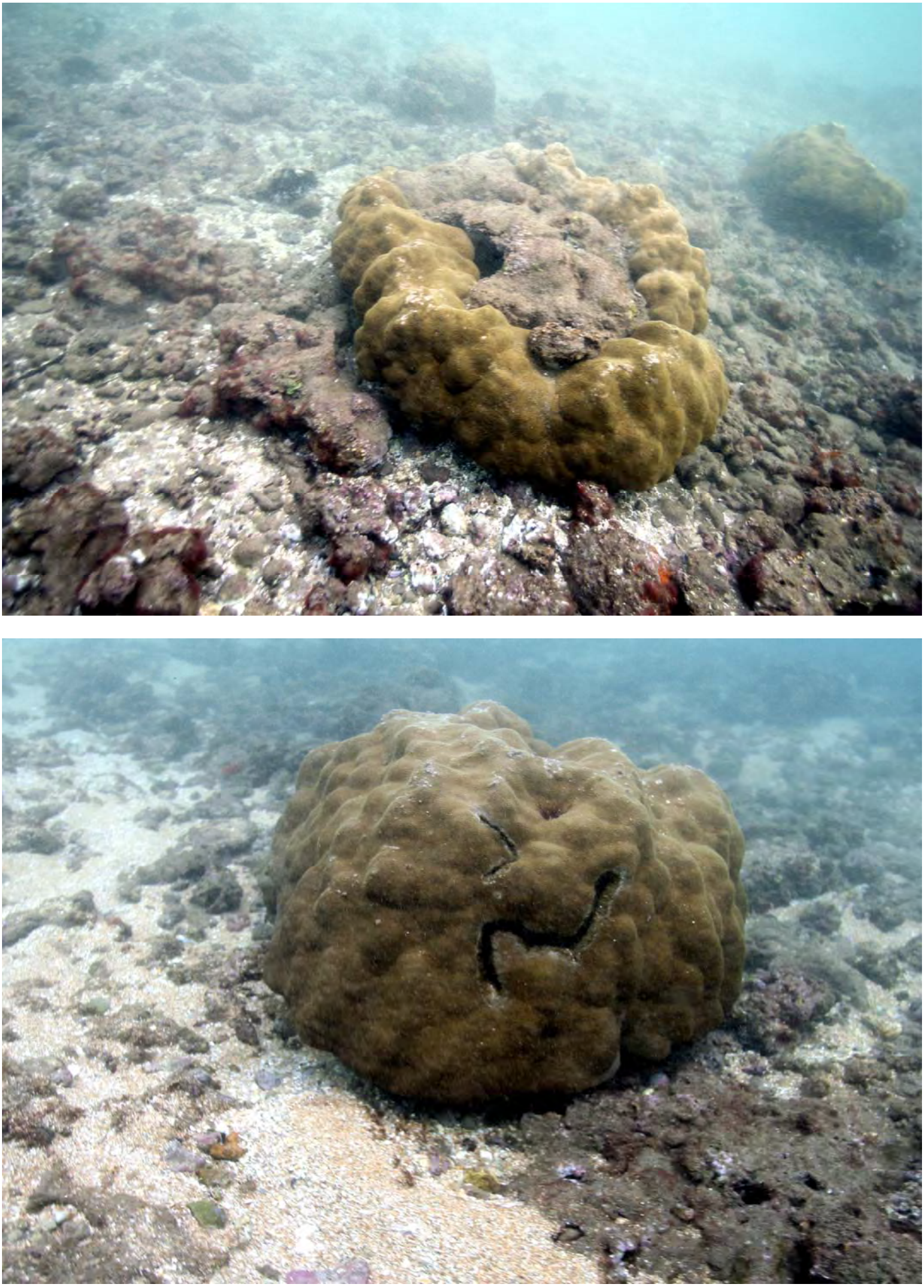


FIGURE 4. Two views of rubble zone with isolated coral colonies. Corals in both photos is *Porites lobata*. Water depth in both photos is 4-5 feet.

FIGURE 5. Two views of rubble zone with isolated coral colonies. Coral in upper photo is *Pocillopora damicornis;* corals in bottom photo are *Pocillopora meandrina*. Round sea urchin in upper center is *Tripneustes gratilla;* striped long-spined sea urchin in bottom center is *Echinothrix calamaris*. Water depth in both photos is 4-5 feet.

FIGURE 6. Upper photo shows colony of soft coral *Zoanthus* sp. growing on ledge of fossilized reef. Bottom photo shows a cluster of spiny sea urchins (*Echinothrix diadema*) inhabiting holes in mound of dead coral on outer reef off of Kihei. Water depth in both photos is approximately 10 feet.

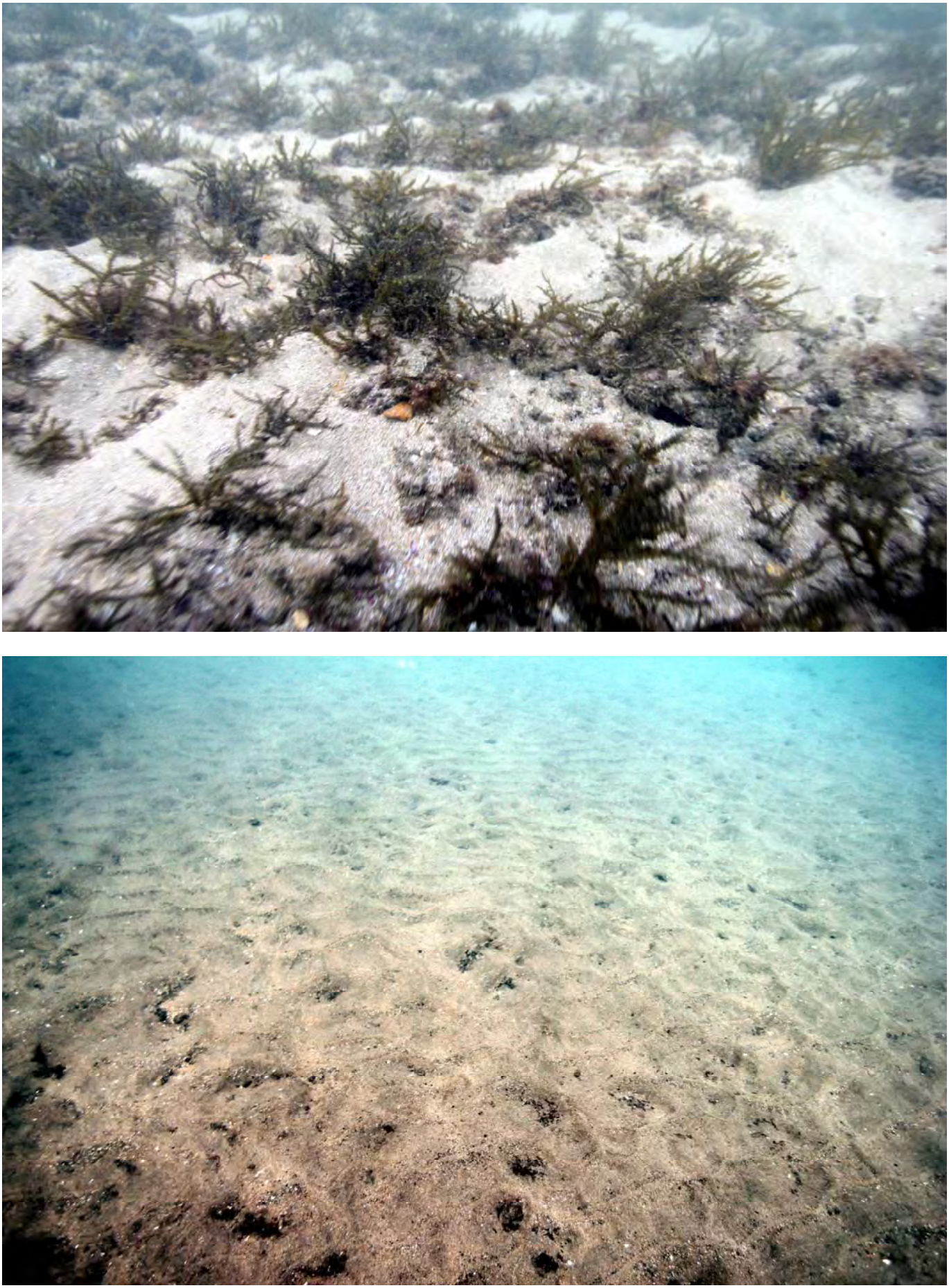


FIGURE 7. Upper photo shows clusters of introduced alga *Acanthophora specifera* in sand flat in outer zone of reef flat off Kihei. Bottom photo shows sand flats that extend offshore into deep water. Water depth top photo is approximately 10 feet, water depth in bottom photo is 15 feet.

APPENDIX K

Economic and Fiscal Impact Assessment dated ~~November~~ December 2013, revised July 2015

Market Study, Economic Impact Analysis, and Public Fiscal Assessment of the Proposed

PIILANI PROMENADE

Kihei, Maui, Hawaii

THE HALLSTROM GROUP INC.
REAL ESTATE
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July 31, 2015

Mr. Robert Poynor
Vice President
Sarofim Realty Advisors
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Market Study, Economic Impact Analysis and Public Fiscal Assessment of the Proposed Piilani Promenade Kihei, Maui, Hawaii

Dear Mr. Poynor:

The Kaonoulu Industrial Subdivision was entitled in the mid-1990s to provide land in support of economic growth in Kihei, a rapidly expanding community with then scarce development sites. The project was intended to meet a portion of the long-term demand for industrial and commercial floor space in South Maui; providing needed space for business opportunities that would in turn lead to increased economic activity, regional employment and tax revenues.

Over the past two decades the Maui light industrial sector has meaningfully evolved, and the initial conceptual plan envisioning 123 small lots to support some 900,000 square feet of business floor area is no longer valid in today's market.

In compliance with the in-place land use designations and reflecting prevailing market trends, the landowners have proposed the Piilani Promenade master plan, a mixed-use project containing commercial, light industrial and residential components on 68.19 acres of the subdivision.

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We have completed a series of market and econometric analyses regarding the revised master plan for the well-located site fronting the mauka side of Piilani Highway at the northerly interior gateway of Kihei Town, approximately 10 miles south of Kahului Airport, Maui.

Under the updated concept, the project will include approximately:

- Up to 530,000 square feet of gross leasable business commercial space, including neighborhood/general retail and restaurant, anchor/large retail outlets, and service/office tenants.

- Up to 60,000 square feet of gross leasable light industrial space, including general industrial, warehouse, supply and service/office uses.

- 226 one and two-bedroom rental apartments.

The project site, comprised of three currently vacant parcels is identified on State of Hawaii Tax Maps as Second Division, Tax Map Key 3-9-1, Parcels 16, 170 & 171, with respective street addresses of 451, 524 & 376 Kaonoulu Street, Kihei, Hawaii, 96753. It is located in an urbanizing corridor along the Highway, which stretches some seven miles from north Kihei to Wailea.

The subject holding is designated for urban and light industrial use by the State of Hawaii and County of Maui. It is level to moderately sloping, in an arid climate zone, offers makai and upslope Haleakala panoramas from some areas, and is currently overgrown with bunch grass and scattered small trees. The highway frontage is unimproved apart from a paved shoulder and streetlights, and portions of the site are fenced.

Our assignment was to: determine the level of demand for the Piilani Promenade inventory relative to available supply; assess the appropriateness of the site and master plan from a market perspective; and quantify the economic impacts of the project within the public and private spheres presently and in the future. Our study was primarily comprised of three elements:

1. **Market Study**. To ascertain whether there currently exists, or will exist, sufficient demand in the Maui and Kihei-Makena commercial, industrial and residential real estate sectors to successfully absorb the finished subject inventory in a timely manner given its characteristics and those of competing in-place and proposed regional developments.

2. **Economic Impact Analysis**. To estimate the general and specific effects on the local economy which will result from the build-out of the project, including construction and business employment, wages and income, contractor/supplier profits, end-user expenditures, and other regional monetary and employment effects. This study also forecasts the population of the subject community

including residents and workers, and their household income and discretionary spending levels.

3. **Public Fiscal Assessment**. To quantify the gross tax receipts, public costs, and net benefits which will be received by the State of Hawaii and the County of Maui resulting from the actualization and operation of Piilani Promenade.

The pertinent results from our studies are presented in the following report, which opens with an Executive Summary focusing on brief narrative describing our conclusions. The remainder of the report is comprised of a series of six addenda exhibits containing 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 Maui and Kihei-Makena submarkets including residential, industrial/business park and commercial real property sectors; interviewed knowledgeable parties active in the regional economy; reviewed government statistics, policies and publications; accessed on-line databases; and compiled materials from published and private sources.

All conclusions presented herein are subject to the limiting conditions, assumptions and certifications of The Hallstrom Group, Inc., in addition to any others specifically set forth in the text. All work has been completed in conformance with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice (USPAP).

The original analysis was completed in the third and fourth quarter of 2013, with a publication and effective study date of December 20, 2013. Minor revisions were subsequently made to the narrative in response to input/questions from community letters and meetings and to correct an error in the public fiscal cost/benefit model, with a final revision date of July 31, 2015. No portions of the market data, analysis or model were updated subsequent to the original report date.

We appreciate the opportunity to be of service to Piilani Promenade LLC and Sarofim Realty Advisors in regards to this prominent mixed-use project.

Respectfully submitted,

THE HALLSTROM GROUP, INC.

James E. Hallstrom, Jr., MAI, CRE

Tom W. Holliday

/jmo

THE HALLSTROM GROUP INC.
REAL ESTATE
CONSULTANTS
& APPRAISERS

Market Study, Economic Impact Analysis, and Public Fiscal Assessment of the

PROPOSED

PIILANI PROMENADE

Located at

Kihei, Maui, Hawaii

Prepared for

Mr. Robert Poynor
Sarofim Realty Advisors

&

Piilani Promenade North LLC

&

Piilani Promenade South LLC

As of

November 2013

(Revised July 2015)

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ADDENDA

PROJECT OVERVIEW

The Subject Property

The proposed Piilani Promenade (PP) project site is comprised of approximately 68.2 acres of vacant urban-classified lands within the undeveloped Kaonoulu Industrial Subdivision located mauka of Piilani Highway at the northerly, interior gateway to the Kihei-Makena corridor. It is situated on the coastal plain/lower northwesterly flanks of Haleakala, one-half mile from the shoreline and ten miles from the Kahului Airport (OGG).

The irregularly/L-shaped site has approximately 2,400 lineal feet of frontage along the mauka side of the highway across from the current inland terminus of Kaonoulu Street, the extension of which will bisect and provide the primary access for PP.

There are existing light industrial and commercial uses immediately north of the subject project along with some limited specialty agricultural, with single family residential beyond. The lands makai across the highway are for the most part fully-developed with resident, visitor-oriented and commercial uses which stretch to the shoreline. The lands on the mauka side of the highway to the south of the site are undeveloped.

The property has been entitled for light industrial uses since achieving State Land Use redistricting to Urban for the proposed Kaonoulu Industrial Park in 1995. At that time, the concept plan showed 123 lots for commercial and light industrial uses ranging in size from approximately 14,000 square feet (.32 acres) to 54,000 square feet (1.24 acres).

Kihei is one of Hawaii's fastest growing suburban towns and is emerging as another focal point for future, modern commercial and light industrial uses on the island in support of, and complimentary to, the historic and expanding residential and visitor-oriented development in the region.

History and Analysis of the Proposed Kaonoulu Industrial Subdivision

When announced in the early-1990s, the purpose of the Kaonoulu Industrial Subdivision was to support business growth and economic activity serving resident households and visitors in the urbanizing Kihei-Makena corridor, which was undergoing transition from a secondary coastal village into an expanding, distinct, major suburban market area.

As stated in the July 1994, *Project Assessment Report* (Section 1.B.):

> "**Reason for Reclassification**
>
> The proposed reclassification is being sought in order to develop a commercial and light industrial subdivision. Light industrial space in the South Maui Region is generally very sparse….Thus, residents and businesses must rely heavily on goods and services being delivered from the Wailuku-Kahului Area. This results in higher cost for goods and services, increase in traffic and other inconveniences for both providers and receivers of these goods and services.
>
> In addition, the proposed commercial and light industrial subdivision is anticipated to address the needs for goods and services from a growing population based in the region."

The petitioners sought approvals allowing the conversion of marginally-productive agricultural lands into urban uses identified under Maui County "M-1 Light Industrial" zoning regulations, which also permit the uses allowable under B-1, B-2 and B-3 classifications and residential development. The Subdivision was to provide needed space for business opportunities that would in turn lead to increased economic activity, regional employment and tax revenues over the long-term.

The conceptual plan forwarded during the entitlement process showed a 123-lot subdivision with parcels ranging from 14,000 to 54,000 square feet. However, as noted in the *Market Feasibility Study* (Exhibit "A", page 8):

> "These estimates of lot size, quantity and values are provided for planning purposes only. It is only one conceptual alternative which meets current market conditions with considerations for economic, social and physical variables. These estimates require reassessments from time to time and may need to be adjusted accordingly."

Market conditions in the Maui Light Industrial sector have meaningfully evolved during the past twenty years and the initial master plan concept now "requires reassessment" within an updating context.

Historically, light industrial lands on Maui, reflecting the agrarian-based and limited-scale of economic activity on the island, were typically:

- Subdivided into smaller lots;
- Owner-occupied;
- Single business/tenant buildings; and,
- Placing lesser emphasis on exposure, appearance of improvements and patron functionality.

Over the past two decades, the sector has changed dramatically; a result of the movement towards a service-based economy, the emergence of "retail warehouses", influx of mainland companies and franchises, adapting business models, trending consumer preferences, and economic realities on the island.

The outcome has been that the newer light industrial subdivisions on Maui (and throughout Hawaii) are now primarily developed with:

- Larger projects/complexes and structures,
- Multi-tenant buildings,
- Ownership by investors (rather than owner-occupants),
- Major commercial components;

- Higher quality of building design and construction;

- Emphasize frontage/exposure and appearance, larger parking areas and ease of access; and,

- Heightened efforts to improve the customer experience and broaden appeal.

The juxtaposition of "old" versus "new" light industrial-zoned development along Dairy Road evidences the inexorable evolutionary changes in the sector.

The business commercial/industrial subdivision and building model of the past, as reflected in the original Kaonoulu Industrial Subdivision concept plan, is not amenable to supporting prevailing business and consumer trends, and would fail to satisfy demand under current and forecast market conditions.

At the start of its entitlement process the Maui economy (and specifically real estate) was in a major down period and the commercial/industrial market was just beginning the fundamental transformation towards the modern light industrial park design and mix of uses. The initially-envisioned plan for the project reflected the historically "safe and tested" model within the context of an unstable period.

From a market viewpoint, it is illogical to require that a master plan, in the face of obvious market evolutions, unyieldingly maintain a static design that will inevitably result in lesser ability to meet evident business demands and negatively impact the economic activity, employment and tax revenues for which the Subdivision was created.

Master plans for all real estate use types are invariably revised over time to reflect changes in the marketplace. In the years between conceptualization and build-out there are transformations constantly taking place in regards to business models, consumer preferences, construction design and techniques, ownership, and developer/investor perspective.

A successful and sustainable master plan must be sufficiently malleable to accommodate generally-conforming evolutions over time in order to achieve maximum efficiency of entitled lands and supporting infrastructure systems. Otherwise a project can stagnate, devolve into lesser orders of use, and fail to actualize the goals of the entitlement effort.

There are numerous examples of master plan revisions on Maui.

In a highly similar manner as at Kaonoulu, the Maui Research & Technology Park (MRTP) master plan is currently in the process of a major revision, updating the design in regards to allowable uses, lot sizes, development standards, and including a residential component.

The MRTP changes are acknowledged by virtually all to be necessary in order to adapt the Park to evident market changes and in support of it achieving the long-term business expansion, economic activity and employment objectives for which it was entitled. As at Kaonoula, the originally forwarded MRTP concept lacked functionality and desirability/competitiveness on a current and going-forward basis, resulting in entitled lands going unused for decades.

Since the mid-1980s, the master plans for the major destination resorts statewide have been changed to provide large numbers of house lots, which were initially a tertiary consideration at best, but have become a driving economic factor in the continuing success of the communities. Conversely, the focus on large scale hotel and condominium development ebbed, with many master planned multifamily building sites being converted to single family subdivision.

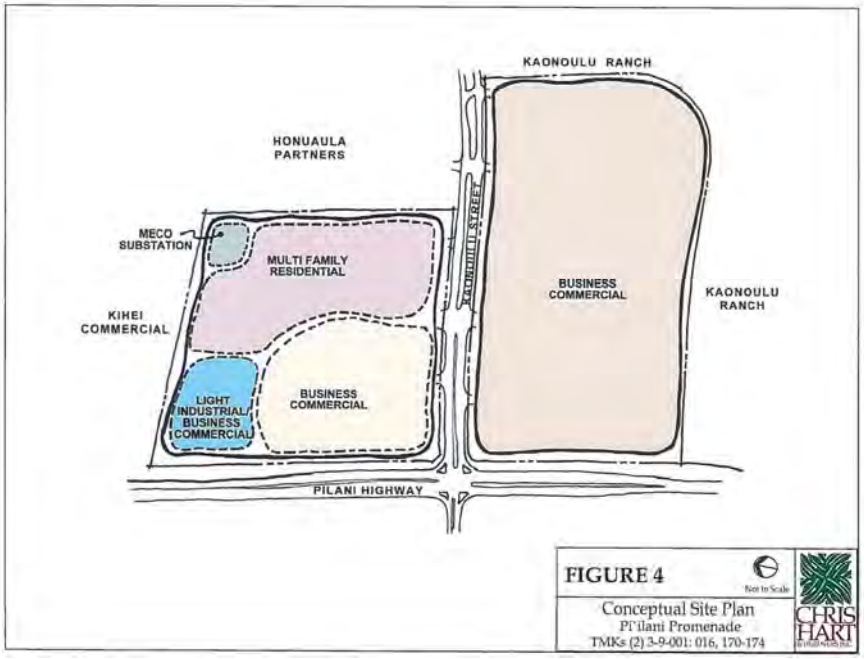
The uses are meaningfully different in design, ownership, price, market orientation, buyer demographics and appearance; yet, they are conforming uses in regards to the underlying land use classifications and generally consistent with the original planning objective of providing resort product for the Maui market.

The North Beach Makai area of Kaanapali was long master-planned (and entitled) primarily for hotel development. Changes in the market have resulted in the area being dominated by timeshare projects, along with a single family subdivision, which are again different in design, ownership, price, etc., but conforming with in-place zoning, and timeshare being generally consistent with the intent of providing on-beach transient lodging inventory.

The master plans of the Project Districts mauka of Kapalua and Wailea Resorts have also been through several iterations of use, density and lay-out changes in response to market trends. before construction has even begun.

The Proposed Piilani Promenade Master Plan Revision

The updated master plan creating PP (shown below), designed by Architects Orange along with Chris Hart & Partners (shown below), is intended to offer a diverse mix of competitive business commercial and light industrial use-types within a major complex having some 588,000 square feet of gross leasable area serving neighborhood and regional demand. Additionally, it will contain an apartment project providing needed rental housing opportunities for on-site workers and the South Maui community.



The following chart summarizes the primary proposed components of the project within the revised design. Overall, the updated lay-out will contain about 750,000 square feet of total floor area, the same as would have been developed on the acreage under the original Kaonoulu Industrial Subdivision plan. The evolved master plan is intended to be general and conceptual.

PIILANI PROMENADE MASTER PLAN COMPONENTS			
Use	**Business Commercial**	**Light Industrial/Business**	**Rental Apartment**
Gross Leaseable Area in Square Feet/ or Number of Units	530,706 Total Square Feet Gross Leaseable Floor Area	57,588 Total Square Feet Gross Leaseable Floor Area	226 Total One-Bedroom to Three-Bedroom Units

- The 530,706 square foot Business Commercial component, the focal use of the project, is envisioned to be comprised of General Retail, Anchor/Large Retail Outlets, Neighborhood Retail, Restaurants, and Service Providers and Business Office uses.

- The 57,588 square foot Business/Light Industrial component is envisioned to be comprised of General Industrial, Warehouse, Building Materials/Supply, Service Providers, and Business Office uses.

- The proposed apartment complex, which will be separated from the business/commercial component by an extensive open space buffer, is intended to provide proximate housing for some of the on-site workforce and expand the number of market rental apartments in the community, is currently envisioned to be comprised of about 226 spacious one, two (majority type) and three bedroom units.

  The final mix of use-types and square footages for the business commercial and business industrial components, and final apartment unit count and mix, are subject to change in accordance with market trends, Kihei and regional customer demands, and evolving design and business needs over the coming decade.

The developers anticipate commencing with on and off-site infrastructure emplacement in 2015, continuing through 2016, with vertical construction of the apartment complex and the initial business commercial and light industrial improvements breaking-ground in 2016 and available for occupancy in 2017-18.

The updated PP master plan is essentially for a moderate-size, largely self-contained urban village, generally reflecting leading-edge land planning and development techniques, which will provide opportunities for a population of residents, workers and customers within a sustainable, diverse project.

PP will become a major economic engine and employment center for Maui over the next generation, providing an opportunity for expanding and new businesses to find space in a modern, amenitied, mixed-use project outside of the island's traditional industrial parks and commercial centers. The development is complementary to the other uses and existing and proposed projects within the urbanizing Piilani Highway corridor; particularly in conjunction with the revised MRTP master plan which will attract some smaller, true light industrial users that might have previously considered Kaonoulu as an alternative location.

From a market perspective, the master plan builds upon several favorable factors, focal of which are:

- *The site has superior attributes for a business commercial and business/light industrial project*. It has extensive frontage and excellent exposure along the primary highway in the region past which thousands of vehicles travel daily, and it is at the gateway to the Kihei-Makena Corridor (just one mile south of the junction serving as the northerly entrance to the region) with a permanent intercept position.

  The holding has sufficient width/depth to support a variety of uses, project designs and building opportunities, a moderate terrain capable of supporting

the proposed components, and will be accessed via fully signalized/channelized intersection.

- *It is within an expanding, high-demand area.* Kihei has grown many-fold in the past forty years while evolving from a sleepy visitor-oriented beach town into Maui's "second city".

  The demand for residential units in the area is strong, it experiences some of the highest industrial and non-resort commercial occupancy levels on Maui, with available space typically quickly filled. Many of the stores, restaurants and service providers in the region have been at their locations for decades. It is becoming a more desirable business and shopping destination over time, with solid highway access characteristics and a well-populated neighborhood trade area. Kihei is an increasingly competitive location for new and expanding businesses on Maui.

- *PP will contribute to the standing of South Maui as a destination for business* by offering quality, well-located, building parcel inventory capable of supporting a wide variety of commercial and light industrial use types meeting the demands of companies seeking a high-volume/high-exposure, readily accessible location within an integrated master planned environment. Similar quality sites for major anchor and "big box" operations are exceptionally scarce in Kihei and these types of retailers (which help create cumulative attraction for an area) will be seeking to locate in the Kihei-Makena Corridor as the population and economic importance of the area increase in coming years.

- *In concert with market trends.* The PP master plan will contain the components necessary to maximize penetration in the competitive sectors within the context of prevailing and anticipated near to mid-term market trends; incorporating a diverse mix of uses (including a substantial residential complex), and will be capable of achieving a desirable critical mass to a far greater degree

than possible within the antiquated small lot industrial park previously planned for the property.

Based on our analysis of the subject property and project from a market perspective, we conclude the proposed PP master plan will:

- Embrace leading edge mixed-use design concepts.
- Maximize the reasonable development potentials of a well-located parcel having superior access, frontage, intercept and exposure characteristics.
- Complement the existing and proposed urban development in the Piilani Highway corridor.
- Competitively address existing and forecast needs for rental residential, business commercial and light industrial inventory in the study area.
- Be representative of the highest and best use of the property.

ASSIGNMENT

The Hallstrom Appraisal Group, Inc.'s assignment was to analyze the proposed PP master plan from a real estate market perspective and to identify and quantify probable market and economic impacts associated with its development in light of competitive, regional, prevailing and forecast trends to answer four basic study questions:

1. Is there sufficient demand to absorb the various components of the subject project during a reasonable exposure period given competing developments (supply) and projected regional market trends?
2. Will PP be an appropriate use of the underlying site relative to market needs?

3. What will be the general/specific and direct/indirect economic impacts on Maui resulting from the undertaking of the subject community via employment, wages, business operations, population, and other economic activity related to the real property asset?

4. What will be the effect on the state and county "public purse" from the project in regards to costs of services required to service the PP population and increased tax/fee receipts flowing from its development?

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, and published public and private documents.

The pertinent results of our study are highlighted in the body of our report, which contains a concise narrative and tabular synopsis of our conclusions. Additional materials, contained in data tables and models depicting the subject community's lifespan from commencement to completion, upon which our conclusions are based, are presented in the Addenda.

Our summary narrative presentation is divided into four sections:

1. Primary Study Conclusions

3. Market Study of the Piilani Promenade Components and Absorption Estimates

4. Economic Impacts of the Proposed Development

5. Public Fiscal Costs and Benefits Associated With PP

The primary sources of information regarding the subject community used in our study were: maps, master plans, GLA/unit counts, infrastructure and vertical cost estimates and background materials provided by Piilani Promenade North LLC, Piilani Promenade South LLC, Sarofim Realty Advisors,

Architects Orange, Chris Hart & Partners, and other members of the development/consultant team; resident population and housing projections, community plan materials and other data from the Maui County Planning Department; the United States 2010 Census; rental housing data from the Maui Board of Realtors and Hawaii Information Service (and others); and data from our files.

The PP site and environs have been viewed by our firm on many occasions and specifically for this assignment. The effective date of study was November 1, 2013.

PRIMARY STUDY CONCLUSIONS

Based on our analysis of the subject property, its environs, and envisioned development we have reached the following conclusions regarding the probable market standing and economic impacts of the proposed Piilani Promenade development:

Market Study

- Hawaii has steadily rebounded from the 2008-09 recession and associated down-cycle in the real estate market, with Maui and Oahu showing the strongest recovery movement, regaining most of the ground "lost" in most sectors by mid-2013. Expectations are for continuing economic expansion within the current up-cycle during 2014-15 (and into the mid-term) resulting in increasing demand for real estate inventory within a limited-supply market environment, with activity levels reaching long-term averages.

- Among the favorable economic indicators and trends on Maui, the unemployment rate has dropped to a current level of about 4.5 percent from a high of 9.1 percent during the depths of the recession; median household income has grown two percent in each of the last two years; residential sales activity and prices are moving upwards; commercial and industrial space absorption has shown strong gains in 2013; and, total visitor days

and spending have had annual escalations averaging 6.1 percent and 12.4 percent respectively since 2010.

- The "Kihei-Makena Study Area" is a suburban coastal community, with residential-oriented uses in the inland areas (housing units, neighborhood commercial and limited industrial), and resort/vacation-oriented uses dominating the shoreline (condos, hotels, timeshare and destination resorts). It has expanded dramatically in the past three decades, growing four-fold in resident population, adding nearly one million square feet of commercial and industrial floor area and more than 2,500 visitor units, and evolving into a major hub of Maui investment and business activity. Forecasts are the study area resident population will grow from the current figure of 28,650 to between 42,000 to 46,000 by 2035 (a gain of 46 to 61 percent), and the de facto population to grow between 69,700 to 74,100 (total growth of 42 to 51 percent) as shown in the chart below:

Scenario	Year-End 2013	Projected Kihei-Makena Population 2015	2020	2025	2030	2035
One: Minimum Based on Planning Department Baseline Population Forecasts						
Resident	28,653	30,597	33,227	35,962	38,757	41,750
De Facto	48,957	51,510	55,709	60,130	64,737	69,679
Two: Maximum Based on Planning Department Historical Trend Run Population Forecasts						
Resident	28,653	30,500	34,000	38,000	42,000	46,200
De Facto	48,957	51,413	56,482	62,168	67,980	74,129

The population expansion will increase the standing and importance of the study region, making it a distinct suburban market area within the island's economy; particularly as the Maui Research & Technology Park (MRTP) and Makena Resort experience further development and Honuaula and other large master-planned projects are manifest.

- Historically, the study area has been a secondary, commercial sector on Maui, meaningfully behind and substantially dependent upon Kahului-Wailuku, with an estimated 764,000 square feet of commercial floor area, or 16 percent of the island total. Kihei-Makena contains about one-quarter of the de facto population of Maui, resulting in the regional commercial sector being "under-serviced" relative to average consumer needs on a gross basis (by some 415,000 square feet of space); a product of commercial development failing to keep pace with population growth and the lack/scarcity of many use-types within the regional inventory such as big box, destination projects and regional centers.

- On a going-forward basis, the Kihei-Makena Corridor will evolve into a more primary trade area with significantly less dependence upon Wailuku-Kahului businesses, which are ten to 15 miles distant from the subject area residents. There is a meaningful potential for expansion by: capturing more of the locally-generated demand that now flows elsewhere on the island (primarily Kahului); continuing growth in the community de facto population (more customers); and through diversification of commercial, light industrial and business/service product offerings.

- The vacancy rate on the island for retail, restaurant and service/support commercial floor space is currently at eight percent; down more than a point from the depth of the recession. It is anticipated to further decline by two-plus points in 2014. After numerous quarters of "negative absorption" (vacated space) from late 2008 to 2010, and mixed absorption levels in 2011-12, positive net absorption of competitive retail/restaurant space returned to the Maui market in 2013, with 51,488 square feet of net newly leased space through the first three quarters of the year, leading all the major islands in the State. Rents have stabilized over the past year and are beginning to show escalations for the first time since 2007-08. In Kihei-Makena vacancy rates are at 3.8 percent, the lowest of any primary commercial region,

with most of the available bays located on Ohukai Road or Lipoa Parkway (not the highway or S. Kihei Road). Rents in competitive spaces are among the highest on the island, tenant stability is relatively solid (particularly compared to West Maui), and there are fewer quality vacant bays remaining as the sector continues through its post-recession ramp-up period.

- Maui currently has some 16.1 million square feet of "commercial" floor area, including light industrial, retail and office uses, or about 108.8 square feet per resident. This is at the low-end of surveyed market areas in the US which ranged from 97.6 square feet to 237.7 square feet per capita, and average of 138.8 square feet per resident. The Kihei-Makena region currently has some 1.8 million square feet of commercial space, or about 63.4 square feet per resident. Given the large numbers of high-spending tourists contributing to demand in addition to residents on Maui and in Kihei, the demand created by the de facto population is proportionately higher than in the surveyed market areas, indicating that the island and study region are not over-serviced with commercial development.

- We estimate there will be demand for an additional 936,000 to 1,505,000 million square feet of gross leasable commercial floor space in the Kihei-Makena Study Area by 2035, more than doubling the existing inventory. This equates to an additional 92 to 147 acres of vacant gross land area to support expected market needs.

- The existing supply of vacant commercial development sites is limited in Kihei-Makena, with much of the scarce inventory being less-desirably located in the interior of the community, not along the primary thoroughfares of Piilani Highway and South Kihei Road. Virtually all of the choice commercial parcels in the region have already been developed. The updated MRTP development code provides only for some 100,000 square foot of neighborhood retail space, intended to service the added residential component of the community, but it will be

uncompetitive as it is well removed from the highway. Several of the major proposed master-planned residential developments will contain commercial uses, but these are limited in size, often in the interior of the project, and are primarily intended to service their neighborhood residents. Our analysis indicates there will be insufficient competitive acreage to meet the forecast regional mid-point demand for commercial floor space in the region.

- The study area industrial space sector has approximately 960,000 square feet of inventory, or less than nine percent of the total amount built on Maui; again, indicating the region is under-serviced relative to its full share of the overall island market (by some 2.67 million square feet). The majority of space is in business commercial, storage/warehousing, suppliers, offices, staging, and other uses. Island-wide the vacancy rate for industrial floor area is about 2.0 percent (well below the State average of 3.2 percent), and is indicative of a "tight" sector, which showed a positive absorption of 41,870 square feet in the first nine months of 2013. Vacancy in Kihei-Makena is estimated at less than two percent, rents are at or above island-wide averages, and brokers report increasing interest in regional industrial spaces, with several owner/user and multi-tenant buildings under construction or in the final approval stages.

- As has occurred throughout the country over the past two decades in response to an evolving market, light industrial parks/zoned lands on Maui and within the Kihei-Makena region often have major business commercial components, blurring the line between traditional industrial-type uses and retail/service/office uses. An excellent example is a store such as Home Depot, which are now often located in industrial subdivisions (particularly in Hawaii), and are essentially retail industrial parks under a single roof. This mixed-use trend has strongly and steadily increased over the past two decades and is anticipated to continue, with newer anchor retailers, strip centers and large retail outlets often

being located on well-located industrial-zoned sites. In many of the more recent major "light industrial" developments on the island, business commercial uses represent from 40 to 70-plus percent of the total floor space. This aspect, which is embodied in the evolution of the subject property master plan from the small-lot Kaonoulu Industrial Park to the envisioned Piilani Promenade, is critical in analyzing and forecasting light industrial demand and supply factors.

- We estimate the demand for additional light industrial (and associated uses) floor space on Maui over the next 22 years (through 2035) will total from 1.8 million to 2.3 million square feet, an increase of from 83 to 137 percent above current levels. This equates to a demand for between 153 to 200 additional gross acres of underlying sites at prevailing "business park" densities; and significantly more acreage if base yards, quarries, and open storage uses are included.

- Again, apart from MRTP, which potentially could have up to two million square feet of light industrial/business park development, and the subject property, there are limited competitive vacant industrial sites in the Kihei-Makena Corridor; markedly less than what will be required to meet regional demand. There are no other major inventory additions proposed at this time, and few of the master-planned communities will contain light industrial building sites.

- The rental housing market in the study area has been chronically under-supplied, with low vacancies even during recessionary periods and relatively high rents for the neighbor islands. This status is a result of a limited supply of housing units of all types in the area and their comparatively high prices in relationship to household income levels, pressures on the sector from non-residents absorbing supply across the spectrum, the focus of developers on upper-end product, and high land and construction costs. The currently available supply of rental units is virtually non-existent, with fewer than 15

units listed on the primary websites and in local publications. Brokers report occupancies of agency units at nearly 100 percent, a continually rising demand, rapidly escalating rents, and low tenant turnover in most units; all opining that any new and/or available rental apartments would quickly be "snapped up" within the prevailing and anticipated near to mid-term market context.

- The demand for new residential units in the Kihei-Makena Corridor will be from 7,250 to 11,500 units over the next 22 years (through 2035), approximately 46 percent of which, or 3,327 to 5,276 total units, will be for rental housing opportunities.

- While any housing unit could be used as a residential rental, it is estimated there are fewer than 500 market units within dedicated rental apartment projects in the study area; less than four percent of the total regional inventory; and several of the projects are considered as having marginal desirability (and higher tenant turnover). Apart from the subject, proposed supply of rental apartment units though somewhat limited, may increase sharply over the mid to long-term as a result of the workforce/affordable housing requirements for the proposed major master-planned communities; an example of which are the 125 rental units proposed within the 250 unit project to be located adjacent to the subject (associated with the planned Honuaula community).

- From a market perspective, the subject property is a superior location for the proposed mixed-use PP development in regards to frontage, exposure, intercept potentials, access, topography, shape, size, and interior view potentials. It will be complimentary with existing adjacent uses and provide quality business opportunities for a diverse range of retail, restaurant, service/office, and light industrial space owners and end-users. The rental apartment is a complimentary component, offering housing opportunities for the PP workforce and others in

the community (close by to traffic corridors), and an on-site customer base. PP will have the attributes necessary to be highly competitive in all its product sectors.

- We forecast the Piilani Promenade development will capture a meaningful share of the Kihei-Makena regional commercial space demand during its offering period (achieving a 40 to 45 percent market share), and a lesser share of industrial space demand (15 to 25 percent of the total market) comprised of both standard light industrial uses and business commercial users who typically locate on industrial-zoned lands. The 226 rental apartment units are projected to capture a market share of 19 to 33 percent of the study area demand for rental housing units during its lease-up.

Our annualized mid-point absorption estimates are summarized on Table A.

We anticipate the serviced, vacant sites comprising the project will be:

- Sold to business commercial and light industrial builders and owner-users within an eight to ten year period commencing with initial offerings during infrastructure emplacement (beginning in 2015-16).

- Built-out with the 588,288 square feet of gross leasable business commercial and light industrial floor space and the 226 unit apartment complex within 12 to 14 years of the first site closing (by 2028 to 2030).

- Achieve full absorption and stabilized operations of the finished business commercial and light industrial floor space within 15 years of the first sales (by 2031).

Economic Impact Analysis

We have constructed a model depicting the economic impact of the proposed PP development on the Maui and Statewide community during the course of its "lifespan" from ground-breaking in 2015 through the final build-out, absorption and stabilized operations of the commercial component in 2031. The

TABLE A

PROJECTED SUBJECT ABSORPTION
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
Assuming 588,000 Square Feet of Total Floor Space
With Leasing Starting in 2017

Year			Projected Mid-Point Demand Absorption	
Calendar	Development	Construction, Sale and Absorption Timing	Business Commercial & Industrial Square Feet	Apartment Units
2016	1	Infrastructure Emplacement and Lot Sales Commence		
2017	2	Infrastructure Completed, Verttical Construction Begins		
2018	3	Initial Buildings Completed and Occupied	34,598	76
2019	4	Vertical Construction, Absorption and Lot Sales On-Going	34,598	75
2020	5	Rental Apartments Fully-Absorbed	34,598	75
2021	6	Construction, Absorption and Lot Sales On-Going	43,465	
2022	7	Construction, Absorption and Lot Sales On-Going	39,087	
2023	8	Construction, Absorption and Lot Sales On-Going	39,087	
2024	9	Construction & Absorption On-Going, Lot Sales Completed	39,087	
2025	10	Construction & Absorption On-Going	39,087	
2026	11	Construction & Absorption On-Going	45,722	
2027	12	Construction & Absorption On-Going	42,605	
2028	13	Construction & Absorption On-Going	42,605	
2029	14	Construction & Absorption On-Going	42,605	
2030	15	Absorption On-Going, Construction Completed	42,605	
2031	16	Absorption On-Going	50,826	
2032	17	Business Commercial and Industrial Space Fully Absorbed	17,424	
	Totals		**588,000**	**226**

Source: The Hallstrom Group/CBRE

model builds on the data and forecasts contained in our market study.

All estimated amounts are in constant 2013 dollars.

- The subject development will bring in $212 million of new capital investment into the island's real estate market during its build-out over a 12 to 15 year period (from 2015 to circa 2028-30), generate $2.3 billion in total on-site economic activity during the construction and initial operations period (17 years, 2015 to 2031), and some $348.7 million in annual economic activity on a stabilized basis thereafter.

- The construction of the PP components will directly create an estimated 878 “worker-years” of employment (the equivalent of 52 work weeks at 40 hours per week) in the trades and associated businesses during build-out, averaging 52 worker years annually, with an estimated $66.5 million in wages (averaging $3.9 million per year). Secondary/off-site employment resulting from subject construction will total another 220 worker-years of employment with wages of $8.9 million.

- The on-going operations and maintenance of the business commercial, light industrial and apartment components will directly provide an estimated 8,816 worker-years and $274.4 million in total wages over the 15-year period from opening of the first businesses until full build-out and stabilization are achieved (2017 to 2031). Associated secondary/off-site employment during the time-frame will total 2,778 worker-years with wages of $112.2 million. After "stabilization" the mixed-use community will support some 1,210 permanent jobs on-site with an annual payroll of about $36.6 million, and an additional 303 secondary/off-site positions with $12.2 million in yearly wages off-site.

- The large majority of the gross operating revenues within the project, 97 percent, will be a result of outside patrons coming to the in-project companies (the remaining 3.0

percent will be from consumption and rents paid by the residents of the 226 on-site rental apartments). The base economic impact on Maui will total at least $2.6 billion during build-out and $352.3 million annually upon stabilization.

- At build-out the resident population of the community will be some 607 persons, with up to 100 to 120 total children, of which 60 to 70 would be attending public schools. The cumulative resident household income during the 17-year build-out and absorption modeling period will total $241 million, and will stabilize at $17.2 million annually thereafter. Discretionary expenditures into Maui businesses by the PP population will be some $120.5 million during build-out and average $8.6 million per year on a stabilized basis.

- Application of the State Input-Output Model macro multipliers depicting direct, indirect and induced economic impacts arising from development of PP 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 $449.5 million, there would be 2,933 total worker-years of jobs created, and the total increase in earnings statewide would be $134.3 million.

  The State model also estimates the total annual economic output from business operations within PP would be more than double the gross revenues at $728.8 million annually on a stabilized basis, the total number of worker years attributable to the PP dollars flowing through the economy would be 6,626 positions annually, and the increase in direct earnings would be $230.2 million per year.

Secondary Impacts

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

1. The proposed components will be compatible with adjacent (light industrial/commercial) and nearby (residential) development and the subject end uses/users should have nominal impact on the desirability of real property interests in the neighborhood.

2. Property values in the Kihei Makena region are largely driven by external, cyclical economic factors and its existing cumulative mass, not any single new project. PP will have nominal impact on the market values or real property assessments of nearby real estate.

3. It is not expected there will be meaningful in-migration to Maui as a direct result of the operating components of the projects.

4. The rental apartments will provide housing for some of the PP workforce as well as needed, quality housing opportunities for others in the community. The subject project should have a generally positive impact on the local rental unit sector by increasing competitively-priced, available supply.

5. All traffic movement of customers, employees, residents and servicers will flow directly from Piilani Highway (through a signalized/channelized intersection), onto/through the subject development, and contained on-site, and will not directly impact the internal road systems of adjacent/nearby projects and subdivisions.

Public Fiscal Assessment

- The County of Maui will realize Real Property Taxes and other secondary receipts and impact fees of $34 million during the 17-year construction and absorption period, and $2.6 million annually on a stabilized basis thereafter. The net benefit to the County purse will be of $25.9

million during development, and $594,600 annually on a stabilized basis.

- The State of Hawaii will receive Gross Excise and Income Taxes, secondary revenues, and impact fees of $210.7 million during the build-out and ramp-up time frame, and $26.0 million per year thereafter. The net benefit to the State purse will be in excess of $194.9 million during development, and a stabilized 'profit' of $20.7 million per year.

The major economic impacts and public fiscal conclusions are shown on Table B. The column on the left summarizes the cumulative impacts during the initial 17-year construction and absorption period, and the right hand column the annual impacts after stabilization.

MARKET STUDY OF THE MASTER PLAN COMPONENTS AND ABSORPTION ESTIMATES

Within the general real estate market "commercial" development is comprised of a broad spectrum of uses including light industrial, retail, and office types, all allowable under the in-place entitlements, which will be the focus of the updated PP master plan.

As summarized on Table 1, our survey of major US urban/suburban market areas showed an overall range of combined light industrial, retail and office floor area at between 97.6 square feet and 237.7 square feet per resident in the market area, averaging 138.8 square feet per capita.

The survey averages are shown on the chart below along with those for Maui and Kihei:

TABLE B

SUMMARY COMPARISON OF MAJOR ECONOMIC IMPACTS AND PUBLIC FISCAL COSTS/BENEFITS
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
All Amounts Expressed in Constant, Uninflated 2013 Dollars

Analysis Item	Cumulative During Build-Out Period	Stabilized Annually Thereafter
Direct Capital Investment	$212,046,162	
Local Contractor's Profits	$21,204,616	
Local Supplier's Profits	$8,481,846	
Worker Years of Jobs	12,692	1,513
Employee Wages	$461,950,706	$48,859,144
Resident Population		607
Full-Time Resident Household Income	$240,987,600	$17,213,400
De Facto Population Expenditures (On & Off Site)	$120,493,800	$8,606,700
Total Operating Gross Receipts	$2,317,435,305	$348,719,376
Outside Patronage Expenditures	$2,197,048,028	$338,155,824
Total Maui "Base" Economic Impact	$2,609,993,390	$352,307,724
County of Maui Gross Tax Receipts	$33,974,713	$2,561,036
State of Hawaii Gross Tax Receipts	$210,726,863	$26,006,449
County of Maui Costs of Services (per capita basis)	$5,899,317	$1,966,439
State Costs of Services (per capita basis)	$15,821,606	$5,273,869
County of Maui Net Benefits or (Loss)	$25,860,646	$594,597
State Net Benefits or (Loss)	$194,905,257	$20,732,580

Source: The Hallstrom Group, Inc.

TABLE 1

COMMERCIAL FLOOR SPACE DEVELOPMENT IN SELECTED US METROPOLITAN AREAS
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

Location	Orange County, CA	San Diego County, CA	Sacramento, CA	Portland, OR	Seattle, WA	Denver, CO	Albuquerque, NM	Buffalo, NY	Reno, NV	AVERAGES
Resident Population	3,100,000	3,200,000	1,831,682	2,289,800	3,552,157	2,599,504	907,000	1,137,000	425,417	**2,115,840**
Industrial Floor Area in Sq. Ft.	252,635,000	200,771,000	172,917,000	194,999,000	252,595,000	224,138,000	39,408,382	64,363,281	73,847,926	**163,963,843**
Industrial Space Per Capita in Sq. Ft.	**81.5**	**62.7**	**94.4**	**85.2**	**71.1**	**86.2**	**43.4**	**56.6**	**173.6**	**77.5**
Primary Retail Floor Area in Sq. Ft. (1)	84,326,593	67,714,050	45,554,184	31,057,159	91,381,450	78,221,275	25,299,320	26,394,839	16,987,864	**51,881,859**
Primary Retail Space Per Capita in Sq. Ft.	**27.2**	**21.2**	**24.9**	**13.6**	**25.7**	**30.1**	**27.9**	**23.2**	**39.9**	**24.5**
Office Floor Space in Sq. Ft. (2)	100,015,921	66,881,855	52,809,413	46,088,010	98,063,225	107,526,332	13,702,411	32,150,195	6,210,965	**58,160,925**
Office Space Per Capita in Sq. Ft.	**32.3**	**20.9**	**28.8**	**20.1**	**27.6**	**41.4**	**15.1**	**28.3**	**14.6**	**27.5**
Total Commercial Space in Sq. Ft.	**436,977,514**	**335,366,905**	**271,280,597**	**272,144,169**	**442,039,675**	**409,885,607**	**78,410,113**	**122,908,315**	**97,046,755**	**274,006,628**
Total Commercial Space Per Capita in Sq. Ft.	**141.0**	**104.8**	**148.1**	**118.9**	**124.4**	**157.7**	**86.4**	**108.1**	**228.1**	**129.5**

(1) Includes only centers with more than 50,000 gross square feet in market area.
(2) Estimated square footage of free-standing office buildings not on industrial-zoned land or withing retail project.

Source: CBRE, Kidder Mathews, US Census and The Hallstrom Group, Inc.

COMMERCIAL FLOOR SPACE COMPARISONS OF SELECTED US METROPOLITAN AREAS WITH THE ISLAND OF MAUI AND KIHEI MARKET AREAS
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

	Surveyed Cities Averages	Island of Maui	Kihei
Resident Population	**2,115,840**	147,700	28,653
Industrial Floor Area in Sq. Ft. (1)	**163,963,843**	10,723,580	925,295
Industrial Space Per Capita in Sq. Ft.	**77.5**	**72.6**	**32.3**
Primary Retail Floor Area in Sq. Ft. (2)	**51,881,859**	2,517,214	525,422
Primary Retail Space Per Capita in Sq. Ft.	**24.5**	17.0	18.3
Other Retail Floor Area in Sq. Ft.	**19,749,537**	2,260,600	238,314
Other Retail Space Per Capita in Sq. Ft.	**9.3**	15.3	8.3
Total Retail Area in Sq. Ft.	**71,631,396**	**4,777,814**	**763,736**
Total Retail Space Per Capita in Sq. Ft.	**33.9**	**32.3**	**26.7**
Office Floor Space in Sq. Ft. (3)	**58,160,925**	573,306	128,427
Office Space Per Capita in Sq. Ft.	**27.5**	**3.9**	**4.5**
Total Commercial Space in Sq. Ft.	**293,756,165**	**16,074,700**	**1,817,458**
Total Commercial Space Per Capita in Sq. Ft.	**138.8**	**108.8**	**63.4**

(1) Include retail, office and other commercial uses in industrial parks & on industrial-zoned sites.
(2) Includes only centers with more than 50,000 gross square feet in market area.
(3) Estimated square footage of free-standing office buildings not on industrial-zoned land or within mixed-use projects. Total square foot figure may be over-stated for Island of Maui.

Source: CBRE and The Hallstrom Group, Inc.

The total Maui figure of 108.8 square feet per capita is below the survey average and towards the lower end of the overall range; but is reasonably comparable given the rarity of stand-alone major office development to date.

The total Kihei figure of 63.4 square feet of floor space per resident is well below the survey and Maui range/average.

The primary shortfalls are in the light industrial-classified sector, particularly in regards to the mix-use and retail warehouse potentials, and in office space, which will take years to expand with much of demand focused on the MRTP.

The Kihei-Makena Business Commercial Sector

The tables containing the commercial market data and demand/supply projection models summarized in this section are presented in Addenda Exhibit I.

The primary focus for commercial uses at Piilani Promenade will be to provide a diverse spectrum of neighborhood, general, regional, destination and big box business commercial opportunities to meet the retail, restaurant, service, medical and support demands created by Kihei-Makena residents and visitors, and residents and workers within the project.

Historically, Kihei-Makena has been a secondary commercial sector on Maui. While floor space has been steadily added since the mid-1980s, including major new projects during the past two decades, it has continued to be oriented towards resident-serving "neighborhood" and general retail/restaurants fronting S. Kihei Road and within the interior of the community, with visitor-oriented businesses in the resorts and makai areas. Most "big box", major mall, destination and specialty retailers serving the island are still located in Wailuku-Kahului.

To some degree, this trend will continue in the near to mid-term; however, as the de facto population and disposable income in the study area increase, congestion in Kahului worsens, and Kihei continues its maturation into a modern, suburban community, an increase in demand for all retail, restaurant and service types will follow and big box, specialty/destination and regional center/mall-type development typical for a community of this scale and scope will occur.

While driving into Wailuku/Kahului from other island areas to patronize big box, destination/specialty and regional centers has been a traditional part of the Maui commercial market, with distance and time being secondary considerations, an expanding population, deteriorating traffic flow, rising gas

costs, and modern time constraints will all stimulate commercial development elsewhere.

And PP, at circa nine miles from the Dairy Road/Hana Highway commercial nexus in Kahului, with the Greater Kihei trade area stretching another six miles southerly beyond, is sufficiently far removed (and in a distinctly different trade area) to be the location of additional stores. In example, on Oahu the four Costco stores are each located 10 to 13 miles apart, and the three regional malls are between five and 11 miles distant. And, the subject parcel has the superior intercept/"gateway", exposure/access and size/shape characteristics highly sought by regional and destination retailers.

Demand for business commercial space is a direct function of the number of consumers in the effective trade area. Each individual, resident or visitor, generates the "need" for more retail opportunities.

At present, there is some 4.8 million square feet of commercial floor space on Maui, or the equivalent of 24.1 square feet of gross leasable area per capita of the de facto population (residents and visitors).

This is slightly above the statewide average of 22.6 square feet per capita, and a moderate to lower-moderate amount for an economy of Maui's size and composition relative to similar markets; particularly given that being an island consumers can't readily access other nearby trade areas. Given the generational evolution of the economy from agrarian to service-based, a continually diversifying consumer base, and the expanding competitive context of the market, we forecast Maui will support a spatial allowance of between 30 and 35 square feet per person by mid-century.

Maui experienced significant "negative absorption" (existing tenants vacating space faster than new tenant or expanding business leasing space up) during the 2008-09 recession and for several years afterward, with the initial signs of recovery, within an erratic market environment, beginning in mid-2011.

The market has picked up positive velocity since that time, the product of a recovering economy, favorable credit environment, rebounding tourism and an increasing population. Through the first three quarters of 2013, Maui has led the state in absorption, with some 51,488 more square feet of floor space in major centers being leased than being vacated.

The 8.0 percent vacancy rate is down more than a point from the nadir of the market, and rents have stabilized and are starting to move upwards once again. Commercial brokers islandwide are reporting an increase in interest and activity, particularly in Kihei, Paia and Wailuku.

In Kihei-Makena, there is an estimated 763,736 square feet of competitive commercial floor space, or about 16 percent of the gross floor area on the island.

This equates to a per capita spatial allowance of 15.6 square feet per member of the study area de facto population, or only 65 percent of the islandwide per capita average.

Given the shortfall between the study area per capita floor space (15.6 square feet) and the islandwide average (24.1 square feet), **the Kihei-Makena region is "underserviced" in regards to commercial floor space on a gross demand/supply basis.**

Were it to be equitably developed as is the overall island with 24.1 square feet of space per capita, there would be an additional 411,000 square feet of business commercial space in Kihei-Makena, an increase of 54 percent above current supply. This demand is currently spread to other areas on the island (notably Wailuku/Kahului).

Kihei-Makena vacancy rates are at 3.8 percent, the lowest of any primary commercial region on the island, with most of the available bays located on Ohukai Road or Lipoa Parkway, not in the prime projects fronting Piilani Highway or S. Kihei Road. Rents in competitive spaces are among the highest on the island, tenant stability is relatively solid (particularly compared to West Maui), and there are fewer quality vacant bays remaining as the

as the sector continues through its post-recession ramp-up period.

Neighborhood retail uses typically constitute about 45 to 55 percent of per capita demand, with Service Commercial, Medical and Support commercial spaces combining for another 20 to 30 percent of the total. The remaining 15 to 35 percent of per capita demand is oriented towards big boxes, major centers, destination and specialty retailers and in-hotel space.

As Greater Kihei continues to grow and evolve as a community, the commercial uses in the region will intensify and diversify as a broader range of businesses seek to locate in an expanding market area. The regional capture rate of the study area per capita demand will increase over time from its current level of 65 percent to between 80 and 90 percent by 2035.

Total regional capture (100 percent) of all per capita demand is not likely, as many businesses serving an islandwide market will remain focused in Wailuku/Kahului.

The combination of a growing de facto population, increasing per capita demand (forecast to reach 30.5 to 34.0 square feet per person on Maui by 2035), and an escalating regional capture rate, will create demand for between 936,428 and 1,504,606 square feet of new gross commercial floor area in Kihei-Makena over the next 22 years, with a mid-point of 1,220,517 square feet; more than double the existing inventory.

An estimated 92 to 147 gross acres of land (119 acres mid-point) will be needed to support this forthcoming demand.

The existing supply of vacant commercial development sites is limited in Kihei-Makena, with much of the scarce inventory being less-desirably located in the interior of the community, not along the primary thoroughfares of Piilani Highway and S. Kihei Road. Virtually all of the choice commercial parcels in the region have already been developed.

The updated MRTP development code provides for only some 100,000 square foot of total retail space (equating to about 8 gross acres of land), in a Neighborhood Retail context.

Several of the major proposed master-planned residential developments will contain commercial components, but these are limited in size, often in the interior of the project, and are primarily intended to service the neighborhood retail needs of community residents.

Our analysis indicates there will be insufficient competitive acreage to meet the forecast regional mid-point demand for commercial floor space in the region.

On a gross demand/supply comparison basis, Kihei-Makena is presently significantly underserviced and there will be shortfall of commercial land in the study area over the next 22 years.

Given the limited amount of currently vacant floor space, scarce competitive high-volume development opportunities, the timing relative to other proposed projects, and the excellent traits of the subject site, we estimate PP could achieve a Market Share (or "Capture Rate") of circa 40 to 45 percent of the total Kihei-Makena demand for new commercial floor space during its offering period from 2017 onward. This would equate to between 323,184 and 577,145 square feet of gross leasable floor area during the 2014 through 2035 study time-frame, with a mid-point of 450,165 square feet.

An estimated 30,450 square feet of this demand would be generated by PP residents and its workers, calculated as shown on the following table.

SUMMARY OF NEIGHBORHOOD COMMERCIAL SPACE DEMAND CREATED BY SUBJECT RESIDENTS AND WORKERS AT BUILD-OUT	
1. Stabilized Subject Population	
Full-Time Residents	607
Full Time Eqivalent On-Site Workers	1,210
2. Project Resident Per Capita Demand for Commercial Space (in Gross Square Feet per Person)	
Total for All Commercial Needs (1)	32.0
Total Commercial Demand Created by Subject Residents	19,424.0
Capture Rate of In-Project Resident Neighborhood Demand	85.0%
Total Floor Space Demand for Resident-Oriented/Neighborhood Commercial Space	**16,510**
3. Project Worker Resident Per Capita Demand for Commercial Space (in Gross Square Feet per Person)	
Estimated Percent of Workers not Residing in Project	90.0%
Non-Resident Workers Patronizing Subject Commercial Businesses	1,089
Total Per Capita Floor Space Demand by Workers for Neighborhood Commercial Space (2)	12.8
Total Floor Space Demand by Workers for Neighborhood Commercial Space	**13,939**
4. Indicated Subject Commercial Floor Space Demand	
From Subject Project Population (Items #2 & #3 Above)	**30,450**

(1) Based on mid-point per person spatial demand in 2030.
(2) Based on capture rate of 40 percent of per capita resident demand in square feet.

Source: The Hallstrom Group, Inc.

The Kihei-Makena Light Industrial Sector

The tables containing the market data and absorption model component summarized in this section are presented in Addenda Exhibit II.

Historically, the focus of industrial development on Maui has been in Wailuku/Kahului, owing to its proximity to the island's working port, airport, large population, seat of government, central location and access to major highways.

As a result of zoning code allowances, business commercial uses are permitted in light industrial subdivisions and parks (common to the neighbor islands), which has resulted in an ever-escalating trend over the past two decades of commercial/retail users locating on industrial-zoned land; in many ways rendering the distinction moot.

At present, there are some 10.72 million square feet of light industrial space on Maui, or about 54.03 square feet per person

of the de facto population. More than 70 percent of the island's industrial space is in Wailuku/Kahului and Central Maui.

The per capita figure is higher than the statewide average of 38.61 square feet, due to the large numbers of business commercial users that locate in industrial parks as a result of the zoning allowances; which is also seen on the Big Island (47.52 square feet per capita), but not to a major degree on Oahu (34.41 square feet).

Newer Maui industrial projects have particularly large amounts of commercial/retail space. This has been an increasing trend for the past two decades, with some developments having upwards of 45 to 70 percent of the total project floor space occupied by commercial (often big box) or quasi-commercial users.

Whether these uses are located in industrial or commercial complexes is irrelevant to total per capita floor space demand square foot multipliers and our conclusions. Regardless of how it is classified the total floor space required by the market would not be meaningfully different, just moved from one designated market sector to another.

The market is highly cognizant of the relative interchangeability between commercial and light industrial sites, as evidenced in the wide-spread use of high exposure industrial locations for retail businesses and that per square foot land prices for comparable commercial and industrial lots are similar.

The majority of floor area on Maui industrial lands is in business commercial, storage/warehousing, suppliers, big box, offices, staging, and other uses. Island-wide the vacancy rate for industrial space is about 2.0 percent (well below the State average of 3.2 percent), and indicative of a "tight" sector. There was positive absorption of 41,870 square feet of space in the first nine months of 2013, and brokers stated the market is now strongly recovering from the lingering effects of the recession, interest in space is high, turn-over is decreasing, asking rents are starting to move upwards, and quality spaces are limited.

Until the mid-1990s, Kihei-Makena did not have significant amounts of industrial development; as few sites were available, established businesses preferred a Wailuku/Kahului location, and prior to the opening of Piilani Highway, access was inferior and traffic congestion common.

Over the past two decades there has been increasing industrial development in the study area, fueled by an expanding regional population, increasing economic importance, rising land costs in Kahului, land use entitlement efforts, and enhanced transportation in and out of Kihei (while Kahului became more congested).

Today, increasing amounts of, and interest in, new industrial/business/office development on Maui is oriented towards Kihei-Makena; a trend which will increase in coming decades as the region evolves from being a secondary dependent trade area into a more primary independent sector; capturing a greater share of the locally-generated demand which now flows ten-plus miles to Kahului.

The study area industrial space sector has approximately 960,000 square feet of inventory, or less than nine percent of the total amount built on Maui.

Given that about 25 percent of the de facto population on Maui is located in Kihei-Makena, the region is under-serviced on a gross basis relative to its potential full share of the overall island market by some 2.67 million square feet.

We forecast that over the coming two decades the in-region capture rate of the Kihei trade area will increase from its current sub-par level of about 35 percent of inferred regional demand to between 60 and 65 percent. This includes capturing the large majority of new demand from an increasing population/consumer base in Kihei-Makena, redirection of some historic demand from Kahului/Wailuku towards Kihei locations, and attracting some demand from other districts as the diversity and scale of uses in the study area increases over time.

Vacancy in Kihei-Makena is estimated at less than two percent, rents are at or above island-wide averages, and brokers report increasing interest in regional industrial spaces.

As with elsewhere on the island light industrial parks/zoned lands within the Kihei-Makena region have major business commercial components, again blurring the line between traditional industrial-type uses and retail/service/office uses. This aspect is embodied in the evolution of the subject property master plan from the small-lot Kaonoulu Industrial Park to the envisioned Piilani Promenade.

Using similar "per capital spatial demand" methodology as for our commercial space analysis, we quantified the demand for additional industrial floor space in the Kihei-Makena area through 2035.

We assume the per capita demand will continue to rise slowly from the current level to between 66.75 and 70.75 square feet by the end of the projection period. Even with the large business commercial component contributing to the figure, Maui will still be at the low-end of the national range for a trade area of its scale and economic orientation (generally at 75 to 125-plus square feet per capita); primarily as it lacks a meaningful manufacturing and trans-shipping base.

We estimate the demand for additional "light industrial" floor space (of all types) in Kihei-Makena from 2014 through 2035 will be from 1.76 million to 2.28 million square feet, with a mid-point of about two million square feet. This would represent a two to three-fold increase over the current in-place total.

An estimated 153 to 200 gross acres of land (176 acres mid-point) will be needed to support forecast demand.

Again, apart from MRTP, which potentially could have upwards of one million square feet of light industrial/business park development, and the subject property, there are limited competitive vacant industrial sites in the Kihei-Makena Corridor at present; markedly less than what will be required to meet regional demand. There are no other major inventory

additions proposed at this time, and few of the master-planned communities will contain industrial building sites.

In light of its favorable characteristics, including a northerly Kihei intercept location, superior frontage/exposure on and ease of access to Piilani Highway, benefits of a mixed use project, and limited availability of alternative sites, we forecast PP will capture a market share averaging about 18 percent of total South Maui industrial demand during its prospective offering period (2017 to 2035).

Absorption would start at 25 percent of the regional market in the initial years of offering (commencing in 2017), as it would be a new, desirable project within a market environment with limited competition, declining to 15 percent as MRTP (with a new master plan) achieves critical mass/cumulative attraction and other alternatives come on-line.

A CB Richard Ellis survey estimated there are currently 884 parcels comprising some 2,620 acres of vacant industrial lands on Maui. This figure includes specialized sites near the harbor and airport, base yards, surrounding the Puunene mill, quarries, dump, and many parcels that are lacking infrastructure or otherwise not competitive in the general market. Most are located in Central Maui. While there is not a general shortage islandwide, the availability of quality sites is limited in the study area.

Overall, we estimate PP would have the potential to absorb some 294,000 to 382,300 square feet of light industrial, business commercial and related uses during 2017 through 2035 offering period, with a mid-point of 338,000 square feet.

This total absorption would include at least 57,600 square feet of "true" industrial uses as specifically provided for in the PP master plan with remainder being business commercial, big box and quasi-commercial uses as is typical of the Maui light industrial market.

An estimated 41,761 square feet of this demand would be generated by PP residents and its workers, calculated as shown on the following table.

SUMMARY OF LIGHT INDUSTRIAL SPACE DEMAND
CREATED BY SUBJECT RESIDENTS AND WORKERS AT BUILD-OUT

1. Stabilized Subject Population	
Full-Time Residents	607
Full Time Eqivalent On-Site Workers	1,210
2. Project Resident Per Capita Demand for Light Industrial Space (in Gross Square Feet per Person)	
Total for All Light Industrial Needs (1)	63.0
Total LightIndustrial Demand Created by Subject Residents	38,241.0
Capture Rate of In-Project Resident Demand	50.0%
Total Floor Space Demand for Resident-Oriented/Neighborhood Commercial Space	**19,121**
3. Project Worker Resident Per Capita Demand for Light Industrial Space (in Gross Square Feet per Person)	
Estimated Percent of Workers not Residing in Project	90.0%
Non-Resident Workers Patronizing Subject Light Industrial Businesses	1,089
Total Per Capita Floor Space Demand by Workers for Light Industrial Space (2)	20.8
Total Floor Space Demand by Workers for Light Industrial Space	**22,640**
4. Indicated Subject Light Industrial Floor Space Demand	
From Subject Project Population (Items #2 & #3 Above)	**41,761**

(1) Based on mid-point per person spatial demand in 2030.
(2) Based on capture rate of 33 percent of per capita resident demand in square feet.

Source: The Hallstrom Group, Inc.

The Study Area Residential Rental Market

The tables containing the market data and absorption model component summarized in this section are presented in Addenda Exhibit III.

Prior to the 1970s, Kihei was a small coastal village with fewer than 3,000 residents, with very limited resort-oriented and commercial uses. The development of Wailea Resort coupled with numerous condominium projects along South Kihei Road served to create a desirable visitor destination. At the same

time, Kihei was identified as the most appropriate location for resident housing for the employees of the South and West Maui resort areas and to support the natural and in-migrating population growth of the island.

By 1980, the population had more than doubled to about 7,000 persons, substantial commercial space was being developed, and the region was well-established as a desirable vacation locale offering a wide variety of resort units.

While the near-makai areas continued to be dominated by resort/transient-oriented and non-resident use and ownership, the inland areas of Kihei began being developed at a rapid pace for local resident households. Over the next two decades, the resident population more than tripled.

Initially during this surge, most resident-oriented product was developed as vacant home sites which were then built-out individually as "custom" homes. However, over-time the trend became larger builders constructing spec tract homes and multifamily projects (resident-oriented in the interior and a mix of visitor and resident in the makai areas).

Today, the residential inventory in the study area remains tilted towards single family type, with under 60 percent being single family product and over 40 percent multifamily units. On a going-forward basis it is expected that multifamily construction will outpace single family, and that over the next two decades multifamily units will comprise 52 percent of the new housing units in Kihei-Makena as available entitled, serviced land becomes further scarce and unit prices increase over time.

There were 17,981 non-resort "residential" units in the Kihei-Makena region as of the 2010 census. Of these, 4,433 units were transient vacation rentals (DBEDT Visitor Inventory Survey) and 13,548 were used for housing; 10,731 units (79.21%) by full-time resident households and 2,817 (20.79%) were second homes/part-time residences.

Residential construction in Greater Kihei has progressed at a generally consistent and fairly rapid pace over the past three

decades; a trend we anticipate will continue as long as suitable lands are made available for development. Among the primary reasons for this conclusion are:

- The region provides for a quality, comprehensive, modern, suburban lifestyle;
- There is a scarcity of alternative, entitled acceptable development areas throughout the island;
- In addition to the in-community availability of a broad range of commercial, industrial and service businesses, Kihei is proximate to goods, services, and support uses in Central Maui;
- Relative ease of access to major South Maui and Central Maui employment centers and other areas of the island;
- A warm, generally dry climate considered highly desirable by many residents and most non-residents; and
- Superior view panoramas from many interior locations.

The balance between demand and supply in Kihei-Makena has been more stable than in many neighbor island regions; although like elsewhere the market remains generally under-supplied (just not acutely) from a long-term perspective. Yet, there remains significant unmet need for additional affordable housing opportunities.

Long-range planning done by/for the County of Maui indicates there will be a need for an increase of between 50 percent to 80 percent in the number of housing units in order to service the anticipated demand created by community growth. This includes the demand by second home/non-resident purchasers which comprise between 20 and 30 percent of total demand for non-resort residential units in Kihei-Makena.

Based on regional population forecasts (as utilized in the Commercial and Industrial analyses), household size trending, and allowances for non-resident purchasers and vacancies, we

project the demand for new residential units in the Kihei-Makena Corridor will be from 7,250 to 11,500 units over the next 22 years (through 2035), with a mid-point of 9,383 units.

According to 2010 Census data, about 52 percent of the housing units in the study area are owner-occupied and 48 percent are renter-occupied, with multifamily units comprising a larger share of the rental sector than single family homes. The ratio of owner-to-renter occupancy was little changed from the prior Census. The total number of renter-occupied housing units in Kihei-Makena is currently estimated at about 6,750 units.

Given the number of potential residential units in major proposed projects in the interior and mauka areas Kihei-Makena (many comprised of mostly modest product), County workforce/affordable housing regulations and requirements, and continuing low mortgage interest rates, it is anticipated that homeownership in the region will minorly increase over the next two decades, with about 54 percent of new inventory being owner-occupied and 46 percent renter-occupied.

However, if the changes to the Truth in Lending Act (Regulation Z) commencing January 2014 limit the availability of mortgages, as many industry analysts predict, there could be fewer homeowners and more renters in the South Maui market than anticipated.

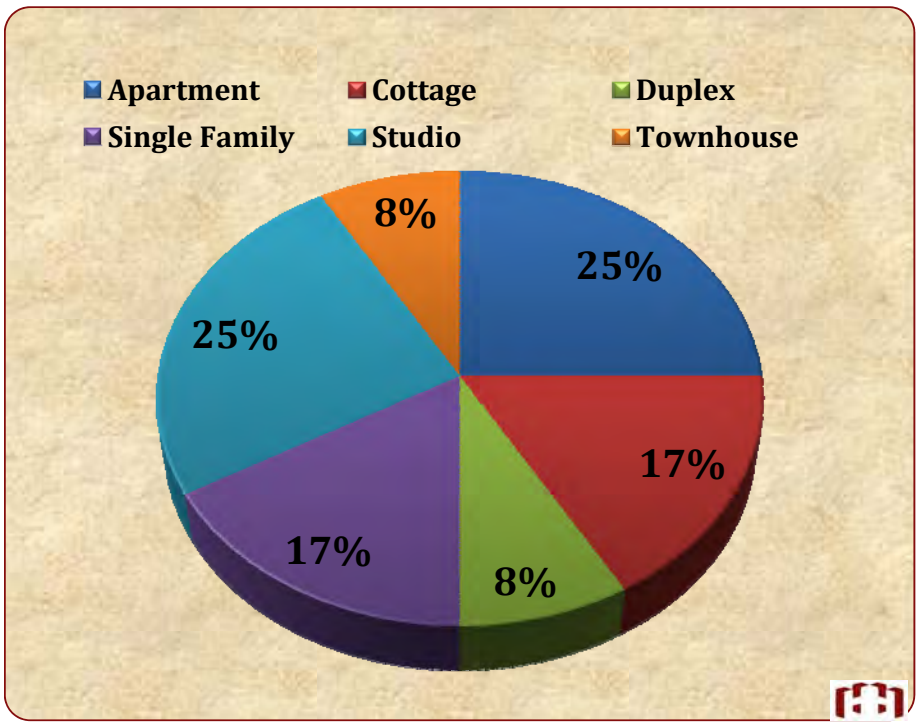
We estimate the demand for rental housing units in Kihei-Makena during the projection period (2014 to 2035) will be between 3,327 and 5,276 total additional units, with a mid-point of 4,302 units. The majority, between 60 and 70 percent, or 2,581 to 3,011 units at mid-point demand, will be directed towards multifamily product, either in "for sale" condominium complexes or in rental apartment projects as proposed at PP.

The rental housing market in the study area has been chronically under-supplied, with low vacancies even during recessionary periods and relatively high rents for the neighbor islands. This status is a result of a limited supply of housing units of all types in the area and their comparatively high prices in relationship to household income levels, pressures on the

sector from non-residents absorbing supply across the spectrum, the focus of developers on upper-end product, and high land and construction costs.

The currently available supply of rental units is virtually non-existent, with 32 units listed on the primary websites and in local publications as of the report date. The average asking rental rates and types of units available are shown in the following charts.

Average Asking Rents in Kihei-Makena	
Apartment	$1,250
Cottage	$1,275
Duplex	$1,200
Single Family	$3,350
Studio	$843
Townhouse	$3,200

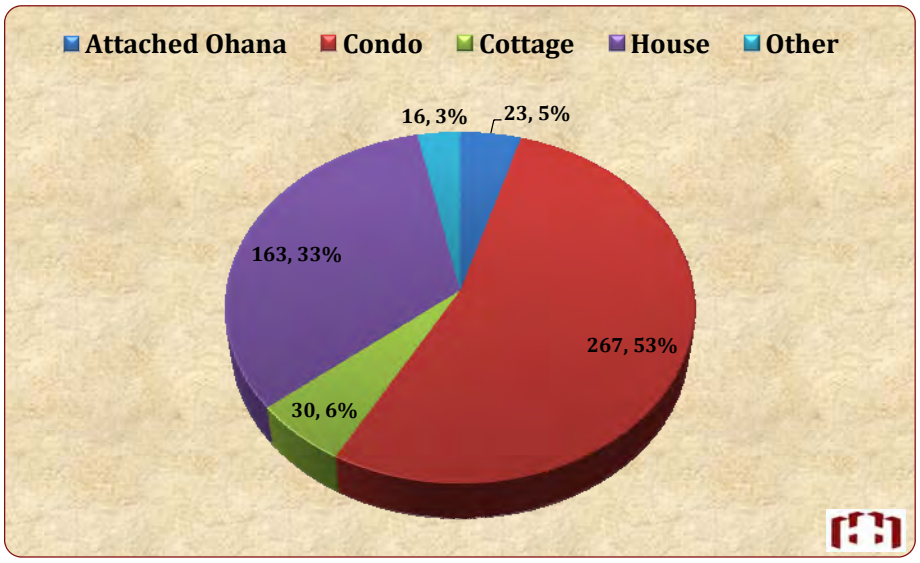


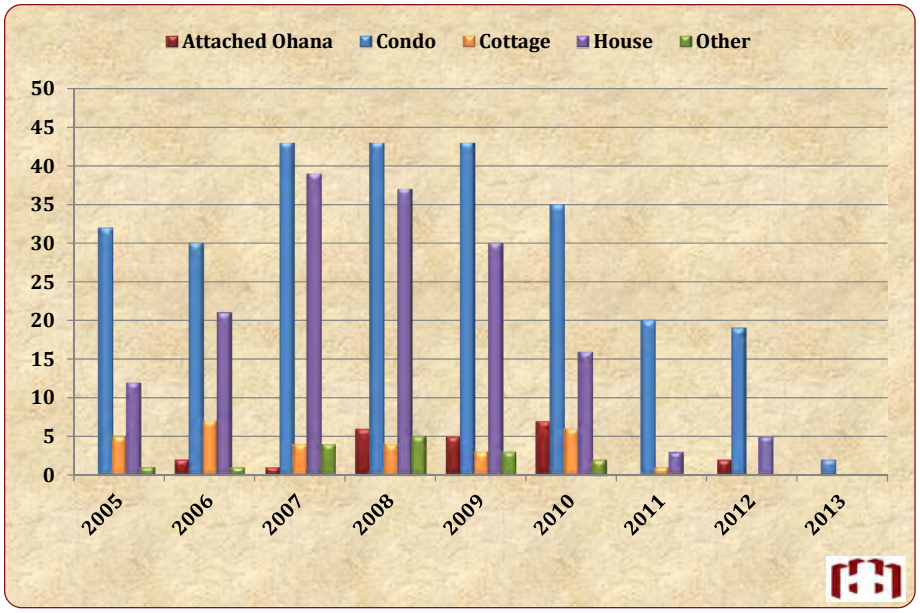
Brokers report occupancies of agency units at nearly 100 percent, a continually rising demand, rapidly escalating rents, and low tenant turnover in most units; all opining that any new

and/or available rental apartments would quickly be "snapped up" within the prevailing and anticipated near to mid-term market context.

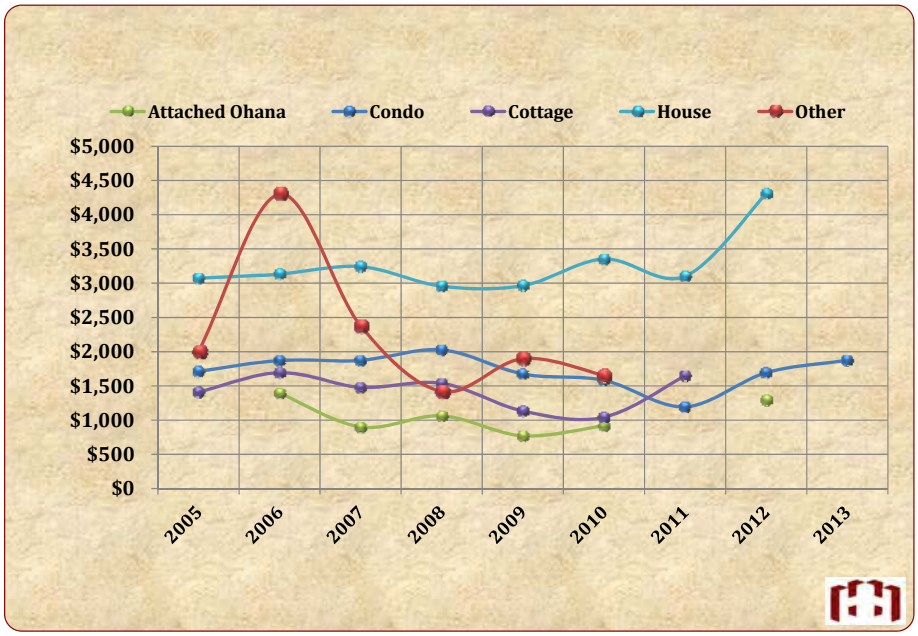
Agency rental data (as compiled by the Maui Multiple Listing Service) provides insight into the limited availability of rental units and their trending over time as a reflection of the larger market which has a major non-agency (private party rental) component.

From 2005 through October 2013, there were only 499 rental listings available in agency units, an average of 62 per year; with 53 percent being condominium/multifamily product, with supply highest during 2007-2009, and almost non-existent today, as shown.





Average rents were relatively stable during much of the survey period, but have moved upwards in 2012 and 2013.



The average market rates are generally above the monthly affordability guidelines set by Maui County and HUD.

MONTHLY AFFORDABLE RENT GUIDELINES FOR MAUI COUNTY
BY UNIT SIZE AND PERCENTAGE OF MEDIAN FAMILY INCOME

Percent of Median Income	Unit Size By Number of Bedrooms					
	Studio	1 BR	2 BR	3BR	4 BR	5 BR
10%	$138	$147	$177	$204	$228	$252
20%	$275	$295	$354	$409	$456	$503
30%	$413	$442	$531	$613	$684	$755
40%	$550	$737	$708	$818	$912	$1,006
50%	$688	$884	$884	$1,022	$1,140	$1,258
60%	$825	$1,032	$1,061	$1,226	$1,368	$1,509
70%	$963	$1,179	$1,238	$1,431	$1,896	$1,761
80%	$1,101	$1,326	$1,415	$1,635	$1,824	$2,012
90%	$1,238	$1,474	$1,592	$1,839	$2,052	$2,264
100%	$1,376	$1,621	$1,769	$2,044	$2,280	$2,515
110%	$1,513	$1,769	$1,945	$2,248	$2,507	$2,767
120%	$1,651	$1,916	$2,122	$2,452	$2,735	$3,018
130%	$1,788	$2,063	$2,299	$2,657	$2,963	$3,270
140%	$1,926	$2,476	$2,476	$2,861	$3,191	$3,521

Note: Affordable Rents are beased on 30% of gross monthly income. Does not include untilities.

Source: Housing Division, Department of Housing and Human Concerns, County of Maui

While any housing unit could be used as a residential rental, it is estimated there are fewer than 800 market units within dedicated rental apartment projects within the study area; equal to about 12 percent of the total regional rental inventory. Major projects include Kihei Regency (200 units), Kalama Heights (a 120 unit senior living facility), Paradise Gardens (100 units), Hotel Wailea workers housing (24 units), and Uwapo Road Apartments (18 units).

Apart from the subject the announced proposed supply of rental apartment units is currently limited, but will increase over the mid to long-term as a result of the workforce/affordable housing requirements for the proposed major master-planned communities. An example is the 125 rental units proposed within the 250 unit project to be located adjacent to the Piilani Promenade (associated with the planned Honuaula community).

Given the benefits of a location in an amenitied mixed-use project offering a broad mix of retail, restaurant and service business (and associated employment opportunities), easy access to Piilani Highway, potentially favorable view panoramas, and scarcity of available units and of competing new inventory, the PP rental apartments will garner a significant share of demand during its offering period. Several

rental brokers interviewed opined it would easily be completely occupied within six to eight months, and could even be fully pre-leased out during construction if the rents were reasonable.

While we are not so bullish, we do forecast the subject could achieve a market capture rate of circa 40 percent of the total Kihei-Makena demand for new rental units during its offering period (commencing in 2017), equating to some 75 units per year at mid-point demand levels and resulting in a total absorption period of three years. If the market continues in its current condition to 2017, it is likely absorption will at the even quicker.

ECONOMIC IMPACTS FROM DEVELOPMENT

Selected summary tables from the modeling process are contained in Addenda Exhibit IV. The primary sources and variables contributing to the model are footnoted on each table. All monetary figures are expressed in constant 2013 dollars.

Piilani Promenade has the potential to become a significant contributor to the Maui economy over the coming generation with investment, employment and business activity on a par with the primary resort and industrial/business projects on the island.

In order to forecast the primary and higher-level secondary economic impacts resulting from the development of the project, we have constructed a model depicting the "lifespan" of PP from groundbreaking (assumed in 2015), through build-out (projected for 2029-30), and absorption and ramp-up to stabilized "operations" (achieved by 2031).

The total "Infrastructure/Build-Out/Stabilization" time-frame in the model stretches across 17-years.

Sources for the primary model factors include:

- Construction timing and costs were estimated by the development team.

- Job counts were taken from similar projects and operations, and/or based on industry standards.

- Wages are based on data from the State Department of Labor & Industrial Relations.

- Household size, income and spending, and population estimates were based on government materials including US Department of Housing and Urban Development and 2010 census data.

- Business activity variables are based on our analysis of similar use-types on Maui and Statewide.

The development and build-out of PP over the coming two decades will infuse some $212 million in direct capital investment into the Maui real estate and construction sectors. Local contractor and supplier profits are estimated to total more than $29.7 million.

On and off-site infrastructure emplacement is projected at $33 million, and the construction of the rental apartment component is forecast at $31,878,000, or $193 per square foot for the 165,600 square foot complex. The vertical construction costs of the commercial and industrial components of the project are estimated as follows:

ESTIMATE OF CONSTRUCTION COSTS FOR COMMERCIAL COMPONENT

Type	Percent of Total Sq. Ft	Component Sq. Ft	Per Sq. Ft Direct Costs	Total Costs
General Retail	30%	**159,210**	$330	**$52,539,300**
Restaurant	5%	**26,535**	$375	**$9,950,625**
Anchor/Big Box	55%	**291,885**	$200	**$58,377,000**
Services	10%	**53,070**	$300	**$15,921,000**
	100%	**530,700**		**$136,787,925**
			Average Construction Cost per Sq. Ft.	**$258**

ESTIMATE OF CONSTRUCTION COSTS FOR INDUSTRIAL COMPONENT				
Type	Percent of Total Sq. Ft	Component Sq. Ft	Per Sq. Ft Direct Costs	Total Costs
General Industrial	35%	**20,156**	$165	**$3,325,707**
Warehouse	30%	**17,276**	$150	**$2,591,460**
Building/Supply	25%	**14,397**	$200	**$2,879,400**
Services	10%	**5,759**	$275	**$1,583,670**
	100%	**57,588**		**$10,380,237**
			Average Construction Cost per Sq. Ft.	**$180**

The construction of the approximately 590,000 square feet of industrial/commercial floor area and 226 apartment units in the project will require an estimated 878 of direct "worker years" in a variety of trades, suppliers and services; an average of 55 Full Time Equivalent (FTE) positions per year for the circa 16 years of building.

A worker year may be comprised of numerous individuals completing a variety of tasks whose cumulative efforts equate to 2,080 aggregate hours of work. We estimate that one direct worker year of employment is created on and off-site via every $400,000 in infrastructure costs and ever $225,000 in vertical construction costs.

Most of these positions will not be new jobs for new businesses, but work flowing to existing contractors, suppliers and tradespersons.

The operations within the finished business commercial and light industrial space at PP will operations will generate some 8,816 FTE worker years during the build-out, absorption and ramping-up to stabilization period and provide stabilized employment for 1,189 FTE permanent positions, estimated as follows:

ESTIMATE OF FTE EMPLOYMENT COUNT FOR COMMERCIAL COMPONENT				
Type	Percent of Total Sq. Ft	Component Sq. Ft	Per Sq. Ft per Employee	Total Employees
General Retail	30%	**159,210**	500	**318**
Restaurant	5%	**26,535**	100	**265**
Anchor/Big Box	55%	**291,885**	900	**324**
Services	10%	**53,070**	300	**177**
	100%	**530,700**		**1,085**
			Average per Sq. Ft. per Employee	**489.1**

ESTIMATE OF FTE EMPLOYMENT COUNT FOR INDUSTRIAL COMPONENT				
Type	Percent of Total Sq. Ft	Component Sq. Ft	Per Sq. Ft per Employee	Total Employees
General Industrial	35%	**20,156**	475	**42**
Warehouse	30%	**17,276**	700	**25**
Building Supply	25%	**14,397**	800	**18**
Services	10%	**5,759**	300	**19**
	100%	**57,588**		**104**
			Average per Sq. Ft. per Employee	**552.1**

Administration, maintenance and security requirements within the project (including the apartment component) will create a projected 21 FTE positions.

In addition to these direct/on-site positions, significant indirect/off-site employment resulting from PP will flow into the Maui economy, estimated at one indirect FTE for every four direct FTEs. This accounts only for the "higher-order" indirect employment; substantial additional secondary/indirect and induced employment will be generated (as quantified later in the report using the State Input-Output Economic Model).

In aggregate, during the 17-year build-out and move to stabilization of PP, some 1.2692 worker years of employment will be created in construction and operations, on and off-site, with stabilized employment after completion of 1,513 total FTE jobs.

Wages paid to direct/on-site construction workers will total an estimated $66.5 million during build-out, with indirect/off-site wages associated with the effort reaching $8.9 million.

Employment related to Park operations during build-out and ramp-up will total $386.6 million including direct/on-site ($274.4 million) and indirect/off-site ($112.2 million); stabilizing at $48.9 million annually in 2031 and beyond.

Current average annual wages for the various worker-types contributing to the construction and operations of PP, as taken from State wide data, are as follows:

2013 ANNUAL WAGES FOR DIRECT AND INDIRECT WORKER-TYPES ASSOCIATED WITH DEVELOPMENT

Construction	Commercial	Industrial	Maintenance/ Security	General Worker
$75,712	$29,521	$37,700	$32,000	$40,400

At build-out the resident population of Piilani Promenade will be some 607 persons of which an estimated 100 to 120 total children, of which 60 to 70 would be attending public schools.

Resident household income during build-out will total $241 million and average $17.2 million annually on a stabilized basis.

Discretionary expenditures into Maui businesses by the PP resident population are estimated at $120.5 million during construction and $8.6 million per year on a stabilized basis.

After completion and operational stabilization of the project (forecast by 2031), the on-site businesses will generate an estimated $348.7 million in revenues/sales ("economic activity") per year; the majority coming from the business commercial component. During the build-out period, activity will total some $2.3 billion in economic activity.

We estimate annual average gross revenues/sales/rents for the various components of PP will be as follows (2013 dollars):

- Business Commercial – Total annual sales averaging $600 per square foot of gross floor area.
- Light Industrial – Total annual revenues averaging $400 per square foot of gross floor area.

- Rental Apartments – Average monthly rents of $1,600 for one bedroom units, $2,100 for two-bedroom units and $2,500 for three-bedroom units.

PP business will be dominated by outside patronage. The project resident population is estimated to create about three percent of total on-site revenues/sales at stabilization and beyond, the remaining 97 percent by customers residing elsewhere.

During the 17 years of build-out and absorption (2015-2031), the project will have a base economic impact on Maui of some $2.6 billion with a stabilized annual benefit of $352.3 million thereafter.

Not all of this spending will be "new" to Maui. Some portion of patronage, particularly that flowing to retail and restaurant businesses from the intercept of Piilani Highway traffic, represents a relocation of their demand from other commercial locations in Kihei. Similarly, there will be some businesses which are relocating to the PP for a variety of reasons, and will not be newly created or an expansion outlet.

However, our fundamental demand calculations demonstrating future market support for PP are based on overall growth in the Maui economy creating the need for new business commercial and light industrial spaces. So whether that new growth takes place in PP, or it is a new business filling the vacated space elsewhere, a similar level of economic expansion will take place on Maui. Our task is to identify the specific economics related to the development of the subject property.

We have also analyzed the impacts of the project for Maui 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/On-Site and primary ("higher order") Indirect/Off-Site impacts only.

Among the outputs using the State method:

- The $212 million in cumulative PP construction costs will generate a total State Economic Output of $449.5 million.

- Direct subject construction wage earnings of $66.5 million will yield another $134.3 million in statewide wage earnings.

- Indirect and induced State taxes associated with construction will total more than $25.4 million in addition to direct taxes paid by the project.

- Direct effect jobs created by PP construction employment will be 2.68 times the number of on-site workers, or a total of 2,354 worker years of employment. The total job multipliers from the construction activity as it spreads directly and indirectly across the islands will be 13.83 times the on-site employment, or more than 2.933 worker years during the build-out period.

- The $2.3 billion in cumulative PP business activity during the 17-year build-out and absorption period equates to a total State Economic Output of $4.8 billion. On a stabilized basis, the $348.7 million in annual business activity will result in $728.8 million in total impact per year.

- Direct on-site wages paid by operating businesses of $244.3 million during construction and ramp-up will yield another $461.6 billion in statewide wage earnings. Upon stabilization, the direct wages of $48.9 million annually equates to an additional $92.3 million in other wages around the state.

- Indirect and induced State taxes associated with business operations will total $370.8 million in addition to direct

taxes paid by the project during build-out and $55.8 million more per year thereafter.

- Direct effect jobs created by PP business operations will be about 2.05 times the number of on-site workers, or a total of 22,778 worker years of employment from 2015 through 2031, and 2,481 annually after stabilization.

PUBLIC FISCAL COSTS/BENEFITS ASSOCIATED WITH THE PROJECT

The master summary and break-out tables from the modeling process are presented in Exhibit V.

Public Fiscal Benefits (Tax Revenues)

Maui County and the State of Hawaii will receive millions of dollars in tax receipts from the construction and "operation" of PP, from numerous revenue sources.

For the County, the primary tax source will be from Real Property Taxes paid by the owners of the various subject components. The property tax receipts were estimated by applying prevailing tax rates against the projected market value of the finished inventory (total construction costs, plus underlying land value, and developer's profit). We assumed there would be no exemptions.

We estimate the County will receive some $21.6 million in real property tax receipts during the 17-year build-out and absorption of the project, and annual collections of $1.7 million on a stabilized basis thereafter.

Secondary taxes associated with other daily activities in the subject project will contribute additional funds.

Real Property Taxes (RPT) were expected to generate about 68.1 percent of total County General Fund revenues, with secondary taxes and fees the forming the remainder. It is logical to assume the PP development and business activities will generate

secondary taxes in proportion to RPT as does the overall Maui community.

The secondary Maui County receipts are equal to 47 percent of the RPT and TAT total (31.9% divided by 68.1%).

Application of this ratio to the PP property tax sum results in a cumulative total estimated County tax collection from the subject of $31.8 million during the initial construction and sales period, and $2.6 million annually on a stabilized basis.

The County will additionally receive some $2.2 million in impact fees for parks, water service and wastewater service. These fees will push the total County collections (primary taxes, secondary taxes and impact fees) upward during the development period.

The State of Hawaii will receive an estimated $47.3 million in primary receipts from State Income Taxes from worker wages, resident household incomes and profits from operating businesses during the 17-year construction-to-stabilization period based on average statewide corporate and personal payment rates of 4.4 percent and 5.1 percent, respectively, applied against the economic model forecasts.

On an annualized basis after completion and ramp-up of the project by 2031, the State will generate income taxes of $4.9 million; the majority (69 percent) from personal returns.

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 outside patronage at operating businesses in PP. During the 17-year construction and absorption period they will total $120.9 million and reach a stabilized amount of $15.9 million annually.

Income Tax and GET generate about 80 percent of total State revenues, secondary taxes and fees the remainder. We anticipate PP 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 25 percent of the Income, GET and TAT totals (20% divided by 80%).

Application of this ratio to the PP income tax and GET sums results in a cumulative total estimated tax collection for the state from the subject of $210.2 million during the initial 17-year construction and ramp-up period, and $26 million annually on a stabilized basis.

Additionally the State will receive Department of Education school impact fees estimated at $533,926, pushing the total State collections (primary taxes, secondary taxes and impact fees) even higher during the development time-frame.

Public Fiscal Costs

Having quantified the cumulative revenue benefits, the second step in public fiscal assessment is to quantify the probable costs of local government services which will be required directly due to, or in general support of, the project. This is done using a "per capita costs" method described and applied following.

By comparing the tax benefits (revenues) generated by the subject with the estimated costs of providing public services, the net fiscal impact of the development can be determined.

The most appropriate way to estimate governmental expenses associated with a major new project is on a "per capita basis". This is founded on the assumption that every individual in a community is equally responsible for all costs of governance regardless of the actual services they, their household, or business may avail themselves of.

This approach is founded on a “commonweal” concept. If a project results in the expansion of the community, the costs of governance generally rise proportionately, and the new development should bear the direct, indirect and implied government expenses, which is best reflected on a per person (or per capita) cost per year.

This method represents the maximum cost perspective in regards to estimating public costs for a modern, mixed-use project containing significant numbers of resident households,

and is appropriate as most costs of government are related to individual living needs. In general, businesses pay (in fact, collect) taxes and people require services.

The State 2013-14 combined operating and capital budgets totals some $13.43 billion servicing a de facto population of circa 1,550,000 individuals (residents and tourists), or an average per capita expense of $8,687 per person in aggregate State spending.

Similarly, the County of Maui 2014 fiscal year budget will spend some $664.03 million in operating and capital costs servicing a de facto population of 205,000 individuals, or an average per capita expense of $3,239 per person.

Application of these per capita figures to the stabilized projected resident population of PP upon full absorption of 607 persons, results in total per capita costs of:

- $5.3 million to the State of Hawaii on an annual, stabilized basis with costs totaling $15.8 million during build-out; and,

- $2.0 million per year on average to the County of Maui upon completion, and an aggregate expense of $5.9 million from ground-breaking through 2031.

Correlation of Public Costs and Net Fiscal Impact

It is estimated the County of Maui will:

- Receive an aggregate total of $34 million in primary and secondary revenues and impact fees over the course of the 17-year construction period and $2.6 million thereafter on a stabilized annual basis.

- Expend $5.9 million in allocated per capita costs in servicing the project during its build-out and absorption period, and $2.0 million per year thereafter.

- Realize a net benefit of $25.9 million during the modeling time-frame, and a stabilized net "profit" margin of $594,600 per year thereafter.

The State of Hawaii will:

- Receive an aggregate total of $210.7 million in primary and secondary tax revenues and impact fees during the construction period and $26 million thereafter on a stabilized annual basis.

- Spend $15.8 million in servicing the project during its absorption period on a per capita basis, and $5.3 million per year thereafter.

- Realize a net benefit of $194.9 million on a per capita basis during the modeling time-frame, and a stabilized net profit margin ranging of $20.7 million annually.

ADDENDA

TABLE I-1 Exhibit I

SUMMARY OF EXISTING COMMERCIAL SPACE DEVELOPMENT IN HAWAII
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
As of 3rd Quarter 2013

County	C& C of Honolulu	Maui	Kauai	Hawaii	State Totals
Resident Population	991,000	147,700	69,461	191,083	1,399,243
De Facto Population	1,090,066	198,462	91,846	219,812	1,600,187
1. Summary of Inventory					
Number of Retail Centers	126	52	17	38	226
Gross Leasable Area in Surveyed Major Centers (1) (Square Feet)	13,607,375	2,517,214	771,652	2,377,112	19,273,353
Other Gross Leasable Area in Other Centers (1) (Square Feet)	6,804,000	1,585,600	735,000	1,675,000	10,799,600
Other Gross Leasable Area in Other/Minor Projects (2) (Square Feet)	4,100,000	675,000	337,600	902,000	6,014,600
Total Estimated Commercial GLA (Square Feet)	**24,511,375**	**4,777,814**	**1,844,252**	**4,954,112**	**36,087,553**
2. Per Capita Spatial Allowance ***(Square Feet per Person)***					
Per Resident Population Member	24.73	32.35	26.55	25.93	25.79
Per De Facto Population Member	22.49	24.07	20.08	22.54	22.55
3. Surveyed Major Center Operating Overview					**State Averages**
Vacancy Rate	5.0%	8.0%	8.2%	5.3%	5.5%
Estimated Vacant Square Feet of GLA	687,958	202,178	63,734	164,579	1,118,089
Avg. Monthly Base per Square Foot Rents Range (3)					
Low	$4.37	$3.21	$2.73	$3.12	$3.91
High	$9.98	$4.72	$4.15	$4.41	$7.99
Percentage Overage Rents Range (4)					
Low	3.8%	5.4%	5.5%	7.3%	4.9%
High	10.8%	9.2%	10.0%	10.3%	10.8%
Average Monthly per Square Foot Operating Expenses	$1.40	$1.32	$1.04	$1.31	$1.36
Space Absorbed in 2013 Through 3rd Quarter	(30,484)	51,488	36,227	25,951	83,182

(1) Complexes with circa 50,000 square feet and up.
(2) Includes smaller projects and hotels. Does not include space within mixed-use, multi-tenant buildings located in Light Industrial parks.
(3) Recent leases. Generally excludes "anchor" spaces and single-tenant buildings, which typically have lower rents.
(4) For properties and spaces with leases calling for percentage rents, which are generally paid to the extent they exceed base rents.

Source: CB Richard Ellis, State DBEDT and The Hallstrom Group, Inc.

TABLE I-2 Exhibit I

CURRENTLY AVAILABLE COMMERCIAL AND INDUSTRIAL SPACES IN KIHEI OFFERED ON THE MAUI MULIPLE LISTING SERVICE
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

MLS #	Type	Price	LT	Status	Address	Interior Area Conveyed	Sale/Rent	Price/Unit SQFT
350048	Commercial-Lease Unit	$798	FS	ACT	535 Lipoa PKWY	290	For Rent	$2.75
353097	Commercial-Lease Unit	$832	FS	ACT	300 Ohukai RD	616	For Rent	$1.35
352821	Commercial-Lease Unit	$832	FS	ACT	300 Ohukai RD	616	For Rent	$1.35
345622	Commercial-Lease Unit	$832	FS	ACT	300 Ohukai RD	616	For Rent	$1.35
345029	Commercial-Lease Unit	$832	FS	ACT	300 Ohukai RD	616	For Rent	$1.35
345028	Commercial-Lease Unit	$855	FS	ACT	300 Ohukai RD	633	For Rent	$1.35
345624	Commercial-Lease Unit	$1,126	FS	ACT	300 Ohukai RD	834	For Rent	$1.35
356890	Commercial-Lease Unit	$1,232	FS	ACT	300 Ohukai RD	1,232	For Rent	$1.00
357304	Commercial-Lease Unit	$1,276	FS	ACT	310 Ohukai RD	1,160	For Rent	$1.10
345625	Commercial-Lease Unit	$1,664	FS	ACT	300 Ohukai RD	1,232	For Rent	$1.35
344958	Commercial-Lease Unit	$1,703	FS	ACT	300 Ohukai RD	1,261	For Sale	$1.35
351931	Commercial-Lease Unit	$1,797	FS	ACT	300 Ohukai RD	1,331	For Rent	$1.35
344959	Commercial-Lease Unit	$1,797	FS	ACT	300 Ohukai RD	1,331	For Sale	$1.35
350047	Commercial-Lease Unit	$1,898	FS	ACT	535 Lipoa PKWY	690	For Rent	$2.75
355091	Commercial-Lease Unit	$2,341	FS	ACT	300 Ohukai RD	2,128	For Rent	$1.10
351932	Commercial-Lease Unit	$2,341	FS	ACT	300 Ohukai RD	2,128	For Rent	$1.10
350046	Commercial-Lease Unit	$2,720	FS	ACT	535 Lipoa PKWY	989	For Rent	$2.75
350049	Commercial-Lease Unit	$2,940	FS	ACT	535 Lipoa PKWY	1,069	For Rent	$2.75
344962	Commercial-Lease Unit	$3,506	FS	ACT	300 Ohukai RD	2,597	For Sale	$1.35
352837	Commercial-Lease Unit	$3,594	FS	ACT	300 Ohukai RD	2,662	For Rent	$1.35
357811	Commercial-Lease Unit	$6,122	FS	ACT	535 Lipoa Pkwy	2,226	For Sale	$2.75
352423	Commercial-Lease Unit	$8,198	FS	ACT	535 Lipoa PKWY	2,981	For Rent	$2.75
					Total	**29,238**		

Note: Data retrived on 10/31/2013.
The Maui MLS places retail, restaurant, office and industrial spaces in a single "Commercial" category.

Source: Maui Board of Realtors Multiple Listing Service and The Hallstrom Group, Inc.

TABLE I-3 **Exhibit I**

COMMERCIAL CLASSIFIED VACANT LAND SUPPLY IN KIHEI
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

Tax Key	PITT	Land SF	Land Acres	Tenure	Vacant Land
Maui Reserch & Technology Park		The Updated MRTP Master Plan, in the approval process, provides for up to 520,000 square feet of commercial floor and upwards of 1,000,000 SF of industrial floor space, the equivalent of some 44 and 83 acres, respectively.			
2-3-9-2-91	Commercial	64,164	1.473	Fee Simple	Yes
2-3-9-2-215	Commercial	69,565	1.597	Fee Simple	Yes
2-3-9-3-33	Commercial	1,102	0.025	Fee Simple	Yes
2-3-9-3-45	Commercial	3,485	0.080	Fee Simple	Yes
2-3-9-4-140-2	Commercial	52,490	1.205	Leasehold	Yes
2-3-9-4-149	Commercial	35,932	0.825	Leasehold	Yes
2-3-9-8-16	Commercial	40,418	0.928	Fee Simple	Yes
2-3-9-12-41	Commercial	421	0.010	Fee Simple	Yes
2-3-9-20-8	Commercial	6,534	0.150	Fee Simple	Yes
2-3-9-20-29	Commercial	15,856	0.364	Fee Simple	Yes
2-3-9-51-2	Commercial	11,050	0.254	Fee Simple	Yes
2-3-9-51-3	Commercial	11,050	0.254	Fee Simple	Yes
2-3-9-51-6	Commercial	29,681	0.681	Fee Simple	Yes
2-3-9-51-7	Commercial	25,880	0.594	Fee Simple	Yes
2-3-9-51-8	Commercial	10,790	0.248	Fee Simple	Yes
2-3-9-51-10	Commercial	10,790	0.248	Fee Simple	Yes
2-3-9-51-11	Commercial	10,790	0.248	Fee Simple	Yes
2-3-9-51-12	Commercial	10,790	0.248	Fee Simple	Yes
2-3-9-51-18	Commercial	10,015	0.230	Fee Simple	Yes
2-3-9-51-19	Commercial	10,011	0.230	Fee Simple	Yes
2-3-9-51-20	Commercial	29,953	0.688	Fee Simple	Yes
2-3-9-51-21	Commercial	27,263	0.626	Fee Simple	Yes
2-3-9-51-22	Commercial	10,458	0.240	Fee Simple	Yes
2-3-9-51-26	Commercial	10,755	0.247	Fee Simple	Yes
2-3-9-51-27	Commercial	11,106	0.255	Fee Simple	Yes
2-3-9-51-30	Commercial	10,771	0.247	Fee Simple	Yes
2-3-9-51-31	Commercial	10,853	0.249	Fee Simple	Yes
2-3-9-51-32	Commercial	12,396	0.285	Fee Simple	Yes
2-3-9-51-33	Commercial	13,243	0.304	Fee Simple	Yes
2-3-9-51-43	Commercial	10,417	0.239	Fee Simple	Yes
2-3-9-51-45	Commercial	13,554	0.311	Fee Simple	Yes
2-3-9-51-45	Commercial	13,554	0.311	Fee Simple	Yes
	Totals	**184,334**	**4.232**		

Note: Data retrived from Hawaii Information Service,

Source: Hawaii Information Service, and The Hallstrom Group, Inc.

TABLE I-4 Exhibit I

QUANTIFICATION OF COMMERCIAL FLOOR SPACE DEMAND
IN THE GENERAL STUDY AREA FROM 2013 TO 2035
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

Scenario One: Minimum Population Estimates and Growth Rates

Year	De Facto Population (1) Annual Growth Rate	De Facto Population (1) Forecast Total	X	Per Capita Demand in Square Feet	=	Total Resident Demand in Square Feet	X	Regional Capture Rate (2)	=	Net Regional Demand in Square Feet
Year-End 2013		48,957		24.00		1,174,978		65.0%		763,736
2015	0.99%	51,510		24.50		1,261,998		68.0%		858,159
2020	1.51%	55,709		26.00		1,448,424		71.0%		1,028,381
2025	1.47%	60,130		27.50		1,653,567		74.0%		1,223,640
2030	1.42%	64,737		29.00		1,877,382		77.0%		1,445,584
2035	1.42%	69,679		30.50		2,125,204		80.0%		1,700,163

Scenario Two: Maximum Population Estimates and Growth Rates

Year	De Facto Population (1) Annual Growth Rate	De Facto Population (1) Forecast Total	X	Per Capita Demand in Square Feet	=	Total Resident Demand in Square Feet	X	Regional Capture Rate (2)	=	Net Regional Demand in Square Feet	
Year-End 2013		48,957		24.00		1,174,978		65.0%		763,736	15.6
2015	0.96%	51,413		26.00		1,336,741		70.0%		935,719	0.15985
2020	1.79%	56,482		28.00		1,581,485		75.0%		1,186,114	411,242
2025	1.83%	62,168		30.00		1,865,032		80.0%		1,492,025	0.538462
2030	1.71%	67,980		32.00		2,175,370		85.0%		1,849,064	
2035	1.66%	74,129		34.00		2,520,380		90.0%		2,268,342	

Indicated Projection Mid-Point

Year	De Facto Population (1) Annual Growth Rate	De Facto Population (1) Forecast Population	X	Per Capita Demand in Square Feet	=	Total Resident Demand in Square Feet	X	Regional Capture Rate	=	Net Regional Demand in Square Feet
Year-End 2013		48,957		24.00		1,174,978		65.0%		763,736
2015	0.97%	51,462		25.25		1,299,406		69.0%		896,590
2020	1.65%	56,095		27.00		1,514,568		73.0%		1,105,634
2025	1.65%	61,149		28.75		1,758,026		77.0%		1,353,680
2030	1.57%	66,359		30.50		2,023,944		81.0%		1,639,394
2035	1.54%	71,904		32.25		2,318,898		85.0%		1,971,064

(1) In 2012, the average daily visitor census on Maui was 50,762 persons. We have estimated that 40 percent of this total finds lodging in the study area, as the Kihei/Wailea corridor has 7,233 (or 37 percent) of the total visitor units on the island.

Source: The Hallstrom Group, Inc.

TABLE I-5

Exhibit I

ESTIMATED TOTAL ADDITIONAL COMMERCIAL FLOOR SPACE AND ACREAGE DEMAND
FOR THE GENERAL STUDY AREA 2014 TO 2035
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

Scenario One: Minimum

Year	Forecast Floor Space Demand (in Sq. Ft.)	Divided by FAR Allowance (1)	Resulting Land Area Demand (in Acres)
Year-End 2013	763,736		72
2015	858,159	0.238	83
2020	1,028,381	0.238	99
2025	1,223,640	0.238	118
2030	1,445,584	0.238	139
2035	1,700,163	0.238	164

Scenario Two: Maximum

Year	Forecast Floor Space Demand (in Sq. Ft.)	Divided by FAR Allowance (1)	Resulting Land Area Demand (in Acres)
Year-End 2013	763,736		72
2015	935,719	0.238	90
2020	1,186,114	0.238	114
2025	1,492,025	0.238	144
2030	1,849,064	0.238	178
2035	2,268,342	0.238	219

FINISHED FLOOR SPACE ANALYSIS (in Square Feet)

Periodic Additions Required (Sq. Ft.):	Minimum	Maximum
2014 to 2015	94,423	171,983
2015 to 2020	170,222	250,395
2021 to 2025	195,259	305,912
2026 to 2030	221,944	357,039
2031 to 2035	254,579	419,278
Cumulative Additional Space Required:	**936,428**	**1,504,606**
Increase as a Percent of Existing Floor Space	**122.61%**	**197.01%**
Estimated Mid-Point Additional Space Required (2):		**1,220,517**

DEVELOPABLE LAND AREA ANALYSIS (in Acres)

Periodic Additions Required (Acres):	Minimum	Maximum
2014 to 2015	11	18
2015 to 2020	16	24
2021 to 2025	19	30
2026 to 2030	21	34
2031 to 2035	25	40
Cumulative Additional Acreage Required	**92**	**147**
Increase as a Percent of Existing Acreage:	**127.77%**	**203.89%**
Estimated Mid-Point Additional Acreage Required (2):		**119**

(1) Assuming average finished "Floor Area Ratio" of .28 for finished commercial development sites, and a net to gross ratio of 85 percent on the underlying site.

Source: The Hallstrom Group, Inc.

TABLE I-6 Exhibit I

SUMMARY OF SUBJECT PROJECTED COMMERCIAL DEMAND LEVELS
USING THE MARKET SHARES METHOD
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
Assuming Pre-Leasing to Begin in 2018

Scenario One: Using Minimum Demand Assumptions

Sales Year Date	Period	Total Regional Demand (in Square Feet)	Effective Subject Share	Indicated Total Subject Absorption (in Square Feet)
2018	1	34,044	40.00%	13,618
2019	2	34,044	40.00%	13,618
2020	3	34,044	40.00%	13,618
2021	4	39,052	40.00%	15,621
2022	5	39,052	40.00%	15,621
2023	6	39,052	40.00%	15,621
2024	7	39,052	40.00%	15,621
2025	8	39,052	40.00%	15,621
2026	9	44,389	40.00%	17,756
2027	10	44,389	40.00%	17,756
2028	11	44,389	40.00%	17,756
2029	12	44,389	40.00%	17,756
2030	13	44,389	40.00%	17,756
2031	14	50,916	40.00%	20,366
2032	15	50,916	40.00%	20,366
2033	16	50,916	40.00%	20,366
2034	17	50,916	40.00%	20,366
2035	18	50,916	40.00%	20,366
Totals		**807,960**	**40.00%**	**309,566**

Scenario Two: Using Maximum Demand Assumptions

Sales Year Date	Period	Total Regional Demand (in Square Feet)	Effective Subject Share	Indicated Total Subject Absorption (in Square Feet)
2018	1	50,079	45.00%	22,536
2019	2	50,079	45.00%	22,536
2020	3	50,079	45.00%	22,536
2021	4	61,182	45.00%	27,532
2022	5	61,182	45.00%	27,532
2023	6	61,182	45.00%	27,532
2024	7	61,182	45.00%	27,532
2025	8	61,182	45.00%	27,532
2026	9	71,408	45.00%	32,133
2027	10	71,408	45.00%	32,133
2028	11	71,408	45.00%	32,133
2029	12	71,408	45.00%	32,133
2030	13	71,408	45.00%	32,133
2031	14	83,856	45.00%	37,735
2032	15	83,856	45.00%	37,735
2033	16	83,856	45.00%	37,735
2034	17	83,856	45.00%	37,735
2035	18	83,856	45.00%	37,735
Totals		**1,282,544**	**45.00%**	**554,609**

Source: The Hallstrom Group, Inc.

TABLE II-1 Exhibit II

SUMMARY OF EXISTING INDUSTRIAL SPACE DEVELOPMENT IN HAWAII
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
As of 3rd Qtr 2013

County	C& C of Honolulu	Maui	Kauai	Hawaii	State Totals
Resident Population	991,000	147,700	69,461	191,083	1,399,243
De Facto Population	991,000	198,462	69,461	191,083	1,450,005
Total Estimated Industrial GLA (Square Feet)	**34,097,718**	**10,723,580**	**1,852,587**	**9,079,769**	**55,983,505**
2. Per Capita Spatial Allowance ***(Square Feet per Person)***					
Per Resident Population Member	34.41	72.60	26.67	47.52	40.01
Per De Facto Population Member	34.41	54.03	26.67	47.52	38.61
3. General Market Operating Overview					**State Averages**
Vacancy Rate	4.0%	2.0%	1.3%	2.1%	3.2%
Estimated Vacant Square Feet of GLA	1,365,208	214,560	23,183	192,804	1,795,755
Weighted Avg. Monthly Base per Square Foot Rents (1)					
Net	$1.06	$1.15	$0.87	$0.89	$1.05
Gross	$1.41	$1.48	$1.19	$1.21	$1.33
Average Monthly per Square Foot Operating Expenses (1)	$0.36	$0.33	$0.33	$0.32	$0.35
Space Absorbed in 2013 Through 3rd Quarter	113,480	41,870	2,176	(24,644)	132,882

(1) Recent leases.

Source: CB Richard Ellis, State DBEDT and The Hallstrom Group, Inc.

TABLE II-2 Exhibit II

COMMERCIAL & INDUSTRIAL CLASSIFIED VACANT LAND SUPPLY IN KIHEI
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

Tax Key	PITT	Land SF	Land Acres	Tenure	Vacant Land
Subject Property					
2-3-9-1-16	Industrial	1,312,550	30.132	Fee Simple	Yes
2-3-9-1-170	Industrial	806,687	18.519	Fee Simple	Yes
2-3-9-1-171	Industrial	851,118	19.539	Fee Simple	Yes
Maui Reserch & Technolgy Park		The Updated MRTP Master Plan, in the approval process, provides for up to 520,000 square feet of commercial floor and upwards of 1,000,000 SF of industrial floor space, the equivalent of some 44 and 83 acres, respectively.			
2-3-9-1-169	Industrial	571,899	13.129	Fee Simple	Yes
2-3-9-1-172	Industrial	213,356	4.898	Fee Simple	Yes
2-3-9-1-173	Industrial	40,249	0.924	Fee Simple	Yes
2-3-9-1-174	Industrial	37,418	0.859	Fee Simple	Yes
2-3-9-45-2	Industrial	20,119	0.462	Fee Simple	Yes
2-3-9-45-16	Industrial	73,602	1.690	Fee Simple	Yes
2-3-9-45-18	Industrial	29,480	0.677	Fee Simple	Yes
2-3-9-45-20	Industrial	38,172	0.876	Fee Simple	Yes
2-3-9-45-21	Industrial	10,341	0.237	Fee Simple	Yes
2-3-9-45-25	Industrial	535	0.012	Fee Simple	Yes
Total Including Subject Property		**4,005,526**	**91.954**		
Total Excluding Subject Property		**1,035,171**	**23.764**		

Note: Data retrived from Hawaii Information Service,

Source: Hawaii Information Service, and The Hallstrom Group, Inc.

TABLE II-3 Exhibit II

QUANTIFICATION OF INDUSTRIAL FLOOR SPACE DEMAND
IN THE GENERAL STUDY AREA FROM 2013 TO 2035
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

Scenario One: Minimum Population Estimates and Growth Rates

Year	De Facto Population (1) Annual Growth Rate	De Facto Population (1) Forecast Total	X	Per Capita Demand in Square Feet	=	Total Resident Demand in Square Feet	X	Regional Capture Rate	=	Net Regional Demand in Square Feet
Year-End 2013		48,957		54.00		2,643,701		35.0%		925,295
2015	0.99%	51,510		55.00		2,833,057		37.0%		1,048,231
2020	1.51%	55,709		57.50		3,203,245		42.0%		1,345,363
2025	1.47%	60,130		60.00		3,607,783		48.0%		1,731,736
2030	1.42%	64,737		62.50		4,046,081		54.0%		2,184,884
2035	1.42%	69,679		65.00		4,529,124		60.0%		2,717,474

Scenario Two: Maximum Population Estimates and Growth Rates

Year	De Facto Population (1) Annual Growth Rate	De Facto Population (1) Forecast Total	X	Per Capita Demand in Square Feet	=	Total Resident Demand in Square Feet	X	Regional Capture Rate	=	Net Regional Demand in Square Feet
Year-End 2013		48,957		54.00		2,643,701		35.0%		925,295
2015	0.96%	51,413		55.25		2,840,575		37.0%		1,051,013
2020	1.79%	56,482		58.25		3,290,053		43.0%		1,414,723
2025	1.83%	62,168		61.25		3,807,773		50.0%		1,903,887
2030	1.71%	67,980		64.25		4,367,735		57.0%		2,489,609
2035	1.66%	74,129		68.25		5,059,292		64.0%		3,237,947

Indicated Projection Mid-Point

Year	De Facto Population (1) Annual Growth Rate	De Facto Population (1) Forecast Population	X	Per Capita Demand in Square Feet	=	Total Resident Demand in Square Feet	X	Regional Capture Rate	=	Net Regional Demand in Square Feet
Year-End 2013		48,957		54.00		2,643,701		35.0%		925,295
2015	0.97%	51,462		55.13		2,836,822		37.0%		1,049,624
2020	1.65%	56,095		57.88		3,246,504		42.5%		1,379,764
2025	1.65%	61,149		60.63		3,707,141		49.0%		1,816,499
2030	1.57%	66,359		63.38		4,205,489		55.5%		2,334,046
2035	1.54%	71,904		66.63		4,790,592		62.0%		2,970,167

(1) In 2012, the average daily visitor census on Maui was 50,762 persons. We have estimated that 40 percent of this total finds lodging in the study area, as the Kihei/Wailea corridor has 7,233 (or 37 percent) of the total visitor units on the island.

Source: The Hallstrom Group, Inc.

TABLE J TABLE II-4 Exhibit II

ESTIMATED TOTAL ADDITIONAL INDUSTRIAL FLOOR SPACE AND ACREAGE DEMAND
FOR THE GENERAL STUDY AREA 2014 TO 2035
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

Scenario One: Minimum

Year	Forecast Floor Space Demand (in Sq. Ft.)	Divided by FAR Allowance (1)	Resulting Land Area Demand (in Acres)
Year-End 2013	960,000		92
2015	1,048,231	0.255	94
2020	1,345,363	0.255	121
2025	1,731,736	0.255	156
2030	2,184,884	0.255	197
2035	2,717,474	0.255	245

Scenario Two: Maximum

Year	Forecast Floor Space Demand (in Sq. Ft.)	Divided by FAR Allowance (1)	Resulting Land Area Demand (in Acres)
Year-End 2013	960,000		92
2015	1,051,013	0.255	95
2020	1,414,723	0.255	127
2025	1,903,887	0.255	171
2030	2,489,609	0.255	224
2035	3,237,947	0.255	292

FINISHED FLOOR SPACE ANALYSIS (in Square Feet)

Periodic Additions Required (Sq. Ft.):	Minimum	Maximum
2014 to 2015	88,231	91,013
2015 to 2020	297,132	363,710
2021 to 2025	386,373	489,164
2026 to 2030	453,148	585,722
2031 to 2035	532,590	748,338
Cumulative Additional Space Required:	**1,757,474**	**2,277,947**
Increase as a Percent of Existing Floor Space	**183.07%**	**237.29%**
Estimated Mid-Point Additional Space Required (2):		**2,017,711**

DEVELOPABLE LAND AREA ANALYSIS (in Acres)

Periodic Additions Required (Acres):	Minimum	Maximum
2014 to 2015	2	3
2015 to 2020	27	33
2021 to 2025	35	44
2026 to 2030	41	53
2031 to 2035	48	67
Cumulative Additional Acreage Required	**153**	**200**
Increase as a Percent of Existing Acreage:	**165.92%**	**216.85%**
Estimated Mid-Point Additional Acreage Required (2):		**176**

(1) Assuming average finished "Floor Area Ratio" of .30 for finished industrial development sites, and a net to gross ratio of 85 percent on the underlying site.

Source: The Hallstrom Group, Inc.

TABLE II-5 Exhibit II

SUMMARY OF SUBJECT PROJECTED INDUSTRIAL DEMAND LEVELS
USING THE MARKET SHARES METHOD
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
Assuming Pre-Leasing to Begin in 2018

Scenario One: Using Minimum Demand Assumptions

Sales Year Date	Period	Total Regional Demand (in Square Feet)	Effective Subject Share	Indicated Total Subject Absorption (in Square Feet)
2018	1	59,426	25.00%	14,857
2019	2	59,426	25.00%	14,857
2020	3	59,426	25.00%	14,857
2021	4	77,275	25.00%	19,319
2022	5	77,275	20.00%	15,455
2023	6	77,275	20.00%	15,455
2024	7	77,275	20.00%	15,455
2025	8	77,275	20.00%	15,455
2026	9	90,630	20.00%	18,126
2027	10	90,630	17.00%	15,407
2028	11	90,630	17.00%	15,407
2029	12	90,630	17.00%	15,407
2030	13	90,630	17.00%	15,407
2031	14	106,518	17.00%	18,108
2032	15	106,518	15.00%	15,978
2033	16	106,518	15.00%	15,978
2034	17	106,518	15.00%	15,978
2035	18	106,518	15.00%	15,978
Totals		**1,609,817**	**18.24%**	**287,481**

Scenario Two: Using Maximum Demand Assumptions

Sales Year Date	Period	Total Regional Demand (in Square Feet)	Effective Subject Share	Indicated Total Subject Absorption (in Square Feet)
2018	1	72,742	25.00%	18,186
2019	2	72,742	25.00%	18,186
2020	3	72,742	25.00%	18,186
2021	4	97,833	25.00%	24,458
2022	5	97,833	20.00%	19,567
2023	6	97,833	20.00%	19,567
2024	7	97,833	20.00%	19,567
2025	8	97,833	20.00%	19,567
2026	9	117,144	20.00%	23,429
2027	10	117,144	17.00%	19,915
2028	11	117,144	17.00%	19,915
2029	12	117,144	17.00%	19,915
2030	13	117,144	17.00%	19,915
2031	14	149,668	17.00%	25,444
2032	15	149,668	15.00%	22,450
2033	16	149,668	15.00%	22,450
2034	17	149,668	15.00%	22,450
2035	18	149,668	15.00%	22,450
Totals		**2,114,192**	**18.09%**	**375,612**

Source: The Hallstrom Group, Inc.

TABLE II-6

CONCLUDED SUBJECT FLOOR SPACE DEMAND
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
Assuming 588,000 Square Feet of Total Floor Space with Leasing Starting in 2018

Year	Development Year	Projected Mid-Point Demand in Square Feet			
		Commercial	Industrial	Yearly Total	Cumulative
2018	1	18,077	16,521	34,598	34,598
2019	2	18,077	16,521	34,598	69,195
2020	3	18,077	16,521	34,598	103,793
2021	4	21,576	21,888	43,465	147,258
2022	5	21,576	17,511	39,087	186,345
2023	6	21,576	17,511	39,087	225,432
2024	7	21,576	17,511	39,087	264,519
2025	8	21,576	17,511	39,087	303,606
2026	9	24,945	20,777	45,722	349,328
2027	10	24,945	17,661	42,605	391,934
2028	11	24,945	17,661	42,605	434,539
2029	12	24,945	17,661	42,605	477,144
2030	13	24,945	17,661	42,605	519,750
2031	14	29,051	21,776	50,826	570,576
2032	15	10,487	6,936	17,424	**588,000**

Source: The Hallstrom Group, Inc.

TABLE I-1 Exhibit III

QUANTIFICATION OF HOUSING UNIT DEMAND FOR THE KIHEI-MAKENA STUDY AREA 2013 TO 2035
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

	Year-End 2013	2015	2020	2025	2030	2035	Additional Units Required by 2035
Scenario One: Minimum Based on Planning Department Baseline Population Forecasts							
Resident Population	28,653 (1)	30,597	33,227	35,962	38,757	41,750	
Average Household Size (2)	2.50	2.48	2.46	2.44	2.42	2.41	
Total Resident Units Required	11,461	12,338	13,507	14,739	16,015	17,324	
Vacancy Allowance (3 % of resident unit demand)	344	370	405	442	480	520	
Non-Resident Purchaser Allowance (3) (20% of resident unit demand)	2,292	2,468	2,701	2,948	3,203	3,465	
TOTAL MARKET UNIT DEMAND	**14,097**	**15,175**	**16,614**	**18,128**	**19,699**	**21,308**	**7,258**
Scenario Two: Maximum Based on Planning Department Historical Trend Run Population Forecasts							
Resident Population	28,653 (1)	30,500	34,000	38,000	42,000	46,200	
Average Household Size (2)	2.50	2.46	2.43	2.40	2.37	2.35	
Total Resident Units Required	11,461	12,398	13,992	15,833	17,722	19,660	
Vacancy Allowance (5% of resident unit demand)	573	620	700	792	886	983	
Non-Resident Purchaser Allowance (3) (25% of resident unit demand)	2,865	3,100	3,498	3,958	4,430	4,915	
TOTAL MARKET UNIT DEMAND	**14,900**	**16,118**	**18,189**	**20,583**	**23,038**	**25,557**	**11,507**

CONCLUDED HOUSING UNIT DEMAND RANGE

	Existing	2014-2015	2016-2020	2021-2025	2026-2030	2031-2035	Totals
MINIMUM DEMAND							
Periodic	47	1,078	1,438	1,515	1,570	1,609	7,258
Cumulative	47	1,101	2,564	4,078	5,649	7,258	
Average Annual Demand (4)		551	292	303	314	322	
MAXIMUM DEMAND							
Periodic	850	1,218	2,071	2,394	2,455	2,519	11,507
Cumulative	850	1,643	4,139	6,533	8,988	11,507	
Average Annual Demand (4)		821	499	479	491	504	
MID-POINT DEMAND							
Periodic	449	1,148	1,755	1,954	2,013	2,064	9,383
Cumulative	449	1,372	3,351	5,306	7,318	9,383	
Average Annual Demand (4)		686	396	391	403	413	

(1) According to the 2010 US Census, there were 26,810 residents in the Primary Study Area (Kihei and Wailea CDPs). Figure escalated to year-end 2013 at compounde annual growth rate from 2000 to 2010 of 2.23 percent.
(2) Census reported average household size for Primary Study Area in 2010 was 2.499 persons (2.55 in Kihei and 2.20 in Wailea).
(3) There were 17,981 total "housing units" in the Primary Study Area in 2010 according to the Census, of which 4,433 were transient vacation rentals (DBEDT survey) resulting in a total residential unit count of 13,548 units in the study area Of these, 10,731 units (79.21%) were occupied by full-time resident households and 2,817 units (20.79%) were second-homes/part-time residences. We estimate the total residential units count is now 14,050.
(4) Existing (or latent) demand is assumed absorbed evenly from 2014 though 2020.

Source: US Census, County of Maui Planning Dept "Socio-Economic Forecast: Report", Various and The Hallstrom Group, Inc.

TABLE I-2 Exhibit III

ESTIMATE OF HOUSING PRICE AFFORDABILITY FOR MAUI RESIDENTS
Market Study of the Proposed Piilani Promenade
Kihei, Maui , Hawaii
Assuming Family of Four, 4.5 Percent Mortgage Interest Rate

1. Based on HUD/Maui County Criteria for Three-Bedroom Single Family House

Grouping Household Income as a Percent of County Median	Low Income 80% or less	Below-Moderate to Moderate Income 81% to 120%	Above-Moderate to Gap Group Income 121% to 160%
Gross Household Monthly Income, Using Maximum for Category (1)	$5,240	$7,860	$10,480
Amount Available for Debt Service (2)	$1,572	$2,358	$3,144
Maximum Mortgage Amount (3)	$329,273	$493,910	$658,546
Down payment at 5% of Sales Price	$17,330	$25,995	$34,660
Total Affordable Purchase Price, Maximum for Category	**$346,603**	**$519,905**	**$693,206**
Indicated Affordable Price Range for Category (Rounded)	**Up to $347,000**	**$347,000 to $520,000**	**$520,000 to $693,000**
County Pricing Guidelines for Other Unit Sizes and Types (4)			
Single Family			
One Bedroom House	$242,620	$363,930	$485,240
Two Bedroom House	$294,610	$441,915	$589,220
Three Bedroom House	**$346,600**	**$519,900**	**$693,200**
Four Bedroom House	$398,590	$597,885	$797,180
Multi-Family			
One Bedroom Unit	$218,330	$327,530	$443,730
Two Bedroom Unit	$265,115	$397,715	$530,315
Three Bedroom Unit	$311,900	$467,900	$623,900
Four Bedroom Unit	$358,985	$538,085	$717,485

2. Based on Conventional Financing Criteria

Grouping	Low Income	Below-Moderate to Moderate Income	Above-Moderate to Gap Group Income
Gross Household Monthly Income	$5,240	$7,860	$10,480
Maximum Allowable Housing Expense (4)	$1,467	$2,201	$2,934
Maximum Mortgage Amount (5)	$307,280	$461,024	$614,559
Down payment at 20% of Sales Price (6)	$76,820	$115,256	$153,640
Total Affordable Purchase Price	**$384,100**	**$576,280**	**$768,199**
Indicated Affordable Price Range for Category (Rounded)	**Up to $384,000**	**$384,000 to $576,000**	**$576,000 to $786,000**

THE BANK OF HAWAII INTEREST RATE ON A STANDARD 30-YEAR FIXED MORTGAGE DURING REPORT PREPARATION WAS 3.875% APR with 2.50 points or 4.000% with 1.25 points.

Note: Total Purchase Price estimate excludes any points associated with financing.

(1) Utilizing US HUD 2013 median household income estimate for Island of Maui of $78,600 annually for family of four.
(2) Based on Maui County mortgage affordability criteria at 30% of gross income, apart from any reserves.
(3) Assuming 4.0% annual interest and 30 year mortgage with 5% down payment, no discount points.
(4) Conventional financing with maximum monthly mortgage payment at 28% of gross income, apart from any reserves.
(5) Assuming 4.% annual interest and 30 year mortgage, with 20% down payment.
(6) Conventional financing standard.

Source: Maui County Dept. of Housing and Human Concerns, and The Hallstrom Group, Inc.

TABLE I-3 Exhibit III

MONTHLY AFFORDABLE RENT GUIDELINES FOR MAUI COUNTY BY UNIT SIZE AND PERCENTAGE OF MEDIAN FAMILY INCOME

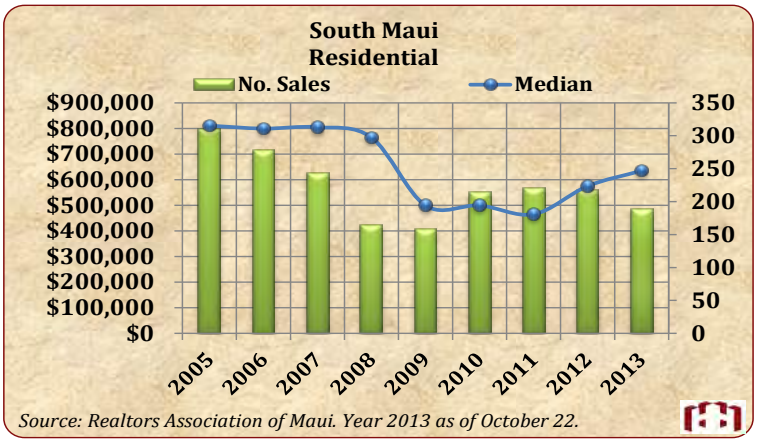
Percent of Median Income	Unit Size By Number of Bedrooms					
	Studio	1 BR	2 BR	3BR	4 BR	5 BR
10%	$138	$147	$177	$204	$228	$252
20%	$275	$295	$354	$409	$456	$503
30%	$413	$442	$531	$613	$684	$755
40%	$550	$737	$708	$818	$912	$1,006
50%	$688	$884	$884	$1,022	$1,140	$1,258
60%	$825	$1,032	$1,061	$1,226	$1,368	$1,509
70%	$963	$1,179	$1,238	$1,431	$1,896	$1,761
80%	$1,101	$1,326	$1,415	$1,635	$1,824	$2,012
90%	$1,238	$1,474	$1,592	$1,839	$2,052	$2,264
100%	$1,376	$1,621	$1,769	$2,044	$2,280	$2,515
110%	$1,513	$1,769	$1,945	$2,248	$2,507	$2,767
120%	$1,651	$1,916	$2,122	$2,452	$2,735	$3,018
130%	$1,788	$2,063	$2,299	$2,657	$2,963	$3,270
140%	$1,926	$2,476	$2,476	$2,861	$3,191	$3,521

Note: Affordable Rents are beased on 30% of gross monthly income. Does not include untilities.

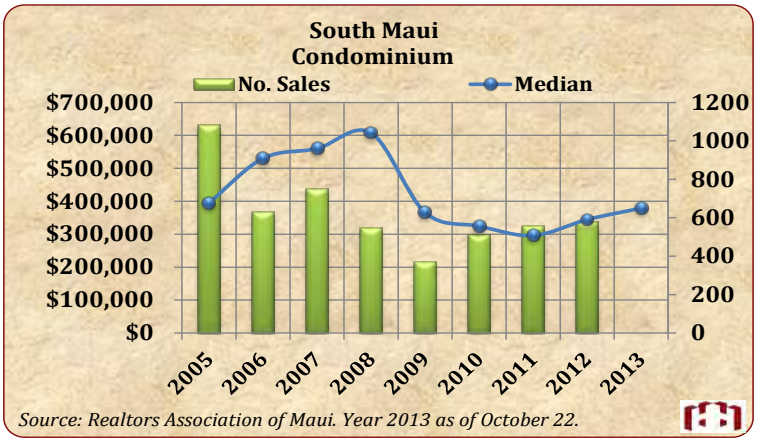
Source: Housing Division, Department of Housing and Human Concerns, County of Maui

TABLE I-4 Exhibit III

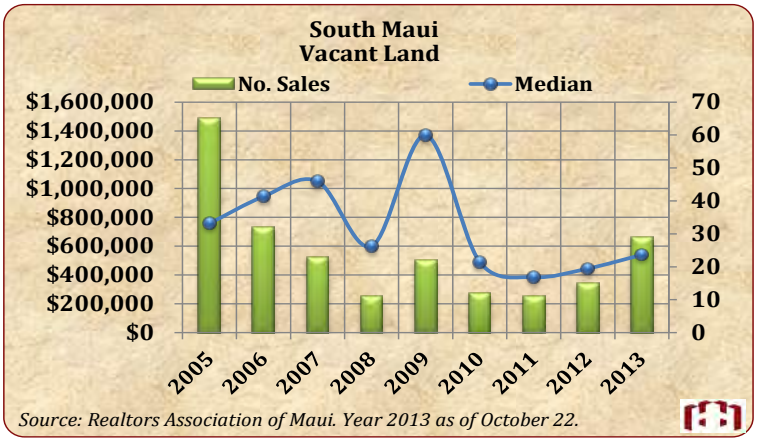
SOUTH MAUI RESIDENTIAL INVENTORY SALES
FROM 2005 TO OCTOBER 22, 2013
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
As Taken from Maui Multiple Listing Service Data, May not Include All Original Unit Sales



Source: Realtors Association of Maui. Year 2013 as of October 22.



Source: Realtors Association of Maui. Year 2013 as of October 22.



Source: Realtors Association of Maui. Year 2013 as of October 22.

TABLE 5 Exhibit III

RENTAL UNIT IN STUDY AREA BY UNIT TYPE (2005-2013)
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
With Number and Percent of Total Listings
Based on Maui MLS Data

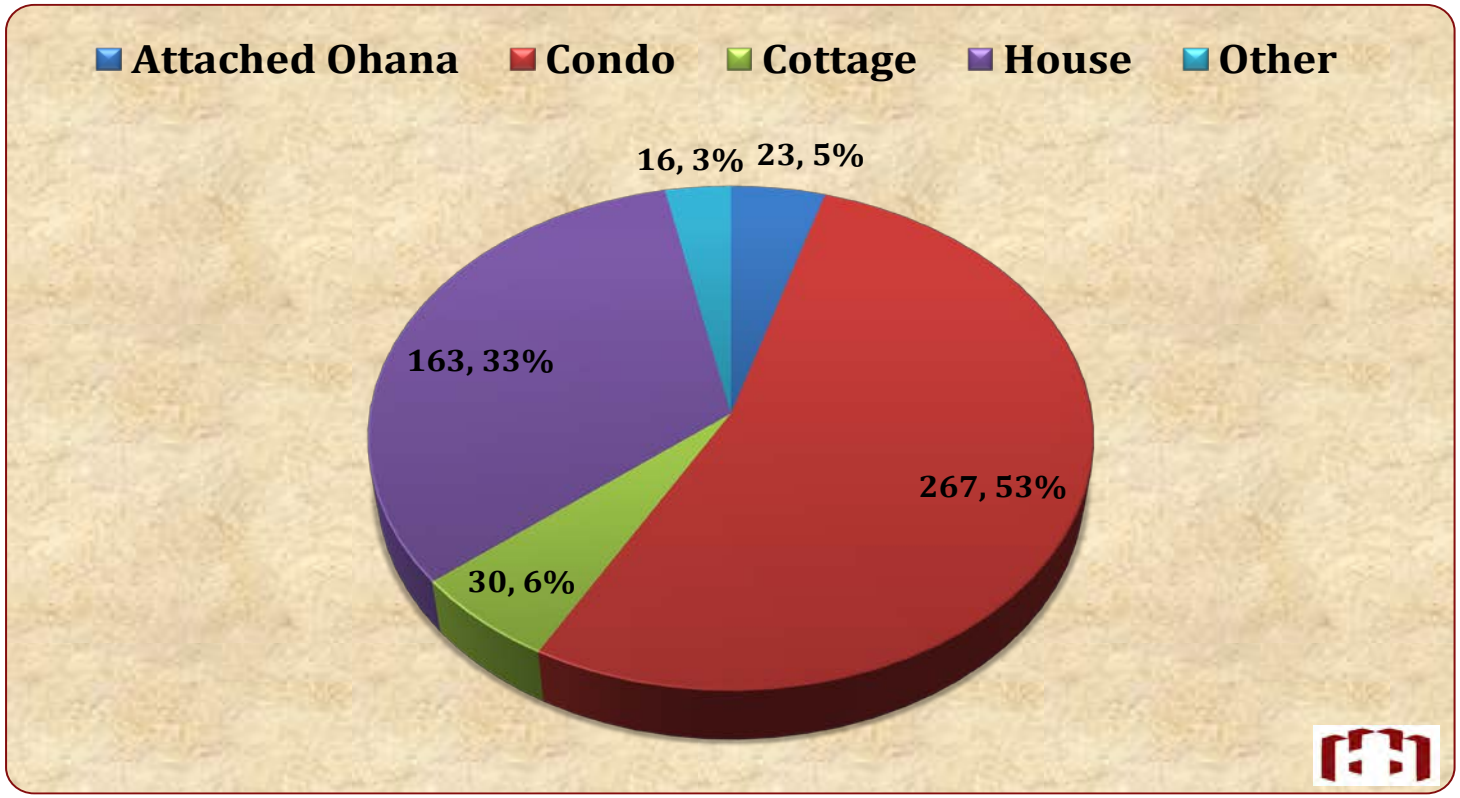


TABLE 6

Exhibit III

RESIDENTIAL SUPPLY IN TARGET AREA BY TYPE AND YEAR (2005-2013)
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

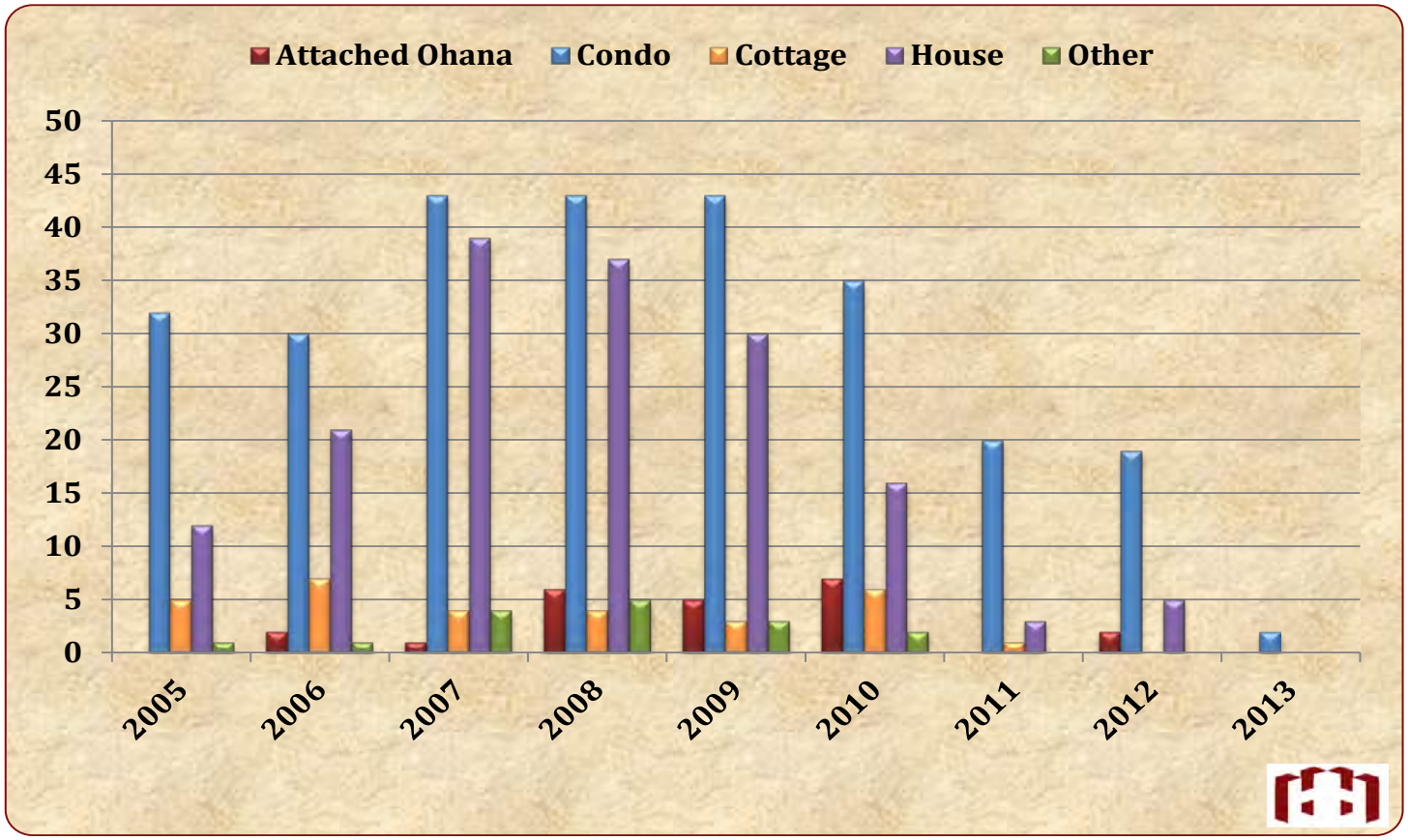
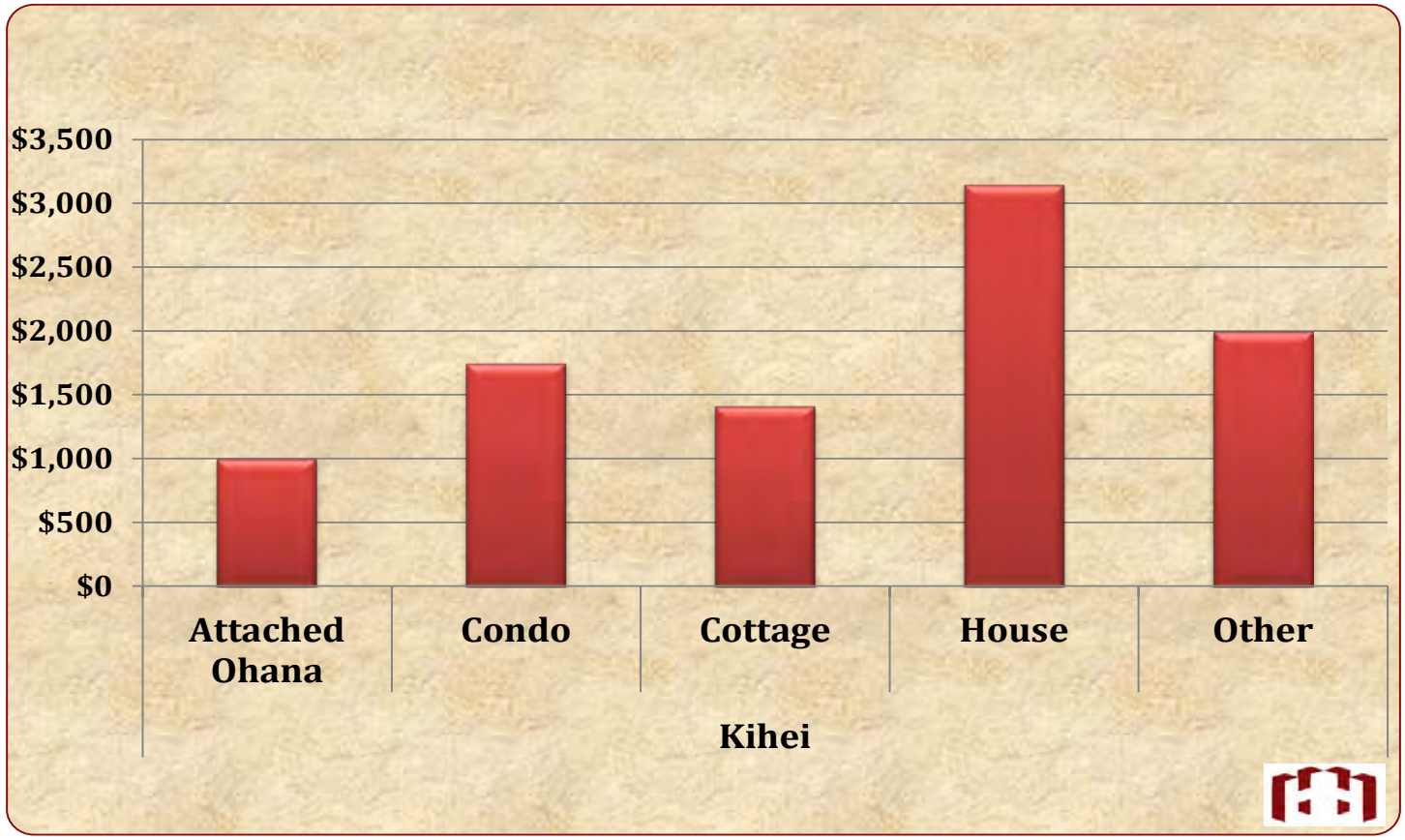


TABLE 7

EXHIBIT III

AVERAGE RENTAL ASKING PRICE BY LOCATION AND TYPE (2005-2013)
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii



Note: Maalaea, Maui Meadows & Wailea/Makena presented no residential listings during the study period.

TABLE 8

EXHIBIT III

AVERAGE ASKING RENT BY TYPE AND YEAR (2005-2013)
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

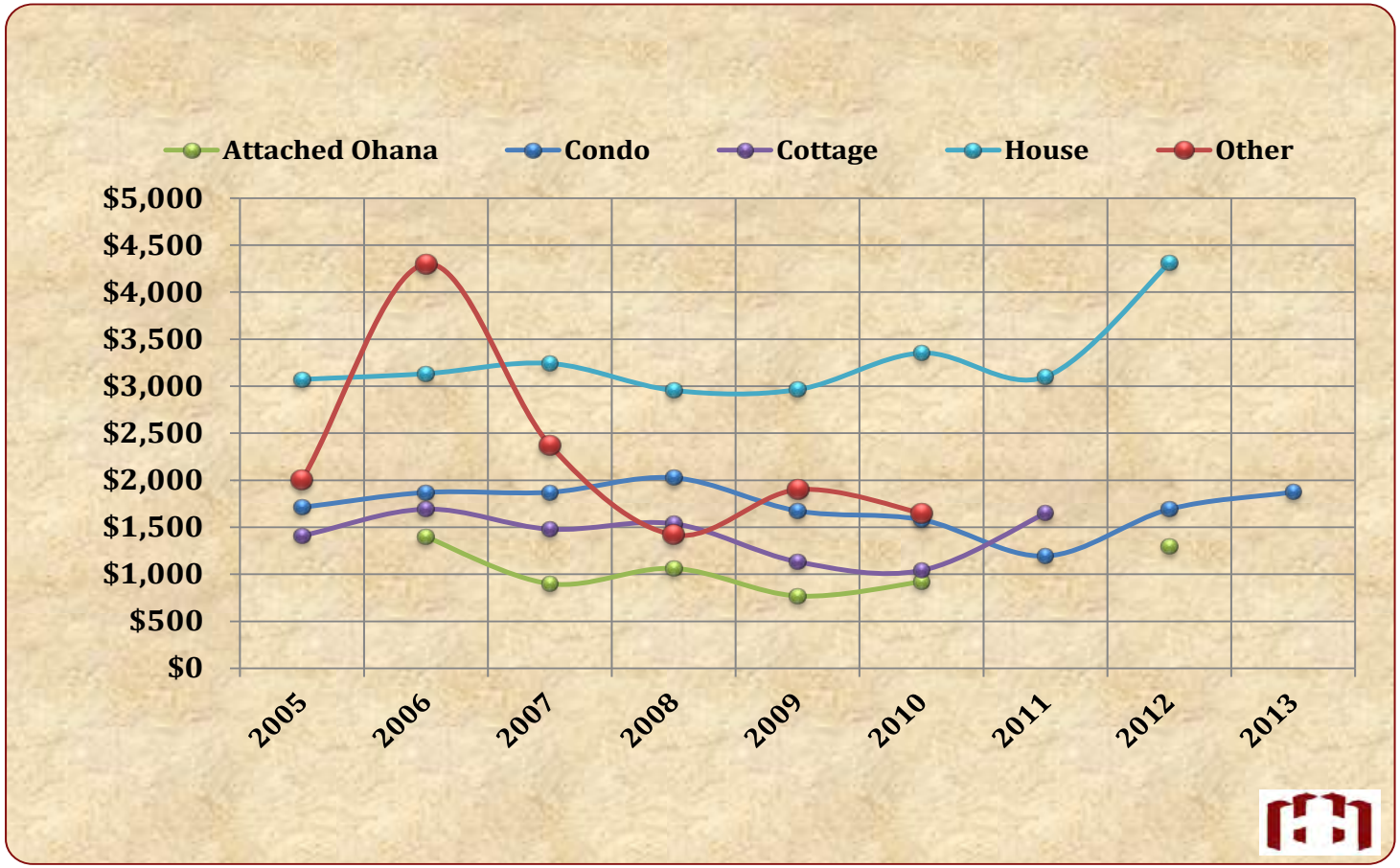


TABLE I-9 Exhibit III

STRIATED PROJECTIONS OF HOUSING UNIT DEMAND
BY SELLING PRICE IN KIHEI-MAKENA STUDYAREA 2013 TO 2035
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
Expressed in Constant 2013 Dollars

Period	Periodic Demand 2014 to 2015	2016 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	Total Demand 2014-2035
1. Minimum Demand Forecasts						
Less Than $350,000 (1)	**275**	**366**	**379**	**393**	**402**	**1,815**
Percent of Total Demand	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
$350,000 to $700,000 (2)	**441**	**585**	**606**	**628**	**644**	**2,903**
Percent of Total Demand	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
$700,000 to $1,000,000	**220**	**292**	**303**	**314**	**322**	**1,452**
Percent of Total Demand	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Over $1,000,000	**165**	**219**	**227**	**236**	**241**	**1,089**
Percent of Total Demand	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Total Market Demand	**1,101**	**1,462**	**1,515**	**1,570**	**1,609**	**7,258**
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2. Maximum Demand Forecasts						
Less Than $350,000 (1)	**411**	**624**	**599**	**614**	**630**	**2,877**
Percent of Total Demand	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
$350,000 to $700,000 (2)	**657**	**999**	**958**	**982**	**1,008**	**4,603**
Percent of Total Demand	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
$700,000 to $1,000,000	**329**	**499**	**479**	**491**	**504**	**2,301**
Percent of Total Demand	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Over $1,000,000	**246**	**374**	**359**	**368**	**378**	**1,726**
Percent of Total Demand	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Total Market Demand	**1,643**	**2,496**	**2,394**	**2,455**	**2,519**	**11,507**
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Current Median Housing Prices in South Maui (Year-to-Date 2013 Average to October 22)

Single Family Home Median Price	$635,000
Multi-Family Unit Average Price	$379,000
Average Price All Residential Units	$449,531

Note: The estimated median household income for Maui in 2013 is $78,600 for a four-person household; the accepted median baseline.

(1) This price is considered "affordable" for households earning 80% of the median county household income ("Low Income").
(2) This price is considered "affordable" for households earning from 81% to 160% of county median (includes "Below Moderate" to "Gap Income" categories).

Source: Maui County, DBEDT, MLS and The Hallstrom Group, Inc.

TABLE 1-10 Exhibit III

DIVISION OF PROJECTED DEMAND BY UNIT TYPE
FOR HOUSING UNITS IN KIEHI-MAKENA STUDY AREA 2014 TO 2035
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

	Periodic Demand (1)					Total Demand 2014-2035	Comments
	2014 to 2015	2016 to 2020	2021 to 2025	2026 to 2030	2031 to 2035		
1. Using Minimum Demand Projections							
Single Family Homes	419	556	576	597	612	2,758	The study area was among the first neighbor island regions to have significant numbers of "tract/spec" homes built relative to size of market, and this type of development has been the primary segment in the single family sector over the past two decades.
Percent of Total	38%	38%	38%	38%	38%	38%	
Single Family Lots	132	161	151	141	129	715	Prior to mid-80s, vacant lots were the primary single family development type. Now mainly limited to smaller and/or more upscale subdivisions. However, several major projects being proposed are expected to have some lot offerings.
Percent of Total	12%	11%	10%	9%	8%	10%	
Multifamily Units	551	746	788	832	869	3,785	The primary residential development type in the makai/resort areas of the region, although the number of available and competitive sites has become somewhat limited. Need for affordable/workforce units will fuel continuing development as will demand for more moderate-priced vacation units.
Percent of Total	50%	51%	52%	53%	54%	52%	
Total	**1,101**	**1,462**	**1,515**	**1,570**	**1,609**	**7,258**	
	100%	100%	100%	100%	100%	100%	
2. Using Maximum Projections							
Single Family Homes	624	949	910	933	957	4,373	
Percent of Total	38%	38%	38%	38%	38%	38%	
Single Family Lots	197	275	239	221	202	1,134	
Percent of Total	12%	11%	10%	9%	8%	10%	
Multifamily Units	821	1,273	1,245	1,301	1,361	6,001	
Percent of Total	50%	51%	52%	53%	54%	52%	
Total	**1,643**	**2,496**	**2,394**	**2,455**	**2,519**	**11,507**	
	100%	100%	100%	100%	100%	100%	
Mid-Point							
Single Family Homes	521	752	743	765	784	**3,565**	
Single Family Lots	165	218	195	181	165	**924**	
Multifamily Units	686	1,009	1,016	1,067	1,115	**4,893**	
Total	**1,372**	**1,979**	**1,954**	**2,013**	**2,064**	**9,383**	

Source: The Hallstrom Group, Inc.

TABLE I-11 Exhibit III

DIVISION OF PROJECTED DEMAND BETWEEN ONWER-OCCUPANTS AND RENTALS FOR HOUSING UNITS IN KIEHI-MAKENA STUDY AREA 2014 TO 2035
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

	Periodic Demand (1)					Total Demand 2014-2035
	2014 to 2015	2016 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	
1. Using Minimum Demand Projections						
Owner-Occupied Units	573	775	818	864	901	3,931
Percent of Total	52%	53%	54%	55%	56%	54%
Renter-Occupied Units	529	687	697	707	708	3,327
Percent of Total	48%	47%	46%	45%	44%	46%
Total	**1,101**	**1,462**	**1,515**	**1,570**	**1,609**	**7,258**
	100%	100%	100%	100%	100%	100%
2. Using Maximum Projections						
Owner-Occupied Units	854	1,323	1,293	1,350	1,411	6,231
Percent of Total	52%	53%	54%	55%	56%	54%
Renter-Occupied Units	789	1,173	1,101	1,105	1,109	5,276
Percent of Total	48%	47%	46%	45%	44%	46%
Total	**1,643**	**2,496**	**2,394**	**2,455**	**2,519**	**11,507**
	100%	100%	100%	100%	100%	100%
Mid-Point						
Owner-Occupied Units	714	1,049	1,055	1,107	1,156	**5,081**
Renter-Occupied Units	659	930	899	906	908	**4,302**
Total	**1,372**	**1,979**	**1,954**	**2,013**	**2,064**	**9,383**

Note: The 2010 Census identified owner-occupants as comprising 52 percent of the market and rental-occupied units at 48 percent of the Kihei-Makena study area, with nominal change from the 2000 census.

Source: The Hallstrom Group, Inc.

TABLE I-12 Exhibit III

COMPARISON OF PROPOSED KIHEI-MAKENA STUDY AREA LONG-TERM RESIDENTIAL SUPPLY ESTIMATES
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

Estimate Title	South Maui Development Projects Directed Growth Boundaries Map	Advisory Committee Final Recommendations
Purpose	To identify the extent of the proposed Directed Growth Boundaries in the Kihei-Makena region and the proposed development therein.	To support the on-going updating of the Kihei-Makena Community Plan
Prepared By	Long Range Planning Div. Dept. of Planning, Maui County	Maui General Plan Advisory Committee
Estimate of Approved/Proposed Future Supply		
Perspective	**Within Proposed DGB**	**Within Community Plan Region**
All Units in Study Area (1)		
Single Family	4,709	No Distinction by Unit Type
Multi Family	4,293	
Total	**9,002**	**7,034** (2)
Resort-Residential Units (3)		
Single Family	884	
Multi Family	832	
Total	**1,716**	
Net Resident-Oriented Housing Units (4)		
Single Family	4,114	
Multi Family	3,675	
Total	**7,789**	

Note: Both estimates include proposed Resort-Residential units in the Wailea and Makena destination resorts that are not intended for, nor competitive with the resident-oriented housing sector.

(1) Excludes "Time Share/Hotel" Units. Only a portion of the proposed 2,417 unit Kaonoulu Village site is within the DGB. We estimate about 60 percent of the project area is within the DGB, and have allocated the units accordingly.
(2) GPAC Maps include only a portion of several projects including Kaonoulu Village and Ohukai Village, and/or reflect lower densities than proposed by the developer. We have made appropriate allowances. Also included are the proposed 1,250 units within the Maui Research & Technology Park.
(3) Proposed units in the Wailea and Makena destination resorts, and ocean-influenced projects between them.
(4) We estimate that 40 percent of the proposed Makena Inventory of lots (669) and multifamily units (436) will be competitive within the resident-oriented housing market sector along with 10 percent of the other proposed resort-residential inventory in the area.

Source: As cited, and The Hallstrom Group, Inc.

TABLE I-13 Exhibit III

PROJECTION OF POTENTIAL SUBJECT UNIT ABSORPTION USING THE RESIDUAL METHOD BASED ON TOTAL DEMAND FOR RESIDENTIAL UNITS IN THE KIHEI-MAKENA STUDY AREA
Market Study of the Proposed Piilani Promenade
Kihei, Maui Hawaii
Based on Proposed Units Within the Proposed Directed Growth Boundary for Kihei-Makena, Using Mid-Point Demand Estimates

Segment	TOTAL UNITS	Sales Period 2014-2015	2016-2020	2021-2025	2026-2030	2031-2035	Total
Single Family (1)							
Identified Supply (2)	4,114	350	850	900	900	900	3,900
Market Share Percentage of Total Supply		58%	49%	48%	47%	46%	48%
Regional SF Lot/Home Demand (mid-point)	**4,490**	**686**	**970**	**938**	**946**	**950**	**4,490**
Shortage or (Excess) Supply	**375**	**336**	**120**	**38**	**46**	**50**	**590**
Potential Residual Subject SF Demand							
at 90% Capture Rate	338	302	108	34	41	45	531
at 80% Capture Rate	300	269	96	31	37	40	472
Multi Family							
Identified Supply (2)	3,675	250	900	975	1,000	1,050	4,175
Market Share Percentage of Total Supply		42%	51%	52%	53%	54%	52%
Regional MF Unit Demand (mid-point)	**4,893**	**686**	**1,009**	**1,016**	**1,067**	**1,115**	**4,893**
Shortage or (Excess) Supply	**1,218**	**436**	**109**	**41**	**67**	**65**	**718**
Potential Residual Subject MF Demand							
at 90% Capture Rate	1,096	392	98	37	60	58	646
at 80% Capture Rate	975	349	88	33	53	52	575
Total Single and Multi Family							
Identified Supply	7,789	600	1,750	1,875	1,900	1,950	8,075
Market Share Percentage of Total Supply		100%	100%	100%	100%	100%	100%
Regional Total Unit Demand (mid-point)	**9,383**	**1,372**	**1,979**	**1,954**	**2,013**	**2,064**	**9,383**
Shortage or (Excess) Supply	**1,594**	**772**	**229**	**79**	**113**	**114**	**1,308**
Potential Residual Subject Demand							
at 90% Capture Rate	1,434	695	206	72	101	103	1,177
at 80% Capture Rate	1,275	618	183	64	90	92	1,046

(1) Includes lots and finished homes.
(2) Timing of unit development based on information from numerous sources, including media articles, developer projections, Maui Affordable Residential Housing Study (12/2006), and logistic/market realities. Includes recently SLU-approved homes proposed within Maui Research and Technology Park.

Source: Maui County, Developers/Agents, & The Hallstrom Group, Inc.

TABLE I-14 Exhibit III

SUMMARY OF SUBJECT PROJECTED DEMAND LEVELS USING THE MARKET SHARES METHOD BASED ON RENTAL DEMAND
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

Scenario One: Using Minimum Demand Assumptions

Sales Year		Total Regional	Effective Subject	Indicated Total Subject
Date	Period	Rental Demand	Share	Absorption
2018	1	137	40.00%	55
2019	2	137	40.00%	55
2020	3	137	40.00%	55
2021	4	139	40.00%	56
2022	5	139	4.00%	6
Totals		**691**	**32.74%**	**226**

Scenario Two: Using Maximum Demand Assumptions

Sales Year		Total Regional	Effective Subject	Indicated Total Subject
Date	Period	Rental Demand	Share	Absorption
2018	1	235	40.00%	94
2019	2	235	40.00%	94
2020	3	235	16.50%	39
Totals		**704**	**32.17%**	**226**

ANALYSIS MID-POINT			
3.25 Years	**698**	**32.45%**	**226**

Source: The Hallstrom Group, Inc.

TABLE IV-1 Exhibit IV

PROPOSED DEVELOPMENT SCHEDULE AND ESTIMATED CONSTRUCTION COSTS
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
All Amounts Expressed in Constant 2013 Dollars

	Development and Sales Period				Totals During Build-Out
	2016 to 2017	2018 to 2022	2023 to 2027	2028 to 2032	
Infrastructure Emplacement	$33,000,000				**$33,000,000**
Commercial Construction (1)	$6,180,328	$34,977,382	$51,945,463	$43,684,752	**$136,787,925**
Industrial Construction (2)	$2,076,047	$8,304,190			**$10,380,237**
Apartment Construction (3)	$12,751,200	$19,126,800			**$31,878,000**
TOTAL PERIODIC CONSTRUCTION COSTS	**$54,007,576**	**$62,408,372**	**$51,945,463**	**$43,684,752**	**$212,046,162**
Contractor Profits	$5,400,758	$6,240,837	$5,194,546	$4,368,475	**$21,204,616**
Supplier Profits	$2,160,303	$2,496,335	$2,077,819	$1,747,390	**$8,481,846**

(1) Includes retail, restaurant, service and office/other components. Estimated average direct development cost of $258 per sq ft.
(2) Estimated average direct development cost of $180 per square foot.
(3) Assuming 226 total units with 29 one bedroom units at 600 Sq. Ft., 192 two bedroom units at 750 Sq. Ft., and 5 three-bedroom units at 900 sq. ft., with average cost of $193 per sq. ft.

Source: The Hallstrom Group, Inc.

TABLE IV-2 Exhibit IV

ESTIMATED YEARLY FULL-TIME EQUIVALENT EMPLOYMENT POSITIONS CREATED BY DEVELOPMENT
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii

	Development and Sales Period				Totals During Build-Out	
Construction Employment (1)	**2016 to 2017**	**2018 to 2022**	**2023 to 2027**	**2028 to 2032**		
Infrastructure Emplacement	83				**83**	
Commercial Construction	27	155	231	194	**608**	
Industrial Construction	9	37			**46**	
Apartment Units	57	85			**142**	
Total Periodic Construction Jobs	**176**	**277**	**231**	**194**	**878**	
On-Going Business Employment						**Stabilized Annually**
Commercial Worker Years (2)		613	2,242	4,342	**7,197**	
Total FTE Jobs in Place at End of Period		245	652	1,085		**1,085**
Industrial Worker Years (3)		261	522	522	**1,304**	
Total FTE Jobs in Place at End of Period		104	104	104		**104**
Maintenance & Common Element (4)		105	105	105	**315**	
Total FTE Jobs in Place at End of Period		21	21	21		**21**
Total Periodic On-Going Business Jobs		**1,328**	**3,625**	**6,158**	**8,816**	
Total FTE Jobs in Place at End of Period		**370**	**777**	**1,210**		**1,210**
Off-Site Employment (5)	44	401	964	1,588	**2,997**	
Total FTE Jobs in Place at End of Period		93	194	303		**303**
TOTAL PERIODIC WORKER YEARS	**220**	**2,007**	**4,820**	**7,940**	**12,692**	
TOTAL END-OF-PERIOD PERMANENT JOBCOUNT	**0**	**463**	**971**	**1,513**		**1,513**

(1) Infrastructure construction employment estimated at 1 worker-year for every $400,000 in costs. Vertical construction (all types) employment estimated at 1 worker-year for every $225,000 in costs. Includes all direct employment associated with construction, on and off-site.
(2) Employment estimated at 1 full-time-equivalent worker for every 350 square feet of gross floor area. First stores opening in 2017.
(3) Employment estimated at 1 full-time-equivalent worker for every 400 square feet of gross floor area. First businesses opening in 2017
(4) Includes project common element administration, security and maintenance staff of 10 jobs, and apartment staff of 11.
(5) Estimated at one cumulative off-site employment position for every four on site positions.

Source: Hallstrom Group, Inc.

TABLE IV-3 Exhibit IV

ESTIMATED YEARLY EMPLOYEE WAGES CREATED BY DEVELOPMENT
ASSUMING HISTORICAL ECONOMIC GROWTH TRENDS
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
All Amounts Expressed in Constant 2013 Dollars

	Development and Sales Period				Totals During Build-Out	
Construction Wages (1)	**2016 to 2017**	**2018 to 2022**	**2023 to 2027**	**2028 to 2032**		
Infrastructure Emplacement	$6,246,240				**$6,246,240**	
Commercial Construction	$2,079,667	$11,769,811	$17,479,533	$14,699,822	**$46,028,833**	
Industrial Construction	$698,585	$2,794,341			**$3,492,927**	
Multifamily Units	$4,290,750	$6,436,126			**$10,726,876**	
Total Periodic Construction Wages	**$13,315,243**	**$21,000,278**	**$17,479,533**	**$14,699,822**	**$66,494,876**	
On-Going Business Wages						**Stabilized Annually**
Commercial (2)		$19,969,058	$73,076,165	$141,501,311	**$212,471,513**	**$32,029,891**
Industrial (3)		$9,832,734	$19,665,467	$19,665,467	**$49,163,668**	**$3,933,093**
Maintenance & Common Element (4)		$4,242,000	$4,242,000	$4,242,000	**$12,726,000**	**$672,000**
Total Periodic On-Going Business Wages	**$0**	**$34,043,791**	**$96,983,633**	**$165,408,778**	**$274,361,181**	**$36,634,985**
Off-Site Employment Wages (5)	$1,776,257	$16,214,451	$38,946,617	$64,157,324	**$121,094,649**	**$12,224,159**
TOTAL PERIODIC WAGES	**$15,091,499**	**$71,258,521**	**$153,409,782**	**$244,265,924**	**$461,950,706**	**$48,859,144**

(1) Average annual wage for full-time-equivalent construction worker (all trades) at $75,712 ($35.26/hour X 2,080 hours).
(2) Average annual wage for full-time-equivalent retail trade& restaurant workers at $29,521 ($14.19/hour).
(3) Average annual wage for full-time-equivalent industrial worker estimated at $37,700 ($18.13/hour) based on average wage for manufacturing, trade, wholesale workers.
(2) Average annual wage for full-time-equivalent maintenance and security workers at $32,000 ($15.38/hour).
(5) Average annual wage for full-time-equivalent general worker at $40,400 ($19.42/hour), the average wage for all "Total Private Workers" in the state.

Wages taken from State of Hawaii "Hawaii Workforce Infonet" "Data and Publications>Hours and Earnings" for January 2012.

Source: Hallstrom Group, Inc.

TABLE IV-4 Exhibit IV

ESTIMATED RESIDENT POPULATION, HOUSEHOLD INCOME AND DISCRETIONARY EXPENDITURES
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
All Amounts Expressed in Constant 2013 Dollars

	Development and Sales Period				
	2016 to 2017	2018 to 2022	2023 to 2027	2028 to 2032	Totals
				Stabilized	
Apartment Units					
Number of Units Occupied		226	226	**226**	
One Bedroom Units		30	30	**30**	
Percent of Total Units		13%	13%	**13%**	
Two Bedroom Units		192	192	**192**	
Percent of Total Units		85%	85%	**85%**	
Three Bedroom Units		4	4	**4**	
Percent of Total Units		2%	2%	**2%**	
One Bedroom Unit Population (1)		54	54	**54**	
Two Bedroom Unit Population (2)		538	538	**538**	
Three Bedroom Unit Population (3)		15	15	**15**	
Total Resident Population		**607**	**607**	**607**	
RESIDENT HOUSEHOLD INCOME (4)					During Build-Out
Annually		**$17,213,400**	**$17,213,400**	**$17,213,400**	
Periodic		**$68,853,600**	**$86,067,000**	**$86,067,000**	**$240,987,600**
TOTAL DISPOSABLE EXPENDITURES AFTER HOUSING COSTS (5)					
Annually (at end of period)		**$8,606,700**	**$8,606,700**	**$8,606,700**	
Periodic		**$34,426,800**	**$43,033,500**	**$43,033,500**	**$120,493,800**

(1) Average household size of 1.80 persons.
(2) Average household size of 2.80 persons.
(3) Average household size of 3.80 persons.
(4) One-bedroom unit households at 75% of Maui household income average, two-bedroom unit households at 100% of Maui average, three-bedroom units at 110%.
(5) Assumes 15% of gross income for taxes, 30% for rent and 5% for utlitiles. Leaving 50% of gross income as net disposable.

Source: The Hallstrom Group, Inc.

TABLE IV-5 Exhibit IV

PROJECTED ON-SITE OPERATING ECONOMIC ACTIVITY
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
All Amounts Expressed in Constant 2013 Dollars

	Development and Sales Period					
	2016 to 2017	2018 to 2022	2023 to 2027	2028 to 2032	Totals During Build-Out	Stabilized Annually
Commercial Businesses (1)		$179,834,965	$658,100,641	$1,094,480,712	**$1,932,416,317**	**$318,420,000**
In-Project Resident Population Patronage %		1.50%	1.25%	1.00%	**1.25%**	**1.00%**
Outside Project Patronage Expenditures		$177,137,440	$649,874,383	$1,083,535,905	**$1,908,261,113**	**$315,235,800**
Industrial Businesses (2)		$57,588,000	$115,176,000	$115,176,000	**$287,940,000**	**$23,035,200**
In-Project Resident Population Patronage %		0.50%	0.50%	0.50%	**0.50%**	**0.50%**
Outside Project Patronage Expenditures		$57,300,060	$114,600,120	$114,600,120	**$286,500,300**	**$22,920,024**
Apartment Rents (3)		$24,953,400	$27,726,000	$27,726,000	**$80,405,400**	**$5,545,200**
In-Project Resident Population Patronage %		100%	100%	100%	**100%**	**100%**
Outside Project Patronage Expenditures		$0	$0	$0	**$0**	**$0**
Maintenance & Common Element (4)		$3,056,990	$5,481,549	$8,135,049	**$16,673,587**	**$1,718,976**
In-Project Resident Population Patronage %		100%	100%	100%	**100%**	**100%**
Outside Project Patronage Expenditures		$0	$0	$0	**$0**	**$0**
Total Economic Activity						
In-Project Resident Population Patronage		$30,995,854	$42,009,687	$47,381,736	**$120,387,277**	**$10,563,552**
% of Total Activity		11.7%	5.2%	3.8%	**5.2%**	**3.0%**
Outside Project Patronage Spending		$234,437,500	$764,474,503	$1,198,136,025	**$2,197,048,028**	**$338,155,824**
% of Total Activity		88.3%	94.8%	96.2%	**94.8%**	**97.0%**
TOTAL PERIODIC PROJECT GROSS REVENUES	**$0**	**$265,433,354**	**$806,484,190**	**$1,245,517,761**	**$2,317,435,305**	**$348,719,376**

(1) Estimated based on average annual sales of $600 per square foot.
(2) Estimated based on average annual sales of $400 per square foot.
(3) Estimated at average rent of $1,600/month for one-bedroom units, $2,100 per month for two-bedroom, and $2,500 per month for three-bedroom.
(4) Estimated at $2,400 per apartment unit per year and $2 per square foot of total leaseable area per year.

Source: Hallstrom Group, Inc.

TABLE IV-6 Exhibit IV

SUMMARY OF ECONOMIC IMPACTS ASSOCIATED WITH DEVELIOPMENT
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
All Amounts Expressed in Constant 2013 Dollars

	Development and Sales Period					
	2016 to 2017	2018 to 2022	2023 to 2027	2028 to 2032	Totals During Build-Out	Stabilized Annually
Construction Activity						
Construction Wages	$13,315,243	$21,000,278	$17,479,533	$14,699,822	**$66,494,876**	
Contractor Profits	$5,400,758	$6,240,837	$5,194,546	$4,368,475	**$21,204,616**	
Supplier Profits	$2,160,303	$2,496,335	$2,077,819	$1,747,390	**$8,481,846**	
Other Construction Costs	$33,131,273	$32,670,921	$27,193,565	$22,869,065	**$115,864,824**	
Total Construction Impact	**$54,007,576**	**$62,408,372**	**$51,945,463**	**$43,684,752**	**$212,046,162**	
Project De Facto Population Spending						
On-Site Spending		$30,995,854	$42,009,687	$47,381,736	**$120,387,277**	$10,563,552
Off-Site Spending		$28,384,346	$28,749,813	$23,377,764	**$80,511,923**	$3,588,348
Total Project Population Impact		$59,380,200	$70,759,500	$70,759,500	**$200,899,200**	**$14,151,900**
Outside Patronage Spending		**$234,437,500**	**$764,474,503**	**$1,198,136,025**	**$2,197,048,028**	**$338,155,824**
TOTAL BASE ECONOMIC IMPACT	**$54,007,576**	**$356,226,072**	**$887,179,466**	**$1,312,580,276**	**$2,609,993,390**	**$352,307,724**

Source: Hallstrom Group, Inc.

TABLE IV-7 Exhibit IV

ESTIMATES OF TOTAL ECONOMIC IMPACT FROM SUBJECT CONSTRUCTION
USING STATE INPUT-OUTPUT MODEL "TYPE II" MULTIPLIERS
Market Study of the Proposed Piilani Promenade
Kihei, Maui,, Hawaii
All Amounts Expressed in Constant 2013 Dollars

	Development and Sales Period				Totals
Year	**2016 to 2017**	**2018 to 2022**	**2023 to 2027**	**2028 to 2032**	
Construction Costs	**$54,007,576**	**$62,408,372**	**$51,945,463**	**$43,684,752**	**$212,046,162**
1. Economic Output Multiplier	2.12	2.12	2.12	2.12	2.12
Total State Economic Output	**$114,496,060**	**$132,305,748**	**$110,124,382**	**$92,611,674**	**$449,537,863**
2. Earnings Multiplier	0.61	0.61	0.61	0.61	0.61
Total Increase in State Earnings	**$32,944,621**	**$38,069,107**	**$31,686,733**	**$26,647,699**	**$129,348,159**
3. State Tax Multipliers	0.12	0.12	0.12	0.12	0.12
Total Increase in State Taxes	**$6,480,909**	**$7,489,005**	**$6,233,456**	**$5,242,170**	**$25,445,539**
4. Total Job Multipliers	13.83	13.83	13.83	13.83	13.83
Total State Jobs Created	**746.9**	**863.1**	**718.4**	**604.2**	**2,932.6**
Construction Employment	**176**	**277**	**231**	**194**	**878**
5. Direct-Effect Job Multipliers	2.68	2.68	2.68	2.68	2.68
Total Direct Jobs Created	**471.3**	**743.4**	**618.7**	**520.3**	**2,353.7**
Construction Wages	**$13,315,243**	**$21,000,278**	**$17,479,533**	**$14,699,822**	**$66,494,876**
6. Direct-Effect Earnings	2.02	2.02	2.02	2.02	2.02
Total Increase in Direct Earnings	**$26,896,790**	**$42,420,562**	**$35,308,656**	**$29,693,640**	**$134,319,649**

Source: State Input-Output Model (approved July 2011), and The Hallstrom Group, Inc.

TABLE IV-8 Exhibit IV

ESTIMATES OF TOTAL ECONOMIC IMPACT FROM SUBJECT OPERATIONS
USING STATE INPUT-OUTPUT MODEL "TYPE II" MULTIPLIERS
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
All Amounts Expressed in Constant 2013 Dollars

	Development Year			Totals	Stabilized
Year	2018 to 2022	2023 to 2027	2028 to 2032	During Build-Out	Annually
Operating Revenues	**$265,433,354**	**$806,484,190**	**$1,245,517,761**	**$2,317,435,305**	**$348,719,376**
1. Economic Output Multiplier	2.09	2.09	2.09	2.09	2.09
Total State Economic Output	**$554,755,711**	**$1,685,551,957**	**$2,603,132,120**	**$4,843,439,787**	**$728,823,496**
2. Earnings Multiplier	0.66	0.66	0.66	0.66	0.66
Total Increase in State Earnings	**$175,186,014**	**$532,279,565**	**$822,041,722**	**$1,529,507,301**	**$230,154,788**
3. State Tax Multipliers	0.16	0.16	0.16	0.16	0.16
Total Increase in State Taxes	**$42,469,337**	**$129,037,470**	**$199,282,842**	**$370,789,649**	**$55,795,100**
4. Total Job Multipliers	19.00	19.00	19.00	19.00	19.00
Total State Jobs Created	**5,043.2**	**15,323.2**	**23,664.8**	**44,031.3**	**6,625.7**
Operating Employment	**1,328**	**3,625**	**6,158**	**11,111**	**1,210**
5. Direct-Effect Job Multipliers	2.05	2.05	2.05	2.05	2.05
Total Direct Jobs Created	**2,722.4**	**7,431.7**	**12,624.0**	**22,778.2**	**2,481.1**
Operating Wages	**$15,091,499**	**$71,258,521**	**$153,409,782**	**$244,265,924**	**$48,859,144**
6. Direct-Effect Earnings	1.89	1.89	1.89	1.89	1.89
Total Increase in Direct Earnings	**$28,522,934**	**$134,678,605**	**$289,944,489**	**$461,662,596**	**$92,343,782**

Source: State Input-Output Model (approved July 2011), and The Hallstrom Group, Inc.

TABLE V-1 Exhibit V

PUBLIC FISCAL COSTS/BENEFITS SUMMARY TABLE
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
All Amounts Expressed in Constant 2013 Dollars

	Development and Sales Period					
Development Period	**2016 to 2017**	**2018 to 2022**	**2023 to 2027**	**2028 to 2032**	**Totals During Build-Out Period**	**Stabilized Annually After Build-out**
PUBLIC BENEFITS (Revenues)						
1. COUNTY REAL PROPERTY TAXES						
Land Assessed Value						
Commercial		$41,164,200	$41,164,200	$41,164,200		$41,164,200
Industrial	$26,250,000	$23,522,400	$23,522,400	$23,522,400		$23,522,400
Residential		$5,645,376	$5,645,376	$5,645,376		$5,645,376
Total Assessed Value	**$26,250,000**	**$70,331,976**	**$70,331,976**	**$70,331,976**		**$70,331,976**
Improvements Assessed Value						
Commercial		$41,157,710	$93,103,173	$136,787,925		$136,787,925
Industrial	$0	$10,380,237	$10,380,237	$10,380,237		$10,380,237
Residential		$31,878,000	$31,878,000	$31,878,000		$31,878,000
Total Assessed Value	**$0**	**$83,415,947**	**$135,361,410**	**$179,046,162**		**$179,046,162**
REAL PROPERTY TAXES						
Commercial		$2,901,847	$4,732,925	$6,272,812	$13,907,585	$1,254,562
Industrial	$383,250	$1,237,446	$1,237,446	$1,237,446	$4,095,589	$247,489
Residential		$1,200,748	$1,200,748	$1,200,748	$3,602,244	$240,150
Total Real Property Taxes	**$383,250**	**$5,340,042**	**$7,171,119**	**$8,711,007**	**$21,605,417**	**$1,742,201**
2. STATE INCOME TAXES						
Taxable Personal Income	$15,091,499	$140,112,121	$239,476,782	$330,332,924	$725,013,327	**$66,072,544**
Taxable Corporate Profits	$756,106	$27,417,053	$81,375,655	$125,163,363	$234,712,177	**$34,871,938**
Personal Taxes Paid	$769,666	$7,145,718	$12,213,316	$16,846,979	$36,975,680	**$3,369,700**
Corporate Taxes Paid	$33,269	$1,206,350	$3,580,529	$5,507,188	$10,327,336	**$1,534,365**
TOTAL STATE INCOME TAXES	**$802,935**	**$8,352,068**	**$15,793,845**	**$22,354,167**	**$47,303,015**	**$4,904,065**
3. STATE GROSS EXCISE TAX						
Taxable Transactions						
Construction Contracts	$54,007,576	$62,408,372	$51,945,463	$43,684,752	$212,046,162	
Worker Disposable Income Purchases	$9,054,900	$42,755,113	$92,045,869	$146,559,554	$290,415,436	$29,315,486
Resident Population Discretionary Expenditures (on/off site) & Rents	$0	$59,380,200	$70,759,500	$70,759,500	$200,899,200	$14,151,900
Non-Resident Patronage Expenditures	$0	$234,437,500	$764,474,503	$1,198,136,025	$2,197,048,028	$338,155,824
Total Taxable Transactions	**$63,062,475**	**$398,981,184**	**$979,225,335**	**$1,459,139,831**	**$2,900,408,826**	**$381,623,210**
TOTAL STATE EXCISE TAX	**$2,627,624**	**$16,624,349**	**$40,801,382**	**$60,797,979**	**$120,851,335**	**$15,901,094**
TOTAL GROSS PUBLIC REVENUES						
To County of Maui (Item #1)	**$383,250**	**$5,340,042**	**$7,171,119**	**$8,711,007**	**$21,605,417**	**$1,742,201**
Adjustment for Other Proportional Taxes (1)	**1.47**	**1.47**	**1.47**	**1.47**	**1.47**	**1.47**
Adjusted Maui County Revenues	**$563,378**	**$7,849,861**	**$10,541,545**	**$12,805,180**	**$31,759,964**	**$2,561,036**
Plus Impact Fees (2)	**$2,214,749**	**$0**	**$0**	**$0**	**$2,214,749**	
Total County of Maui Receipts	**$2,778,126**	**$7,849,861**	**$10,541,545**	**$12,805,180**	**$33,974,713**	**$2,561,036**
To State (Items #2 & #3)	**$3,430,559**	**$24,976,417**	**$56,595,227**	**$83,152,146**	**$168,154,350**	**$20,805,159**
Adjustment for Other Proportional Taxes (3)	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**
Adjusted State Revenues	**$4,288,199**	**$31,220,522**	**$70,744,033**	**$103,940,183**	**$210,192,937**	**$26,006,449**
Plus Impact Fees (2)	**$533,926**	**$0**	**$0**	**$0**	**$533,926**	
Total State of Hawaii Receipts	**$4,822,125**	**$31,220,522**	**$70,744,033**	**$103,940,183**	**$210,726,863**	**$26,006,449**
AGGREGATE TAX REVENUES	**$5,385,503**	**$39,070,383**	**$81,285,579**	**$116,745,363**	**$242,486,827**	**$28,567,485**
PUBLIC COSTS (Expenses)						
By County of Maui	**$0**	**$1,966,439**	**$1,966,439**	**$1,966,439**	**$5,899,317**	**$1,966,439**
By State of Hawaii	**$0**	**$5,273,869**	**$5,273,869**	**$5,273,869**	**$15,821,606**	**$5,273,869**
TOTAL PUBLIC COSTS	**$0**	**$7,240,308**	**$7,240,308**	**$7,240,308**	**$21,720,924**	**$7,240,308**
TOTAL NET PUBLIC BENEFITS						
To County of Maui	**$563,378**	**$5,883,422**	**$8,575,106**	**$10,838,741**	**$25,860,646**	**$594,597**
To State of Hawaii	**$4,822,125**	**$25,946,653**	**$65,470,165**	**$98,666,314**	**$194,905,257**	**$20,732,580**
AGGREGATE NET BENEFITS	**$5,385,503**	**$31,830,075**	**$74,045,271**	**$109,505,055**	**$220,765,903**	**$21,327,177**

(1) Real property taxes comprise 68.1 percent of General Fund in the Maui County 2012-13 budget.. Economic activity generates other revenue items of 31.9 percent or additional 46.8 percent above real property taxes.
(2) For parks, water/wastewater service, schools and other items. Additional impact fees may be assessed.
(3) In recent fiscal years, Gross Excise and Income Taxes have averaged circa 80 percent of total State revenues; other revenue items 20 percent, or 25 percent above income and gross excise taxes.

Source: The Hallstrom Group, Inc.

TABLE V-2 Exhibit V

PUBLIC FISCAL COSTS/BENEFITS SUMMARY TABLE
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
All Amounts Expressed in Constant 2013 Dollars

	Development and Sales Period					
Development Period	**2016 to 2017**	**2018 to 2022**	**2023 to 2027**	**2028 to 2032**	**Totals During Build-Out Period**	**Stabilized Annually After Build-out**
PUBLIC BENEFITS (Revenues)						
1. COUNTY REAL PROPERTY TAXES						
Land Assessed Value						
Commercial		$41,164,200	$41,164,200	$41,164,200		$41,164,200
Industrial	$26,250,000	$23,522,400	$23,522,400	$23,522,400		$23,522,400
Residential		$5,645,376	$5,645,376	$5,645,376		$5,645,376
Total Assessed Value	**$26,250,000**	**$70,331,976**	**$70,331,976**	**$70,331,976**		**$70,331,976**
Improvements Assessed Value						
Commercial		$41,157,710	$93,103,173	$136,787,925		$136,787,925
Industrial	$0	$10,380,237	$10,380,237	$10,380,237		$10,380,237
Residential		$31,878,000	$31,878,000	$31,878,000		$31,878,000
Total Assessed Value	**$0**	**$83,415,947**	**$135,361,410**	**$179,046,162**		**$179,046,162**
REAL PROPERTY TAXES						
Commercial		$2,901,847	$4,732,925	$6,272,812	$13,907,585	$1,254,562
Industrial	$383,250	$1,237,446	$1,237,446	$1,237,446	$4,095,589	$247,489
Residential		$1,200,748	$1,200,748	$1,200,748	$3,602,244	$240,150
Total Real Property Taxes	**$383,250**	**$5,340,042**	**$7,171,119**	**$8,711,007**	**$21,605,417**	**$1,742,201**

Source: The Hallstrom Group, Inc.

TABLE V-3 Exhibit V

PUBLIC FISCAL COSTS/BENEFITS SUMMARY TABLE
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
All Amounts Expressed in Constant 2013 Dollars

	Development and Sales Period					
Development Period	**2016 to 2017**	**2018 to 2022**	**2023 to 2027**	**2028 to 2032**	**Totals During Build-Out Period**	**Stabilized Annually After Build-out**
2. STATE INCOME TAXES						
Taxable Personal Income	$15,091,499	$140,112,121	$239,476,782	$330,332,924	$725,013,327	**$66,072,544**
Taxable Corporate Profits	$756,106	$27,417,053	$81,375,655	$125,163,363	$234,712,177	**$34,871,938**
Personal Taxes Paid	$769,666	$7,145,718	$12,213,316	$16,846,979	$36,975,680	**$3,369,700**
Corporate Taxes Paid	$33,269	$1,206,350	$3,580,529	$5,507,188	$10,327,336	**$1,534,365**
TOTAL STATE INCOME TAXES	**$802,935**	**$8,352,068**	**$15,793,845**	**$22,354,167**	**$47,303,015**	**$4,904,065**
3. STATE GROSS EXCISE TAX						
Taxable Transactions						
Construction Contracts	$54,007,576	$62,408,372	$51,945,463	$43,684,752	$212,046,162	
Worker Disposable Income Purchases	$9,054,900	$42,755,113	$92,045,869	$146,559,554	$290,415,436	$29,315,486
Resident Population Discretionary Expenditures (on/off site)	$0	$59,380,200	$70,759,500	$70,759,500	$200,899,200	$14,151,900
Non-Resident Patronage Expenditures	$0	$234,437,500	$764,474,503	$1,198,136,025	$2,197,048,028	$338,155,824
Total Taxable Transactions	**$63,062,475**	**$398,981,184**	**$979,225,335**	**$1,459,139,831**	**$2,900,408,826**	**$381,623,210**
TOTAL STATE EXCISE TAX	**$2,627,624**	**$16,624,349**	**$40,801,382**	**$60,797,979**	**$120,851,335**	**$15,901,094**

Source: The Hallstrom Group, Inc.

TABLE V-4 Exhibit V

PUBLIC FISCAL COSTS/BENEFITS SUMMARY TABLE
Market Study of the Proposed Piilani Promenade
Kihei, Maui, Hawaii
All Amounts Expressed in Constant 2013 Dollars

	Development and Sales Period					
Development Period	2016 to 2017	2018 to 2022	2023 to 2027	2028 to 2032	Totals During Build-Out Period	Stabilized Annually After Build-out
TOTAL GROSS PUBLIC REVENUES						
To County of Maui (Item #1)	$383,250	$5,340,042	$7,171,119	$8,711,007	$21,605,417	$1,742,201
Adjustment for Other Proportional Taxes (1)	1.47	1.47	1.47	1.47	1.47	1.47
Adjusted Maui County Revenues	$563,378	$7,849,861	$10,541,545	$12,805,180	$31,759,964	$2,561,036
Plus Impact Fees (2)	$2,214,749	$0	$0	$0	$2,214,749	
Total County of Maui Receipts	$2,778,126	$7,849,861	$10,541,545	$12,805,180	$33,974,713	$2,561,036
To State (Items #2 & #3)	$3,430,559	$24,976,417	$56,595,227	$83,152,146	$168,154,350	$20,805,159
Adjustment for Other Proportional Taxes (3)	1.25	1.25	1.25	1.25	1.25	1.25
Adjusted State Revenues	$4,288,199	$31,220,522	$70,744,033	$103,940,183	$210,192,937	$26,006,449
Plus Impact Fees (2)	$533,926	$0	$0	$0	$533,926	
Total State of Hawaii Receipts	$4,822,125	$31,220,522	$70,744,033	$103,940,183	$210,726,863	$26,006,449
AGGREGATE TAX REVENUES	$5,385,503	$39,070,383	$81,285,579	$116,745,363	$242,486,827	$28,567,485
PUBLIC COSTS (Expenses)						
By County of Maui	$0	$1,966,439	$1,966,439	$1,966,439	$5,899,317	$1,966,439
By State of Hawaii	$0	$5,273,869	$5,273,869	$5,273,869	$15,821,606	$5,273,869
TOTAL PUBLIC COSTS	$0	$7,240,308	$7,240,308	$7,240,308	$21,720,924	$7,240,308
TOTAL NET PUBLIC BENEFITS						
To County of Maui	$563,378	$5,883,422	$8,575,106	$10,838,741	$25,860,646	$594,597
To State of Hawaii	$4,822,125	$25,946,653	$65,470,165	$98,666,314	$194,905,257	$20,732,580
AGGREGATE NET BENEFITS	$5,385,503	$31,830,075	$74,045,271	$109,505,055	$220,765,903	$21,327,177

(1) Real property taxes comprise 68.1 percent of General Fund in the Maui County 2012-13 budget.. Economic activity generates other revenue items of 31.9 percent or additional 46.8 percent above real property taxes.
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Source: The Hallstrom Group, Inc.

THE HALLSTROM GROUP INC.
REAL ESTATE
CONSULTANTS
& APPRAISERS

PROFESSIONAL BACKGROUND AND SERVICES

The Hallstrom Group, Inc. is a Honolulu based independent professional organization that provides a wide scope of real estate consulting services throughout the State of Hawaii with particular emphasis on valuation studies. The purpose of the firm is to assist clients in formulating realistic real estate decisions. It provides solutions to complex issues by delivering thoroughly researched, objective analyses in a timely manner. Focusing on specific client problems and needs, and employing a broad range of tools including after-tax cash flow simulations and feasibility analyses, the firm minimizes the financial risks inherent in the real estate decision making process.

The principals and associates of the firm have been professionally trained, are experienced in Hawaiian real estate, and are actively associated with the Appraisal Institute and the Counselors of Real Estate, nationally recognized real estate appraisal and counseling organizations.

The real estate appraisals prepared by The Hallstrom Group accomplish a variety of needs and function to provide professional value opinions for such purposes as mortgage loans, investment decisions, lease negotiations and arbitrations, condemnations, assessment appeals, and the formation of policy decisions. Valuation assignments cover a spectrum of property types including existing and proposed resort and residential developments, industrial properties, high-rise office buildings and condominiums, shopping centers, subdivisions, apartments, residential leased fee conversions, special purpose properties, and vacant acreage, as well as property assemblages and portfolio reviews.

Market studies are research-intensive, analytical tools oriented to provide insight into investment opportunities and development challenges, and range in focus from highest and best use determinations for a specific site or improved property, to an evaluation of multiple (present and future) demand and supply characteristics for long-term, mixed-use projects. Market studies are commissioned for a variety of purposes where timely market information, insightful trends analyses, and perceptive conceptual conclusions or recommendations are critical. Uses include the formation of development strategies, bases for capital commitment decisions, evidence of appropriateness for state and county land use classification petitions, fiscal and social impact evaluations, and the identification of alternative economic use/conversion opportunities.

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PROFESSIONAL QUALIFICATIONS OF THOMAS W. HOLLIDAY

Business Affiliation

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

Education

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

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

Recent Neighbor Island Assignments

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

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

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

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

- Major Neighbor Island Valuation Assignments

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

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