HoKua Place
Section 343-5e HRS
Final Environmental Impact Statement (FEIS)
Volume II-A
Exhibits 1 & A to H

Prepared for:
Accepting Authority
State of Hawai'i Land Use Commission
&
Petitioner
HG Kaua'i Joint Venture LLC

Prepared by:

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Volume II-A Contents

HG Kauai Joint Venture, LLC

November 2, 2017

To whom it may concern:

We hereby authorize Ron Agor Architect of Agor Jehn Architects LLC to prepare and submit the Final Environment Impact Statement (FEIS) for the HoKua Place. (TMK: (4) 4-3-003:001) We further authorize the use of information and data provided by one of our consultants, Ho'okuleana, LLC, for their submittal of the DEIS.

Please do not hesitate to contact me with any questions at: 435.272.3709.

Jacob Bracken
Manager

HoKua Place FEIS

Exhibits

&

Responses to DEIS Comments

Exhibit A

Kapa'a Housing Market Study (DEIS) for HoKua Place (Formerly Kapa'a Highlands II)

I. INTRODUCTION

The Data@Work is a market research firm that specializes in analyzing residential real estate markets for developers and lenders. We have been retained to perform a study analyzing the market for proposed master planned community on the island of Kauai, called Kapaa Highlands.

This study focuses on the historical and projected market conditions and trends in accessing the ability of the project to be successful in selling its residential properties at a price and at a velocity. The study entailed collecting, comparing and analyzing information that has a bearing on the numerous aspects of market demand for the proposed project, including but not limited to publicly available real property, economic and commercial data.

The author makes every effort to verify that all of the information in study and in particular the market description and analysis is accurate, but is aware that 100% accuracy is unlikely. Finally, the analysis and statements herein are based on independent research by the author.

II. PROJECT DESCRIPTION & STUDY OUTLINE

Project

Kapaa Highlands is a master planned project on the Island of Kauai targeting primary housing demand from local and in-migrant families, as well as offshore second home demand for view estate ownership. It sits above the historic town of Kapaa and below the foothills of the mountain chain that forms the island. It is equidistant from the two major resorts on the island (and at the center of the third, the Coconut Coast). Thus, it is at or close to the centers of employment and commercial activity.

As Kapaa is arguably at the center of the island, the target market for this development will be spread across a wide range of households, but mainly appealing to local families looking for reasonably priced housing that is well-located with regard to the centers of employment in the county, as well as to a good range of shopping, recreational and social facilities.

The development contains a portion of the Kapaa bypass road, a major arterial road adjacent to the property. As such, the property is accessible from three sides and is adjacent to already improved county roads. Furthermore, the property has no significant restraints relative to adequate water availability and wastewater. Finally, the Kapaa Middle School is located adjacent to the property and adds to the attractiveness of the site to the local population.

KAPAA HIGHLANDS PRODUCT MIX AND SALES PROJECTION

Product	Units
House Lot Packages, On Large Lots (10,000 sf)	36
House Lot Packages, On Medium Lots (7,500 sf)	50
Multi-Family Dwelling Units (4 Plex, 8 DU/Ac)	500
Affordable Housing Dwelling Units (12 DU/Ac)	183

The units described above include condominiums (Multi-Family pads and Affordable Housing) and single-family homes (House Lot package).

EXHIBIT "A"

[Note that some of the House/Lot package units may be sold as home sites, depending on future demand and market conditions].

The condominium units will be designed in a range of bedroom configurations that will best meet the demand for housing by providing designs that apply to different family types, including starter families, empty nesters, families with children, and households that qualify for affordably priced housing.

The design of the single family units will appeal to some of those in the aforementioned condominium demographic groupings, but will go further by addressing the needs of large families, families wanting to be close to the Middle School, trans-generational families needing adequate (read larger and more defined) living space, and professional families or those with multiple wage-earners.

The design of the condominiums could include stacked flats and townhomes, both of which have cost and livability advantages. They will located in multi-unit buildings (four and six-plex, etc.) and laid out in a way that will be taking advantage of the site's benefits: including those of the ocean views, the cooling winds, the warming sunlight, etc. Their density would range from 8 to 12 units per acre.

The single-family units will be designed to take advantage of the area topography, as well as wind and sun direction and views. By having two different lot sizes allows for the land plan to address two demographics: the smaller lot size units would be most appropriate to starter families, and larger lot size units would be appropriate for larger families and multigenerational households.

It is worth being mindful that, generally speaking, the high cost of housing production in Hawaii, and Kauai in particular, often pushes housing prices beyond what local families, particularly workforce families, can afford. To counter that, often Kauai home purchasers include a number of income earners into the purchase, both family members and non-family members. It is this market demand segment that the larger lot size and house size units will address.

In keeping with the county's affordable housing requirement, the requisite number of units will be produced and priced according to the existing income guidelines when marketed. The current affordable requirement is 30%, and the fulfillment of that will be a benefit to the local families seeking better housing or a more convenient location.

Additionally, while the market homes will be priced to the market, and done so at the time of the start of construction, they will also be more affordably priced, relative to much of the new construction on the island. This is because the large size of the overall development (750+ units) is conducive to achieving construction economies of scale, both for infrastructure and vertical construction - which can be passed on to the consumer.

Further, these homes and condos will also be designed with the needs of local families in mind, as opposed to the offshore buyer market. This will thus 'lessen' the overall demand for them, resulting in a more moderate price point. This stands in contrast to many other new home construction projects and developments on the island and in the state, which seek to address the needs of the offshore buyer (and are priced accordingly higher).

Finally, it is important to note that this development will benefit those in the community who will not be purchasing here, but who nonetheless are in the market for affordable housing. This is because this, or any, provision of new housing acts to soften the pressures that push housing prices higher – national and local studies and data has shown that the supply of new housing into an existing market place results in a moderating trend in prices.

Study Outline

In an effort to evaluate the proposed project, the study will begin by describing the area, the housing stock and the economy. It will take account of the economic factors and trends that affect housing relative to the county and to the proposed project. Thereafter, it will describe the housing market in general, and in particular to this project. In doing so, it will describe and analyze the factors and trends behind the general and specific supply and demand for housing. And it will summarize the findings and finish with some concluding remarks and expectations.

III. OVERVIEW of COUNTY and MARKET

Subject Property's Community

Kauai County is the fourth largest county in the state, as ranked by population and economic activity, behind the City & County of Honolulu (Oahu), Maui County and the Big Island of Hawaii.

The majority of the island's roughly 52,000 residents lives and works in the coastal areas leaving the interior of Kauai natural and pristine. Kauai's weather is near perfect year round with daytime temperatures ranging from the mid 70's to the mid 80's, slightly warmer in the summer. The northeast trade winds average about 15 mph for most of the year, and provide refreshing breezes. Rain showers usually fall in the evening and early morning hours, predominantly over the mountain ranges. The temperature of the ocean ranges from 68 to 80 degrees Fahrenheit.

It has one of the strongest brands in the global visitor industry, as well as arguably the most diversified visitor industry of any of the islands, combining large resort master planned communities, cruise ship visitations, time share developments and small-scale bed and breakfasts.

The breadth and depth of this economic base, like the rest of the state, rests on the county's economy's unique comparative advantage relative to the other visitor destinations world-wide: it has a very high quality of life, a function of a naturally beautiful setting, with a benign environment and near perfect climate. Indeed, the proof of its attractiveness can be found in the quality of the number of 'rich and famous' who have bought in Hawaii, starting with Lawrence Rockefeller in 1960 (followed by John Wayne, George Harrison, Peter Gruber, Charles Schwab, Michael Dell, Ben Stiller, Oprah Winfrey, Akio Morita, Michael Creighton, etc.)

Kauai has three major resort destinations:

- **Princeville**, a 45-minute drive from the Airport, is a resort that runs across a large plateau overlooking one of the largest deep-water bays in Hawaii. The view of the sunset, looking west, is extraordinarily beautiful.

- **Poipu**, also a 45-minute drive from the airport, sits above the south shore, with numerous bays and beaches safe for swimming. It has the largest concentration of hotels and golf courses on the island. .

- **Coconut Coast**, a 20 minute drive from the airport, this area was the favored area of Hawaiian royalty and the original site of resort development on the island and, save for Waikiki, the state. It today hosts one of the largest percentage of accommodations, shops, recreation, restaurants and historical sites on the island.

The majority of the primary housing development is located within the Kapaa and Lihue urban zones, with secondary sources located areas in and around Poipu, Kilauea/Hanalei, and Hanapepe and Waimea. Second home development is located within and around the three major

resort communities, as well as in locations that are close to the coastline and/or in westward facing locales).

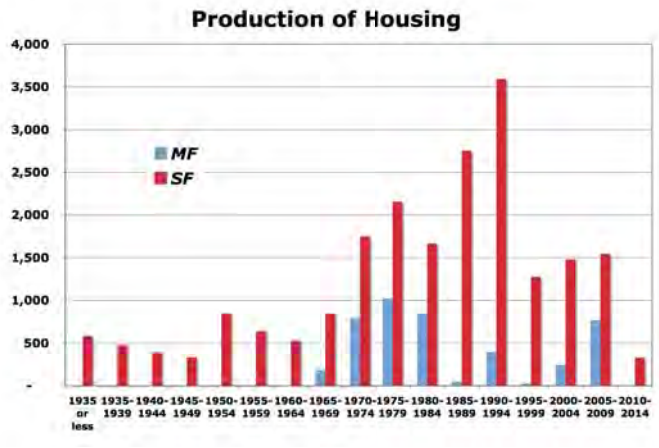
Subject Property's Housing Stock

Most of the primary housing inventory and on-going development is located within the Kapaa and Lihue urban zones. Primary housing is also concentrated, but to a lesser degree, in and around the communities of Poipu, Kilauea/Hanalei, and Hanapepe and Waimea.

Since the 1990s, Kauai's housing stock has grown faster than the population, as measured by the average annual growth rate for dwellings: it grew by 3.5% p.a. between 1990 and 2000, the highest in the State. The growth rate dropped to around 1.7% over the 2000-2010 period. Many of these new units have been targeted for the visitor or second home industry.

For instance, in 1990, the percentage of occupied housing units was about 92.5% of the county's total housing stock. By 2006, according to the Hawaii Housing Study, that dropped to 76.2 percent, the greatest rate of change among the four counties. Since 2006, however, there has been a reversal of that trend, with the percent of housing stock being build for primary homeownership has increased to 89.6%.

By way of context, housing development and construction was most active on Kauai during the time when the major resorts were developed in the 1970 and 1980s. Thereafter, primary housing production reached only half that level, save for periods of housing reconstruction that followed a major hurricane event.



In the years after the establishment of the resorts, there was a boom in condominium production, but many of these projects that were developed targeted the offshore buyer market. TMK records

show that over 70% of the condo units and 12% of the single-family homes are owned by out of state residents.

Census records have shown that a quarter of the County's housing stock did not house residents in 2000. Thus, while the Census categorizes these units as "vacant," they may be actually rented to vacationers, reserved by owners as a second home, or both. Demand in the housing market hence comes from residents, investors, and non-residents.

As a result, the average prices for housing units are skewed upwards and do not necessarily reflect residents' ability to pay for housing. Kauai housing stock is 78% owner occupied and 22% vacant, per their definition (it includes seasonal or recreational use, which itself constitutes 64% of all vacant units, with rental units constituting 20% of that total).

Indeed, housing inventory shows that about 3,000 of the 4,000 condominium units in the county, or 73%, are owned out-of-state. This would account for the high prices of condos in the county, the second highest in the state. Median resale price this May 2013 for a condo on Kauai is $323,000.

HOUSING CHARACTERISTICS OF THE MARKET

Kauai County	Units
Occupied housing units	23,051
Owner-occupied housing units	13,968
Renter-occupied housing units	9,272
Vacant housing units	6,553
For rent	1,312
Rented, not occupied	61
For sale only	251
Sold, not occupied	51
For seasonal, recreational use	4,172
All other vacant units	706
Homeowner vacancy rate (percent)	1.8%
Rental vacancy rate (percent)	12.3%

Note that the homeowner vacancy rate is low but the rental vacancy rate is high. This is indicative of a community that has high priced houses – therefore the homeowner vacancy rates are low. Additionally, as it is a very desirable place to live, there are a lot of rental units for vacation rental – and therefore the rental vacancy rate is high.

HOUSING CHARACTERISTICS OF THE MARKET, BY AREA

	Waimea	Koloa	Lihue	Kawaihau	Hanalei	Total
Detached Home	2,270	4,843	4,706	5,212	2,013	19,044
Townhouse	57	128	142	36	113	484
Condominium	0	195	326	190	366	1,082
Duplex/multiplex	85	201	24	142	22	484
Apartment	328	139	564	202	185	1,428
Co-op	0	67	107	0	0	184
Other/Not	0	179	65	148	52	345
	2,739	5,752	5,935	5,930	2,751	23,051

Note that the area of the proposed development is Kawaihau, highlighted in blue, and that area has very few dwellings that are attached units (condo, townhouse, etc.).

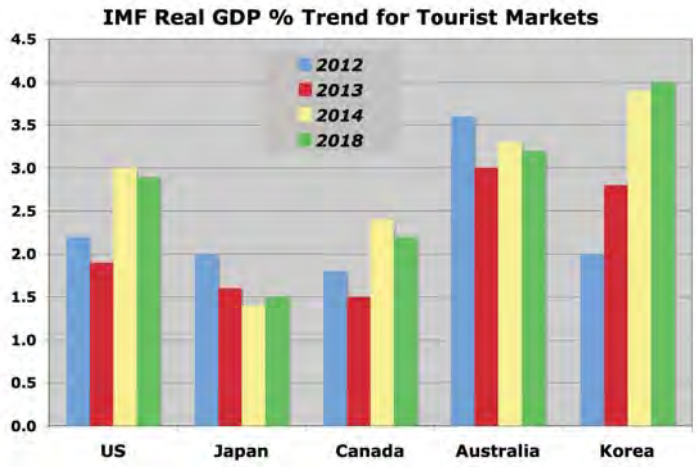
IV. THE ECONOMY

Simply put, residential for-sale and rental values move closely in synch with an area's economic growth, and economic growth is determined in the short run by the balance of trade between the area and it's major trading partners. And the mechanism by which this growth in values occurs is via rising incomes and higher job counts. We start by looking at the economic outlook for the state and the county. As the major industry is tourism, the county's significant visitor sources would be the US, Canada and Asia

As such, we look at the economic trends in all three sources.

GLOBAL ECONOMY:

The overall global economic forecast by the IMF earlier this year noted that the recovery had solidified, but the unemployment remained high. It said global financial risks have shrunk, including the chance of a fallback in economic activity (a double dip).

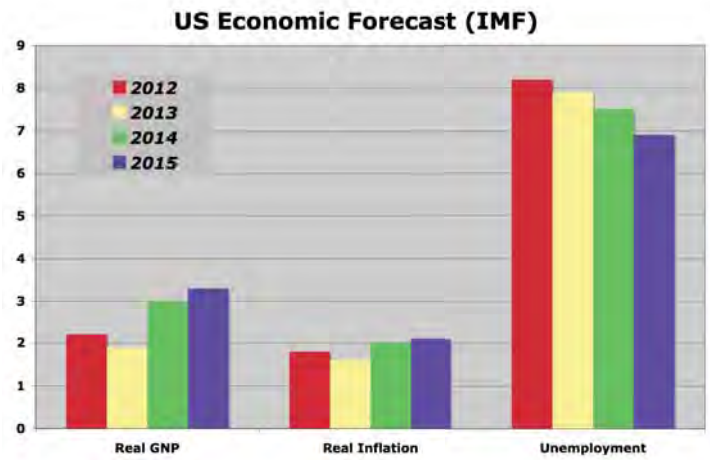


If the advanced economies continue to repair their public and financial balance sheets, and stimulate employment, and if emerging markets do not overheat their economies, global financial markets and property markets will stabilize and grow.

UNITES STATES:

The US economy is projected to grow by 3 percent in 2014, as firmer private final demand takes the burden to stimulate the economy off of federal fiscal policy. More and more, the risks to the economic outlook are abating: the recovery in housing prices and the slight growth in the job

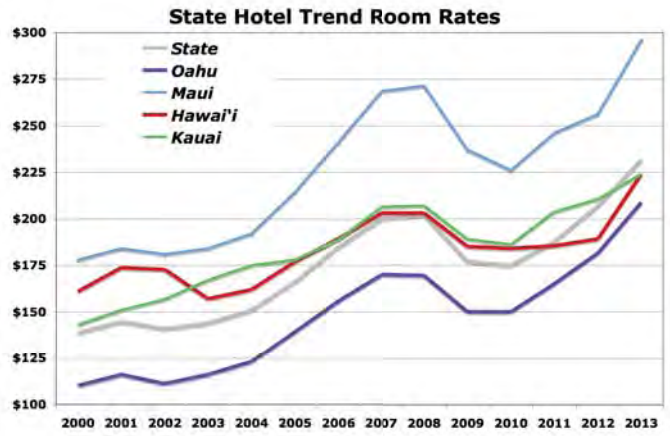
market are big positives looking ahead. Given the slack in the economy, inflation is expected to remain subdued, but with a rise in the interest rates in the cards.



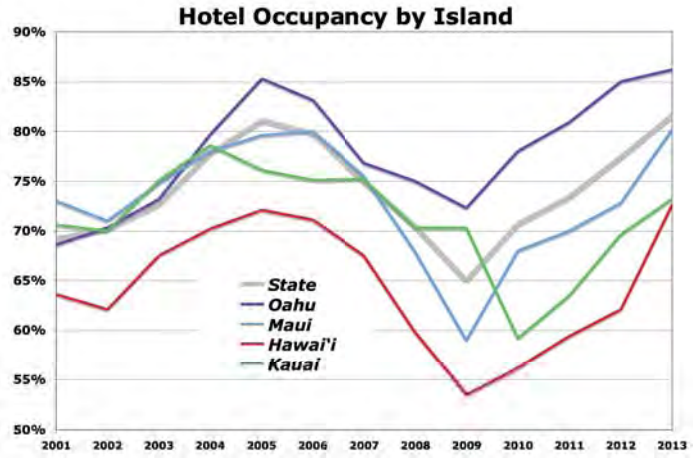
Looking ahead, the US economy will be on the rise. That, plus the perception of a growing economy, should be sufficient to grow the Hawaii state and the Oahu county economies. As an improved US economy is manifested in terms of higher visitor industry revenues, this commensurate growth in state economic activity will then put pressure on housing, via higher job counts (immigration) and incomes.

HAWAII STATE:

According to the state economic forecasters, Hawaii's economy continues to grow strongly in 2013 at an accelerating rate. The state has very low unemployment relative to the rest of the nation, thanks to a resurgent demand in the visitor industry, which is the major engine of economic growth in the county and the state (as seen below).

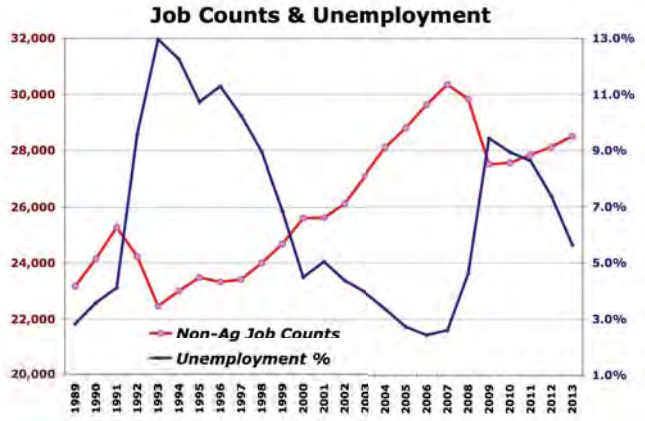


Historically, Hawaii's economy follows those of the Pacific Rim countries, which bodes well for the future.



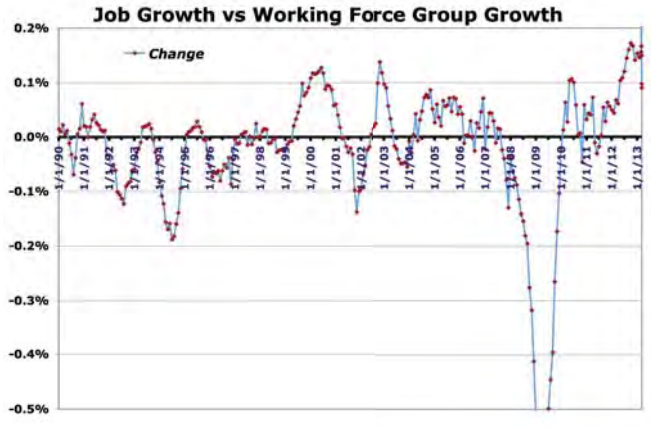
KAUAI:

Kauai is enjoying economy growth again, thanks to a resurgent demand in the visitor industry, which is the major engine of economic growth in the county and the state (as seen in job counts rising and unemployment rates falling).

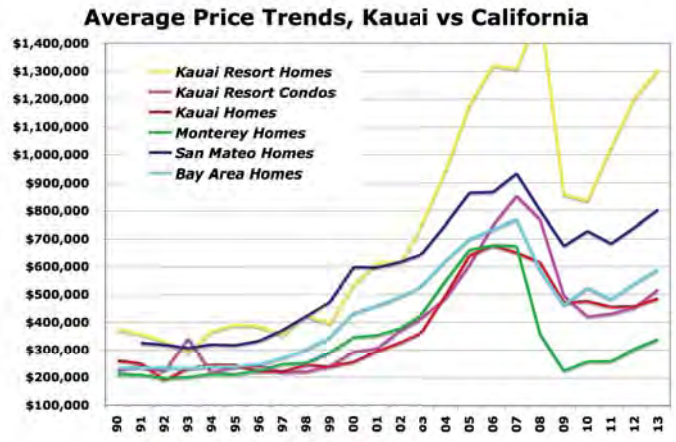


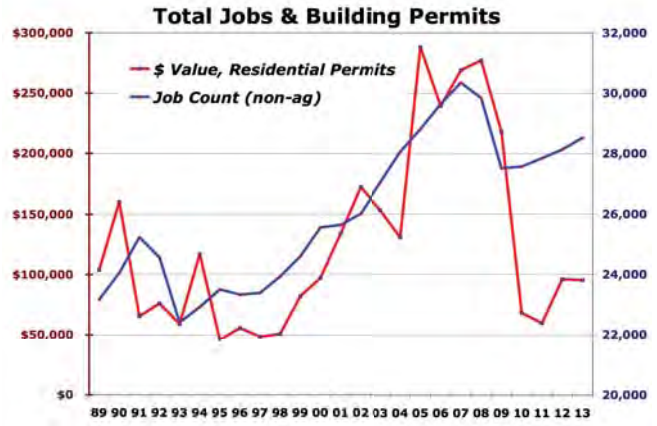
Going forward, Kauai will begin to experience tight labor conditions, with immigration occurring in order to meet rising job growth. Indeed, this is happening already, as seen next.

This chart shows that the recent growth in jobs is outpacing the natural growth in the workforce, i.e., population growth. Thus, in-migration will occur (which leads to increased housing demand).

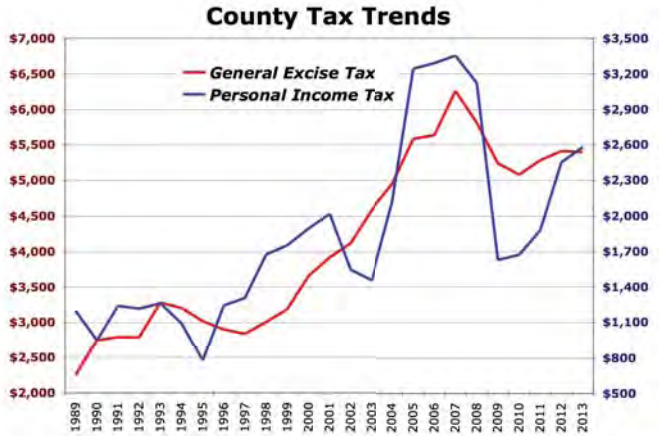


Housing demand will also grow thanks to offshore demand. As seen, when California's residential markets improve, prices (demand) for second homes in Kauai also rises.





Finally, Kauai's economy and real estate market are closely tied, as an increase in one leads to an increase in the activity of the other (per the following chart). In sum, economic indicators look to growth for the island's residential market.



V. HOUSING MARKET

Overview: Much like the state, Kauai's residential real estate supply is inflexible and constrained, but to a greater degree – the cost constraints are even tighter (higher costs of transporting material inputs to a remote locale, plus of sourcing labor in a small community), and the political climate there is generally unfavorable to housing development, particularly at the high end and/or in areas that are highly visible (but decidedly less so, relative to affordable and senior housing, as well as work force housing, which this project is proposing).

At the same time, demand for residential real estate is both flexible and strong, particularly in good economic times and over the long run. It can be, and is currently, constrained to an uncharacteristic degree, thanks to havoc in the financial markets the last few years and the drastic fall off in economic activity globally and nationally.

The first condition, limited supply, arises due to Kauai having a very small landmass, coupled with inadequate infrastructure and challenging geographic conditions (atop the aforementioned political, social and legal impediments).

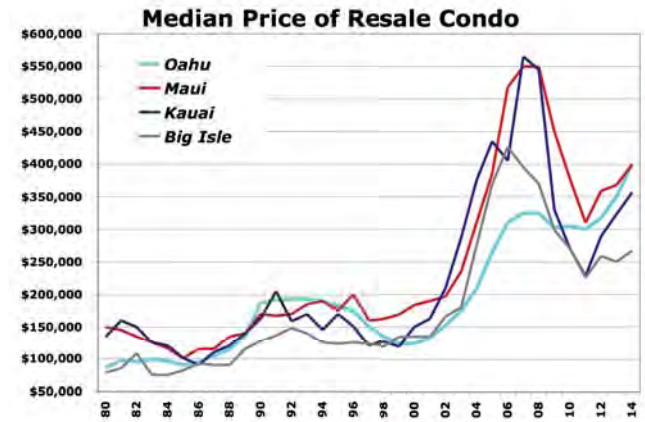
The second starts with the very high quality (defined a high quality of life, in terms of being a place that is environmentally safe, aesthetically pleasing, socially accommodating, politically stable, etc.). This is coupled by a deep and broad appreciation of that lifestyle by very large population accustomed to visiting the island (mainly West Coast and East Asia), which has one of the highest rankings in brand awareness and acceptance.

In combination, this results in a market that can dramatically volatile, up and down, in terms of sales and, to a lesser extent, prices. We note that in the past cycles, prices have been relatively 'sticky' downward, i.e., generally holding on to accumulated values. In this cycle, however, the price appreciation was so extensive and lasted so long, that the ensuing price depreciation during the down cycle has also been extensive.

Currently, Kauai's residential markets are now at the beginning of the up-cycle. The question is, going forward, how long this will last. The rule of thumb for the residential market is that the upswing in the cycle, the up cycle, generally lasts about 6.5 years, and is about twice as long as the down cycles. In addition, the up cycle, through to peak, results a tripling of the number of closings.

For the condo market, the up cycles last about 7 years, almost more than twice as long as the down cycles. In addition, the movement trough to peak of closings can be 300% or 400%, while for prices, it can be 400% or higher (note that this condition is not just particular to Kauai, but to all the neighbor islands).

The following charts illustrate this, starting with price appreciation trends.



For the condo market on Kauai, the one that relates to this project, the up cycles last about 7 years, almost more than twice as long as the down cycles.

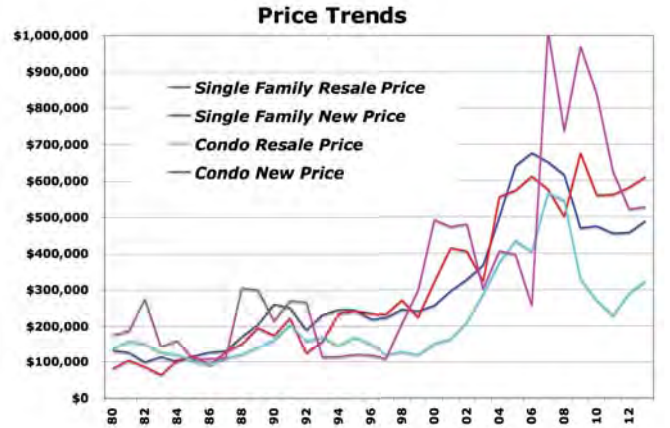
Next, we describe the balance between supply and the demand using sales and listings island-wide for condos, as well as the indicator showing the balance between the two, MRI or Months of Remaining Inventory.

Right now, the MRI trend is declining, per the growth of sales and shrinkage of listings, indicative of a tight market. A normal reading is between 8 and 12 months, with the two balanced.

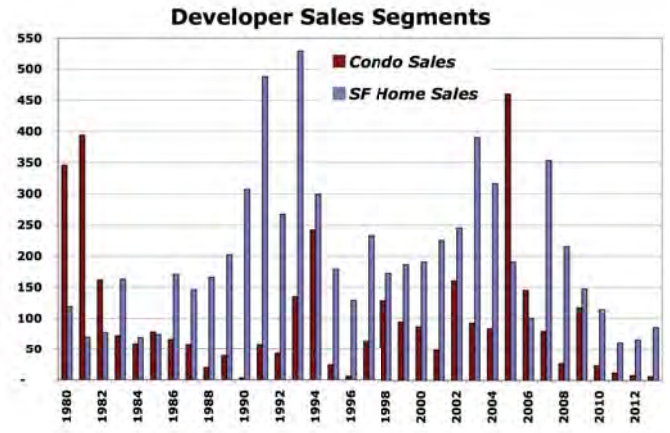
Looking ahead, we assume that the sales will continue to grow (as a function of low interest rates, plus the spread of the economic recovery in the areas where buyers of Kauai real estate reside (basically on Kauai, plus on the west coast of North America).

In this case, the proper market response to tight supply is for sellers to raise their prices. As seen in other charts, this has already started two years ago, and continues this year as well.

The following chart shows the price trend over the last 32 years for the four basic housing products: single-family resales and developer (newly construct4ed) sales, plus condominium resales and developer sales. As seen, the price trend over the last four years has been down, with the recovery taking hold first with single-family product, followed by condos.

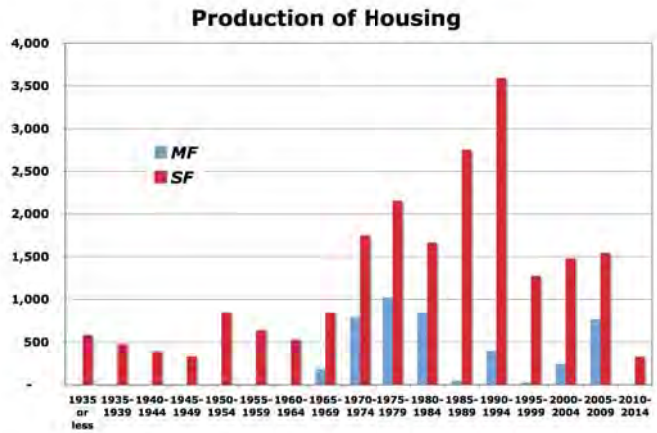


Next, we look at the market for developer sales. As seen in the next chart, the level of new housing production is at a historic low. This is a condition of scarcity and it leads to price movement to the upside.



When that happens, the general public will get a sense that there is a housing shortage, and pressure will be brought politically to increase the supply of affordable housing. In and of itself, that will help to alleviate the demand existing for affordable rental units. That said, it is likely that the demand for reasonably priced housing will vastly outpace the supply.

Another way of seeing this is the long-term production of housing chart. Not only has housing production been low of late, but this also says that the current stock of housing is old, and dated.



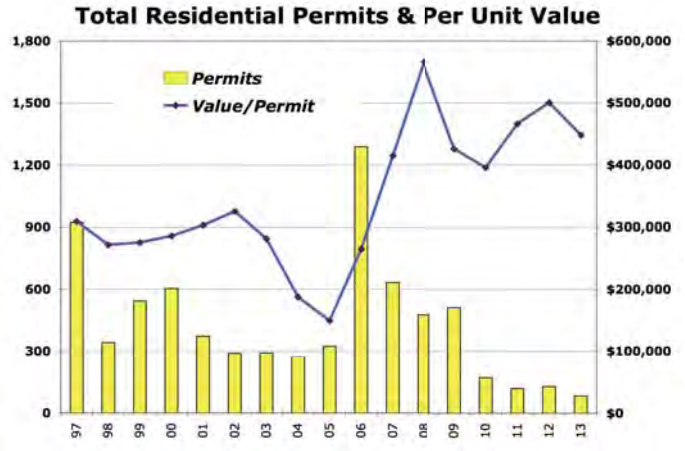
VI. FUTURE KAUAI HOUSING SUPPLY

PERMITS

The easiest way to look ahead to where the housing market is going in the short-term is by examining the activity in permits (where developers apply for permission, and pay their fees, for building residential units). A high level of activity indicates more supply is in the works, which means that more demand will be met, and the potential for prices adjusting downwards. With less supply in the works, prices will feel pressure upwards (and higher prices in the future, when demand recovers).

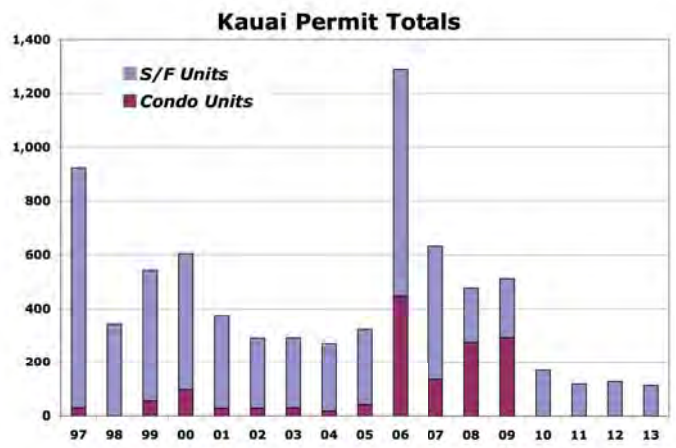
In addition, low levels of per unit value indicate that the units being built are for the lower end of the market (and vice versa). And, this has not been the case overtime on Kauai, indicating that most of the new housing has been targeted on the upper income end of the housing market.

An overview of the TOTAL RESIDENTIAL PERMITS AND VALUES Chart shows that the number of permitted units has sunk so low that it is at an all-time historical low. On the other hand, the value per permitted unit is at a record high.

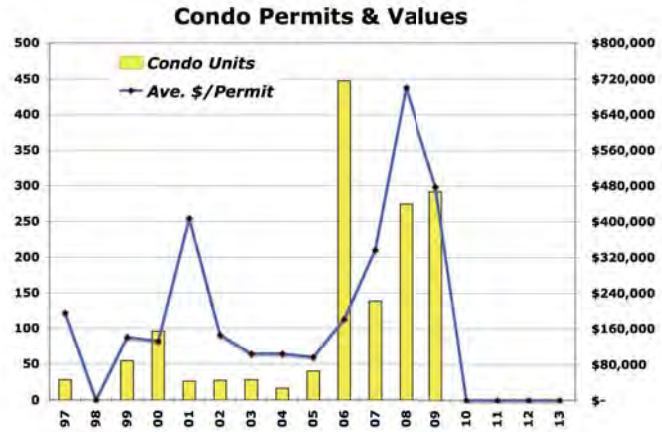


Note that the 2013 data is extrapolated, using actual data through April 2013.

The following chart shows the actual breakdown between condos and single-family homes.

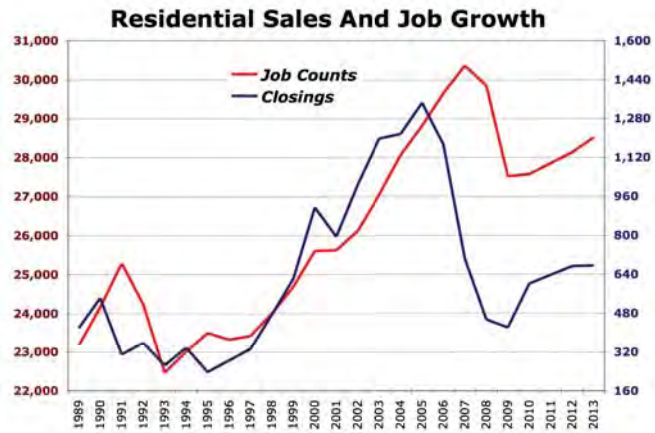


As seen, the number of permits is very low – caused mainly by the condo market.



VII. HOUSING DEMAND

The prime determinant of housing demand is household formation, itself is a function of the economy and demographic and social trends. As noted above, in the short term, residential housing demand is driven by economics – specifically of job creation/income growth, as well as interest rate trends.



Incomes to buy homes, and they drive immigration, which is a prime source of housing demand (sometimes linked to population growth). This linkage is best illustrated in the RESIDENTIAL SALES & JOB GROWTH Chart.

Note how closely the two trends track one another, up until the 2004-2005 period, when high prices prevented many families from buying a house. This then shows how the lack of housing supply on an on-going basis drives prices higher, and thus lowers the sales of homes.

Further note, the gap that has opened up between the two trends starting in 2005. In previous recessions, a similar pattern occurred, with the sales of homes (blue line) picking up during the recovery. This was because a lot of families doubled up (multiple families living in one dwelling) during the recession. Thereafter, they took the economic gains they made in the recovery and invested it in housing. This will be happening in the next few years.

If the subject property were under construction, then this unmet housing demand would turn to this project as a source of housing supply.

VIII. HOUSING DEMAND POTENTIAL & PROJECTION

JOB GROWTH TO HOUSING DEMAND: In the tables below, we describe DBEDT's predictions for wage and salary job creation on Kauai for the next 10-15 years, and derive from that a general expectation for housing demand over the next five to ten years (in other words, we will translate it into housing demand). Note that the model* used here ran from 2007, but was updated in 2009

HOUSING DEMAND, FROM DBEDT'S 2035 JOB FORECAST FOR WAGE & SALARY JOBS

	2007	2015	2020	2025
Total civilian wage and salary jobs	44,077	46,900	49,500	51,900
5 Year Growth		2,823	2,600	2,400
Annual Job Growth		565	520	480
Annual Housing Demand (1.75 Jobs: 1 Home)		332	306	282

*(http://hawaii.gov/dbedt/info/economic/data_reports/2035LongRangeSeries/LRFreport_2035series_revised_Aug09.pdf)

As seen, we use the annual changes in job counts to derive housing demand on the premise that it will take an average of 1.75 new jobs to generate demand for one new house.

However, the job counts used in the charts and tables above are just the number of wage and salary jobholders, and do not encompass the self-employed or home worker. According to DBEDT's projections, self-employed workers consist of about 20% of the total work force, but are growing to 25% in the next ten to twenty years. As such, we want to add this demand for housing into our projections.

The following transforms those projections into annual job growth projections, and then summarizes it in a complete DBEDT projection table.

HOUSING DEMAND, FROM DBEDT'S 2035 JOB FORECAST, SELF-EMPLOYED

	2007	2015	2020	2025
Annual Housing Demand (1.75 Jobs: 1 Home)		332	306	282
Self Employed Housing Demand (15% of total)		33	31	28
Total Annual Housing Demand		365	336	311

Finally, we want to take into consideration offshore demand, relative to housing demand. Studies have shown that this demand varies from a low of 15% on Oahu to a high of 60% on Maui. For Kauai and our purposes here, we use a very conservative factor of 20%. Thus, the total amount of housing demanded in the future should see an increase of another 20%. The following table shows this:

HOUSING DEMAND, FROM DBEDT'S 2035 JOB FORECAST PLUS OFFSHORE DEMAND

	2007	2015	2020	2025
Total Annual Housing Demand		365	336	311
Offshore Buyer Housing Demand (20% of total)		66	61	56
Total Annual Housing Demand		431	397	367

Note that the average number of residential permits taken out in the last five years for the county is 373 units p.a., but the average over the last 2 years (projecting 2011 using YTD numbers through September, is 125 units, p.a.

In sum, housing production in the past has not satisfied housing demand, as driven by job growth, leading to higher priced housing and overcrowding in existing housing.

Looking ahead, this will only continue, as the level of permitting this year has been below what is would house just the recent growth in potential homebuyers.

IX. FORECAST

As seen earlier, the cycle for both the economy and real estate is coming off of a dramatic fall-off in overall activity and in values. Going forward, we believe the markets will right themselves and the county will resume the normal pattern of multi-year periods of both economic growth and job and personal income expansion. In turn, this will lead to housing demand. As seen in the past, the housing market will begin to overheat, manifested by rising housing prices that outrun people's rising incomes. This will lead again to an affordable housing 'crisis' – where demand outstrips supply. A major part of this problem, one of the county's own making, is that there will be limited amounts of land suitable and zoned for housing.

Given this, we believe the development this project will contribute to the satisfaction of housing demand, that has been deep and persistent, from both off-shore and on-island. We also believe that the development will be successful, particularly so in light of the coming up cycle in the housing market. Finally, the historically low level of permitting activity indicates there will little or no competitive interference coming in the short run from other housing development on the island.

The following table describes the potential pricing at the retail level for each product type in the development (note that, in the eventuality that some or all of the house/lot package units are sold as simple home sites, the prices will be lower, as reflected in the final column below).

KAPAA HIGHLANDS PRODUCT SALES PRICE PROJECTION

Housing Produced	Total Units	Retail Price Per Unit	Home Site Only Prices
A House Lot Package, Large Lots (10,000 sf)	36	$800,000-$950,000	$266,000-$316,000
A House Lot Package, Medium Lots (7,500 sf)	50	$650,000-$700,000	$216,000-$233,000
Multi-Family Dwellings (4 Plex, 8 DU/Ac)	500	$250,000-$350,000	
Affordable Housing Dwellings (12 DU/Ac)	183	$125,000-$175,000	

Given that these prices, particularly the affordable ones, are below the historical trend for housing, we expect that sales will start up strongly. We expect them then to hold this momentum over the first three years, coinciding with the market's expansion. Thereafter, they will experience a gradual fall-off, coinciding with the downturn in the cycle. After that, the market will recover, as will sales of the final units.

KAPAA HIGHLANDS PRODUCT CLOSING PROJECTION

Product	2016	2017	2018	2019	2020	2021	2022	2023
Large Lot Homes	11	9	9	7				
Medium Lot Homes	15	15	14	6				
Multi-Family Units	90	100	90	70	50	30	30	40
Affordable Housing Units	40	40	40	35	28			

Exhibit A.1

Updated
Kapa'a Housing Market Study for
HoKua Place
(Formerly Kapa'a Highlands II)

EXHIBIT
"A.1"

I. INTRODUCTION

Ricky Cassiday is a market research firm that specializes in analyzing residential real estate markets for developers and lenders. We have been retained to perform a study analyzing the market for proposed master planned community on the island of Kauai, called Kapaa Highlands.

This study focuses on the historical and projected market conditions and trends in accessing the ability of the project to be successful in selling its residential properties at a price and at a velocity. The study entailed collecting, comparing and analyzing information that has a bearing on the numerous aspects of market demand for the proposed project, including but not limited to publicly available real property, economic and commercial data.

The author makes every effort to verify that all of the information in study and in particular the market description and analysis is accurate but is aware that 100% accuracy is unlikely. Finally, the analysis and statements herein are based on independent research by the author.

II. PROJECT DESCRIPTION & STUDY OUTLINE

Project

Kapaa Highlands is a master planned project on the Island of Kauai targeting primary housing demand from local and in-migrant families, as well as offshore second home demand for view estate ownership. It sits above the historic town of Kapaa and below the foothills of the mountain chain that forms the island. It is equidistant from the two major resorts on the island (and at the center of the third, the Coconut Coast). Thus, it is at or close to the centers of employment and commercial activity.

As Kapaa is arguably at the center of the island, the target market for this development will be spread across a wide range of households, but mainly appealing to local families looking for reasonably priced housing that is well-located with regard to the centers of employment in the county, as well as to a good range of shopping, recreational and social facilities.

The development contains a portion of the Kapaa bypass road, a major arterial road adjacent to the property. As such, the property is accessible from three sides and is adjacent to already improved county roads. Furthermore, the property has no significant restraints relative to adequate water availability and wastewater. Finally, the Kapaa Middle School is located adjacent to the property and adds to the attractiveness of the site to the local population.

KAPAA HIGHLANDS PRODUCT MIX AND SALES PROJECTION

Product	Units
House Lot Packages, On Large Lots (10,000 sf)	36
House Lot Packages, On Medium Lots (7,500 sf)	50
Multi-Family Dwelling Units (4 Plex, 8 DU/Ac)	500
Affordable Housing Dwelling Units (12 DU/Ac)	183

The units described above include condominiums (Multi-Family pads and Affordable Housing) and single-family homes (House Lot package).

[Note that some of the House/Lot package units may be sold as home sites, depending on future demand and market conditions].

The condominium units will be designed in a range of bedroom configurations that will best meet the demand for housing by providing designs that apply to different family types, including starter families, empty nesters, families with children, and households that qualify for affordably priced housing.

The design of the single family units will appeal to some of those in the aforementioned condominium demographic groupings, but will go further by addressing the needs of large families, families wanting to be close to the Middle School, trans-generational families needing adequate (read larger and more defined) living space, and professional families or those with multiple wage-earners.

The design of the condominiums could include stacked flats and townhomes, both of which have cost and livability advantages. They will be located in multi-unit buildings (four and six-plex, etc.) and laid out in a way that will be taking advantage of the site's benefits: including those of the ocean views, the cooling winds, the warming sunlight, etc. Their density would range from 8 to 12 units per acre.

The single-family units will be designed to take advantage of the area topography, as well as wind and sun direction and views. By having two different lot sizes allows for the land plan to address two demographics: the smaller lot size units would be most appropriate to starter families, and larger lot size units would be appropriate for larger families and multigenerational households.

It is worth being mindful that, generally speaking, the high cost of housing production in Hawaii, and Kauai in particular, often pushes housing prices beyond what local families, particularly workforce families, can afford. To counter that, often Kauai home purchasers include a number of income earners into the purchase, both family members and non-family members. It is this market demand segment that the larger lot size and house size units will address.

In keeping with the county's affordable housing requirement, the requisite number of units will be produced and priced according to the existing income guidelines when marketed. The current affordable requirement is 30%, and the fulfillment of that will be a benefit to the local families seeking better housing or a more convenient location.

Additionally, while the market homes will be priced to the open market, and done so at the time of the start of construction, they will also be more affordably priced, relative to much of the new construction on the island. This is because the large size of the overall development (750+ units) is conducive to achieving construction economies of scale, both for infrastructure and vertical construction - which can be passed on to the consumer.

Further, these homes and condos will also be designed with the needs of local families in mind, as opposed to the offshore buyer market. This will thus 'lessen' the overall demand for them, resulting in a more moderate price point. This stands in contrast to many other new home construction projects and developments on the island and in the state, which seek to address the needs of the offshore buyer (and are priced accordingly higher).

Finally, it is important to note that this development will benefit those in the community who will not be purchasing here, but who nonetheless are in the market for affordable housing. This is because this, or any, provision of new housing acts to soften the pressures that push housing prices higher – national and local studies and data has shown that the supply of new housing into an existing market place results in a moderating trend in prices.

Study Outline

In an effort to evaluate the proposed project, the study will begin by describing the area, the housing stock and the economy. It will take account of the economic factors and trends that affect housing relative to the county and to the proposed project. Thereafter, it will describe the housing market in general, and in particular to this project. In doing so, it will describe and analyze the factors and trends behind the general and specific supply and demand for housing. And it will summarize the findings and finish with some concluding remarks and expectations.

SCOPE OF WORK:

- Describe and analyze the county's economy historically, both island-wide and in the target market. Of interest are the historical trends in housing demand and supply, as well as the market's current conditions and future direction.
- Describe and analyze the target market by describing the current and future trends in business, housing and population, including the demographic composition of the population. Use that information to identify the pockets of greatest demand.
- Describe and analyze the supply side of the market, in particular the existing housing inventory and analyze the competitive set of the proposed development.
- Describe and analyze the future for this development, in terms of the future, especially the specific projects that will overlap and/or compete. Comment what the effect of that competition will be and how it will play out, relative to this specific property, as well as the area and island housing market. Focus on workforce and affordable housing.
- Combine demand and supply analysis to forecast the market acceptance of the project's pricing, and estimate the project's sales velocities, given current and projected market conditions.

GEOGRAPHIC DEFINITION OF MARKET AREA: The County of Kauai will serve as the market area for this study. Such a definition was deemed appropriate for the following reasons:

- There are no natural boundaries in the county to inhibit relocation;
- The entire island's population lives in close proximity to one another (within a 30-mile radius); and
- There is an acute need for affordably priced shelter on the island.

III. OVERVIEW OF COUNTY

Subject Property's Community

Kauai County is the fourth largest county in the state, as ranked by population and economic activity, behind the City & County of Honolulu (Oahu), Maui County and the Big Island of Hawaii.

The majority of the island's roughly 72,000 residents lives and works in the coastal areas leaving the interior of Kauai natural and pristine. Kauai's weather is near perfect year-round with daytime temperatures ranging from the mid 70's to the mid 80's, slightly warmer in the summer. The northeast trade winds average about 15 mph for most of the year, and provide refreshing breezes. Rain showers usually fall in the evening and early morning hours, predominantly over the mountain ranges. The temperature of the ocean ranges from 68 to 80 degrees Fahrenheit.

It has one of the strongest brands in the global visitor industry, as well as arguably the most diversified visitor industry of any of the islands, combining large resort master planned communities, cruise ship visitations, time share developments and small-scale bed and breakfasts.

The breadth and depth of this economic base, like the rest of the state, rests on the county's economy's unique comparative advantage relative to the other visitor destinations world-wide: it has a very high quality of life, a function of a naturally beautiful setting, with a benign environment and near perfect climate. Indeed, the proof of its attractiveness can be found in the quality of the number of 'rich and famous' who have bought in Hawaii, starting with Lawrence Rockefeller in 1960 (followed by John Wayne, George Harrison, Peter Gruber, Charles Schwab, Michael Dell, Ben Stiller, Oprah Winfrey, Akio Morita, Michael Creighton, etc.)

Kauai has three major resort destinations:

- Princeville, a 45-minute drive from the Airport, is a resort that runs across a large plateau overlooking one of the largest deep-water bays in Hawaii. The view of the sunset, looking west, is extraordinarily beautiful.

- Poipu, also a 45-minute drive from the airport, sits above the south shore, with numerous bays and beaches safe for swimming. It has the largest concentration of hotels and golf courses on the island.

- Coconut Coast, a 20-minute drive from the airport, this area was the favored area of Hawaiian royalty and the original site of resort development on the island and, save for Waikiki, the state. It today hosts one of the largest percentage of accommodations, shops, recreation, restaurants and historical sites on the island.

IV. THE ECONOMIC BACKGROUND:

Simply put, real estate sales and values move closely in sync with an area's economic growth, and the mechanism by which this growth occurs is via rising incomes and higher job counts. Both feed directly into demand for housing.

In the short run, economic growth is determined by trading activity, the most important of which is the level and balance of trade between the area and its major trading partners. In the case of Oahu, the major trade is in recreational goods and services, the largest of which is the visitor industry. The health of this industry is tied to the health of the economies which send visitors to Oahu. In the longer run, economic growth is also determined by population changes (both migration and demographic) and lifestyle preferences.

In the last 50 years, Hawaii has transitioned from an agricultural economy to one based on tourism, in the first place. In second place is government spending. Thanks to state and local government, and federal — especially military — spending, the public sector has a greater presence in Hawaii's economy than in any other state). Both of these commercial activities have compared well to their global competitors, and thus have strong long-term potential. As the most isolated inhabited land mass in the world, Hawaii's natural resources, to say nothing of its climatological and social positives, push it to the top for visitor experience and satisfaction. And, it's geographical location as the front line in the Pacific for the largest and most dynamic economy in the world similarly secure for its substantial federal funds and programs. In terms of the long-term challenges, it faces sea rising the highest cost of living in nation, including housing.

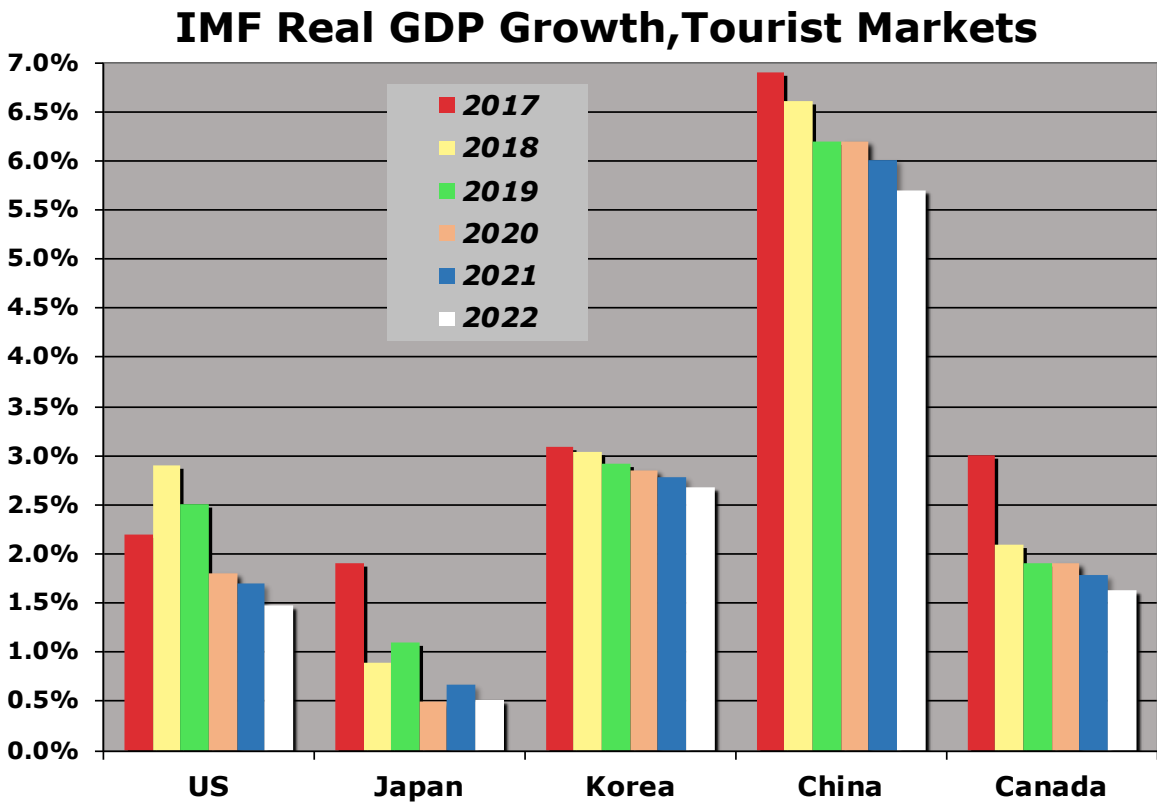
We start by looking at the economic outlook for the globe, the U.S. and the state, and end up describing Kauai's economy – and then it's residential market.

GLOBAL ECONOMY:

As Kauai's major industry is tourism, the major trading partners here would be the U.S., Canada and Asia on the international level; then California, and the west coast states, on the national level; and finally, on the state level. As such, we examine the economic health of these trading partners in order to get an understanding of their ability to trade (send visitors, home owners and capital funding) with Oahu, currently and for the future.

Thru 2018, the global economic upswing that began around mid-2016 has become broader and stronger. The latest IMF's latest World Economic Outlook (annually, January 2019) projects that advanced economies as a group will continue to expand above their potential growth rates for 2018, but not for 2019. *The global economy is projected to grow at 3.5 percent in 2019 and 3.6 percent in 2020, 0.2 and 0.1 percentage point below last October's projections. The* forecast reflects a persistent decline in the growth rate of advanced economies from above-trend levels—occurring more rapidly than previously anticipated—together with a temporary decline in the growth rate for emerging market and developing economies in 2019, reflecting the impact of trade actions on Asian economies.

Japan's economy is set to grow by 1.1%t in 2019 (0.2% higher than in the October WEO), reflecting additional fiscal support to the economy this year. Growth is projected to moderate to 0.5% in 2020 *China*'s economy will slow due to needed financial regulatory tightening and trade tensions. *India*'s economy should pick up in 2019, benefiting from lower oil prices and a slower monetary tightening, as inflation eases.



UNITED STATES

In the United States, the forecast remains unchanged. Growth should decline to 2.5% in 2019 and soften further to 1.8% in 2020 – based on the unwinding of fiscal stimulus and as the federal funds rate temporarily overshoots the neutral rate of interest, the IMF noted. This projected pace of expansion is above the US economy's estimated potential growth rate in both years, so

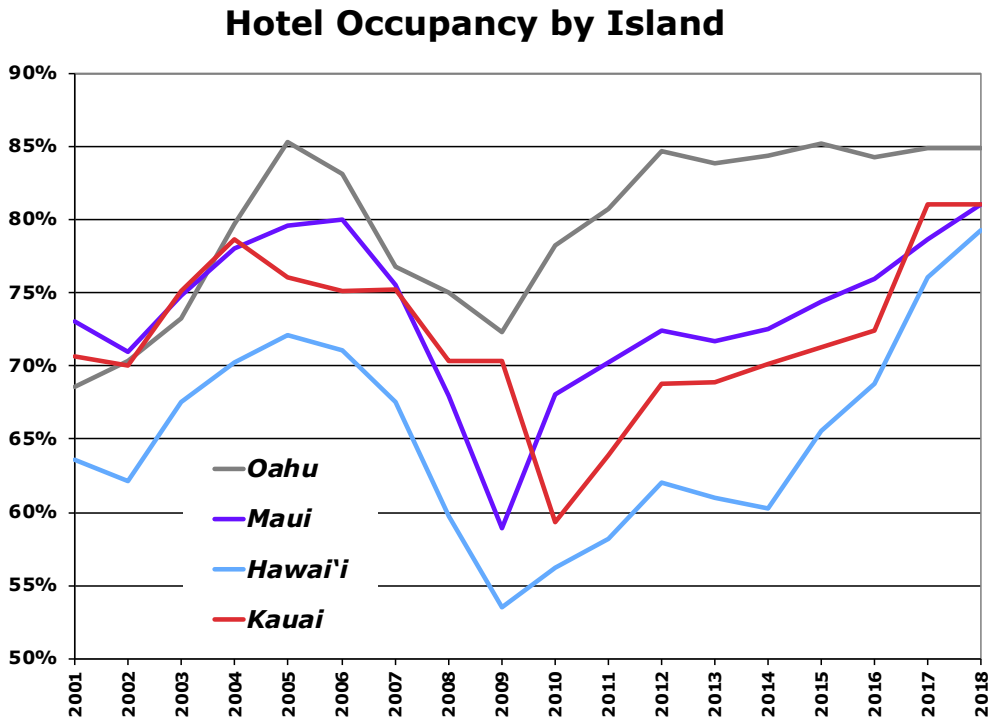
acceleration of price inflation is possible. Strong domestic demand growth will support rising imports and contribute to a widening of the US current account deficit.

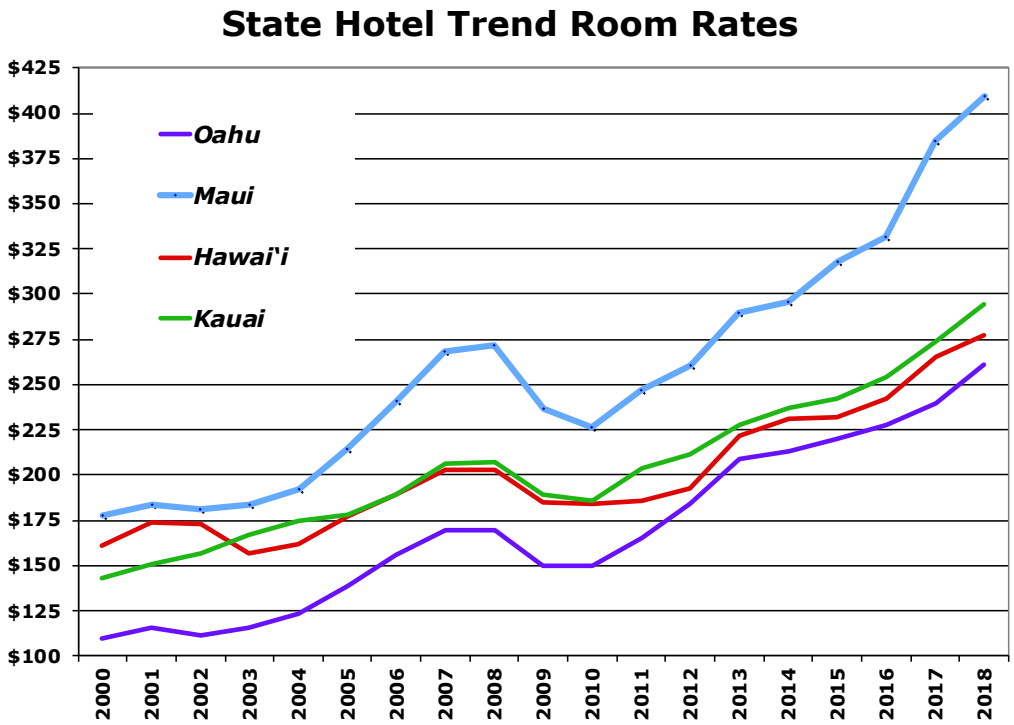
HAWAII

According to DBEDT, the state department for business, economic development and tourism which is the largest repository for economic data, visitor arrivals hit an all-time record for a half year during the first half of 2018 with 4.9 million visitors by airplanes. The corresponding nominal visitor expenditures increased 10.8% during the first half of 2018. Total number of air seats on scheduled flights to Hawaii, a leading indicator of the tourism industry, increased 10.2% during the first half of 2018 and is expected to increase by 6.2% during the rest of 2018.

For 2019, they said in November they expect visitor expenditures will grow at a lower rate than 2018, 8.9% this year vs. 4.2% and 3.6% the following two years. However, real GDP growth rate will trend higher, from 1.2% this year, to 1.4% in each of the next two.

Cyclically, we see rising room rates, daily expenditures, and occupancies, per the charts below.





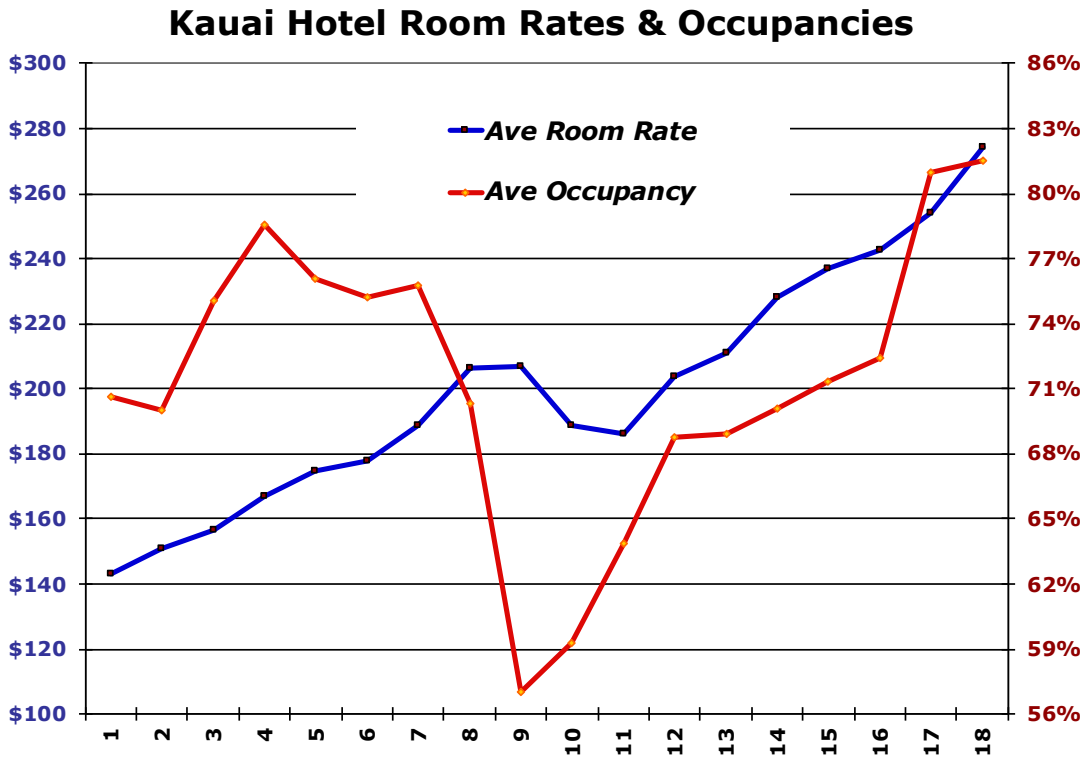
Further, construction and other services saw the value of private building permits had increased 3.9% during the first half year of 2018, and the value of government contracts awarded had increased 151%.

For 2018, Hawaii had an average unemployment rate of 2.1%, one of the very lowest in the nation and the lowest rate in Hawaii's history. For statewide employment, the number of people who are either employed for pay or self-employed, was at a record high level, and the number of people looking for jobs and available to work was at a historical low.

KAUAI

More than any other island, Kauai's economic health depends on tourism. Even some diversified agriculture businesses such as Kauai Coffee and Koloa Rum owe their success to tourism sales.

Kauai drew more than 1.37 million visitors last year, up 7.6% from the year before. Since the end of the great recession, visitor arrivals are up 47%, visitor days 60% and visitor expenditures 89%. it has more than 600 businesses involved in the leisure and hospitality sector.



Relative to the 2017, 2018 saw civilian employment increasing, the unemployment rate decreased, non-agricultural wage and salary jobs went up, and visitor arrivals by air expenditures increased, by over 7.5% - for the second year in a row.

Currently, job creation (as well as income generation, mainly wages) in the island economy is very strong. The table below shows that the rate of unemployment has been steadily falling since 2009-2010. This coincides with the rise in total visitor days and hotel room rates

SELECTED KAUAI ECONOMIC TRENDS

	Unemploymt Rate	Total Visitor Days	Non-Ag Job Counts	Private Bldg Permits ($000)
2005	2.8%	598,441	28,808	$24,011
2006	2.6%	635,811	29,642	$19,941
2007	2.7%	675,459	30,354	$22,410
2008	4.9%	605,576	29,838	$23,096
2009	9.8%	568,492	27,517	$18,176
2010	8.7%	594,028	27,658	$5,671
2011	8.7%	633,092	27,767	$4,960
2012	7.3%	680,711	28,208	$6,666
2013	5.7%	709,745	29,083	$7,118
2014	4.8%	718,361	29,533	$8,516
2015	4.0%	746,220	30,017	$8,809
2016	3.2%	757,696	30,617	$11,540
2017	2.4%	801,892	31,367	$12,106
2018	2.3%	848,084	31,708	$13,144
2019	2.9%	922,602	31,708	$16,286

One of the most significant trends in the visitor industry is the startling growth of home stay component, manifested by the internet platforms like Airbnb and the proliferation of high-end short-term rental agencies in Poipu and the North Shore. This growth is described in the following table:

GROWTH OF KAUAI HOME STAY INDUSTRY

1st Year	Unique Websites	Ave Asking Price/Night
2014	166	$263
2015	312	$316
2016	561	$353
2017	537	$339
2018	597	$367
Grand Total	2,173	$341

Kauai is also home to the Pacific Missile Range Facility which employs about 900 people. Its operating budget was $130 million three years ago, with additional spending of $2.5-$5 million for each of four to six testing events per year

The following table describes most of the kinds of commercial activity that is relevant to the economy, especially in termns of driving the jobs and incomes that then would geenerate the kind of housing demand this project is targeted: workforce housing.

SELECTED TRENDS CONCERNING THE TAX BASE OF THE COUNTY ($000s)

Year	Contracting Tax Base	Services Tax Base	Hotel Tax Base	Retailing Tax Base	Income Tax Base	TAT Revenues	GET Reveneues
1995	126,711	132,568	54,448	348,421	9,304	12,124,017	36,200
2000	118,323	141,367	68,910	491,353	22,738	11,391,418	43,865
2005	225,866	261,026	167,004	605,123	38,910	13,471,496	67,020
2006	299,814	296,309	178,189	597,588	39,483	14,326,901	67,624
2007	320,384	315,308	195,888	635,827	40,250	15,105,941	75,098
2008	342,510	316,452	176,463	565,107	37,467	14,558,961	69,723
2009	266,025	322,993	136,837	489,522	19,536	13,193,172	62,907
2010	214,719	328,234	122,595	489,652	20,068	13,500,125	60,950
2011	210,319	364,440	137,513	559,215	22,548	15,875,135	63,411
2012	220,069	383,416	162,195	528,188	29,441	14,403,663	64,930
2013	219,116	370,768	172,706	534,983	31,970	11,506,409	63,174
2014	204,228	389,897	183,810	543,737	31,591	14,210,000	71,397
2015	224,368	415,275	210,283	558,096	43,692	14,935,000	65,941
2016	248,740	421,496	180,440	527,412	48,743	14,935,000	81,321
2017	254,826	505,889	229,124	611,765	58,635	14,935,000	84,836

As seen, last three years that we have data for 2015, 2016 and 2017,

Per contracting, the tax base for these businesses has grown substantially from 1995 – it is doubled. Next the tax base for services has also grown: it is up 280% since 1995, and of 20% last year that we have data, 2017.

Most importantly, the hotel tax base has grown by over three times, 321%, since 1995. It was up 16% in 2017. Note that this is the engine that drives the economy. The effects of this can be seen in the income tax base. It is up over 5 times since 1995, and up 20% in 2017.

Next, we look at the trends in terms of the dollar amount of sales in the relevant commercial activities.

SELECTED COMMERCIAL ACTIVITY SALES TRENDS ($000s)

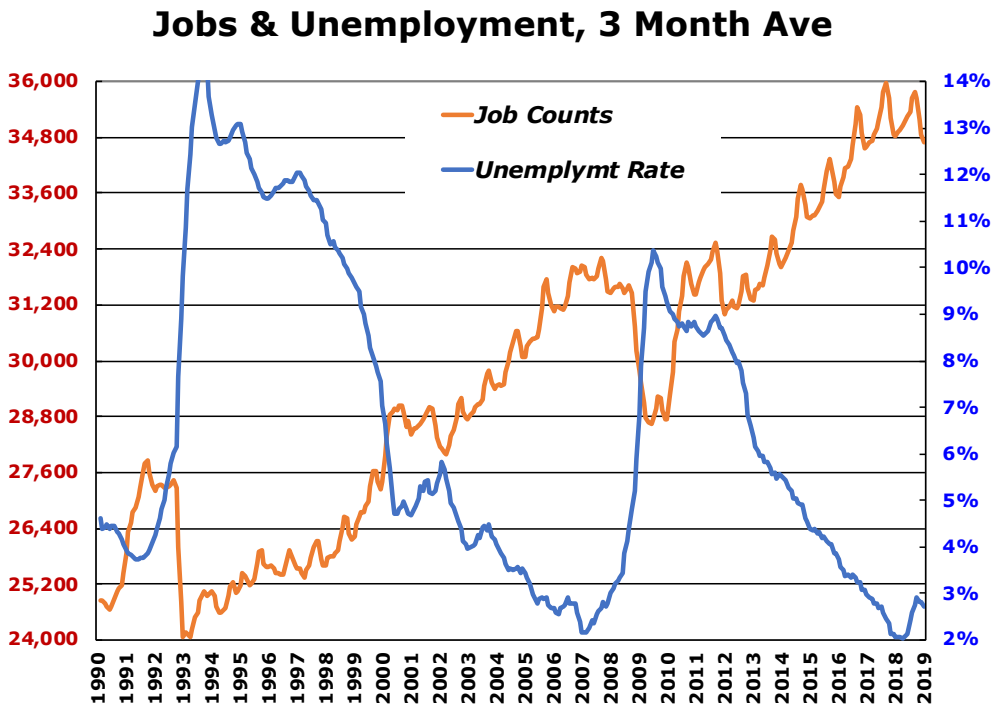
	Retail Sales	Wholesale	Contracting	Production	Manufacturing	Industrial Revenue
1997	$246.07	$97.87	$67.28	$6.58	$2.55	$174.28
2007	$635.83	$188.58	$320.38	$9.37	$7.20	$525.53
2008	$563.11	$166.19	$342.51	$13.15	$5.32	$527.17
2009	$489.52	$140.84	$266.02	$9.36	$4.38	$420.60
2010	$489.63	$148.85	$214.72	$8.08	$4.20	$375.86
2011	$539.22	$174.59	$210.32	$11.40	$4.14	$400.44
2012	$528.19	$141.97	$220.07	$6.94	$4.55	$373.53
2013	$534.98	$126.16	$219.12	$6.18	$4.95	$356.41
2014	$543.74	$145.59	$204.23	$6.12	$5.73	$361.66
2015	$558.10	$117.46	$224.37	$8.40	$6.09	$356.32
2016	$527.41	$109.13	$248.74	$16.25	$4.96	$379.09
2017	$601.77	$145.59	$273.11	$22.25	$7.00	$447.95

The data shows that there have been significant increases in commercial activity relative to the potential demand for this general commercial space.

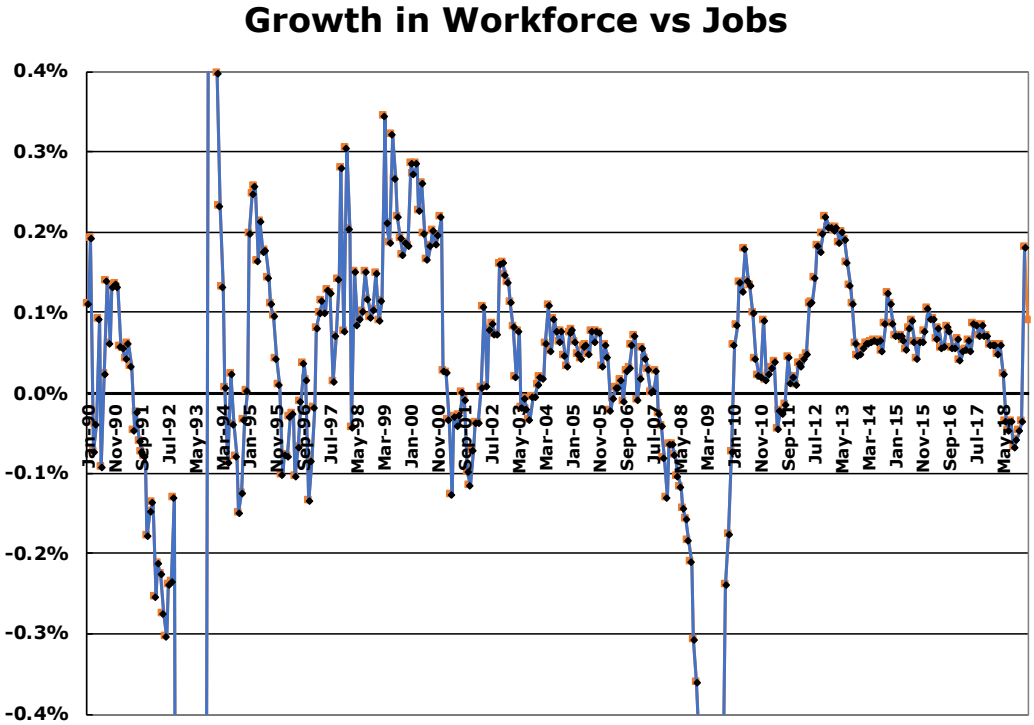
For instance, retail sales have risen 145% since 1997, or 20 years. In the last year that there is data for, 2017, these sales rose 14% over the year before. Wholesale activity has increased 49% in the last 20 years, and rose 33%, 2017 to 2016. Contracting activity is up three times what it was 20 years ago and has increased over 10% in each of the last three years. Production activity up well over 230% in the last 20 years and has risen hundred and 75% since the bottom of the market in 2010. Likewise, manufacturing is up 174% over the last 20 years and 67% since the bottom of the market.

All told, industrial business revenue is up over 150% since 1997, and is almost 20% higher measured by the bottom of the market.

The best sign of strong economic growth is the latest unemployment figures. As mentioned, the state had the nation's lowest unemployment rate, with Kauai in the same situation. This job growth has contributed to the strong housing demand of late, as manifested by rising rents, housing prices and homelessness.



In addition, job growth has increased faster than the working force, as seen in the chart below, with the blue line sitting high above zero.

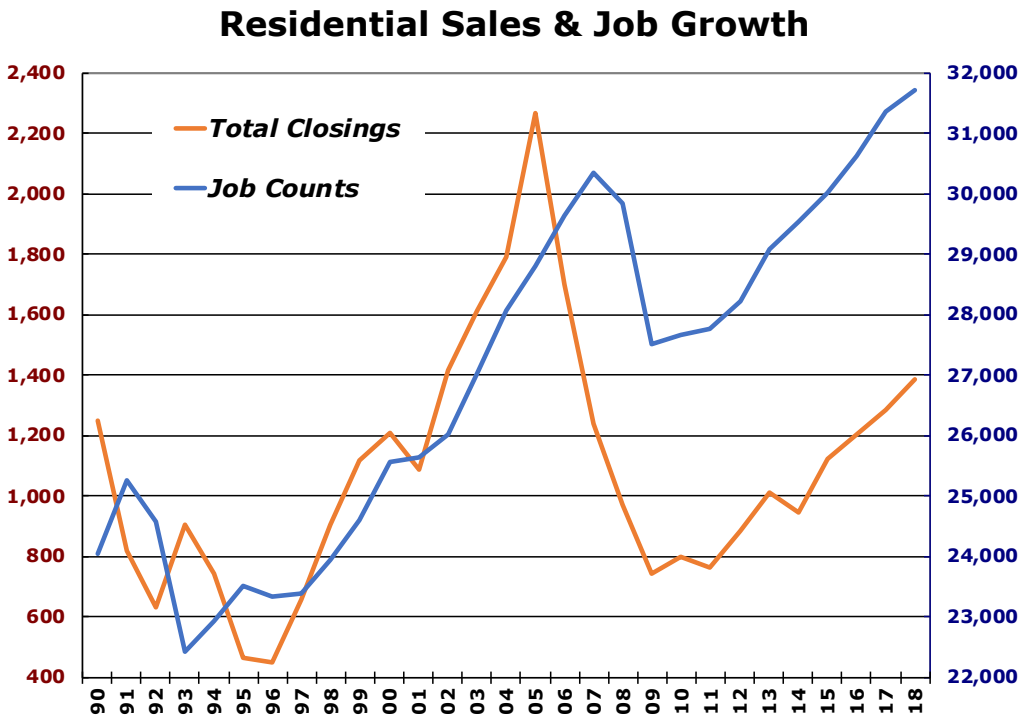


This means more jobs (demanded by the economy) than there are workers (supplied by the population). This says that local workers looking for jobs have a wider choice, and that leads to either higher wages, better satisfaction and job seekers who could immigrate to the county.

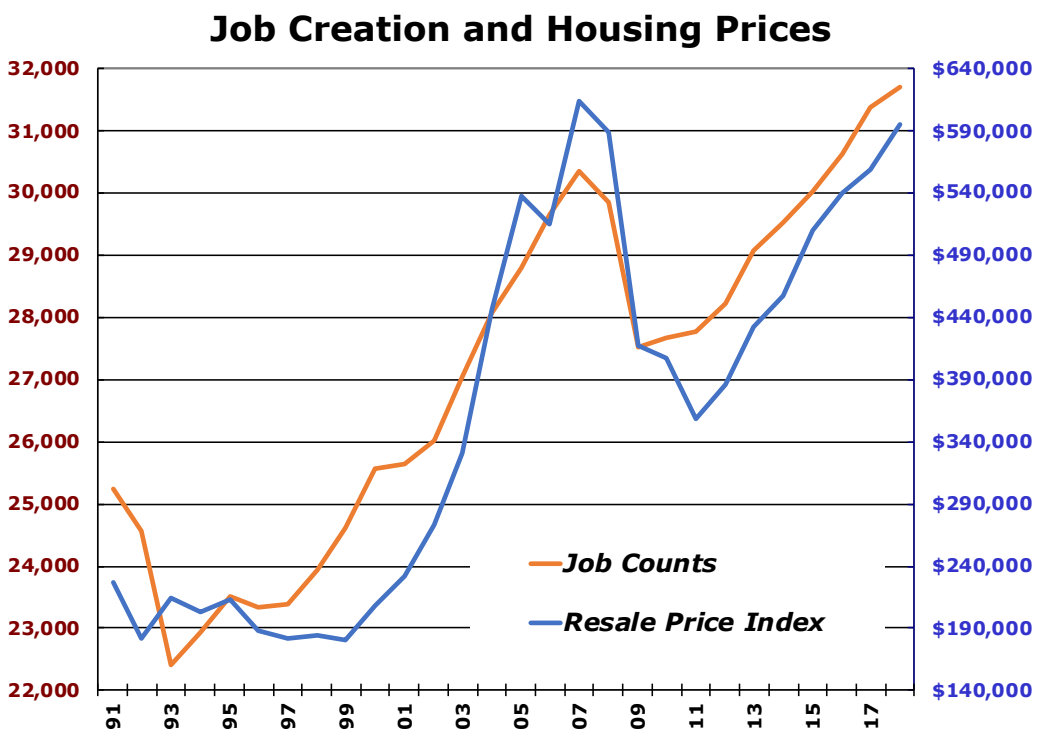
Such growth in economic activity has led to growing demand for housing, both for-sale and for-rent units. In addition, this growth exerts pressure on for-sale prices and for-rent rental rates. This makes it more difficult for households with fixed or low-incomes to secure affordable shelter. There are other factors which serve to increase housing demand overall, including vacationers and military households.

Will the economic cycle continue to support the residential real estate cycle, and for how long?

The following chart indicates the relationship between job counts and residential sales. It appears that the job count cycle (blue line) follows the residential sales cycle. Right now, the residential sales trend looks like it is in the middle stages of the cycle.



Similar to jobs pushing up sales, new job creation also impacts housing prices, both for-sale and rental shelter. Note that job counts are a leading indicator of housing prices.



V. THE HOUSING MARKET BACKGROUND:

Overview: Much like the state, Kauai's residential real estate supply is inflexible and constrained, but to a greater degree – the cost constraints are even tighter (higher costs of transporting material inputs to a remote locale, plus of sourcing labor in a small community), and the political climate there is generally unfavorable to housing development, particularly at the high end and/or in areas that are highly visible (but decidedly less so, relative to affordable and senior housing, as well as work force housing, which this project is proposing).

At the same time, demand for residential real estate is both flexible and strong, particularly in good economic times and over the long run. It can be, and is currently, constrained to an uncharacteristic degree, thanks to havoc in the financial markets the last few years and the drastic fall off in economic activity globally and nationally.

The first condition, limited supply, arises due to Kauai having a very small landmass, coupled with inadequate infrastructure and challenging geographic conditions (atop the aforementioned political, social and legal impediments).

The second starts with the very high quality (defined a high quality of life, in terms of being a place that is environmentally safe, aesthetically pleasing, socially accommodating, politically stable, etc.). This is coupled by a deep and broad appreciation of that lifestyle by very large population accustomed to visiting the island (mainly West Coast and East Asia), which has one of the highest rankings in brand awareness and acceptance.

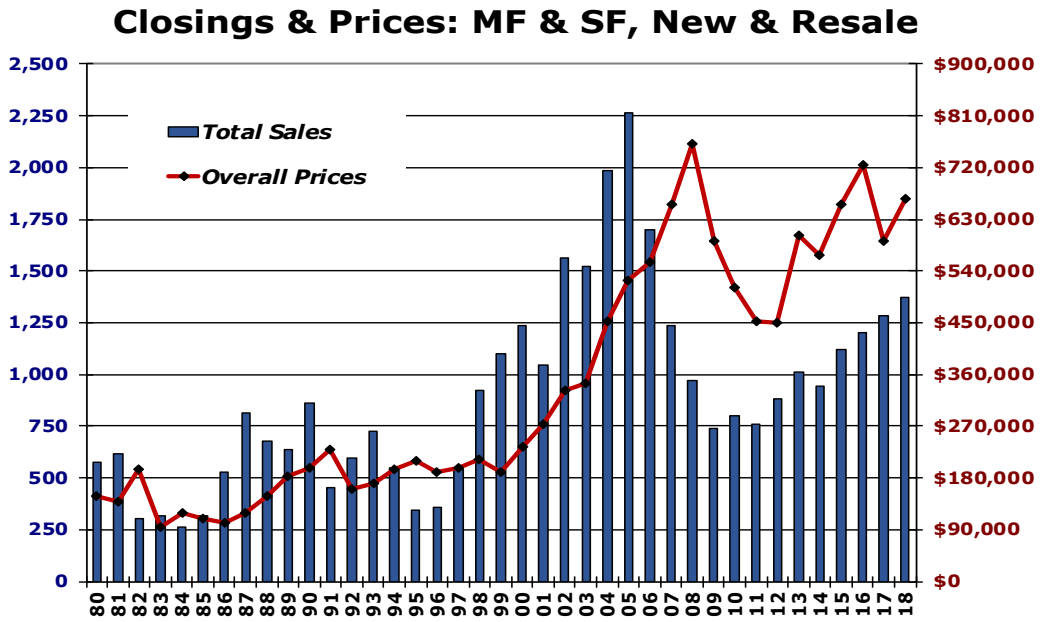
In combination, this results in a market that can dramatically volatile, up and down, in terms of sales and, to a lesser extent, prices. We note that in the past cycles, prices have been relatively 'sticky' downward, i.e., generally holding on to accumulated values. In this cycle, however, the price

appreciation was so extensive and lasted so long, that the ensuing price depreciation during the down cycle has also been extensive.

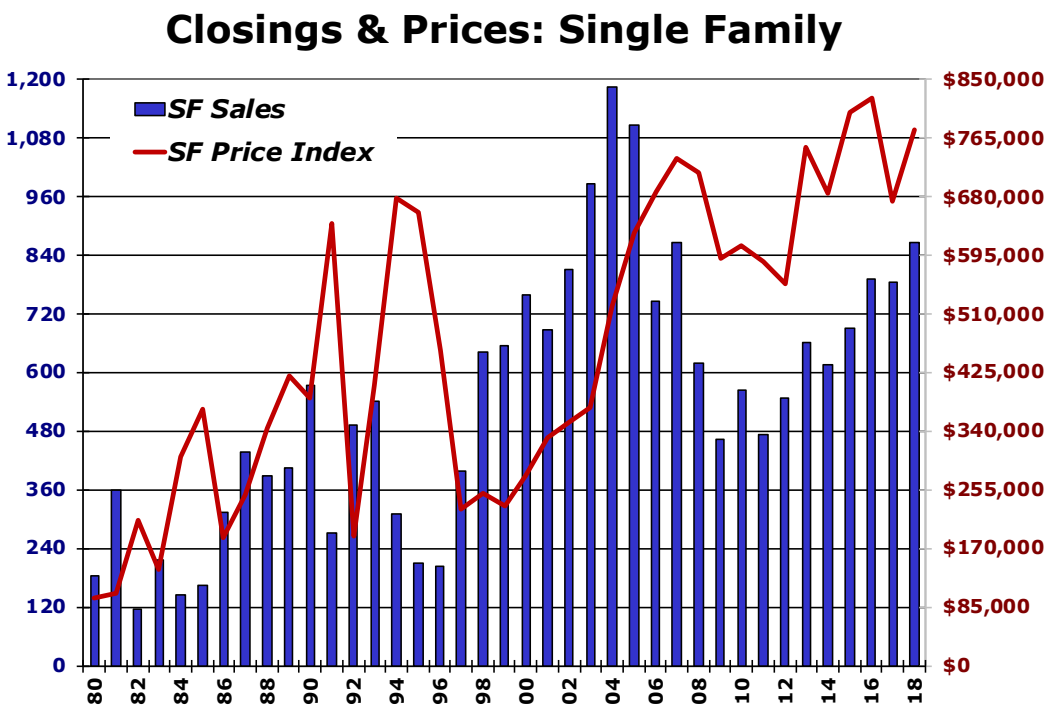
That said, Kauai was hard hit in 1982 and 1992 by hurricanes that caused significant damage to the housing stock. As a result, in the years thereafter, there was a mini-building boom.

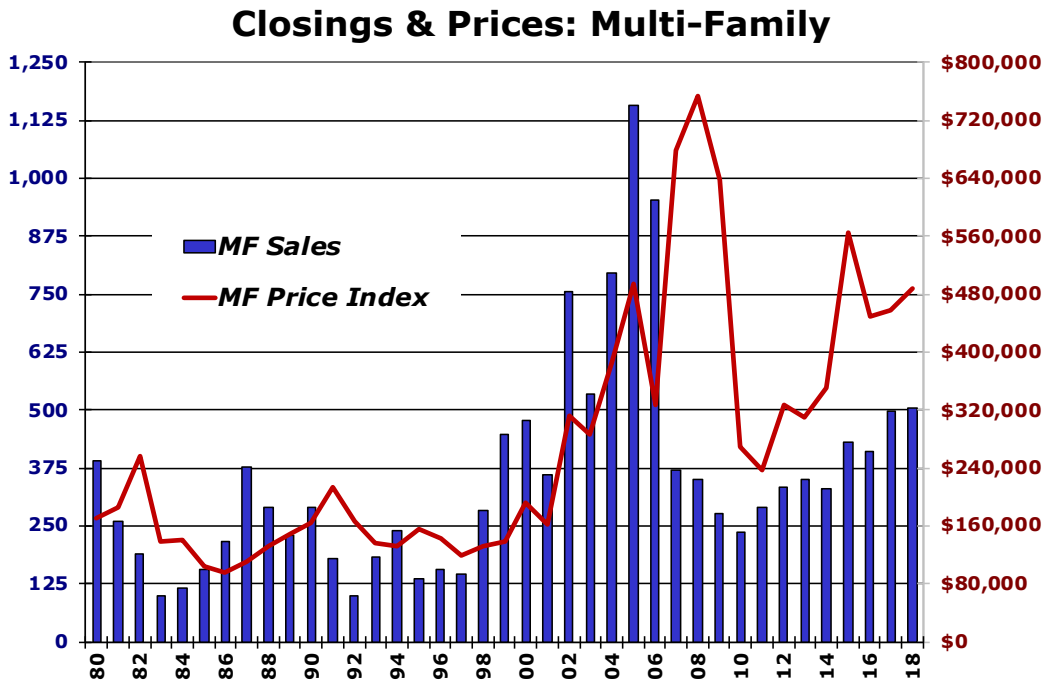
CURRENT MARKET CONDITIONS: The residential market is well into the upward swing of the housing cycle in terms of sales activity and price levels (data source is the MLS of the Kauai Board of Realtors and the Bureau of Conveyances of the State). The last such swing started in 1998 and ended in 2005, ran for some 7-8 years and then had 4-5 years of falling sales and prices. It turned in 2011-2012, with a reversal of the trend for lower sales and prices, as demand grew at a time of shrinking inventory. Going forward, we foresee that this cycle's sales and price levels will run for the next fewl years and will likely exceed the peaks of the last cycle.

The following chart shows the sales and price activity for the combined market.

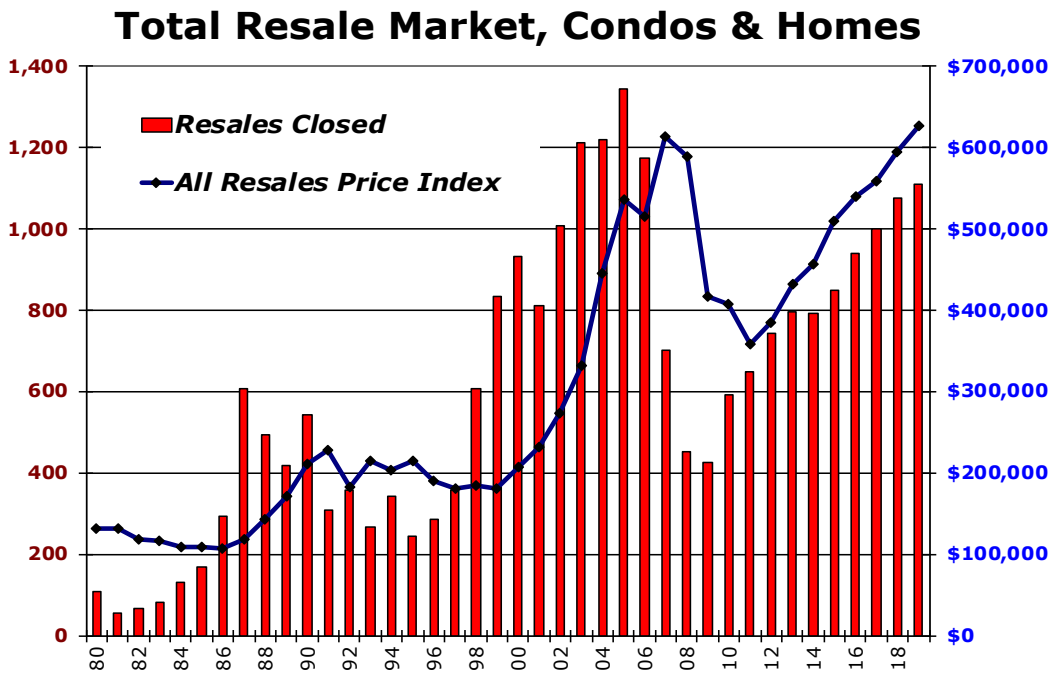


Currently, Kauai's residential markets are in an up-cycle. The question is, going forward, how long this will last. The rule of thumb for the residential market is that the upswing in the cycle, the up cycle, generally lasts about 6.5 years, and is about twice as long as the down cycles. In addition, the up cycle, through to peak, results a tripling of the number of closings.

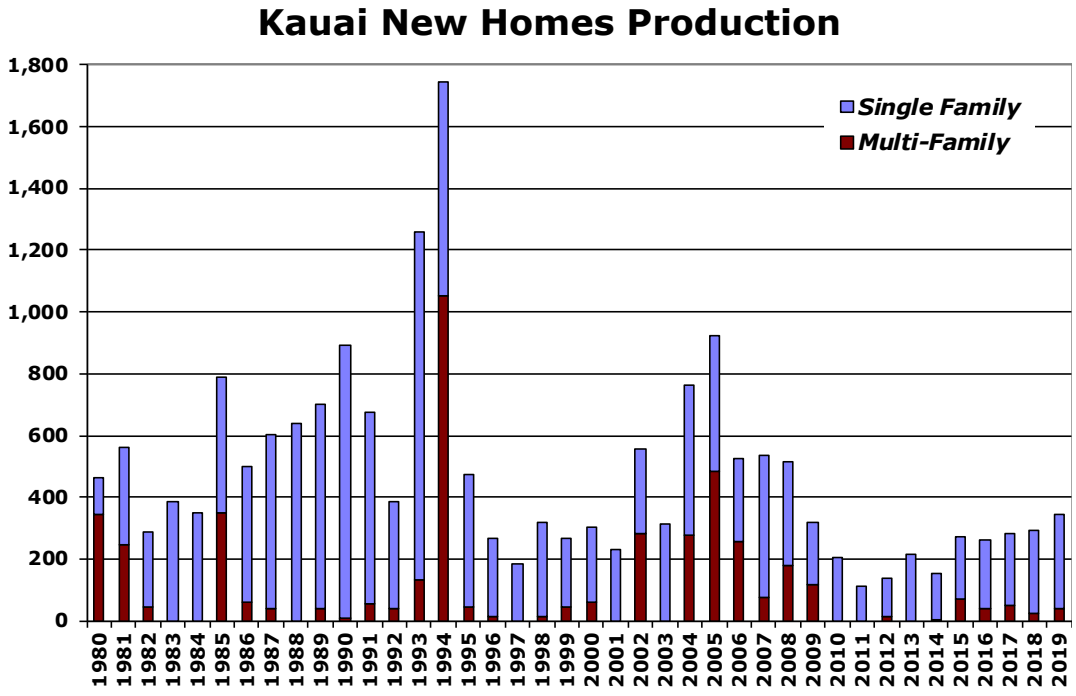




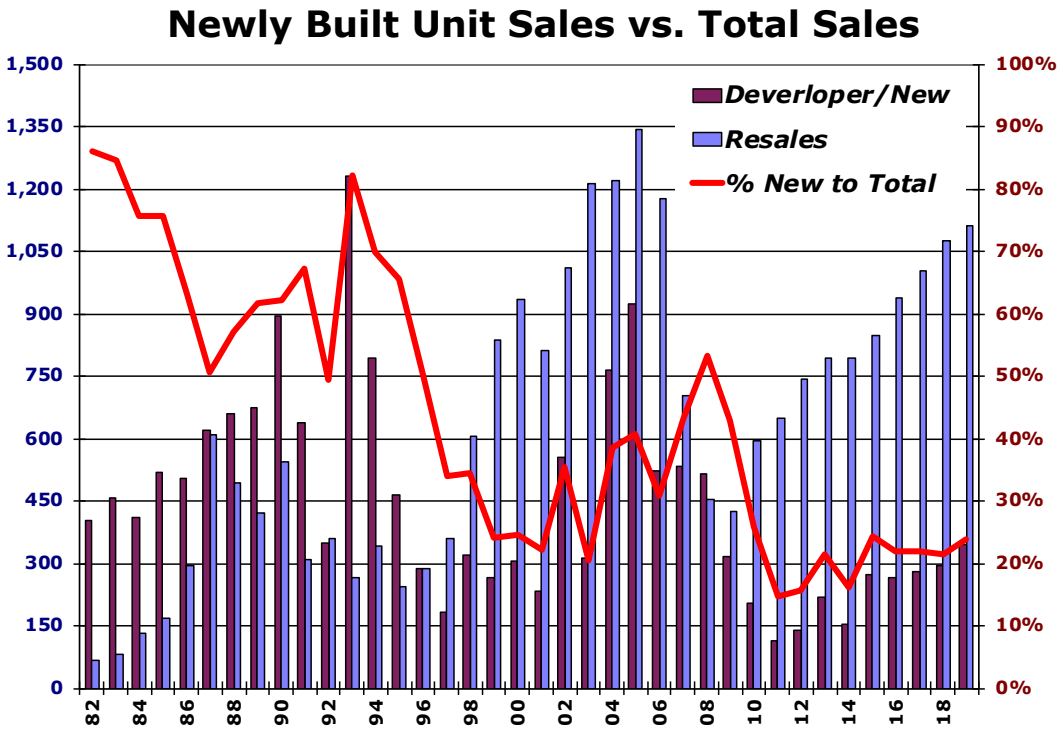
he resale makret is the best indicator of local – as opposed to offshore – demand and supply. It shows rising sales and prices, meaning that the local residents are buying more and more units at higher and higher prices. There is no better indicator of a strong ecomomy. And, the antidote for high prices would be more supply. Historically



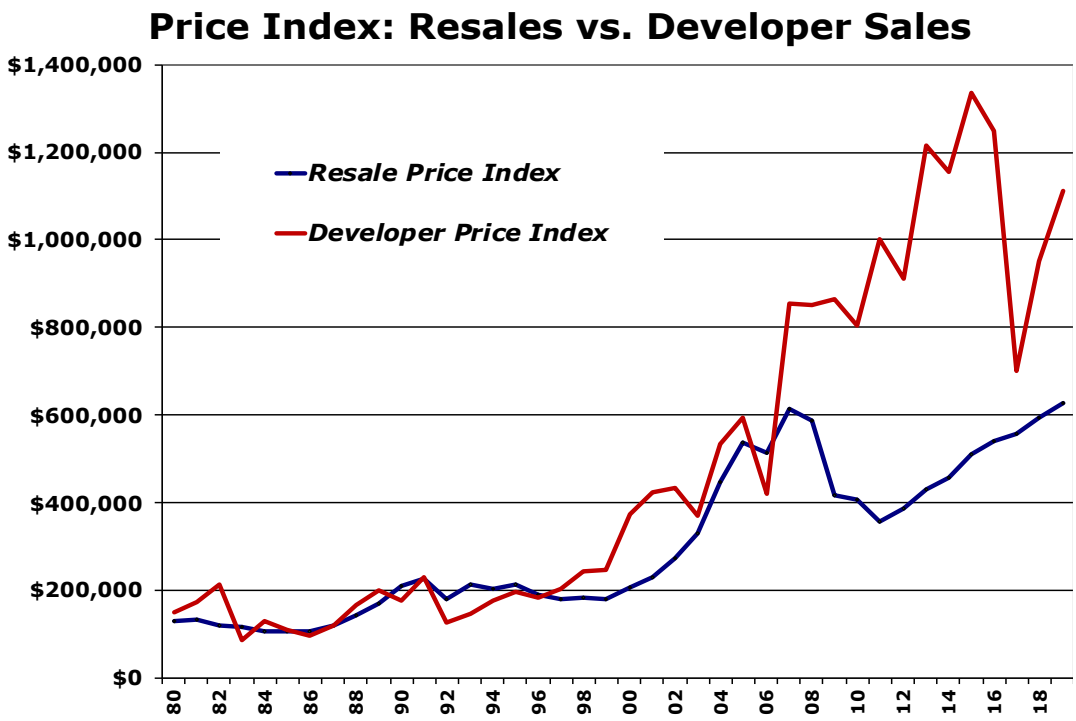
Historically, Kauai has produced a high number of new homes, but this is tied mainly to the rebuilding that occurred after the two major hurricane events. As seen in the next chart, the level of new housing production hit a historic low 7 years ago, and has not moved up much since. This is a condition of scarcity and it leads to price movement to the upside.



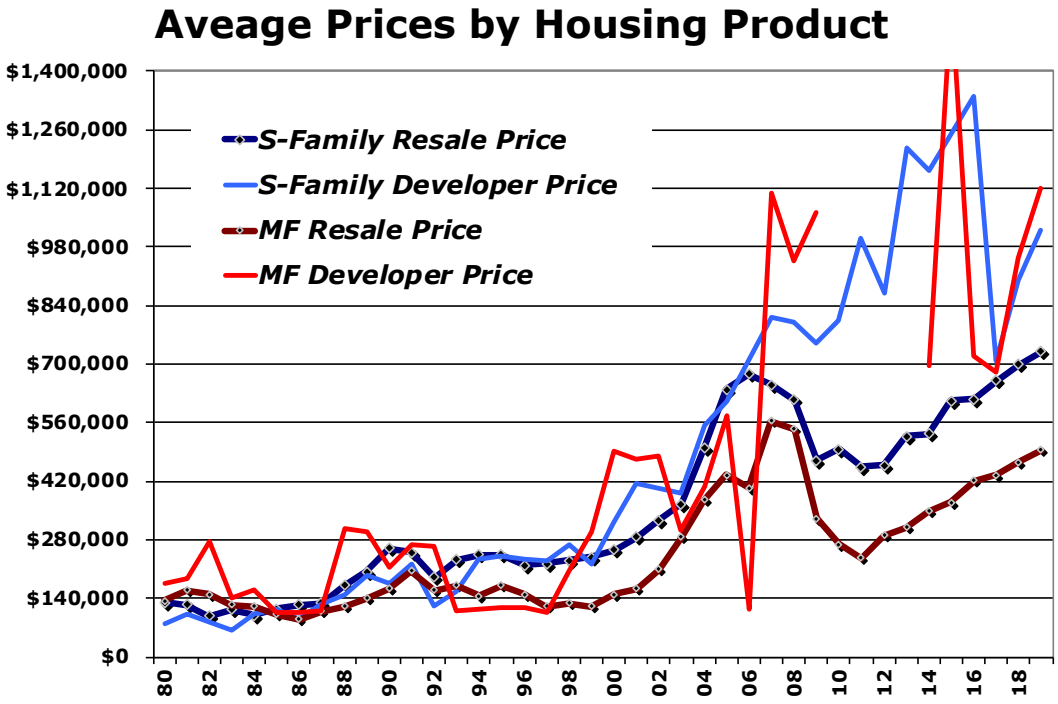
The following chart combines both new and resale unit closings, and then shows the percentage of new sales to total sales (red line). A low percentage indicates low production of new homes, and indicates that there will be price increases going forward.



The chart below shows that the average prices of the production of new housing are much higher than the resale market's prices. This indicates that most of this production is targeted on the high-end buyer and/or the offshore market. This leaves local residents exposed to price rises from lack of supply of middle market housing production.

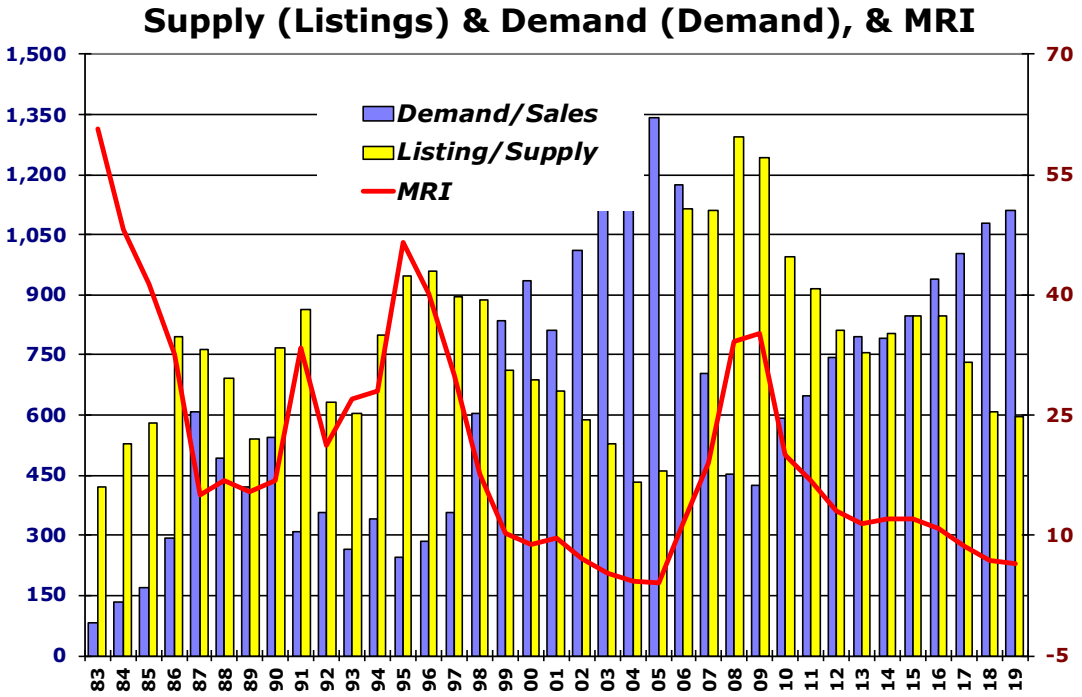


The following chart shows the price trend over the last 32 years for the four basic housing products: single-family resales and developer (newly constructed) sales, plus condominium resales and developer sales.

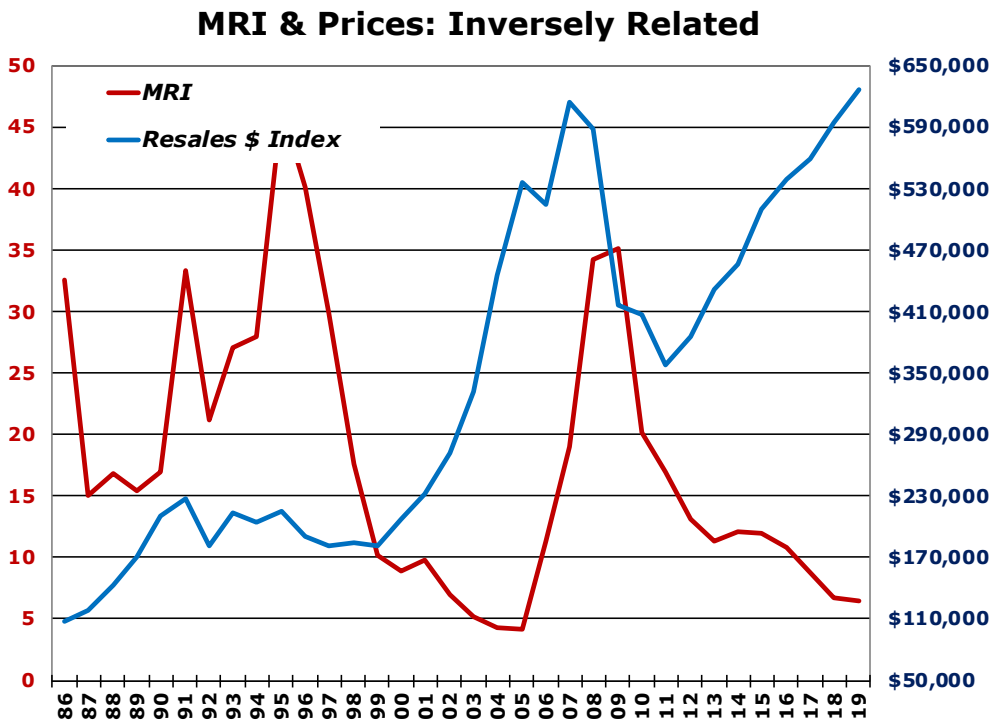


Next, we describe the balance between supply and the demand using sales and listings island-wide for all housing, as well as the indicator showing the balance between the two, MRI or Months of Remaining Inventory.

Right now, the MRI trend is declining, per the growth of sales and shrinkage of listings, indicative of a tight market. A normal reading is between 8 and 12 months, with the two balanced. In this case, the proper market response to tight supply is for sellers to raise their prices.



The chart below is another indicator that supply and demand are not well balanced – with the result being that prices will be pressured to move higher.



Higher for-sale housing prices usually encourage developers to built, and this is happening to a small extent. As will be seen, thefre is a substantial demand that has gone unmet. This is been felt especially in the rental market, as higher housing prices paid by investors for rental units translate into higher rental rates to consumers, as the investor needs a higher cash flow.

The next table illustrates how sale and rent prices are trending using MLS data for the resale prices and HUD Fair Market Rent data for the rental data. As illustrated, the table illustrates that the prices paid for for-sale two-bedroom units serves as a leading indicator for rental prices for two-bedroom rental units.

AVERAGE TWO BEDROOM SALES PRICES VS RENTAL RATES, KAUAI

	Selling Prices	Rental Rates
2006	$709,528	$1,096
2007	$587,828	$1,134
2008	$743,277	$1,183
2009	$426,092	$1,318
2010	$375,115	$1,399
2011	$363,786	$1,454
2012	$422,562	$1,413
2013	$426,340	$1,685
2014	$415,732	$1,597
2015	$460,289	$1,222
2016	$468,393	$1,238
2017	$498,973	$1,463
2018	$534,899	$1,568

VI. HOUSING DEMAND

OVERVIEW OF DEMAND: Hawaii has one of the lowest percentage ownership housing markets in the nation and is among one of the least affordable. Such can be attributed to the limited supply of land, very high costs of production and very strong housing demand, resulting in low housing production and high prices. The problem is exacerbated by the fact that housing prices have exceeded household incomes for over 25 years.

Given high demand and low supply, the large numbers of low- to moderate-income households currently have very few options for housing. For instance, in 2017, Hawaii ranked #1 in the nation for having the widest gap between wages and the price of rental housing by The National Low-Income Housing Coalition's annual report, Out of Reach.

Historically, housing demand on the island has been quite high. Numerous factors affect the demand for housing, the primary being population, household formations and job creation. In the short run, job creation is the most important, as it leads to in-migration (meaning population growth and household formation).

HOUSING DEMAND DEFINED: There are two components to residential housing demand:

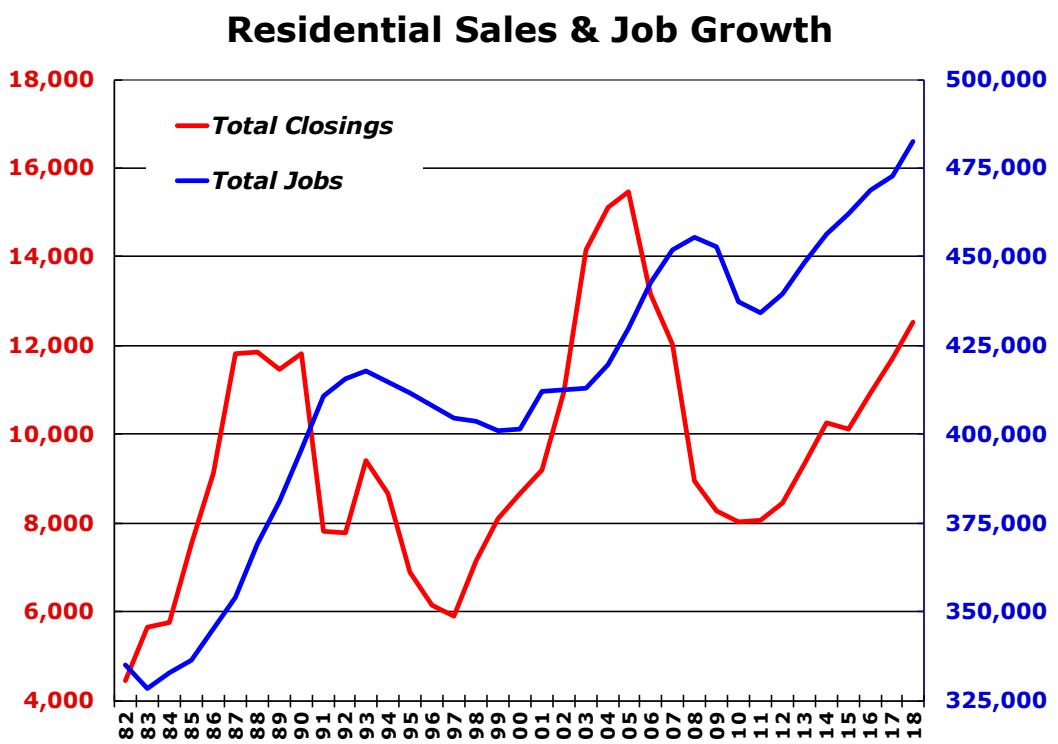
1. Local residential housing demand (primary housing)
2. Offshore demand (secondary housing, or second homes)

Local demand for primary housing is a function of household formation, itself a function of the economy's growth and the community's demographic trends. In the short term, defined as over the next two to three years, residential housing demand is driven by current economic conditions. Specifically, this is the creation of jobs, as that allows households the security to borrow money to buy a house. Alternatively, housing demand is fed by the increase or growth of household incomes.

In the medium and the long term (also in the short term, but less so) housing demand is driven by population growth, which includes in-migration, births and deaths. It also encompasses demographic trends and changes in lifestyle or living attitudes. In both cases, rising economic activity and faster population growth means greater housing demand, which brings with it higher land and housing values.

The demographic section will show that the community is aging. Thus, there is going to be a greater need for senior housing. But also, as seen, housing for the 35-44-year-old group. Note that this is a group that traditionally needs affordable housing, particularly the type that this development will be supplying.

JOB CREATION & HOUSING DEMAND: Second to none, housing demand is driven by the creation of jobs – jobs provide the incomes to buy homes, and they drive immigration, which is a prime source of housing demand (sometimes linked to population growth). This linkage is best illustrated in the Residential Sales & Job Growth Chart.



In the tables below, we describe DBEDT's predictions for wage and salary job creation on Kauai. Using that, we can derive from that a general expectation for housing demand based on job growth, out to 2030.

DBEDT'S 2030 JOB FORECAST FOR KAUAI COUNTY, WAGE & SALARY JOBS

	2016	2020	2025	2030
Total civilian wage and salary jobs	44,430	46,430	48,860	51,300
Military DOD Jobs	900	950	1,050	1,150
Self-Employed Jobs	0	118	247	387
Total Jobs	45,330	47,498	50,157	52,837
5 Year Growth		2,168	2,658	2,681
Annual Job Growth		542	665	670
Annual Housing Demand (2 Jobs: 1 Home)		271	332	335

As seen, we use the annual changes in job counts to derive housing demand on the conservative premise that it will take 2 new jobs to generate demand for one new house (the national standerd is 1.5, but Kauai and the state have a higher cost of living, so it takes a larger factor to accomodatge that) (note that with the lower the salaries, the smaller or cheaper the house needs to be).

Note that the average production of new housing on Kauai over the last 17 years has been 185 dwellings per year, as seen in next table, POPULATION GROWTH TO HOUSING DEMAND (and 135 homes p.a. since 2007). If this both the described trends continue, then only 68% of the new job growth will find housing in 2020, falling to 56% in 2025.

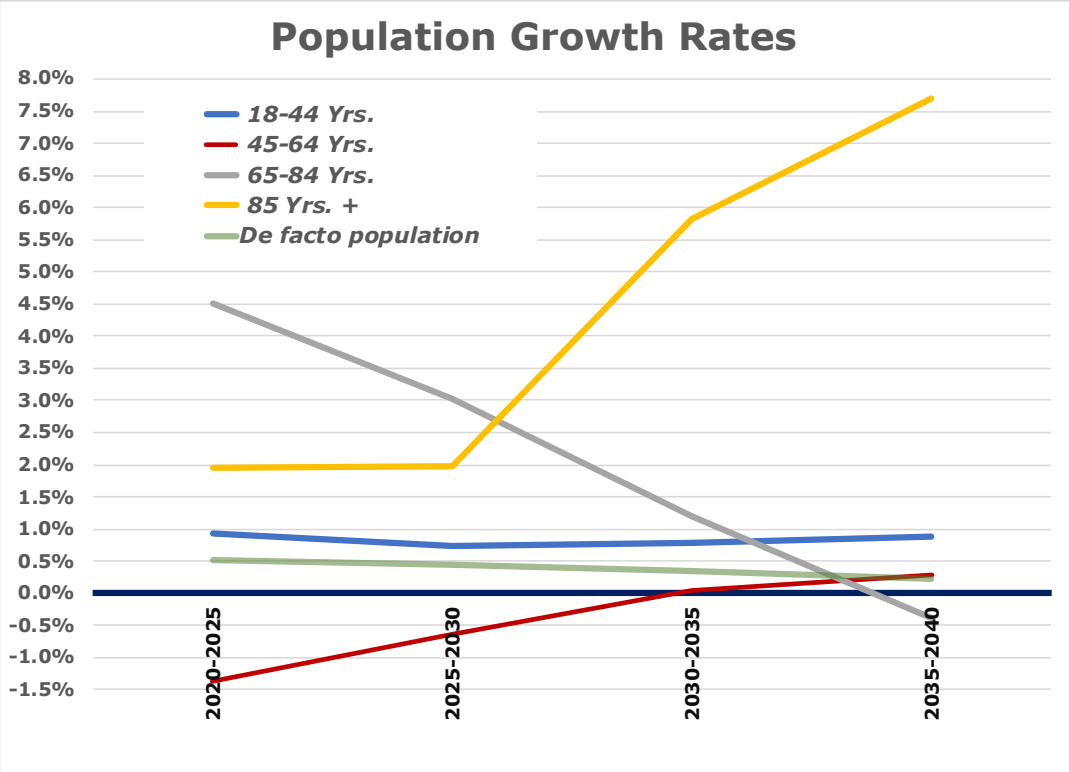
These new homes production number is over 30% underneath the housing demand that future potential job growth will be generating, or an undersupply. This will put pressure on prices, both for-sale and rental housing, pushing them upwards.

POPULATION-BASED HOUSING DEMAND: Here, we look backwards and forwards at the potential housing needs in the county. Looking backwards is useful in terms of understanding the history of housing production (supply) and the market's ability to meet housing needs (demand). And, by the same token, it is useful to carry that understanding forward by projecting into the future.

The following tables show population growth per annum, starting in 2000 and ending in 2020, using the population data we have up to 2017, and then the DBEDT projection ffor population data for 2020.

DBEDT'S 2030 POPULATION FORECAST FOR KAUAI COUNTY, WAGE & SALARY JOBS

	2016	2020	2025	2030
Population: 0 to 4 years	4,572	4,573	4,773	4,947
School age children: 5 to 11 years	6,417	6,659	6,656	6,908
School age children: 12 to 13 years	1,778	1,843	1,945	1,895
School age children: 14 to 17 years	3,198	3,448	3,728	3,770
Population: 18 to 44 years	22,767	23,632	24,522	25,495
Population: 45 to 64 years	19,863	18,788	18,195	18,242
Population: 65 to 84 years	11,488	13,703	15,911	16,888
Population: 85 years and over	1,945	2,101	2,317	3,073
De facto population	72,029	74,747	78,045	81,218



The population change per annum is changed into a household change per annum by factoring it by the average number of people in a household, as determined by the US Census. This then is how much the need for new households in the market will be, - and that equates to housing need.

Housing need is then compared to the number of homes produced (and available to them) that that year. If there were more homes produced than households were formed (an assumption), then

there would be a surplus of supply (homes) over demand (population growth), and vice versa.

A note here: the number of homes shown as produced are actual new homes created, as defined in the tax assessor's data base as 'Year Built.' However, we also excluded homes built on resort zoned land, or as residential investor, as well as government owned homes.

Included were new homes assessed at over $2 million, although an argument can be made that these units were not available to those at the lower income levels. These higher value new homes are produced for households making a higher incomes, as they are a more profitable and less risky market segment.

Remember that, when the entire stock of housing of condominiums and single-family homes in the county was considered, 90% of condominiums and 44% single-family homes were not owner-occupants.

Given that, we determined housing production using the TMK data. This was compared to households created (which can be called Housing Need), again using US Census population estimates. Then, the difference between supply and demand was calculated per annum, "Need vs. Production." Finally, the table takes this surplus or deficit of housing need, and then calculates it overtime, cumulatively (Cumulative Need).

POPULATION GROWTH TO HOUSING NEED, 2001 to 2020

	Population	Annual Change	Persons Per Household	Households Created	Housing Production	Need vs. Production	Cumulative Need
2000	58,568		2.95		148		
2001	59,075	507	2.95	172	153	(19)	(19)
2002	59,981	906	2.95	307	263	(44)	(63)
2003	60,805	824	2.95	279	213	(66)	(129)
2004	62,095	1,290	2.95	437	320	(117)	(247)
2005	62,863	768	2.95	260	429	169	(78)
2006	63,465	602	2.95	204	288	84	6
2007	64,490	1,025	2.95	347	313	(34)	(28)
2008	65,603	1,113	2.95	377	175	(202)	(231)
2009	66,518	915	2.95	310	134	(176)	(407)
2010	67,199	681	2.95	231	118	(113)	(520)
2011	67,832	633	2.95	215	65	(150)	(669)
2012	68,573	741	2.95	251	62	(189)	(859)
2013	69,626	1,053	2.95	357	128	(229)	(1,087)
2014	70,523	897	2.95	304	86	(218)	(1,306)
2015	71,387	864	2.95	293	109	(184)	(1,489)
2016	71,769	382	2.95	129	144	15	(1,475)
2017	72,159	390	2.94	133	173	40	(1,435)
2018	72,749	590	2.94	201	204	3	(1,431)
2019	73,339	590	2.94	201	204	3	(1,428)
2020	74,747	1,408	2.94	479	204	(275)	(1,703)

Note that the population numbers are actual DBEDT numbers. The housing production numbers are actual numbers from the county tax assessor's data base, current up to 2017. The 2018 numbers are forecasts. The housing production number is generous, at 10% over the established benchmarket 2000-2017 of 185 dwelling units (it is 50% higher over the number since 2007).

As seen, there is a large number of dwellings in the cumulative Need column, indicating the size of unmet (or pent-up) demand. This is consistent with the earlier mentioned indicators of housing supplgy and demand.

VIII. SUPPLY OF HOUSING

OVERVIEW OF SUPPLY: Relative to demand, housing supply on the island is low. The best solution to combat the growing demand is to increase the supply of housing for this segment of the population. Unfortunately, Kauai's housing development process is uncertain, time consuming and expensive, the future supply of units is low. Factors that contribute to such short supply include the scarcity of land as well as the arduous process of zoning for housing under the laws governing land use. Furthermore, construction is costly, labor is tight, and the costs of inputs are high due to the long supply chain.

As such, the combination of inelastic supply and elastic demand lends to this market's extreme volatility: over the swing between the bottom and the top of the market, sales can more than triple and prices can more than double. Furthermore, the length of the cycle is usually 5 to 8 years, depending often on external conditions: the direction of interest rates, economic growth in the visitor and offshore buyer markets and the costs of materials.

The table below describes housing production on Kauai by year built, the average assessed tax value and the size of the interior swquare footage (and lot ofor single famo8y).

MULTI-FAMILY HOUSING PRODUCTION & CHARACTERISTICS

Year Built	Unit Counts	Ave Assessed $	Ave Interior sf
<1955	427	$66,555	756
1955-1959	1	$306,200	1,080
1960-1964	1	$2,344,400	2,538
1965-1969	184	$377,869	693
1970-1974	1,158	$395,993	717
1975-1979	1,678	$447,780	972
1980-1984	1,194	$412,223	1,095
1985-1989	487	$271,924	608
1990-1994	1,291	$483,179	822
1995-1999	116	$400,974	936
2000-2004	618	$674,404	1,201
2005-2009	1,115	$619,723	1,386
2010-2014	15	$1,207,280	1,504
2015-2019	181	$951,572	1,536

SINGLE FAMILY HOUSING PRODUCTION & CHARACTERISTICS

Year Built	Unit Counts	Ave Assessed $	Ave Interior sf	Ave Land (Lot) sf
<1955	2,621	$574,878	1,225	312,061
1955-1959	638	$498,996	1,209	21,614
1960-1964	534	$559,259	1,236	33,297
1965-1969	850	$554,691	1,354	33,744
1970-1974	1,748	$573,103	1,428	132,249
1975-1979	2,154	$616,918	1,521	77,030
1980-1984	1,662	$659,287	1,531	47,633
1985-1989	2,743	$687,739	1,598	41,165
1990-1994	3,656	$678,296	1,540	30,717
1995-1999	1,395	$947,698	1,701	58,449
2000-2004	1,547	$1,061,310	1,907	57,684
2005-2009	1,698	$1,068,633	1,922	88,611
2010-2014	811	$1,152,186	1,776	93,066
2015-2019	668	$1,088,424	1,209	81,571

As seen, the values and sizes of many condomimiums and some single family homes generally indicate a high income owner. Indeed, this is true of othr counties in the state, as well. It indicates that a good share of housing production went to satisfy the demand for second homes on the part of offshore buyers. Indeed, in the years after the establishment of the resorts (which ended roughly in the 1980s), there was a boom in condominium production, but many of these projects that were developed targeted the offshore buyer market.

TMK records show that over 90% of the condo units and 40% of the single-family homes are owned by non Owner-Occupants.

HOUSING OWNERSHIP CHARACTERISTICS

	MF	SF	TOTAL
Owner-Occupant	10%	56%	44%
Non (investor)	90%	44%	56%

As a result, the average prices for housing units are skewed upwards and do not necessarily reflect residents' ability to pay for housing.

A major effect of low homeownership and, low housing production is high housing costs. As a result, many low-ncome and workforce families re-rent part of their shelter to friends or families. The US Census measures evidence of this, and they define crowding as 2 or more persons per bedroom. US Census measures also doubling up via surveys and define that as 'more than one family group' in a household. In the last Housing Planning Study, such a survey was performed and the results from Kauai are shown below.

KAUAI HOUSEHOLDS DOUBLING UP, BY AREA

	Waimea-Kekaha	Hanapepe–'Ele'ele	Kōloa-Kalāheo	Līhu'e	East Kaua'i	North Shore-
Yes	254	558	152	488	975	254
No	2,662	2,244	2,181	4,443	6,525	2,634

KAUAI HOUSEHOLDS CROWDING, BY AREA

Ppl/Bedroom	Waimea-Kekaha	Hanapēpē–'Ele'ele	Kōloa-Kalāheo	Līhu'e	East Kaua'i	North Shore-
Less than 2	2,726	2,676	2,237	4,492	6,653	2,504
More than 2	190	126	96	439	848	384

KAUAI HOUSEHOLDS DOUBLING UP & CROWDING, BY AREA

	Waimea-Kekaha	Hanapēpē–'Ele'ele	Kōloa-Kalāheo	Līhu'e	East Kaua'i	North Shore-
Either or Both	414	628	243	858	1,725	615
Neither	2,502	2,174	2,090	4,073	5,775	2,273

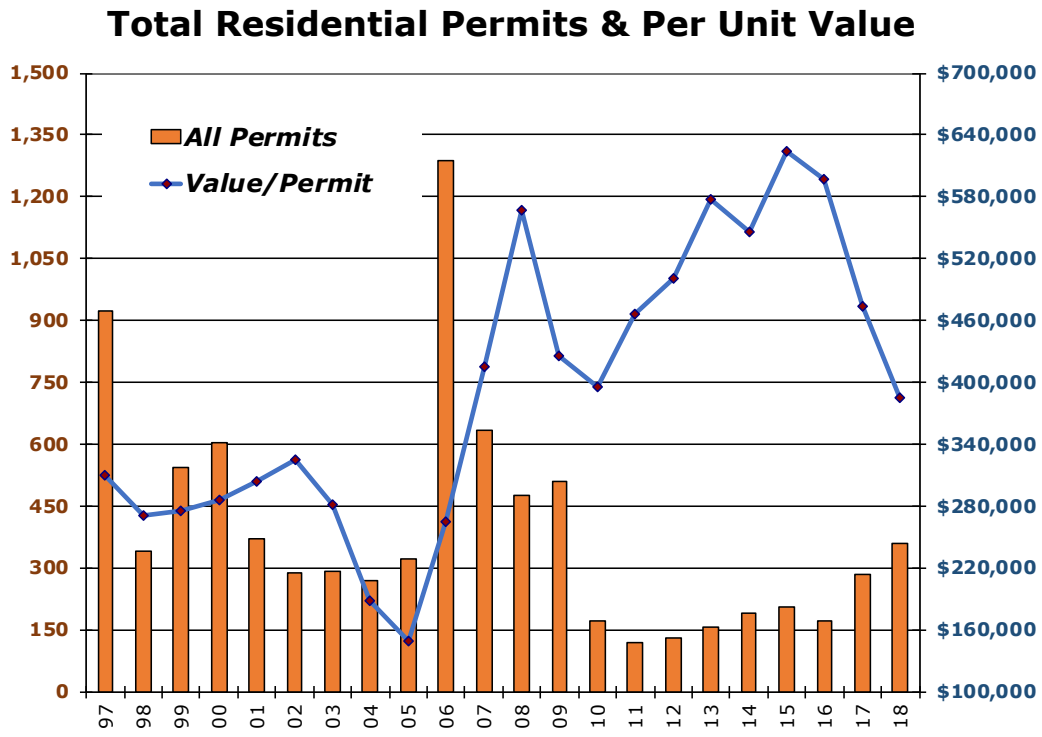
Another way that this condition is made apparent is the measurement of household size. Indeed, as households cannot afford housing, then overtime pent-up demand increases, household formation is delayed, and the average household size grows. The statewide average for household size increased by 2.8% from 2.88 persons per household to 3.11. This is consistent with a housing market where demand was greater than supply.

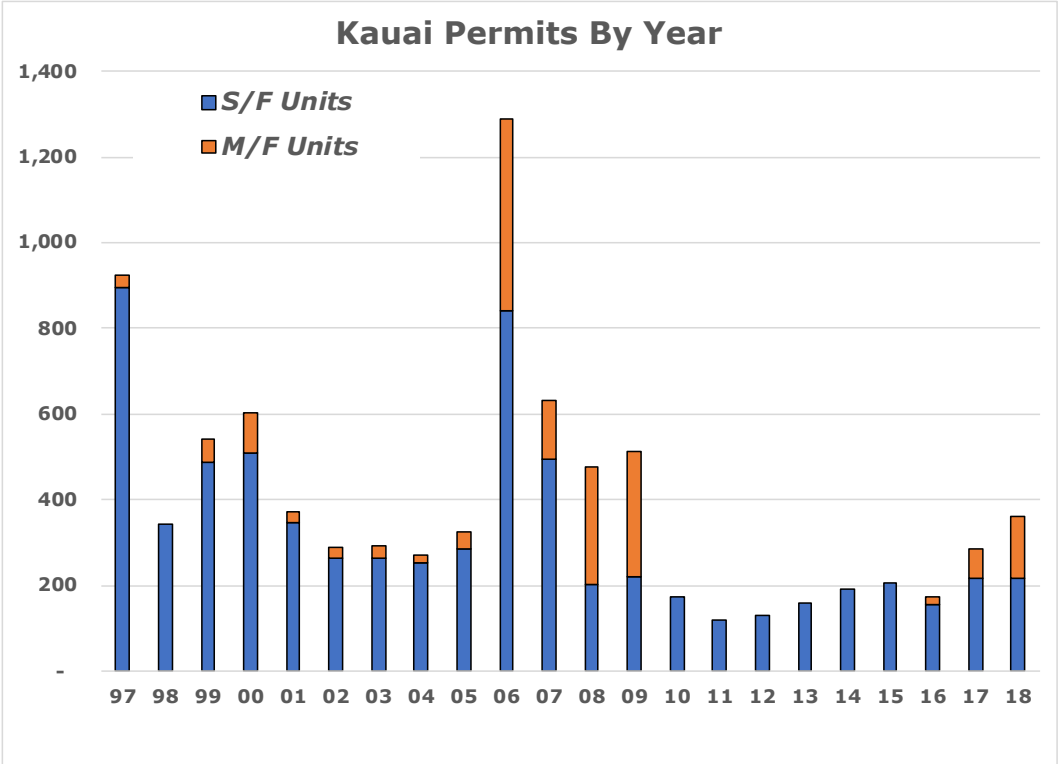
HOUSEHOLDS DOUBLING UP & CROWDING, BY AREA

	Population Growth	Household Growth	Housing Size Growth
Hawaii	19.1%	17.0%	0.3%
Honolulu	10.9%	3.5%	8.8%
Kauai	14.3%	11.7%	2.3%
Maui	19.3%	12.5%	5.8%

SPECIFIC SUPPLY IN NEAR TERM – PERMITS: The easiest way to look ahead to where the housing market is going in the short-term is by examining the activity in permits (where developers apply for permission, and pay their fees, for building residential units). A high level of activity indicates more supply, which means that more demand will be met, and the potential for prices adjusting downwards. Obviously, a low level of permits indicates less supply of housing (and potentially higher prices).

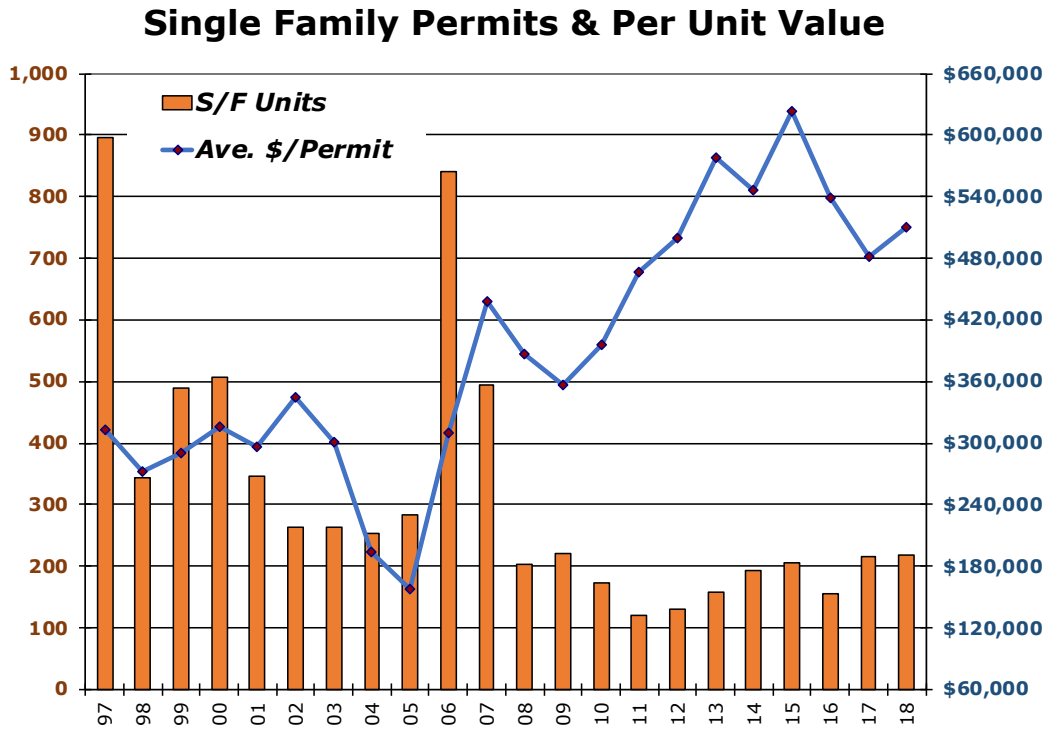
It should be noted that the long-term trend for permits – 1976 to 2018 (data through June), over 30 years is downward. This is a function primarily of restrictive land use laws, which started in the 70s, and took hold thereafter. Indeed, this restriction in the supply of land, nominally done in order to promote good planning, has acted also to raise the price of housing. It has done this by raising the cost via a limitation of supply, as well as via making the process of entitling land more time consuming, costlier and particularly riskier.

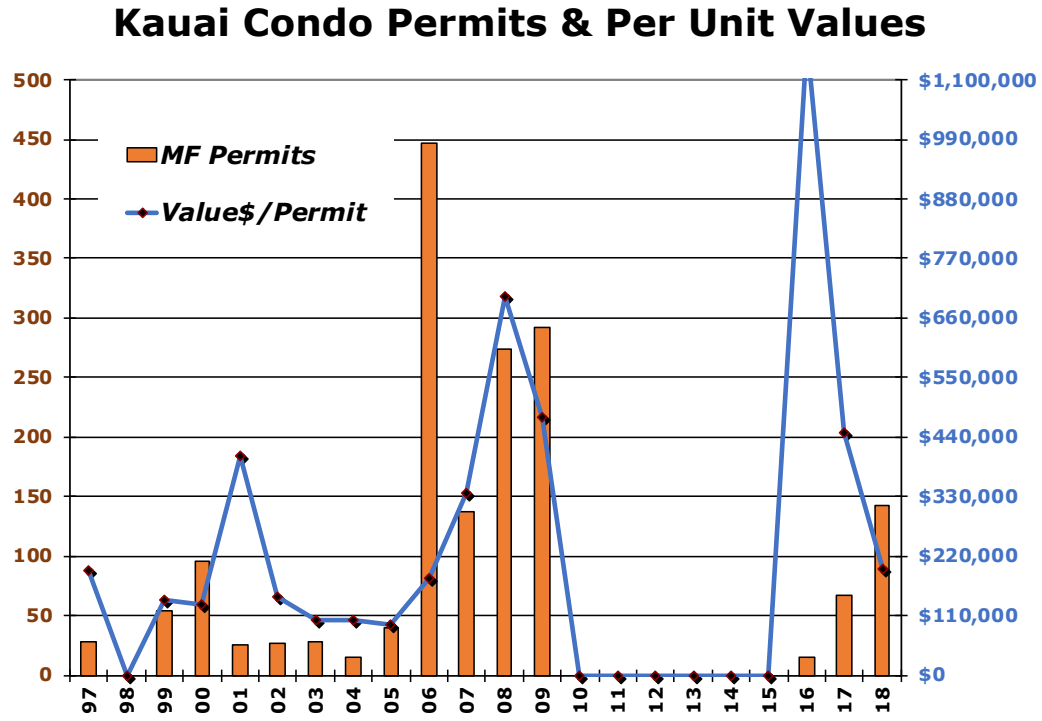




Further, the ensuing high cost of land has caused development, when conditions are right, to be focused on the most profitable segments of the housing market. For Kauai, this is the high end of the buyer demand. This fact is evident in the trend in the average dollar value per permit, shown in

the next chart. For condos, as seen, it is almost always over $100,000 (which translates to a unit price of 3-4 times that amount).





XI DEMOGRAPHIC ANALYSIS OF TARGET MARKET DEMAND

The following data comes from Ribbon Demographics, a Californian firm that specializes in taking the 2010 US Census data and representing it in ways that are meaningful to those seeking to understand the demographic demand for housing. They use, to quote their website: "a custom four-way cross tabulation of household data designed specifically for affordable housing analysis that has been built by Nielsen (formerly Claritas). It is based on actual cross tabulation of Census (ACS) Data.

In particular, it identifies what kinds of housing (size, in term of bedroom counts) and at what price ranges those in the market might have a demand. We start with the total population on the island that are renting (note: this is a projection to 2018, using the info given by those polled in the 2010 Census.

OWNER ONLY HOUSEHOLD COUNTS BY INCOME AND FAMILY SIZE, 2018

	1-P'rson	2-Prsn	3-Prsn	4-Prsn	5-Prsn	6-Prsn	7+-Prsn	Total
$0-10,000	209	197	48	17	22	12	15	520
$10,000-20,000	454	282	70	35	12	6	8	866
$20,000-30,000	447	426	55	46	52	27	35	1,089
$30,000-40,000	324	463	113	27	23	12	15	976
$40,000-50,000	237	549	208	90	80	42	54	1,260
$50,000-60,000	152	438	222	127	36	19	24	1,018
$60,000-70,000	216	281	196	186	70	37	47	1,032
$70,000-75,000	108	141	98	93	35	18	23	516
$75,000-80,000	19	143	98	89	54	28	36	468
$80,000-90,000	42	322	221	201	122	64	82	1,053
$90,000-100,000	32	251	172	156	95	49	64	819
$100,000-112,500	44	405	236	211	131	69	88	1,185
$100,000-125,000	29	270	158	141	88	46	59	790
$125,000-150,000	130	365	255	209	148	77	99	1,284
$150,000-200,000	118	380	211	306	116	61	78	1,270
$200,000+	104	592	132	103	135	71	91	1,229
-	2,665	5,504	2,495	2,038	1,219	636	818	15,374

The Table shows that the deepest Segments are the $40,000-$50,000, at the low end, and $125,000 -$150,000, at the high-end.

The table below describes the incomes per family size, given relative to 100% of the area median income, or AMI.

MULTIFAMILY TAX SUBSIDY PROJECT INCOME LIMITS, 2018, HUD

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
50%	$30,850	$35,250	$39,650	$44,050	$47,600	$51,100	$54,650	$58,150
60%	$37,020	$42,300	$47,580	$52,860	$57,120	$61,320	$65,580	$69,780
80%	$49,360	$56,400	$63,440	$70,480	$76,160	$81,760	$87,440	$93,040
100%	$61,700	$70,500	$79,300	$88,100	$95,200	$102,200	$109,300	$116,300
120%	$74,040	$84,600	$95,160	$105,720	$114,240	$122,640	$131,160	$139,560
140%	$86,380	$98,700	$111,020	$123,340	$133,280	$143,080	$153,020	$162,820

Using this income guidelines, the state's affordable housing financing arm, HHFDC, generated a schedule of the maximum prices that a particular household could pay for a unit. The table below shows this, given a 5% 30-year mortgage rate, plus the number of people in the household.

MAXIMUM PRICE GUIDELINES, PER AMI INCOME LIMITS, 2018, HHFDC

Household	50%	60%	80%	100%	120%	140%
1 person	$140,800	$169,000	$225,300	$281,600	$337,900	$394,200
2 person	$160,900	$193,100	$257,400	$321,800	$386,100	$450,500
3 person	$181,000	$217,200	$289,500	$361,900	$434,300	$506,700
4 person	$201,000	$241,200	$321,700	$402,100	$482,500	$562,900

Given these guidelines, we looked at the sales data in the table below. It shows the annual average of housing sales for each price range that is mentioned above.

ANNUAL SALES BY SINGLE & MULTIFAMILY UNITS

Sold $ Range	Total	MF	SF
$100,000-$199,999	41	39	2
$200,000-$299,999	85	72	13
$300,000-$399,999	77	48	29
$400,000-$499,999	125	58	67
$500,000-$599,999	140	48	92
$600,000-$699,999	129	46	83
$700,000-$799,999	87	34	53

As seen, there are overlaps where an affordable priced dwelling is available to a buyer making, say, 50% of AMI (note that the question is to what extent those sales at the low end are ones that can only be made to Hawaiians with a 50% blood quantum or more).

Given that, we looked at the housing demand potentially at these low prices ranges.

The table below describes that. It took the data in the earlier table describing the number of households making what level of income data. It then redefined that information, using the HUD 2018 AMI definitions, to arrive at the population counts, the number of owners, by AMI segment. We focused on the 50% of AMI or above, as they can afford to buy a dwelling.

OWNERS ONLY HOUSEHOLDS BY AMI AND FAMILY SIZE, 2018

	1-Person	2-Person	3-Person	4-Person	5-Person	6-Person	7+-Person	Total
50%	515	622	154	79	91	55	71	1,588
60%	227	346	156	90	45	20	26	910
80%	311	703	342	221	127	48	62	1,814
100%	221	395	321	343	214	113	145	1,753
120%	324	432	310	239	128	67	86	1,586

As a matter of general interest, 60% of AMI and below is generally where family incomes are such that most need public housing for their shelter. Thus, we focus on the number of owners who potentially can purchase a home at 80% of AMI.

Of note here is that that the data is only for households that are currently owning, as opposed to those renting – and because some renters at the higher income ranges potential could become owners, this table might underestimate demand for home ownership at the higher income ranges.

There are rules regulating the sale of an affordable unit, based on occupancy. They say that households buying studio and the one-bedrooms can have no less than one person and no more than two people. For two-bedroom units, no fewer than two people and no more than five people can buy a unit. The table below describes this more fully.

OCCUPANCY REQUIREMENT

Bedrooms	Occupancy Range
Studio	1-2 Persons
1 Bedroom	1-2 Persons
2 Bedroom	2-5 Persons
3 Bedroom	3-7 Persons

From this one can derive the number of dwellings, per their bedroom count, needed by those households in the market area who make the allowable income or less. This becomes the number of dwellings by bedroom counts that constitutes the total potential demand for the project's supply.

OWNER ONLY FAMILY HOUSEHOLD DEMAND, BY AMI AND BEDROOM COUNT, 2018

AMI	0 Bed (1-2)	1 Bed (1-2)	2 Bed (2-3)	3 Bed (3-4)	4 Bed (4-8)	Totals
50%	309	579	341	141	217	1,588
60%	136	298	232	152	91	910
80%	186	546	486	358	238	1,814
100%	133	325	351	471	473	1,753
120%	194	389	359	363	281	1,586

As seen, there is more than sufficient potential demand to the project's proposed affordable supply, 183 units, as shown in the table below (and described in a subsequent section).

PROJECT AFFORDABLER SUPPLY REQUIRMENT, BY AMI

AMI	Requirement
80%	37
100%	55
120%	55
140%	37
	183

We performed a similar analysis on the demographic data for the county (found in the first table). We derived the potential pricing of a dwelling for each of the AMI income brackets. We were using a 5% 30-year mortgage rate and put that data into price ranges. The table shows potential demand by price range.

OWNER ONLY HOUSEHOLD POTENTIAL DEMAND, BY PRICE RANGE

Incomes	Total	Price Ranges
$40,000-50,000	1,260	$177-$231
$50,000-60,000	1,018	$231-$285
$60,000-70,000	1,032	$285-$339
$70,000-75,000	516	$339-$366
$75,000-80,000	468	$366-$393
$80,000-90,000	1,053	$393-$447
$90,000-100,000	819	$447-$501
$100,000-112,500	1,185	$501-$601
$112,500-125,000	790	$601-$673
$125,000-150,000	1,284	$673-$770
$150,000-200,000	1,270	$770-$905
$200,000+	1,229	$905+
TOTALS	15,374	

XII. CURRENT INVENTORY & MARKET VALUES FOR COMPARABLE UNITS

The following table describes the potential pricing at the retail level for each product type in the development (note that, in the eventuality that some or all of the house/lot package units are sold as simple home sites, the prices will be lower, as reflected in the final column below).

KAPAA HIGHLANDS PRODUCT SALES PRICE PROJECTION

Housing Produced	Total Units
A House Lot Package, Large Lots (10,000 sf)	36
A House Lot Package, Medium Lots (7,500 sf)	50
Multi-Family Dwellings (4 Plex, 8 DU/Ac)	500
Affordable Housing Dwellings (12 DU/Ac)	183

Note that the Kapaa Highlands proposed master plan combines multifamily and single-family housing product. As such, we will look into each housing product segment.

MULTI-FAMILY

Starting with the multifamily market, it is the largest component of this development at 500 units.

the following table gives an overview of this segment. It shows multifamily sales of 2 Bedroom Units, sold in the $250,000-$750,000 range, and for sales that occurred in the North Shore, Koloa, Lihue and Kapaa TMKs. The averages that are shown are for prices, Square footage of the interior unit, the price per square foot, and the average year that the unit was built.

HISTORICAL SALES & AVERAGE PRICE TREND

	Sales	Ave$	Ave sf	$/sf	Yr Built
1998	31	$345,177	1,377	$251	1979
1999	39	$361,788	1,337	$271	1979
2000	62	$354,939	1,268	$280	1980
2001	65	$409,046	1,196	$342	1981
2002	75	$376,968	1,181	$319	1979
2003	115	$386,876	1,195	$324	1979
2004	152	$421,397	1,119	$377	1981
2005	251	$460,190	1,088	$423	1990
2006	225	$512,508	1,130	$454	1998
2007	94	$452,570	1,033	$438	1990
2008	35	$506,119	1,161	$436	1989
2009	36	$403,819	1,166	$346	1985
2010	49	$426,062	1,247	$342	1989
2011	62	$385,292	1,207	$319	1988
2012	97	$421,899	1,245	$339	1989
2013	89	$449,629	1,217	$369	1987
2014	95	$444,907	1,120	$397	1984
2015	69	$466,680	1,154	$404	1984
2016	110	$463,551	1,111	$417	1985
2017	157	$469,565	1,130	$416	1988
2018	152	$445,623	1,027	$434	1987
2019	23	$497,609	1,070	$465	1989

As seen, this segment peaked in 2006, bottomed 2010-2011, and has been rising ever since.

The following table looks at a smaller segment of this data. It shows all the sales that were made only since 2018, and only for units built after 2005. The sales occurred in all locations on the island, except in West and North Kauai.

This sales are also identified by the number of bedrooms. The table shows the sales, the average prices, the average square foot, the average price per square foot, the minimum price paid, and the maximum price paid for that bedroom type. Note that the average for the year build shows that these units are at least 10 to 12 years old.

LAST 16 MONTHS, SALES & AVERAGES

Beds	Sales	Ave$	Ave sf	$/sf	Min $	Max $	Yr_BLT
1	7	$535,571	853	$628	$445,000	$651,000	2005
2	17	$488,647	1,083	$451	$310,000	$740,000	2005
3	13	$501,054	1,371	$365	$355,000	$605,000	2005

The next table identifies the comparable sales by bedroom and by project. The projects that were chosen were those representative of the potential buyer for this project. They excluded any and all resort properties, any properties on the beach, any properties that could be rented out on a short-term basis. Thus, these sales are only for local buyers. This shows the sales since 2017.

LAST 28 MONTHS, COMPARABLE PROJECT SALES & AVERAGES

Bed/Project	**Sales**	**Ave$**	**Ave sf**	**Ave$/list$**	**Yr_Blt**	**Min $**	**Max $**	**$/sf**
1 Bedroom	**2**	**$434,563**	**1,032**	**96.2%**	**2005**	**$424,125**	**$445,000**	**$421**
REGENCY HULEIA	2	$434,563	1,032	96.2%	2005	$424,125	$445,000	$421
2 Bedroom	**24**	**$423,417**	**1,083**	**98.6%**	**2005**	**$280,000**	**$555,000**	**$391**
HALEMALU AT PUHI	2	$420,000	924	95.7%	2002	$418,000	$422,000	$455
HOOKENA AT PUHI	7	$307,857	777	98.8%	2006	$280,000	$335,000	$396
KAMAMALU	1	$310,000	870	100.0%	2009	$310,000	$310,000	$356
REGENCY HULEIA	13	$485,154	1,265	98.7%	2005	$430,000	$555,000	$384
VILLAS AT PUALI	1	$550,000	1,392	100.2%	2005	$550,000	$550,000	$395
3 Bedroom	**28**	**$472,418**	**1,292**	**98.2%**	**2004**	**$320,000**	**$605,000**	**$366**
HALEMALU AT PUHI	9	$465,167	1,174	97.7%	2002	$424,000	$515,000	$396
HOOKENA AT PUHI	4	$358,750	1,164	98.7%	2006	$320,000	$395,000	$308
REGENCY HULEIA	6	$556,667	1,404	96.6%	2005	$475,000	$605,000	$396
VILLAS AT PUALI	9	$474,023	1,392	99.5%	2005	$371,500	$510,000	$341

The next table identifies the comparable sales by project, and then by bedroom.

The following table looks at the current listings of these comparable projects. Note, these are not sales.

As listings, the value being asked by the seller are much higher than those at which sales have been made. Nonetheless, it shows how prices potentially can go, if the market continues.

LISTED UNITS FOR SALE, IN COMPARABLE PROJECTS

Bed/Project	Sales	Ave$	Ave sf	Yr_BLT	Min $	Max $	$/sf
2 Bedroom	**4**	**$492,625**	**1,146**	**2005**	**$345,500**	**$565,000**	**$430**
HOOKENA AT PUHI	1	$345,500	788	2006	$345,500	$345,500	438
REGENCY HULEIA	3	$541,667	1,265	2005	$500,000	$565,000	428
3 Bedroom	**8**	**$538,813**	**1,336**	**2005**	**$465,000**	**$628,000**	**$403**
HALEMALU AT PUHI	2	$488,000	1,172	2002	$479,000	$497,000	417
HOOKENA AT PUHI	2	$482,000	1,378	2006	$465,000	$499,000	350
REGENCY HULEIA	2	$606,750	1,404	2005	$598,500	$615,000	432
VILLAS AT PUALI	2	$578,500	1,392	2005	$529,000	$628,000	416

We next look at the tax Assessors appraised values for the units in these projects. Note that these assessed values are for all of the units in the project that were produced as one, two, and three-bedroom units. This is the total inventory of comparable units

Note also that the average assessed value it Is generally at a level that is below market values. This is because the tax appraiser always looks at the historical trend but does not tried to match it in the current year. A general rule of thumb is that these values are below market values, for the current year, buy 2 to 5%.

COUNTY TAX ASSESSED UNITS IN COMPARABLE PROJECTS

Bed	Project	Count	Ave Ass$	Ave sf	$/sf
1	REGENCY HULEIA	3	$426,933	1,032	$414
1 Total		**3**	**$426,933**	**1,032**	**$414**
2	HALEMALU AT PUHI	2	$396,950	924	$430
	HOOKENA AT PUHI	10	$274,390	776	$353
	KAMAMALU	10	$277,020	859	$323
	REGENCY HULEIA	28	$453,811	1,265	$359
2 Total		**50**	**$380,294**	**1,072**	**$355**
3	HALEMALU AT PUHI	16	$447,438	1,161	$385
	HOOKENA AT PUHI	10	$350,470	1,176	$298
	REGENCY HULEIA	13	$516,885	1,404	$368
	VILLAS AT PUALI	25	$472,304	1,392	$339
3 Total		**64**	**$456,106**	**1,303**	**$350**

In light of Both the valuations in the sales arena and in the tax appraised arena, we made an effort to come up with some Price point valuations and some price per square foot values.

A number of simple assumptions were made: that only two- and three-bedroom units would be produced; that the square footage assumed for these units would be on the small side; and that the price per square foot valuation would be conservative. Note also that these values are set for 2019, as of the study.

OUR PRICING RECOMMENDATIONS FOR MF MARKET UNIT

	Sq Ft	$/sf	Price
2 Bed	950	$345	$ 327,750
3 Bed	1,150	$310	$ 356,500

MULTIFAMILY AFFORDABLE UNITS

Current county Affordable housing regulations for developments larger than 26 units require that a percentage the total unit count be provided at prices that are affordable. The regulation says that of 100% of the total units, 20% of that total must be sold two households making 80% and 140% of area median income, or 40% of the total. Then, another 30% of the total must be sold to households making either hundred percent or 120% of Area median income, or 60% of the total.

The table below shows the split between before the four AMI segments, and then derives the total unit by AMI that This development will be required to provide. Has seen, there are 183 units total.

PROJECT AFFORDABLER SUPPLY REQUIRMENT, BY AMI

AMI	Requirement
80%	37
100%	55
120%	55
140%	37

Then, we look at the price guidelines for 2018 from HHFTC, as seen in the table below. In most cases, hey household comprised of one person or of two persons are the buyer of an affordable unit. Thus, we have highlighted those prices, and reproduce them in the table below.

PRICE GUIDELINES, 2018, HHFDC

Household	80%	100%	120%	140%
1 person	$225,300	$281,600	$337,900	$394,200
2 person	$257,400	$321,800	$386,100	$450,500
3 person	$289,500	$361,900	$434,300	$506,700
4 person	$321,700	$402,100	$482,500	$562,900

Combining both tables, we arrived at price schedule for each of the segments.

PRICE GUIDELINES, 2018, FOR THE 183 AFFORDABLE UNITS

AMI	One Pers'n	Two Pers'n	Count
80%	$225,300	$257,400	37
100%	$281,600	$321,800	55
120%	$337,900	$386,100	55
140%	$394,200	$450,500	37
TOTAL			183

Note that the priced guidelines In and around the 120% of AMI are at or above the market prices. As such, those units will be sold at lower levels, below what the price guideline calls for.

SINGLE FAMILY

Next, we turn to the single-family market. There are much fewer units in this market and they are fairly similar: one product will sit on a lot that is 10,000 ft.² in size, and the other will sit on the lot that is 7500 ft.² in size.

This first table describes single family production over the last 15 years of homes in the Koloa, Lihue, North Shore and Kapaa areas, as defined by their TMKs. Further, the data is limited to units who have assessed values between $800,000 and $1.2MM, and sit on lots under 25,000 sf.

COMPARABLE SINGLE-FAMILY PRODUCTION, 10,000 sf LOTS

Yr. Blt	Count	Ave Ass'd $	Ave Intr'r sf	Ave Lot sf
2004	49	$979,894	2,588	12,631
2005	47	$915,726	2,769	13,413
2006	28	$928,829	2,727	11,896
2007	56	$954,609	2,671	11,329
2008	27	$972,133	2,830	11,656
2009	18	$978,661	2,691	11,681
2010	25	$972,044	2,390	11,391
2011	17	$985,053	2,484	12,859
2012	14	$912,371	2,398	10,321
2013	34	$960,762	2,118	12,667
2014	30	$1,003,267	2,239	10,895
2015	25	$971,740	2,031	11,666
2016	22	$902,214	2,173	11,355
2017	47	$912,987	1,644	9,103

Note that the table extends only up to the end of 2017.This is because the tax assessor has not computed all the data for homes that were built that year and last.

Note also that the assessed values for all years are the ones assessed in 2017. Meaning, that there really is no progression overtime in those values, because they were all set in the one year of 2017, even though they were built in 2005, 2006, et cetera.

The next table describes the home/lot production by bedroom count since 2005 years of homes in the Koloa, Lihue, North Shore and Kapaa TMKs, whose assessed values are between $800,000 and $1.2MM on lots under 25,000 sf.

COMPARABLE SINGLE-FAMILY UNITS, 10,000 sf LOTS

Bedrooms	Built	Ave Ass'd $	Ave Intr'r sf	Ave Lot sf	$/sf
3	188	$973,194	2,401	11,907	$405
4	78	$957,514	2,853	11,863	$336
5	21	$955,943	3,267	12,335	$293

The table shows that recent production Is overwhelmingly in favor of the three-bedroom units. It also shows how the average interior square footage increases, as the bedroom count does… and how the average price per square foot decreases.

Turning from assessed values to actual sale prices, the following table shows the sales in this market – it shows the sales trends since 2004, the top of the last real estate market cycle. For this, we use the MLS data to describe the sales activity. Again, we start with this single-family product, house/lot packages, that are located in the same area as before, Koloa, Lihue, North Shore and Kapaa TMKs, at prices between $800,000 and $1.2MM.

SALES OF COMPARABLE SINGLE-FAMILY UNITS, 10,000 sf LOTS

Yr.	Sales	Ave Price	Ave Int sf	Ave Lot sf	Yr_Blt
2004	61	$935,119	2,331	13,445	1983
2005	96	$934,890	2,160	13,135	1984
2006	69	$953,622	2,082	12,287	1982
2007	43	$965,984	2,191	12,446	1991
2008	28	$904,983	2,047	14,117	1988
2009	23	$939,000	2,188	13,593	1984
2010	23	$926,039	2,733	12,966	1990
2011	27	$945,500	2,572	12,433	1988
2012	22	$946,984	2,363	14,218	1992
2013	46	$938,205	2,371	11,378	1997
2014	41	$975,146	2,425	13,290	1992
2015	49	$958,051	2,379	11,615	1994
2016	59	$963,610	2,305	12,770	1994
2017	65	$956,017	2,386	12,694	1996
2018	82	$969,547	2,311	12,280	1995
2019	7	$1,005,574	2,129	14,369	1992

The Table below Uses the same location, lot size and locational filters on the MLS sales data, but it is broken down by bedrooms, and summarizes only very recent sales, the ones since 2018

COMPARABLE SINGLE-FAMILY SALES, 10,000 sf LOTS, 2018+

Bedrooms	Sales	Ave Price	Ave Int sf	Ave Lot sf	$/sf	Built
2	9	$939,667	1,638	13,141	$574	1998
3	55	$969,517	2,151	11,769	$451	1993
4	16	$1,008,344	2,734	14,770	$369	1999
5	6	$951,333	3,574	11,643	$266	1994

We believe the house lot package on 10,000 sf plus lots could bring between $900,000 and $1MM.

To sell the lots to spec builders, we think the builder-ready lots should bring about 25% of retail price, or $250,000- $275,000.

The following table shows similar data except that the assessed value is between $600,000 and $1MM.

COMPARABLE SINGLE-FAMILY PRODUCTION, 7,500 sf LOTS

Yr. Blt	Count	Ave Ass'd $	Ave Intr'r sf	Ave Lot sf
2004	29	$737,028	1,895	9,955
2005	28	$758,900	2,157	9,872
2006	12	$795,642	2,169	10,335
2007	21	$798,224	2,154	9,699
2008	14	$764,450	2,185	11,148
2009	9	$781,222	2,172	10,639
2010	11	$772,200	1,849	9,584
2011	7	$805,157	2,191	9,750
2012	8	$803,700	2,150	9,478
2013	8	$751,488	1,438	11,165
2014	10	$775,650	1,608	10,211
2015	7	$777,657	1,612	10,100
2016	18	$760,483	1,711	9,984
2017	8	$784,250	2,719	10,419

The trend that was described for the larger lot unit class is similar to this, the smaller lots.

COMPARABLE SINGLE-FAMILY PRODUCTION BY BEDROOMS, 7,500 sf LOTS, 2010+

Bedroom	Count	Ave Ass$	Ave sf	Ave Lot
3	43	$787,419	1,883	10,020
4	17	$776,453	2,181	10,120
5	3	$827,567	2,397	9,253

The following table shows similar data except that the sales value, like before, is between $600,000 and $1MM, and the lots are no larger than 14,999 sf.

COMPARABLE SINGLE-FAMILY SALES, 7,500 sf LOTS

	Sales	Ave$	Ave sf	Ave Lot sf	Yr_BLT
2004	44	$862,343	2,218	10,633	1986
2005	71	$859,583	1,992	10,677	1991
2006	50	$857,938	1,970	9,861	1984
2007	31	$862,903	1,973	9,856	2005
2008	22	$834,619	2,027	10,179	1988
2009	15	$867,987	2,083	9,847	1989
2010	17	$853,500	2,503	10,123	1990
2011	23	$853,435	2,295	9,838	1991
2012	15	$869,460	2,195	10,165	1993
2013	38	$865,393	2,320	10,499	1997
2014	30	$858,400	2,149	10,014	1991
2015	30	$863,850	2,264	10,126	1995
2016	39	$853,782	2,366	10,398	1993
2017	48	$851,321	2,235	10,030	1994
2018	62	$864,264	2,110	9,834	1990
2019	2	$860,500	2,475	11,066	1988

This is the same data, broken down by bedrooms

COMPARABLE SINGLE-FAMILY SALES, 7,500 sf LOTS, 2017+

Beds	Sales,	Ave$	Ave sf	Ave Lot sf	Yr_BLT
3	77	$846,090	1,966	10,413	1991
4	25	$872,256	2,617	11,172	1995
5	10	$896,700	3,524	9,315	1993

We believe the house lot package on 7,500sf plus lots could bring between $750,000 and $850,000.

To sell the lots to spec builders, we think the builder-ready lots should bring about 25% of retail price, or $200,000- $225,000.

XIII. RATIONALE & MARKET SUPPORT FOR THE PROJECT

SUPPORT: The rationale for this Project is as follows:

- Macro-economic fundamentals show that this market suffers from excessive demand and inadequate supply, and this is not likely to change over the next century.
- Micro-economics show that project profitability can and does change over a market cycle, but given the macroeconomic fundamental above, production rarely is unprofitable.
- The demographic segment that has been relatively the most underserved (when they all have been underserved, from the mid-market on down) is workforce and blue-collar household.

The site has specific advantages, from a workforce and middle-class perspective:

- It has extraordinarily good access to services, employment and transportation;
- It has very good view planes, that will not be compromised easily in the future

XIV. FORECAST

The following table describes the potential pricing at the retail level for each product type in the development (note that, in the eventuality that some or all of the house/lot package units are sold as simple home sites, the prices will be lower, as reflected in the final column below).

KAPAA HIGHLANDS PRODUCT SALES PRICE PROJECTION

Housing Produced	Total Units	Retail Price Per Unit	Home Site Only Prices
A House Lot Package, Large Lots (10,000 sf)	36	$750,000-$1,250,000	$225,000-$250,000
A House Lot Package, Medium Lots (7,500 sf)	50	$650,000-$850,000	$200,000-$235,000
Multi-Family Dwellings (4 Plex, 8 DU/Ac)	500	$250,000-$350,000	
Affordable Housing Dwellings (12 DU/Ac)	183	$125,000-$175,000	

Given that these prices, particularly the affordable ones, are below the historical trend for housing, we expect that sales will start up strongly. We expect them then to hold this momentum over the first three years, coinciding with the market's expansion. Thereafter, they will experience a gradual fall-off, coinciding with the downturn in the cycle. After that, the market will recover, as will sales of the final units.

KAPAA HIGHLANDS PRODUCT CLOSING PROJECTION

Product	2021	2022	2023	2024	2025	2026	2027
Large Lot Homes	11	9	9	7			
Medium Lot Homes	15	15	14	6			
Multi-Family Units	50	70	80	130	70	50	50
Affordable Housing Units	40	40	40	35	28		

Exhibit B

Sustainability Plan for
HoKua Place
(Formerly Kapa'a Highlands II)

EXHIBIT "B"

Kapa‘a Highlands II Sustainability Plan

Prepared by:
Ho‘okuleana LLC
… to take responsibility …

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Kapa'a Highlands II Project Information

Kapa'a Highlands II is a proposed development of a mix of single-family and multi-family residential, market and affordable rate homes. This 163-acre Ocean View "Planned" community is positioned to be the pride of Kapa'a. The development seeks to fill the housing needs of Kapa'a within the Urban Center of the district. Situated in close proximity to schools and commercial areas, Kapa'a Highlands II is proposed to be a sustainable community that preserves the rural character of Kapa'a while meeting its growing housing needs.

Kapa'a Highlands II has received letters of support from the County Mayor, County Planning Department and County Housing Department. Letters of approval have been received from the County Department of Public Works regarding wastewater, State Department of Transportation and the County Water Department.

Project Name:	Kapa'a Highlands Phase II
Location:	Wailua, Kaua'i, Hawai'i
TMK:	(4) 4-3-003:001
Total Area:	163-acres
Existing Use:	Vacant, undeveloped, former sugarcane land
County Zoning:	Agriculture
General Plan Land Use Designation:	Urban Center
State Land Use:	Agricultural
Approvals Required:	LUC Boundary Amendment; County Class IV Zoning & Use Permits; County Council Approval for Zoning Change; Building Permits

Project Components:	Mix of single-family and multi-family residential.
	Approximately 69-acres subdivided into:
	• 86-single family (lots ranging from 5,000 to 8,000 SqFt.)
	  o $180,000.00 to $250,000.00
	• 683-multi-family (lots from 1-5 acre parcels)
	  o $220,000.00 to $450,000.00
	• Totals above include – 167-affordable units on site
	  o $189,000.00 to $363,000.00
	Open space encompassing 14.3-acres including:
	• 3.1-acre park adjacent to Kapa'a Middle School
	  o Relocation of County Swimming Pool
	• Greenways surrounding development
	Commercial Areas totaling 1.4-acres
	• Stores, personal services
	• Land for police/fire sub-stations

Project Components: Infrastructure Improvements:

Water:
- Contributions to repairs of Kapa'a Sewer Treatment Plant
- Water Master Plan approved by County Water Department
- Well on site to be dedicated to County Water Department

Transportation:
- Dedication of Kapa'a By-Pass Road to the State
- Complete multi-modal roadway running thru the property
- Bus stops located along roadway
- Bike/Walking path

Aerial Image Overlooking Kapa'a Highlands II Project Area

Kapa'a Highlands II Sustainability Plan

This Kapa'a Highlands II Sustainability Plan is a comprehensive set of goals, strategies and actions focused on improving environmental quality, economic strength and social benefit within the Kapa'a Highlands II project, as well as the broader community.

This Plan serves as a roadmap guiding Kapa'a Highlands II toward a more sustainable future, with implementation of actions through a comprehensive, inclusive stakeholder process.

Before discussing the global context of "sustainability," we explore the Hawaiian view of "*'āina*" – core to the term "sust*aina*bility."

In a traditional Hawaiian context, nature and culture are one and the same; there is no division between the two. The wealth and limitations of the land and ocean resources gave birth to and shaped the Hawaiian worldview. In Hawaiian culture, natural and cultural resources are one and the same.

All forms of the natural environment, from the skies and mountain peaks, to the watered valleys and lava plains, and to the shoreline and ocean depths are believed to be embodiments of Hawaiian gods and deities. (Maly)

'Āina – That Which Sustains the People
(Context, here, primarily provided from writings of Kepa Maly)

The *'āina*, that which feeds, nourishes and sustains life (in English referred to as "land"), *wai* (water), *kai* (ocean), and *lewa* (sky) were the foundation of life and the source of the spiritual relationship between people and their environs. Hawaiian *mo'olelo*, or traditions, express the attachment felt between the Hawaiian people and the earth around them.

In any discussion of Hawaiian land - 'āina, that which sustains the people - and its place in culture, it is also appropriate to briefly discuss traditional Hawaiian land terms, as the terms demonstrate an intimate knowledge of the environment about them. In the Hawaiian mind, all aspects of natural and cultural resources are interrelated. All are culturally significant.

Hawaiian culture revolves around the value of "aloha 'āina" or love of the land. This love is not a passing sentiment, a summer fling or a fair weather affair. It is a deep-seated commitment to the wellbeing of the earth, which sustains us like a parent.

The Hawaiian concept of malama 'āina (literally, caring for or living in harmony with the land,) demands conservation, sustainable use and enhancement of the local, regional and global environment. By simply taking care and respecting the land, it will sustain life. This straightforward relationship has been honored for thousands of years, since the Polynesians followed the stars to the shores of Hawaii.

The traditional land use in the Hawaiian Islands evolved from shifting cultivation into a stable form of agriculture around 1200 AD (Kirch, 2000). Stabilization required a new form of land use. It is widely believed 'Umi a Līloa, the ruler of the Island of Hawai'i, was the first ruler to create the ancient Hawaiian land division, according to a chiefly management system, nearly 600 years ago.

This was the *ahupua'a* land use system, which consisted of vertical landscape segments from the mountains to the near-shore ocean environment, and into the ocean as deep as a person could stand in the water (Isabella Aiona Abbott).

For hundreds of years since, on the death of all *mō'ī* (kings or queens), the new monarch re-divided the land, giving control of it to his or her favorite chiefs. The common people never owned or ruled land.

In the term *ahupua'a*, the words *ahu* (stone altar or stone mound) and *pua'a* (pig) are combined. The *pua'a* was a carved wooden image of a pig head. These stone altars served as border markers and deposition places for offerings to the agricultural god *Lono* and a high chief (*ali'i nui*), who was the god's representative.

Each *ahupua'a* in turn was ruled by a lower chief, or *ali'i 'ai*. He in turn appointed a headman, or *konohiki*. The *konohiki* served as general manager responsible for the use of an *ahupua'a* as a resource system. He in turn was assisted by specialists, or *luna*. For example, the *luna wai* was responsible for the fresh water flow and irrigation system (Kamehameha Schools, 1994).

Manageable parcels of land would typically run *mauka* (upland) to *makai* (toward to ocean) and would be marked with stonewall alignments. Tenants cultivated smaller crops for family consumption, to supply the needs of chiefs and provide tributes.

Kapu (restrictions/prohibitions) were observed as a matter of resource and land management among other things. Access to resources was tied to residency and earned as a result of taking responsibility to steward the environment and supply the needs of *ali'i*. The social structure reinforced land management.

Sustainability – United Nations Context

In 1983, the United Nations Secretary General invited Norwegian Prime Minister Gro Harlem Brundtland to chair a World Commission on Environment and Development. The Report of the Brundtland Commission, Our Common Future, was transmitted to the General Assembly as an Annex to *document A/42/427* - Development and International Co-operation: Environment, in 1987

Chapter 2, "Towards Sustainable Development" of the Brundtland "Our Common Future" defines "sustainable development" as:

> Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:
>
> - the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and
> - the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.
>
> In its broadest sense, the strategy for sustainable development aims to promote harmony among human beings and between humanity and nature.

Sustainability in Hawai'i (Hawai'i 2050)

The following definition, vision and guiding principles are incorporated in the Hawai'i 2050.

Definition:
A Hawai'i that achieves the following:

- Respects the culture, character, beauty and history of our state's island communities
- Strikes a balance between economic, social and community, and environmental priorities
- Meets the needs of the present without compromising the ability of future generations to meet their own needs

Vision:
Living responsibly and within our own means is top-of-mind for all individuals and organizations. We learn about the virtues and values of a sustainable Hawai'i. As a result, our goals of economic prosperity, social and community well-being and environmental stewardship are in balance and achieved.

Hawai'i 2050 Guiding Principles of Sustainability

- Balance economic, social, community and environmental priorities.
- Respect and live within the natural resources and limits of our islands.
- Achieve a diversified and dynamic economy.
- Honor the host culture.
- Make decisions based on meeting the present needs without compromising the needs of future generations.
- Principles of the ahupua'a system guide our resource management decisions.
- Everyone — individuals, families, communities, businesses and government — has a responsibility for achieving a sustainable Hawai'i.

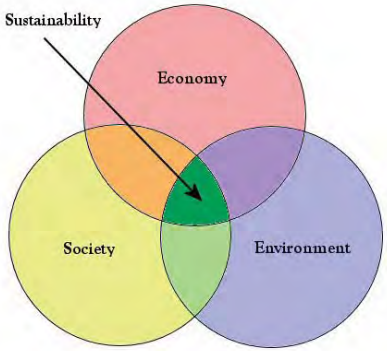
Sustainability in Hawai'i means achieving a quality of life that achieves the following goals:

- It emphasizes respect for the culture, character, beauty and history of our state's island communities.
- It strikes a balance between economic prosperity, social and community well-being, and environmental stewardship.
- It meets the needs of the present community without compromising the ability of future generations to meet their own needs.

Typically, "sustainability" is depicted in a three-themed Venn diagram (noted below,) highlighting the economy, environment and society. The achievement of sustainable development requires integration of these components at all levels.

With respect to Kapa'a Highlands II, sustainable development is achieved when it is:

- economically feasible in order to be successful as a development, while also providing for economic opportunities for future generations who reside, work or visit Kapa'a Highlands II
- protecting and preserving the environment, for today and tomorrow, serving as a model for others to follow
- addressing the needs of a wide variety of people, including their cultural values, as well as providing opportunities for people to interact, grow and learn together



Sustainability is not contradictory to growth, profit and development. Sustainability means that we plan to our limits; sustainable community development draws from and gives back to local strengths, resources and uniqueness. Local development can become more sustainable by having a better environmental, economic and social balance.

Ultimately, a goal is to meld Hawaiian traditional wisdom with modern sustainability concepts and take an integrated approach in the design and operation at Kapa'a Highlands II. This plan was created to highlight the actions of the Kapa'a Highlands II development in terms of sustainability.

In developing this plan, a variety of recognized programs and plans were reviewed, summarized and their recommendations were incorporated into this plan. These include:

- Smart Growth
- SmartCode
- Hawai'i 2050 Sustainability Plan
- OEQC Sustainable Building Design Guidelines
- Hawaii BuiltGreen Program
- US Green Building Council Leadership in Energy and Environmental Design (LEED)
- Energy Star Program
- Whole Building Design Guide (WBDG,) of the National Institute of Building Sciences
- EPA Low Impact Development
- One Planet Living

Further discussion on these programs and plans follow in the next Chapter of this Kapa'a Highlands II Sustainability Plan. Following this are chapters addressing issue-specific sustainability concerns. These include:

- **Natural and Cultural Resources:** Protecting and preserving archaeological sites, trails and dryland forest, for present and future generations
- **Land Use:** Focuses on consistency with local land use planning, fulfilling the community's vision for development in the future
- **Design Features:** Incorporating design features to fit development into natural features, protecting the resources, while taking advantage of natural elements
- **Transportation:** Focuses on sustainable modes of transportation and an improved infrastructure including: multi-modal bicycle, pedestrian and vehicular infrastructure, complete streets, etc
- **Economic Opportunities:** Encourages a vibrant economy through diversity of employment and sustainable business opportunities
- **Open Space and Parks:** Encourages protection of urban open spaces by focusing on the urban landscaping, green spaces and mixed-use development and recreational opportunities
- **Water Management**: Focuses on reducing and conserving water use, as well as minimizing impacts to nearby ecosystems from source to stormwater systems
- **Energy Management:** Encourages energy conservation, energy efficiency and renewable energy
- **Health:** Encourages healthy lifestyles through places to walk and recreate, as well as provide state of the art medical facilities to address community needs
- **Education:** Encourages understanding and practice of sustainable lifestyles, as well as providing opportunities for life-long learning
- **Housing:** Responds to the market and demographic trends and community needs, providing a broad range of housing types and price points

Anticipated beneficial impacts from the Kapa'a Highlands II project include the following:

- Provision of 86 single family homes and 683 multi-family units
- Increased housing choices, including affordable housing
- Increase housing inventory to meet future demands
- Provision of 3.1-acre park with area for relocation of Kapa'a County swimming pool
- Planned growth in an area designated for urban growth by the General Plan of the County of Kaua'i
- Provision of a pedestrian and transit-friendly community

Kapa'a Highlands II will be a sustainable community and will incorporate the following:

Sustainability Programs and Plans: Kapa'a Highlands will incorporate the core principles of the various sustainability programs and plans.

Natural and Cultural Resources: No archaeological sites are known to exist on the property. Should any archaeologically significant artifacts, bones, or other indicators be uncovered during construction, Kapa'a Highlands II is committed to strict compliance with State laws and rules.

Land Use: Kapa'a Highlands is consistent with local land use plans including the General Plan of the County of Kaua'i, the Kapa'a Town Development Plan and the Kapa'a-Wailua Basin Community Plan.

Design Features: Kapa'a Highlands II will include sustainable design features including strategies to reduce solar heat gain through roofs, walls and windows; using site planning and landscaping to improve natural ventilation; daylighting design; and energy efficient light fixtures.

Transportation: Kapa'a Highlands II will incorporate bus stops into its road system; multi-modal interconnected roads; and complete streets design.

Economic Opportunities: Kapa'a Highlands proposes two areas for commercial uses which will provide a variety of job opportunities; construction and construction-related employment will have direct beneficial impact on the local economy during construction.

Open Space and Parks: Kapa'a Highlands II proposes open space and open greenway areas encompassing 14.3-acres including a 3.1-acre park for the proposed relocation of the Kapa'a county swimming pool.

Water Management: Kapa'a Highlands II will install water efficient fixtures, appliances and high efficiency toilets to reduce indoor water use.

Energy Management: Kapa'a Highlands II will incorporate energy conservation and efficiency measures; solar energy for water heating; encourage photovoltaic systems and other renewable energy sources.

Health: Kapa'a Highlands II's layout and design will create an opportunity for both residents and the community to have a positive effect on their health through walkable and bikable transportation options.

Education: Kapa'a Highlands II will coordinate with the DOE to ensure that the facility assessment policy is addressed. In addition, a 3.1-acre park will be included in the plan and the Kapa'a county swimming pool will be relocated within the park.

Housing: Kapa'a Highlands II conforms to the Kaua'i County Affordable Housing Ordinance No. 860 and offers a variety of housing types that will address a portion of the housing needs of the island.

Social: Kapa'a Highlands II promotes social sustainability through socially-focused actions that will support quality of life, sense of place and community livability for all residents and the community.

Sustainability Programs and Plans

In developing this Kapa'a Highlands II Sustainability Plan, a variety of recognized sustainability programs and plans were reviewed, summarized and incorporated into this plan. In part, the recommendations from these programs and plans serve as guides to the sustainability actions noted in this Plan.
These include:

- Smart Growth
- SmartCode
- Hawai'i 2050 Sustainability Plan (Hawai'i 2050)
- OEQC Sustainable Building Design Guidelines
- Hawaii BuiltGreen Program
- US Green Building Council Leadership in Energy and Environmental Design (LEED)
- ENERGY STAR Program
- Whole Building Design Guide (WBDG,) of the National Institute of Building Sciences
- EPA Low Impact Development
- One Planet Living
- Complete Streets

In this chapter, these various programs and plans are summarized.

As you will see, there are several consistent principles and themes that run through the various programs and plans. While some are broad-based and include several of these, others are focused on single issues.

Following are some of the consistent messages found in these programs and plans:

- Soft touch on the land
- Respect and protection of natural and cultural resources
- Use of natural elements (shading, ventilation, lighting, etc)
- Diversity of land uses, housing types, prices
- Live, work, play, shop and learn
- Walking, bicycle and transit transportation focused
- Reuse and minimization of waste
- Renewable and efficient electric
- People and community focused

Kapa'a Highlands II will implement, to the extent feasible and practicable, measures to promote energy conservation, sustainable design, environmental stewardship and protection of the natural and cultural resources into the project. These actions are in part, based on the recommendations noted in the following sustainability programs and plans.

Smart Growth Network

In 1996, the U.S. Environmental Protection Agency joined with several non-profit and government organizations to form the Smart Growth Network. The Network was formed in response to increasing community concerns about the need for new ways to grow that boost the economy, protect the environment, and enhance community vitality.

Smart growth refers to the management of growth to make it possible "for communities to grow in ways that support economic development and jobs; create strong neighborhood with a range of housing, commercial, and transportation options; and achieve healthy communities that provide families with a clean environment." (Smart Growth Network)

There are 10 accepted principles that define Smart Growth

1. Mix land uses
2. Take advantage of compact building design
3. Create a range of housing opportunities and choices
4. Create walkable neighborhoods
5. Foster distinctive, attractive communities with a strong sense of place
6. Preserve open space, farmland, natural beauty, and critical environmental areas
7. Strengthen and direct development towards existing communities
8. Provide a variety of transportation choices
9. Make development decisions predictable, fair, and cost effective
10. Encourage community and stakeholder collaboration in development decisions

SmartCode

The SmartCode is a form-based code that incorporates Smart Growth and New Urbanism principles. It is a unified development ordinance, addressing development at all scales of design, from regional planning on down to the building signage.

The SmartCode is also a transect-based code. A "transect" is usually seen as a continuous cross-section of natural habitats for plants and animals, ranging from shorelines to wetlands to uplands. It is based on the rural-to-urban transect rather than separated-use zoning, thereby able to integrate a full range of environmental techniques.

The SmartCode is a model transect-based planning and zoning document based on environmental analysis. It addresses all scales of planning, from the region to the community to the block and building. The SmartCode is distributed by the nonprofit Center for Applied Transect Studies (CATS.)

Kapa'a Highlands II has incorporated the SmartCode principles and transects into its layout and design.

Hawai'i 2050 Sustainability Plan (Hawai'i 2050)

The Hawai'i State Plan, embodied in Chapter 226, Hawai'i Revised Statutes (HRS), serves as a guide for goals, objectives, policies, and priorities for the State.

The Hawaii State Planning Act (HRS 226) states that the State shall strive to improve the quality of life for Hawaii's present and future population through the pursuit of desirable courses of action in six major areas of statewide concern which merit priority attention: economic development, population growth and land resource management, affordable housing, crime and criminal justice, quality education and principles of sustainability.

In 2005, the legislature authorized the creations of a task force to review the Hawaii state plan and the State's planning process and to prepare the Hawai'i 2050 Plan. The creation of the Hawaii 2050 sustainability plan raises questions about the long-term limits of growth in the State and highlights the need to begin planning and acting to assure Hawaii's future. Thus, the objectives of the Hawaii 2050 sustainability plan focuses on the revitalization of the State's long-term planning process to better guide the future development of Hawaii.

The Plan offers detailed strategic actions and indicators to serve as a guide towards meeting the Plan's sustainability goals. The Plan incorporates tangible targets and benchmarks. Priority actions for 2020, to be addressed immediately, include:

1. Increase affordable housing opportunities for households up to 140% of median income.
2. Strengthen public education.
3. Reduce reliance on fossil (carbon-based) fuels.
4. Increase recycling, reuse and waste reduction strategies.
5. Develop a more diverse and resilient economy.
6. Create a sustainability ethic.
7. Increase production and consumption of local foods and products, particularly agriculture.
8. Provide access to long-term care and elderly housing.
9. Preserve and perpetuate our Kanaka Maoli and island cultural values.

In 2011, the State established sustainability as a state priority by incorporating the Hawaii 2050 sustainability plan definitions, guiding principles and goals, into chapter 226, Hawaii Revised Statutes (the Hawaii state planning act).

"Sustainability" definition was added to the Planning Act as: "achieving the following:

(1) Respect of the culture, character, beauty, and history of the State's island communities;
(2) Striking a balance between economic, social, community, and environmental priorities; and
(3) Meeting the needs of the present without compromising the ability of future generations to meet their own needs."

The Act also added "principles of sustainability" as one of the six major areas of statewide concern which merit priority attention, economic development, population growth and land resource management, affordable housing, crime and criminal justice, quality education and principles of sustainability."

OEQC's Sustainable Building Design Guidelines

The Environmental Council, as part of a "Planner's Checklist," adopted Guidelines for Sustainable Building Design in Hawai`i (October 13, 1999.) These guidelines do not constitute rules or law. A sustainable building is built to minimize energy use, expense, waste and impact on the environment. It seeks to improve the region's sustainability by meeting the needs of Hawai`i's residents and visitors today without compromising the needs of future generations. Compared to conventional projects, a resource-efficient building project will:

1. Use less energy for operation and maintenance
2. Contain less *embodied* energy (i.e. locally produced building products often contain less *embodied* energy than imported products because they require less energy-consuming transportation.)
3. Protect the environment by preserving/conserving water and other natural resources and by minimizing impact on the site and ecosystems
4. Minimize health risks to those who construct, maintain and occupy the building
5. Minimize construction waste
6. Recycle and reuse generated construction wastes
7. Use resource-efficient building materials (e.g. materials with recycled content and low embodied energy, and materials that are recyclable, renewable, environmentally benign, non-toxic, low VOC (Volatile Organic Compound) emitting, durable, and that give high life cycle value for the cost.)
8. Provide the highest quality product practical at competitive (affordable) first and life cycle costs.

In the design and construction of Kapa'a Highlands II, Three Stooges, LLC will seek to implement feasible measures to conform to these general guidelines.

Hawaii BuiltGreen Program

The Hawaii BuiltGreen Program is a statewide program to "incentivize" the designing and building of energy and resource efficient homes in Hawaii. Originally developed in 2000 by a public/private partnership between the State Dept. of Business, Economic Development & Tourism (DBEDT), USDOE and five other partners. Now promoted by the State, BIA, Hawaii utility companies and other organizations.

Hawai'i BuiltGreen is a self-certification program administered by the Building Industry Association of Hawai'i, which is a professional trade organization affiliated with the National Association of Home Builders. This is a local initiative based on homegrown knowledge of professionals familiar with the unique conditions of Hawaii. The Hawaii BuiltGreen program focuses on design choices through:

- Protecting Site Features and Functions
- Energy Performance and Comfort
- Health and Indoor Air Quality
- Durability and Materials Conservation
- Environmentally-Friendly Home Operations

US Green Building Council
Leadership in Energy and Environmental Design (LEED)

The US Green Building Council's Leadership in Energy and Environmental Design (LEED) program is a voluntary green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance across all the metrics that matter most: energy savings, water efficiency, CO_2 emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts.

Specific LEED programs include:

- Homes
- Neighborhood Development
- New Commercial Construction and Major Renovation projects
- Existing Building Operations and Maintenance
- Commercial Interiors projects

LEED for Homes is a voluntary rating system that promotes the design and construction of high performance "green" homes. A green home uses less energy, water and natural resources; creates less waste; and is healthier and more comfortable for the occupants.

LEED for Neighborhood Development is a collaboration between the U.S. Green Building Council, the Congress for the New Urbanism and the Natural Resources Defense Council. The LEED for Neighborhood Development Rating System integrates the principles of smart growth and green building into the first national standard for neighborhood design. LEED for Neighborhood Development recognizes development projects that successfully protect and enhance the overall health, natural environment and quality of life of our communities. The rating system encourages urban smart growth best practices, promoting the design of neighborhoods that reduce vehicle miles traveled and communities where jobs and services are accessible by foot or public transit.

ENERGY STAR Program

ENERGY STAR is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy.

In 1992, the US Environmental Protection Agency (EPA) introduced ENERGY STAR as a voluntary labeling program designed to identify and promote energy-efficient products to reduce greenhouse gas emissions. Computers and monitors were the first labeled products. Through 1995, EPA expanded the label to additional office equipment products and residential heating and cooling equipment. In 1996, EPA partnered with the US Department of Energy for particular product categories.

The ENERGY STAR label is now on major appliances, office equipment, lighting, home electronics, and more. EPA has also extended the label to cover new homes and commercial and industrial buildings.

National Institute of Building Sciences
Whole Building Design Guide (WBDG)

The goal of 'Whole Building' Design is to create a successful high-performance building by applying an integrated design and team approach to the project during the planning and programming phases. The WBDG program is a collaborative effort among federal agencies, private sector companies, non-profit organizations and educational institutions. In buildings, to achieve a truly successful holistic project, these design objectives must be considered in concert with each other:

- Accessible: to address the specific needs of disabled people.
- Aesthetics: the physical appearance and image of building elements and spaces
- Cost-Effective: weighing options during concepts, design development and value engineering
- Functional/Operational: spatial needs and requirements, system performance durability and efficiency
- Historic Preservation: whereby building elements and strategies are classifiable into preservation, rehabilitation, restoration or reconstruction.
- Productive: physical and psychological comfort—including air distribution, lighting, workspaces, systems, and technology.
- Secure/Safe: physical protection of occupants and assets from man-made and natural hazards.
- Sustainable: Pertains to environmental performance of building elements and strategies.

Land Use and Development Practices - Low Impact Development (LID)

Land use practices can improve air quality, reduce stormwater runoff, increase energy efficiency and reduce greenhouse emissions to improve the quality of life for citizens. LID is a land development approach that allows land to be developed but in a manner that helps lessen potential environmental impacts. LID employs principles such as preserving and recreating natural landscape features, minimizing effective imperviousness to create functional and appealing site drainage that treat stormwater as a resource rather than a waste product.

By implementing LID principles and practices, water can be managed in a way that reduces the impact of built areas and promotes the natural movement of water within an ecosystem or watershed. LID has been characterized as a sustainable stormwater practice by the Water Environment Research Foundation and others.

In general, implementing integrated LID practices can result in enhanced environmental performance while at the same time reducing development costs when compared to traditional stormwater management approaches. LID techniques promote the use of natural systems, which can effectively remove nutrients, pathogens and metals from stormwater.

Conservation designs can be used to minimize the generation of runoff by preserving open space. Examples of Conservation Design include:

- Cluster development
- Open space preservation
- Reduced pavement widths (streets, sidewalks)
- Shared driveways

One Planet Living

One Planet Living is a vision of a sustainable world, in which people everywhere can enjoy a high quality of life within the productive capacity of the planet, with space left for wildlife and wilderness. Organizations around the world are using the one planet living approach to take measurable steps towards genuine sustainability. From zero carbon buildings to procurement policies that support the green economy, one planet living solutions are cost-effective, creative, inspirational and replicable.

- Zero Carbon - Making buildings more energy efficient and delivering all energy with renewable technologies
- Zero Waste - Reducing waste, reusing where possible, and ultimately sending zero waste to landfill
- Sustainable Transport - Encouraging low carbon modes of transport to reduce emissions, reducing the need to travel
- Sustainable Materials - Using sustainable and healthy products, such as those with low embodied energy, sourced locally, made from renewable or waste resources
- Local and Sustainable Food - Choosing low impact, local, seasonal and organic diets and reducing food waste
- Sustainable Water - Using water more efficiently in buildings and in the products we buy; tackling local flooding and water course pollution
- Land and Wildlife - Protecting and restoring existing biodiversity and natural habitats through appropriate land use and integration into the built environment
- Culture and Heritage - Reviving local identity and wisdom; supporting and participating in the arts
- Equity and Local Economy - Creating bioregional economies that support fair employment, inclusive communities and international fair trade
- Health and Happiness - Encouraging active, sociable, meaningful lives to promote good health and well being

Complete Streets

Complete Streets are designed and operated to enable safe access for all users. Pedestrians, bicyclists, motorists and transit riders of all ages and abilities must be able to safely move along and across a complete street. Complete Streets make it easy to cross the street, walk to shops and bicycle to work. They allow buses to run on time and make it safe for people to walk to and from train stations.

By adopting a Complete Streets policy, communities direct their transportation planners and engineers to routinely design and operate the entire right of way to enable safe access for all users, regardless of age, ability or mode of transportation. This means that every transportation project will make the street network better and safer for drivers, transit users, pedestrians and bicyclists – making your town a better place to live.

Natural and Cultural Resources

The preservation of the natural and cultural resources is essential for a prosperous and sustainable future. Kapa'a Highlands II holds respect for the culture and the environment and will interlink natural features and cultural features as core components of the community. Archaeological and cultural sites will be protected and maintained with appropriate treatment and buffers from adjacent uses, as necessary.

No archaeological or cultural historic sites are known to exist on the property.

Brief discussions separately with historians of the subject area, Randy Wichman, Walter Smith and Albert Fukushima, concluded that the subject property has been in sugar cultivation since the 1800s until the early 1990s.

Albert Fukushima, who was employed by Lihue Plantation and worked in the subject area, said that no evidence of artifacts, bones, or other indicators of previous historic on-site activity were uncovered during the cultivation of sugar. Randy Wichman and Walter Smith concurred that the subject land was consistently cultivated for sugar for nearly a hundred years.

In 1995 SHPD stated for the "Site Selection EIS" for the adjacent Kapa'a Middle School that the site may not be Archaeological or Historically rich because of the consistent cultivation of sugar for nearly a hundred years.

In the late 1999, the State Historic Preservation Division (SHPD) issued a letter of "no significance" to the potential developer at that time.

There exists sparingly, evidence of inactive sugar irrigation ditches. Nearly all have lost their banks and flattened out. Currently, SHPD has requested that the applicant record the locations of the remaining remnants of the former irrigation ditches prior to the development stages. The Applicant is committed to conducting and Archaeological Inventory Survey at the time of design and development phase in order to properly record the remains of the plantation irrigation ditches.

Should any archaeologically significant artifacts, bones, or other indicators of previous historic on-site activity be uncovered during construction, the Applicant is committed to their treatment being conducted in strict compliance with the requirements of SHPD.

Additionally, whenever existing rock walls must be removed, the rocks from these walls will be set aside and reused in the construction of new screen, buffer and retaining walls built within Kapa'a Highlands II. Whenever feasible, rocks from Kapa'a Highlands II will be used for such walls (minimize importation of rock from offsite).

Greenbelts

Greenbelts are undeveloped areas that surround the developed areas. Greenbelt is a strategic planning tool to prevent urban sprawl by keeping land permanently open. The purpose of the Greenbelt is to prevent urban sprawl, prevent neighboring towns from merging into one another, and to preserve the setting and the character of the area. Approximately 14.3-acres are proposed for open greenway areas.

Consistency with Regional Land Use Planning

Consistency with local land use planning documents is an essential element of sustainability. The local plans articulate and illustrate the community's vision. Without consistency with that vision, a development project cannot be sustainable.

Two primary planning documents address land use development in Kapa'a, the General Plan of the County of Kaua'i and the Kapa'a-Wailua Basin Community Plan. Following are brief summaries of each.

The General Plan of the County of Kaua'i (General Plan)

The General Plan of the County of Kauai ("General Plan") was adopted in 1971 and updated in November 2000. The General Plan is a statement of the County's vision for Kaua'i and establishes strategies for achieving that vision. Section 7-1.2 of the amended Chapter 7 of the Kauai County Code states:

Pursuant to the provision of the Charter for the County of Kaua'i, the General Plan sets forth in graphics and text, policies to govern the future physical development of the county. The General Plan is intended to improve the physical environment of the County and the health, safety and general welfare of Kaua'i's people.

The General Plan states the County's vision for Kaua'i and establishes strategies for achieving that vision. The strategies are expressed in terms of policies and implementing actions. They may be augmented and changed as new strategies are developed.

The General Plan is a direction-setting policy document. It is not intended to be regulatory. It is intended to be a guide for future amendments to the lands regulations and to be considered in reviewing specific zoning amendment and development applications.

The vision, the maps and text policies, and the implementing actions are intended to guide the county actions and decisions. In addition, the maps and text policies are intended to guide the County in specific types of actions: making revisions to land use and land development Regulations; deciding on zoning changes; preparing and adopting Development Plans and Public Facility Plans; and preparing and adopting capital improvement plans.

The General Plan contains six major themes, each with various policies for implementation. The major themes are as follows:

1. Caring for Land, Water and Culture
2. Developing Jobs and Businesses
3. Preserving Kaua'i's Rural Character
4. Enhancing Towns & Communities and Providing for Growth
5. Building Public Facilities and Services
6. Improving Housing, Parks and Schools

In particular, the proposed reclassification of the Property responds and conforms to Theme No. 6. Market studies have shown that the population growth and correlating need and demand for housing is extremely high on Kaua'i.

The proposed reclassification, which will allow residents to purchase an affordable house and lot as well as allow other residents to purchase a lot to design and build their own homes, will present an opportunity to address the critical community need for residential housing. It should also be noted that the proposed development will assist in maintaining a viable economy as construction-related employment opportunities for residents would be generated.

Kapa'a-Wailua Basin Community Plan

The Kapa'a-Wailua Basin community plan outlines the regional issues and opportunities that will be subjects for future community planning. A "Build-Out Analysis" of the Kapa'a-Wailua Basin was prepared in the General Plan Update. As of 1998, this area had an estimated 4,700 dwelling units, making it the largest residential community on Kauai.

Based on the General Plan Land Use Map designations, the analysis found that an additional 4,000 units could be developed if the General Plan-designated lands were fully zoned, subdivided and built out. About 2,400 more units could be built in Urban Residential areas, about 500 more in Rural Residential areas and approximately 1,100 more units in the Agricultural areas. This would increase the housing units and population of the area by 85%.

The "Build-Out Analysis" specifically included the subject property as an "expansion area". The new General Plan Land Use Map designates the subject property as Urban Center.

The Kapa'a Highlands II project conforms to and implements the policies of the Kaua'i General Plan by developing within the designated Urban District, contiguous to Kapa'a town and its neighboring residential community.

Sustainable Design Features

Thoughtful planning of site, neighborhood and improvements design, incorporating mixed-use land uses, walkable streets, encouraging walking, bicycling and public transportation, and respect for the natural and cultural features creates opportunities for more environmentally-responsible and sustainable development. These sustainable neighborhoods are beneficial to the community, the individual and the environment.

Several sustainability programs and plans (noted previously in Chapter 2) identify and address a wide variety of design features that may be incorporated into a development project to enhance its sustainability. These items design features include:

- **Site Planning**
  - Respect for the Land – Work with topography
  - Siting - Proximity to mass transit, shopping, employment centers, recreation, schools
  - Interconnectivity – Connection with neighbors, Multi-modal transportation (to be discussed in another section of this Plan)
  - Intensity of Layout – Village Center; Clustering into compact villages
  - Natural/Cultural Resources – Protection of natural and cultural resources (to be addressed in another section of this Plan)

- **Improvements Planning**
  - Alternatives – Provide a range of housing options at various price levels (to be discussed in another section of this Plan)
  - Orientation – Ventilation; Take advantage of natural air flow
  - Shading – Eve overhang; Vegetation
  - Landscaping – Native plants; Low irrigation
  - Energy Efficiency – (to be discussed in another section of this Plan)

The objectives of Kapa'a Highlands II are to create an attractive master-planned residential community with a variety of housing opportunities and mixed uses, as well as recreational resources.

<u>Site Planning</u>

As a mixed-use community, the objectives of Kapa'a Highlands II are to:

- Create a diverse, sustained community of mixed uses, including residential, retail and commercial spaces, recreational spaces, and open space.
- Cultivate intrinsic respect for the land and natural surroundings, develop an inherent Hawaiian sense of place and nourish a sustaining living environment.
- Provide housing for the working families of Hawai'i nearby areas of workforce demand, resultantly improving overall quality of life through the reduction of commuting and facilitation of everyday function.
- Openly embrace a diversity of people and activities through offering mixed uses and housing types.
- Contribute to the social fabric of the community by providing infrastructure and facilities, and by including recreational, and civic sites.
- Engender and incorporate intelligent, planned sustainability by design.
- Emphasize non-vehicular transit for mainstream community-wide travel.

Kapa'a Highlands II is strategically located north of Kapa'a town. The Kapa'a By-Pass Road separates the Kapa'a town and the Kapa'a Highlands II development. Kapa'a Highlands II is on the north-west corner of the Kapa'a By-Pass Road and Olohena Road. Olohena Road runs along and adjacent to the east and north boundaries of the Property. The Kapa'a Middle School is located on the northern end of the Property fronted by Olohena Road. The area also has a long-standing and growing residential base.

This area will continue to be the focus of such development as the Island's population grows. This region is also the near commercial and industrial heart of Kaua'i, serving the needs of the visitor, residents and other industries of the western half of the Island.

Kapa'a Highlands II is a compact, mixed-use, master-planned community offering a wide range of housing types and affordability, and a variety of businesses and employment opportunities with supporting retail, commercial, infrastructure, recreational and open space uses.

The Project proposes to develop Phase II of Kapa'a Highlands into an approximately 97-acre single-family and multi-family residential subdivision. Approximately 69-acres will be subdivided into single family lots ranging from 5,000 to 8,000 square feet and multi-family lots from 1-acre to 5-acre parcels. A total of 683 multi-family units and 86 single family units are planned. Open space encompassing 14.3-acres will be developed and associated infrastructure (e.g., new roadways, utilities, drainage, wastewater). Affordable housing will be provided in accordance with County of Kaua`i requirements.

A 3.1-acre park is proposed adjacent to the existing Kapa'a Middle School. The park will have an area for the county's proposed relocation of the Kapa'a county swimming pool. A 0.4-acre parcel is proposed for commercial use. A country type store and small personal service types of use are anticipated. A remnant parcel of a one acre on the Makai side of the Kapa a Bypass road is also proposed as commercial use or for sub-stations for the police and fire departments. Approximately 14.3-acres are proposed for open greenway areas.

The site is presently fallow, undeveloped, and predominantly vegetated with weeds. The undesirable dumping of old cars, appliances, rubbish associated with undeveloped lands continue to exist on the property. The proposed project will increase the productive use of the property and significantly upgrade the immediate vicinity.

The proposed development will have minimal impact in terms of agriculture. Although the Property was previously used as part of large scale agricultural activities, it is presently fallow, and undeveloped. With the closing of the sugar plantations on Kaua'i, close proximity to existing residential areas, and demand for affordable housing, large-scale agricultural operations were not deemed feasible.

Construction of the proposed development will involve grading, excavation and trenching of presently undeveloped areas within the project site. The project will require alteration of existing landforms to create more efficient land development areas. Appropriate engineering, design and construction measures will be undertaken to minimize potential erosion of soils during construction.

On-Site grading and infrastructure improvements and residential construction will result in an increase in dust, storm run-offs and noise. The prevailing trade wind pattern is from the north-east directions. Potential airborne matters will generally be carried in the south-west direction, away from the school and existing residential areas. However, on occasions, the westerly winds may carry the potential

airborne matters towards the school and existing residential neighborhoods. Construction noise relating to infrastructure installations will be expected.

In the short term, during construction, measures will be taken to minimize impacts such as increased dust, noise and traffic. Construction activities shall comply with the provisions of Hawaii Administrative Rules, S-11-60.11.33 on Fugitive Dust. Dust preventive measures will include;

- Planning of construction phases to minimize the amount of dust generating materials and activities, centralizing on-site vehicular traffic routes and locating of potential dust-generating equipment in areas of the least impact.
- Provide adequate water source at the site prior to start of construction.
- Landscape and provide rapid covering of bare areas developed during construction.
- Minimize dust from shoulders and access roads.
- Provide dust control measures during weekends, after hours, and prior to daily construction.
- Control dust from debris being hauled away from the site.

A national Pollutant Discharge Elimination System (NPDES) general permit will be acquired prior to construction to minimize storm run-offs during construction.

Mitigation measures will be instituted following site-specific assessments, incorporating structural and non-structural BMPs such as minimizing soil exposure and implementing erosion control measures such as silt fences and sediment basins. Following construction, erosion is anticipated to decrease since the soils will have been graded, built over, paved over or landscaped. Landscaping in turn will provide erosion control. Mass grading of the development areas will be in compliance with the County of Kaua'i's grading ordinance requirements and will require NPDES permit from the State DOH for storm water construction activities, including BMPs to minimize off-site impacts.

The Property is encompassed by the Kapa'a By-Pass Road to the south and Olohena Road to the east and the north side. The by-pass road is owned by the Applicant and the Applicant intends to dedicate said road to the Department of Transportation (DOT) for continued public use.

There is a round-about located at the south east corner of Olohena Road and the Kapa'a By-Pass Road. Kuhio Highway is accessible from the Property by driving south on Olohena and Kukui Street approximately 0.5 mile. The project will have a complete multi-modal roadway from the Kapa'a By-Pass Road running north through the Property to Olohena Road. A couple of bus stops will be located along the roadway. A bike/walking path is proposed from the south of the property to the Kapa'a Middle School located on the North portion of the Property.

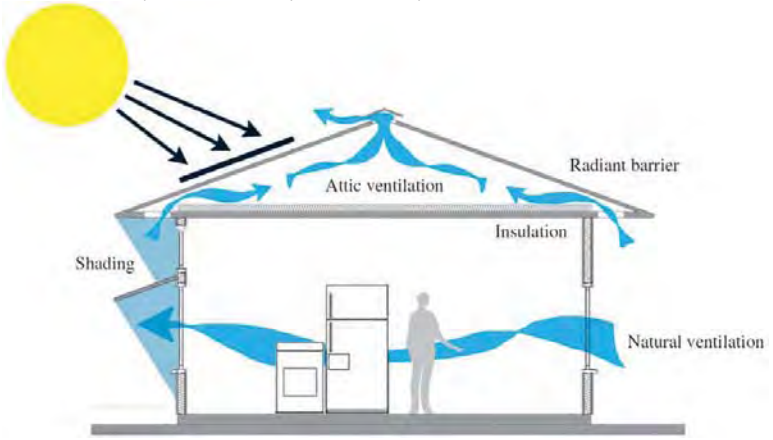
<u>Improvements Planning</u>

There are three major sources of unwanted heat in homes: direct solar impacts on a building and through windows and skylights; heat transfer and infiltration, of exterior high temperatures, through the materials and elements of the structure; and the internal heat produced by appliances, equipment and inhabitants.

The DBEDT Field Guide for Energy Performance, Comfort and Value in Hawaii Homes provides a number of recommended ways to incorporate effective design options to address home temperatures. These items to be considered in the development of Kapa'a Highlands II are summarized and illustrated below:

Design for Comfort and Value

A. Control Heat Gain: Use strategies to reduce solar heat gain through roofs, walls and windows.
   1. Orient and arrange building to control heat gain
   2. Landscape and design outdoor surfaces to reduce air temperatures and glare; minimize paving area and use grassed and planted areas to provide lowered site temperatures, shade and evaporative cooling
   3. Shade roofs, walls and windows with:
      a. Architectural elements such as eaves, awnings and carports, and
      b. Window treatments such as blinds and shutters
   4. Use insulation and/or radiant heat barriers in roofs and walls exposed to the sun
   5. Use high performance windows (Low-e, spectrally selective, or tinted glazing) to keep solar heat out of interior spaces while admitting daylight
   6. Use light colored roofing and wall finishes
   7. Shade or insulate materials with high thermal mass, such as concrete floors, to avoid heat build-up and uncomfortably hot surface temperatures



B. Use Natural Ventilation: Provide ample fresh air ventilation for living spaces and areas where hot air and humidity accumulate, such as attics, high ceiling spaces, kitchens, bathrooms and laundry areas.
   1. Orient buildings to maximize the cooling potential of prevailing winds and minimize morning and afternoon heat gain
   2. Design floor plans and opening placement and type to provide effective cross ventilation with good air circulation throughout room areas and at body level
   3. Provide generous screened openings well protected from the rain

4. Use architectural design elements such as vents and casement windows to improve interior air circulation
5. Enhance natural ventilation with fans as needed:
   a. Use ceiling and whole house fans to provide comfort on warm, humid or still days
   b. Use solar powered attic vent fans when appropriate and economically feasible

Shaded areas stay cooler

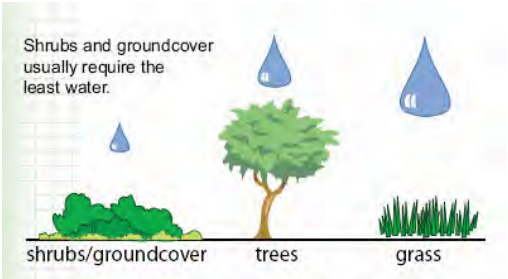
Consistent with the principles and recommendations noted in the DBEDT publication *Hawai'i Homeowner's Guide to Energy, Comfort & Value*, to the extent feasible and practical, Kapa'a Highlands II will incorporate the following:

Site Planning and Landscaping

Orientation of homes is important. Try to minimize the area of east- and west-facing walls and windows because they are difficult to shade from the sun.

Landscaping and the design of outdoor surfaces can reduce air temperatures and glare. Landscaping minimizes paving area provides lowered site temperatures, shade and evaporative cooling.

Low impact landscaping. Selection and distribution of plants must be carefully planned when designing a functional landscape. Aesthetics are a primary concern, but it is also important to consider long-term maintenance goals to reduce inputs of labor, water, and chemicals. Properly preparing soils and selecting species adapted to the microclimates of a site greatly increases the success of plant establishment and growth, thereby stabilizing soils and allowing for biological uptake of pollutants. Dense, healthy plant growth offers such benefits as pest resistance (reducing the need for pesticides) and improved soil infiltration from root growth. Low impact landscaping can thus reduce impervious surfaces, improve infiltration potential and improve the aesthetic quality of the site.



Protect and retain existing landscaping and natural features. Select plants that have low water and pesticide needs, and generate minimum plant trimmings. Use compost and mulches. This will save water and time.

Examples of Low Impact Landscaping

- Planting native, drought tolerant plants
- Converting turf areas to shrubs and trees
- Reforestation
- Encouraging longer grass length
- Planting wildflower meadows rather than turf along medians and in open space

Control Heat Gain

By using strategies to reduce solar heat gain through roofs, walls and windows, a house can stay cool. Roofs, walls, windows and outdoor flooring can be shaded with architectural elements such as eaves, awnings and carports, and shutters.

Walls

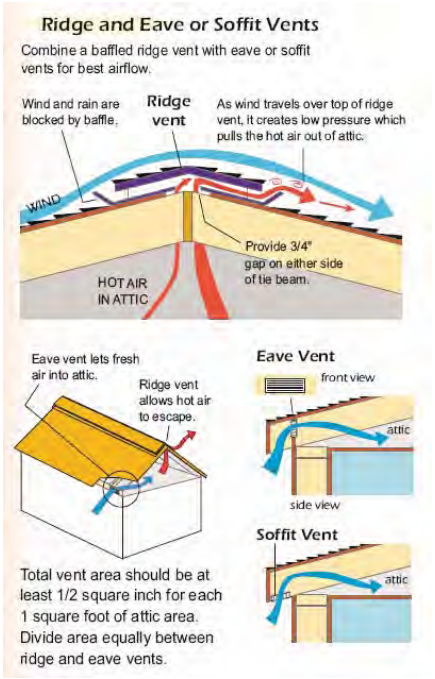
Unshaded walls can get very hot and make your home uncomfortable. The best "cool wall" strategy is shading with overhanging eaves, lanais, or landscaping. If complete shade isn't feasible, use insulation or radiant barriers in the exposed walls. Use a white exterior finish to improve cool wall performance.

Windows

The use of high performance windows (Low-e, spectrally selective, or tinted glazing) helps keep solar heat out of interior spaces while admitting daylight. Overhangs, awning and trees can keep the sun from striking windows directly.

Roofs and Roofing Material

A cool roof is essential for a comfortable home. Insulation keeps roofs and homes cool by blocking heat on the roof thus, the attic, the ceiling and the rest of the house stay cool and comfortable. Installing a white roof will keep a home cooler.



Ventilation is another tool for keeping homes cool. For houses with attics good ventilation is recommended. Ridge and Eave or Soffit Vents work as well. If a ridge vent is not feasible, use a solar powered vent fan in combination with eave or soffit vents, to push warm air out of the house and attic.

Solar Water Heating

Minimizing the energy required for water heating is the most important energy saving step for a Hawaii home. Conventional water heating is a big expense and accounts for about 40% of the utility bill in a Hawaii house.

Hawaii was the first state in the nation to require solar water heaters in new home construction. Act 204 SLH 2008, requires all building permits for single-family homes issued after Jan. 1, 2010, to include solar water heaters. Exceptions are allowed where homes have poor sunlight; if it is cost-prohibitive after 15 years; when the dwelling has a substitute renewable energy source; or if there is an approved tankless water heater and another appliance, both powered by gas.

Additionally insulating hot water supply lines and pipes with at least ½" foam or 1" fiberglass insulation and setting heater thermostats adjustable for 120F or less, can add additional energy savings to a homeowner.

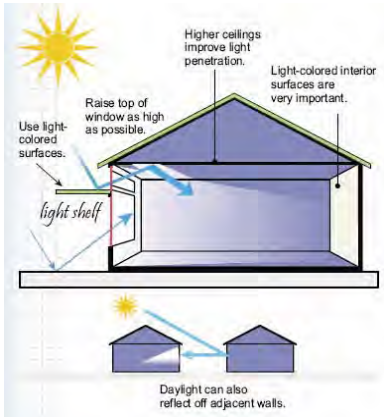
Photovoltaic systems

Alternative energy sources such as photovoltaics and fuel cells that are now available in new products and applications will be available as a house feature option. Renewable energy sources provide a great symbol of emerging technologies for the future.

Lighting

Energy Efficient Light Design

Energy efficient light design features help minimize electric lighting energy demand and heat gain. An efficient lighting system uses fluorescent lamps as the primary light source and may selectively use incandescent (also halogen, a type of incandescent) for accent lighting and for applications where the light is usually off (like exterior lights on motion sensor controls). Modern fluorescent lighting can provide excellent color rendering and be free of flicker and hum. Additionally, start up is nearly instantaneous with electronic instant-start and rapid-start ballasts. Fluorescent lamps last 10 to 20 times longer than incandescents, saving energy all the while, so the lifetime cost is much lower and fluorescent lights do not emit as much heat as incandescents.

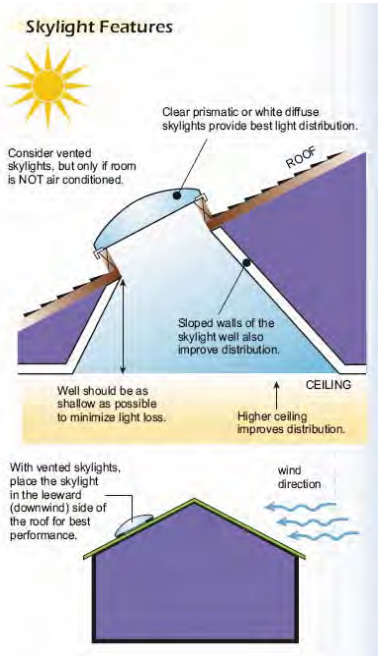


Providing controls such as timers, dimmers, sensors and separate fan/light controls to limit power use to the times and levels needed, also helps reduce lighting power consumption.

The use of solar powered landscape lighting when economically feasible is another energy saving design feature which can be used for both residential homes as well as business and civic buildings and spaces.

Daylighting

Daylighting is the use of natural sunlight to light interior spaces. Using controlled, filtered and indirect daylighting to light interior spaces reduces electric lighting loads. The effectiveness of daylighting can be increased with generous wall openings, open floor plans and light colored interior finishes.



Windows are usually a home's main source of daylight. Blocking direct sunlight and bouncing light on to the ceiling helps facilitate daylighting. Minimizing areas of east- or west-facing windows and using blue or green glass help.

Skylights (traditional, vented, tubular) can provide significant daylighting opportunities.

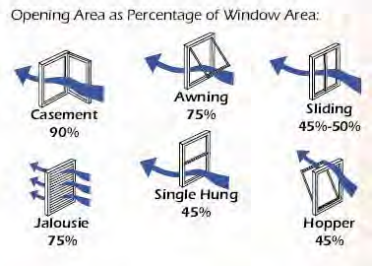
Light-colored interior finishes are critical for good light distribution thus, white ceiling is recommended.

Rooms with higher ceilings and narrow floor plans are easier to daylight. Consider several smaller skylights instead of one larger skylight for better light distribution.

Natural Ventilation

Kapa'a Highlands II will optimize air-flow by designing homes that capture cooling breezes to keep homes comfortable. Utilizing natural ventilation also helps reduce health hazards such as mold and mildew.

Buildings should be oriented to maximize the cooling potential of prevailing winds and minimize morning and afternoon heat gain. Floor plan design will include effective cross ventilation with good air circulation throughout room areas and at body level.



Providing generous screened openings and using architectural design elements such as vents and casement windows will improve interior air circulation.

Ceiling fans are a great way to enhance natural ventilation. Use ceiling and whole house fans to provide comfort on warm, humid or still days.

Transportation

The Property is encompassed by the Kapa'a By-Pass Road to the south and Olohena Road to the east and the north side. The by-pass road is owned by the Kapa'a Highlands II which is working with the Department of Transportation (DOT) and has been allowing for the continuous public use of the road. The by-pass road is in the process of being dedicated to DOT. The agreement of transfer will include that all mitigating measures will be the shared responsibility of DOT and Kapa'a Highlands II.

There is a round-about located at the south east corner of Olohena Road and the Kapa'a By-Pass Road. Kuhio Highway is accessible from the Property by driving south on Olohena and Kūkuī Street approximately 0.5-mile. The project will have a main roadway from the Kapa'a By-Pass Road running north through the Property to Olohena Road. The roadway will follow the county's resolution for complete roads and as such will be a multi-modal roadway. A couple of bus stops will be located along the roadway. A bike/walking path from the round-about south east of the property will follow the bypass road, connect to the main road and continue to the Kapa'a Middle School located on the North portion of the Property. Kapa'a Highlands II is continuing to work with the DOT on potential traffic issues.

Transportation, housing, land use and infrastructure need to be integrated and incorporated into Kaua'i's long-term transportation policies as the population continues to grow in the years ahead. The Kaua'i General Plan, includes the following policies:

Bus Transit.

- Continue to operate The Kauá i Bus; seek to increase ridership and expand service, subject to the availability of funds.
- Improve bus stops to increase safety and convenience of service.
    - Improvements to pullover areas along roadways in order to create safe and accessible bus stops.
    - Designated areas at housing projects (particularly those with elderly and disabled residents) that provide safe and accessible paratransit stops.

Bikeways.

- Support funding to develop Kaua'i's bikeway system to provide for alternative means of transportation, recreation, and visitor activities (economic development).

Regional Highways and Roads.

- Use General Plan policies concerning rural character, preservation of historic and scenic resources, and scenic roadway corridors as part of the criteria for long-range highway planning and design. The goal of efficient movement of through traffic should be weighed against community goals and policies relating to community character, livability, and natural beauty.
- Consider transportation alternatives to increasing the size and capacity of roadways. Alternatives include increased utilization of public transit.
- Planning for the Kapa'a By-Pass should incorporate connector roads between the By-Pass and the coastal highway and between the By-Pass and roads serving the valley.
- The State and the County should jointly undertake a study of the existing roadway network and the future transportation needs within the Kapa'a-Wailua homesteads area.

- Reserve corridors for future roadways as shown on the General Plan Land Use Map. The corridors are conceptual only and are subject to environmental assessment and evaluation of alternative alignments.

Kapa'a Highlands II is committed to Multi-modal, Interconnected and Concurrent Transportation for its residents and community.

Multi-modal Interconnected Roads and Streets

The proposed main complete, multi-modal roadway through the development will include bus stops, sidewalks and a bike and walking path connecting from Kapa'a Middle School down through the development to the round-about, facilitating green travel to and from Kapa'a's town core.

Kapa'a Highlands II incorporates multiple road interconnections with neighbors.

Kapa'a Highlands II will incorporate a system of interconnected roads that will provide residents alternative transportation routes within the project. The internal circulation pattern will provide safe and convenient choices for drivers, bicyclists and pedestrians.

Additional sustainable connectivity concepts including bikeways and walkways to and from the planned County pool, neighborhood commercial areas, the middle school and Kapa'a's town core are planned.

Complete Streets

Through recent legislation, the State of Hawaii Department of Transportation (HDOT) and county transportation departments are required to ensure the accommodation of all users of the road, regardless of their age, ability, or preferred mode of transportation. In addition, the concept of "Complete Streets" is prioritized where:

> "(T)ransportation facilities ... are planned, designed, operated and maintained to provide safe access and mobility for all users, including bicyclists, pedestrians, transit riders, freight and motorists".

In addition to providing vehicle access, roadway networks are a vital part of the livability of our communities. Complete streets will provide an ease of use and access to destinations by providing an appropriate path of travel for all users, and enhance the ability to move people and goods throughout the state and its counties.

Additionally, complete streets principles will help contribute to a clean and secure energy future for Hawaii by offering flexibility and better accommodation for safe transit, walking, bicycling and alternate fuel vehicles that together, will decrease demand for imported oil.

Complete Streets are streets for everyone. They are designed and operated to enable safe access for all users. Pedestrians, bicyclists, motorists and public transportation users of all ages and abilities are able to safely move along and across a complete street.

Complete Streets make it easy to cross the street, walk to shops, and bicycle to work. They allow buses to run on time and make it safe for people to walk to and from transit stations.

Economic Opportunities

Kapa'a Highlands II provides significant, on-going economic and fiscal benefits for residents of Kaua'i, as well as for the County and State governments.

Development of facilities would generate employment and consequent income and taxes. In addition, by providing the opportunity for new residents to the Island of Kaua'i and generating additional real estate sales activity, the Project is expected to support long-term impacts, including additional consumer expenditures, employment opportunities, personal income and government revenue enhancement.

On a short-term basis, the proposed development will have a direct beneficial impact on the local economy during construction through construction and construction-related employment. It should also be noted that the proposed development will assist in maintaining a viable economy as construction-related employment opportunities for residents would be generated.

Over the long term, the residential homeowners will require various services related to home maintenance and improvement that will further support the local economy.

On-Site Employment Generators

Kapa'a Highlands II proposes two areas for commercial uses that, ultimately, will serve to promote and provide a variety of job opportunities. A 0.4-acre parcel is proposed for commercial uses such as a country store and small personal service type uses are anticipated. A 1-acre site on the Makai side of the Kapa'a Bypass Road is also proposed for commercial development or for use as sub-stations for the police and/or fire department.

Open Space and Parks

Kapa'a Highlands II holds respect for the environment by interlinking natural features and open space as core components of the community.

There are several parks within Kapa'a town, including a beach park. A County-owned 1.9-acre park is located within walking distance from the Property, just south east of the corner of Olohena Road and the by-pass road round-about. The park consists of a baseball field, football field, basketball courts, restroom facilities, picnic tables and a barbecue area.

Open space and open greenway areas encompassing 14.3-acres will be developed within the project. A 3.1-acre park is proposed within the project for outdoor recreation. Land for the proposed relocation of the Kapa'a county swimming pool will be available within the 3.1-acre park. The provision of a 3.1-acre park with a county swimming pool within the proposed development will provide residents with an opportunity for leisurely recreational activities.

Kapa'a Highlands II is conforms with HRS § 205-a-2(B) (3) (A) which states that CZM's objective is to "protect, preserve and, where desirable, restore or improve the quality of coastal scenic and open space resources."

The policies to achieve this objective are as follows:

1. Identify valued scenic resources in the coastal zone management area;
2. Ensure that new developments are compatible with their visual environment by designing and locating such developments to minimize the alteration of natural landforms and existing public views to and along the shoreline;
3. Preserve, maintain, and, where desirable, improve and restore shoreline open space and scenic resources; and
4. Encourage those developments which are not coastal dependent to locate in inland area.

No scenic, historic, cultural spaces exist or will be created on the subject site and the site is well away from the shoreline. There are no natural wildlife, forest, marine, or unique ecological preserves on or near the subject site. Thus, open space and recreation will not be adversely affected. Park and beaches of Kapa'a are within walking distances from the project.

The proposed project will not adversely impact scenic or open space resources. The proposed project will not involve significant alteration of the existing topographic character of the site and will not affect public views to and along the shoreline.

Water Management

As an overarching philosophy in all source alternatives, Kapa'a Highlands II is committed to water conservation strategies to reduce consumption, conserve resources and minimize water use. The goal is to reduce the total water use through a combination of water saving equipment and strategies.

A number of measures may be implemented to facilitate use and conservation, including water restrictions during drier periods, public education and more efficient landscaping practices. Consumption could be significantly reduced through end-user conservation.

Efficient fixtures and appliances will reduce indoor water use. The water distribution system will be maintained to prevent water loss and homeowners and businesses will be encouraged to maintain fixtures to prevent leaks. Landscaping will emphasize climate-adapted native and other appropriate plants suitable for coastal locations. Best management practices will be designed and implemented to minimize infiltration and runoff from daily operations.

WaterSense

WaterSense, a partnership program by the U.S. Environmental Protection Agency, seeks to protect the future of our nation's water supply by offering people a simple way to use less water with water-efficient products, new homes, and services. WaterSense brings together a variety of stakeholders to:

- Promote the value of water efficiency.
- Provide consumers with easy ways to save water, as both a label for products and an information resource to help people use water more efficiently.
- Encourage innovation in manufacturing.
- Decrease water use and reduce strain on water resources and infrastructure.

The program seeks to help consumers make smart water choices that save money and maintain high environmental standards without compromising performance. Products and services that have earned the WaterSense label have been certified to be at least 20 percent more efficient without sacrificing performance.

If one in every 10 homes in the United States were to install WaterSense labeled faucets or faucet accessories in their bathrooms, it could save 6 billion gallons of water per year, and more than $50 million in the energy costs to supply, heat, and treat that water!

Water Efficient Fixtures

Water is a finite resource—even though about 70 percent of the Earth's surface is covered by water, less than 1 percent is available for human use. Each American uses an average of 100 gallons of water a day at home. We can all use 30 percent less water by installing water-efficient fixtures and appliances. The average household spends as much as $500 per year on their water and sewer bill and can save about $170 per year by installing water-efficient fixtures and appliances.

Water-efficient fixtures reduce water and sewer costs, reduce demand on water supplies and treatment facilities, and reduce heating energy consumption and associated greenhouse gas emissions.

High efficiency toilets: (HETs) reduce flush volumes by no less than 20% compared to conventional ultra-low flow (ULFT) toilets. Dual-flush HETs allow users to choose one of two flushes: liquids or solids. In actual operation, dual-flush HETs average about 1.2 to 1.4 gpf. Pressure-assist HETs use a pressurized tank that creates for a more forceful flush with less water.

Faucets: Water flow is reduced by ***Flow limiters*** which are built into the faucet or are installed as after-market fittings. Aerators or laminar flow devices are types of flow limiters.

- Aeration injects air into the stream of water, displacing much of the water content.
- Laminar flow uses multiple small diameter parallel streams of water that are not aerated.

Flow control valves can limit water flow down to 1.5 to 0.5 gpm per side (hot and cold).

Showerheads: Federal law since 1994 mandates that all showerheads sold in the United States use 2.5 gpm or less. Despite this, some showerheads actually use much more than 2.5 gpm, and shower towers that include multiple showerheads or jets can total 12.5 gpm or more. A better option is a good quality low-flow showerhead designed to use 2.0 gpm or less while providing a satisfying shower.

Groundwater

A Water Master Plan has been approved, in concept, by the County Department of Water (DOW). Kapa'a Highlands II has a proven well site that will be dedicated to the DOW to feed the Department of Water's storage tanks and existing water system. Kapa'a Highlands II is committed to working with the DOW on pertinent water issues during the design and development phase.

The proposed water system will be subject to regulation as a public water system and will meet conditions of the State Department of Health, including HAR Chapter 11-20, 11-21 and 11-25.

Kapa'a Highlands, Phase II consists of approximate 97-acres on the eastern half of the 163.123-acres of Kapa'a Highlands. The proposed development is not anticipated to have significant adverse impacts on ground water because no active water systems are on the 97-acres. The irrigation facility for this former sugar land is no longer available.

A stream exists on Kapa'a Highlands I, flowing from north to south along the western border of the 163.123-acres of Kapa'a Highlands II. Kapa'a Highlands II is committed to keeping the flow of the stream consistent to prevent any potential health and mosquito problems associated with streams when not flowing naturally.

Storm and Surface Water Runoff

A Preliminary Drainage Report has been prepared. A detailed Drainage and Erosion Mitigation Plan will be prepared and submitted to the County Engineer for approval during the design and development stages. The Applicant will be providing major drainage improvements in connection with development of the property. Multiple detention ponds are proposed for the property. Additionally, a series of catch basins, drainage, pipes and culverts will be utilized to direct run off to major drainage areas on the property.

The project's proposed drainage system will be designed to minimize impacts to near shore coastal waters. Water quality treatment and detention basins will be built to prevent runoff and sedimentation from impacting groundwater resources. Prior to the occupancy of any residential or commercial unit within the project, Kapa'a Highlands II shall implement and maintain storm and surface-water runoff BMPs, subject to any applicable review and approval of the State DOH, designed to prevent violations of State water quality standards as a result of storm-water discharges originating from the project. These BMPs will be documented in a declaration of covenants, conditions and restrictions that will be recorded against the property and will run with the land.

Potential water quality impacts during construction of the project will be mitigated by adherence to State and County water quality regulations governing grading, excavation and stockpiling. The County's grading ordinance includes provisions related to reducing and minimizing the discharge of pollutants associated with soil disturbing activities in grading, grubbing and stockpiling.

Construction BMPs will be utilized in compliance with County ordinances pertaining to grading, grubbing, stockpiling, soil erosion and sedimentation during construction. BMPs will also be implemented for long term development and operation of activities occurring on the site as part of pollution prevention measures.

BMPs include storm water runoff and non-storm water sources control measures and practices that will be implemented to minimize the discharge of erosion and other pollutants from entering into the receiving State waters. The erosion control plan for the proposed project include temporary and permanent control measures BMPs that will be implemented in accordance with Chapter 10 of the Hawai'i County Code.

Post construction BMPs to prevent erosion and storm water runoff after construction is completed includes the installation of drain inlets and shallow drywells within the project site, and landscaping and grassing of disturbed areas.

Prior to occupancy, Kapa'a Highlands II will implement and maintain storm and surface-water runoff BMPs, subject to any applicable review and approval of the DOH. Those BMPs will be designed to prevent violations of State water quality standards as a result of storm-water discharges originating from the Project.

Wastewater

Kapa'a Highlands II The project will be contributing to the deferred maintenance and repair of the Kapa'a Waste Water Treatment plant. The project will not be a detriment to the capacity of the Plant.

Energy Management

Pursuant to Chapter 344 (State Environmental Policy) and Chapter 226 (Hawai'i State Planning Act), HRS, all Kapa'a Highlands II activities, buildings and grounds will be designed with a significant emphasis on energy conservation and efficiency. Efficient design practices and technologies will be the cornerstone of Kapa'a Highlands II's design phase. Buildings within Kapa'a Highlands II will further comply with the County of Kaua'i Energy Conservation Code (Kaua'i County Ordinance 890). Furthermore, solar water heaters will be utilized as made requisite under Section 196-6.5, HRS. Kapa'a Highlands II will confer with KIUC in regards to suggestions and proposals for customized demand-oriented management programs offering rebates for the installation of alternative energy efficient technologies and measures

	Kaua'i	Oahu	State
Medium Income (2009)	$55,723	$67,019	$63,741
Electricity Price (May 2011)	44.27 cents/kWh	30.1 cents/kWh	-

Kapa'a Highlands II is committed to renewable energy and energy efficiently as ways to reduce environmental harm and self sufficiency. Kapa'a Highlands II will continue to improve programs and create new programs as the development is initiated.

Residents of the State of Hawaii pay the highest electricity rates in the US. The average American paid 10.5 cents/kWh in 2010. In the state of Hawaii, O'ahu currently has the lowest residential electricity rates, while Lana'i has the highest. Residential rates on Kaua'i average between 40-45 cents/kWh. Hawaii relies on imported oil for approximately 76% of its total electricity production. The price variation across the state is largely a result of difference in power plant efficiencies, power purchasing agreement and other infrastructure.

The Kaua'i Island Utility Cooperative ("KIUC") is the sole electric utility on Kaua'i. KIUC began serving the people of Kauai on November 1, 2002, when it purchased Kauai Electric from Connecticut-based Citizens Communications. KIUC is America's newest electric cooperative, but it's by no means the only one. It is one of approximately 900 electric cooperatives serving electric consumers in 47 states. Like all cooperatives, KIUC operates as a not-for-profit organization that is owned and controlled by the people it serves. KIUC serves over 23,300 customers with 92% of KIUC's electricity coming from the burning of imported fossil fuels.

In 2009 the State Legislature codified the need for energy efficiency by enacting the statewide energy efficiency portfolio standard with a target of reducing energy consumption by 30% of forecasted energy consumption by 2030 (4,300 GWh) and beginning the process for separating efficiency from the existing renewable portfolio standard.

Energy efficiency in homes and buildings

- Hawai'i Revised Statutes section 46-19.6 requires all county agencies to place a "priority on processing of permit applications for construction projects incorporating energy and environmental design building standards."

To reduce net energy consumption and demand, Kapa'a Highlands II will consider the implementation of elements of the United States Environmental Protection Agency (EPA) Energy Star Program; including efficient insulation, high performance windows, compact construction, efficient ventilation systems, and energy efficient lighting elements and appliances.

Kapa'a Highlands II will furthermore seek to harness energy conservations and technologies to facilitate the possibility of net energy metering in building design to empower residents and tenants to reduce their electricity costs and provide energy back to the grid.

Energy conservation and efficiency measures will be implemented and emphasized where applicable in the design of Kapa'a Highlands II. Energy-efficiency technologies to be considered include:

- Solar energy for water heating
- Photovoltaic systems, fuel cells, biofuels and other renewable energy sources
- Optimal utilization of daytime sunlight
- High efficiency light fixtures
- Roof and wall insulation, radiant barriers and energy efficient windows
- Optimized air-flow
- Installation of heat resistant roofing
- Intelligent Landscaping to provide for shading, dust control, and heat-mitigation
- Portable solar lighting (i.e. parking lots)

A photovoltaic system that can generate up to 1.18 MW of electricity is situated in Phase I of the Kapa'a Highlands project. Its operator entered into an agreement to sell to Kaua'i Island Utility Cooperative electricity generated from the solar farm for 20 years. "Creating more renewable energy alternatives is one of the most critical challenges we face," Kauai Mayor Bernard Carvalho said at a dedication ceremony for the solar farm.

The project spreads over five acres of a 165-acre property, and has 5,376 solar panels mounted on posts and piers. The panels average about 12-feet off the ground.

Health and Active Lifestyles

Through the layout and design of Kapa'a Highlands II, there is an overall opportunity for a positive effect on the health of its residents. Communities that make it easy and safe to walk and ride bikes are opening the door to a wide range of health benefits for their residents. They are reducing barriers to being physically active and helping individuals integrate physical activity into their daily lives.

Active living is a way of life that integrates physical activity into daily routines. For individuals, the goal is to get a total of at least 30 minutes of activity each day by, for example, walking, bicycling, playing in the park, working in the yard, taking the stairs, or using recreation facilities. For communities, the goal is to provide opportunities for people of all ages and abilities to engage in routine physical activity and to create places and policies that encourage better physical health.

The burden of physical inactivity:
The Problem:

- 25% of adults are sedentary
- 60% of adults not active enough

The Outcome:

- Obesity, cardiovascular disease, cancer, diabetes, depression
- Physical inactivity is a primary factor in over 250,000 deaths annually.
- Medical costs associated with physical inactivity and its consequences may exceed $76 billion annually. (hawaii.gov/health/healthy-lifestyles)

Walkable and bikable communities increase active living. Active living can improve health by:

- Reducing the risk of dying prematurely.
- Reducing the risk of dying from heart disease.
- Reducing the risk of developing diabetes, colon cancer and high blood pressure.
- Reducing feelings of depression and anxiety.
- Helping control weight.
- Helping build and maintain healthy bones, muscles and joints.
- Promoting psychological well being. (Michigan Department of Community Health)

Growing body of evidence:

- San Diego study: 70 minutes more physical activity/week among residents in walkable neighborhood; 35% vs. 60% overweight (Saelens, Sallis, et. al. 2003)
- 6 lb weight difference in sprawling vs. compact counties
- King County study: 5% increase in neighborhood's "walkability index" correlated with 32% increase in active transportation; 0.23 point reduction in BMI (Frank, Sallis, et. al. 2006) (hawaii.gov/health/healthy-lifestyles)

Community Design Policies Work! The Task Force on Community Preventive Services concluded that:

- Community-scale policies & design are effective
  - Zoning for compact, mixed-use development
  - Transit-oriented development
  - Policies related to street design & connectivity

- Street-scale policies & design are effective:
  - Traffic calming
  - Street lighting
  - Improving street crossings (hawaii.gov/health/healthy-lifestyles)

Education

Schools servicing the project include Kapa'a Elementary, Kapa'a Middle School and Kapa'a High School.

Kapa'a Middle School borders the project site to the north. Kapa'a Elementary School and Kapáa High School share a campus which is approx imately 2-miles from the project site.

Kapa'a Elementary School serves grads K-5 and is one of the largest elementary schools in the state. It shares a campus with Kapáa High School. Kapa'a E lementary School's capacity is 1,373 students, and the 2009/2010 school year enrollment was 827 students (Department of Education, 2010a).

Kapa'a Middle School, with facilities for 1,059 students, was opened in 1997 and has an enrollment of 652 students (Department of Education, 2010b).

Kapa'a High School currently has a student body numbering 1,033 with a capacity of 1,445 (Department of Education, 2010c).

The proposed project will generate increased demand on student enrollment within the region. Kapa'a Highlands II will coordinate with the DOE to ensure that the DOE's facility assessment policy provisions are appropriately addressed.

Additionally, a 3.1-acre park is proposed adjacent to the existing Kapa'a Middle School. The park will have an area for the county's proposed relocation of the Kapa'a county swimming pool. Kapa'a Highlands II also plans to develop a bike/walking path from the south of the property to the Kapa'a Middle School to facilitate biking and walking around the development.

Housing

Kapa'a Highlands II is a well located master planned project on the Island of Kaua'i targeting primary housing demand from local and in-migrant families, as well as offshore second home demand for view estate ownership. Located in the middle of the island, the project is close to the centers of employment and resort activity, plus the airport, beaches, shopping, recreation, etc. It sits above the historic town of Kapaa and below the foothills of the mountain chain that forms the island.

The proposed development, Kapa'a Highlands Phase II, will utilize 163-acres of land for single-family and multi-family residential and commercial purposes. Development of the Property will address a portion of the significant demand for affordable housing in the County of Kaua'i, without significantly affecting reserve areas for foreseeable urban growth.

Kapa'a Highlands II will respond to varying spectrums of demand for housing within Kaua'i by providing a wide range of housing opportunities inclusive of affordable housing alternatives. Kapa'a Highlands II will seek to create and sustain a mixed-income community allowing for unparalleled social diversity.

Affordable housing demands exhibited a significant upward trend over the last several years. Recent market studies have indicated a current shortage of single-family housing in the East Kaua'i area. The forecast is that demand for housing will continue to increase, especially in the area of affordable housing. The proposed development will assist in alleviating some of the current supply-and-demand pressures on Kaua'i's current housing market by providing a variety of additional housing products and opportunities for long-term local residents.

The Kawaihau Planning District has substantial capacity for additional residential development, as described in Section 6.2.3.1 (Build-Out Analysis) of the Kaua'i General Plan. "Lands previously designated for urban use but as yet mostly undeveloped include an area located near Kapáa, south of Olohena Road. This area was previously designated for Urban Mixed Use and is shown as Urban Center on the new GP Land Use Map. Owned partly by the State and partly by Amfac/JMB (or its successor), this "expansion area" for Kapa'a has already accommodated the Kapa'a Middle School."

In a 2010 letter to the applicant, the Planning Director wrote "We are writing in general support of Three Stooges LLC's petition to amend 97-acres in Kapáa to the Urban district. The proposed amendment is in conformance with the County of Kaua'i's General Plan and will provide 231 units of affordable housing. Affordable housing remains an acute need on Kaua'i, even with a falling real estate market and as such the County is generally supportive of any petition that proposes additional affordable housing, particularly when contiguous to developed urban areas, infrastructure and consistent with our General Plan."

Current Housing Stock

The housing stock on Kaua'i is primarily single family, 69%, with attached housing only at 31%. Around 40% of all single-family homes are built on lots sized less than 10,000 sf. The condominium stock is 64% fee-simple and 34% leasehold. It is also only 10% owner occupied, with the balance of the units investor-owned, either in a rental pool, or part of a hotel operation. About 30% of the condo units were built since 1990, with most of the rest around 25 years or more in age. 38% of the condominium units are one bedrooms, with two bedrooms at 45%.

Housing Mix

The target market for this development is relatively broad, as Kapa'a is arguably at the center of the island, with strong retail and recreational facilities, and easy commute to two out of the three major resort areas on the island. The demand for affordable housing is also significant. The proposed development will not only address a critical community need, it will also provide residents with a unique opportunity to purchase a lot and construct a home that best fits their needs on the proposed development's market-priced lots.

Kapa'a Highlands II – Market Housing Mix (2010 dollars)

Type	Average Sales Price	Lot Size	Total Units
Single-Family Lots	$180,000 to $250,000	5,000 to 8,000 Sq. Ft.	86-lots
Multi-Family Units	$220,000 to $450,000	1 to -acre Parcels	683-units

Kapa'a Highlands II – Affordable Housing Mix (2010 dollars)

Type	Average Sales Price	Lot Size	Total Units
Single-Family	$189,000 to $363,000	1,100 to 1,200 Sq. Ft. living area	13-lots
Multi-Family Units	$189,000 to $363,000	750 to 1,200 Sq. Ft. living area	154-units

Affordable Housing

An affordable housing element of the project is proposed and will conform to Kaua'i County Ordinance No. 860, Kaua'i's new housing policy wherein developers contribute up to thirty percent (30%) of the total residential units for affordable housing.

The Kaua'i housing policy provides incentives to developers who provide the required affordable units on-site and for providing single family affordable units. Kapa'a Highlands will be providing all of its affordable units on site and will include affordable single family units. This will reduce the number of affordable units required from approximately 205 units (30%) to approximately 167 units (21.7%), assuming a mix of 13 single family units and 154 multi-family units. The number of affordable units required will fluctuate depending on how many affordable single family units are provided. The proposed development will provide much needed affordable housing in the East Kaua'i region.

Under the proposed development's preliminary marketing concept, the affordable units are anticipated to be sold in the range of $189,000.00 to $363,000.00, which will be affordable to families earning from 80% up to 140% of the County's annual median income.

Anticipated Buyer Markets

The proposed products respond to the market opportunities identified above as follows:

Entry-level markets – Those units designated as affordable units, as well as many of the multifamily market units are conceived to appeal to entry-level markets, typified by the rapidly increasing 25- to 34-year-old Echo Boom cohort.

Move-up markets – Kapa'a Highlands II's single-family lot products could appeal to move-up markets and growing families.

- The first level move-up market, typified by persons aged 35 to 44, is projected to grow particularly rapidly in the 2020 to 2030 period as the Echo Boomers mature.
- A more affluent move-up market could also be attracted to the views, convenient location and lifestyle offerings at Kapa'a Highlands II.

Based on the Project location, development concept and the comparison projects surveyed, some 75% of Kapa'a Highlands II residents are anticipated to be long-term Island residents. However, some product types could also appeal to second home buyers, relocating retirees or others that may come from off-Island

There has been strong demand historically for these products offerings at these price ranges, and the future should be no different. The location is very desirable, particularly for local buyers, but also for offshore second homeowners who want to feel a part of a 'normal' (but new or upgraded) neighborhood (to say nothing of wanting to take advantage of the views).

Despite current economic conditions, there is capacity amongst prospective buyers, thanks to a strong build up in their own home equity. Coupled with a desire to secure a central location for their home, there should be a goodly number of lots purchased when they come to market (particularly if there is advanced notification).

Social Sustainability

A community is composed of people, as well as places where they live; it is as much a social environment as a physical development. Thus, communities must not only be environmentally sustainable, they must also be socially sustainable.

A socially sustainable development supports more equitable distribution of resources, supports diversity within the community, meets the basic needs of residents and invests in social and human capital, thereby sustaining the quality of life and community livability for all residents into the future.

Socially sustainable development includes the following:

- recognizes, respects and values cultural and social diversity;
- preserve and maintains a high quality of life for all of its residents;
- meets basic needs of food, shelter, education, work, income and safe living and working;
- is equitable, ensuring that the benefits of development are distributed fairly across society;
- promotes education, creativity and the development of human potential;
- preserves our cultural and biological heritage, thus strengthening our sense of connectedness to our history and environment;
- is democratic, promoting citizen participation and involvement;
- promotes the context of "Live Aloha," with people living together harmoniously and in mutual support and respect for each other

We saved the concept of Social Sustainability for the end of the analysis, to serve as a summary of the many socially-focused actions suggested in prior sections of this Sustainability Plan. Following are just a few of the issues previously mentioned:

- Affordable housing will be incorporated within the development, allowing for a diversity and mix of housing types and options
- Complete streets with walkways and bile lanes, allowing for slow movement through the neighborhoods for easy social interaction
- Space for the relocated County swimming pool
- Allocation for commercial spaces, affording project residents the opportunity to work near where they live
- Proximity to the Middle School affords multi-generation al interaction and learning
- Cooperation with the State by making land available for the Kapa'a Bypass Road, helping regional residents
- Project layout and design will create an opportunity for both residents and the community to have a positive effect on their health through walkable and bikable transportation options.
- Consistency with long range planning documents, implementing the community's vision for the future

Exhibit C

Agricultural Master Plan for HoKua Place (Formerly Kapa'a Highlands II)

Kapaa Highlands
Agricultural Master Plan

June 1, 2007

Agricon Hawaii LLC
P.O. Box 95
Kamuela, HI 96743

Table of Contents

A. SUMMARY

Livestock (goats) can be raised successfully at Kapaa Highlands. Climate conditions will allow for normal pasture rotation the year around. The ratio of livestock to fenced pasture should be 3 animal units (AU) to 1 acre or better.

The climate and soils at Kapaa Highlands are not ideal for the growing of most commercially viable crops due to the poor soil, strong trade winds, and the salt spray from the ocean.

Goats are sold for their meat value and the local markets on all of the islands are excellent. The intended markets for goats raised on the property are the local Kauai market and the Honolulu market.

The Economics for Goats included in this report provides a picture of expected revenue and classifications of operating expenses associated with a livestock (goat) operation ("Project").

The Association of Condominium Owners of the Kapaa Highlands Condominium ("Association") may choose to operate the Project on behalf of participating owners. Alternatively, the Association may choose to enter into a contractual relationship with a livestock contractor pursuant to a license agreement in which the livestock contractor will pay an annual rent per acre to graze the property, plus a percentage of gross profits.

Livestock grazing is a permissible use within the agricultural districts as outlined under Hawaii Revised Statutes (HRS) Chapter 205, Section 205-4.5.

B. DESCRIPTION

The Kapaa Highlands Subdivision is located in Kapaa, above the Kapaa Bypass Road and adjacent to Kapaa Middle School. The property is further identified by Kauai Tax Map Key No. (4) 4-3-03:01. The total land area is 163.125 acres and the combined grazing area is approximately 101.573 acres.

Almost all of the property is located in the State Land Use Commission Agricultural District and within the Agriculture District of the Comprehensive Zoning Ordinance of the County of Kauai (CZO). As such, owners of subdivision lots will be required to comply with the requirements of HRS Chapter 205 and the CZO. Individual lot owners, through the Association, will be required either to provide a portion of their lot for the grazing of livestock as outlined in this Agricultural Master Plan, or to obtain an amendment to this Agricultural Master Plan to conduct alternative agricultural activities. The Kapaa Highlands is shown on the map attached hereto as Exhibit "A".

Kapaa Highlands Agricultural Plan
June 1, 2007

C. ENVIRONMENTAL SUITABILITY

1. Climate

The property is exposed to the northeast trade winds and, due to the proximity of the property to the ocean the trade winds will carry some salt spray to the property. This is problematic for most commercial crops, but should have no impact on livestock and minimal impact on salt resistant grasses. Annual rainfall is generally between 40 and 50 inches.

2. Soil

The soils are generally well-drained, dark reddish-brown silty clay and silty clay loam. The soil depth is generally between 10 and 15 inches.

The property was previously planted to sugar cane and due to the nature of sugar cane cultivation, these soils can be expected to be low in organic matter and have a low pH (very acid).

A Soils Map for the property is attached hereto as Exhibit "B", and a Soils Inventory (containing technical descriptions of soil types) is attached hereto as Exhibit "C".

The Land Study Bureau Land Classification for this property is B, C, D and E lands, as shown on the Detailed Land Classification Maps attached hereto as Exhibits "D" and "E".

3. Drainage

All the soils on the property are well drained indicating that, if good conservation practices are used, they should not erode.

D. CROP SUITABILITY

Due to the generally poor soils and harsh climate, the commercial crops most suited to the area are sugar and pineapple. Both of these industries are declining in Hawaii. Pineapple is no longer grown on Kauai and there is only one sugar mill that remains in operation. With appropriate irrigation and management, both tropical orchard crops (including trees) and some vegetable crops could be grown on the property, although with some difficulty and risk given the physical conditions at the property.

E. LIVESTOCK

1. Association Project

The Association may choose to operate the Project on behalf of all participating owners. In such case, the Association would be responsible for the rotation, care and marketing of the animals. The participating owners would be responsible for providing fixed assets (fences, gates, and water systems) on the owners' lots. The participating owners would be required to pay their proportionate share of all operational costs to the Association, and would be entitled to their proportionate share of all profits generated by the Project.

2. Contractor Operation

As an alternative, the Association could hire an independent contractor ("Contractor") to operate the Project. In such a case, the Contractor would own the goats and be responsible for the rotation, care, and marketing of the animals. The Association, through the participating owners, would be responsible for the fixed assets. These assets would include the fences, gates, and water systems. The Contractor would pay the Association a fixed rent per acre of pasture plus a percentage of gross profits, and would be responsible for normal maintenance of the fixed assets associated with the livestock operation.

3. Individual Goat Operators

The Owner may elect to engage in individual goat raising operations within the Owner's Agricultural Area of the Owner's Lot ("Owner's Operation"). In such case, the following shall apply:

a. The Owner shall be solely responsible for the costs of the Owner's Operation.

b. The Owner shall raise a minimum of three (3) goats for each acre within the Owner's Agricultural Area.

c. The Owner shall submit reports to, and as required by, the Association providing pertinent information concerning the Owner's Operation and in such detail as to comply with and satisfy the reporting requirement contained in the Agricultural Subdivision Agreement and the County Subdivision Approval.

4. Goat Husbandry

It is recommended that a breeding herd with a ratio of 1 buck to 50 does be maintained. Does will produce an average 1.5 kids per year. Kids can be weaned at approximately 5 to 6 months and should be separated from the breeding herd at this point. The gestation period for a doe is approximately 5 months.

The carrying capacity of the pasture at Kapaa Highlands is approximately 3 to 4 animal units (AU) to the acre. The breeding herd that consists of bucks and does is considered to be one AU per animal. Kids are ½ AU per animal. Therefore, assuming all of the owners became participants in the Project, there would be 101.573 acre of pasture available to carry 355 AU at 3.5 AU per acre. Attached hereto as Exhibit "F" is a spreadsheet entitled "Economics for Goats" which contains detailed assumptions regarding carrying capacity.

The breeding herd should be given good pasture and be kept on a strict health program so that its production of kids is at its optimum. The herd should be wormed every 30 to 60 days and provided with a mineral supplement. The water requirement for goats is between 2 and 3 gallons per day per AU. This will be dependent upon climatic conditions. Supplemental feeding is generally not required unless rainfall diminishes over several months to a point where the grass growth is insufficient to maintain the herd. At this point, the contractor has the option of providing supplemental feed or moving some or all of the goats to another location.

Goats are marketed at between 6 and 9 months of age at a weight of between 60 and 80 pounds. The estimate market price per goat ranges from $140 and $180. The primary market is the Kauai Island market that commands a higher price. The secondary market is Honolulu. The freight to Honolulu is paid by the buyer. Goats are generally sold to individuals who slaughter them for their meat. The market in Hawaii for goats is very stable.

The Economics for Goats spreadsheet contains details on the economics of the livestock (goat) operation.

F. HRS 205 COMPLIANCE

Hawaii Revised Statutes Chapter 205 establishes classifications of lands and requirements for land use. Section 205-4.5 defines permissible uses within the agricultural districts. This section also defines the soil classification rating that applies to the Chapter.

Section 205-4.5 uses the Land Study Bureau's (LSB) soil classification productivity rating system to determine which lands are to be governed by the Chapter. The LSB ratings for Kapaa Highlands are B, C, D and E. Land classification ratings A and B are restricted to the permitted uses as outlined in the section. The cultivation of crops and the raising of livestock are permitted uses. Uses on C, D and E lands also include crop cultivation and the raising of livestock.

G. CONCLUSION

The climate and soils at Kapaa Highlands are not ideal for the growing of most commercially viable crops due to the poor soil, strong trade winds, and the salt spray from the ocean. Thus a livestock operation provides an economically viable agricultural use for the property.

Either the Association operation of a livestock project, or a contractual relationship between the Association and a livestock Contractor, would allow the agricultural component of the property to be managed as one unit. Individual lot owners would also have the option of compliance with alternate methods of livestock grazing or with the cultivation of agricultural crops, provided they obtained the approval of the Planning Commission of the County of Kauai, Subdivision Committee, for an amendment to this Agricultural Master Plan for such alternative agricultural activities.

Livestock grazing is a permissible use within the agricultural districts as outlined under HRS Chapter 205, Section 205-4.5.

Exhibit "A"

Subdivision Map

Exhibit "B"

Soils Map

EXHIBIT "C"
Soils Inventory Report

USDA

Soils Map

Date: 5/31/2018

Field Office: LIHUE SERVICE CENTER
Agency: USDA-NRCS
Assisted By: GENOA STARRS

State and County: HI, Kauai County, Hawaii
Land Units: (4) 4-3-003:001
Approximate Acres: 163.13

Legend

600 0 600 1,200 Feet

1 inch = 600 feet

Rice Soils Map

MUSYM, MUNAME

- HnA;Hanalei silty clay, 0 to 2 percent slopes, MLRA 167
- IoB;Ioleau silty clay loam, 2 to 6 percent slopes
- IoC;Ioleau silty clay loam, 6 to 12 percent slopes
- IoD2;Ioleau silty clay loam, 12 to 20 percent slopes, eroded
- IoE2;Ioleau silty clay loam, 20 to 30 percent slopes, eroded
- LhB;Lihue silty clay, 0 to 8 percent slopes
- LhC;Lihue silty clay, 8 to 15 percent slopes
- LhD;Lihue silty clay, 15 to 25 percent slopes
- MZ;Marsh
- Mta;Mokuleia clay loam, poorly drained variant
- PkB;Pohakupu silty clay loam, 0 to 8 percent slopes
- PnB;Puhi silty clay loam, 3 to 8 percent slopes
- rRR;Rough broken land
- Rice Poly Layer

N

Soils Inventory Report

TMK (4) 4-3-3:1

Map Unit Symbol	Acres	Percent
HnA	1.4	1%
IoB	44.5	27%
IoC	16.2	10%
IoD2	10.7	7%
IoE2	24.7	15%
LhB	8.4	5%
LhC	0.8	0%
LhD	4	2%
Mta	3.2	2%
MZ	0.3	0%
PkB	0.9	1%
PnB	31.9	20%
rRR	15	9%
Total:	162	

Hanalei Series

This series consists of somewhat poorly drained to poorly drained soils on bottom lands on the islands of Kauai and Oahu. These soils developed in alluvium derived from basic igneous rock. They are level to gently sloping. Elevations range from nearly sea level to 300 feet. The annual rainfall amounts to 20 to 120 inches. The mean annual soil temperature is 74° F. Hanalei soils are geographically associated with Haleiwa, Hihimanu, Mokuleia, and Pearl Harbor soils.

These soils are used for taro, pasture, sugarcane, and vegetables. The natural vegetation consists of paragrass, sensitiveplant, honohono, Java plum, and guava.

Hanalei silty clay, 0 to 2 percent slopes (HnA).

This soil is on stream bottoms and flood plains. Included in the areas mapped on Kauai along the Waimea River and in Waipaoiki Valley are small areas where the surface layer is 8 to 10 inches of reddish-brown silty clay. Included in the areas mapped on Oahu were small areas of very deep, well-drained alluvial soils and small areas of very poorly drained to poorly drained clay soils that are strongly mottled and are underlain by peat, muck, or massive marine clay.

In a representative profile the surface layer, about 10 inches thick, is dark-gray and very dark gray silty clay that has dark-brown and reddish mottles. The subsurface layer is very dark gray and dark-gray silty clay about 3 inches thick. The subsoil, about 13 inches thick, is mottled, dark gray and dark grayish-brown silty clay loam that has angular blocky structure. The substratum is stratified alluvium. The soil is strongly acid to very strongly acid in the surface layer and neutral in the subsoil.

Permeability is moderate. Runoff is very slow, and the erosion hazard is no more than slight. The available moisture capacity is about 2.1 inches per foot of soil. Roots penetrate to the water table. Flooding is a hazard.

Representative profile: Island of Kauai, lat. 22°12'37.8" N. and long. 159°28'47" W.

Ap-0 to 6 inches, dark-gray (10YR 4/1) silty clay; common distinct mottles of dark brown (7.5YR 4/4), red (2.5YR 5/8), and dark reddish brown (5YR 3/4) ; weak, coarse and medium, granular structure; very hard, friable, sticky and plastic; abundant fine and medium roots; many fine and medium pores; very strongly acid; abrupt, wavy boundary. 4 to 6 inches thick.

A1g-6 to 10 inches, very dark gray (10YR 3/1) silty clay; many distinct mottles of dark reddish brown (5YR 3/4), yellowish red (5YR 4/8), dark brown (7.5YR 4/4), and dark grayish brown (10YR 4/2); weak, coarse, prismatic structure; very hard, firm, sticky and plastic; abundant fine and medium roots; common fine and medium pores; strongly acid; gradual, smooth boundary. 3 to 5 inches thick.

A3g-10 to 13 inches, mixed, very dark gray (10YR 3/1) and dark gray (10YR 4/1) silty clay; many distinct mottles of yellowish red (5YR 4/6) and dark reddish brown (2.5YR 3/4); weak, coarse, prismatic structure; very hard, firm, sticky and plastic; common medium and fine roots; many fine and medium pores, slightly acid; gradual, smooth boundary. 2 to 4 inches thick.

B21g-13 to 18 inches, mixed, dark-gray (10YR 4/1) and dark grayish-brown (10YR 4/2) silty clay loam; many distinct mottles of strong brown and dark red (2.5YR 3/6); massive, but a few pockets have weak, medium, angular blocky structure; hard, firm, sticky and plastic; few medium and fine roots; many fine and medium pores; neutral; gradual, smooth boundary. 4 to 7 inches thick.

B22g-18 to 26 inches, dark grayish-brown (10YR 4/2) silty clay loam; many distinct mottles of dark red (2.5YR 3/6) and strong brown (7.5YR 5/6); weak, coarse, prismatic structure breaking to weak, fine and medium, angular blocky; slightly hard, firm, sticky and plastic; few medium and fine roots; many fine and medium pores; neutral; gradual, smooth boundary. 7 to 9 inches thick.

C-26 to 36 inches, dark grayish-brown (10YR 4/2) silty clay loam; common distinct mottles of strong brown (7.5YR 5/6), dark red (2.5YR 3/6), and red (2.5YR 4/6); massive; slightly hard, friable, sticky and plastic; few medium roots; many, fine and medium, tubular pores; slightly acid; water stands above this layer.

The A horizon ranges from 10YR to 2.5Y in hue, from 3 to 4 in value, and from 1 to 2 in chroma. Mottles range from a few faint ones to many distinct ones. The B horizon ranges from 10YR to 2.5Y in hue, from 2 to 4 in value, and from 1 to 2 in chroma. Mottles in the B and C horizons range from few to many. The depth to the seasonal high water table ranges from 2 to 5 feet. The C horizon is stratified. It ranges from silty clay to sand in texture.

This soil is used for taro, pasture, and sugarcane. (Capability classification IIw, irrigated or nonirrigated; sugarcane group 3; pasture group 7; woodland group 4)

Hanalei silty clay, 2 to 6 percent slopes (HnB).

On this soil, runoff is slow and the erosion hazard is slight. This soil is used for sugarcane, taro, and pasture. (Capability classification IIw, irrigated or nonirrigated; sugarcane group 3; pasture group 7; woodland group 4)

Hanalei stony silty clay, 2 to 6 percent slopes (HoB).

This soil has a profile like that of Hanalei silty clay, 0 to 2 percent slopes, except that it is stony. Runoff is slow, and the erosion hazard is slight. Stones hinder machine cultivation.

This soil is used for sugarcane and pasture. (Capability classification IIw, irrigated or nonirrigated; sugarcane group 3; pasture group 7; woodland group 4)

Hanalei silty clay, deep water table, 0 to 6 percent slopes (HrB).

This soil has a profile like that of Hanalei silty clay, 0 to 2 percent slopes, except that it has fewer mottles and the water table is at a depth of more than 3 feet. Included in mapping were small areas of stony soils.

This soil is used for sugarcane, taro, pasture, and vegetables. (Capability classification IIw, irrigated or nonirrigated; sugarcane group 3; pasture group 7; woodland group 4)

Hanalei silty clay loam, 0 to 2 percent slopes (HmA).

This soil has a profile like that of Hanalei silty clay, 0 to 2 percent slopes, except for the texture of the surface layer. Also, this soil is underlain by sand at a depth of 30 to 50 inches. Included in mapping was an area on the Hanalei River bottom that is less than 30 inches deep over sand.

This soil is used for taro, pasture, and sugarcane. (Capability classification IIw, irrigated or nonirrigated; sugarcane group 3; pasture group 7; woodland group 4)

Hanalei peaty silty clay loam, 0 to 2 percent slopes (HpA).

This soil has a profile like that of Hanalei silty clay, 0 to 2 percent slopes, except for the texture of the surface layer. Also, the water table is at the surface.

This soil is used for pasture. (Capability classification IVw, irrigated or nonirrigated; sugarcane group 3; pasture group 7; woodland group 4)

Ioleau Series

This series consists of well-drained soils on uplands on the island of Kauai. These soils developed in material weathered from basic igneous rock, probably mixed with volcanic ash. They are gently sloping to steep. Elevations range from 100 to 750 feet. The annual rainfall amounts to 40 to 70 inches. The mean annual soil temperature is 72° F. Ioleau soils are geographically associated with Lihue and Puhi soils.

These soils are used for irrigated sugarcane, pasture, pineapple, irrigated orchards, irrigated truck crops, wildlife habitat, and woodland. The natural vegetation consists of lantana, koa haole, guava, and associated shrubs and grasses.

Ioleau silty clay loam, 6 to 12 percent slopes (IoC).

This soil is on ridgetops in the uplands.

In a representative profile the surface layer is darkbrown and yellowish-red silty clay loam 15 inches thick. The subsoil, 40 to 60 inches thick, is dark-brown and dark reddish-brown silty clay that has subangular blocky structure and is very compact in place. The substratum is soft, weathered rock. The soil is very strongly acid to extremely acid throughout.

Permeability is slow. Runoff is medium, and the erosion hazard is moderate. The available water capacity is about 1.4 inches per foot of soil. Roots penetrate to a depth of 15 to 25 inches or to the plow depth.

Representative profile: Island of Kauai, lat. 22°07'32.9" N. and long. 157°13'03" W.

Ap1-0 to 6 inches, dark-brown (7.5YR 3/4) silty clay loam, brown (7.5YR 4/4) when dry, cloddy, breaking to moderate, fine and very fine, subangular blocky structure; hard, firm, sticky and plastic; abundant medium and fine roots and plentiful very fine roots; very strongly acid; abrupt, wavy boundary. 6 to 8 inches thick.

Ap2-6 to 15 inches, mixture of yellowish-red (5YR 4/6) silty clay loam, strong brown (7.5YR 5/8) when dry; massive; slightly hard, friable, sticky and plastic; and yellowish-red (5YR 4/8) silty clay, reddish brown (5YR 4/4) when dry; strong, very fine, subangular blocky structure; hard, firm, sticky and plastic; few medium roots and plentiful fine and very fine roots; common fine pores; very strongly acid, abrupt, wavy boundary. 7 to 10 inches thick.

B21t-15 to 27 inches, dark reddish-brown (5YR 3/4) silty clay, reddish brown (5YR 4/4) when dry; strong, fine and very fine, subangular blocky structure; very hard, firm, sticky and plastic; very few fine and very fine roots; common very fine pores; very compact in place; many moderately thick clay films on ped faces; very strongly acid; clear, wavy boundary. 5 to 12 inches thick.

B22t-27 to 38 inches, dark-brown (7.5YR 3/2) silty clay, yellowish red (5YR 3/6) in pores, dark brown (7.5YR 4/4) when dry; strong, fine and very fine, subangular blocky structure; very hard, firm, sticky and plastic; very few fine and very fine roots; few medium pores and many very fine pores; compact in place; many moderately thick clay films on ped faces and in pores; few pebbles; very strongly acid; clear, wavy boundary. 9 to 11 inches thick.

B23t-38 to 57 inches, dark-brown (7.5YR 3/3) light silty clay, dark brown (7.5YR 4/4) in pores, dark brown (7.5YR 4/4) when dry; strong, fine and very fine subangular blocky structure; slightly hard, firm, slightly sticky and slightly plastic; few medium, fine, and very fine roots; many very fine pores; patchy, moderately thick clay films on ped faces; continuous in pores; few pebbles; extremely acid; clear, wavy boundary. 15 to 22 inches thick.

B24t-57 to 61 inches, dark reddish-brown (5YR 3/4) silty clay loam, reddish brown (5YR 4/4) when dry; moderate, fine and very fine, subangular blocky structure; slightly hard, friable, slightly sticky and slightly plastic; no roots; many very fine pores patchy, moderately thick clay films on ped faces; continuous in pores; extremely acid.

The A horizon ranges from 5YR to 10YR in hue. In places the texture of the A horizon is clay loam. The B horizon ranges from 2.5YR to 7.5YR in hue, from 3 to 4 in value, and from 2 to 6 in chroma. The depth to the very compact B21t ranges from 15 to 25 inches.

This soil is used for sugarcane, pasture, pineapple, orchards, and truck crops. (Capability classification IIIe, irrigated or nonirrigated; sugarcane group I; pineapple group 6; pasture group 6; woodland group 6)

Ioleau silty clay loam, 2 to 6 percent slopes (IoB).

This soil has a profile like that of Ioleau silty clay loam, 6 to 12 percent slopes, except that it is 10 to 20 inches deeper to the compact layer. Runoff is slow, and the erosion hazard is slight. Roots penetrate to a depth of 25 to 40 inches.

This soil is used for sugarcane, pasture, pineapple, orchards, and truck crops. (Capability classification IIe, irrigated or nonirrigated; sugarcane group 1; pineapple group 5; pasture group 6; woodland group 6)

Ioleau silty clay loam, 12 to 20 percent slopes, eroded (IoD2).

This soil is similar to Ioleau silty clay loam, 6 to 12 percent slopes, except that it is moderately steep and part of the surface layer has been removed by erosion. Runoff is rapid, and the erosion hazard is moderate to severe.

This soil is used for sugarcane, pineapple, and pasture. (Capability classification IVe, irrigated or nonirrigated; sugarcane group 1; pineapple group 6; pasture group 6; woodland group 6)

Ioleau silty clay loam, 20 to 35 percent slopes, eroded (IoE2).

This soil is similar to Ioleau silty clay loam, 6 to 12 percent slopes, except that it is steep and most of the surface layer has been removed by erosion. Runoff is rapid, and the erosion hazard is severe.

This soil is used for pasture, woodland, sugarcane, pineapple, and water supply. (Capability classification VIe, nonirrigated; pasture group 6; woodland group 6)

Lihue Series

This series consists of well-drained soils on uplands on the island of Kauai. These soils developed in material weathered from basic igneous rock. They are gently sloping to steep. Elevations range from nearly sea level to 800 feet. The annual rainfall amounts to 40 to 60 inches. The mean annual soil temperature is 73° F. Lihue soils are geographically associated with Ioleau and Puhi soils.

These soils are used for irrigated sugarcane, pineapple, pasture, truck crops, orchards, wildlife habitat, woodland, and homesites. The natural vegetation consists of lantana, guava, koa haole, joee, kikuyugrass, molassesgrass, guineagrass, bermudagrass, and Java plum.

Lihue silty clay, 0 to 8 percent slopes (LhB).

This soil is on the tops of broad interfluves in the uplands. Included in mapping were small areas of a soil that has a very dark grayish-brown surface layer and a mottled subsoil.

In a representative profile the surface layer is dusky-red silty clay about 12 inches thick. The subsoil, more than 48 inches thick, is dark-red and dark reddish-brown, compact silty clay that has subangular blocky structure. The substratum is soft, weathered rock. The surface layer is strongly acid. The subsoil is slightly acid to neutral.

Permeability is moderately rapid. Runoff is slow, and the erosion hazard is no more than slight. The available water capacity is about 1.5 inches per foot of soil. In places roots penetrate to a depth of 5 feet or more.

Representative profile: Island of Kauai, lat. 21°59'06.7" N. and long. 159°21'50" W.

Ap1-0 to 6 inches, dusky-red (2.5YR 3/2) silty clay, yellowish red (5YR 4/6) when dry; cloddy breaking to weak, fine and medium, subangular blocky structure; very hard, firm, sticky and plastic; abundant roots; common very fine and fine pores; many black concretions; strong effervescence with hydrogen peroxide; strongly acid; abrupt, smooth boundary. 4 to 8 inches thick.

Ap2-6 to 12 inches, dusky-red (2.5YR 3/2) silty clay, yellowish red (5YR 4/6) when dry; massive; very hard, friable, sticky and plastic; many roots; many very fine and fine pores; many, very fine, black concretions; strong effervescence with hydrogen peroxide; strongly acid; abrupt, smooth boundary. 4 to 8 inches thick.

B21-12 to 21 inches, dark reddish-brown (2.5YR 3/4) silty clay, red (2.5YR 4/6) when dry; moderate, medium to very fine, subangular blocky structure; hard, friable, sticky and plastic; abundant roots; many very fine and fine pores; many, fine, black concretions; moderate effervescence with hydrogen peroxide; nearly continuous glaze on ped surfaces, glaze looks like clay films; slightly acid; clear, broken boundary. 7 to 10 inches thick.

B22-21 to 27 inches, dark reddish-brown (2.5YR 3/4) silty clay, red (2.5YR 4/6) when dry; strong, very fine, subangular blocky structure; very hard, friable, sticky and plastic; many roots; many very fine and fine pores; nearly continuous glaze on ped faces; common, black concretions; weak effervescence with hydrogen peroxide; few, fine, black, manganese dioxide stains on ped faces; neutral; clear, smooth boundary. 5 to 8 inches thick.

B23-27 to 48 inches, dark reddish-brown (2.5YR 3/4) silty clay, red (2.5YR 4/6) when dry; strong, very fine, subangular and angular blocky structure; hard, firm, sticky and plastic; few roots; many very fine and fine pores; continuous glaze on ped faces, glaze looks like thick clay films; superimposed on the glaze is dark-red (10R 3/6) material that looks like pseudosand under magnification; large, black coatings on primary structural units; neutral; gradual, smooth boundary. 15 to 30 inches thick

B24-48 to 60 inches, dark-red (2.5YR 3/6) silty clay, red (2.5YR 4/6) when dry; strong, very fine, subangular and angular blocky structure; hard, firm, slightly sticky and plastic; no roots; many very fine and fine pores; thin, patchy coatings that look like clay films; many distinct pressure cutans; ped surfaces have superimposed on them stringy, dark-red (10R 3/6) pseudosand or frostlike coatings; this condition is more prevalent than in the B23 horizon; neutral.

The A horizon ranges from 10R to 5YR in hue, from 2 to 3 in chroma, and from 2 to 3 in value. The B horizon ranges from 10R to 2.5YR in hue and from 4 to 6 in chroma.

This soil is used for sugarcane, pineapple, pasture, truck crops, orchards, wildlife habitat, and homesites. (Capability classification IIe, irrigated or nonirrigated; sugarcane group 1; pineapple group 5; pasture group 5; woodland group 5)

Lihue silty clay, 8 to 15 percent slopes (LhC).

On this soil, runoff is slow and the erosion hazard is slight. This soil is used for sugarcane, pineapple, pasture, truck crops, orchards, wildlife habitat, and homesites. (Capability classification IIIe, irrigated or nonirrigated; sugarcane group 1; pineapple group 6; pasture group 5; woodland group 5)

Lihue silty clay, 15 to 25 percent slopes (LhD).

On this soil, runoff is medium and the erosion hazard is moderate. This soil is used for sugarcane, pineapple, pasture, wildlife habitat, and woodland. (Capability classification IVe, irrigated or nonirrigated; sugarcane group 1; pineapple group 6; pasture group 5; woodland group 5)

Lihue silty clay, 25 to 40 percent slopes, eroded (LhE2).

This soil is similar to Lihue silty clay, 0 to 8 percent slopes, except that the surface layer is thin. Runoff is rapic, and the erosion hazard is severe.

This soil is used for pasture, woodland, and wildlife habitat. Small areas are used for pineapple and sugarcane. (Capability classification VIe, nonirrigated; pasture group 5; woodland group 5)

Lihue gravelly silty clay, 0 to 8 percent slopes (LIB).

This soil is similar to Lihue silty clay, 0 to 8 percent slopes, except that it contains ironstone-gibbsite pebbles and has brighter colors in the B horizon. Included in mapping in the Eleele area and north of the town of Hanamaulu were small areas of soils that have a dark yellowish-brown, friable subsoil.

This soil is used for sugarcane, pasture, and homesites. (Capability classification IIe, irrigated or nonirrigated; sugarcane group 1; pineapple group 5 ; pasture group 5 ; woodland group 5)

Lihue gravelly silty clay, 8 to 15 percent slopes (LIC).

On this soil, runoff is slow and the erosion hazard is slight. Included in mapping were areas where the slope is as much as 25 percent.

This soil is used for sugarcane, pasture, wildlife habitat, and homesites. (Capability classification IIIe, irrigated or nonirrigated; sugarcane group 1; pineapple group 6; pasture group 5; woodland group 5)

Marsh

Marsh (MZ) consists of wet, periodically flooded areas covered dominantly with grasses and bulrushes or other herbaceous plants. It occurs as small, low-lying areas along the coastal plains. Water stands on the surface, but marsh vegetation thrives. The water is fresh or brackish, depending on proximity to the ocean. Included in mapping were small areas of mangrove swamp and small areas of open water. (Capability classification VIIIw, nonirrigated)

Mokuleia Series

This series consists of well-drained soils along the coastal plains on the islands of Oahu and Kauai. These soils formed in recent alluvium deposited over coral sand. They are shallow and nearly level. Elevations range from nearly sea level to 100 feet. The annual rainfall amounts to 15 to 40 inches on Oahu and 50 to 100 inches on Kauai. The mean annual soil temperature is 74° F. Mokuleia soils are geographically associated with Hanalei, Jaucas, and Keaau soils.

In this survey area a poorly drained variant of the Mokuleia series was mapped. This soil, Mokuleia clay loam, poorly drained variant, is described in alphabetical order, along with other mapping units of this series.

These soils are used for sugarcane, truck crops, and pasture. The natural vegetation consists of kiawe, klu, koa haole, and bermudagrass in the drier areas and napiergrass, guava, and joee in the wetter areas.

Mokuleia clay loam (Mt).

This soil occurs as small areas on the coastal plains. It is nearly level. Included in mapping were small areas of Jaucas soils; small areas of very deep, well-drained soils in drainageways; and small areas of poorly drained clay soils underlain by reef limestone.

In a representative profile the surface layer is very dark grayish-brown clay loam about 16 inches thick. The next layer, 34 to more than 48 inches thick, is dark-brown and light-gray, single-grain sand and loamy sand. The surface layer is neutral in reaction, and the underlying material is moderately alkaline.

Permeability is moderate in the surface layer and rapid in the subsoil. Runoff is very slow, and the erosion hazard is no more than slight. The available water capacity is about 1.8 inches per foot in the surface layer and about 1.0 inches per foot in the subsoil. In places roots penetrate to a depth of 5 feet or more.

Representative profile: Island of Oahu, lat. 21°34'49" N. and long. 158°10'09" W.

Ap-0 to 16 inches, very dark grayish-brown (10YR 3/2) clay loam, dark grayish brown (10YR 4/2) when dry; moderate, very fine and fine, granular and subangular blocky structure; hard, firm, sticky and plastic; plentiful fine roots; many, very fine and fine, interstitial pores; few, fine and very fine, tubular pores; common wormholes and worm casts; horizon consists of about 25 percent coral sand; slight effervescence with hydrogen peroxide; violent effervescence with hydrochloric acid; neutral; abrupt, wavy boundary. 10 to 16 inches thick.

IIC1-16 to 22 inches, dark-brown (10YR 4/3) loamy sand, brown (10YR 5/3) when dry; massive; soft, slightly hard, nonsticky and nonplastic; plentiful fine roots; porous; few pieces of reef limestone; horizon consists of about 80 percent coral sand; violent effervescence with hydrochloric acid; moderately alkaline; abrupt, smooth boundary. 6 to 20 inches thick.

IIC2-22 to 50 inches, light-gray (10YR 7/2), moist and dry, coral sand; single grain; loose when moist or dry, nonsticky and nonplastic; few fine roots; porous; few pieces of coral; violent effervescence with hydrochloric acid; moderately alkaline.

The depth to coral sand ranges from 12 to 30 inches. The A horizon ranges from 10YR to 5YR in hue and from 1 to 3 in value when moist and 3 to 5 when dry. It ranges from 1 to 3 in chroma when moist and 1 to 3 when dry. The IIC1 horizon ranges from 10YR to 7.5YR in hue, from 3 to 6 in value when moist and 4 to 7 when dry, and from 1 to 3 in chroma.

This soil is used for sugarcane, truck crops, and pasture. Capability classification IIs if irrigated, VIs if nonirrigated; sugarcane group 1; pasture group 3)

Mokuleia clay (Mtb).

This soil has a profile like that of Mokuleia clay loam, except for the texture of the surface layer. It is nearly level. Permeability is slow in the surface layer. Workability is difficult because of the sticky, plastic clay.

This soil is used for sugarcane and pasture. (Capability classification IIIs if irrigated, VIs if nonirrigated; sugarcane group 1; pasture group 3)

Mokuleia fine sandy loam (Mr).

This soil occurs on the eastern and northern coastal plains of Kauai. It is nearly level. This soil has a profile like that of Mokuleia clay loam, except for the texture of the surface layer.

Permeability is moderately rapid in the surface layer and rapid in the subsoil. Runoff is very slow, and the erosion hazard is slight. The available water capacity is about 1 inch per foot in the surface layer and 0.7 inch per foot in the subsoil. Included in mapping were small areas where the slope is as much as 8 percent.

This soil is used for pasture. (Capability classification IIIs if irrigated, IVs if nonirrigated; sugarcane group 1; pasture group 3)

Mokuleia loam (Ms).

This soil has a profile like that of Mokuleia clay loam, except that the surface layer is loam and in most places is about 8 inches thick. It is nearly level.

This soil is used for sugarcane, truck crops, and pasture. (Capability classification IIs if irrigated, VIs if nonirrigated: sugarcane group 1; pasture group 3)

Mokuleia clay loam, poorly drained variant (Mta).

This soil occurs on Kauai. It is nearly level. The soil is poorly drained, and in this way, it differs from other soils of the Mokuleia series. The surface layer is dark brown to black and is mottled.

This soil is used for sugarcane, taro, and pasture. (Capability classification IIIw, irrigated or nonirrigated; sugarcane group 3; pasture group 3)

Pohakupu Series

This series consists of well-drained soils on terraces and alluvial fans on the islands of Oahu and Kauai. These soils formed in old alluvium derived from basic igneous material. They are nearly level to moderately sloping. Elevations range from 50 to 250 feet. The annual rainfall amounts to 40 to 60 inches. The mean annual soil temperature is 73° F. Pohakupu soils are geographically associated with Alaeloa, Papaa, and Lihue soils.

These soils are used for sugarcane, pineapple, truck crops, pasture, and homesites. The natural vegetation consists of guava, Christmas berry, Japanese tea, koa haole, and kikuyugrass.

Pohakupu silty clay loam, 0 to 8 percent slopes (PkB).

This soil has smooth slopes and occurs on terraces and alluvial fans. The slopes are mainly 3 to 8 percent. Included in mapping were small areas of Alaeloa and Waialua soils and small areas where the slope is as much as 15 percent. Also included on Kauai were small areas where the texture is silty clay and small areas that have a hue of 2.5YR in the subsoil.

In a representative profile the surface layer is dark reddish-brown silty clay loam about 13 inches thick. The subsoil, 40 to more than 60 inches thick, is dark reddishbrown and dark-brown silty clay loam that has angular and subangular blocky structure. The substratum is strongly weathered gravel. The soil is slightly acid to medium acid.

Permeability is moderately rapid. Runoff is slow, and the erosion hazard is slight. The available water capacity is about 1.5 inches per foot of soil. In places roots penetrate to a depth of 5 feet or more.

Representative profile: Island of Oahu, lat. 21°22'53" N. and long. 157°45'16" W.

Ap-0 to 13 inches, dark reddish-brown (5YR 3/3) silty clay loam, reddish brown (5YR 4/3) when dry; strong, very fine, subangular blocky structure; hard, friable, sticky and plastic; abundant roots; many very fine and fine pores; common wormholes and worm casts; moderate effervescence with hydrogen peroxide; slightly acid; abrupt, smooth boundary. 8 to 13 inches thick.

B21-13 to 21 inches, dark reddish-brown (5YR 3/3) silty clay loam, reddish brown (5YR 4/4) when dry; moderate, very fine, subangular blocky structure; hard, friable, slightly sticky and plastic; abundant roots; many, very fine and fine, tubular pores; common, patchy pressure cutans; slight effervescence with hydrogen peroxide; slightly acid; abrupt, smooth boundary. 4 to 9 inches thick.

B22-21 to 38 inches, dark-brown (7.5YR 3/4) silty clay loam, brown (7.5YR 4/4) when dry; strong, very fine, blocky and subangular blocky structure; hard, friable, sticky and plastic; plentiful roots; many, very fine and fine, tubular pores; continuous pressure cutans on ped surfaces; few highly weathered pebbles; many black stains in pores and on pads; stains show strong effervescence with hydrogen peroxide; slightly acid; clear, irregular boundary. 4 to 17 inches thick.

B23-38 to 50 inches, dark-brown (7.5YR 3/4) silty clay loam, brown (7.5YR 4/4) when dry; strong, very fine, angular and subangular blocky structure; hard, friable, sticky and plastic; few roots; many, very fine and fine, tubular pores; strong, continuous pressure cutans; few highly weathered pebbles; common black stains that effervesce with hydrogen peroxide; slightly acid; clear, irregular boundary. 12 to 20 inches thick.

B3-50 to 76 inches, dark-brown (7.5YR 3/4) silty clay loam, brown (7.5YR 4/4) when dry; strong, very fine, angular and subangular blocky structure; hard, friable, slightly sticky and plastic; few roots; many, very fine and fine tubular pores; nearly continuous pressure cutans; few highly weathered pebbles; few, fine, black stains that effervesce with hydrogen peroxide; slightly acid.

Effervescence with hydrogen peroxide ranges from slight to moderate in the upper part of the profile and from slight to none below. The structure in the B horizon ranges from moderate to strong. In places a few boulder cores occur within the lower part of the profile. The A horizon ranges from 2 to 3 in chroma and value when moist. The B horizon ranges from 7.5YR to 5YR in hue and from 3 to 4 in chroma and value when moist.

This soil is used for pasture, truck crops, and homesites on Oahu and for sugarcane and pineapple on Kauai. (Capability classification IIe if irrigated, IIIe if nonirrigated; sugarcane group 1; pasture group 6; woodland group 5)

Pohakupu silty clay loam, 8 to 15 percent slopes (PkC).

On this soil, runoff is slow to medium and the erosion hazard is slight to moderate. Workability is slightly difficult because of the slope.

Included in mapping were small areas where the surface layer and part of the subsoil have been removed. Also included, near the drainageways, were areas where the slope ranges from 15 to 25 percent.

This soil is used for pasture. (Capability classification IIIe, nonirrigated; sugarcane group 1; pasture group 6; woodland group 5)

Puhi Series

This series consists of well-drained soils on uplands on the island of Kauai. These soils developed in material derived from basic igneous rock. They are nearly level to steep. Elevations range from 175 to 500 feet. The annual rainfall amounts to 60 to 80 inches. The mean annual soil temperature is 73° F. Puhi soils are geographically associated with Lihue and Kapaa soils.

These soils are used for sugarcane, pineapple, truck crops, orchards, pasture, woodland, wildlife habitat, water supply, and homesites. The natural vegetation consists of guava, Java plum, pangolagrass, kikuyugrass, elephantopus, joee, yellow foxtail, and rhodomyrtus.

Puhi silty clay loam, 0 to 3 percent slopes (PnA).

This soil is on broad interfluves on the uplands.

In a representative profile the surface layer is brown silty clay loam about 12 inches thick. The subsoil, about 48 inches thick, is reddish-brown and dark reddish-brown silty clay loam and silty clay that has subangular blocky structure. The substratum is silty clay. The surface layer is very strongly acid. The subsoil is slightly acid to medium acid.

Permeability is moderately rapid. Runoff is very slow, and there is no erosion hazard. The available water capacity is about 1.3 inches per foot of soil. In places, roots penetrate to a depth of 5 feet or more.

Representative profile: Island of Kauai, lat. 22°01'14" N. and long. 159°23'8.1" W.

Ap-0 to 12 inches, brown (10YR 4/3) silty clay loam, brown (10YR 4/3) when rubbed, yellowish brown (10YR 5/4) when dry; moderate, very fine, subangular blocky structure; hard, friable, slightly sticky and slightly plastic; abundant roots; many, very fine and fine, tubular pores and common interstitial pores; many gritty particles that are hard to break down; delayed effervescence with hydrogen peroxide, very strongly acid; abrupt, wavy boundary. 11 to 14 inches thick.

B21-12 to 21 inches, reddish-brown (5YR 4/4) silty clay loam, yellowish red (5YR 4/6) when dry; weak, very fine and fine, subangular blocky structure; hard, friable, slightly sticky and slightly plastic; plentiful fine and very fine roots; many very fine pores and common fine pores; nearly continuous, shiny glaze on peds; patchy coatings that look like clay films on some peds; medium acid; gradual, smooth boundary. 7 to 11 inches thick.

B22-21 to 33 inches, dark reddish-brown (5YR 3/4) silty clay loam, yellowish red (5YR 4/6) when dry; common black specks; moderate, very fine and fine, sub angular blocky structure; hard, friable, slightly sticky and slightly plastic; plentiful fine and very fine roots; many very fine pores and common fine pores; nearly continuous, shiny glaze on peds; patchy coatings that look like clay films on some peds; stringy coatings of stronger chroma; slightly acid; gradual, smooth boundary. 10 to 14 inches thick.

B23-33 to 41 inches, dark reddish-brown (2.5YR 3/4) silty clay loam, yellowish red (5YR 4/6) when dry; moderate, very fine, subangular blocky structure; hard, friable, slightly sticky and plastic; few very fine roots; many very fine pores and common medium pores; continuous, shiny glaze on peds ; patchy coatings that look like clay films on peds ; many shiny particles; many, very fine, black specks; medium acid; gradual, smooth boundary. 6 to 9 inches thick.

B24-41 to 80 inches, dark reddish-brown (5YR 3/3) silty clay, yellowish red (5YR 4/6) when dry; strong, very fine and fine, subangular blocky structure; hard, firm, sticky and plastic; few very fine roots; many very fine and fine pores and common medium pores; continuous, shiny glaze on peds; many, very fine, black specks and shiny particles; medium acid.

The A horizon ranges from 7.5YR to 10YR in hue, from 2 to 4 in value, and from 2 to 4 in chroma. The B horizon ranges from 2.5YR to 7.5YR in hue, from 3 to 4 in value, and from 3 to 4 in chroma.

This soil is used for sugarcane, pineapple, orchards, truck crops, pasture, and homesites. (Capability classification IIs, irrigated or nonirrigated; sugarcane group 1; pineapple group 4; pasture group 8; woodland group 7)

Puhi silty clay loam, 3 to 8 percent slopes (PnB).

On this soil, runoff is slow and the erosion hazard is slight. This soil is used for sugarcane, pineapple, orchards, pasture, truck crops, and homesites. (Capability classification IIe, irrigated or nonirrigated; sugarcane group 1; pineapple group 5; pasture group 8; woodland group 7)

Puhi silty clay loam, 8 to 15 percent slopes (PnC).

On this soil, runoff is slow and the erosion hazard is slight. This soil is used for sugarcane, pineapple, pasture, and orchards. (Capability classification IIIe, irrigated or nonirrigated; sugarcane group 1; pineapple group 6; pasture group 8; woodland group 7)

Puhi silty clay loam, 15 to 25 percent slopes (PnD).

On this soil, runoff is medium and the erosion hazard is moderate. Included in mapping were small, eroded areas.

This soil is used for sugarcane, pineapple, orchards, pasture, woodland, wildlife habitat, and water supply. (Capability classification IVe, irrigated or nonirrigated; sugarcane group 1; pineapple group 6; pasture group 8; woodland group 7)

Puhi silty clay loam, 25 to 40 percent slopes (PnE).

On this soil, runoff is rapid and the erosion hazard is severe.

This soil is used for pasture, woodland, wildlife habitat, and water supply. (Capability classification VIe, nonirrigated; pasture group 8; woodland group 7)

Rough Broken Land

Rough broken land (rRR) consists of very steep land broken by numerous intermittent drainage channels. In most places it is not stony. It occurs in gulches and on mountainsides on all the islands except Oahu. The slope is 40 to 70 percent. Elevations range from nearly sea level to about 8,000 feet. The local relief is generally between 25 and 500 feet. Runoff is rapid, and geologic erosion is active. The annual rainfall amounts to 25 to more than 200 inches.

These soils are variable. They are 20 to more than 60 inches deep over soft, weathered rock. In most places some weathered rock fragments are mixed with the soil material. Small areas of rock outcrop, stones, and soil slips are common. Included in mapping were areas of colluvium and alluvium along gulch bottoms.

This land type is used primarily for watershed and wildlife habitat. In places it is used also for pasture and woodland. The dominant natural vegetation in the drier areas consists of guava, lantana, Natal redtop, bermudagrass, koa haole, and molassesgrass. Ohia, kukui, koa, and ferns are dominant in the wetter areas. Puakeawe, aalii, and sweet vernalgrass are common at the higher elevations. (Capability classification VIIe, nonirrigated)

Exhibit "D"

LSB Map 100

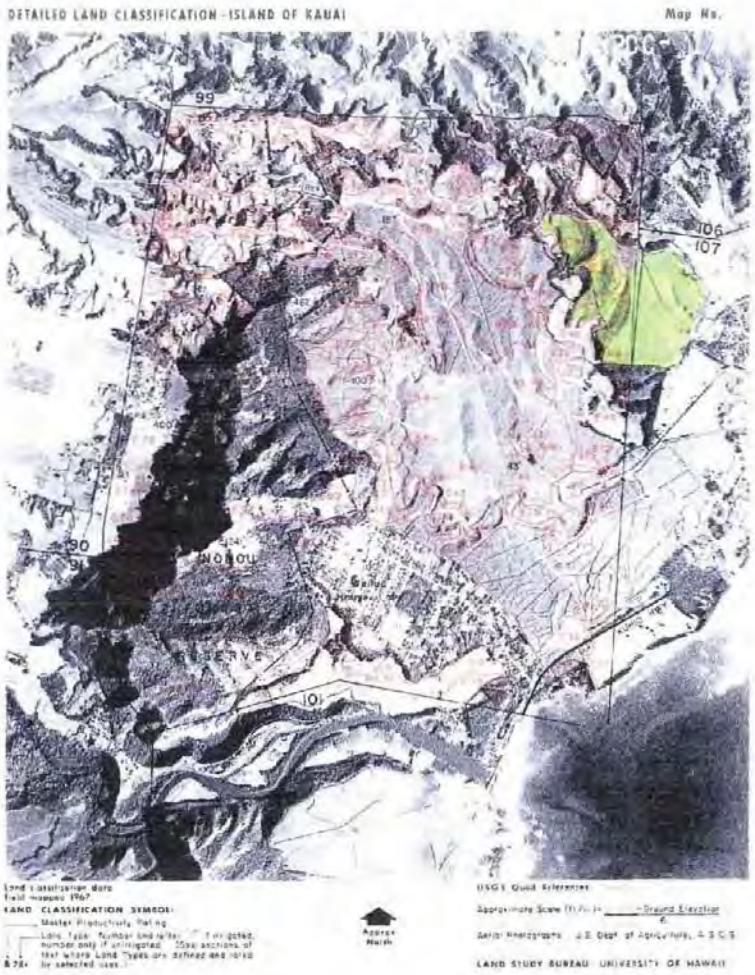


EXHIBIT "D"

Exhibit "E"

LSB Map 107

EXHIBIT "E"

Exhibit "F"

Economics For Goats

Exhibit "G" of "C"

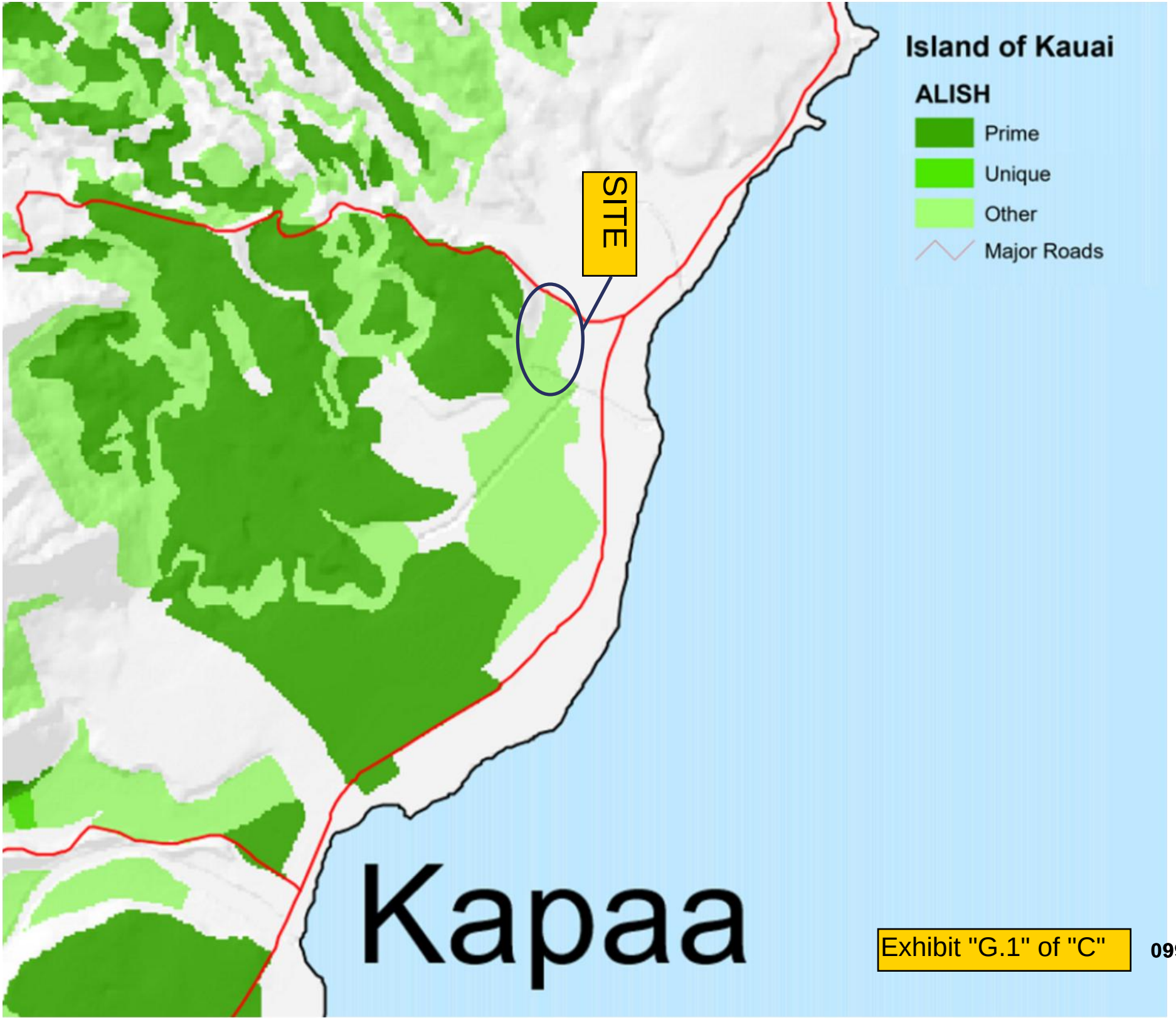


Exhibit "G.1" of "C"