

Appendix F

CBRE Letter Response to DEIS Comments Regarding Market and Econometric Studies,
April 9, 2019

Market and Econometric Studies, Proposed Keālia Mauka Homesites
CBRE
2017



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April 9, 2019

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Vice President
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Pacific Guardian Center, Makai Tower
733 Bishop Street, Suite 2590
Honolulu, Hawaii 96813

**RE: Response to LUC and DOE Comments Regarding
Market and Econometric Studies of the
Proposed Kealia Mauka Homesites Development
Kealia, Kauai, Hawaii 96751
CBRE, Inc. File No. 17-251LA-0900**

Dear Mr. Ezer:

At your request, we have examined the review comments of the State of Hawaii Land Use Commission (LUC) and the State of Hawaii Department of Education (DOE) regarding our September 20, 2017, Market and Econometric Studies of the of the Proposed Kealia Mauka Homesites Development, a proposed 235-lot single family subdivision to be located on some 53.4 acres fronting the mauka (west) side of Kuhio Highway adjacent to the Kealia Town subdivision, inland from Kealia Beach, on the northerly outskirts of Kapaa Town, Kauai, Hawaii.

Our responses to their comments and inquires as contained in a series of emails forwarded to us are as follows:

1. **There are 235 lots in the proposed development not 236.** We acknowledge the discrepancy. However, the differences resulting from a single lot in our analyses, only 0.42% of the total count, is insignificant in our analyses. Our projected absorption for the entire project would still be at "about 4.5 years" and the effect on our Economic Impact Analysis and Public Fiscal Assessment is nominal; less than \$400,000 out of \$121 million in Direct Capital Investment and \$225 million in Kauai Base Economic Impact, basically within the rounding/margin of error.
2. **The correct TMK is Fourth Division, TMK 4-7-001: 001 (portion).** We acknowledge our TMK references in the report were in error and stand corrected. Despite this error, we note all of our maps show the correct project site, our study was based on the correct physical property and there would be no changes in our conclusions resulting from revising the TMK.

3. **Our tables are “out-of-date” as they refer to 2017 and 2018 and it is now 2019.** This is a typical outcome in the EIS process which typically requires several years to complete. As stated in our report:

“We note, that even if the timing of development, absorption of home construction moves from our projections it does not change the resultant outcomes or indicators as the use of constant dollars removes time as a determinant variable. The purpose of the model is to illustrate how capital, jobs, wages, population and business activity will flow over time for planning and budgeting purposes apart from any present value considerations.”

4. **Development costs have increased by \$10 million subsequent to our study date.** Our models and outcomes were based on the information/costs made available to us at that time. For a major project such as Kealia Mauka it would be expected for development costs to change over time (typically increasing) as additional requirements/obligations are identified by the on-going planning, engineering and review processes and due to inflation. The \$10 million increase will favorably create a five to ten percent increase in capital investment, construction jobs, taxes and economic activity. However, we believe the amount should only be included in our report within the context of a full update effort.
5. **Support for conclusion that 20% of Kealia Mauka purchasers will be non-residents.** Please refer to the table at the top of page 34 of the report (and contained in the Addenda as Table A-7). Second home/non-residents purchasers represent some 18.9% of all housing units on Kauai, and range from 8.3% to 32.8% in the greater Kapaa area (Wailua to Anahola); a proportion that has been increasing over time. See also footnote #2 on the table on page 23 (A-3 in the Addenda), which states:

“(2) There were an estimated 19,428 total residential and resort-residential units in the Lihue to Moloaa Corridor (East Kauai) as of the second quarter of 2017. These included 3,428 registered TVR units and 16,000 residential units, of which 13,120 units (82% of total residential inventory) are occupied/available for full-time resident Kauai households and 2,880 (18% of inventory) are owned by non-Kauai residents (second homes).”

We have conservatively assumed the percentage would be similar at Kealia Mauka and used a stabilized figure of 20% of all inventory. This percentage is supported by numerous studies we have completed on Maui, the Big Island and elsewhere on Kauai.

6. **We request that the additional costs to the State and County to support the non-resident second homeowner demographic within the project to be broken-down by type of service and facility.** We did not complete such specific analysis within our scope of study. As noted (emphasis added):

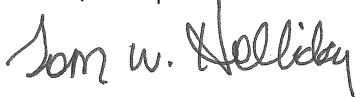
“We have analyzed the public fiscal impacts considering only the non-resident component of KMH, relative to tax benefits flowing to the State and County of Kauai and the cost of providing government services to them on a per capita basis.”

Based on the per capita within a countywide community perspective of our modeling, we would anticipate the service and facilities required by the non-resident component of Kealia Mauka would be identical to the existing budget and planning allowances for the County as-a-whole. Determination of the need for additional, specific facilities and services (police, fire, EMS, schools) would be best estimated by those departments/providers.

7. **Is there an estimated geographic breakdown of where the local buyers are from on the island, particularly regarding children attending public schools ?** Our basic assumption was that the resident household purchasers (representing 80% of the project) would generally be coming from the Lihue to Moloaa Corridor which comprised the study area. It was thought there would be fewer island residents who would consider relocating from a greater distance. However, we acknowledge that purchasers may come from other parts of the island given the general shortage of available housing units, new inventory and affordable prices. Including South/West Kauai and the North Shore would only increase the potential demand.
8. **What would be a reasonable assumption on the percentage of future students coming from within and outside the Kapaa district?** We did not consider where public school students would be coming from within the study corridor and where they are currently attending school.
9. **Is it reasonable to assume that many (or most) of the off-island purchasers will be empty nesters without school aged children?** Absolutely. We anticipate virtually all the non-resident purchasers will use their Kealia Mauka property on a second-home/vacation basis and not become full-time Kauai residents, with the remainder being primarily comprised of "empty nesters" with no school age children. We forecast a nominal to negligible number of public school students will be forthcoming from these households.

Respectfully submitted,

CBRE, Inc. | Valuation & Advisory Services



Tom W. Holliday
Director

MARKET AND ECONOMETRIC STUDIES

PROPOSED KEALIA MAUKA HOMESITES DEVELOPMENT

Kealia, Kauai, Hawaii 96751

CBRE, Inc. File No. 17-251LA-0900

Scott Ezer, Principal in Charge

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September 20, 2017

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Honolulu, Hawaii 96813

**RE: Market and Econometric Studies of the
Proposed Kealia Mauka Homesites Development
Kealia, Kauai, Hawaii 96751
CBRE, Inc. File No. 17-251LA-0900**

Dear Mr. Ezer:

At your request, we have completed a series of market and econometric analyses associated with the proposed Kealia Mauka Homesites (KMH) subdivision, a 236-lot master planned single family residential community to be located on some 53.4 acres fronting the mauka (west) side of Kuhio Highway, adjacent to the Kealia Town subdivision, inland from Kealia Beach, on the northerly outskirts of Kapaa Town, Kauai, Hawaii.

The project will offer finished house lots ranging in size from 6,000 square feet to 7,652 square feet, and include 5.86 acres of open space/parks and detention basins. The irregular-shaped site is generally level to slightly sloping, at street-grade, offers distant mountain views and is identified on State of Hawaii Tax Maps as Fourth Division Tax Map Key 4-7-9, Parcels 1 & 2 (portions). The holding is in the East Kauai Development Plan area, towards the northerly end of the "Coconut Coast" corridor, which stretches along the easterly shoreline of the island, it has favorable access characteristics, desirable climate, is proximate to employment and services, and is a natural expansion of the existing greater Kapaa community.

The development will be oriented towards full-time Kauai resident household buyers. Finished house lot prices will be consistent with comparable product elsewhere in the Lihue/East Kauai region with a portion designated for meeting workforce/affordable pricing guidelines established by the County. It is anticipated finished home values will range from "affordable" for low-moderate income households to market-pricing levels. The project will provide new, needed inventory in one of Kauai's primary residential and commercial regions; as a project having an unrestricted market-priced component there will be some non-resident second home/vacation purchasers.

The master developer plans to offer all subject inventory as vacant building lots. The subdivision's houses would be built by individual lot purchasers ("custom" homes) or in blocks by third-party

contractors ("spec/tract" homes). Lot/home owners may elect to build an Accessory Dwelling Unit (ADU) on their property as then-permitted by County ordinance, but we have not considered such potentials in our analyses or modeling. Homes will not be permitted to operate as Transient Vacation Rentals (TVRs). There will be a community association with a minimal monthly fee per lot.

The KMH site is currently within the State Land Use Agriculture District, is zoned "Agriculture" by the County of Kauai, and identified for "Residential Community" use on the County Kawaihau/East Kauai Planning District Land Use Map.

Our study is primarily comprised of three elements:

1. **Market Study.** To ascertain whether there will exist sufficient demand in the Lihue/East Kauai study area (referred to as the "Lihue to Moloaa Corridor") single family residential real estate market sector to successfully absorb the finished KMH vacant house lot inventory in a timely manner given its characteristics and those of competing in-place and proposed regional development.
2. **Economic Impact Analysis.** To estimate the general and specific effects on the local economy which will result from the development of KMH, including capital investment, construction and on-going maintenance employment, worker wages and household income, contractor/supplier profits, the de facto population at build-out (resident and second home users) and their expenditures, and other regional monetary and employment effects.
3. **Public Cost/Benefit Assessment.** To quantify the impact on the public purse arising from the subject project in new tax/fee revenues received versus new on-going costs associated with the population which will be borne by the State of Hawaii and Kauai County due to the project's actualization.

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

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

As part of our investigation and analysis we have:

- inspected the subject property and its environs;
- researched the Lihue and East Kauai residential real property market sectors;
- interviewed knowledgeable parties active in the regional economy and property development;
- reviewed federal, state and county materials, statistics, policies and publications;

- accessed on-line databases; and
- compiled materials from published and private sources, and our files.

There were no extraordinary or hypothetical assumptions made for our analysis beyond the assumption the KMH was entitled and subdivided as proposed.

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

We appreciate the opportunity to be of service to HHF Planners and Kealia Properties LLC, regarding this prominent holding and needed project.

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

Respectfully submitted,

CBRE - VALUATION & ADVISORY SERVICES

A handwritten signature in black ink that reads "Tom W. Holliday". The signature is written in a cursive, flowing style. Below the signature is a horizontal line.

Tom Holliday, CRE, FRICS
Director

Phone: (808) 541-5120

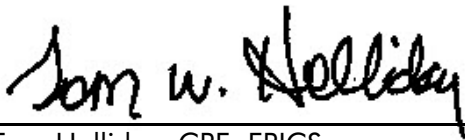
Fax: (808) 541-5155

Email: Tom.Holliday@cbre.com

Certification

I certify to the best of my knowledge and belief:

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



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Director

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- B ESTIMATED SUBJECT ABSORPTION TABLES
- C ECONOMIC IMPACT ANALYSIS TABLES
- D PUBLIC FISCAL ASSESSMENT TABLES
- E PROFESSIONAL QUALIFICATIONS

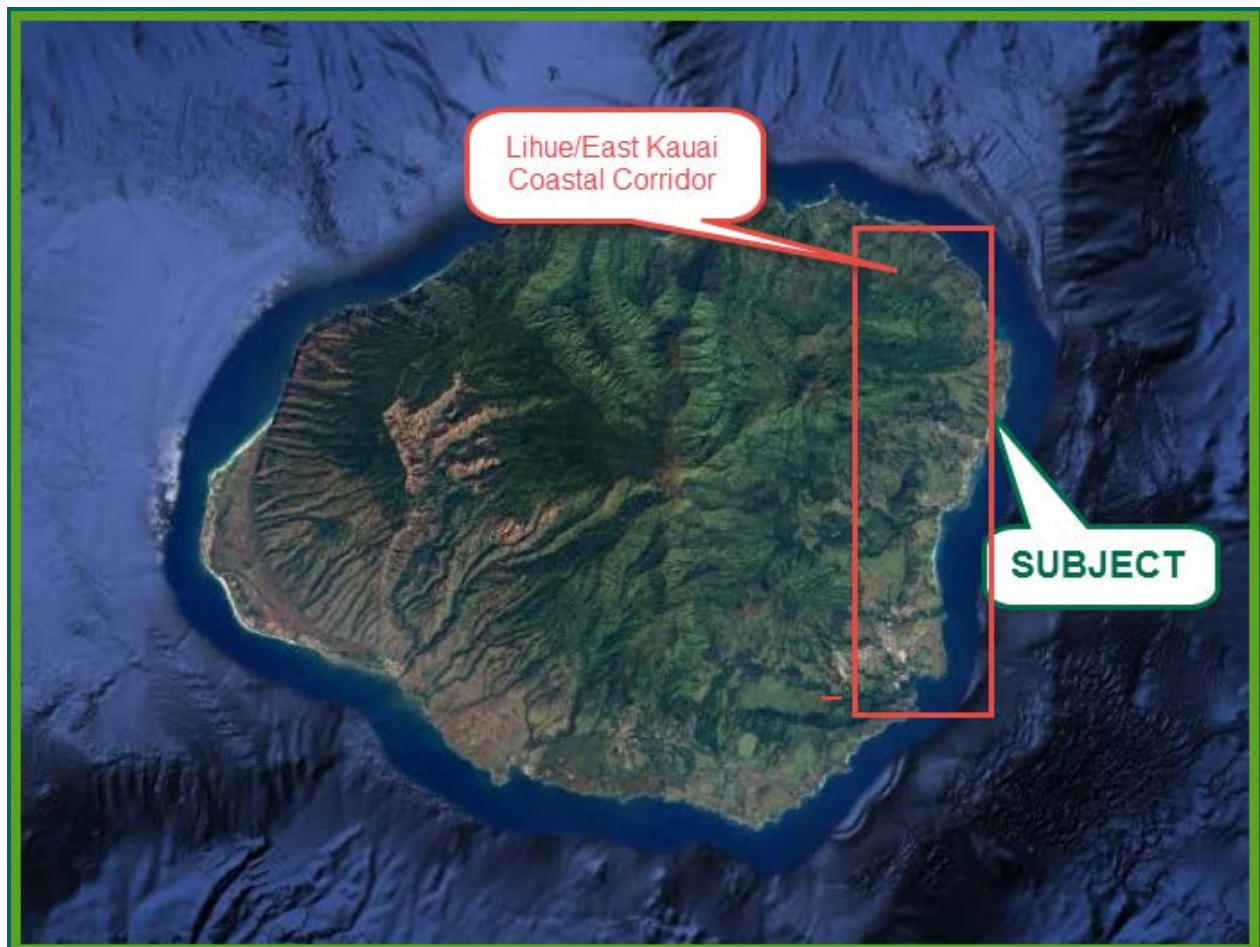
Executive Summary

INTRODUCTION

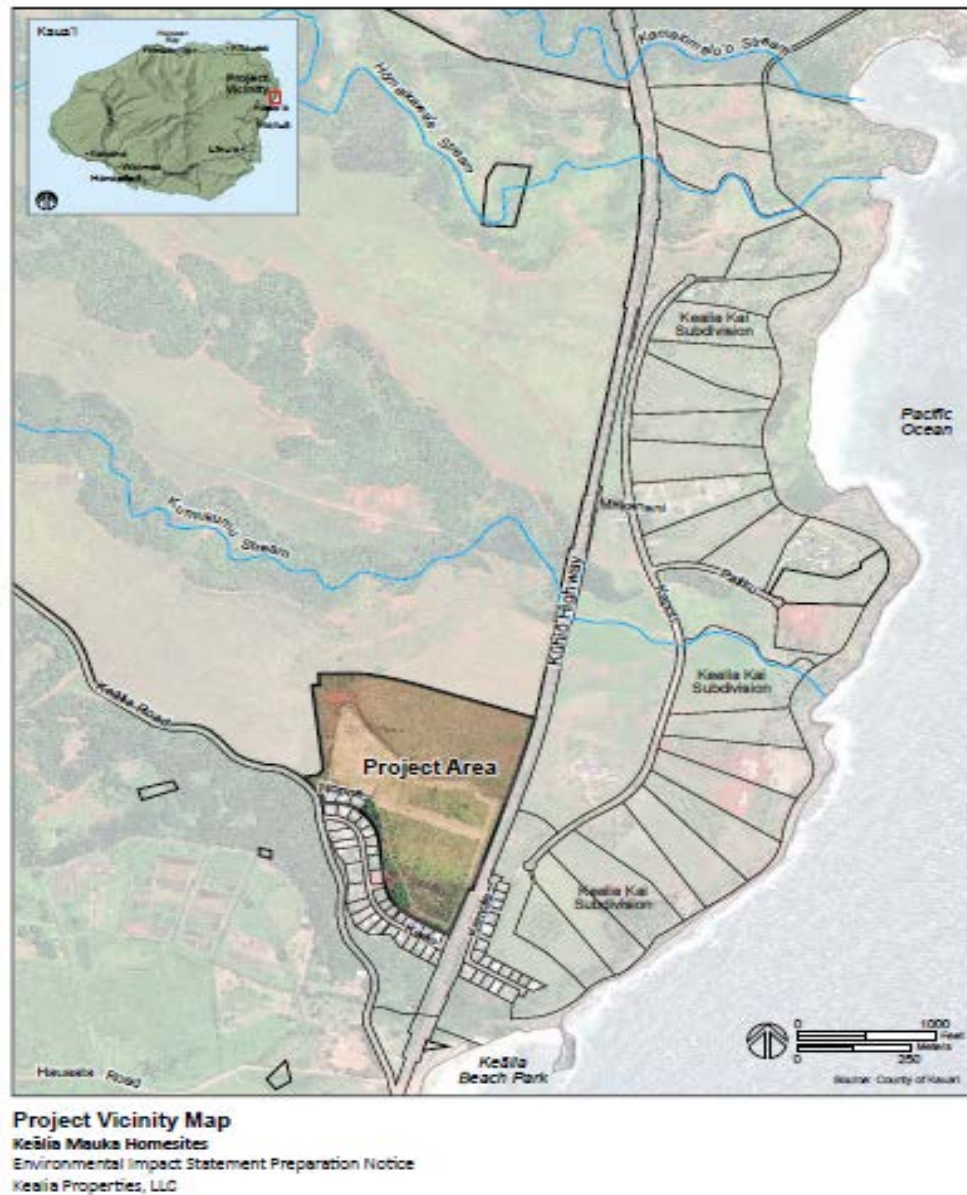
The proposed Kealia Mauka Homesites (KMH) project is described by the HHF Planners as follows:

Kealia Properties, LLC proposes to develop a residential subdivision at Kealia, Kaua'i consisting of approximately 236 lots ranging in area from about 5,000 square feet (SF) to 7,300 SF. The Project Area is comprised of approximately 53.4 acres of land adjacent to the north of an existing residential community in Kealia. The project includes installation of utility infrastructure (e.g., potable water, drainage, wastewater, electrical power, and telecommunications systems) and transportation improvements to serve the new community.

KMH will be located towards the northerly-end of the urbanized coastal corridor running for some 15 miles on the East Coast of Kauai from Lihue to Moloaa, commonly referred to as "East Kauai" and encompassing the "Coconut Coast" visitor destination area, as shown on the aerial below. The site is approximately two and twelve miles north, respectively, of Kapaa Town (the largest on the island) and the Lihue Airport via Kuhio Highway which forms the makai (seaward or westerly) boundary of the holding. The subdivision will have approximately 2,600 linear feet of frontage on the Highway and stretch inland some 2,200 feet.



Apart from the southerly adjacent 38-lot Kealia Town Tract subdivision, the KMH property is surrounded by feral sugar cane fields and forested areas mauka of the Highway. To makai is the 18-lot Kealia Ocean View Tract subdivision and several large lots of the Kealia Makai subdivision, most having some form of active agricultural use. The Kealia Post Office is about 1,200 feet south of the southernmost boundary of the KMH parcel.



(Approximate KMH Subdivision Boundaries)

The proposed community will include 236 single family house lots which will be sold as vacant, serviced building parcels forecast with prices ranging from workforce/affordable as quantified by the Kauai County Housing Agency/Kauai Ordinance 860 to market levels. The developers will meet identified State and Kauai affordability obligations.

The finished homes, built by individual lot purchasers or by third-party contractors buying blocks of parcels, are likely to have prices/values ranging from affordable for low-moderate income households to mid-market level prices. Lot/home owners may elect to build Accessory Dwelling Units (ADUs) on their properties in accordance with County ordinances, but we have not considered such in our analysis. Homes may not be used for Transient Vacation Rental (TVR) purposes.

Although the KMH development is focused towards meeting the housing needs of working-class Kauai resident families, the open-market component of the project (apart from any lots specifically set-aside to fulfill workforce housing obligations) will be available for purchase by non-resident, second home buyers at market prices with no ownership constraints. Such buyers can be found in every single or multifamily project on the island which does not impose purchaser restrictions (which is only possible for dedicated affordable units). As noted in the report, about 19 percent of all Kauai housing inventory (non-resort or TVR), and from 8 to 33 percent of the housing units in the East Kauai corridor, are owned by non-resident/second home parties.

The KMH property is currently classified as:

- State Land Use (SLU) - "Agricultural District";
- Kawaihau (East Kauai) Planning District (Kauai Island General Plan) – "Residential Community"; and
- County of Kauai zoning – "Agricultural".

Capitalizing on a level to slightly sloping, scenic, near-shoreline site having favorable climate and mauka view potentials, the subject development is intended to be a community offering a selection of single family lots (and eventual finished homes) at prices ranging from "affordable" for Kauai households with incomes below 80% of the median household income for the island to 140% of the median and above.

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

The Hallstrom Team | CBRE, Inc., assignment was to analyze the proposed KMH community from a real estate perspective and to identify and quantify probable market, economic, and fiscal impacts associated with the master plan within its regional context and forecast trends to answer four basic study questions:

1. Is there sufficient demand to absorb the 236 finished, vacant house lots of the subject project during a reasonable exposure period given islandwide/regional population, economic and market trends, and proposed competing Kauai developments?
2. Is the subdivision an appropriate highest and best use of the underlying site relative to market needs, standard land planning objectives, accepted master plan design characteristics, and the area environs?

3. What will be the general/specific and direct/indirect economic impacts on Kauai resulting from the undertaking of the subject development via employment, wages, community operations, population, household income and spending, property values and other economic activity related to the real property asset?
4. What will be the net, new benefit to the state and county "public purse" from the project regarding "new" increased tax/fee receipts versus "new" operating cost obligations?

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

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

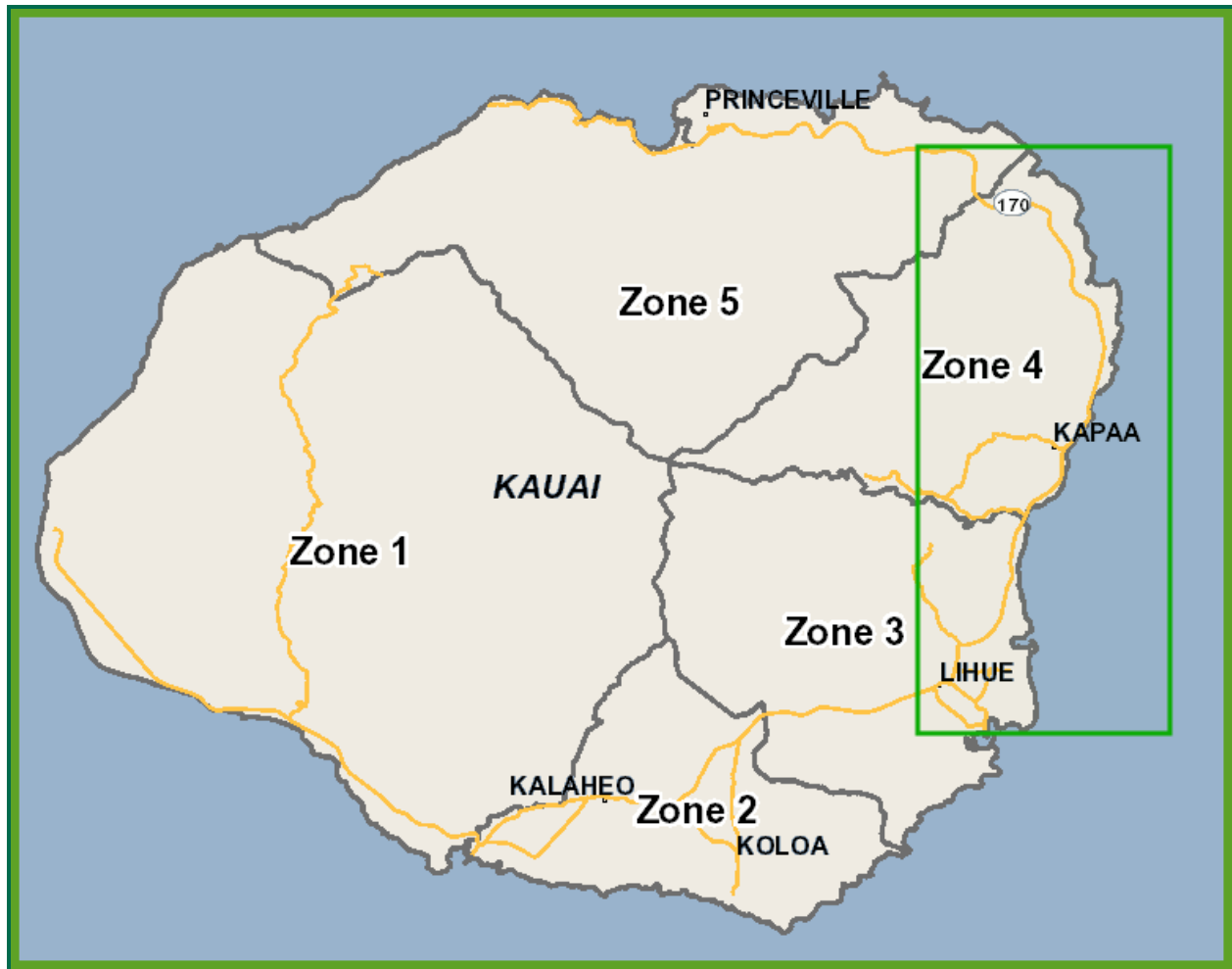
- 1. Primary Study Conclusions**
- 2. The Subject Property and Proposed Project**
- 3. Market Study of the Lihue to Moloaa (East Kauai) Corridor Residential Market**
- 4. Appropriateness of the Subject for Single Family Residential Use and Absorption Estimates**
- 5. Analysis of the Economic Impacts of the Proposed Development**
- 6. Assessment of the Net, New Public Fiscal Benefits and Costs Associated with the Project**

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

- Maps, master plans, unit counts, density and infrastructure cost estimates and background materials provided by HHF Planners., and other members of the planning team;
- Resident population and housing projections, proposed development and other maps, General plan materials, and other data from the County of Kauai Housing Agency, County of Kauai Planning Department and State of Hawaii Office of Planning;
- The United States 2010 Census and subsequent 2011-2015 updates;
- Sales and listing data from the Kauai Island Board of Realtors and Hawaii Information Service: and
- Data from published and on-line sources and from our files.

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

We note that the locational terms "East Kauai" and the "Lihue to Moloaa (or Anahola) Corridor" are used interchangeably throughout the report to describe our focal study region on the island. This primary study area is shown outlined in green on the following map of Kauai.



Our *Market Study* time-frame which serves as a basis for subject absorption projections extends approximately 23 years to 2040, although it is anticipated the 236 subject lots will be absorbed by the market in a much shorter period. General demand for residential product in Lihue/East Kauai is quantified during this period, existing, planned competitive supply is identified, the appropriateness of the site for the proposed subdivision is analyzed, and absorption is estimated using several market-based methods.

Our *Economic Impact Analysis* and *Public Fiscal Assessment* modeling period extends from presumed commencement of site work and infrastructure emplacement in late-2018, with full-absorption/sell-out of the finished lots by 2024, equating to a seven-year project life-span.

The build-out of the homes by the lot purchasers, which is outside the purview of the KMH developers, would begin in about 2021 and continue for years thereafter (for analysis purposes-only we have assumed through 2030). This time frame effectively depicts the life-span of the project from ground-breaking, through build-out, and its eventual functional "stabilization". Primary and direct secondary capital/economic outcomes from the development of KMH are summarized within three periods (2017-2020, 2021-2025 and 2026-2030), with the de facto population and spending in the community quantified and the resultant new taxes and costs to the County and State estimated.

We have also compared our econometric outcomes with those resulting from application of the Hawaii State Input-Output Study model.

As the master developer will be selling finished lots to others, they will have no control over the timing of finished home construction. For modeling purposes, we have forecast the 236 homes would be completed by 2030, or at a rate of about 21 houses annually. This assumes some of the lots will be purchased in blocks and spec-developed by contractors. The more lots bought by individual purchasers the longer the build-out is likely to take.

The build-out timing allocation has limited relevancy from a modeling perspective which is not specifically time-sensitive. It is expressed in constant 2017 dollars and should the project timeline move several years in either direction from our estimate we would not anticipate major changes to our conclusions.

PRIMARY STUDY CONCLUSIONS

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

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

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

- Quantify the demand for single family house lots units in the effective market area (Lihue to Moloaa);
- Identify existing and proposed competitive supply in the region;
- Estimate the absorption period required to sell the finished lots.
- Quantify the various economic impacts to Kauai and the State from the development and "use" of the KMH lots/homes over time; and,
- Quantify the net new fiscal impacts to the County and State coffers (new tax dollars and new public expenses) resulting from the project.

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

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

Based on our investigation and analysis of the proposed KMH subdivision and regional residential housing market, our primary conclusions are:

- We project demand for 7,447 additional housing units (mid-point) in the Lihue-Moloaa/East Kauai study area between 2017 and 2040, of which about two-thirds will be for single family

households (4,928 homes), the product sector in which the KMH inventory will compete. Approximately 72 percent of single family demand (or 3,458 homes) will need to be affordably priced for households making 140 percent or less of the Kauai median income. A reasonable portion of the regional single-family housing demand would consider Kealia as a viable housing location.

- Excluding KMH, there are a maximum of 5,197 additional units proposed for the study region including single family and multifamily, and standard residential and resort-residential units. Even if all were built in a timely manner and offered only as non-resort product the supply would be insufficient meet standard residential demand by some 2,250 units. However, some 30 percent of the total proposed regional units will be in developments specifically oriented towards visitors and vacation/second-home buyers (not local resident households); many will not be built within the projection period, and others will have inventory at such high price points as to be unaffordable to virtually all Kauai resident households. We forecast a shortfall of more than 3,500 standard residential units in the study corridor through 2040, with the regional single-family sector being underserved by more than 2,000 homes/lots.
- The subject property is an appropriate location a single family residential project and has the physical and locational attributes necessary to support the development. The master plan is representative of a highest and best use of the site and will provide competitive residential inventory within the regional market. We forecast the 236-finished house lots will achieve full absorption within some 4.5 years from initial closings.
- KMH will bring some \$121 million in direct capital investment into East Kauai (constant 2017 dollars) creating some 1,048 worker-years of on and off-site construction and secondary employment during build-out. The full-time resident population will be about 658 persons with an effective de facto population (including non-resident homeowners and guests) of 700 persons. Total resident household income is projected to be \$20 million per year on a stabilized basis, and discretionary expenditures of the de facto population into the island's economy is forecast to reach \$12.1 million annually. The "base economic impact" on Kauai will total \$225 million during build-out and stabilize at \$13.7 million per year.
- The project will generate some \$12.7 million in tax receipts for the State of Hawaii during build-out and some \$276,000 annually after completion, with \$7.5 million and \$1 million, respectively, for the County of Kauai.

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

We appreciate the opportunity to be of service to the Kealia Mauka Homesites development team.

Market Study

- The State of Hawaii has steadily rebounded from the 2008-09 recession and associated down-cycle in the real estate market and is now within an extended-term favorable economic period featuring gradually and consistently strengthening property sectors. Sales activity, volume, and prices have all shown meaningful recovery throughout Kauai and in the Lihue-

Moloaa Corridor (East Kauai); in many cases showing near to full recovery to the levels achieved during the 2004-07 peak market years. Expectations are for continuing economic expansion within the current up-cycle during 2017-18 (and into the mid-term) resulting in increasing demand for real estate inventory and continuing barriers to increased new development.

- Among the favorable economic indicators and trends on Kauai the unemployment rate has dropped to a current level of about 2.4 percent (approaching effective full employment) from a high of some nine percent during the depths of the recession; median household income has grown at a rate approaching four percent compounded annually since 2014; there has been major positive absorption of retail and industrial space since the beginning of 2016 (with some 200,000 square feet absorbed in the first half of 2017), increasing velocity of commercial space development; and, tourism is continually achieving all-time records year-after-year with total visitor days and spending growing at compounded annual rates above five percent and eight percent respectively since 2009.
- Although showing some trending instability in the first quarter of 2017, The Kauai residential real estate market has also shown post-recession recovery and growth. Island-wide the single family residential, condominium and vacant lot sectors are experiencing the highest level of sales activity since 2004-07, and median prices are at their highest since 2007-08, with average prices during full-year 2016 for single family homes reaching \$562,000 and condominium units at \$459,000. Lihue/East Kauai has shown similar trending, with median single-family home prices in Kapaa up by nearly six percent in 2016 (over 2015), and showing double-digit appreciation through mid-2017. General indicators point to up-cycle conditions with increasing demand, sales velocity, and prices in the context of limited supply additions.
- Lihue/East Kauai is one of the three centers of the island's tourism industry, called "the Coconut Coast", and along with Poipu/South Kauai and the North Shore (Princeville/Hanalei), has evolved into a primary region for economic activity and employment; attracting significant development and capital investment over the past four-plus decades. This trend is anticipated to continue over the long-term, increasing in cumulative attraction as the economy further strengthens. It is also the region with most of the commercial and industrial space on the island, the most businesses, and most employment opportunities. It is currently the focus of economic activity on the island and will continue to be an expanding, increasingly diversified market on a going-forward basis. Its desirable climate, in-place critical mass, expanding population, and availability of well-located development lands, undergird a favorable outlook which will require more housing for working Kauai families.
- The University of Hawaii Economic Research Organization (UHERO) *Forecast Project County Forecast* (May 2017) forecasts slowing but continuing annual percentile growth over the next two-plus years for Kauai County for all six projected factors. The UHERO Kauai forecasts are shown below.

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

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

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

- We conclude the Kauai economy continues in its recovery up-cycle, having regained virtually all "lost" ground during the recession, is at or approaching peak indicator levels, and the overall near to mid-term outlook is favorable.
- There were some 38,101 residents in the Lihue to Moloaa Corridor as of the study date, and the resident population by 2040 (our market study period time-frame) based on County and State forecasts is expected to reach between 51,560 and 53,554 persons as shown below.

**HISTORIC, CURRENT AND PROJECTED RESIDENT POPULATION TOTALS FOR THE
STATE, COUNTY AND LIHUE/EAST KAUAI STUDY AREA 2017 TO 2040**

	2017	2020	2025	2030	2035	2040
<i>Study Area (Lihue and East Kauai)</i>						
1. Minimum Perspective (1, 2)	38,101	39,009	42,366	45,723	48,566	51,650
Percent of County Total	51.8%	52.2%	53.6%	54.9%	55.2%	55.5%
Average Annual Change in Persons	519	303	671	671	569	617
Average Annual Percent Growth	2.1%	0.5%	1.7%	1.6%	1.2%	1.3%
2. Maximum Perspective (3)	38,101	39,679	43,054	46,554	50,054	53,554
Percent of County Total	51.8%	53.1%	54.5%	55.9%	56.9%	57.6%
Average Annual Change in Persons	519	526	675	700	700	700
Average Annual Percent Growth	2.1%	0.8%	1.7%	1.6%	1.5%	1.4%
<p>(1) From Appendix B - Kauai County General Plan, January 2017. Sourced to SMS Research Kauai 2035 General Plan: Socioeconomic Analysis and Forecasts (2014). 2017 figure extrapolated from State of Hawaii Data Book population estimate for Kauai County as of 2015. For 2025, figure is mid-point between 2020 and 2030 projections. 2040 figure taken from DBEDT Series 2040 projection.</p> <p>(2) From same source as cited in footnote #1. Includes the districts of Lihue and East Kauai (Kawaihau). 2040 figure base on 2035 forecast and same growth rate as for 2030-2035 period.</p> <p>(3) Intended to be trending marginally higher than DBEDT Series 2040 population projections.</p>						
Source: Kauai County General Plan January 2017 appendices, DBEDT "2040 Series", and The Hallstrom Team/CBRE, Inc.						

- There are an estimated 19,428 single and multifamily housing units in Lihue/East Kauai, of which 3,428 (or 17.6 percent) are registered as vacation rentals. It is anticipated this percentage will remain generally constant over the long-term as the resort-residential oriented units constructed in the Coconut Plantation community and elsewhere in the region are off-set by expanding standard residential unit inventory.
- There are approximately 16,000 housing units in the study area available for standard residential use (non-resort); of these 13,120 (82 percent) house full-time Kauai resident households, with the remaining 2,880 units (18 percent) used by non-resident second/vacation home owners.
- The current average resident household size in the Lihue to Moloaa Corridor is about 2.94 persons (among the largest for the island) and is forecast to decline in coming decades as a result of evolving family/household trends and an increasingly diverse mix of unit types from new development. By 2040, the average household size in the study area is anticipated to lower to 2.85 persons.
- The median prices for residential product in the Lihue/East Kauai during the first quarter 2017 is shown below.

First Quarter 2017 MLS Median Sale Prices			
	Residential	Condo	Land
East Kauai (Kawaihau)	\$574,000	\$418,000	\$327,500
% Annual Chg.	5.6%	N/A	N/A
Lihue	\$500,000	\$277,500	\$280,000
% Annual Chg.	6.4%	N/A	23.1%

All sector price indicators have shown meaningful appreciation in recent years and have increased by more than 40 percent since reaching a recessionary nadir in 2009-11. Median prices are anticipated to increase into the long-term as thousands of higher priced new units

manifesting the higher costs of land, construction, impact fees and entitlement, are added to the inventory, and appreciation (though cyclical) continues.

- We estimate the demand for new residential (non-TVRR) units in the Lihue/East Kauai region through 2040 will total between 6,654 and 8,240 units, with a mid-point of 7,447 units. Single family homes and lots, which are the focus of our analysis, will comprise about 66 percent of the total demand and condominium units some 34 percent.
- We estimate approximately 72 percent of the demand for finished single family homes in the primary study area over the next 24 years will be for houses with a current price of \$539,000 or less; approximately the upper-price threshold limit for meeting County affordability standards (140 percent of median household income). For multifamily units, we estimate that 76 percent will need to be priced at \$480,000 or less (consistent with household incomes at 140 percent or below of median).
- Excluding Kealia Mauka Homesites, there are 3,766 currently proposed residential units in existing and planned Lihue/East Kauai projects according to the County Planning Department. There is a total of 5,197-cumulative residential and resort-residential units in the Lihue to Moloaa Corridor, with about 30 percent being resort-residential and not likely to meaningfully service the needs of resident family households.
- The subject property is a superior location for the proposed development relative to access, climate, views, topography, shape, size, lack of incompatible nearby uses. The KMH subdivision will meet County planning and infrastructure guidelines and objectives, and provide a quality lifestyle opportunity for large numbers of Kauai residents and households. It will have the attributes necessary to be competitive in the workforce and market single family housing product sectors, and will capture a reasonable market share during its offering period. It will also be somewhat desirable for non-resident second-home purchasers, although less so than projects with large lots, ocean views or in resort communities.
- Based on application of the Gross Demand, Residual Demand and Market Share (or Capture Rate) methods and their correlation we estimate the 236-finished house lots of the Kealia Mauka Homesites subdivision will require about 4.5 years to be fully absorbed following the initial lot closings (tentatively anticipated for 2020).

Cumulatively, this absorption estimate represents only about 15 percent of total regional demand for residential housing product during the offering period; a moderate readily achievable portion of the larger Lihue/East Kauai market, which could be enlarged if some proposed projects fail to reach fruition.

Our concluded absorption and home build-out forecasts for KMH inventory is shown below. The master developer currently envisions selling building lots only to individual or bulk purchasers who will construct the finished homes. As such the build-out projections are estimates-only based upon market experience elsewhere in the islands and reasonable allocations. We have not considered the potential for Accessory Dwelling Units ("Ohanas") on the properties.

FORECAST KEALIA MAUKA HOMESITES FINISHED HOUSE LOT ABSORPTION WITH FULL-SELL OUT ACHIEVED WITHIN SEVEN YEARS OF GROUND-BREAKING

Year	Project Year	Activity	Finished House Lots Sold/Closed		Finished Single Family Homes Completed (1)	
			Annually	Total	Annually	Total
2018	1	Final Approvals, Survey, Clearing and Grubbing of Site				
2019	2	On and Off-Site Infrastructure Commences and is Completed. Lot Pre-Sales Begin Mid-Year.				
2020	3	Initial Lot Sales Closing, Lot Sales Continuing, Initial Vertical Home Construction Commences.	60	60		
2021	4	Lot Sales Continuing, Initial Homes Finished, Home Construction Continues	50	110	20	20
2022	5	Lot Sales Continuing, More Homes Finished, Home Construction Continues	50	160	25	45
2023	6	Lot Sales Continuing, More Homes Finished, Home Construction Continues	50	210	25	70
2024	7	Lots Are Fully-Absorbed/Sold-Out, More Homes Finished, Home Construction Continues	26	236	25	95
2025 and Beyond		Homes Continue to be Constructed and Finished by Lot Purchasers			141	236

(1) Construction timing of finished single family homes estimated for economic modeling purposes-only as their build-out is outside the purview of the master developer who at this time envisions offering all product as finished house lots only. Full build-out of the subdivision could take decades or could be faster if blocks of lots are taken down by local builders for construction of "spec/tract" homes. Does not include any allowances for possible Accessory Dwelling Units ("ohanas") which may be built on some lots.

Economic Impact Analysis

We have constructed a model depicting the economic impact of the KMH project on the Kauai and Statewide community during its "lifespan" from anticipated ground-breaking in mid to late-2018, through full-absorption/sell-out of the finished lots by 2024, equating to a seven-year project development and sales period. Construction of the homes on the lots would continue for years thereafter.

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

- The development of KMH will bring in an estimated \$121 million of new, direct capital investment into the Kauai economy along with significant unquantified indirect expenditures and generate \$226 million in total new economic activity islandwide during its build-out over

a 13-year period (forecast from circa 2018 to 2030). It will contribute some \$13.7 million in annual economic activity on a stabilized basis thereafter.

- The construction of the KMH infrastructure and finished single family homes will directly create an estimated 1,048 "worker-years" of employment (the equivalent of 52 work weeks at 40 hours per week) in the trades and supply businesses during build-out, averaging about 81 worker-years annually, with an estimated \$55 million in wages (averaging about \$4.2 million per year).
- The Community Homeowner's Association, and the upkeep, maintenance, and renovations of the 236 homes, will create 59 worker-years of employment from 2021 through 2030 and associated wages of \$3 million. Once stabilized the project will support 15 FTE positions (most made up of many short-term workers) and annual wages of \$492,000.
- Associated secondary/off-site employment during the overall development and absorption time-frame will total 262 worker-years with wages of \$14.2 million and a stabilized FTE job-count of 5 with total wages of \$267,000 per year.
- At build-out the de facto population of the community will be some 700 persons, comprised of 658 full-time Kauai residents and a daily average of some 42 non-resident second-home owners and their guests. The cumulative resident household income during the first 10 years of occupancy (2021 through 2030) will total \$99.7 million, and will stabilize at \$19.9 million annually thereafter. Discretionary expenditures into Kauai businesses by the KMH population will be some \$87 million during build-out and average \$12.1 million per year on a stabilized basis.
- The on-going maintenance activities in the community will average \$850,000 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 KMH 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 \$256.5 million, there would be 1,868 total worker-years of jobs created, and the total increase in earnings statewide would be \$73.8 million.
- The State model also estimates the total annual economic output from on-going spending and maintenance activity associated with KMH would be at \$183.5 million during build-out and \$27.1 million annually on a stabilized basis. The total number of worker-years islandwide attributable to the subject dollars flowing through the economy would be 246.7 positions upon stabilization.

The basic economic impact indicators from our modeling of the KMH construction and stabilized "operations" are shown on the following table.

**SUMMARY COMPARISON OF MAJOR ECONOMIC IMPACTS
FOR THE KEALIA MAUKA HOMESITES COMMUNITY**
All Amounts Expressed in Constant, Uninflated 2017 Dollars

Analysis Item	Cumulative During Build-Out Period	Stabilized Annually Thereafter
Direct Capital Investment	\$121,012,029	
Local Contractor's Profits	\$12,101,203	
Local Supplier's Profits	\$4,840,481	
Worker Years of Jobs	1,048	20
Employee Wages	\$72,232,526	\$759,635
Full-Time Resident Population		658
Total De Facto Population		700
Full-Time Resident Household Income	\$99,662,800	\$19,932,560
Resident Population Discretionary Expenditures	\$87,041,520	\$12,132,713
Total Kauai "Base" Economic Impact	\$225,952,518	\$13,741,947

Source: The Hallstrom Team/CBRE

Secondary Impacts

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

- The project site is adjacent to existing similar density, moderate single-family development (Kealia Town Subdivision) or otherwise surrounded by vacant lands.
- The lots of KMH will be towards the smaller end of the greater Kapaa size range, which will increase their "affordability" quotient for Kauai families, lessen their demand among non-resident second-home buyers, and not contribute to upward pricing pressures.
- The single-family homes will be consistent in size, quality, and pricing relative to the existing Kealia (mauka) community inventory and should not impact their prices or assessed/appraised values. Values are determined by activity in those projects and regional trending not by a single, new affordable to market-priced development.
- Property values throughout Lihue/East Kauai are largely driven by external, cyclical economic factors within an existing (and expanding) cumulative mass, not any single new project. KMH will not itself, drive regional market values or real property assessments of nearby real estate.
- It is not expected there will be in-migration to Kauai as a direct result of the project. It is primarily intended to provide housing opportunities for families and individuals who are already part of the existing island population base and its natural growth.

Public Fiscal Benefits

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

The 658 full-time residents within the community are assumed to be relocating from elsewhere on the island and their government fiscal costs will not be "new" but are already in-place and factored into existing County and State budgets. For these persons KMH will not in itself raise government expenses; however, it may result in reallocation of some spending from one island location to another. We have therefore excluded governmental costs associated with the full-time resident households from the fiscal model.

Similarly, the taxable household income and discretionary spending on Kauai from the full-time resident households is "in-place", already flowing through the Kauai economy and government coffers, and currently being taxed the prevailing context. Again, the spending may be relocated from elsewhere on the island but is not "new" within the local economy. We have therefore excluded the taxation benefits associated with the households from the model.

The only "new" fiscal contributions from the full-time resident households are:

1. Their homes at KMH will add fresh assessments to the County real property tax rolls (while the new owners of their existing homes continue to pay real property taxes); and,
2. The maintenance/renovations associated with the houses will expand general economic activity.

The fiscal impacts associated with the estimated daily average of 42 non-resident, second home owners and their guests at KMH do represent "new" costs and benefits for the State and County. We have estimated these on a "per capita basis". This is based on a conservative assumption that each new person added to the Kauai community is "responsible for" a similar tax cost/obligation as every other person on the island.

We note the "actual" additional costs and impact on services from these part-time residents will be minimal as they will place limited demands on schools, administrative infrastructure, most governmental services or facilities, and are unlikely to push emergency services beyond an expansion-requiring threshold.

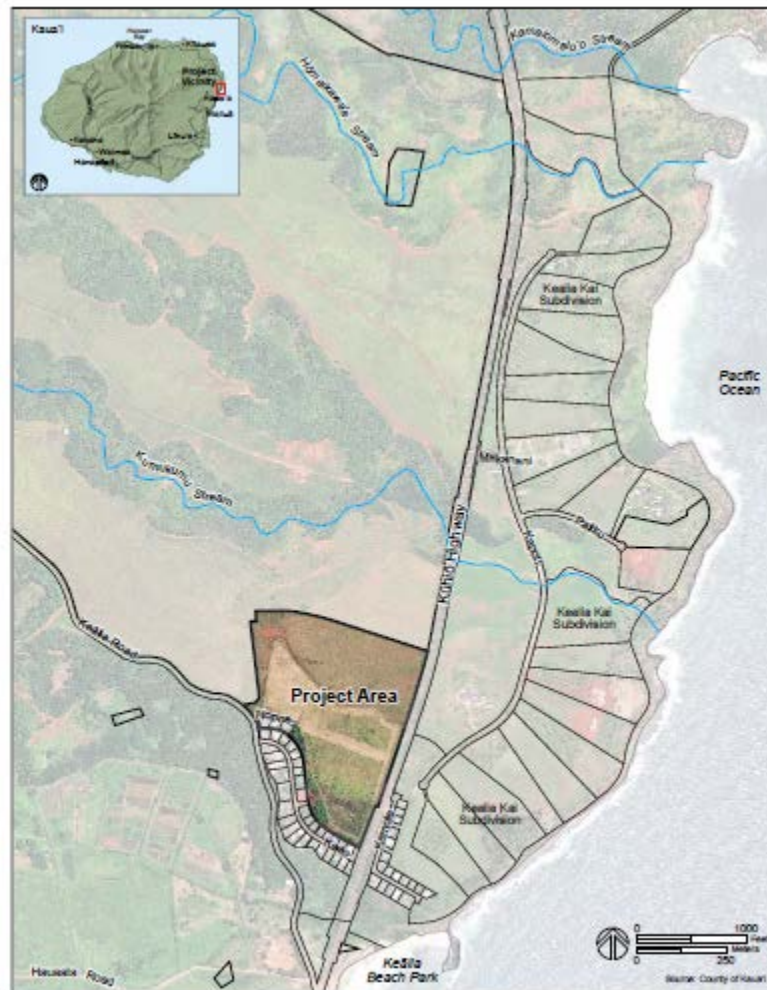
- The County of Kauai will realize "new" Real Property Taxes (\$5.4 million), and other secondary receipts and development fee totaling \$9 million during the 13-year build-out projection period (2018-2030), and \$1.3 million annually on a stabilized basis thereafter. These figures incorporate exemptions for real property tax resident owner-occupants.
- The State of Hawaii will receive "new" Gross Excise and Income taxes and secondary revenues, of \$12.7 million during the 2018-2030 modeling period, and \$276,000 per year thereafter.

The major economic impacts and "new" public fiscal conclusions are summarized on the following table. The column on the left summarizes the cumulative impacts during the initial 13-year construction and build-out period (2018-2030) covering infrastructure emplacement, lot absorption, home construction and ramp-up to stabilization, and the right-hand column the annual impacts after stabilization.

SUMMARY COMPARISON OF MAJOR PUBLIC FISCAL BENEFITS
FOR THE KEALIA MAUKA HOMESITES COMMUNITY
Accounting for "New" Direct Impacts Only
All Amounts Expressed in Constant, Uninflated 2017 Dollars

Analysis Item	Cumulative During Build-Out Period	Stabilized Annually Thereafter
County of Kauai Gross Tax Receipts	\$8,976,178	\$1,289,709
State of Hawaii Gross Tax Receipts	\$12,745,906	\$275,594
County of Kauai Costs of Services (per capita basis)	\$471,794	\$94,359
State Costs of Services (per capita basis)	\$1,775,910	\$355,182
County of Kauai Net Benefits or (Loss)	\$8,504,384	\$1,195,350
State Net Benefits or (Loss)	\$10,969,996	(\$79,588)
Source: The Hallstrom Team/CBRE		

The Subject Property and Proposed Project



Project Vicinity Map
 Kealia Mauka Homesites
 Environmental Impact Statement Preparation Notice
 Kealia Properties, LLC

Approximate Outline of Kealia Mauka Homesites Property

The proposed Kealia Mauka Homesites (KMH) subdivision will be a 236-lot master planned single family residential community to be located on some 53.4 acres fronting the mauka (west) side of Kuhio Highway, adjacent to the Kealia Town subdivision, inland from Kealia Beach, on the northerly outskirts of Kapaa Town, Kauai, Hawaii.

The project will offer finished house lots ranging in size from 5,600 square feet to 7,300 square feet, and include 5.86 acres of open space/parks and detention basins. The irregular-shaped site is generally level to slightly sloping, at street-grade, offers distant mountain views and is identified on State of Hawaii Tax Maps as Fourth Division Tax Map Key 4-7-9, Parcels 1 & 2 (portions). The holding is in the East Kauai Development Plan area, towards the northerly end of the "Coconut Coast" corridor, which stretches along the easterly shoreline of the island, it has

favorable access characteristics, desirable climate, is proximate to employment and services, and is a natural expansion of the existing greater Kapaa community.

The development will be oriented towards full-time Kauai resident household buyers. Finished house lot prices will be consistent with comparable product elsewhere in the Lihue/East Kauai region with a portion designated for meeting workforce/affordable pricing guidelines established by the County. It is anticipated finished home values will range from "affordable" for low-moderate income households to market-pricing levels. The project will provide new, needed inventory in one of Kauai's primary residential and commercial regions; as a project having an unrestricted market-priced component there will be some non-resident second home/vacation purchasers.

The master developer plans to offer all subject inventory as vacant building lots. The subdivision's houses would be built by individual lot purchasers ("custom" homes) or in blocks by third-party contractors ("spec/tract" homes). Lot/home owners may elect to build an Accessory Dwelling Unit (ADU) on their property as then-permitted by County ordinance, but we have not considered such potentials in our analyses or modeling. Homes will not be permitted to operate as Transient Vacation Rentals (TVRs). There will be a community association with a minimal monthly fee per lot.

The KMH site is currently within the State Land Use Agricultural District, is zoned "Agriculture" by the County of Kauai, and identified for "Residential Community" use on the County Kawaihau/East Kauai Planning District Land Use Map.

At present, it is anticipated the project will be developed in a single phase; however, this objective may be subject to change in accordance with market conditions and other factors.

The proposed current subdivision plan is shown below.

Appropriateness of the Site for the Proposed Development

THE SITE

The KMH project will transform a property that is:

- Currently underutilized and provides no housing, economic or lifestyle benefit to the region.
- Well-located within the East Kauai corridor, nearby Kapaa (the largest town on the island), ten miles from Lihue (the County seat and primary economic area), and mid-way between Hanalei/Princeville and Poipu, two of the major vacation destinations on the island.
- Has easy access to Kuhio Highway, the major thoroughfare in the region.
- Is nearby Kealia Beach, one of the largest white sand strands in East Kauai which (unlike others in the area) is seasonally swimmable.
- Has access to existing infrastructure/utility systems and urban services.
- Is a suitable location for the long-term expansion of the greater Kapaa community given the physical constraints of water courses/wetlands and topographical limitations, without creating isolated, new urban sprawl.
- Is consistent with the Kauai County General Plan Land Use Plan.
- Limited in alternative Highest and Best Use(s).

THE DEVELOPMENT PLAN

Actualization of the KMH development plan will create a regional asset providing:

- Needed affordable to market-priced housing to a broad-spectrum of Kauai households.
- Targeted, appropriately scaled, efficient lots/homes which should reduce interest by non-resident/second-home purchasers.
- Support for existing Kapaa business and enhanced demand for "neighborhood-type" commercial and industrial services; strengthening existing businesses, promoting business expansion, and supporting new business formation; all contributing economic activity, employment, taxes and the critical mass of the region.
- Significant "worker years" of employment for East Kauai contractors and tradespeople; many of whom otherwise must commute meaningful distances to job sites.
- An expanded real property and other tax base.
- 5.8 acres of park and open spaces.

THE MARKET CONTEXT

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

- *It will offer new high-demand single-family product at affordable to mid-market prices which are in limited supply in the study area.* The KMH homes will appeal to many resident households which comprise the broadest (base) portion of the housing demand pyramid.
- *It is within a market area (East Kauai) which has had limited new major residential development in recent years.* This has resulted in an aging housing inventory, estimated at an average of some 25-plus years, that is increasingly costly to maintain, fails to meet the evolving demographic needs of area households, and does not reflect modern design/planning and materials standards.
- *Its location in East Kauai will be desirable within the island-wide market.* The resident population of the Lihue to Moloaa corridor is anticipated to increase by up to 15,000 persons over the next quarter century. While a significant share of housing demand in the area will be focused towards Lihue, where much of the regional employment growth and many of the new units will be built in coming years, the high price of market inventory coupled with demand from non-resident purchasers, will preclude many resident households from obtaining units proximate to Kapaa employment centers. And, the relatively high cost of land, difficulties in obtaining entitlements, shortage of systems/services, creates a barrier for new development and limits the potential for affordable to mid-market priced projects.
- *In concert with market trends.* Larger developments have been part of the Hawaii real estate market for many decades, and they have generally provided higher-quality, more desirable housing and lifestyle opportunities than in standard small subdivisions. Such planned projects in the State and on Kauai have been traditionally oriented towards resort and upper-end development; however, there are newer projects in-construction and proposed on the neighbor islands which are seeking to provide more diverse product types at lower costs to better service households in the moderate-income range.
- *Maximize the reasonable development potentials of a well-located parcel.* Given the locational and access attributes of the subject property, within the context of long-term expansion of greater Kapaa, and the housing and economic benefits which will flow to Kauai from the project, the proposed plan is a reasonable confluence of market and general community objectives.

APPROPRIATENESS CONCLUSION

Our market-based analysis regarding the proposed KMH project indicates:

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

Market Study of the Proposed Kealia Mauka Homesites Project

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

RESIDENTIAL UNIT DEMAND IN THE GENERAL STUDY AREA

The study area of our assignment stretches from Lihue to Moloaa, a 16-mile near-coastal and lower elevation corridor along the easterly shoreline of Kauai. It includes residential, agricultural, visitor-oriented, and commercial/industrial development, with Lihue and Kapaa being the largest and most urbanized communities in the region.

In 2010, the census counted 34,467 residents in the study area, or 51.4 percent of the county total. By the first quarter of 2017, the estimated population of the region had grown to 38,101 persons and 51.8 percent of the island total. Population growth was limited by lack of available housing supply more so than demand.

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

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

As previously stated, our projections extend to 2040, or circa 22.5 years from the study date, this is to provide sufficient leeway in our modeling efforts and to illustrate potential impacts should the timing of KMH slip beyond its currently envisioned time-line.

As shown on the following table, we forecast the resident population in the Lihue to Moloaa Corridor (or greater East Kauai), our primary study area, will increase by 2040 to between 51,650 persons (a gain of 35.6% from our 2017 estimate) and 53,554 persons (up 40.6%).

HISTORIC, CURRENT AND PROJECTED RESIDENT POPULATION TOTALS FOR THE STATE, COUNTY AND LIHUE/EAST KAUAI STUDY AREA 2017 TO 2040						
	2017	2020	2025	2030	2035	2040
<u>State Total (DBEDT Series 2040)</u>	1,457,600	1,481,240	1,543,240	1,602,340	1,657,500	1,708,920
Average Annual Change in Persons	13,426	4,728	12,400	11,820	11,032	10,284
Average Annual Percent Growth	1.4%	0.3%	0.8%	0.8%	0.7%	0.6%
<u>Kauai County General Plan (1)</u>	73,485	74,693	79,011	83,328	88,013	93,020
Percent of State Total	5.0%	5.0%	5.1%	5.2%	5.3%	5.4%
Average Annual Change in Persons	913	242	864	864	937	1,001
Average Annual Percent Growth	1.9%	0.3%	1.2%	1.1%	1.1%	1.1%
DBEDT Forecasts 2040 Series		75,640	80,000	84,380	88,730	93,020
Persons Variance From Kauai GP		947	990	1,052	717	0
Percent Variance From Kauai GP		1.3%	1.3%	1.3%	0.8%	0.0%
<u>Study Area (Lihue and East Kauai)</u>						
1. Minimum Perspective (1, 2)	38,101	39,009	42,366	45,723	48,566	51,650
Percent of County Total	51.8%	52.2%	53.6%	54.9%	55.2%	55.5%
Average Annual Change in Persons	519	303	671	671	569	617
Average Annual Percent Growth	2.1%	0.5%	1.7%	1.6%	1.2%	1.3%
2. Maximum Perspective (3)	38,101	39,679	43,054	46,554	50,054	53,554
Percent of County Total	51.8%	53.1%	54.5%	55.9%	56.9%	57.6%
Average Annual Change in Persons	519	526	675	700	700	700
Average Annual Percent Growth	2.1%	0.8%	1.7%	1.6%	1.5%	1.4%
<p>(1) From Appendix B - Kauai County General Plan, January 2017. Sourced to SMS Research Kauai 2035 General Plan: Socioeconomic Analysis and Forecasts (2014). 2017 figure extrapolated from State of Hawaii Data Book population estimate for Kauai County as of 2015. For 2025, figure is mid-point between 2020 and 2030 projections. 2040 figure taken from DBEDT Series 2040 projection.</p> <p>(2) From same source as cited in footnote #1. Includes the districts of Lihue and East Kauai (Kawaihau). 2040 figure base on 2035 forecast and same growth rate as for 2030-2035 period.</p>						

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

STUDY AREA RESIDENT POPULATION FORECAST LIHUE TO MOLOAA CORRIDOR	
Forecast	2035
<u>The Hallstrom Team/CBRE</u>	
Minimum Scenario	48,566
Percent of County	55.2%
Maximum Scenario	53,554
Percent of County	56.9%
<u>County General Plan Appendix B</u>	48,566
Percent of County	55.2%
<p>Note: 2035 selected for comparison year as that is as far as County forecasts extend. Our model projections extend to 2040.</p>	

At present, there is an estimated 19,428 "standard" residential and resort-residential housing units in the study area, with 3,428 units (17.6 percent) being registered Transient Vacation Rentals (TVRs) and unavailable for meeting standard residential housing needs.

Of the approximately 16,000 available standard residential units in Lihue/East Kauai, 13,120 units (or 82 percent) are occupied/available for full-time Kauai households and the remaining 2,880 units (18% of the standard inventory) are owned by non-resident second-home owners and not available to meet local resident housing needs; a percentage which has shown steady growth over the years. Apart from restricted ownership provisions within some designated workforce housing/affordable-priced development, all projects offering market-priced product will have some degree of non-resident purchasers which must be accounted for in forecasting future inventory demands.

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

- Anticipated declining average household size from a current level of 2.94 persons to 2.85 persons over the next quarter-century;
- An increasing share of units being used by non-residents and visitors, moving upwards to between 23 to 26 percent of total resident housing demand; and
- The inclusion of a nominal "vacancy allowance" of 2 to 3 percent, to provide for household movement, units closed for rehabilitation, and promote market stability.

Our forecast model estimates demand for new housing units in Lihue/East Kauai will range from 6,654 to 8,240 units by 2040, with a mid-point of 7,447 units, as shown following.

QUANTIFICATION OF HOUSING UNIT DEMAND FOR THE LIHUE-EAST KAUAI STUDY AREA 2017 TO 2040							Additional Units Required by 2040
	2017	2020	2025	2030	2035	2040	
Scenario One: Minimum Based on Appendix B - Kauai General Plan Projections							
Resident Population	38,101	39,009	42,366	45,723	48,566	51,650	
Average Household Size (1)	2.94	2.93	2.91	2.89	2.87	2.85	
Total Resident Units Required	12,959	13,314	14,559	15,821	16,922	18,123	
Vacancy Allowance (2 % of resident unit demand)	259	266	291	316	338	362	
Non-Resident Purchaser Allowance (2) (23% Stabilized of resident unit demand)	2,981	3,062	3,349	3,639	3,892	4,168	
TOTAL MARKET UNIT DEMAND	16,199	16,642	18,198	19,776	21,152	22,654	6,654
Scenario Two: Maximum Based on DBEDT Series 2040 Projections and Marginally Higher Trending							
Resident Population	38,101	39,679	43,054	46,554	50,054	53,554	
Average Household Size (1)	2.94	2.93	2.91	2.89	2.87	2.85	
Total Resident Units Required	12,959	13,542	14,795	16,109	17,440	18,791	
Vacancy Allowance (2% to 3% of resident unit demand)	259	305	370	443	523	564	
Non-Resident Purchaser Allowance (2) (23% to 26% of resident unit demand)	2,981	3,115	3,551	3,947	4,360	4,886	
TOTAL MARKET UNIT DEMAND	16,199	16,962	18,716	20,498	22,324	24,240	8,240
CONCLUDED HOUSING UNIT DEMAND RANGE							
	2017	2017-2020	2021-2025	2026-2030	2031-2035	2036-2040	Totals
MINIMUM DEMAND							
Periodic	199	443	1,556	1,578	1,376	1,501	6,654
Cumulative	199	692	2,331	3,909	5,285	6,786	
Average Annual Demand (3)		164	328	316	275	300	
MAXIMUM DEMAND							
Periodic	199	762	1,754	1,782	1,825	1,916	8,240
Cumulative	199	1,011	2,849	4,631	6,456	8,373	
Average Annual Demand (3)		271	367	356	365	383	
MID-POINT DEMAND							
Periodic	199	603	1,655	1,680	1,601	1,709	7,447
Cumulative	199	852	2,590	4,270	5,871	7,580	
Average Annual Demand (3)		217	348	336	320	342	
(1) Census data for 2011 -2015 reported average resident household size for Primary Study Area in ranged from 2.68 persons in Wailua Homesteads CDP to 3.15 in Lihue CCD, with average of about 2.90 to 2.95 persons. County Planners estimated East Kauai wil have average household size of 2.95 in 2020. We have used 2.94 persons as current figure and starting point for our trend analysis.							
(2) There were an estimated 19,428 total residential and resort-residential units in the Lihue to Moloaa Corridor (East Kauai) as of the second quarter of 2017. These included 3,428 registered TVR units and 16,000 residential units, of which 13,120 units (82% of total residential inventory) are occupied/available for full-time resident Kauai households and 2,880 (18% of inventory) are owned by non-Kauai residents (second homes).							
(3) Existing (or latent) demand is assumed absorbed evenly from 2017 though 2025.							
Source: US Census, County of Kauai, DBEDT and The Hallstrom Team/CBRE.							

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

STUDY AREA HOUSING DEMAND FORECAST LIHUE TO KEKAHA CORRIDOR	
Forecast	2035
<u><i>The Hallstrom Group, Inc.</i></u>	
Minimum	4,953
Maximum	6,124
<u><i>County Technical Studies (SMS) (1)</i></u>	
	6,139
(1) Adjusted for period between 2014 forecasts and 2017 study date.	
Note: 2035 selected for comparison year as that is as far as County forecasts extend. Our model projections extend to 2040.	

Having established there will be demand for a significant number of new housing units in the study area, we stratified the demand according to unit mix (single family versus multifamily) and unit pricing (for single family product). We also present a summary of census data that contributed to our analysis and a brief discussion of other in-development projects offering single family inventory in the study area.

1. Unit Mix

Presently, about 70 percent of the housing stock from Lihue to Moloaa is in single family homes and 30 percent is multifamily units; with most of the latter being concentrated in Lihue, the Coconut Plantation community and Kapaa.

It is anticipated that as land costs increase, housing prices continue rising, the population ages, and newer master planned developments are built-out more of the new housing inventory will be multifamily, with a 66 percent single family and 34 percent multifamily mix forecast by 2036 to 2040, as shown. The proportionate increase in multifamily units relative to single family homes is anticipated will be slightly less in the study area than in South Kauai and the North Shore.

Our analysis is focused on the projected demand for between 4,403 and 5,454 single family housing opportunities in Lihue/East Kauai from 2017 through 2040.

DIVISION OF PROJECTED DEMAND BY UNIT TYPE FOR HOUSING UNITS IN LIHUE-MOLOAA STUDY AREA 2017 TO 2040						
	2017 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	Total Demand 2017-2040
<u>1. Using Minimum Demand Projections</u>						
Single Family Homes	391	1,115	1,041	894	961	4,403
Percent of Total	70%	68%	66%	65%	64%	66%
Multifamily Units	168	525	536	482	540	2,251
Percent of Total	30%	32%	34%	35%	36%	34%
Total	559	1,639	1,578	1,376	1,501	6,653
	100%	100%	100%	100%	100%	100%
<u>2. Using Maximum Demand Projections</u>						
Single Family Homes	615	1,249	1,176	1,187	1,227	5,454
Percent of Total	70%	68%	66%	65%	64%	66%
Multifamily Units	264	588	606	639	690	2,786
Percent of Total	30%	32%	34%	35%	36%	34%
Total	879	1,837	1,782	1,825	1,916	8,240
	0%	0%	0%	0%	0%	0%
<u>Mid-Point</u>						
Single Family Homes	503	1,182	1,109	1,040	1,094	4,928
Multifamily Units	216	556	571	560	615	2,519
Total	719	1,738	1,680	1,601	1,709	7,447
Source: The Hallstrom Team/CBRE, Inc.						

2. Unit Pricing

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

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

The County of Kauai Housing Agency has released the 2017 median household income estimates, the pricing criteria to be used in assessing "for sale" housing unit affordability on the island. Their results are shown on the following tables (taken from their website. The "For Sale Price" refers to single-family homes, the "CPR Sales Price" refers to multifamily/condominium units.

The median household income for a family of four on Kauai for 2017 is estimated at \$79,200.

**COUNTY OF KAUAI
2017 ANNUAL INCOME LIMITS**

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

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

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

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

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

4.25%

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

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

Assumptions

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

COUNTY OF KAUAI

FOR SALE LIMITS BY FAMILY SIZE

Effective: 4/14/2017

Kauai Median Household Income: \$79,200

4.25%

Household Size:	1	2	3	4	5	6	7	8	
HUD Income Limits:									
30% Limits (Extremely Low)	Annual Income	17,950	20,500	23,500	28,300	33,100	37,950	42,750	47,550
	For Sale Price	42,400	56,000	72,000	97,600	123,300	149,100	174,800	200,400
	CPR Sale Price	-	13,300	29,300	55,000	80,600	106,500	132,100	157,700
50% Limits (Very Low)	Annual Income	29,900	34,150	38,400	42,650	46,100	49,500	52,900	56,300
	For Sale Price	106,200	128,900	151,500	174,200	192,600	210,800	228,900	247,100
	CPR Sale Price	63,500	86,200	108,900	131,500	149,900	168,100	186,200	204,400
80% Limits (Low)	Annual Income	47,800	54,600	61,450	68,250	73,750	79,200	84,650	90,100
	For Sale Price	201,700	238,000	274,500	310,800	340,200	369,300	398,300	427,400
	CPR Sale Price	159,000	195,300	231,800	268,100	297,500	326,600	355,600	384,700
Work Force Housing Income Limits:									
100% Limits	Annual Income	55,450	63,400	71,300	79,200	85,550	91,900	98,250	104,550
	For Sale Price	242,500	284,900	327,100	369,300	403,100	437,000	470,900	504,500
	CPR Sale Price	199,800	242,300	284,400	326,600	360,400	394,300	428,200	461,800
120% Limits	Annual Income	66,550	76,050	85,550	95,050	102,700	110,300	117,900	125,500
	For Sale Price	301,800	352,400	403,100	453,800	494,600	535,200	575,800	616,300
	CPR Sale Price	259,100	309,800	360,400	411,100	452,000	492,500	533,100	573,600
140% Limits	Annual Income	77,650	88,750	99,850	110,900	119,800	128,650	137,550	146,400
	For Sale Price	361,000	420,200	479,400	538,400	585,900	633,100	680,600	727,800
	CPR Sale Price	318,300	377,500	436,800	495,700	543,200	590,400	637,900	685,100
Gap Group Income Limits:									
160% Limits	Annual Income	88,750	101,400	114,100	126,750	136,900	147,050	157,150	167,300
	For Sale Price	420,200	487,700	555,500	623,000	677,100	731,300	785,200	839,400
	CPR Sale Price	377,500	445,000	512,800	580,300	634,500	688,600	742,500	796,700
180% Limits	Annual Income	99,800	114,100	128,350	142,600	154,000	165,400	176,800	188,250
	For Sale Price	479,200	555,500	631,500	707,600	768,400	829,200	890,000	951,100
	CPR Sale Price	436,500	512,800	588,800	664,900	725,700	786,500	847,400	908,500

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

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

Prepared by the Kauai County Housing Agency

Unlike in past years, the County has not released affordable pricing guidelines for vacant house lots, as will be offered at KMH. We have estimated the appropriate affordable lot prices based on application of formulae used in past years to 2017 income levels, with the results as shown following.

ESTIMATE OF AFFORDABLE PRICING FOR A KAUAI HOUSE LOT BASED ON FAMILY INCOME ASSUMING FAMILY OF FOUR				
Household Income As a Percent of Median Income	Household Income For Family of Four	Affordable Price for Single Family Home at 4.25 Percent Mortgage Interest Rate (1)	Percent of Total Home Price Available for Lot Purchase (2)	Affordable Finished House Lot Price for Income Group
80%	\$68,250	\$310,800	32%	\$100,000
100%	\$79,200	\$369,300	32%	\$120,000
120%	\$95,050	\$453,800	32%	\$150,000
140%	\$110,900	\$538,400	32%	\$170,000
(1) From "County of Kauai For Sale Limits by Family Size" assuming 4.25% 30-Year Fixed Interest Rate.				
(2) Extrapolated from 2016 County of Kauai Affordable Pricing Guidelines.				
Source: County of Kauai Housing Agency and The Hallstrom Team/CBRE.				

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

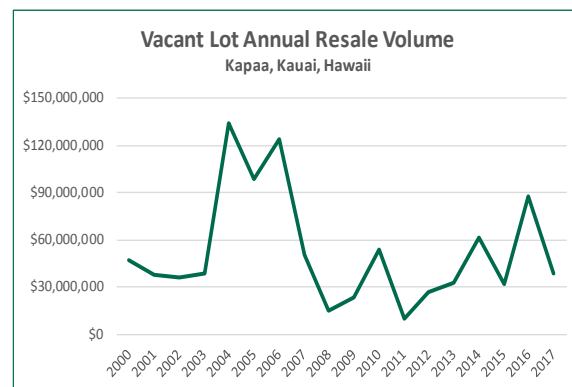
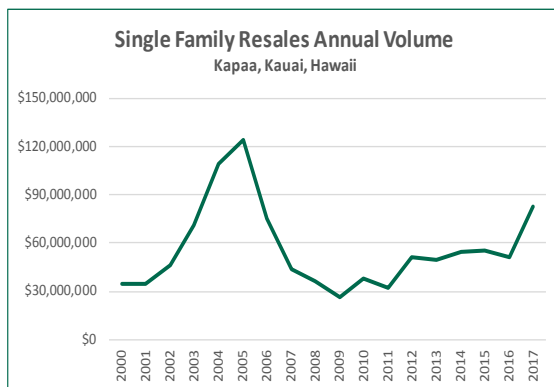
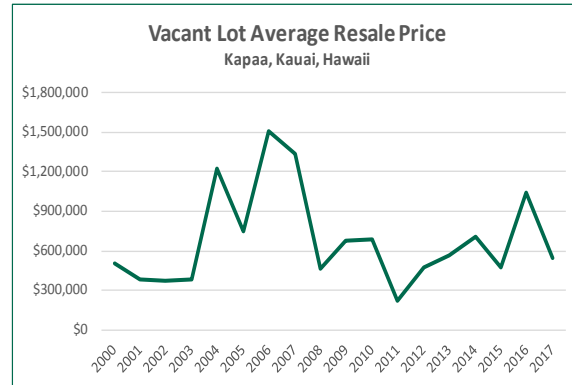
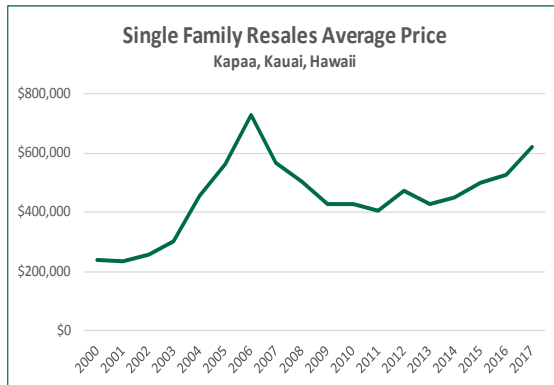
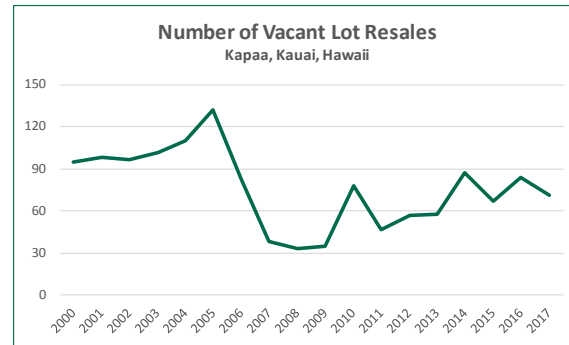
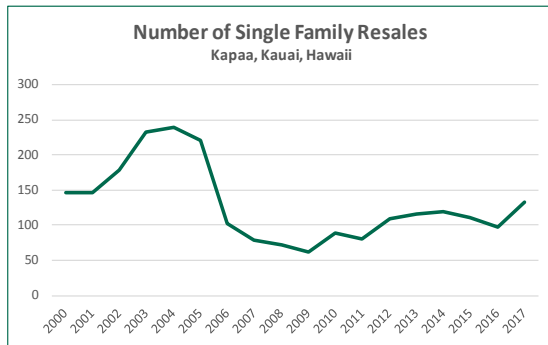
First Quarter 2017 MLS Median Sale Prices			
	Residential	Condo	Land
East Kauai (Kawaihau)	\$574,000	\$418,000	\$327,500
% Annual Chg.	5.6%	N/A	N/A
Lihue	\$500,000	\$277,500	\$280,000
% Annual Chg.	6.4%	N/A	23.1%

In general, the Lihue/East Kauai regional market serves the median (100% income households) and gap group (up to 140% of County median) somewhat functionally for larger households. However, inventory is limited for those families earning below the median level.

The Kauai Board of Realtors Multiple Listing Data for single family homes and vacant lots in the Kapaa area (the primary market area) for the period 2000 through mid-May 2017 are summarized following. We note the land/vacant lot category also includes bulk acreage, agricultural and development sites in addition to house lots, skewing some indicators (notably average prices).

KAUAI MLS LAND/VACANT LOT STATISTICS KAPAA, KAUAI, HAWAII			
Year	# of Sales	Sales Average	Sales Volume
2000	95	\$500,639	\$47,560,693
2001	98	\$386,182	\$37,845,864
2002	97	\$375,950	\$36,467,197
2003	102	\$379,878	\$38,747,530
2004	110	\$1,218,468	\$134,031,430
2005	132	\$747,437	\$98,661,655
2006	82	\$1,510,082	\$123,826,691
2007	38	\$1,339,125	\$50,886,750
2008	33	\$461,932	\$15,243,767
2009	35	\$681,310	\$23,845,833
2010	78	\$688,631	\$53,713,248
2011	47	\$221,575	\$10,414,005
2012	57	\$474,157	\$27,026,973
2013	58	\$570,196	\$33,071,373
2014	87	\$706,660	\$61,479,392
2015	67	\$475,073	\$31,829,908
2016	84	\$1,042,211	\$87,545,689
2017	22	\$548,736	\$12,072,196
Compiled by CBRE			

KAUAI MLS SINGLE FAMILY STATISTICS KAPAA, KAUAI, HAWAII			
Year	# of Sales	Sales Average	Sales Volume
2000	147	\$237,996	\$34,985,350
2001	147	\$234,726	\$34,504,785
2002	179	\$256,233	\$45,865,755
2003	233	\$304,722	\$71,000,163
2004	240	\$455,236	\$109,256,621
2005	220	\$563,580	\$123,987,549
2006	103	\$727,703	\$74,953,379
2007	78	\$566,299	\$44,171,297
2008	72	\$504,649	\$36,334,737
2009	62	\$428,978	\$26,596,655
2010	89	\$429,467	\$38,222,600
2011	80	\$406,492	\$32,519,393
2012	109	\$473,773	\$51,641,276
2013	116	\$427,212	\$49,556,582
2014	120	\$451,082	\$54,129,800
2015	111	\$499,122	\$55,402,585
2016	97	\$527,380	\$51,155,877
2017	41	\$619,591	\$25,403,249
Compiled by CBRE			



Based on our analysis we project the following price striations for single family homes would best serve market demand in the study corridor between 2017 and 2040, with:

- Approximately 27 percent of inventory needing to be priced at less than \$311,000 (current price/2017 constant dollars) which would be affordable to families making 80 percent of Kauai median household income;
- Some 45 percent of inventory will need to be priced between \$311,000 and \$539,000 which would be affordable for purchasers earning 81 percent to 140 percent of Kauai median household income; and,
- About 28 percent of demand will be for market-priced homes above \$539,000.

We note, it is very common on Kauai (and throughout Hawaii) for households to purchase units well-above their quantified affordability quotient using equity/profit from their prior home

ownership, loans and monetary gifts from family members ("generational equity"), atypical financing arrangements and other methods.

STRATIATED PROJECTIONS OF SINGLE FAMILY HOUSING UNIT DEMAND BY SELLING PRICE IN THE LIHUE-MOLOAA STUDYAREA 2017 TO 2040																														
Expressed in Constant 2017 Dollars																														
Period	2017 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	Total Demand 2017-2040																								
1. Minimum Demand Forecasts																														
Less Than \$311,000 (1)	110	307	281	237	250	1,184																								
Percent of Total Demand	28.00%	27.50%	27.00%	26.50%	26.00%	26.90%																								
\$311,000 to \$539,000 (2)	172	496	469	407	442	1,986																								
Percent of Total Demand	44.00%	44.50%	45.00%	45.50%	46.00%	45.10%																								
\$539,000 to \$1,000,000	86	245	229	197	211	969																								
Percent of Total Demand	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%																								
Over \$1,000,000	23	67	62	54	58	264																								
Percent of Total Demand	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%																								
Total Market Demand	391	1,115	1,041	894	961	4,403																								
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%																								
2. Maximum Demand Forecasts																														
Less Than \$311,000 (1)	172	344	318	314	319	1,467																								
Percent of Total Demand	28.00%	27.50%	27.00%	26.50%	26.00%	26.89%																								
\$311,000 to \$539,000 (2)	271	556	529	540	564	2,460																								
Percent of Total Demand	44.00%	44.50%	45.00%	45.50%	46.00%	45.11%																								
\$539,000 to \$1,000,000	135	275	259	261	270	1,200																								
Percent of Total Demand	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%																								
Over \$1,000,000	37	75	71	71	74	327																								
Percent of Total Demand	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%																								
Total Market Demand	615	1,249	1,176	1,187	1,227	5,454																								
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%																								
<table><tr><th colspan="4">First Quarter 2017 MLS Median Sale Prices</th></tr><tr><th></th><th>Residential</th><th>Condo</th><th>Land</th></tr><tr><td>Kauai</td><td>\$574,000</td><td>\$418,000</td><td>\$327,500</td></tr><tr><td>% Annual Chg.</td><td>5.6%</td><td>N/A</td><td>N/A</td></tr><tr><td>Lihue</td><td>\$500,000</td><td>\$277,500</td><td>\$280,000</td></tr><tr><td>% Annual Chg.</td><td>6.4%</td><td>N/A</td><td>23.1%</td></tr></table>							First Quarter 2017 MLS Median Sale Prices					Residential	Condo	Land	Kauai	\$574,000	\$418,000	\$327,500	% Annual Chg.	5.6%	N/A	N/A	Lihue	\$500,000	\$277,500	\$280,000	% Annual Chg.	6.4%	N/A	23.1%
First Quarter 2017 MLS Median Sale Prices																														
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Kauai	\$574,000	\$418,000	\$327,500																											
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Lihue	\$500,000	\$277,500	\$280,000																											
% Annual Chg.	6.4%	N/A	23.1%																											
(1) This price is considered "affordable" for four-person households earning 80% of the median county household income ("Low Income").																														
(2) This price is considered "affordable" for four-person households earning from 81% to 140% of county median (includes "Below Moderate" to "Gap Income" categories).																														
Source: Kauai County, DBEDT, MLS and The Hallstrom Team/CBRE, Inc.																														

3. Census Data

The 2011 through 2015 census data for the "Census Designated Places" (CDP) and "Census County Divisions" (CCD) comprising the Lihue/East Kauai study region are summarized as shown following. The variance/range for the analyzed factors is in most cases large. Our primary focus are the indicators associated with the Lihue and Kapaa CCDs, and the overall County.

These factors formed the basis for many of our market and economic modeling assumptions.

SELECTED STUDY AREA CDP/CCP 2011-2015 CENSUS DATA						
Census Designated Place (CDP) & Census County Division (CCD)	Wailua Homesteads CDP	Lihue CCD	Kapaa CCD	Wailua CDP	Wailua-Anahola CCD	Kauai County
Number of Housing Units	2,268	2,555	3,545	1,409	5,591	30,328
Percent Second Home Owner	8.3%	11.8%	23.2%	32.8%	18.2%	18.9%
<u>Percent of Housing Units</u>						
Single Family	92.4%	66.6%	64.0%	56.4%	82.4%	69.4%
Multifamily	7.6%	33.4%	36.0%	43.6%	17.6%	30.6%
Median Value of Owner-Occupied Units	\$591,400	\$458,700	\$426,300	\$432,100	\$541,300	\$480,600
Median Gross Monthly Rent	\$1,425	\$1,235	\$1,273	\$1,519	\$1,451	\$1,267
Median Household Income	\$69,527	\$59,640	\$63,609	\$67,425	\$66,384	\$65,101
<u>Percent of Resident Occupied Housing Units</u>						
Owner-Occupied	66.9%	60.1%	55.6%	60.5%	66.5%	61.6%
Renter Occupied	33.1%	39.9%	44.4%	39.5%	33.5%	38.4%
<u>Total Households</u>	2,080	2,254	2,724	947	4,573	22,405
<u>Average Household Size</u>						
Owner-Occupied Households	2.77	3.08	3.23	2.45	2.90	3.14
Renter Households	2.51	3.25	2.92	3.16	2.68	2.96
Average	2.68	3.15	3.09	2.73	2.83	3.07

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

4. Comparable Project Indicators

There have been few subdivisions selling lots-only (not finished homes) on Kauai over the past decade. The most recent offering has been Puakea I, the first phase of a proposed 125-lot subdivision being developed by Grove Farm just west of downtown Lihue. The 24 lots were reserved upon offering and all closed earlier this year as shown below. To discourage speculation and purchase by non-Kauai households, the deeds have a provision splitting any profits between the homeowner and Grove Farm should they be sold within five years.

SUMMARY OF PUAKEA 1 SUBDIVISION VACANT LOT SALES BY GROVE FARM, LIHUE

Taxkey	Sale Date	Land Area-SF	Sales Price	Price per Square Foot	Sale Grantee
4-3-3-20-1	4/28/2017	10,894	\$311,500	\$28.59	MATSUMURA, MICHAEL TERU
4-3-3-20-2	5/15/2017	11,879	\$319,000	\$26.85	METIVIER, CHARLES JEAN
4-3-3-20-3	4/28/2017	8,002	\$269,000	\$33.62	KUNIMURA, KARENE
4-3-3-20-4	5/3/2017	10,215	\$284,000	\$27.80	MUNECHIKA, MAURICE AKIRA
4-3-3-20-5	5/19/2017	8,999	\$284,000	\$31.56	KOUCHI, RONALD DAN
4-3-3-20-6	5/19/2017	8,999	\$284,000	\$31.56	KOUCHI, SCOTT NELSON
4-3-3-20-7	5/12/2017	8,999	\$284,000	\$31.56	CHOW, ARTHUR ALAPAI AH HOOK
4-3-3-20-8	5/3/2017	8,999	\$284,000	\$31.56	FUJITA, STELLA BUMACOD
4-3-3-20-9	5/24/2017	9,008	\$284,000	\$31.53	CARVALHO, TYLER TAKEO
4-3-3-20-10	4/28/2017	9,313	\$284,000	\$30.49	MIURA, TAD TADASHI
4-3-3-20-11	6/7/2017	8,002	\$271,500	\$33.93	RAGSAC, CHAD RYAN
4-3-3-20-12	5/11/2017	9,897	\$264,000	\$26.68	PASCUAL, ALEJANDRO BULOSAN
4-3-3-20-13	5/8/2017	10,010	\$271,500	\$27.12	RAGASA JR, ALEJANDRINO ANDY
4-3-3-20-14	5/11/2017	8,960	\$264,000	\$29.46	CAYCAYON, ISAIAH LAAKEA PARIES
4-3-3-20-15	5/17/2017	10,054	\$271,500	\$27.01	ACOPA, MICHAEL JOSEPH
4-3-3-20-16	5/10/2017	10,058	\$271,500	\$26.99	RACO, CAVEN KONANE
4-3-3-20-17	4/28/2017	9,021	\$264,000	\$29.26	APAO, DIRK KAPUALANI JOSEPH
4-3-3-20-18	5/10/2017	10,167	\$271,500	\$26.70	IBANEZ, MARWEEN YAGO
4-3-3-20-19	4/28/2017	8,873	\$264,000	\$29.75	SUMIDA, KELSON JOHN FUJIO
4-3-3-20-20	5/5/2017	9,662	\$289,000	\$29.91	GAMBENG, JENNY BOMBAY
4-3-3-20-21	4/28/2017	9,239	\$284,000	\$30.74	EBESU, DEWEY TSUYOSHI
4-3-3-20-22	5/9/2017	9,034	\$284,000	\$31.44	IHARA, JUSTIN LEE BRANDON SHIGERU
4-3-3-20-23	5/19/2017	8,355	\$271,500	\$32.50	ILORETA, ALBELARDO RAGASA
4-3-3-20-24	6/14/2017	8,490	\$271,500	\$31.98	RAPOZO, NOLAN RAYMOND
Average		9,380	\$279,208	\$29.94	

Source: Hawaii Information Service, Grove Farm and The Hallstrom Team/CBRE.

The developer has a waiting list of potential purchasers and anticipates rapid, full-absorption of each subsequent increment of the project, which is the initial component within the proposed 1,450-unit Grove Farm Wailani Residential master plan.

The other major in-development project in the Lihue/East Kauai study area is Koheha Loa, a DR Horton project in Hanamaulu which will have a total of 444 finished single-family homes and multifamily units built in three phases through 2020. Forty percent of the units will be priced according to County affordability guidelines, with first phase prices starting at \$232,000 for multifamily units. The initial increment will have 151 single family and duplex units.

The demand for the product has been such that product pre-sale thus far has been offered via lotteries which have been fully subscribed and is bifurcated between Kauai residents who do not currently own a home, Kauai residents who do, and other interested parties. It is anticipated all the units in the current and future phases will be reserved/pre-sold prior to build-out.

Interest is so high the County is considering offering to purchase all units that are not reserved/pre-sold via lotteries.

RESIDENTIAL UNIT SUPPLY IN THE GENERAL STUDY AREA

In the 2017 General Plan Appendices report "Appendix G – Entitled Projects on Kauai", the Kauai Planning Department identified a total of 3,766 potential "residential" units in 23 major projects in the Lihue to Moloaa Corridor, excluding KMH, as shown below.

There are numerous considerations in assessing the potential supply:

- Not all will be constructed as master plans invariably evolve over time and are often built out to less than maximum allowable densities.
- Infrastructure systems (including water, sewer, and access) may not be available to support development of all the holdings in a timely manner.
- Some of the projects have been long-proposed but with little forward movement in years as the market, investor/ownership and developer interests change.
- Many lack appropriate entitlements.
- 181 of the proposed units will be the remaining house lots to be developed in the Department of Hawaiian Homelands Piilani Mai He Kai project, which has offered 86 subdivided lots in two phases to date (since 2009), with the third phase scheduled to commence within the next several years. "Ownership" of the leased lots is limited to native Hawaiian households.

Kaua'i County General Plan | Appendix G

Entitled Residential Projects by District

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

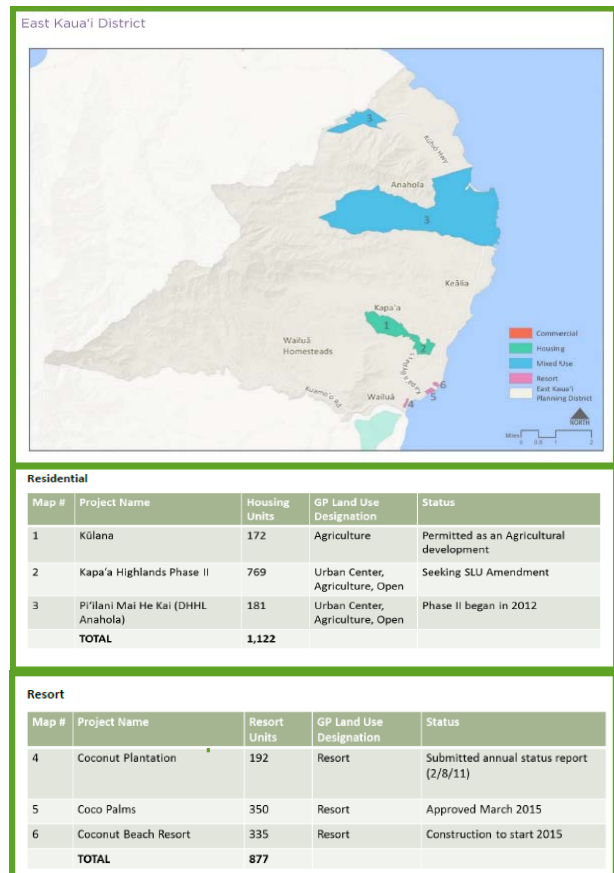
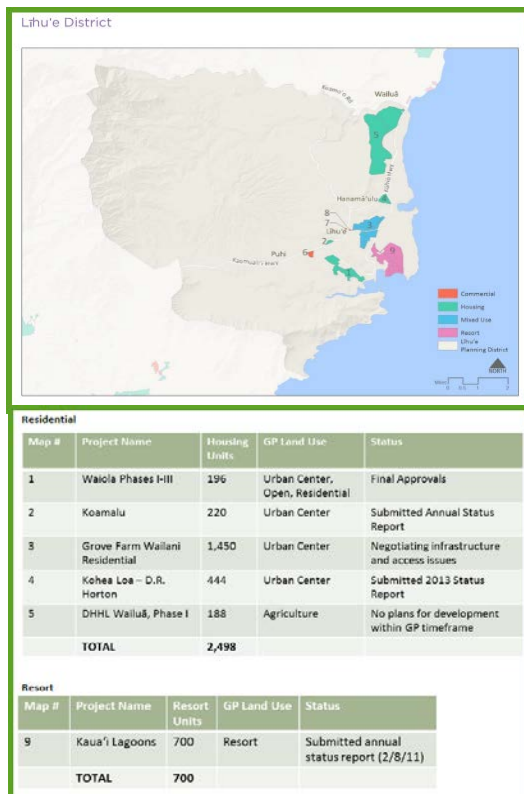
Total Proposed Residential Units Within Study Area (Excluding Kealia Mauka Homesites)	
Location	No. Of Units
East Kauai	1,122
Lihue	2,644
Total	3,766

Source: County of Kauai

(Note: Kapaa Highlands, Phase II now called "Hokua Place")

The Planning Department subsequently identified a total of 5,197 total standard residential and resort-residential units in the study area, excluding KMH, as summarized following. Some 69.7 percent of the units are identified as residential, 30.3 percent as Coconut Plantation areas, many of the units will be used as TVRs or otherwise outside the available inventory to meet the housing needs of resident families.

Precise division of the proposed unit by type (single or multifamily) is not available for all projects. The standard residential projects are anticipated to be some 65 to 70-plus percent single family, and the resort-residential product up to 80 percent multifamily units.



Summary of Total Proposed Study Area Residential and Resort-Residential Units (Excluding Kealia Mauka Homesites)			
Location	Residential	Resort-Residential	Total
Lihue	2,498	700	3,198
East Kauai	1,122	877	1,999
Total	3,620	1,577	5,197

Source: County of Kauai

SUBJECT UNIT ABSORPTION


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

We have estimated the probable market acceptance levels and resulting absorption of the 236 single family lots at KMH using three methodologies.

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

Gross Demand for additional housing units in the study area will exceed supply between 2017 and 2040. If only "entitled residential" (non-resort) units are considered as comprising the competitive supply, the regional shortfall over the next 23-years would be between 2,888 units and 4,474 units. If all entitled residential and resort-residential are considered, the shortfall in supply would be from 1,457 units to 3,043 units. **There is solid support for the KMH product during its proposed development period on a gross demand basis.**

Even if all 5,197 identified residential and resort-residential units for Lihue/East Kauai are built in the projection period and achieve reasonable development speed and absorption velocities, and an allowance of 100 available yet unsold units is provided, there will still be substantial unmet Residual Demand (using mid-point figures) for residential units in every five-year projection period from 2017 through 2040, as shown following.

PROJECTION OF POTENTIAL SUBJECT UNIT ABSORPTION USING THE RESIDUAL METHOD BASED ON TOTAL DEMAND FOR RESIDENTIAL UNITS IN THE LIHUE-MOLOAA STUDY AREA							
Segment	TOTAL UNITS PROPOSED Excluding Subject	2017-2020	2021-2025	2026-2030	2031-2035	2036-2040	Total
All Residential Unit Types							
Identified Supply (1)	5,297	750	1,000	1,100	1,200	1,247	5,297
Percentage of Total Supply		14%	19%	21%	23%	24%	100%
Regional Housing Unit Demand (mid-point)	7,447	719	1,738	1,680	1,601	1,709	7,447
Shortage or (Excess) Supply	2,150	(31)	738	580	401	462	2,150
Potential Residual Subject Unit Demand							
at 75% Capture Rate	1,612	-23	554	435	301	346	1,612
at 60% Capture Rate	1,290	-19	443	348	240	277	1,290
 = Probable Kealia Mauka Homesites Absorption Period. 236 lots would require from circa three to four years.							
(1) Includes allowance of 100 unsold units in completed projects not included within the identified inventory supply.							
Source: The Hallstrom Team/CBRE							

Using mid-point demand estimates, the residual demand available will be sufficient to absorb the subject units in a timely manner within a 3 to 4-year exposure period (initial closings to sell-out).

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

We estimate the subject could readily achieve an average Market Shares (or "Capture") Rate of between 15 and 20 percent of the total demand for new housing units in the Lihue to Moloaa Corridor.

A total absorption period for the subject residential product of between about 3.9 years and 5.3 years is indicated by this analysis, assuming pre-sales start in 2019, as shown. The total market capture rate of 15.16 percent during the offering period is modest in comparison with the levels being achieved by the initial phases of Pikake/Wailani (Grove Farm-Lihue) and Kohea Loa (DR Horton-Hanamaulu).

SUMMARY OF SUBJECT PROJECTED DEMAND LEVELS USING THE MARKET SHARES METHOD				
Assuming 236 Saleable House Lots with Pre-Sales Starting in Mid-2019 and First Closings in 2020				
Scenario One: Using Minimum Demand Assumptions				
Sales Year		Total Regional Demand	Effective Subject Share	Indicated Total Subject Absorption
Date	Period			
2020	1	140	18.00%	25
2021	2	328	15.00%	49
2022	3	328	15.00%	49
2023	4	328	15.00%	49
2024	5	328	15.00%	49
2025	6	328	4.20%	14
Totals	5.30	1,779	13.25%	236
Scenario Two: Using Maximum Demand Assumptions				
Sales Year		Total Regional Demand	Effective Subject Share	Indicated Total Subject Absorption
Date	Period			
2020	1	220	20.00%	44
2021	2	367	18.00%	66
2022	3	367	18.00%	66
2023	4	367	16.20%	60
Totals	3.90	1,322	17.83%	236
ANALYSIS MID-POINT				
4.6 Years		1,551	15.20%	236
Source: The Hallstrom Team/CBRE, Inc.				

Placing greatest weight on the indicators provided by the Market Share method, we conclude the 236 proposed lots of the Kealia Mauka Homesites subdivision will achieve full absorption within approximately 4.5 years from initial closings.

Other Market Issues

SECONDARY MARKET CONSIDERATIONS

- If there is imposition of resale limitations/exactions ("profit sharing") placed upon the designated affordable-priced lots, we do not believe it will meaningfully hamper demand for those properties. This has been demonstrated at the Puakea I subdivision (Grove Farm), which still achieved full absorption/reservation upon offering for higher-priced lots. There is such a shortage of affordably-priced lots relative to market demand, and most purchasers are seeking long-term housing, any re-sale restrictions become moot.

We would not anticipate any re-sale restrictions to be placed on the market-priced inventory, and even were it so, do not believe it would be a significant impact on sales to full-time resident households (if the restrictions were not onerous); however, it could lessen interest among non-resident second home buyers.

- KMH will have minor impacts on the socio-economic aspects of the surrounding community that relate to real estate issues.
 1. The proposed residential components will be generally compatible and contextually consistent with the existing adjacent Kealia Town subdivision project and most mauka housing developments in the greater Kapaa area. The project will have little to no impact on the vacant feral agricultural lands which generally surround it.
 2. Property values in the region are largely driven by external, cyclical economic factors within an existing (and expanding) cumulative mass, not any single new project. KMH will not itself, drive regional market values or real property assessments of nearby real estate.
 3. It is not expected there will be any in-migration to Kauai as a direct result of the project.
 4. A portion of the subject inventory will meet Kauai County workforce housing guidelines, which coupled with the market-priced product will provide new, competitively-priced inventory across a broad-spectrum of purchaser demographics.
 5. KMH will contribute to the local and regional economy through discretionary household expenditures by the de facto population.

Economic Impacts of the Proposed Development

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

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

From a direct perspective, the proposed 236 house lots and eventual homes built thereon will create numerous construction, equipment operator and specialty trade jobs on- and off-site, directly and indirectly, during the planning and emplacement of the infrastructure, and building of the improvements.

After completion of the common systems and vertical construction there will be some (though limited) permanent employment positions created by the community association personnel and the buildings themselves (landscape, service, maintenance, and renovation needs during their use).

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

The general island economy also will benefit from the subject development, as its full and part-time residents will spend large amounts of discretionary income in off-site shops, restaurants, and service establishments throughout Lihue/East Kauai, and in purchasing goods and services. We acknowledge however, much of this will not be "new" unanticipated spending on the island from "new" residents, but continuing spending from existing Kauai households which relocate to KMH and move their spending to businesses in the Lihue to Moloaa Corridor.

The only "new" spending will come from non-resident second-home owners and their guests when they are visiting their KMH vacation homes. It is anticipated their spending patterns would be similar on a daily basis with other Kauai visitors in their income grouping. Yet, the average number of KMH non-resident owners and guests on-site at any time is limited relative to the full-time resident population.

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

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

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

by the capital investments, population/user spending and business operations of the development.

Our economic analysis was based on an assumed project build-out and finished lot absorption period of seven years from 2018 through 2024, with completion of the homes continuing thereafter (for modeling purposes assumed through 2030). The construction of the finished homes on the subject lots may take longer, as it will be controlled by the lot buyers and not the master developer. If significant numbers of lots are sold in bulk to local contractors to construct spec homes, the build-out may be faster than forecast; if the majority of lots are sold to individuals the pace of build-out could vary meaningfully. However, whether full development takes 10 or 20 years, the economic impact during the build-out period and stabilized "operation" of the community and its resident population will be the same following completion/stabilization. As constant, uninflated 2017 dollars are used throughout the model, time is not a significant variable in the analysis.

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

FORECAST KEALIA MAUKA HOMESITES FINISHED HOUSE LOT ABSORPTION WITH FULL-SELL OUT ACHIEVED WITHIN SEVEN YEARS OF GROUND-BREAKING						
Year	Project Year	Activity	Finished House Lots Sold/Closed		Finished Single Family Homes Completed (1)	
			Annually	Total	Annually	Total
2018	1	Final Approvals, Survey, Clearing and Grubbing of Site				
2019	2	On and Off-Site Infrastructure Commences and is Completed. Lot Pre-Sales Begin Mid-Year.				
2020	3	Initial Lot Sales Closing, Lot Sales Continuing, Initial Vertical Home Construction Commences.	60	60		
2021	4	Lot Sales Continuing, Initial Homes Finished, Home Construction Continues	50	110	20	20
2022	5	Lot Sales Continuing, More Homes Finished, Home Construction Continues	50	160	25	45
2023	6	Lot Sales Continuing, More Homes Finished, Home Construction Continues	50	210	25	70
2024	7	Lots Are Fully-Absorbed/Sold-Out, More Homes Finished, Home Construction Continues	26	236	25	95
2025 and Beyond		Homes Continue to be Constructed and Finished by Lot Purchasers			141	236
(1) Construction timing of finished single family homes estimated for economic modeling purposes-only as their build-out is outside the purview of the master developer who at this time envisions offering all product as finished house lots only. Full build-out of the subdivision could take decades or could be faster if blocks of lots are taken down by local builders for construction of "spec/tract" homes. Does not include any allowances for possible Accessory Dwelling Units ("ohanas") which may be built on some lots.						

It is anticipated that:

- Final approvals and planning will be completed by late 2018;
- Ground-breaking, survey and site clearing will begin in late 2018;
- Infrastructure emplacement will take place in 2019 along with the commencement of the lot pre-sales program;
- Lot closings will begin in 2020 along with initial vertical (home) construction;
- Full-Absorption/Sell-Out of the finished lot product being developed will be achieved by 2024, equating to a total KMH project period of seven years.
- The first homes would be completed and available for occupancy beginning in 2021; and,
- Vertical construction is dependent upon the lot purchasers (not master developer) and would continue after full-absorption.
- For analytical-purposes only, we have assumed all homes would be completed by 2030.

Our model assumes all infrastructure is built in a single phase; however, should it take place in two or more phases during the projection period the outputs from the model would not be significantly changed as long as there are sufficient finished lots provided to meet market-based purchaser and homebuilding demands.

CAPITAL INVESTMENT AND CONSTRUCTION COSTS

The subject will bring an estimated \$121 million in direct development capital into Kauai over the build-out period for the project, as shown below.

PROPOSED KEALIA MAUKA HOMESITES DEVELOPMENT SCHEDULE AND ESTIMATED CONSTRUCTION COSTS				
All Amounts Expressed in Constant 2017 Dollars				
Item	Development, Sales and Build-Out Period			Totals During Build-Out
	2017 to 2020	2021 to 2025	2026 to 2030	
Infrastructure Emplacement	\$26,317,029	\$0	\$0	\$26,317,029
Residential Construction	\$4,734,750	\$42,612,750	\$47,347,500	\$94,695,000
TOTAL PERIODIC CONSTRUCTION COSTS	\$31,051,779	\$42,612,750	\$47,347,500	\$121,012,029
Contractor Profits	\$3,105,178	\$4,261,275	\$4,734,750	\$12,101,203
Supplier Profits	\$1,242,071	\$1,704,510	\$1,893,900	\$4,840,481

Source: The Hallstrom Team/CBRE

Infrastructure costs were provided to us by the development team and total of \$26.32 million, as summarized following.

Kealia Residential Subdivision
July 11, 2017

Budgetary Proposal

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	AMOUNT
1	Earthwork - On-Site	53.40	ACRE	96,100.00	5,131,740.00
2	Drainage and Detention Basins - On-Site	53.40	ACRE	31,400.00	1,676,760.00
3	Sewer System - On-Site	10,243.00	LF	327.00	3,349,461.00
4	Water Distribution System - On-Site	11,514.00	LF	188.00	2,164,632.00
5	Dry Utilities incl Electrical, Comm - On-Site	12,477.00	LF	145.00	1,809,165.00
6	Roadways & Sidewalks - On-Site	12,477.00	LF	403.00	5,028,231.00
7	Bus Stop Roadway Turnout and Shelter - On-Site	1.00	EA	121,000.00	121,000.00
8	Postal Service Gang Mail Box and Turnout - On-Site	1.00	EA	38,400.00	38,400.00
OFFSITE-1	Kuhio/Kealia Intersection Improvements	1.00	LS	1,282,000.00	1,282,000.00
OFFSITE-2	Kealia Road Improvments	2,646.00	LF	143.00	378,378.00
OFFSITE-3	Sewer Pipe Connect to Existing	7,528.00	LF	234.00	1,761,552.00
OFFSITE-4	Sewer Lift Station	1.00	EA	358,000.00	358,000.00
OFFSITE-5	WW Treatment Capacity Assessment Fee	236.00	EA	4,290.00	1,012,440.00
OFFSITE-6	Waterline Connect to Existing Kealia System	2.00	EA	16,800.00	33,600.00
OFFSITE-7	0.2MG Water System Storage Tanks	1.00	EA	858,000.00	858,000.00
OFFSITE-8	Water System Source Improvements	2.00	EA	465,000.00	930,000.00
OFFSITE-9	KIUC, HTEL, Cable, Line Extension from Kuhio	2,646.00	LF	145.00	383,670.00
GRAND TOTAL					\$26,317,029.00

Home construction costs would total \$94.7 million during the vertical build-out period. This is based on average vertical construction costs per unit as shown.

ESTIMATED AVERAGE "ALL IN" HOME DEVELOPMENT COST AT KEALIA MAUKA HOMESITES SUBDIVISION BEFORE LAND

Assuming Typical Three-Bedroom, Two-Bathroom House with Two-Car Garage, Patio, Porch, Paved Driveway, and Front-Yard Landscaping

Unit Cost Item	Modest Quality Home	Upscale Quality Home	Mid-Point Single Family Home
Average Home Size in Gross Square Feet of Living Area	1,100	2,200	1,650
"All-In" Construction Cost Per Square Foot	\$200	\$250	\$225
Site Work/Hardscape/Landscaping Cost	\$25,000	\$35,000	\$30,000
Total Vertical Construction Cost per Home	\$245,000	\$585,000	\$401,250
Plus Allocated Infrastructure Cost per Unit	\$110,000	\$110,000	\$110,000
Total Per Home "All in" Development Cost Before Land	\$355,000	\$695,000	\$511,250

Source: Rider Levitt Bucknall and The Hallstrom Team/CBRE

KMH development will infuse on average an anticipated \$9.3 million annually into the Kauai building industry on average over the build-out period.

DIRECT BUSINESS PROFITS FROM CONSTRUCTION

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

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

The total Contractor's Profit generated by KMH for local building companies averages \$1 million per year, with a cumulative profit of \$12.1 million over the construction period. The average annual Supplier's Profit equates to \$372,000 and totals \$4.8 million in aggregate.

EMPLOYMENT OPPORTUNITIES CREATED

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

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

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

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

ESTIMATED YEARLY FULL-TIME EQUIVALENT EMPLOYMENT POSITIONS CREATED BY DEVELOPMENT				
	Development, Sales and Build-Out Period			Totals During Build-Out
Construction Employment (1)	2017 to 2020	2021 to 2025	2026 to 2030	
Infrastructure Emplacement	66	0	0	66
Residential Units	32	284	316	631
Total Periodic Construction Jobs	97	284	316	697
On-Going Employment				
Maintenance & Common Element (2)	0	30	59	89
Total FTE Jobs in Place at End of Period	0	9	15	15
Off-Site Employment (3)	32	105	125	262
Total FTE Jobs in Place at End of Period	0	3	5	5
TOTAL PERIODIC WORKER YEARS	130	418	500	1,048
TOTAL END-OF-PERIOD PERMANENT JOBCOUNT	0	12	20	20

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

(2) Includes community common element administration and maintenance staff of 3 FTE jobs and ratio of one FTE maintenance/repair worker for every 20 homes.

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

Source: The Hallstrom Team/CBRE

A total of 697 worker-years of direct employment in the construction trades will be needed for developing KMH.

Community association and maintenance worker-years will total 89 during the modeling period and 15 permanent FTE positions thereafter.

Off-Site/Indirect/Secondary employment created by KMH will total 262 worker-years from 2018 through 2030 and 5 FTE positions per year as stabilized.

WAGE INCOME GENERATED

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

ESTIMATED YEARLY EMPLOYEE WAGES CREATED BY DEVELOPMENT				
All Amounts Expressed in Constant 2017 Dollars				
	Development, Sales and Build-Out Period			Totals During Build-Out
Construction Wages (1)	2017 to 2020	2021 to 2025	2026 to 2030	
Infrastructure Emplacement	\$5,200,245	\$0	\$0	\$5,200,245
Residential Units	\$2,494,898	\$22,454,078	\$24,948,976	\$49,897,952
Total Periodic Construction Wages	\$7,695,143	\$22,454,078	\$24,948,976	\$55,098,197
Maintenance & Common Element (2)	\$0	\$990,675	\$1,973,025	\$2,963,700
Off-Site Employment Wages (3)	\$1,755,033	\$5,657,399	\$6,758,197	\$14,170,629
TOTAL PERIODIC WAGES	\$9,450,175	\$29,102,152	\$33,680,198	\$72,232,526
				Stabilized Annually
				\$492,840
				\$266,795
				\$759,635

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

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

Source: The Hallstrom Team/CBRE

Total direct construction wages paid during build-out will be \$55.1 million.

Total community association and maintenance employee wages during the modeling period will be \$3 million and stabilize at \$493,000 thereafter.

Off-sits/indirect employee wages will total \$14.2 million during build-out and be \$267,000 annually on a stabilized basis.

POPULATION, INCOME AND EXPENDITURES

The single-family homes of KMH will be occupied primarily by full-time resident households. However, it is inevitable that some of the lots/homes will be purchased/owned by non-resident second-home buyers who will utilize their units as vacation homes for their families and guests on a part-time basis.

Together these groups constitute the "de facto population" of the project, or the average number of persons (full time household members and second-home owners and guests) daily residing within the subdivision.

The de facto population of the subject community and their income and discretionary expenditures will create major positive impacts on the Lihue/East Kauai economy. However, as previously noted, these income and expenditure dollars are not all considered as "new" monies flowing into the island economy as it is assumed the full-time households are already on Kauai) existing expenditures) with the "new" money being brought into the region by the non-resident component.

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

ESTIMATED RESIDENT POPULATION, HOUSEHOLD INCOME AND DISCRETIONARY EXPENDITURES					
All Amounts Expressed in Constant 2017 Dollars					
	Development, Sales and Build-Out Period			Stabilized	Totals
	2017 to 2020	2021 to 2025	2026 to 2030		
Total Number of Single Family Homes Occupied (End of Period)	0	118	236	236	
Percent of Total Units	0%	50%	100%	100%	
Full-Time Resident Households	0	97	194	194	
Percent of Total Units	82%	82%	82%	82%	
Second Home (Non-Resident) Owner Households	0	21	42	42	
Percent of Total Units	18%	18%	18%	18%	
Average Resident Household Size (1)	3.4	3.4	3.4		
Total Resident Population End of Period	0	329	658	658	
Average Non-Resident Household Size (2)	1.0	1.0	1.0		
Average Daily Non-Resident Population End of Period	0	21	42	42	
Total De Facto (Resident and Non-Resident) Daily Population End of Period	0	350	700	700	
RESIDENT HOUSEHOLD INCOME (3)					During Build-Out
Total Annual Household Income at End of Period	\$0	\$9,966,280	\$19,932,560	\$19,932,560	
Total Household Income During Period	\$0	\$24,915,700	\$74,747,100		\$99,662,800
TOTAL DE FACTO POPULATION DISCRETIONARY EXPENDITURES (4)					
Average Annually During Period	\$0	\$5,275,591	\$12,132,713	\$12,132,713	
Total During Period	\$0	\$26,377,956	\$60,663,564		\$87,041,520

(1) Average household size of 3.4 persons.

(2) Average party-size of 3.5 persons with occupancy at 30% of year, or de facto daily household size of 1.05 persons. Rounded to 1.0 persons.

(2) Estimated at \$103,000 per year or 130% of median household income for four-person household.

(4) Residents household assumed to have average of 45% of gross income as net disposable. Non-Resident Households assumed to have spending at \$204 per person per day, which is the average daily spending by Kauai visitor through May 2017.

Source: The Hallstrom Team/CBRE

The top half of the table depicts the effective occupancy of the 236 finished homes.

It is assumed that 82 percent of the houses (194 total) will contain full-time Kauai resident families with an average household size of 3.4 persons, totaling 658 full-time residents at build-out and full occupancy.

The other 18 percent of the KMH homes (42 total) will be used by part-time second/vacation home owners who will occupy the unit 30 percent of the years with an average party size of 3.6 persons. This equates to an average daily population for this ownership component of 42 persons.

The total average daily de facto population at build-out will be 700 persons (658 full time residents and 42 vacationers).

We estimate the average household income for the full-time resident families will be \$103,000, or about 130 percent of the 2017 Kauai median household income. During the build-out period the total resident household income will be \$99.7 million, and at \$20 million stabilized annually thereafter.

We estimate that full-time resident households in KMH will spend only about 45 percent of their total income on discretionary items, with the remainder going towards mortgage debt service and fixed expenses.

The part-time non-resident population of the project, which are essentially visitors, are projected to spend \$204 per person daily, which was the average daily expenditure for Kauai visitors through May 2017. Although they will not have lodging costs, they will spend money on furnishings and housewares and will typically be upper-income households with larger amounts of discretionary dollars to spend. We note this spending, which totals some \$3.2 million

annually, is considered as "new" to Kauai and reflected accordingly in the fiscal assessment model.

By build-out, the discretionary expenditures made by the subject project de facto population (full and part-time components) in the local market will be at \$12.1 million annually on a stabilized basis, in 2017 dollars. During the build-out modeling period, (through 2030), the total sum of these expenditures will be \$87 million.

OPERATING ECONOMIC ACTIVITY

The on-going, on-site economic activity within the proposed KMH development will flow from the Community Association and Maintenance/Landscaping/Renovations. We have estimated these activities will generate some \$850,000 in gross sales/revenues annually on a stabilized basis.

SUMMARY OF DIRECT, LOCAL ECONOMIC IMPACTS

As correlated on the table below, annual Total Base Economic Impact on a stabilized after build-out will be \$13.7 million per year; however, 65 percent is from resident household spending which is not "new" economic activity being created. During the development period, the aggregate total is \$226 million.

SUMMARY OF ECONOMIC IMPACTS ASSOCIATED WITH DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
Development, Sales and Build-Out Period					
	2017 to 2020	2021 to 2025	2026 to 2030	Totals During Build-Out	Stabilized Annually
Construction Activity					
Construction Wages	\$7,695,143	\$22,454,078	\$24,948,976	\$55,098,197	
Contractor Profits	\$3,105,178	\$4,261,275	\$4,734,750	\$12,101,203	
Supplier Profits	\$1,242,071	\$1,704,510	\$1,893,900	\$4,840,481	
Other Construction Costs	\$19,009,387	\$14,192,887	\$15,769,874	\$48,972,148	
Total Construction Impact	\$31,051,779	\$42,612,750	\$47,347,500	\$121,012,029	
Maintenance & Common Element Wages	\$0	\$990,675	\$1,973,025	\$2,963,700	\$492,840
Off-Site Wages	\$1,755,033	\$5,657,399	\$6,758,197	\$14,170,629	\$266,795
Total Project Population Spending	\$0	\$26,377,956	\$60,663,564	\$87,041,520	\$12,132,713
Unit Maintenance & Repairs (1)	\$0	\$169,920	\$594,720	\$764,640	\$849,600
TOTAL BASE ECONOMIC IMPACT	\$32,806,812	\$75,808,700	\$117,337,006	\$225,952,518	\$13,741,947

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

Source: The Hallstrom Team/CBRE

STATE INPUT/OUTPUT MODEL

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

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

Among the outputs using the State method:

- The \$121 million in cumulative KMH construction costs will generate a total State Economic Output of \$256.5 million during build-out with subsequent community "operations" averaging \$27.1 in Economic Output annually statewide on a stabilized basis.
- Direct subject construction wage earnings of \$55.1 million will yield \$111.3 million in statewide Direct Effect Earnings during build-out and on-going economic activity will generate \$5.6 million during the modeling period and \$1.4 million each stabilized year.
- Indirect and induced State taxes during build-out will total \$28.5 million during build-out and \$2.1 million annually thereafter.
- Direct effect jobs created by construction employment will be 2.68 times the number of on-site workers, or a total of 1,868 worker years of employment. The on-going business activity will generate 65 jobs state wide through 2030 and 41 annually thereafter.

ESTIMATES OF TOTAL ECONOMIC IMPACT FROM SUBJECT CONSTRUCTION USING STATE INPUT-OUTPUT MODEL "TYPE II" MULTIPLIERS All Amounts Expressed in Constant 2017 Dollars					
Year	Development, Sales and Build-Out Period			Totals	Stabilized Annually
	2017 to 2020	2021 to 2025	2026 to 2030		
<u>Construction Costs</u>	\$31,051,779	\$42,612,750	\$47,347,500	\$121,012,029	\$127,440
1. Economic Output Multiplier	2.12	2.12	2.12	2.12	2.12
Total State Economic Output	\$65,829,771	\$90,339,030	\$100,376,700	\$256,545,501	\$270,173
2. Earnings Multiplier	0.61	0.61	0.61	0.61	0.61
Total Increase in State Earnings	\$18,941,585	\$25,993,778	\$28,881,975	\$73,817,338	\$77,738
3. State Tax Multipliers	0.12	0.12	0.12	0.12	0.12
Total Increase in State Taxes	\$3,726,213	\$5,113,530	\$5,681,700	\$14,521,443	\$15,293
4. Total Job Multipliers	13.83	13.83	13.83	13.83	13.83
Total State Jobs Created	429.4	589.3	654.8	1,673.6	1.8
<u>Construction Employment</u>	97	284	316	697	6
5. Direct-Effect Job Multipliers	2.68	2.68	2.68	2.68	2.68
Total Direct Jobs Created	260.9	761.3	845.9	1,868.2	15.2
<u>Construction Wages</u>	\$7,695,143	\$22,454,078	\$24,948,976	\$55,098,197	\$306,309
6. Direct-Effect Earnings	2.02	2.02	2.02	2.02	2.02
Total Increase in Direct Earnings	\$15,544,188	\$45,357,238	\$50,396,932	\$111,298,358	\$618,744
Source: State Input-Output Model and The Hallstrom Team/CBRE					

ESTIMATES OF TOTAL ECONOMIC IMPACT FROM SUBJECT OPERATIONS USING STATE INPUT-OUTPUT MODEL "TYPE II" MULTIPLIERS All Amounts Expressed in Constant 2017 Dollars					
Year	Development, Sales and Build-Out Period			Totals	Stabilized Annually
	2017 to 2020	2021 to 2025	2026 to 2030		
<u>Household Spending & Maintenance</u>	\$0	\$26,547,876	\$61,258,284	\$87,806,160	\$12,982,313
1. Economic Output Multiplier	2.09	2.09	2.09	2.09	2.09
Total State Economic Output	\$0	\$55,485,061	\$128,029,814	\$183,514,874	\$27,133,034
2. Earnings Multiplier	0.66	0.66	0.66	0.66	0.66
Total Increase in State Earnings	\$0	\$17,521,598	\$40,430,467	\$57,952,066	\$8,568,326
3. State Tax Multipliers	0.16	0.16	0.16	0.16	0.16
Total Increase in State Taxes	\$0	\$4,247,660	\$9,801,325	\$14,048,986	\$2,077,170
4. Total Job Multipliers	19.00	19.00	19.00	19.00	19.00
Total State Jobs Created	0.0	504.4	1,163.9	1,668.3	246.7
<u>Operating Employment</u>	0.0	11.9	19.7	31.6	19.7
5. Direct-Effect Job Multipliers	2.05	2.05	2.05	2.05	2.05
Total Direct Jobs Created	0.0	24.3	40.5	64.8	40.5
<u>Operating Wages</u>	\$0	\$990,675	\$1,973,025	\$2,963,700	\$759,635
6. Direct-Effect Earnings	1.89	1.89	1.89	1.89	1.89
Total Increase in Direct Earnings	\$0	\$1,872,376	\$3,729,017	\$5,601,393	\$1,435,710
Source: State Input-Output Model, and The Hallstrom Team/CBRE					

ANCILLARY ECONOMIC (PHASE II) IMPACTS

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

There are two potential negative market-based impacts:

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

These trends exist externally to the subject property, and would be anticipated to continue reasonably unabated over the long-term regardless whether KMH were developed. There is little rational or demonstrable market support suggesting regional demand and associated pricing trends will recede if the subject lands were left vacant.

Conversely, the KMH units will likely provide a moderating effect to price increases in the study area and on Kauai by placing 236 affordable to low/mid-market priced homes into an area where such are somewhat limited and with the existing inventory under strong inflationary pressure. Providing substantial amounts of new moderately-priced product will help ease buyer and pricing concerns due to an artificial scarcity of supply.

Without the 236 proposed lots/homes, which represent some 6.3 percent of all planned residential inventory additions in the Lihue to Moloaa Corridor over the next two decades, a significant undersupply situation would again develop in the area, laying the groundwork for a hyper-appreciation cycle of the type that has periodically plagued Kauai resident households since the mid-1970s.

Affordable Housing -- The inclusion affordable-priced lots, per County guidelines, on-site within KMH will constitute a significant allowance of affordable units (in total and proportionately) for East Kauai.

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

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

Public Fiscal (Costs/Benefits) from the Proposed Development

The full-size tables depicting the modeling process summarized in this study section are presented in Addenda Exhibit D and summarized in the following table.

SUMMARY COMPARISON OF MAJOR PUBLIC FISCAL BENEFITS FOR THE KEALIA MAUKA HOMESITES COMMUNITY <u>Accounting for "New" Direct Impacts Only</u> All Amounts Expressed in Constant, Uninflated 2017 Dollars		
Analysis Item	Cumulative During Build-Out Period	Stabilized Annually Thereafter
County of Kauai Gross Tax Receipts	\$7,537,607	\$1,001,995
State of Hawaii Gross Tax Receipts	\$12,745,906	\$275,594
County of Kauai Costs of Services (per capita basis)	\$471,794	\$94,359
State Costs of Services (per capita basis)	\$1,775,910	\$355,182
County of Kauai Net Benefits or (Loss)	\$7,065,813	\$907,636
State Net Benefits or (Loss)	\$10,969,996	(\$79,588)
Source: The Hallstrom Team/CBRE		

We have analyzed the public fiscal impacts considering only the non-resident component of KMH, relative to tax benefits flowing to the State and County of Kauai and the cost of providing government services to them on a per capita basis.

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

It is assumed the KMH resident household income and spending which would generate tax dollars is already effectively in-place on the island, and the cost of providing government services to them is already being absorbed. The only change would be in the potential relocation of some economic and public activity to the greater Kapaa community from elsewhere on Kauai.

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

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

Essentially, from a household income and discretionary spending perspective, the full-time resident population of KMH is assumed to live on Kauai prior to their residing at the subject project and is therefore already contributing their State GET and Income taxes, so these are excluded from the model. They are merely moving their home from one location to the other on

the island and their public fiscal footprint will remain generally unchanged apart from the additions to the County's real property tax base.

However, even when excluding the taxes on wages and spending by existing residents already integrated within the governmental tax base, Kauai County and the State of Hawaii will still receive millions of dollars in "new" tax receipts from the construction and stabilized operation of KMH from numerous revenue sources, including the "new" impacts from the non-resident (visitor) households in the project.

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

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

It was assumed:

- The average assessment per finished home would be \$631,250.
- 62 percent of all the homes would be owner-occupied by full time Kauai residents, subject to a homeowner's real property tax rates of \$6.05 per \$1,000 in assessments, and eligible for a \$160,000 homeowners or owner/occupant exemption.
- 20 percent of all the homes would be rented by full time Kauai residents, subject to standard residential real property tax rates of \$7.05 per \$1,000 in assessments, and not eligible for homeowner or owner/occupant exemption.
- 18 percent of all the homes would be owned by non-resident second-home buyers subject to standard residential real property tax rates of \$7.05 per \$1,000 in assessments, and not eligible for a homeowner or owner/occupant exemption.
- The underlying site prior to following subdivision and during lot sales absorption will be subject to real property taxes, initially as vacant unentitled land, then as vacant entitled land, and finally as finished lots.

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

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

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE KEALIA MAUKA HOMESITES DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
	Development, Sales and Build-Out Period			Totals During Build-Out Period	Stabilized Annually After Build-out
Development Period	2017 to 2020	2021 to 2025	2026 to 2030		
PUBLIC BENEFITS (Revenues)					
1. COUNTY REAL PROPERTY TAXES					
<i>Cumulative Assessed Value During Period</i>					
<i>Finished Homes End of Period</i>	0	118	236		236
Vacant Land/Finished Lots Prior to Sale	\$93,000,000	\$92,925,000	\$30,975,000	\$216,900,000	\$0
Resident Rental Single Family Homes - No Exemptions (20% of homes)	\$0	\$37,243,750	\$111,731,250	\$148,975,000	\$29,795,000
Resident Owner-Occupied Single Family Homes - All with Exemptions (62% of homes)	\$0	\$86,191,625	\$258,574,875	\$344,766,500	\$68,953,300
Non-Resident "Second" Single Family Homes - No Exemptions (18% of homes)	\$0	\$33,519,375	\$100,558,125	\$134,077,500	\$26,815,500
Total Assessed Value	\$93,000,000	\$249,879,750	\$501,839,250	\$844,719,000	\$125,563,800
<i>Real Property Taxes During Period</i>					
Vacant Land/Finished Lots Prior to Sale	\$584,350	\$562,196	\$187,399	\$1,333,945	\$0
Resident Rental Single Family Homes - No Exemptions (20% of homes)	\$0	\$262,568	\$787,705	\$1,050,274	\$210,055
Resident Owner-Occupied Single Family Homes - All with Exemptions (62% of homes)	\$0	\$521,459	\$1,564,378	\$2,085,837	\$417,167
Non-Resident "Second" Single Family Homes - No Exemptions (18% of homes)	\$0	\$236,312	\$708,935	\$945,246	\$189,049
Total Real Property Taxes	\$584,350	\$1,582,536	\$3,248,417	\$5,415,302	\$816,271
Source: The Hallstrom Team/CBRE					

Source: The Hallstrom Team/CBRE

We estimate the County will receive some \$5.4 million in real property tax receipts during the build-out/projection period from 2017 through 2030 and annual collections of \$816,271 on a stabilized basis thereafter.

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

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

Application of this ratio to the KMH property tax sum results in a cumulative total estimated County tax collection from the subject of \$9 million during the initial projection period to 2030, and \$1.3 million annually on a stabilized basis.

The State of Hawaii will receive an estimated \$2.7 million in primary receipts from State Income Taxes from worker wages, and profits from businesses based on average statewide corporate and personal payments rates of 4.4 percent and 5.1 percent, respectively, applied against the economic model forecasts. This represents only new/added taxable items from KMH and does not include the full-time resident household incomes.

On an annualized basis after stabilization of the community in 2030, the State will generate income taxes of \$51,200.

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE KEALIA MAUKA HOMESITES DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
Development Period	Development, Sales and Build-Out Period			Totals During Build-Out Period	Stabilized Annually After Build-out
	2017 to 2020	2021 to 2025	2026 to 2030		
	New Tax Collection Monies Only, Does not Include Existing Kauai Residents Moving to Development				
2. STATE INCOME TAXES					
Taxable Personal Income (Worker Wages Only, Excludes Kealia Mauka Homesites Resident Households)	\$9,450,175	\$29,102,152	\$33,680,198	\$72,232,526	\$759,635
Taxable Corporate Profits (Includes profits from wroker and non-resident spending)	\$595,369	\$1,778,681	\$2,943,865	\$4,470,831	\$283,430
Personal Taxes Paid	\$481,959	\$1,484,210	\$1,717,690	\$1,966,169	\$38,741
Corporate Taxes Paid	\$26,196	\$78,262	\$129,530	\$104,458	\$12,471
TOTAL STATE INCOME TAXES	\$508,155	\$1,562,472	\$1,847,220	\$2,070,627	\$51,212

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 part-time residents, and from the on-going business activity (community association and maintenance). During the 13-year construction period these receipts will total \$7.4 million and a stabilized amount of \$153,000 annually.

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE KEALIA MAUKA HOMESITES DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
Development Period	Development, Sales and Build-Out Period			Totals During Build-Out Period	Stabilized Annually After Build-out
	2017 to 2020	2021 to 2025	2026 to 2030		
	New Tax Collection Monies Only, Does not Include Existing Kauai Residents Moving to Development				
3. STATE GROSS EXCISE TAX					
Taxable Transactions (Excludes Lima Ola Resident Spending)					
Construction Contracts	\$31,051,779	\$42,612,750	\$47,347,500	\$73,664,529	\$127,440
Worker and Non-Resident Disposable Income Purchases	\$4,725,088	\$18,504,902	\$32,655,403	\$55,885,393	\$3,542,878
Total Taxable Transactions	\$35,776,867	\$61,117,652	\$80,002,903	\$129,549,922	\$3,670,318
TOTAL STATE EXCISE TAX	\$1,490,715	\$2,546,589	\$3,333,481	\$7,370,785	\$152,931
Source: The Hallstrom Team/CBRE					

Sources: The Hallstrom Team/CBRE

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

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

Application of this ratio to the KMH income tax and GET sums results in a cumulative total estimated tax collection from the subject of \$12.7 million during the initial forecasting period through 2030, and \$276,000 annually on a stabilized basis.

The new/additional per capita cost for the County and State associated with the non-resident population component at KMH was calculated on a per capita basis as follows based on the 2017-18 fiscal year budgets for each as shown.

CALCULATION OF PER CAPITA GOVERNMENTAL COSTS FOR FISCAL-YEAR 2017-18	
County of Kauai Operating and Capital Budget	\$208,524,331
Divided by Total County De Facto Population (Residents & Tourists)	93,877
County Per Capita Fiscal Year Expense	\$2,221
State of Hawaii Operating Budget	\$13,473,466,599
State of Hawaii Capital Budget	\$758,632,000
Total State Budget	\$14,232,098,599
Divided by Total State De Facto Population (Residents & Tourists)	1,702,168
State Per Capita Fiscal Year Expense	\$8,361

The per capita costs for the County and State were multiplied by the average number of non-residents and their guests within KMH daily to arrive at the maximum costs to the government for servicing the 48 "new" persons added to the de facto population of the island.

The County of Kauai costs total \$472,000 during the build-out period and stabilize at \$94,000 annually. State of Hawaii costs total \$1.8 million during build-out and stabilize at \$355,000 per year.

The County of Kauai effectively "turns a profit" of \$8.5 million during build-out (2017-2030) and at \$1.2 million annually thereafter. The State has a net profit of \$11 million during the modeling period and a nominal "loss" of \$80,000 per year on a stabilized basis.

The total revenues, costs and net benefits are summarized in the following table.

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE KEALIA MAUKA HOMESITES DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
Development Period	Development, Sales and Build-Out Period			Totals During Build-Out Period	Stabilized Annually After Build-out
	2017 to 2020 *New* Tax Collection And Expenditure Monies Only	2021 to 2025	2026 to 2030		
TOTAL GROSS PUBLIC REVENUES					
Real Property Taxes To County of Kauai	\$584,350	\$1,354,914	\$2,565,551	\$4,504,814	\$634,174
Adjustment for Other Proportional Taxes (1)	1.58	1.58	1.58	1.58	1.58
Adjusted Kauai County Revenues	\$923,273	\$2,140,764	\$4,053,570	\$7,117,607	\$1,001,995
Plus Impact Fees (Park Fees)	\$420,000	\$0	\$0	\$420,000	
Total County of Kauai Receipts	\$1,343,273	\$2,140,764	\$4,053,570	\$7,537,607	\$1,001,995
To State (Income Taxes and GET)	\$1,998,870	\$4,109,061	\$5,180,701	\$9,441,412	\$204,143
Adjustment for Other Proportional Taxes (2)	1.35	1.35	1.35	1.35	1.35
Adjusted State Revenues	\$2,698,474	\$5,547,232	\$6,993,947	\$12,745,906	\$275,594
Plus Impact Fees	\$0	\$0	\$0	\$0	
Total State of Hawaii Receipts	\$2,698,474	\$5,547,232	\$6,993,947	\$12,745,906	\$275,594
AGGREGATE TAX REVENUES	\$3,621,747	\$7,687,996	\$11,047,517	\$19,863,513	\$1,277,588
PUBLIC COSTS (Expenses)					
By County of Kauai	\$0	\$117,948	\$353,845	\$471,794	\$94,359
By State of Hawaii	\$0	\$443,978	\$1,331,933	\$1,775,910	\$355,182
TOTAL PUBLIC COSTS	\$0	\$561,926	\$1,685,778	\$2,247,704	\$449,541
TOTAL NET PUBLIC BENEFITS					
County of Kauai	\$1,343,273	\$2,022,815	\$3,699,725	\$7,065,813	\$907,636
State of Hawaii	\$2,698,474	\$5,103,255	\$5,662,014	\$10,969,996	(\$79,588)
AGGREGATE NET BENEFITS	\$4,041,747	\$7,126,070	\$9,361,739	\$18,035,809	\$828,048

(1) Real property taxes comprise 63.1 percent of General Fund in the Proposed County of Kauai 2017-18 budget. Economic activity generates other revenue items of 36.9 percent or additional 58 percent above real property taxes.

(2) In recent fiscal years, Gross Excise and Income Taxes have averaged some 74 percent of total State revenues; other revenue items 26 percent, or 35 percent above income and gross excise taxes.

Source: The Hallstrom Team/CBRE

Assumptions and Limiting Conditions

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

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

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

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

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

ADDENDA

Addendum A

MARKET STUDY TABLES

TABLE A

FORECAST KEALIA MAUKA HOMESITES FINISHED HOUSE LOT ABSORPTION WITH FULL-SELL OUT ACHIEVED WITHIN SEVEN YEARS OF GROUND-BREAKING

Year	Project Year	Activity	Finished House Lots Sold/Closed		Finished Single Family Homes Completed (1)	
			Annually	Total	Annually	Total
2018	1	Final Approvals, Survey, Clearing and Grubbing of Site				
2019	2	On and Off-Site Infrastructure Commences and is Completed. Lot Pre-Sales Begin Mid-Year.				
2020	3	Initial Lot Sales Closing, Lot Sales Continuing, Initial Vertical Home Construction Commences.	60	60		
2021	4	Lot Sales Continuing, Initial Homes Finished, Home Construction Continues	50	110	20	20
2022	5	Lot Sales Continuing, More Homes Finished, Home Construction Continues	50	160	25	45
2023	6	Lot Sales Continuing, More Homes Finished, Home Construction Continues	50	210	25	70
2024	7	Lots Are Fully-Absorbed/Sold-Out, More Homes Finished, Home Construction Continues	26	236	25	95
2025 and Beyond		Homes Continue to be Constructed and Finished by Lot Purchasers			141	236

(1) Construction timing of finished single family homes estimated for economic modeling purposes-only as their build-out is outside the purview of the master developer who at this time envisions offering all product as finished house lots only. Full build-out of the subdivision could take decades or could be faster if blocks of lots are taken down by local builders for construction of "spec/tract" homes. Does not include any allowances for possible Accessory Dwelling Units ("ohanas") which may be built on some lots.

TABLE A-1

HISTORIC, CURRENT AND PROJECTED RESIDENT POPULATION TOTALS FOR THE STATE, COUNTY AND LIHUE TO KEKAHA STUDY AREA 2010 TO 2040 Market Study of the Proposed Kealia Mauka Homesites Kealia, Kauai, Hawaii						
	2017	2020	2025	2030	2035	2040
<i>State Total (DBEDT Series 2040)</i>	1,457,600	1,481,240	1,543,240	1,602,340	1,657,500	1,708,920
Average Annual Change in Persons	13,426	4,728	12,400	11,820	11,032	10,284
Average Annual Percent Growth	1.4%	0.3%	0.8%	0.8%	0.7%	0.6%
<i>Kauai County General Plan (1)</i>	73,485	74,693	79,011	83,328	88,013	93,020
Percent of State Total	5.0%	5.0%	5.1%	5.2%	5.3%	5.4%
Average Annual Change in Persons	913	242	864	864	937	1,001
Average Annual Percent Growth	1.9%	0.3%	1.2%	1.1%	1.1%	1.1%
DBEDT Forecasts 2040 Series		75,640	80,000	84,380	88,730	93,020
Persons Variance From Kauai GP		947	990	1,052	717	0
Percent Variance From Kauai GP		1.3%	1.3%	1.3%	0.8%	0.0%
<i>Study Area (Lihue and East Kauai)</i>						
<i>1. Minimum Perspective (1, 2)</i>	38,101	39,009	42,366	45,723	48,566	51,650
Percent of County Total	51.8%	52.2%	53.6%	54.9%	55.2%	55.5%
Average Annual Change in Persons	519	303	671	671	569	617
Average Annual Percent Growth	2.1%	0.5%	1.7%	1.6%	1.2%	1.3%
<i>2. Maximum Perspective (3)</i>	38,101	39,679	43,054	46,554	50,054	53,554
Percent of County Total	51.8%	53.1%	54.5%	55.9%	56.9%	57.6%
Average Annual Change in Persons	519	526	675	700	700	700
Average Annual Percent Growth	2.1%	0.8%	1.7%	1.6%	1.5%	1.4%
(1) From Appendix B - Kauai County General Plan, January 2017. Sourced to SMS Research Kauai 2035 General Plan: Socioeconomic Analysis and Forecasts (2014). 2017 figure extrapolated from State of Hawaii Data Book population estimate for Kauai County as of 2015. For 2025, figure is mid-point between 2020 and 2030 projections. 2040 figure taken from DBEDT Series 2040 projection.						
(2) From same source as cited in footnote #1. Includes the districts of Lihue and East Kauai (Kawaihau). 2040 figure base on 2035 forecast and same growth rate as for 2030-2035 period.						

HISTORIC, CURRENT AND PROJECTED RESIDENT POPULATION TOTALS FOR THE STATE, COUNTY AND SUBJECT PLANNING AREAS 2010 TO 2040 FROM APPENDIX B OF THE JANUARY 2017 GENERAL PLAN APEENDICIES Market Study of the Proposed Kealia Mauka Homesites <u>Kealia, Kauai, Hawaii</u> 2017, 2025 and 2040 are extrapolations from the forecasted years.							
	2010	2017	2020	2025	2030	2035	2040
<i><u>State Total</u></i>	1,363,621	1,457,600	1,481,240	1,543,240	1,602,340	1,657,500	1,708,920
Average Annual Change in Persons		18,796	4,728	12,400	11,820	11,032	10,284
Average Annual Percent Growth		1.4%	0.3%	0.8%	0.8%	0.7%	0.6%
<i><u>Kauai County General Plan</u></i>	67,091	73,485	74,693	79,011	83,328	88,013	93,020
Percent of State Total	4.9%	5.0%	5.0%	5.1%	5.2%	5.3%	5.4%
Average Annual Change in Persons		1,279	242	864	864	937	1,001
Average Annual Percent Growth		1.9%	0.3%	1.2%	1.1%	1.1%	1.1%
<i><u>Study Area (Lihue to Kekaha)</u></i>							
<i>Lihue</i>	14,683	17,350	18,017	19,806	21,595	23,456	25,500
Percent of County Total	21.9%	23.6%	24.1%	25.1%	25.9%	26.7%	27.4%
Average Annual Change in Persons		533	133	358	358	372	409
Average Annual Percent Growth		3.6%	0.8%	2.0%	1.8%	1.7%	1.7%
<i>East Kauai</i>	19,784	20,750	20,992	22,560	24,128	25,110	26,150
Percent of County Total	29.5%	28.2%	28.1%	28.6%	29.0%	28.5%	28.1%
Average Annual Change in Persons		193	48	314	314	196	208
Average Annual Percent Growth		1.0%	0.2%	1.5%	1.4%	0.8%	0.8%
<i>TOTAL STUDY AREA</i>	34,467	38,101	39,009	42,366	45,723	48,566	51,650
Percent of County Total	51.4%	51.8%	52.2%	53.6%	54.9%	55.2%	55.5%
Average Annual Change in Persons		519	303	671	671	569	617
Average Annual Percent Growth		2.1%	0.5%	1.7%	1.6%	1.2%	1.3%
Source: Appendix B - Kauai County General Plan, January 2017 , and The Hallstrom Team/CBRE, Inc							

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

TABLE A-3

QUANTIFICATION OF HOUSING UNIT DEMAND FOR THE LIHUE-EAST KAUAI STUDY AREA 2017 TO 2040							Additional Units Required by 2040
2017	2020	2025	2030	2035	2040		
Scenario One: Minimum Based on Appendix B - Kauai General Plan Projections							
Resident Population	38,101	39,009	42,366	45,723	48,566	51,650	
Average Household Size (1)	2.94	2.93	2.91	2.89	2.87	2.85	
Total Resident Units Required	12,959	13,314	14,559	15,821	16,922	18,123	
Vacancy Allowance (2 % of resident unit demand)	259	266	291	316	338	362	
Non-Resident Purchaser Allowance (2) (23% Stabilized of resident unit demand)	2,981	3,062	3,349	3,639	3,892	4,168	
TOTAL MARKET UNIT DEMAND	16,199	16,642	18,198	19,776	21,152	22,654	6,654
Scenario Two: Maximum Based on DBEDT Series 2040 Projections and Marginally Higher Trending							
Resident Population	38,101	39,679	43,054	46,554	50,054	53,554	
Average Household Size (1)	2.94	2.93	2.91	2.89	2.87	2.85	
Total Resident Units Required	12,959	13,542	14,795	16,109	17,440	18,791	
Vacancy Allowance (2% to 3% of resident unit demand)	259	305	370	443	523	564	
Non-Resident Purchaser Allowance (2) (23% to 26% of resident unit demand)	2,981	3,115	3,551	3,947	4,360	4,886	
TOTAL MARKET UNIT DEMAND	16,199	16,962	18,716	20,498	22,324	24,240	8,240
CONCLUDED HOUSING UNIT DEMAND RANGE							
	2017	2017-2020	2021-2025	2026-2030	2031-2035	2036-2040	Totals
MINIMUM DEMAND							
Periodic	199	443	1,556	1,578	1,376	1,501	6,654
Cumulative	199	692	2,331	3,909	5,285	6,786	
Average Annual Demand (3)		164	328	316	275	300	
MAXIMUM DEMAND							
Periodic	199	762	1,754	1,782	1,825	1,916	8,240
Cumulative	199	1,011	2,849	4,631	6,456	8,373	
Average Annual Demand (3)		271	367	356	365	383	
MID-POINT DEMAND							
Periodic	199	603	1,655	1,680	1,601	1,709	7,447
Cumulative	199	852	2,590	4,270	5,871	7,580	
Average Annual Demand (3)		217	348	336	320	342	
(1) Census data for 2011 -2015 reported average resident household size for Primary Study Area in ranged from 2.68 persons in Wailua Homesteads CDP to 3.15 in Lihue CCD, with average of about 2.90 to 2.95 persons. County Planners estimated East Kauai wil have average household size of 2.95 in 2020. We have used 2.94 persons as current figure and starting point for our trend analysis.							
(2) There were an estimated 19,428 total residential and resort-residential units in the Lihue to Moloaa Corridor (East Kauai) as of the second quarter of 2017. These included 3,428 registered TVR units and 16,000 residential units, of which 13,120 units (82% of total residential inventory) are occupied/available for full-time resident Kauai households and 2,880 (18% of inventory) are owned by non-Kauai residents (second homes).							
(3) Existing (or latent) demand is assumed absorbed evenly from 2017 though 2025.							
Source: US Census, County of Kauai, DBEDT and The Hallstrom Team/CBRE.							

TABLE A-4

HISTORIC, CURRENT AND PROJECTED RESIDENT HOUSEHOLD TOTALS FOR THE COUNTY AND SUBJECT PLANNING AREAS 2010 TO 2040 FROM APPENDIX D OF THE JANUARY 2017 GENERAL PLAN APEENDICIES Market Study of the Proposed Kealia Mauka Homesites <u>Kealia, Kauai, Hawaii</u> 2017, 2025 and 2040 are extrapolations from the forecasted years.							
	2010	2017	2020	2025	2030	2035	2040
<u>Kauai County</u>	23,240	25,370	25,902	27,345	28,788	30,349	31,974
Average Annual Change in Households		266	106	289	289	312	325
Average Annual Percent Growth		1.8%	0.4%	1.1%	1.1%	1.1%	1.1%
<u>Study Area (Lihue to Kekaha)</u>							
<u>Lihue</u>	4,983	5,837	6,051	6,666	7,281	7,923	8,623
Percent of County Total	21.4%	23.0%	23.4%	24.4%	25.3%	26.1%	27.0%
Average Annual Change in Households		171	43	123	123	128	140
Average Annual Percent Growth		3.4%	0.7%	2.0%	1.8%	1.8%	1.8%
<u>East Kauai</u>	7,177	7,562	7,658	7,941	8,224	8,545	8,920
Percent of County Total	30.9%	29.8%	29.6%	29.0%	28.6%	28.2%	27.9%
Average Annual Change in Households		77	19	57	57	64	75
Average Annual Percent Growth		1.1%	0.3%	0.7%	0.7%	0.8%	0.9%
<u>TOTAL STUDY AREA</u>	12,160	13,399	13,709	14,607	15,505	16,468	17,543
Percent of County Total	52.3%	52.8%	52.9%	53.4%	53.9%	54.3%	54.9%
Average Annual Change in Households		248	62	180	180	193	215
Average Annual Percent Growth		2.0%	0.5%	1.3%	1.2%	1.2%	1.3%
Total Increase in Resident Households 2017 Through 2040						4,144	
Average Annual Growth in Households						180	

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

TABLE A-5

**STRATIATED PROJECTIONS OF SINGLE FAMILY HOUSING UNIT DEMAND
BY SELLING PRICE IN THE LIHUE-MOLOAA STUDYAREA 2017 TO 2040**
Expressed in Constant 2017 Dollars

Period	2017 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	Total Demand 2017-2040
1. Minimum Demand Forecasts						
Less Than \$311,000 (1)	110	307	281	237	250	1,184
Percent of Total Demand	28.00%	27.50%	27.00%	26.50%	26.00%	26.90%
\$311,000 to \$539,000 (2)	172	496	469	407	442	1,986
Percent of Total Demand	44.00%	44.50%	45.00%	45.50%	46.00%	45.10%
\$539,000 to \$1,000,000	86	245	229	197	211	969
Percent of Total Demand	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%
Over \$1,000,000	23	67	62	54	58	264
Percent of Total Demand	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Total Market Demand	391	1,115	1,041	894	961	4,403
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2. Maximum Demand Forecasts						
Less Than \$311,000 (1)	172	344	318	314	319	1,467
Percent of Total Demand	28.00%	27.50%	27.00%	26.50%	26.00%	26.89%
\$311,000 to \$539,000 (2)	271	556	529	540	564	2,460
Percent of Total Demand	44.00%	44.50%	45.00%	45.50%	46.00%	45.11%
\$539,000 to \$1,000,000	135	275	259	261	270	1,200
Percent of Total Demand	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%
Over \$1,000,000	37	75	71	71	74	327
Percent of Total Demand	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Total Market Demand	615	1,249	1,176	1,187	1,227	5,454
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

First Quarter 2017 MLS Median Sale Prices			
	Residential	Condo	Land
Kauai	\$574,000	\$418,000	\$327,500
% Annual Chg.	5.6%	N/A	N/A
Lihue	\$500,000	\$277,500	\$280,000
% Annual Chg.	6.4%	N/A	23.1%

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

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

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

TABLE A-6

ESTIMATE OF AFFORDABLE PRICING FOR A KAUAI HOUSE LOT BASED ON FAMILY INCOME ASSUMING FAMILY OF FOUR

Household Income As a Percent of Median Income	Household Income For Family of Four	Affordable Price for Single Family Home at 4.25 Percent Mortgage Interest Rate (1)	Percent of Total Home Price Available for Lot Purchase (2)	Affordable Finished House Lot Price for Income Group
80%	\$68,250	\$310,800	32%	\$100,000
100%	\$79,200	\$369,300	32%	\$120,000
120%	\$95,050	\$453,800	32%	\$150,000
140%	\$110,900	\$538,400	32%	\$170,000
<p>(1) From "County of Kauai For Sale Limits by Family Size" assuming 4.25% 30-Year Fixed Interest Rate. (2) Extrapolated from 2016 County of Kauai Affordable Pricing Guidelines.</p> <p>Source: County of Kauai Housing Agency and The Hallstrom Team/CBRE.</p>				

TABLE A-7

SELECTED STUDY AREA CDP/CCP 2011-2015 CENSUS DATA						
Market Study of the Proposed Kealia Mauka Homesites						
Kealia, Kauai, Hawaii						
Census Designated Place (CDP) & Census County Division (CCD)	Wailua Homesteads CDP	Lihue CCD	Kapaa CCD	Wailua CDP	Wailua-Anahola CCD	Kauai County
Number of Housing Units	2,268	2,555	3,545	1,409	5,591	30,328
Percent Second Home Owner	8.3%	11.8%	23.2%	32.8%	18.2%	18.9%
<i>Percent of Housing Units</i>						
Single Family	92.4%	66.6%	64.0%	56.4%	82.4%	69.4%
Multifamily	7.6%	33.4%	36.0%	43.6%	17.6%	30.6%
Median Value of Owner-Occupied Units	\$591,400	\$458,700	\$426,300	\$432,100	\$541,300	\$480,600
Median Gross Monthly Rent	\$1,425	\$1,235	\$1,273	\$1,519	\$1,451	\$1,267
Median Household Income	\$69,527	\$59,640	\$63,609	\$67,425	\$66,384	\$65,101
<i>Percent of Resident Occupied Housing Units</i>						
Owner-Occupied	66.9%	60.1%	55.6%	60.5%	66.5%	61.6%
Renter Occupied	33.1%	39.9%	44.4%	39.5%	33.5%	38.4%
<i>Total Households</i>	2,080	2,254	2,724	947	4,573	22,405
<i>Average Household Size</i>						
Owner-Occupied Households	2.77	3.08	3.23	2.45	2.90	3.14
Renter Households	2.51	3.25	2.92	3.16	2.68	2.96
Average	2.68	3.15	3.09	2.73	2.83	3.07
Source: US Census, and CBRE, Inc.						

TABLE A-8

DIVISION OF PROJECTED DEMAND BY UNIT TYPE
FOR HOUSING UNITS IN LIHUE-MOLOAA STUDY AREA 2017 TO 2040

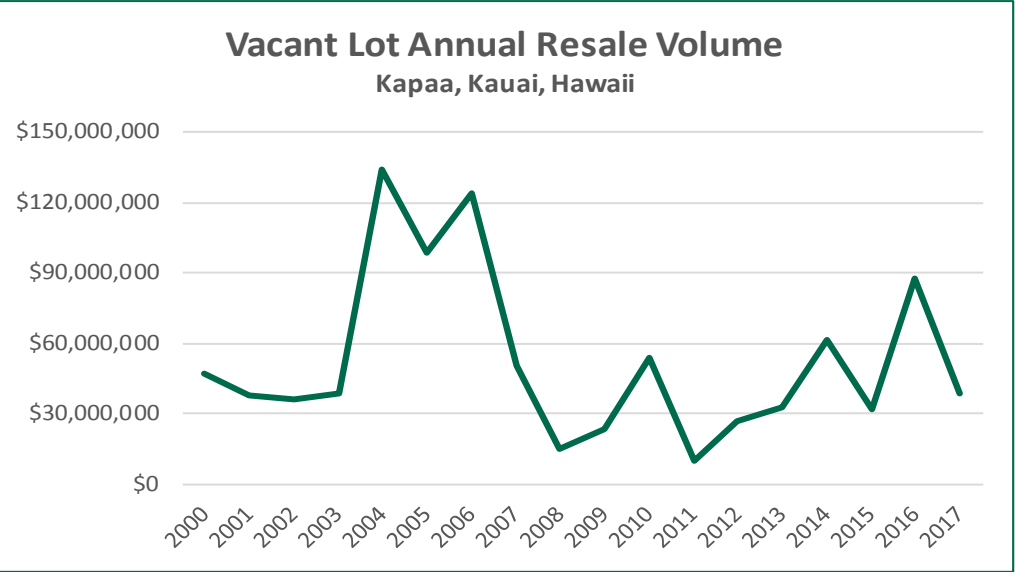
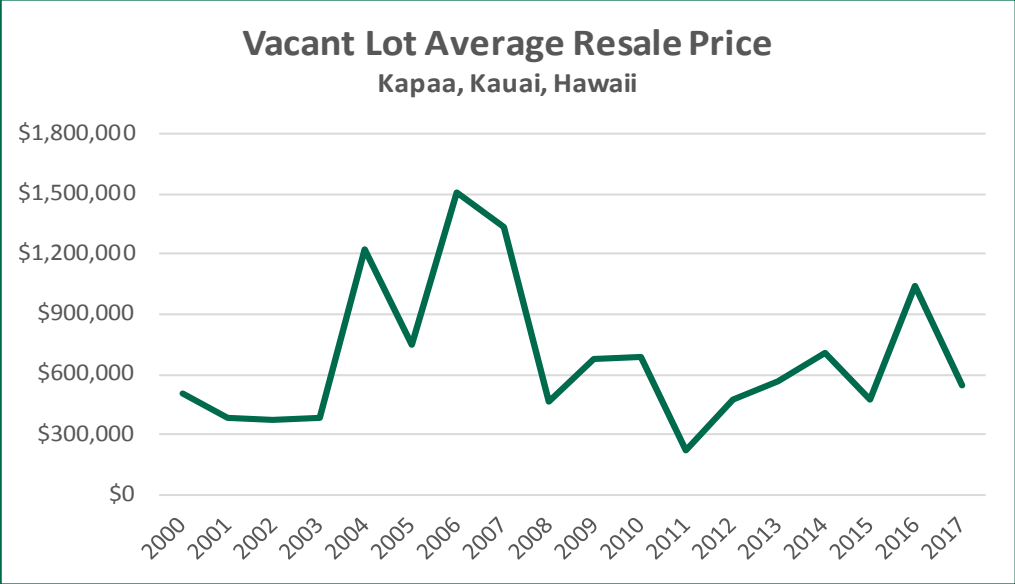
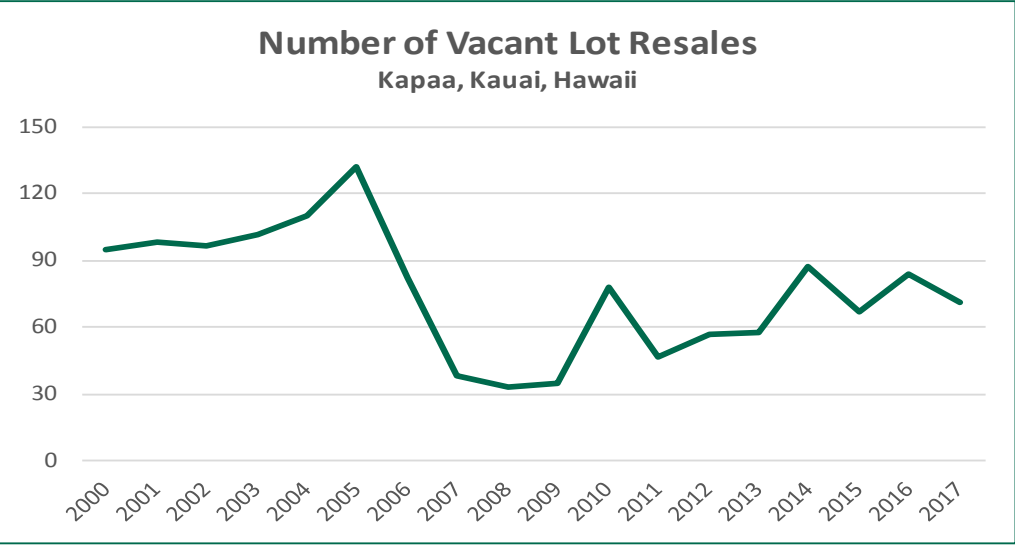
	2017 to 2020	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	Total Demand 2017-2040
<u>1. Using Minimum Demand Projections</u>						
Single Family Homes	391	1,115	1,041	894	961	4,403
Percent of Total	70%	68%	66%	65%	64%	66%
Multifamily Units	168	525	536	482	540	2,251
Percent of Total	30%	32%	34%	35%	36%	34%
Total	559	1,639	1,578	1,376	1,501	6,653
	100%	100%	100%	100%	100%	100%
<u>2. Using Maximum Demand Projections</u>						
Single Family Homes	615	1,249	1,176	1,187	1,227	5,454
Percent of Total	70%	68%	66%	65%	64%	66%
Multifamily Units	264	588	606	639	690	2,786
Percent of Total	30%	32%	34%	35%	36%	34%
Total	879	1,837	1,782	1,825	1,916	8,240
	0%	0%	0%	0%	0%	0%
<u>Mid-Point</u>						
Single Family Homes	503	1,182	1,109	1,040	1,094	4,928
Multifamily Units	216	556	571	560	615	2,519
Total	719	1,738	1,680	1,601	1,709	7,447

Source: CBRE, Inc.

TABLE A-9

KAUAI MULTIPLE LISTING SERVICE SALES DATA FOR KAPAA AREA

KAUAI MLS LAND/VACANT LOT STATISTICS KAPAA, KAUAI, HAWAII			
Year	# of Sales	Sales Average	Sales Volume
2000	95	\$500,639	\$47,560,693
2001	98	\$386,182	\$37,845,864
2002	97	\$375,950	\$36,467,197
2003	102	\$379,878	\$38,747,530
2004	110	\$1,218,468	\$134,031,430
2005	132	\$747,437	\$98,661,655
2006	82	\$1,510,082	\$123,826,691
2007	38	\$1,339,125	\$50,886,750
2008	33	\$461,932	\$15,243,767
2009	35	\$681,310	\$23,845,833
2010	78	\$688,631	\$53,713,248
2011	47	\$221,575	\$10,414,005
2012	57	\$474,157	\$27,026,973
2013	58	\$570,196	\$33,071,373
2014	87	\$706,660	\$61,479,392
2015	67	\$475,073	\$31,829,908
2016	84	\$1,042,211	\$87,545,689
2017	22	\$548,736	\$12,072,196
Compiled by CBRE			



Note: 2017 data annualized for graphic plotting purposes.

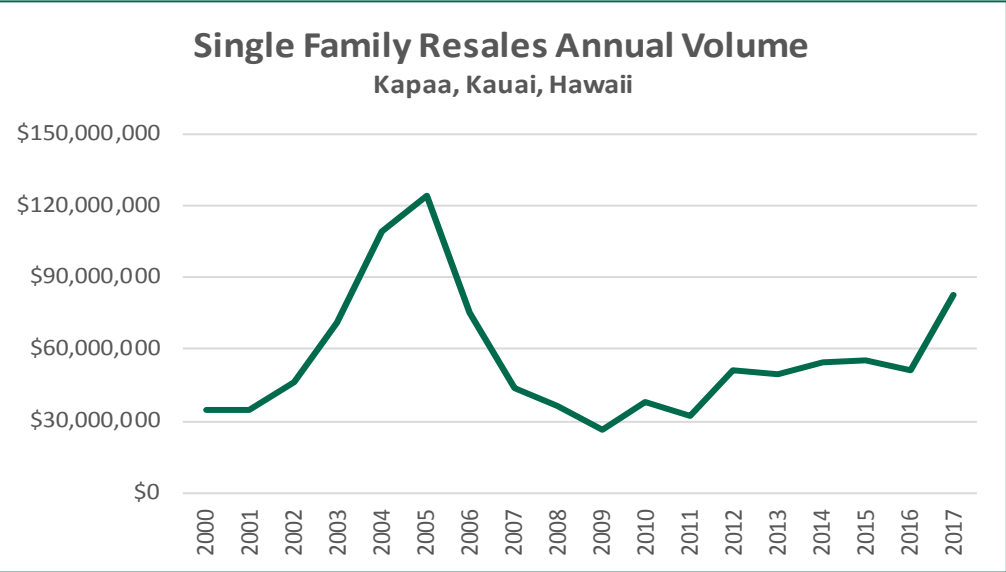
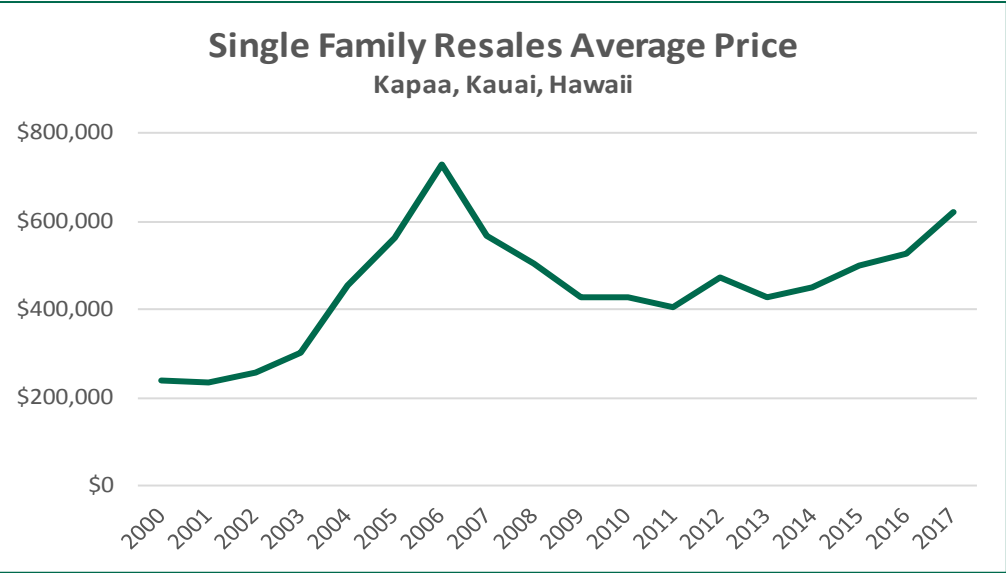
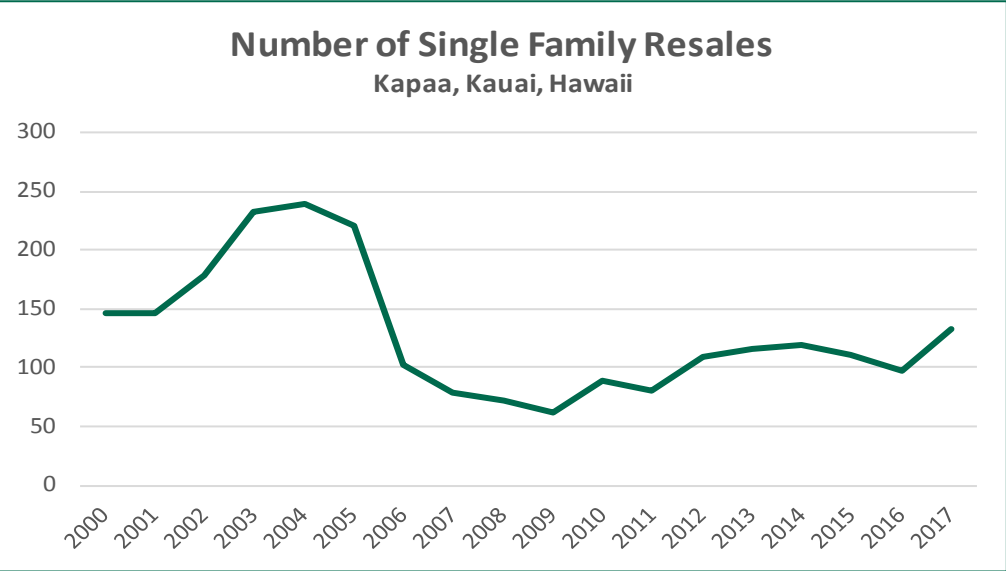
Source: Kauai Multiple Listing Service and The Hallstrom Team/CBRE

TABLE A-10

KAUAI MULTIPLE LISTING SERVICE SALES DATA FOR KAPAA AREA

KAUAI MLS SINGLE FAMILY STATISTICS KAPAA, KAUAI, HAWAII			
Year	# of Sales	Sales Average	Sales Volume
2000	147	\$237,996	\$34,985,350
2001	147	\$234,726	\$34,504,785
2002	179	\$256,233	\$45,865,755
2003	233	\$304,722	\$71,000,163
2004	240	\$455,236	\$109,256,621
2005	220	\$563,580	\$123,987,549
2006	103	\$727,703	\$74,953,379
2007	78	\$566,299	\$44,171,297
2008	72	\$504,649	\$36,334,737
2009	62	\$428,978	\$26,596,655
2010	89	\$429,467	\$38,222,600
2011	80	\$406,492	\$32,519,393
2012	109	\$473,773	\$51,641,276
2013	116	\$427,212	\$49,556,582
2014	120	\$451,082	\$54,129,800
2015	111	\$499,122	\$55,402,585
2016	97	\$527,380	\$51,155,877
2017	41	\$619,591	\$25,403,249

Compiled by CBRE



Note: 2017 data annualized for graphic plotting purposes.

Source: Kauai Multiple Listing Service and The Hallstrom Team/CBRE

TABLE A-11

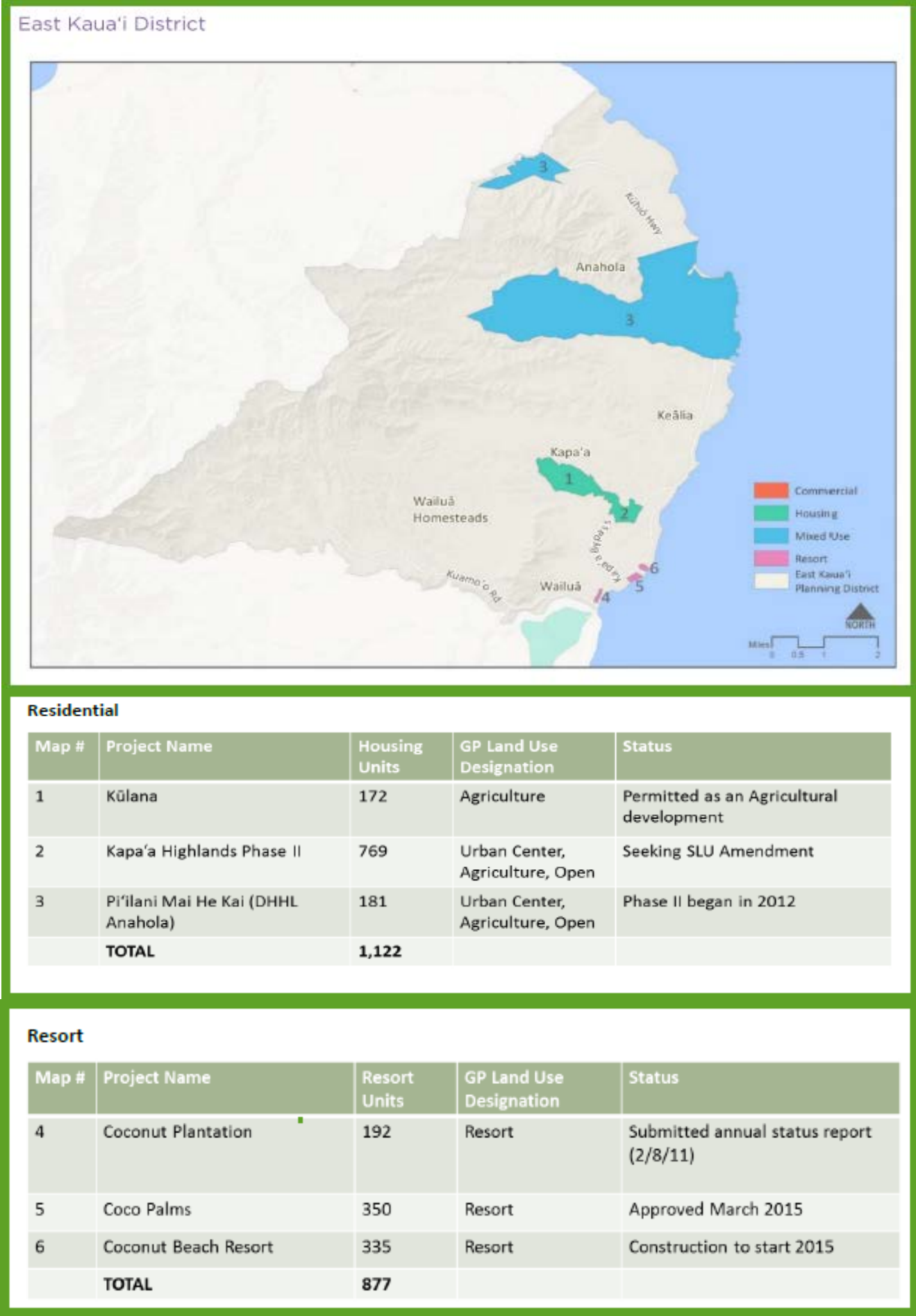
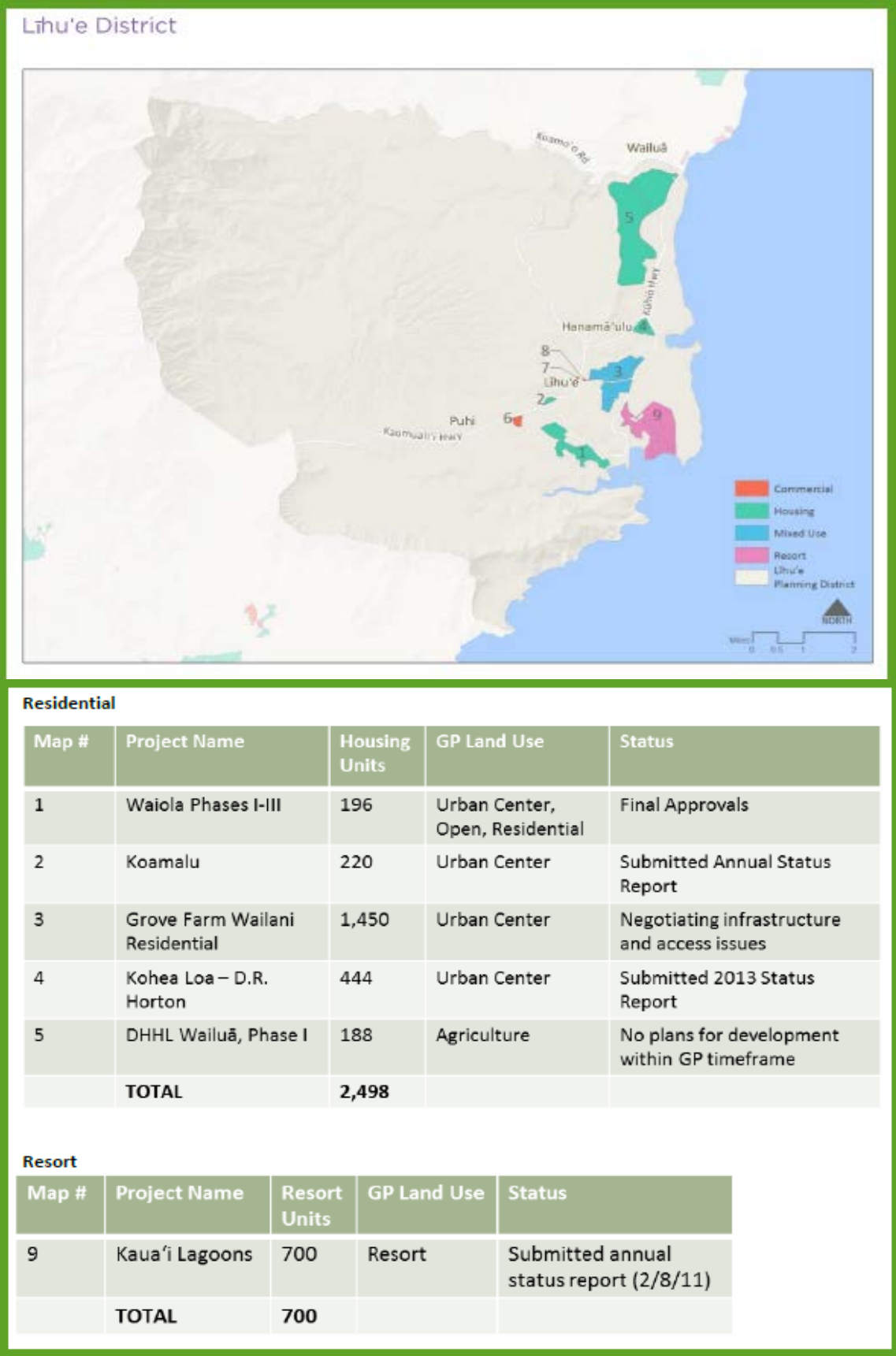
Kaua'i County General Plan Appendix G		
Entitled Residential Projects by District		
District	Project Name	Housing Units
East Kaua'i	Pi'ilani Mai He Kai (DHHL Anahola)	181
	Kulana	172
	Kapa'a Highlands, Phase 2	769
	TOTAL	1,122
'Ele'ele	A&B 'Ele'ele Residential	201
	Lima Ola (Affordable)	450
	TOTAL	651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

**Total Proposed Residential Units Within Study Area
(Excluding Kealia Mauka Homesites)**

Location	No. Of Units
East Kauai	1,122
Lihue	2,644
Total	<u>3,766</u>

Source: County of Kauai

TABLE A-12



Summary of Total Proposed Study Area Residential and Resort-Residential Units (Excluding Kealia Mauka Homesites)			
Location	Residential	Resort-Residential	Total
Lihue	2,498	700	3,198
East Kauai	1,122	877	1,999
Totals	3,620	1,577	5,197
Source: County of Kauai			

Addendum B

ESTIMATED SUBJECT ABSORPTION TABLES

TABLE B-1

PROJECTION OF POTENTIAL SUBJECT UNIT ABSORPTION USING THE RESIDUAL METHOD BASED ON TOTAL DEMAND FOR RESIDENTIAL UNITS IN THE LIHUE-MOLOAA STUDY AREA							
Segment	TOTAL UNITS PROPOSED Excluding Subject	2017-2020	2021-2025	2026-2030	2031-2035	2036-2040	Total
<u>All Residential Unit Types</u>							
Identified Supply (1)	5,297	750	1,000	1,100	1,200	1,247	5,297
Percentage of Total Supply		14%	19%	21%	23%	24%	100%
Regional Housing Unit Demand (mid-point)	7,447	719	1,738	1,680	1,601	1,709	7,447
Shortage or (Excess) Supply	2,150	(31)	738	580	401	462	2,150
<u>Potential Residual Subject Unit Demand</u>							
at 75% Capture Rate	1,612	-23	554	435	301	346	1,612
at 60% Capture Rate	1,290	-19	443	348	240	277	1,290
<div></div> = Probable Kealia Mauka Homesites Absorption Period. 236 lots would require from circa three to four years.							
(1) Includes allowance of 100 unsold units in completed projects not included within the identified inventory supply.							
Source: The Hallstrom Team/CBRE							

TABLE B-2

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

Assuming 236 Saleable House Lots with Pre-Sales Starting in Mid-2019 and First Closings in 2020

Scenario One: Using Minimum Demand Assumptions

Sales Year		Total Regional Demand	Effective Subject Share	Indicated Total Subject Absorption
Date	Period			
2020	1	140	18.00%	25
2021	2	328	15.00%	49
2022	3	328	15.00%	49
2023	4	328	15.00%	49
2024	5	328	15.00%	49
2025	6	328	4.20%	14
Totals	5.30	1,779	13.25%	236

Scenario Two: Using Maximum Demand Assumptions

Sales Year		Total Regional Demand	Effective Subject Share	Indicated Total Subject Absorption
Date	Period			
2020	1	220	20.00%	44
2021	2	367	18.00%	66
2022	3	367	18.00%	66
2023	4	367	16.20%	60
Totals	3.90	1,322	17.83%	236

ANALYSIS MID-POINT

4.6 Years	1,551	15.20%	236
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Source: The Hallstrom Team/CBRE, Inc.

Addendum C

ECONOMIC IMPACT ANALYSIS TABLES

TABLE C-1

**SUMMARY COMPARISON OF MAJOR ECONOMIC IMPACTS
FOR THE KEALIA MAUKA HOMESITES COMMUNITY**
All Amounts Expressed in Constant, Uninflated 2017 Dollars

Analysis Item	Cumulative During Build-Out Period	Stabilized Annually Thereafter
Direct Capital Investment	\$121,012,029	
Local Contractor's Profits	\$12,101,203	
Local Supplier's Profits	\$4,840,481	
Worker Years of Jobs	1,048	20
Employee Wages	\$72,232,526	\$759,635
Full-Time Resident Population		658
Total De Facto Population		700
Full-Time Resident Household Income	\$99,662,800	\$19,932,560
Resident Population Discretionary Expenditures	\$87,041,520	\$12,132,713
Total Kauai "Base" Economic Impact	\$225,952,518	\$13,741,947
Source: The Hallstrom Team/CBRE		

TABLE C-2

ESTIMATED AVERAGE "ALL IN" HOME DEVELOPMENT COST AT KEALIA MAUKA HOMESITES SUBDIVISION BEFORE LAND

Assuming Typical Three-Bedroom, Two-Bathroom House with Two-Car Garage, Patio, Porch, Paved Driveway, and Front-Yard Landscaping

Unit Cost Item	Modest Quality Home	Upscale Quality Home	Mid-Point Single Family Home
Average Home Size in Gross Square Feet of Living Area	1,100	2,200	1,650
"All-In" Construction Cost Per Square Foot	\$200	\$250	\$225
Site Work/Hardscape/Landscaping Cost	\$25,000	\$35,000	\$30,000
Total Vertical Construction Cost per Home	\$245,000	\$585,000	\$401,250
Plus Allocated Infrastructure Cost per Unit	\$110,000	\$110,000	\$110,000
Total Per Home "All in" Development Cost Before Land	\$355,000	\$695,000	\$511,250

Source: Rider Levitt Bucknall and The Hallstrom Team/CBRE

TABLE C-3

PROPOSED KEALIA MAUKA HOMESITES DEVELOPMENT SCHEDULE AND ESTIMATED CONSTRUCTION COSTS				
All Amounts Expressed in Constant 2017 Dollars				
Item	Development, Sales and Build-Out Period			Totals During Build-Out
	<u>2017 to 2020</u>	<u>2021 to 2025</u>	<u>2026 to 2030</u>	
Infrastructure Emplacement	\$26,317,029	\$0	\$0	\$26,317,029
Residential Construction	\$4,734,750	\$42,612,750	\$47,347,500	\$94,695,000
TOTAL PERIODIC CONSTRUCTION COSTS	\$31,051,779	\$42,612,750	\$47,347,500	\$121,012,029
Contractor Profits	\$3,105,178	\$4,261,275	\$4,734,750	\$12,101,203
Supplier Profits	\$1,242,071	\$1,704,510	\$1,893,900	\$4,840,481
Source: The Hallstrom Team/CBRE				

TABLE C-4

ESTIMATED YEARLY FULL-TIME EQUIVALENT EMPLOYMENT POSITIONS CREATED BY DEVELOPMENT

Development, Sales and Build-Out Period				Totals During Build-Out
Construction Employment (1)	2017 to 2020	2021 to 2025	2026 to 2030	
Infrastructure Emplacement	66	0	0	66
Residential Units	32	284	316	631
Total Periodic Construction Jobs	97	284	316	697
On-Going Employment				
Maintenance & Common Element (2)	0	30	59	89
Total FTE Jobs in Place at End of Period	0	9	15	15
Off-Site Employment (3)	32	105	125	262
Total FTE Jobs in Place at End of Period	0	3	5	5
TOTAL PERIODIC WORKER YEARS	130	418	500	1,048
TOTAL END-OF-PERIOD PERMANENT JOBCOUNT	0	12	20	20

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

(2) Includes community common element administration and maintenance staff of 3 FTE jobs and ratio of one FTE maintenance/repair worker for every 20 homes.

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

Source: The Hallstrom Team/CBRE

TABLE C-5

ESTIMATED YEARLY EMPLOYEE WAGES CREATED BY DEVELOPMENT				
All Amounts Expressed in Constant 2017 Dollars				
	Development, Sales and Build-Out Period			Totals During Build-Out
Construction Wages (1)	2017 to 2020	2021 to 2025	2026 to 2030	
Infrastructure Emplacement	\$5,200,245	\$0	\$0	\$5,200,245
Residential Units	\$2,494,898	\$22,454,078	\$24,948,976	\$49,897,952
Total Periodic Construction Wages	\$7,695,143	\$22,454,078	\$24,948,976	\$55,098,197
Maintenance & Common Element (2)	\$0	\$990,675	\$1,973,025	\$2,963,700
Off-Site Employment Wages (3)	\$1,755,033	\$5,657,399	\$6,758,197	\$14,170,629
TOTAL PERIODIC WAGES	\$9,450,175	\$29,102,152	\$33,680,198	\$72,232,526
(1) Average annual wage for full-time-equivalent construction worker (all trades) at \$79,040 (\$38/hour X 2,080 hours).				
(2) Average annual wage for full-time-equivalent maintenance and security workers at \$33,300 (\$16/hour).				
(3) Average annual wage for full-time-equivalent general worker at \$54,080 (\$26/hour), the average wage for all "Total Private Workers" in the state.				
Wages taken from State of Hawaii "Hawaii Workforce Infonet" "Publications and Tables> Production Worker H&E Data Hours and Earnings" for 2016.				
Source: The Hallstrom Team/CBRE				

TABLE C-6

ESTIMATED RESIDENT POPULATION, HOUSEHOLD INCOME AND DISCRETIONARY EXPENDITURES					
All Amounts Expressed in Constant 2017 Dollars					
Development, Sales and Build-Out Period					
	2017 to 2020	2021 to 2025	2026 to 2030	Stabilized	Totals
Total Number of Single Family Homes Occupied (End of Period)	0	118	236	236	
Percent of Total Units	0%	50%	100%	100%	
Full-Time Resident Housholds	0	97	194	194	
Percent of Total Units	82%	82%	82%	82%	
Second Home (Non-Resident) Owner Households	0	21	42	42	
Percent of Total Units	18%	18%	18%	18%	
Average Resident Household Size (1)	3.4	3.4	3.4		
Total Resident Population End of Period	0	329	658	658	
Average Non-Resident Household Size (2)	1.0	1.0	1.0		
Average Daily Non-Resident Population End of Period	0	21	42	42	
Total De Facto (Resident and Non-Resident) Daily Population End of Period	0	350	700	700	
RESIDENT HOUSEHOLD INCOME (3)					During Build-Out
Total Annual Household Income at End of Period	\$0	\$9,966,280	\$19,932,560	\$19,932,560	
Total Household Income During Period	\$0	\$24,915,700	\$74,747,100		\$99,662,800
TOTAL DE FACTO POPULATION DISCRETIONARY EXPENDITURES (4)					
Average Annually During Period	\$0	\$5,275,591	\$12,132,713	\$12,132,713	
Total During Period	\$0	\$26,377,956	\$60,663,564		\$87,041,520
(1) Average household size of 3.4 persons.					
(2) Average party-size of 3.5 persons with occupancy at 30% of year, or de facto daily household size of 1.05 persons. Rounded to 1.0 persons.					
(2) Estimated at \$103,000 per year or 130% of median household income for four-person household.					
(4) Residents household assumed to have average of 45% of gross income as net disposable. Non-Resident Households assumed to have spending at \$204 per person per day, which is the average daily spending by Kauai visitor through May 2017.					
Source: The Hallstrom Team/CBRE					

TABLE C-7

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

Development, Sales and Build-Out Period

	2017 to 2020	2021 to 2025	2026 to 2030	Totals During Build-Out	Stabilized Annually
<i>Construction Activity</i>					
Construction Wages	\$7,695,143	\$22,454,078	\$24,948,976	\$55,098,197	
Contractor Profits	\$3,105,178	\$4,261,275	\$4,734,750	\$12,101,203	
Supplier Profits	\$1,242,071	\$1,704,510	\$1,893,900	\$4,840,481	
Other Construction Costs	\$19,009,387	\$14,192,887	\$15,769,874	\$48,972,148	
Total Construction Impact	\$31,051,779	\$42,612,750	\$47,347,500	\$121,012,029	
Maintenance & Common Element Wages	\$0	\$990,675	\$1,973,025	\$2,963,700	\$492,840
Off-Site Wages	\$1,755,033	\$5,657,399	\$6,758,197	\$14,170,629	\$266,795
Total Project Population Spending	\$0	\$26,377,956	\$60,663,564	\$87,041,520	\$12,132,713
Unit Maintenance & Repairs (1)	\$0	\$169,920	\$594,720	\$764,640	\$849,600
TOTAL BASE ECONOMIC IMPACT	\$32,806,812	\$75,808,700	\$117,337,006	\$225,952,518	\$13,741,947

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

Source: The Hallstrom Team/CBRE

TABLE C-8

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

Year	Development, Sales and Build-Out Period			Totals	Stabilized
	2017 to 2020	2021 to 2025	2026 to 2030		Annually
<u>Construction Costs</u>	\$31,051,779	\$42,612,750	\$47,347,500	\$121,012,029	\$127,440
1. Economic Output Multiplier	2.12	2.12	2.12	2.12	2.12
Total State Economic Output	\$65,829,771	\$90,339,030	\$100,376,700	\$256,545,501	\$270,173
2. Earnings Multiplier	0.61	0.61	0.61	0.61	0.61
Total Increase in State Earnings	\$18,941,585	\$25,993,778	\$28,881,975	\$73,817,338	\$77,738
3. State Tax Multipliers	0.12	0.12	0.12	0.12	0.12
Total Increase in State Taxes	\$3,726,213	\$5,113,530	\$5,681,700	\$14,521,443	\$15,293
4. Total Job Multipliers	13.83	13.83	13.83	13.83	13.83
Total State Jobs Created	429.4	589.3	654.8	1,673.6	1.8
<u>Construction Employment</u>	97	284	316	697	6
5. Direct-Effect Job Multipliers	2.68	2.68	2.68	2.68	2.68
Total Direct Jobs Created	260.9	761.3	845.9	1,868.2	15.2
<u>Construction Wages</u>	\$7,695,143	\$22,454,078	\$24,948,976	\$55,098,197	\$306,309
6. Direct-Effect Earnings	2.02	2.02	2.02	2.02	2.02
Total Increase in Direct Earnings	\$15,544,188	\$45,357,238	\$50,396,932	\$111,298,358	\$618,744

Source: State Input-Output Model and The Hallstrom Team/CBRE

TABLE C-9

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

Year	Development, Sales and Build-Out Period			Totals	Stabilized
	2017 to 2020	2021 to 2025	2026 to 2030		Annually
<u>Household Spending & Maintenance</u>	\$0	\$26,547,876	\$61,258,284	\$87,806,160	\$12,982,313
1. Economic Output Multiplier	2.09	2.09	2.09	2.09	2.09
Total State Economic Output	\$0	\$55,485,061	\$128,029,814	\$183,514,874	\$27,133,034
2. Earnings Multiplier	0.66	0.66	0.66	0.66	0.66
Total Increase in State Earnings	\$0	\$17,521,598	\$40,430,467	\$57,952,066	\$8,568,326
3. State Tax Multipliers	0.16	0.16	0.16	0.16	0.16
Total Increase in State Taxes	\$0	\$4,247,660	\$9,801,325	\$14,048,986	\$2,077,170
4. Total Job Multipliers	19.00	19.00	19.00	19.00	19.00
Total State Jobs Created	0.0	504.4	1,163.9	1,668.3	246.7
<u>Operating Employment</u>	0.0	11.9	19.7	31.6	19.7
5. Direct-Effect Job Multipliers	2.05	2.05	2.05	2.05	2.05
Total Direct Jobs Created	0.0	24.3	40.5	64.8	40.5
<u>Operating Wages</u>	\$0	\$990,675	\$1,973,025	\$2,963,700	\$759,635
6. Direct-Effect Earnings	1.89	1.89	1.89	1.89	1.89
Total Increase in Direct Earnings	\$0	\$1,872,376	\$3,729,017	\$5,601,393	\$1,435,710

Source: State Input-Output Model, and The Hallstrom Team/CBRE

Addendum D

PUBLIC FISCAL ASSESSMENT TABLES

TABLE D-1

SUMMARY COMPARISON OF MAJOR PUBLIC FISCAL BENEFITS
FOR THE KEALIA MAUKA HOMESITES COMMUNITY

Accounting for "New" Direct Impacts Only

All Amounts Expressed in Constant, Uninflated 2017 Dollars

Analysis Item	Cumulative During Build-Out Period	Stabilized Annually Thereafter
County of Kauai Gross Tax Receipts	\$8,976,178	\$1,289,709
State of Hawaii Gross Tax Receipts	\$12,745,906	\$275,594
County of Kauai Costs of Services (per capita basis)	\$471,794	\$94,359
State Costs of Services (per capita basis)	\$1,775,910	\$355,182
County of Kauai Net Benefits or (Loss)	\$8,504,384	\$1,195,350
State Net Benefits or (Loss)	\$10,969,996	(\$79,588)
Source: The Hallstrom Team/CBRE		

TABLE D-2

QUANTIFICATION OF PUBLIC FISCAL COSTS AND BENEFITS TO COUNTY AND STATE FROM THE KEALIA MAUKA HOMESITES DEVELOPMENT					
All Amounts Expressed in Constant 2017 Dollars					
Development Period	Development, Sales and Build-Out Period			Totals During Build-Out Period	Stabilized Annually After Build-out
	2017 to 2020	2021 to 2025	2026 to 2030		
<u>PUBLIC BENEFITS (Revenues)</u>					
1. COUNTY REAL PROPERTY TAXES					
<i>Cumulative Assessed Value During Period</i>					
<i>Finished Homes End of Period</i>	0	118	236		236
Vacant Land/Finished Lots Prior to Sale	\$93,000,000	\$92,925,000	\$30,975,000	\$216,900,000	\$0
Resident Rental Single Family Homes - No Exemptions (20% of homes)	\$0	\$37,243,750	\$111,731,250	\$148,975,000	\$29,795,000
Resident Owner-Occupied Single Family Homes - All with Exemptions (62% of homes)	\$0	\$86,191,625	\$258,574,875	\$344,766,500	\$68,953,300
Non-Resident "Second" Single Family Homes - No Exemptions (18% of homes)	\$0	\$33,519,375	\$100,558,125	\$134,077,500	\$26,815,500
Total Assessed Value	\$93,000,000	\$249,879,750	\$501,839,250	\$844,719,000	\$125,563,800
<i>Real Property Taxes During Period</i>					
Vacant Land/Finished Lots Prior to Sale	\$584,350	\$562,196	\$187,399	\$1,333,945	\$0
Resident Rental Single Family Homes - No Exemptions (20% of homes)	\$0	\$262,568	\$787,705	\$1,050,274	\$210,055
Resident Owner-Occupied Single Family Homes - All with Exemptions (62% of homes)	\$0	\$521,459	\$1,564,378	\$2,085,837	\$417,167
Non-Resident "Second" Single Family Homes - No Exemptions (18% of homes)	\$0	\$236,312	\$708,935	\$945,246	\$189,049
Total Real Property Taxes	\$584,350	\$1,582,536	\$3,248,417	\$5,415,302	\$816,271
"New" Tax Collection Monies Only, Does not Include Existing Kauai Residents Moving to Development					
2. STATE INCOME TAXES					
Taxable Personal Income (Worker Wages Only, Excludes Kealia Mauka Homsites Resident Households)	\$9,450,175	\$29,102,152	\$33,680,198	\$72,232,526	\$759,635
Taxable Corporate Profits (Includes profits from worker and non-resident spending)	\$595,369	\$1,778,681	\$2,943,865	\$4,470,831	\$283,430
Personal Taxes Paid	\$481,959	\$1,484,210	\$1,717,690	\$1,966,169	\$38,741
Corporate Taxes Paid	\$26,196	\$78,262	\$129,530	\$104,458	\$12,471
TOTAL STATE INCOME TAXES	\$508,155	\$1,562,472	\$1,847,220	\$2,070,627	\$51,212
3. STATE GROSS EXCISE TAX					
Taxable Transactions (Excludes Lima Ola Resident Spending)					
Construction Contracts	\$31,051,779	\$42,612,750	\$47,347,500	\$73,664,529	\$127,440
Worker and Non-Resident Disposable Income Purchases	\$4,725,088	\$18,504,902	\$32,655,403	\$55,885,393	\$3,542,878
Total Taxable Transactions	\$35,776,867	\$61,117,652	\$80,002,903	\$129,549,922	\$3,670,318
TOTAL STATE EXCISE TAX	\$1,490,715	\$2,546,589	\$3,333,481	\$7,370,785	\$152,931
"New" Tax Collection And Expenditure Monies Only					
TOTAL GROSS PUBLIC REVENUES					
Real Property Taxes To County of Kauai	\$584,350	\$1,582,536	\$3,248,417	\$5,415,302	\$816,271
Adjustment for Other Proportional Taxes (1)	1.58	1.58	1.58	1.58	1.58
Adjusted Kauai County Revenues	\$923,273	\$2,500,406	\$5,132,499	\$8,556,178	\$1,289,709
Plus Impact Fees (Park Fee)	\$420,000	\$0	\$0	\$420,000	
Total County of Kauai Receipts	\$1,343,273	\$2,500,406	\$5,132,499	\$8,976,178	\$1,289,709
To State (Income Taxes and GET)	\$1,998,870	\$4,109,061	\$5,180,701	\$9,441,412	\$204,143
Adjustment for Other Proportional Taxes (2)	1.35	1.35	1.35	1.35	1.35
Adjusted State Revenues	\$2,698,474	\$5,547,232	\$6,993,947	\$12,745,906	\$275,594
Plus Impact Fees	\$0	\$0	\$0	\$0	
Total State of Hawaii Receipts	\$2,698,474	\$5,547,232	\$6,993,947	\$12,745,906	\$275,594
AGGREGATE TAX REVENUES	\$3,621,747	\$8,047,639	\$12,126,445	\$21,302,084	\$1,565,303
<u>PUBLIC COSTS (Expenses)</u>					
By County of Kauai	\$0	\$117,948	\$353,845	\$471,794	\$94,359
By State of Hawaii	\$0	\$443,978	\$1,331,933	\$1,775,910	\$355,182
TOTAL PUBLIC COSTS	\$0	\$561,926	\$1,685,778	\$2,247,704	\$449,541
<u>TOTAL NET PUBLIC BENEFITS</u>					
County of Kauai	\$1,343,273	\$2,382,458	\$4,778,653	\$8,504,384	\$1,195,350
State of Hawaii	\$2,698,474	\$5,103,255	\$5,662,014	\$10,969,996	(\$79,588)
AGGREGATE NET BENEFITS	\$4,041,747	\$7,485,713	\$10,440,667	\$19,474,380	\$1,115,762

(1) Real property taxes comprise 63.1 percent of General Fund in the Proposed County of Kauaii 2017-18 budget. Economic activity generates other revenue items of 36.9 percent or additional 58 percent above real property taxes.
(2) In recent fiscal years, Gross Excise and Income Taxes have averaged some 74 percent of total State revenues; other revenue items 26 percent, or 35 percent above income and gross excise taxes.

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Total County of Kauai Receipts	\$1,343,273	\$2,500,406	\$5,132,499	\$8,976,178	\$1,289,709
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Adjusted State Revenues	\$2,698,474	\$5,547,232	\$6,993,947	\$12,745,906	\$275,594
Plus Impact Fees	\$0	\$0	\$0	\$0	
Total State of Hawaii Receipts	\$2,698,474	\$5,547,232	\$6,993,947	\$12,745,906	\$275,594
AGGREGATE TAX REVENUES	\$3,621,747	\$8,047,639	\$12,126,445	\$21,302,084	\$1,565,303
PUBLIC COSTS (Expenses)					
By County of Kauai	\$0	\$117,948	\$353,845	\$471,794	\$94,359
By State of Hawaii	\$0	\$443,978	\$1,331,933	\$1,775,910	\$355,182
TOTAL PUBLIC COSTS	\$0	\$561,926		\$2,247,704	\$449,541
TOTAL NET PUBLIC BENEFITS					
County of Kauai	\$1,343,273	\$2,382,458	\$4,778,653	\$8,504,384	\$1,195,350
State of Hawaii	\$2,698,474	\$5,103,255	\$5,662,014	\$10,969,996	(\$79,588)
AGGREGATE NET BENEFITS	\$4,041,747	\$7,485,713	\$10,440,667	\$19,474,380	\$1,115,762
(1) Real property taxes comprise 63.1 percent of General Fund in the Proposed County of Kauaii 2017-18 budget. Economic activity generates other revenue items of 36.9 percent or additional 58 percent above real property taxes.					
(2) In recent fiscal years, Gross Excise and Income Taxes have averaged some 74 percent of total State revenues; other revenue items 26 percent, or 35 percent above income and gross excise taxes.					
Source: The Hallstrom Team/CBRE					

Addendum E

PROFESSIONAL QUALIFICATIONS

PROFESSIONAL QUALIFICATIONS OF THOMAS W. HOLLIDAY, CRE, FRICS

Business Affiliation	Director	The Hallstrom Team CBRE, Inc. Valuation & Advisory Services Honolulu, Hawaii (2015 - Present)
	Senior Analyst/ Supervisor	The Hallstrom Group, Inc. Honolulu, Hawaii (1980 - 2014)
	Former Staff Appraiser	Davis-Baker Appraisal Co. Avalon, Santa Catalina Island, California (1977 -1979)
International Designation and Membership	<ul style="list-style-type: none">• CRE Designation (2015) - The Counselors of Real Estate• FRICS Designation (2016)-Fellow of the Royal Institution of Chartered Surveyors	
Education/Qualifications	<ul style="list-style-type: none">• California State University, Fullerton (Communications/Journalism)• More than 600 Hawaii Hotel/Hospitality Valuation and Consulting Assignments• More than 150 Market Studies, Economic Impact Analyses and Public Fiscal Assessments for Proposed Projects and Entitlement Purposes• Qualified expert witness testimony before State of Hawaii Land Use Commission, County Planning Commissions, County Councils and various state and county boards and agencies since 1983.• Only certified real estate economist by County of Kauai for workforce housing assessments.• Numerous SREA, Appraisal Institute and RICS Courses• Numerous professional seminars and clinics.• Contributing author to Hawaii Real Estate Investor, Honolulu Star Bulletin, Pacific Business News, Other Publications <p>On January 1, 1991, the American Institute of Real Estate Appraisers (AIREA) and the Society of Real Estate Appraisers (SREA) consolidated, forming the Appraisal Institute (AI).</p>	
Recent Assignments	<ul style="list-style-type: none">• Market Study, Economic Impact Analyses and Public Costs/ Benefits (Fiscal Impact) Assessments <p><u>Oahu</u></p> <ul style="list-style-type: none">-- OHA Kakaako Makai (Mixed-Use Project)-- Howard Hughes/Ward Kewalo Basin (Retail Project)-- Marriott Waikiki Parking Lot (Hotel/Timeshare Project)-- Residence Inn Kapolei (Hotel)-- Turtle Bay Resort (Destination Resort Community)-- Waikapu Country Town (Mixed-Use Community)-- Oahu Community Correctional Center Relocation-- Oahu Tourism Spending/Tax Impact Analysis-- Waikapu Country Town (Mixed-Use Community)	

Professional Qualifications of Thomas W. Holliday (continued)

Maui County

- Waikapu Country Town (Mixed-Use Community)
- Lanai City Expansion (Mixed-Use/201H Community)
- Polanui Garden (201H Residential Community)
- Molokai Ranch Holdings (Mixed-Use)
- Makila Rural Subdivision (201H Residential Community)
- Makila Kai (201H Residential Community)
- Maui Research & Tech Park (Mixed-Use Community)
- Maui Lani (Mixed-Use Community)
- Honuaula (Mixed-Use Community)
- Makena Beach Resort
- Maui Business Park, Phase II (Industrial/Commercial)
- Kapalua Mauka (Master Planned Community)
- Hailiimaile (Mixed-Use Master Planned Community)
- Pulelehua (Master Planned Community)
- Westin Kaanapali Ocean Villas Expansion (Resort/Timeshare)

Big Island

- Parker Ranch Waimea Town Center (Mixed-Use)
- West Hawaii/Gold Coast Tourism & Hotel Analysis
- Puako Farms/Kamakoa (Residential Subdivision)
- Kau Tea Farm (Agricultural/Mixed-Use Project)
- Kamakana Villages (Mixed-Use Residential Development)
- W.H. Shipman Ltd, Master Plan (Various Urban Uses)
- Nani Kahuku Aina (Mixed-Use Resort Community)
- Kona Kai Ola (Mixed-Use Resort Community)
- Waikoloa Highlands (Residential)
- Waikoloa Heights (Mixed-Use Residential Development)

Kauai

- Princeville Lodge (Hotel)
- Princeville Phase II (Destination Resort Community)
- Hanalei Plantation Workforce Housing (Resort)
- Lima Ola (Residential Community)
- Coco Palms (Hotel)
- Sheraton Kauai Workforce Housing (Resort)
- Coconut Coast Tourism and Hotel Analysis
- Hanalei Plantation Resort (Resort/Residential)
- Kukuiula (Resort/Residential)
- Waipono/Puhi (Mixed-Use Planned Development)
- Eleele Commercial Expansion (Commercial)
- Village at Poipu (Resort/Residential)
- Ocean Bay Plantation (Resort/Residential)

Professional Qualifications of Thomas W. Holliday (continued)

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

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