

BEFORE THE LAND USE COMMISSION
OF THE STATE OF HAWAII



In the Matter of the Petition of)	DOCKET NO. A07-772
)	
A&B PROPERTIES, INC.)	FIRST AMENDMENT TO MOTION
)	FOR ORDER GRANTING TIME
To Amend the Agricultural Land)	EXTENSION
Use District Boundary into the)	
Urban District for approximately)	
94.352 acres at Waiakoa, Island)	
and County of Maui, State of)	
Hawai'i, TMK: 3-8-04: portion of)	
2, portion of 22 and portion of)	
30)	
_____)	

FIRST AMENDMENT TO MOTION FOR ORDER GRANTING TIME EXTENSION;
DECLARATION OF NATALIE I. KIEHM;
EXHIBIT "9"
AND
CERTIFICATE OF SERVICE

BENJAMIN M. MATSUBARA, #993-0
CURTIS T. TABATA, #5607-0
Matsubara, Kotake & Tabata
888 Mililani Street, Suite 308
Honolulu, Hawai'i 96813

Attorneys for Petitioner
A & B PROPERTIES HAWAII, LLC,
SERIES T

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FIRST AMENDMENT TO MOTION FOR ORDER GRANTING TIME EXTENSION

TO THE HONORABLE LAND USE COMMISSION OF THE STATE OF HAWAII:

A & B PROPERTIES HAWAII, LLC, SERIES T ("Petitioner" or "A&B") by and through its attorneys, MATSUBARA, KOTAKE & TABATA, respectfully submits this First Amendment to Motion for Order Granting Time Extension to amend the Motion for Order Granting Time Extension filed November 17, 2020 ("Motion") to include the following exhibit and facts to and incorporate by reference within the Motion:

1. Kamalani Project - Maui, Hawaii, Economic Impact due to Covid-19 as Exhibit "9".

DATED: Honolulu, Hawai'i, January 21, 2021.



Of Counsel:

MATSUBARA, KOTAKE & TABATA
A Law Corporation

BENJAMIN M. MATSUBARA

CURTIS T. TABATA

Attorneys for Petitioner

A & B PROPERTIES HAWAII, LLC, SERIES T

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DECLARATION OF NATALIE I. KIEHM

Natalie I. Kiehm states as follows:

1. I am over 18 years of age, and I am Vice President of A & B Properties Hawaii, LLC, Series T. I have personal knowledge of the matters set forth in this Declaration, and, if called upon to testify, I could and would competently testify thereto.
2. Attached to the First Amendment to Motion for Order Granting Time Extension as Exhibit "9" is a true and correct copy of the Kamalani Project - Maui, Hawaii, Economic Impact due to Covid-19.

I declare under penalty of law that the foregoing is true and correct.

Executed this 19th day of 2021.

Natalie I Kiehm

NATALIE I. KIEHM



Kamalani Project – Maui, Hawaii Economic Impact Due to COVID-19

Prepared for:



COLLIERS INTERNATIONAL

January 15, 2021

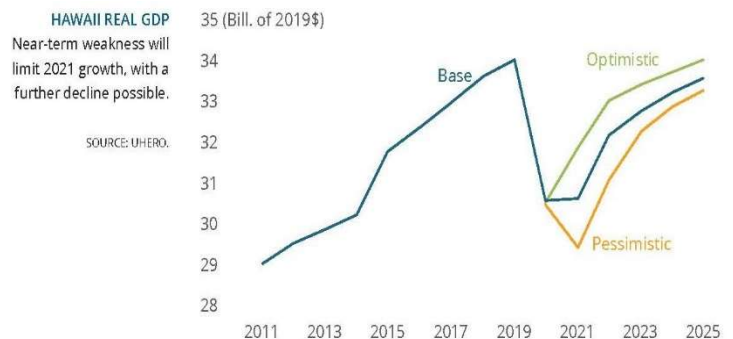
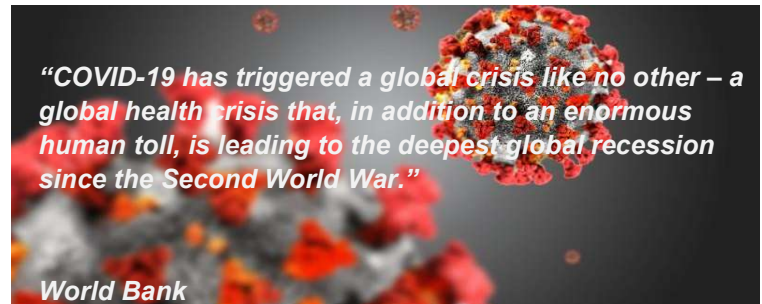
EXHIBIT "9"

Kamalani Ventures LLC, developer of the Kamalani residential development in Kihei, Maui engaged Colliers Consulting, a division of Colliers International Hawaii to provide a real estate economics briefing as it relates to the impact of COVID-19 on the buildout and eventual sale of their Kamalani homes.

This briefing provides support for the amendment requesting an extension of the infrastructure timeline.

The global pandemic infected millions of people and exacted a dramatic personal toll on families throughout the world. In its wake, COVID-19 left millions jobless as businesses were shuttered. For Hawaii, its tourism-based economy exposed significant vulnerabilities as many of its major employers, hotels, airlines, retail centers and restaurants were adversely affected.

The real estate industry is not immune to these economic shocks. As a cyclical business, real estate flourishes when there is rising employment and healthy business growth. During recessionary periods, real estate activity slows as consumers cut back on major capital investments, such as home purchases.



Both the University of Hawaii Economic Research Organization (“UHERO”) and the State of Hawaii’s Department of Business Economic Development and Tourism projected that Hawaii’s economy (i.e. jobs, air passenger arrivals and real GDP) will not return to pre-COVID levels till after 2023. This protracted economic recovery timeline creates uncertainty about the future.

The Kamalani residential development targeted local buyers, many who are employed by the island’s hotels, restaurants and retail shops. COVID-19’s impact resulted in a tremendous loss of jobs to our primary buyer pool. For 2020, residential home sales declined in the Kihei/Wailea by 32%. There was a 39% drop in sales to local buyers during this time period. It is anticipated that this downward trend would continue until the economy improves and consumer confidence returns. Until this occurs, sales velocity will be negatively impacted as it will take longer to sell homes.

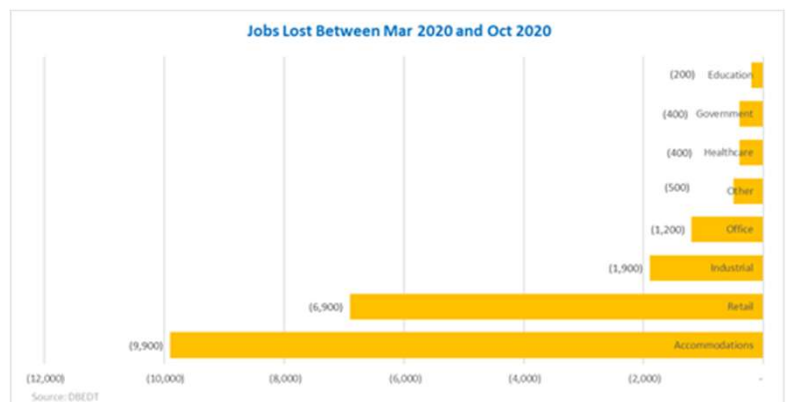
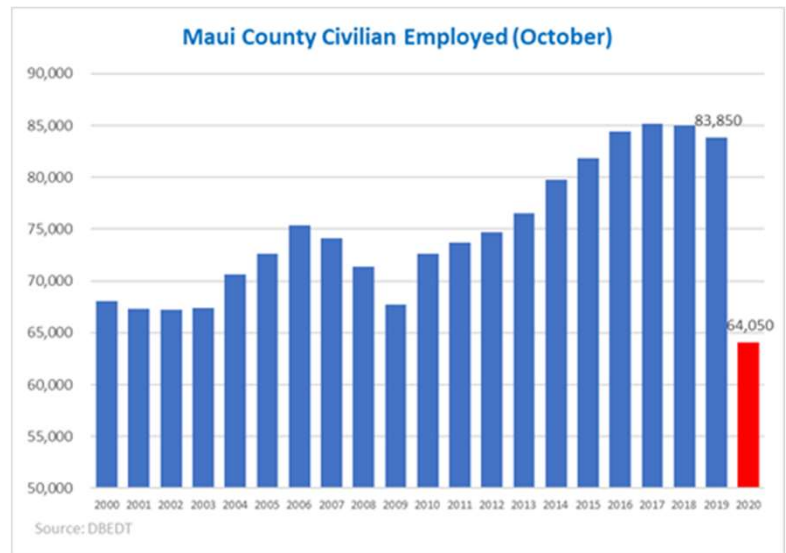
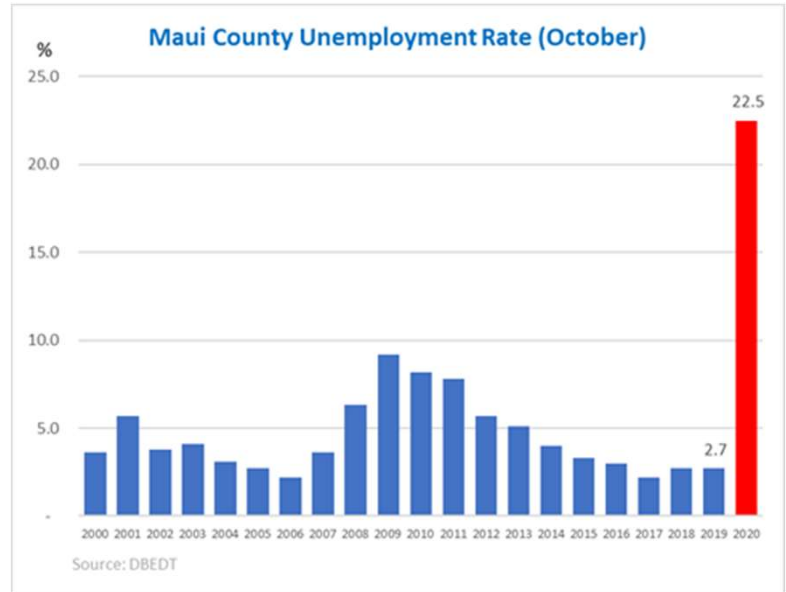
This request to extend Kamalani’s infrastructure timeline will increase the likelihood of this project’s successful completion and improve sales to local buyers.

DECLINE IN CIVILIAN WORKFORCE

Maui also suffered immense economic losses in the aftermath of the COVID-19 pandemic. At the end of April 2020, Maui's unemployment rate hit a record high 34.6% as a government mandated business shutdown resulted in a record number of unemployment claims being filed.

At the end of October 2020, Maui's unemployment rate remained elevated at 22.5%. Of Maui's 80,000 civilian workforce nearly 22,000 were no longer employed as of October 2020.

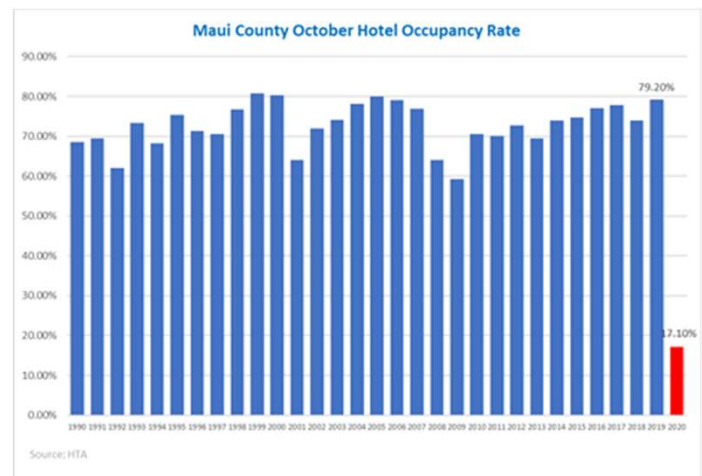
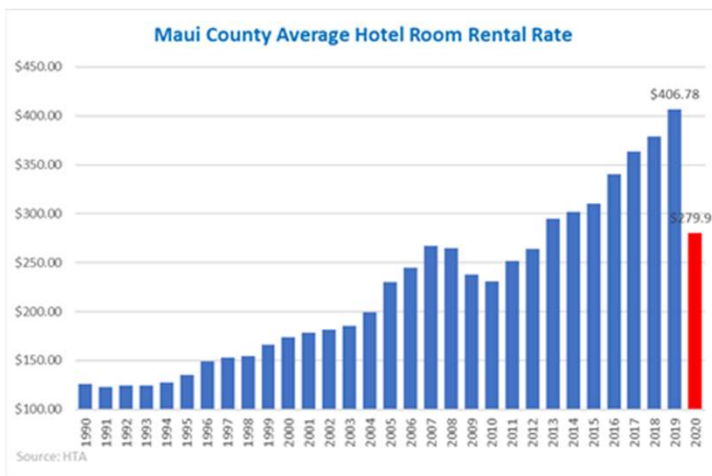
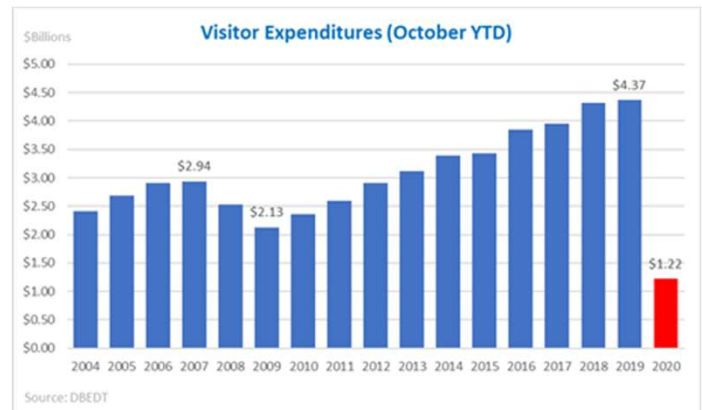
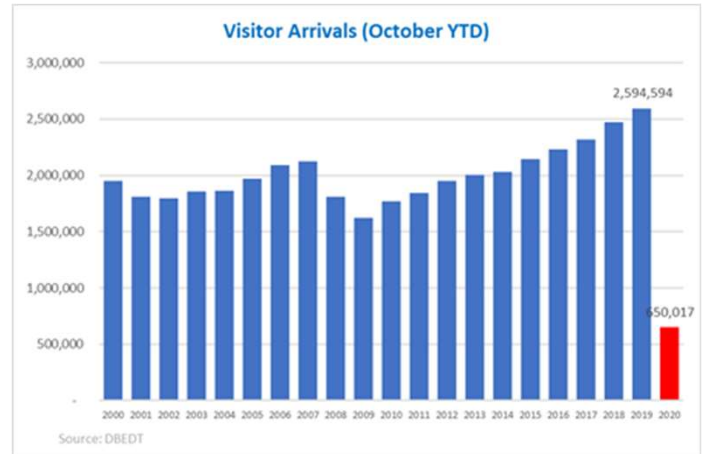
Based on DBEDT October 2020 data, every major employment category faced a loss of jobs between March and October 2020. The worst affected were those employed by hotels, retail and transportation sectors.



Dramatic Downturn to Maui's Tourism Sector

The rapid pace of growth for infection rates resulted in government mandated travel restrictions and quarantines, in the aftermath Maui's hospitality and travel industries were devastated. October year-to-date air passenger arrival counts declined by 74.9% when compared to last year and visitor expenditures dropped by 72% during the same time period.

October's hotel occupancy rate fell from a healthy 2019 level of 79.2% to an abysmal 17.1% for October 2020. The average hotel room rate fell from a record high of \$406.78 to \$279.91 for a 31.2% drop in hotel room rates for Maui.

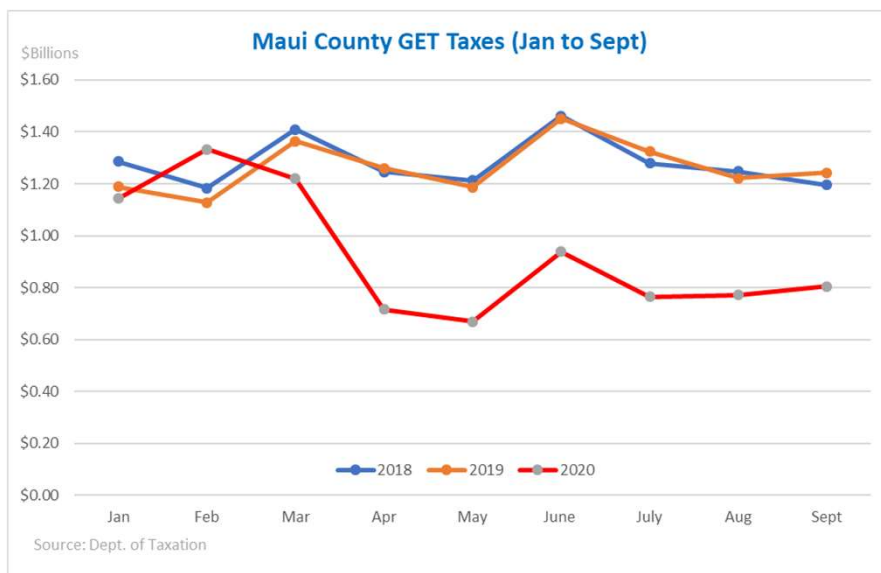
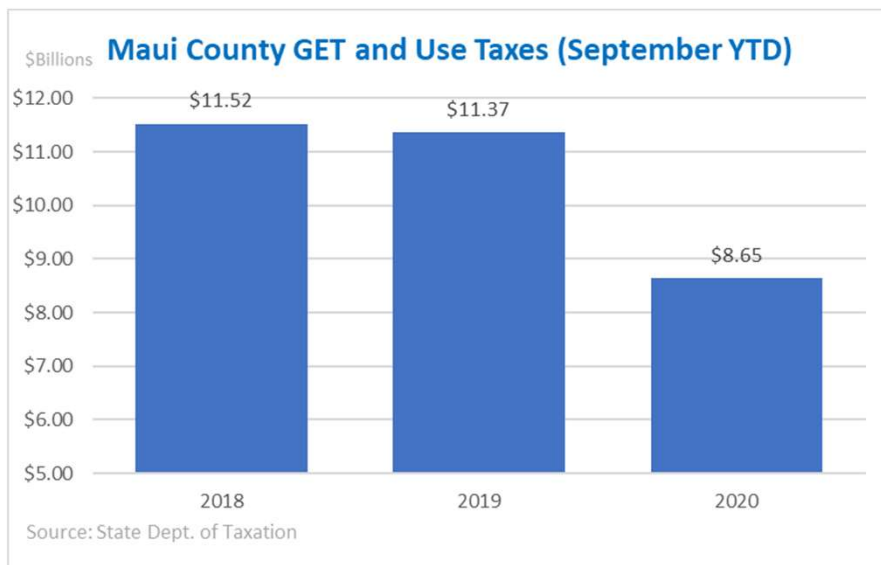


Widespread Loss of Tax Revenues

General excise and use taxes provide one of the broadest measures of economic activity for the County of Maui as it includes retail sales, contracting, wholesaling, hotel rentals etc.

Based on the data for the first nine months of 2020, Maui's general excise and use taxes declined from \$11.37 billion to \$8.65 billion, for a 23.9% drop in collections.

Maui's GET taxes for 2020 indicated a sizeable decline beginning in March and continuing through September 2020.



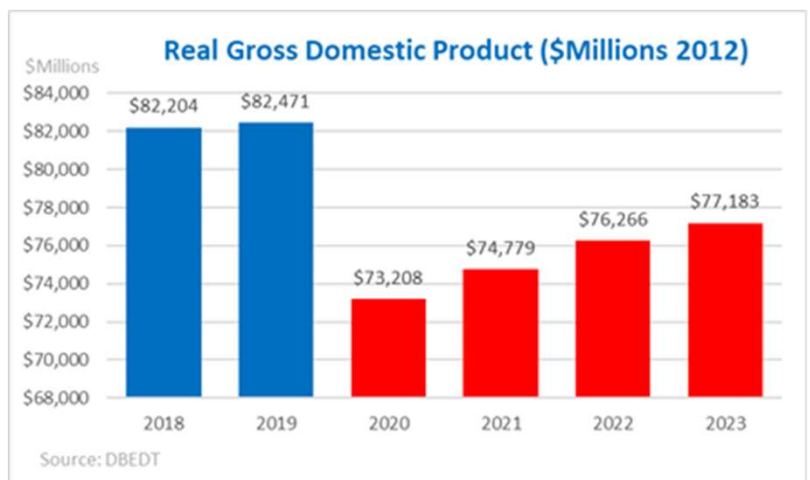
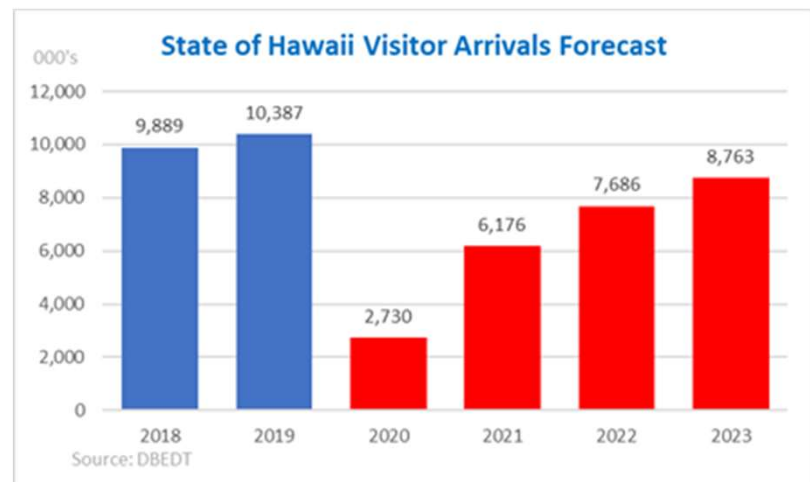
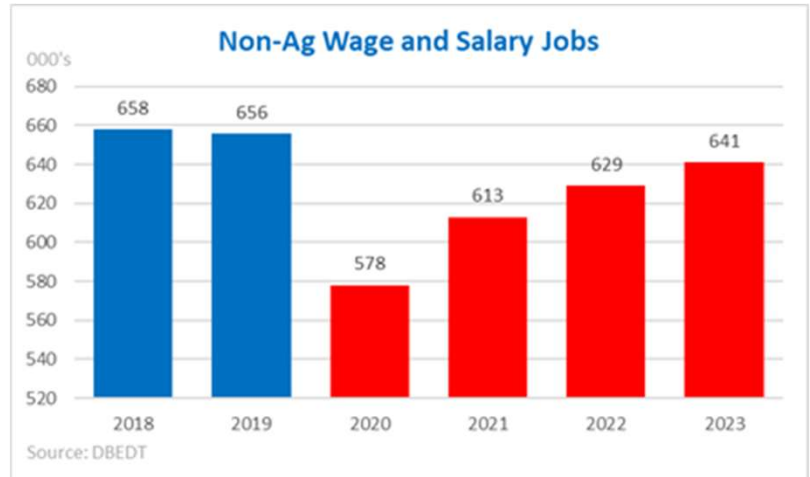
Economic Recovery to Take Longer than 3 Years

STATE OF HAWAII DEPARTMENT OF BUSINESS ECONOMIC DEVELOPMENT AND TOURISM FORECAST:

The Department of Business, Economic Development & Tourism ("DBEDT") is Hawaii's resource center for economic and statistical data that contribute to economic forecasts for long-term statewide planning.

In DBEDT's 4th quarter 2020 forecast, they projected at year-end 2020 that the State would face a reduction of 78,000 jobs, decline of 7.6 million air passenger arrivals and a drop of 9.7% in real gross domestic product. Additionally, DBEDT projected that the State of Hawaii would not fully return to 2019 levels till after 2023.

ACTUAL AND FORECAST OF KEY ECONOMIC INDICATORS FOR HAWAII: 2018 TO 2023						
Economic Indicators	2018	2019	2020	2021	2022	2023
	Actual	Actual	Forecast	Forecast	Forecast	Forecast
Visitor arrivals (thousands) *	9,889	10,387	2,730	6,176	7,686	8,763
Visitor days (thousands) *	88,285	90,361	30,357	57,029	68,758	76,800
Visitor expenditures (million dollars) *	17,643	17,844	5,112	10,513	13,373	15,260
Honolulu CPI-U (1982-84=100)	277.1	281.6	286.1	291.3	297.1	303.9
Personal income (million dollars)	78,436	80,727	86,829	80,033	82,298	84,666
Real personal income (millions of 2012\$) *	61,645	62,858	66,352	60,432	61,304	62,166
Non-agricultural wage & salary jobs (thousands)	658	656	578	613	629	641
Civilian unemployment rate	2.5	2.7	11.2	7.9	7.1	6.6
Gross domestic product (million dollars)	93,101	95,744	86,479	89,922	93,326	96,092
Real gross domestic product (millions of 2012\$)	82,204	82,471	73,208	74,779	76,266	77,183
Gross domestic product deflator (2012=100)	113	116	118.1	120.3	122.4	124.5

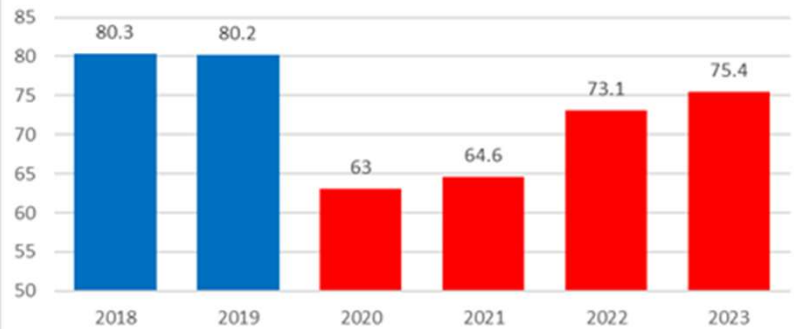


UNIVERSITY OF HAWAII ECONOMIC RESEARCH ORGANIZATION MAUI COUNTY FORECAST:

In addition to DBEDT, The University of Hawaii Economic Research Organization (“UHERO”) provides economic research for the State and its associated counties. The following is UHERO’s 4Q2020 economic forecast for Maui County.

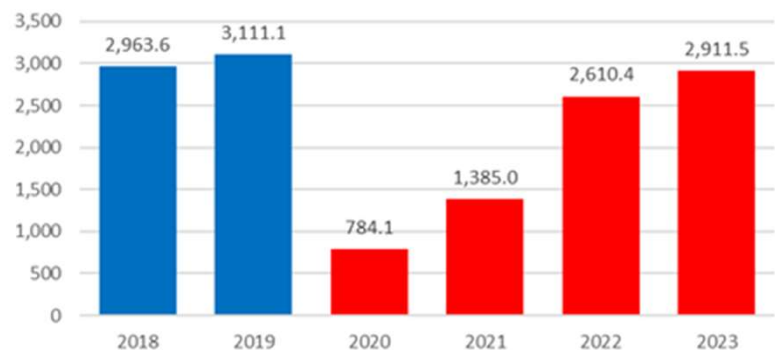
Similar to DBEDT’s forecast for the State of Hawaii, UHERO’s forecast indicated that Maui County will incur a 21.4% drop in non-farm payrolls resulting in a year-end unemployment rate of 19.3%. Visitor arrival counts for 2020 will fall by nearly 75% from a record high established in 2019. Mirroring the DBEDT forecast, Maui would not recover to pre-COVID levels till after 2023.

**Maui County Forecast Non Farm Payrolls
(Thousands)**



Source: UHERO

**Maui County Forecast Total Visitor Arrivals
(Thousands)**

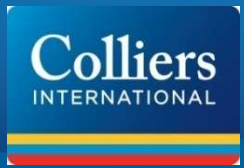


Source: UHERO

Maui County

	2018	2019	2020	2021	2022	2023
Non Farm Payrolls (Thousands)	80.3	80.2	63	64.6	73.1	75.4
% Change	1.7	-0.1	-21.4	2.5	13.2	3.1
Unemployment Rate	2.4	2.6	19.3	16.7	6.7	5.2
Real Personal Income (Million 2019\$)	\$8,337.5	\$8,600.9	\$9,298.5	\$8,090.5	\$8,129.5	\$8,359.2
% Change	2.2	3.2	8.1	-13	0.5	2.8
Total Visitor Arrivals (Thousands)	2,963.6	3,111.1	784.1	1,385.0	2,610.4	2,911.5
% Change	5.9	5	-74.8	76.6	88.5	11.5
Source: UHERO						

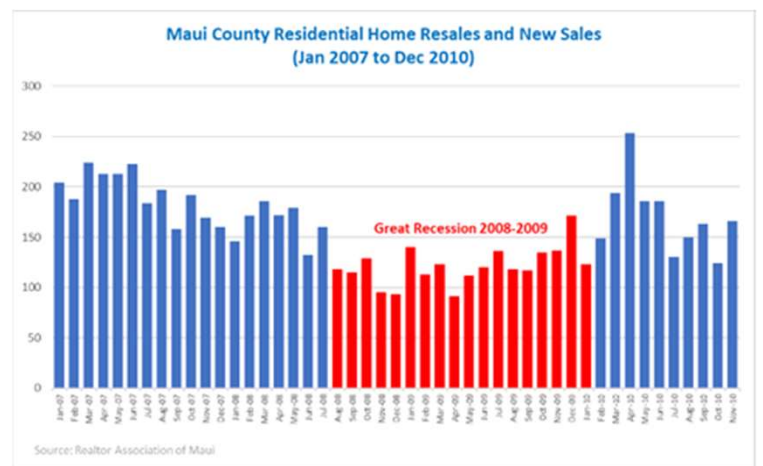
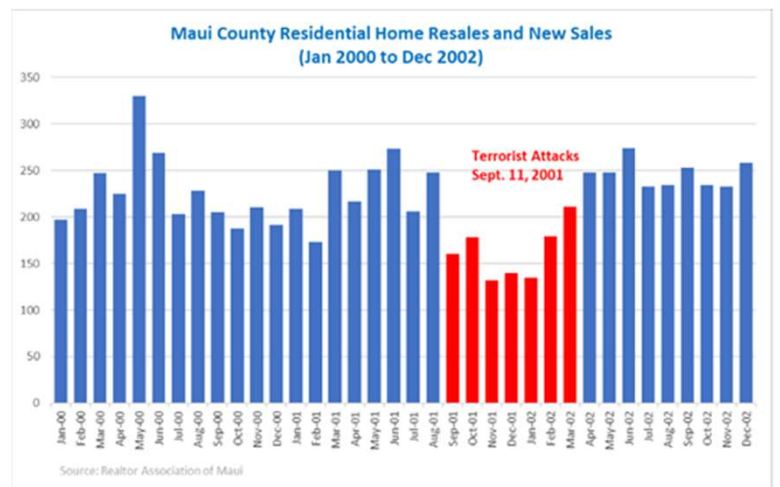
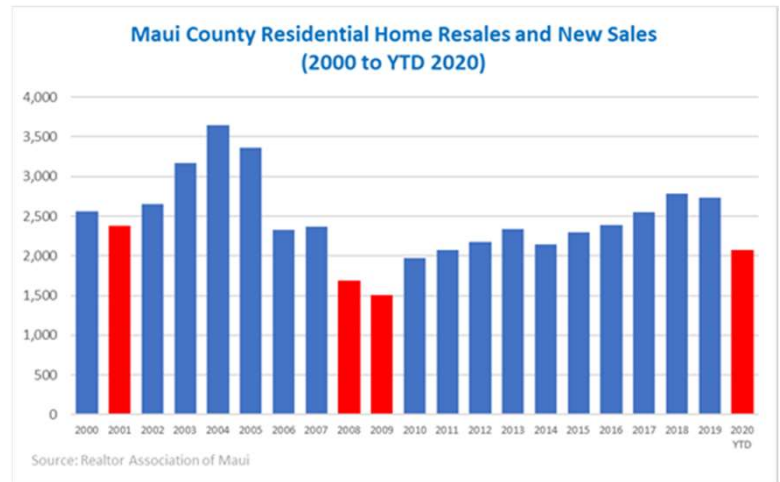
Residential Real Estate Impacted by Economic Downturn



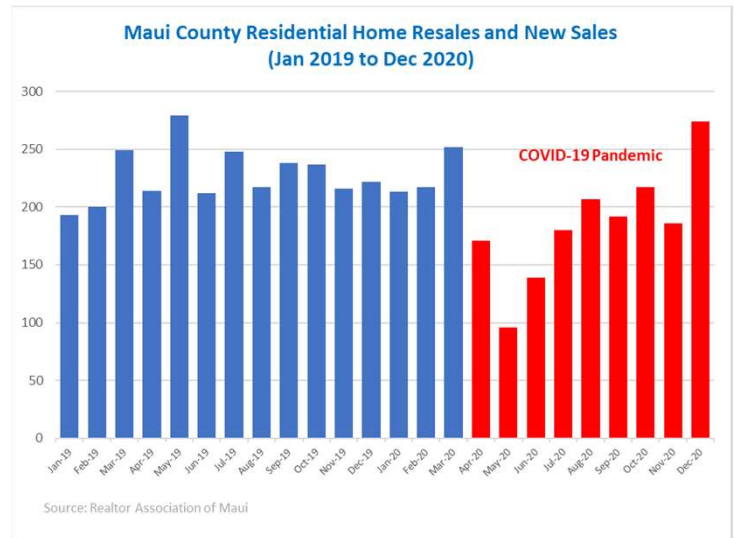
During the past twenty years, Maui's residential marketplace weathered three economic shocks, the Terrorist Attacks in 2001, the Great Recession in 2008-2009, and the COVID-19 pandemic in 2020. All three of these events resulted in a slowdown in residential transaction activity as indicated in red on the adjacent residential home sales graphs.

In 2001, the September 11, 2001 terrorist attacks resulted in a national shutdown of air travel. Maui's tourism-based economy encountered a dramatic downturn in air passenger arrival counts. In 2000 more than 2.3 million tourists arrived by air, but by the end of 2001, this number fell by 8.7%. Residential home sales reported below average activity for six months following this event.

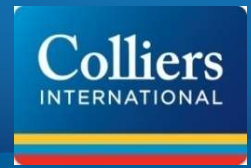
During the Great Recession, Maui residential home sales suffered nearly 18 consecutive months of below average transaction activity. It took nine years before annual transaction activity returned to levels established in 2007. During the Great Recession, the average monthly transaction counts fell by more than 30% from the pre-recession sales activity levels.



Maui's residential marketplace responded to the COVID-19 pandemic with a sharp decline in transaction activity between April 2020 and July 2020. Between January 2019 and March 2020, Maui County averaged 227 home sales per month. Between April and December 2020, the average monthly transaction count fell to 184.6, for a 18.7% reduction in sales activity.



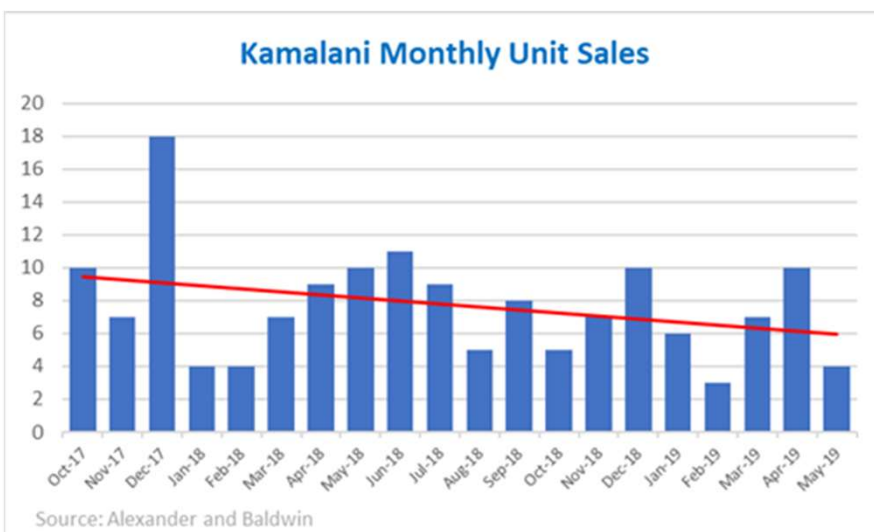
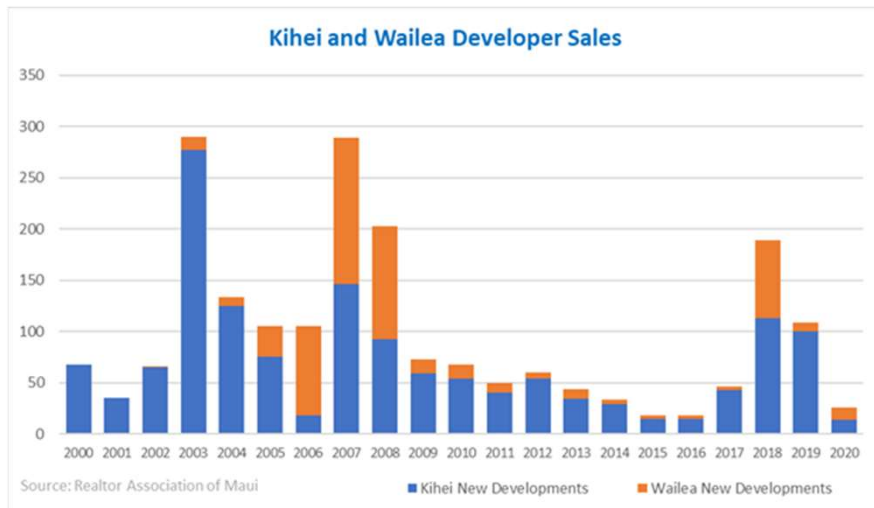
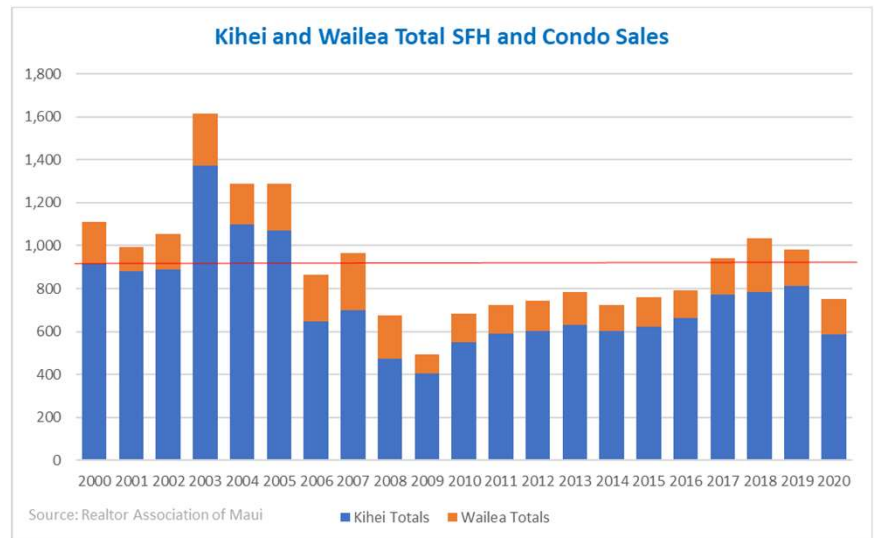
Kihei and Wailea Residential Market Experience Slowdown



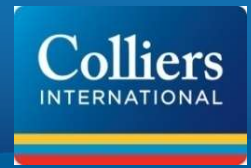
Economic shocks negatively impacted residential transaction activity in Kihei and Wailea as well. Following the Great Recession, home sales activity did not return to 2007 levels until nearly eleven years later.

For new Kihei and Wailea, developer sales activity posted a slowdown in activity during economic downturns. The surge in new residential development activity occurred in 2003-2004 in Kihei and between 2006 and 2008 for Wailea. Subsequent to the Great Recession, developer sales steadily declined for nine consecutive years.

For the first increment of Kamalani, the initial 90 to 270 days of sale were reserved for those that qualified for the 80% to 140% AMI Residential Workforce (Affordable) categories. Only 30 homes were sold under County of Maui's Residential Workforce requirements while another 16 buyers that qualified for the reduced workforce housing pricing opted to pay market rate pricing (with 50% of the increase in pricing payable to the County of Maui's affordable housing fund) to avoid deed restrictions that accompanies homes sold as Residential Workforce Housing. Excluding the initial days that home sales were reserved for Residential Workforce housing purchasers, it took roughly 18 months to completely sell out Kamalani increment 1, which averaged 7 units sold per month.

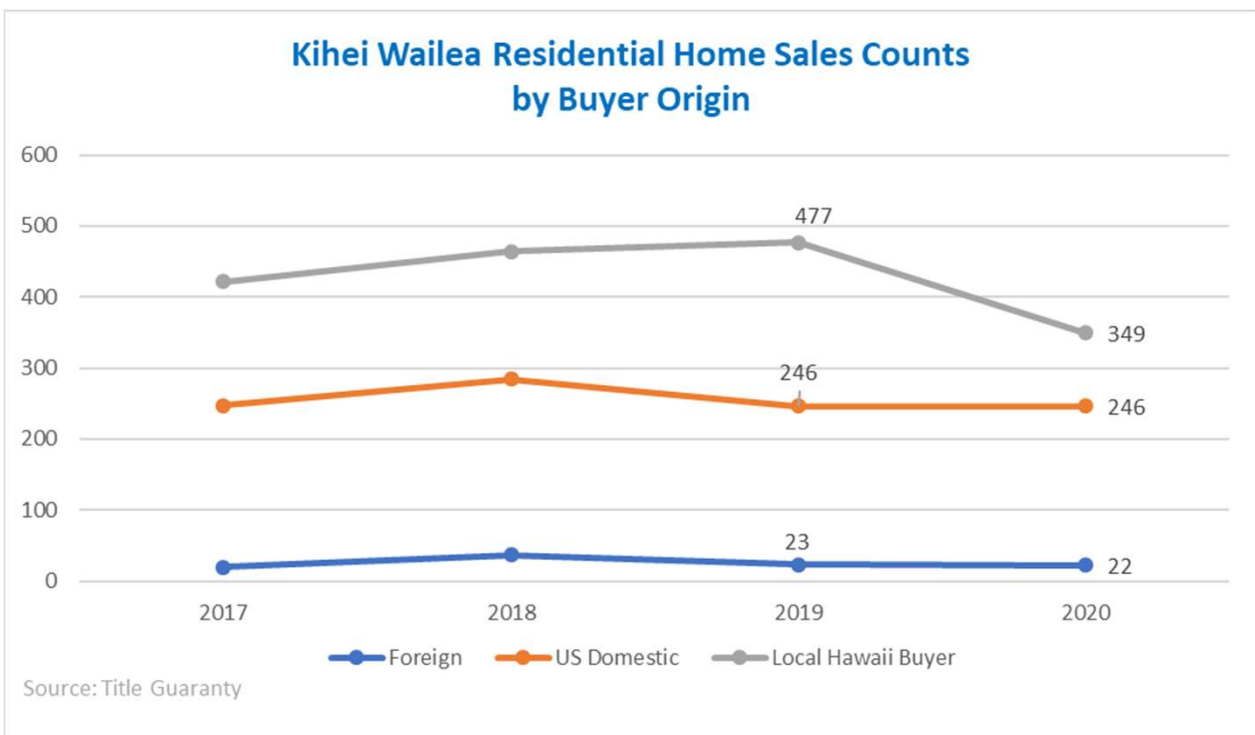


Kihei and Wailea Residential Market Experience Slowdown



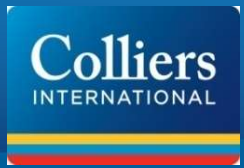
Colliers obtained additional data from Title Guaranty that identified where the residential home buyers for the Kihei/Wailea marketplace originated from. Between 2017 and 2020, local buyers constituted roughly 60% of the residential home transactions, this was followed by buyers from the U.S. with roughly 35% of the homes purchased during this time period. Foreign buyers comprised a small 3% to 4% of the total number of homes purchased for this market.

At the end of 2020, residential transaction volume for this market dropped by 17.3% from 2019 levels. The most sizeable drop in sales occurred among local Hawaii buyers, which recorded a 26.8% decline in transaction activity. Home sales among foreign and US domestic buyers stayed relatively flat.



	2017	2018	2019	2020	2019 vs 2020 Percentage Change
Foreign	20	37	23	22	-4.35%
US Domestic	247	284	246	246	0.00%
Local Hawaii Buyer	422	464	477	349	-26.83%
Source: Title Guaranty					

Local Buyers Largest Sector of Kamalani Buyer Profile

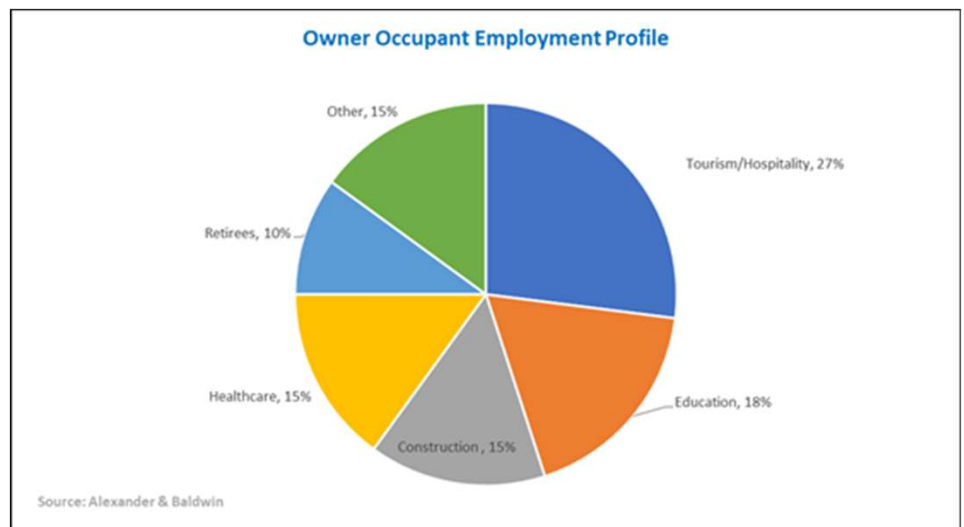
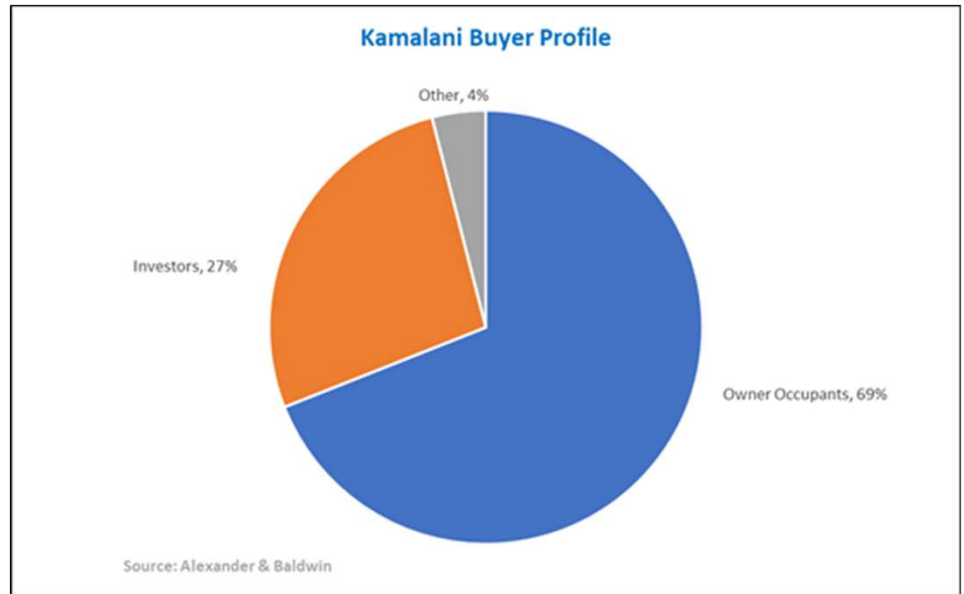


Kamalani's initial increment of homes included 170 Residential Workforce homes which targeted qualified buyers making 80% to 140% Area Median Income (AMI), to fulfill Kamalani's affordable housing requirement.

The sales effort for Residential Workforce homes began in 2016 and ultimately resulted in 30 homes being sold to qualified Residential Workforce housing buyers. The remaining 140 homes were sold to market buyers. Of the total 170 homes sold, 69% (117 homes) were to owner users, 27% sold to investors and 4% to others.

Upon closer review of the 117 owner user purchases, 27% (31 transactions) were sold to individuals employed by the tourism/hospitality sector. Those employed in education (18%), construction (15%) and Healthcare (15%) comprised the next largest buyer employment sectors.

A review of Kamalani's investor buyer profile indicated that 40% of these homes (18) were rented to those employed by the hospitality industry. By far, those employed by the hospitality industry comprised the largest component of Kamalani's owners and rental home occupants (49). Additionally, 136 out of the 170 homes were sold to residents employed on Maui.



Summary Findings:

- Economic Recovery Not Expected Till After 2023** - DBEDT and UHERO both forecasted that the State of Hawaii and Maui County will not recover until after 2023. There is a consensus opinion that Maui's tourism-based economy will not fully recover till travel restrictions are lifted and visitors feel safe to return.
- Residential Home Sales Adversely Affected by Economic Downturn** – Based on historical residential sales trends, during periods of economic shocks, transaction activity is adversely affected. Kihei/Wailea new home and resales reflected this as well.
- Kamalani Buyer Pool Negatively Affected by Economic Downturn** - Kamalani's buyer profile indicated a high percentage of those owner-users and rental occupants of investor-owned units were employed by the hospitality sector, which is devastated by COVID-19 travel quarantine restrictions. For those that may have been laid off, or had their hours reduced, a home purchase is likely postponed or shelved until finances are stabilized and tourism returns to pre-COVID levels. Similarly, layoffs also affected many of those employed in education, retail and construction sectors, which are major segments of Kamalani's buyer profile.
- Decline To Average Monthly Home Sales** - Kamalani has approximately 460 homes remaining to sell. Assuming sales velocity averaged 7 homes per month (initial increment monthly sales average) it would take more than 5.5 years to sell out, and this does not include the additional time required to design, obtain approvals and construct these homes, including the related infrastructure. Unfortunately, during a period of economic uncertainty, sales velocity will decline and extending the time needed to sell the remaining homes

Absorption Forecast: Approximately 460 Kamalani Homes Remaining

	Initial Deadline for Extension	Tentative Month for SLUC Hearing	Average Monthly Sales	Months Till Project Sells Out	Sales Absorption Period (Years)	Time Elapsed Since Initial Deadline (Years)	Time Needed for Design/Revisions & Approvals (Years)	Total Estimated Years to Build & Sell Remaining Homes
Optimistic	Feb-19	Apr-21	7	65.7	5.5	2.3	2.0	9.8
Base Case	Feb-19	Apr-21	5.6	82.1	6.8	2.3	2.0	11.1
Pessimistic	Feb-19	Apr-21	4.6	100.0	8.3	2.3	2.0	12.6

Colliers projects that under the base case scenario, the 460 homes would require at a minimum of 11.1 years to complete its development. Even for the most optimistic scenario, Kamalani would need an extension of 9.8 years.

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_____)	

CERTIFICATE OF SERVICE

I hereby certify that a file-marked of the foregoing document was duly served upon the following **AS INDICATED BELOW** on January 21, 2021.

MARY ALICE EVANS, DIRECTOR
Office of Planning, State of Hawai'i
235 South Beretania Street
Room 600, Leiopapa A Kamehameha Bldg.
Honolulu, HI 96813

CERTIFIED MAIL
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REQUESTED

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Deputy Attorney General
Department of the Attorney General
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Maui County Planning Department
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Deputy Corporation Counsel
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CERTIFIED MAIL
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Alexander & Baldwin, Inc.
P.O. Box 156
Kahului, HI 96732

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DATED: Honolulu, Hawai'i, January 21, 2021.



Of Counsel:
MATSUBARA, KOTAKE & TABATA
A Law Corporation

BENJAMIN M. MATSUBARA
CURTIS T. TABATA
Attorneys for Petitioner
A & B PROPERTIES HAWAII, LLC, SERIES T