I. INTRODUCTION

Ricky Cassiday is a market researcher 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 Hokua Place.

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

Hokua Place is a master planned project on the east side of 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.

The target market for this development will be spread across a wide range of households, appealing to local families looking for reasonably priced housing. It is particularly 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 all four sides – inland, beach-side, north and south side of the island. It 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.

HOKUA 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)	452
Affordable Housing Dwelling Units (12 DU/Ac)	231

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. In light of the pandemic, particular attention will be given to the land plan, common area amenities and unit architecture, with health and wellness.

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 requirement 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 (760+ 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 target offshore buyers - and are thus priced significantly 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. Any production of new housing acts to soften the pressures that push housing prices higher, within the Kapaa community, and across the island. National and local studies and data have shown that supply of new housing into an existing market place results in a moderating trend in prices, if not an actual decline.

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.

Our analysis will start by looking at the economic outlook for the globe, and end up describing Kauai's economy – and then it's residential market.

GLOBAL ECONOMY:

Front and center, the COVID-19 pandemic has caused significant turmoil and uncertainty across the globe. Governments are taking dramatic efforts to reduce the strain on health care systems, and beyond that, on the economy and society. While there has been some small improvement in terms of neutralizing this virus, there is no certainty going forward in terms of a general return to normality. That said, we subscribe to the assumption that a full recovery will happen, and will happen over the next several years.

That notwithstanding, Kauai's major industry is tourism, the driver of its economy. The major trading partners here would be Canada and the US on the international level, then California, and the west coast states, on the national 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 Kauai, currently and for the future.

The latest IMF's latest World Economic Outlook projects world output at −4.2% in 2020, and 5.2% in 2021. After the rebound in 2021, global growth is expected to gradually slow to about 3.5% into the medium term. Thereafter, a long period of growth is expected in and around the 3-5% mark

For the United States, the forecast is similar but more volatile. Growth last year looks to come in at -5.8%, but rebound to 3.9% this year. .Longer term, growth is expected at 2% p.a. Canada is more volatile yet, with their economy falling by over 7% in 2020, then rebounding to 5.2% this year

VISITOR INDUSTRY:

The largest visitor market to the island is the US, being 90% of the total. Within the US, California is the largest single state market, at about 30%, with Washington State about 9%.

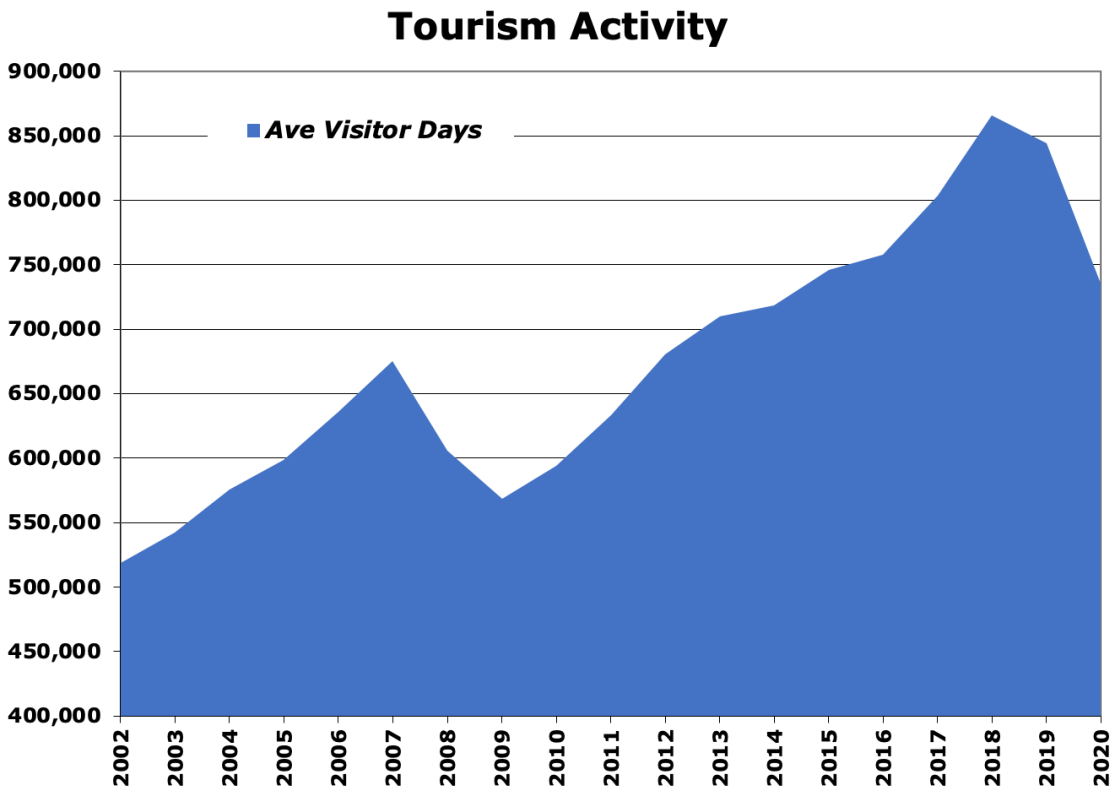
The major visitor industry association, the American Hotel and Lodging Association (AHLA), has forecasted that leisure travel will be the first to return to normal, with 56% of Americans planning a leisure trip this year, which is about average for a typical year. However, group and business travel will not see full recovery until 2024.

The report forecasted that U.S. hotels will see an average occupancy rate of 52.5% in 2021, up only 8.5 percentage points from 2020. By 2022, AHLA anticipates that occupancy levels will reach more than 61%, which is close to the pre-pandemic average of 66%.

Employment within the industry, however, is expected to lag. AHLA said that while the industry will add 200,000 direct hotel jobs in 2021, that still falls nearly 500,000 jobs short of pre-pandemic levels. Employment levels are not forecasted to return to 2019 levels until 2023 at the earliest.

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.



As seen in the chart above, this market has declined significantly in 2020. The outlook for a recovery, as of January 2021, indicates that this market will do better this year than last year. But it is not likely to recover fully for another 18-24 months. And may not exceed the level of activity seen at its peak in 2018.

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%	803,473	32,808	$12,106
2018	2.5%	865,746	30,377	$12,012
2019	2.7%	843,876	33,208	$10,256
2020	16.6%	735,378	27,309	$12,980

While the traditional visitor market looks slow to recover, the nontraditional segment is looking better. The table below shows the startling growth of this, the home stay component. The

proliferation of high-end short-term rental agencies in Poipu and the North Shore has given the economy a boost in expenditures and tax revenues.

This growth is described in the following table, the numbers of which came from Airbnb:

GROWTH OF KAUAI HOME STAY INDUSTRY

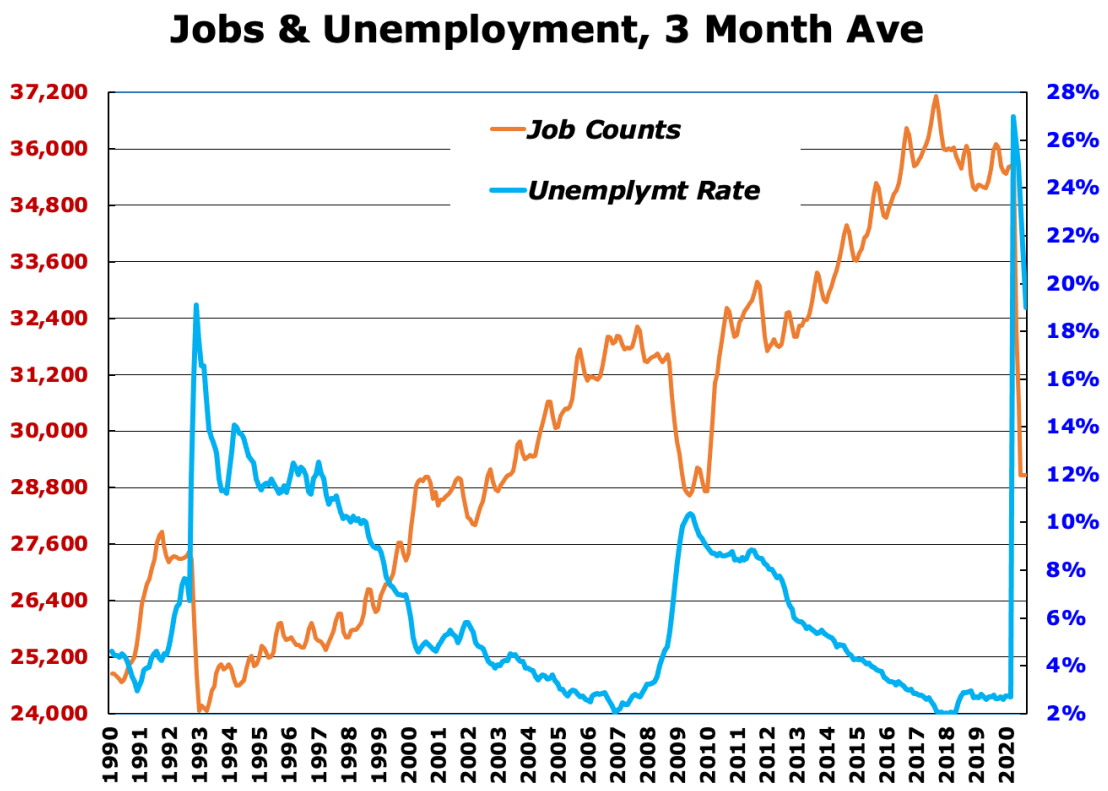
	Unique Websites	Ave Asking Price/Night
2014	166	$263
2015	312	$316
2016	561	$353
2017	537	$339

In 2018, Airbnb stopped providing data. At the same time, the Hawaii tourism authority began tracking this market. The numbers below come from them.

GROWTH OF KAUAI HOME STAY INDUSTRY

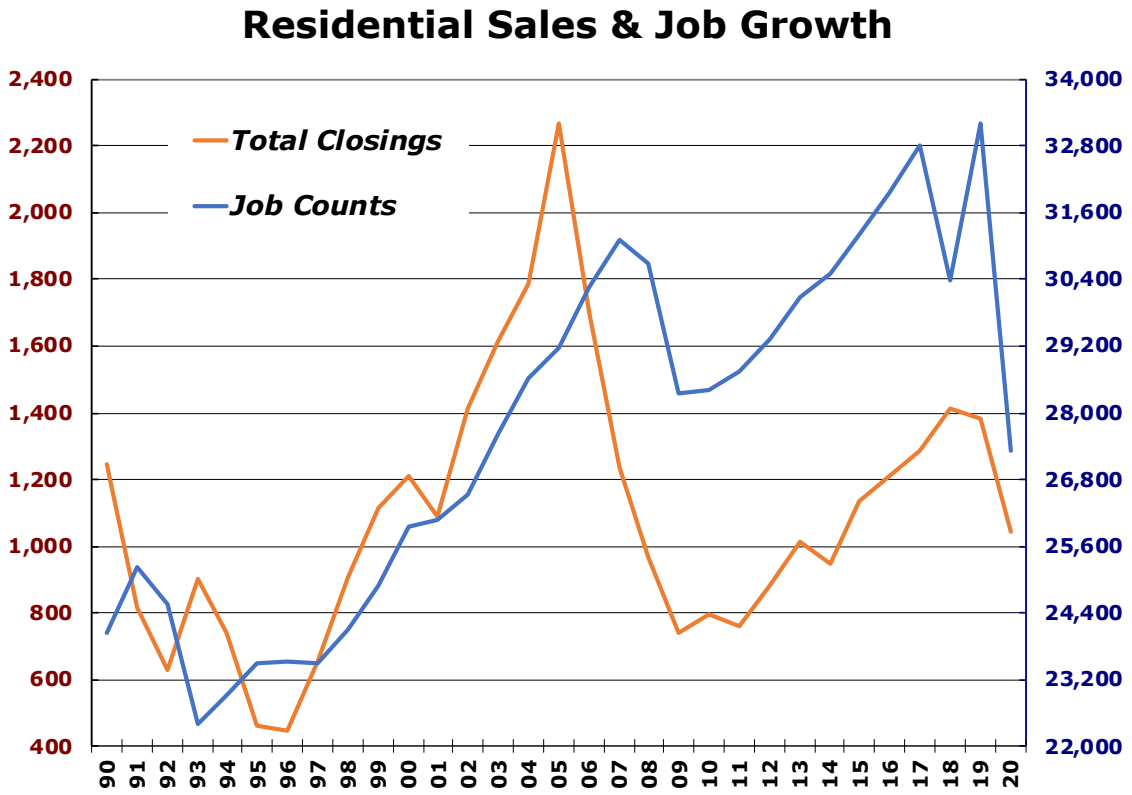
	2018-01	2019-01	2020-01	2020-10	2019-01	2020-01	2020-10
Hawai'i	2,288	6,083	6,530	3,695	165.9%	7.3%	-43.4%
Kaua'i	1,584	3,744	4,539	3,013	136.4%	21.2%	-33.6%

The best sign of economic growth is the latest unemployment figures. Up until the pandemic, the state had the nation's lowest unemployment rate, with Kauai in the same situation. This job growth had contributed to the strong housing demand of late, as manifested by rising rents, housing prices and homelessness. But, as seen in the chart, those trends have been reversed



The historic, and pre-pandemic, growth in economic activity led to growing demand for housing, both for-sale and for-rent units. Such growth exerted pressure on for-sale prices and for-rent rental rates. This made it more difficult for households with fixed or low-incomes to secure affordable shelter.

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.

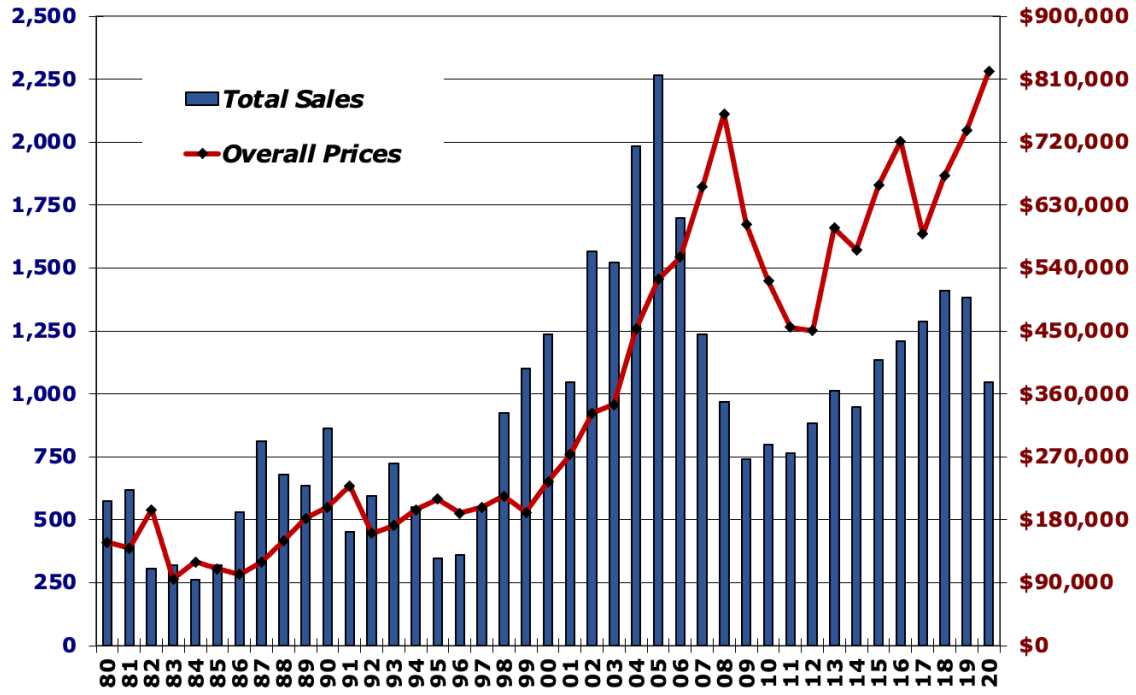
That said, Kauai was hard hit in 1982 and 1992 by hurricanes that caused significant damage to the housing stock. As a result, in the years thereafter, there was a mini-building boom.

CURRENT MARKET CONDITIONS: Prior to March 2020, Kauai's residential market was 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 cycle 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 bottomed out in 2011-2012, reversing the trend for lower sales and prices. Over the next 7 years, demand grew and sales rose, slowly but steadily.

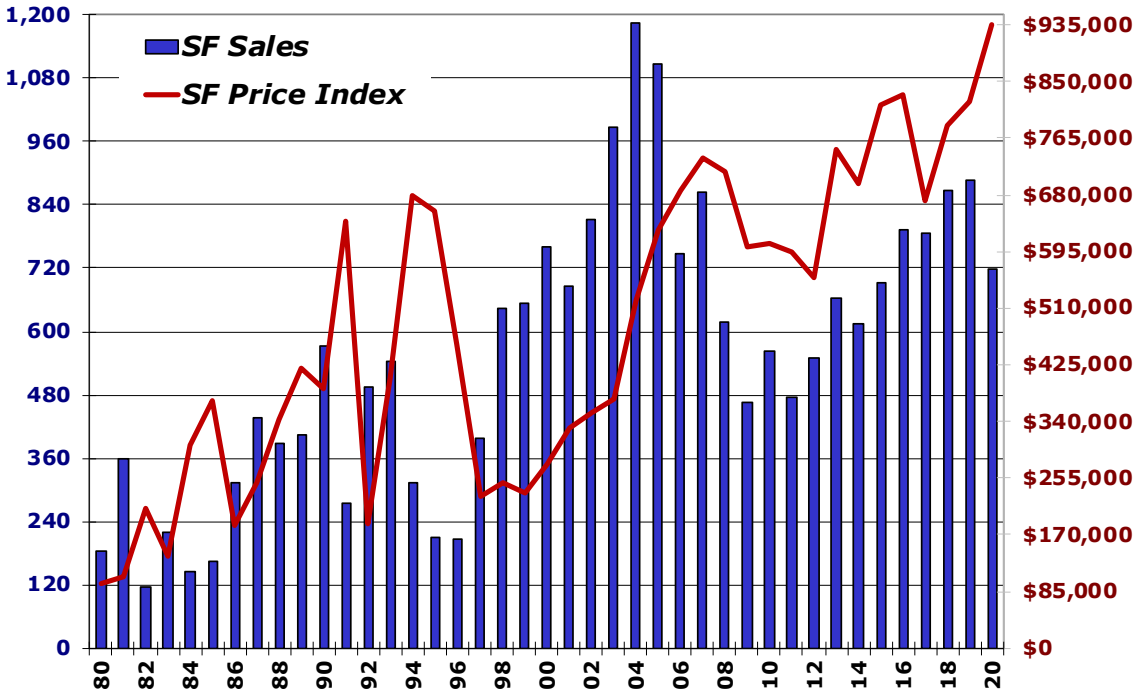
With the advent of the pandemic, sales activity fell dramatically, especially in the second quarter of the year 2020. However, average prices remained steady, and then began to rise, starting with the third-quarter and extending into the fourth. This was the result of offshore demand coming into the island market. Those buyers were essentially relocating due to health concerns, and doing so with a sense of urgency. They took advantage of lower interest rates and a rising trend in the stock market to purchase houses on the island, often sight unseen.

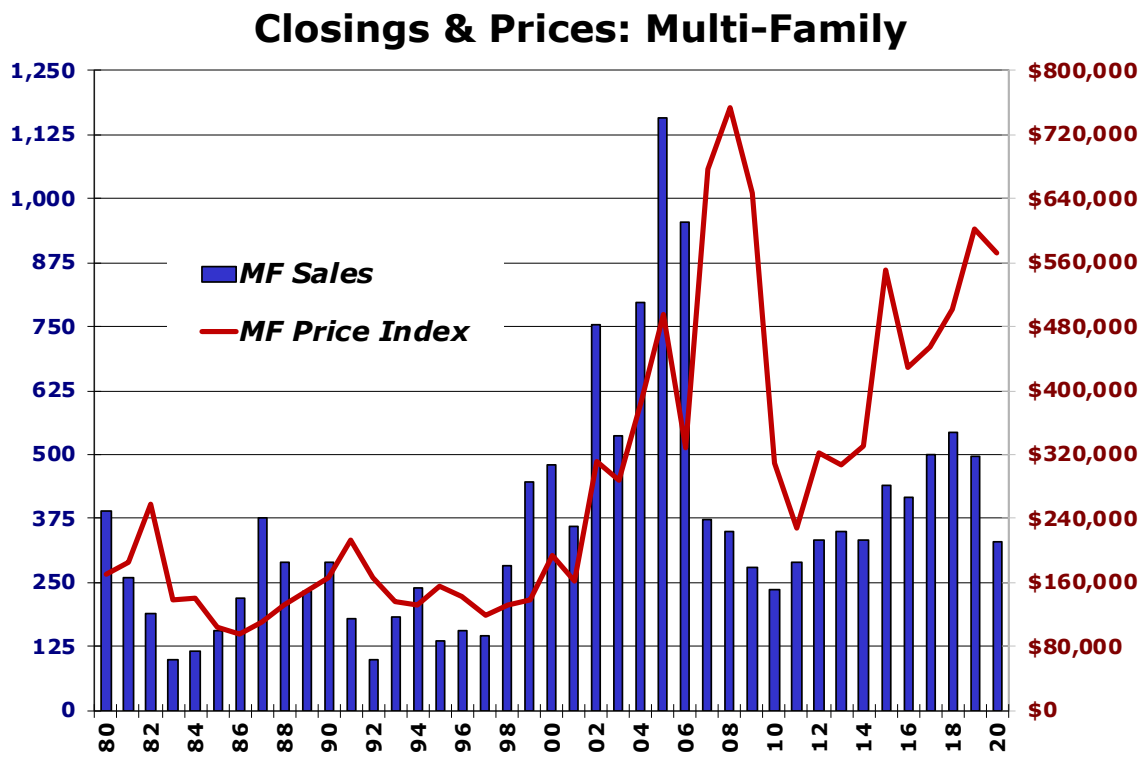
The following chart shows the sales and price activity for the combined market.

Closings & Prices: MF & SF, New & Resale



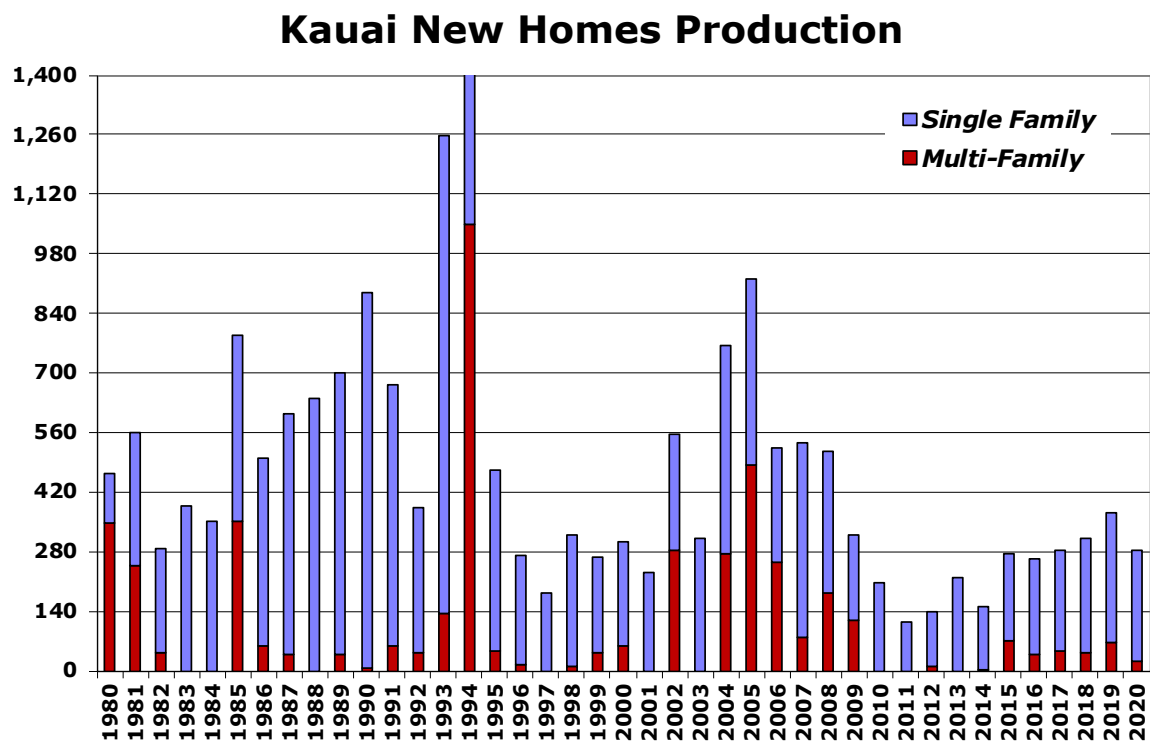
Closings & Prices: Single Family



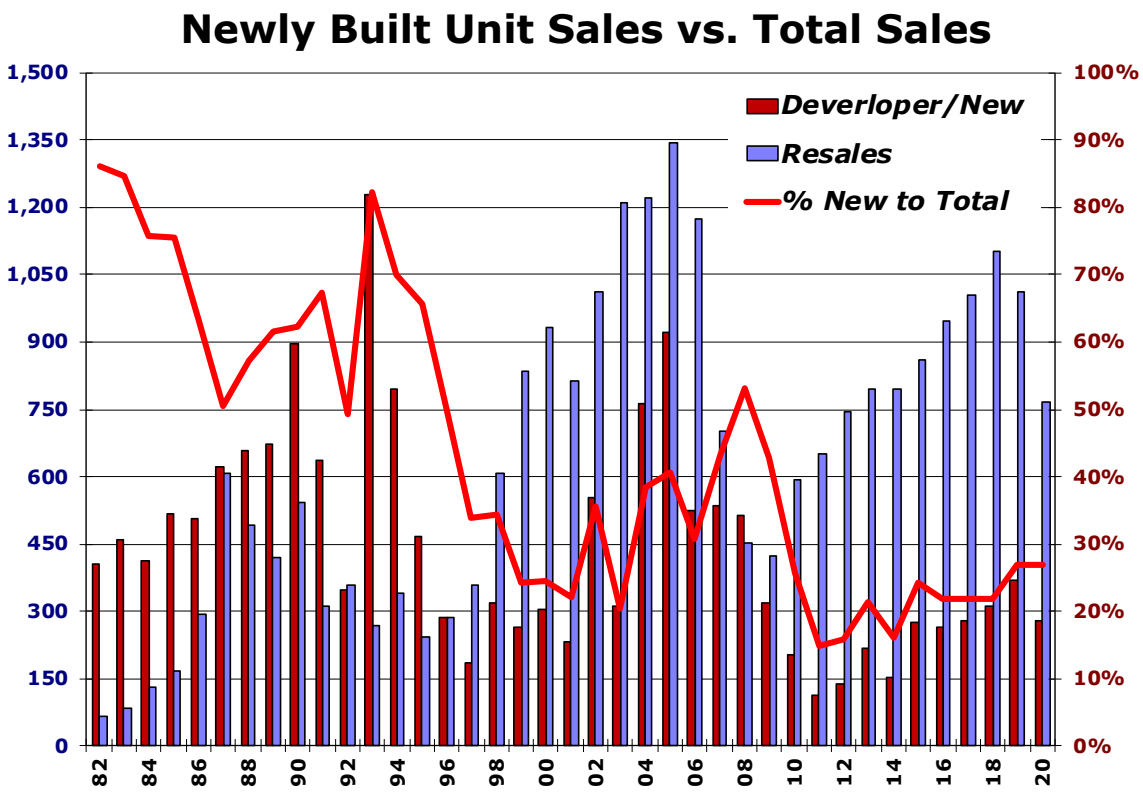


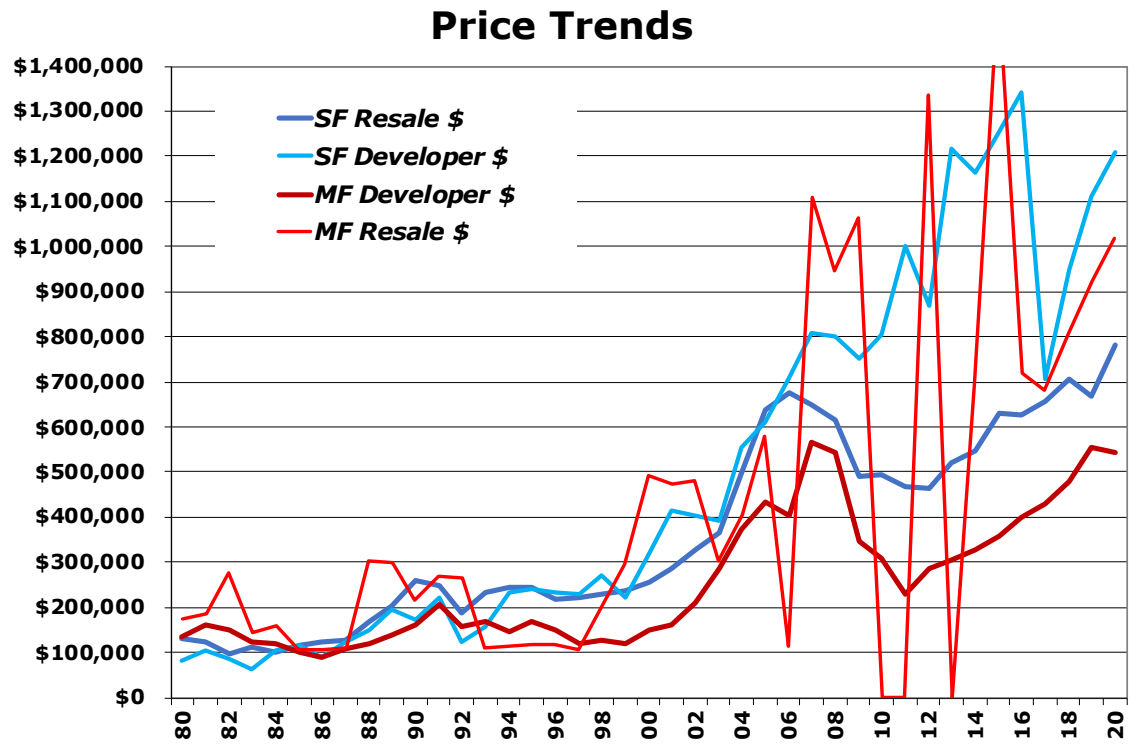
As described, overall sales were down and prices are up last year. Within the market, single family prices were significantly up and multifamily prices were slightly down.

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 condition of scarcity leads to put pressure on prices to move upwards, harming affordability.



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. A secondary impact concerns the effect on the community when the price of housing rises: higher costs for shelter negatively impact the disposable income of households, meaning less money available for essentials, including schooling.





The chart above shows the trend in prices over 40 years of Single family and multi family, both new (developer) and resale transactions. it shows that the average prices of new housing are much

higher than the resale market's prices. This indicates that most of this new 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.

Higher for-sale housing prices usually encourage developers to build, and this was happening to a small extent. However, last year one of the largest new homes projects stopped producing, because they reached their capacity for getting freshwater from the county. As such, there is a substantial demand for affordable primary housing that has gone unmet.

Going forward, we foresee that sales bottom out, but stay at a low level of activity. At the same time, price levels will continue to rise for the next few years and will likely exceed the peaks of the last cycle. This prediction is based on the continued effect of the pandemic, driving in migration to the island. This will put a burden on local residents in search of shelter, be it primary housing or rental.

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 its 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).

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 standard is 1.5, but Kauai and the state have a higher cost of living, so it takes a larger factor to accommodate 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 for 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 Kauai residents whose household income is lower, generally.

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
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	72,741	582	2.94	198	190	(8)	(1,443)
2019	73,330	589	2.94	200	199	(1)	(1,444)
2020	73,920	590	2.94	201	180	(21)	(1,465)

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 2019, then estimated for 2020.

Note the housing production number of 199 units in 2019. It is one unit below the growth of new households in 2019. As such, it represents a housing shortage for this year. It is combined with earlier years where there were shortages.

As of today, it is reasonable to estimate that 1,432 households are in need of housing. This is a cumulative number, known as unmet (or pent-up) demand. This is supported by other data in the housing market, in the next section, showing evidence of undersupply of housing.

Note also that the production number includes single family housing production. And it is important to recognize that many of those units are being produced as high-end or luxury units, and those are unavailable for local families. Thus, this cumulative number for pent-up demand is likely to be under-represented.

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 square footage (and lot for 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 condominiums and some single-family homes generally indicate a high-income owner. Indeed, this is true of other 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-income 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–ʻEleʻele	Kōloa-Kalāheo	Līhuʻe	East Kauaʻi	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

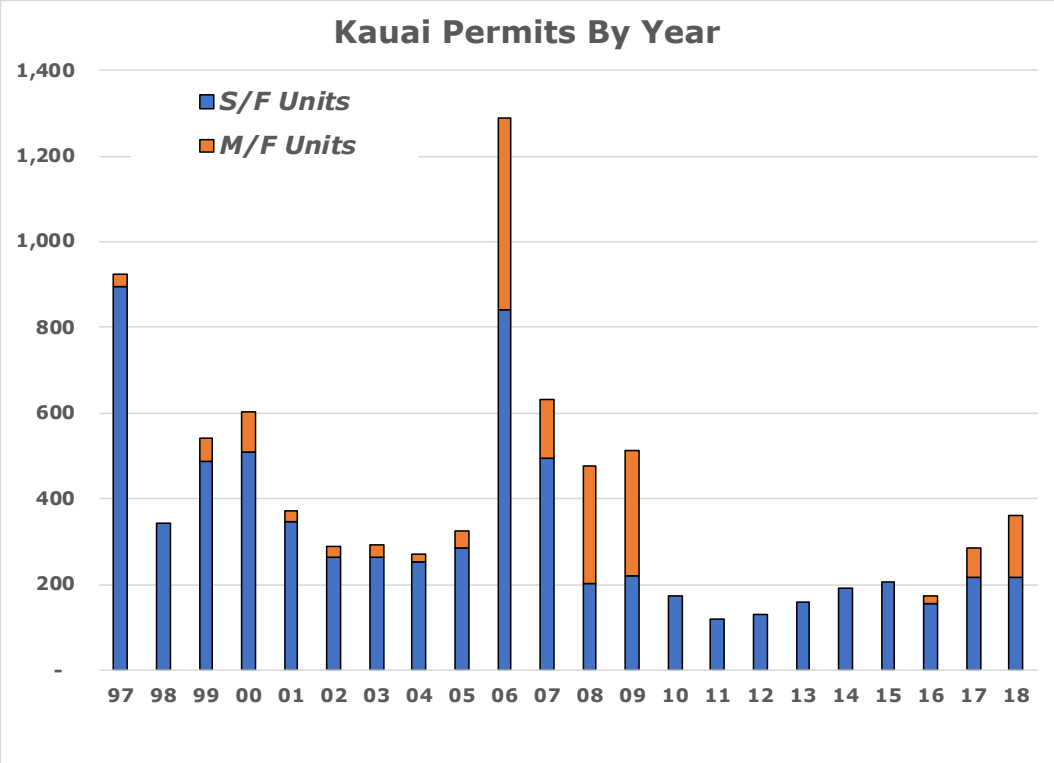
Another way that this condition is made apparent is the measurement of household size. Indeed, as households cannot afford housing, then overtime pent-up demand increases, household formation is delayed, and the average household size grows. The statewide average for household size increased by 2.8% 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).

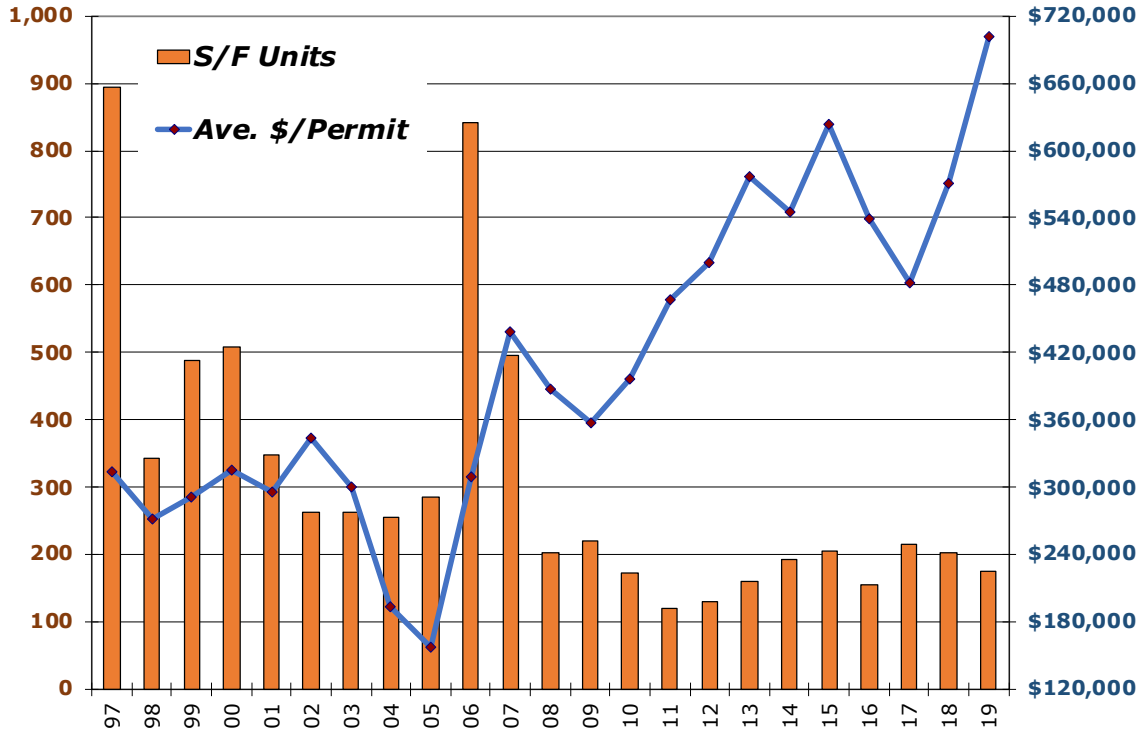
It should be noted that the long-term trend for permits is downward. This is a function primarily of restrictive land use laws, which started in the 70s, and took hold thereafter. Indeed, this restriction in the supply of land, nominally done in order to promote good planning, has acted also to raise 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.



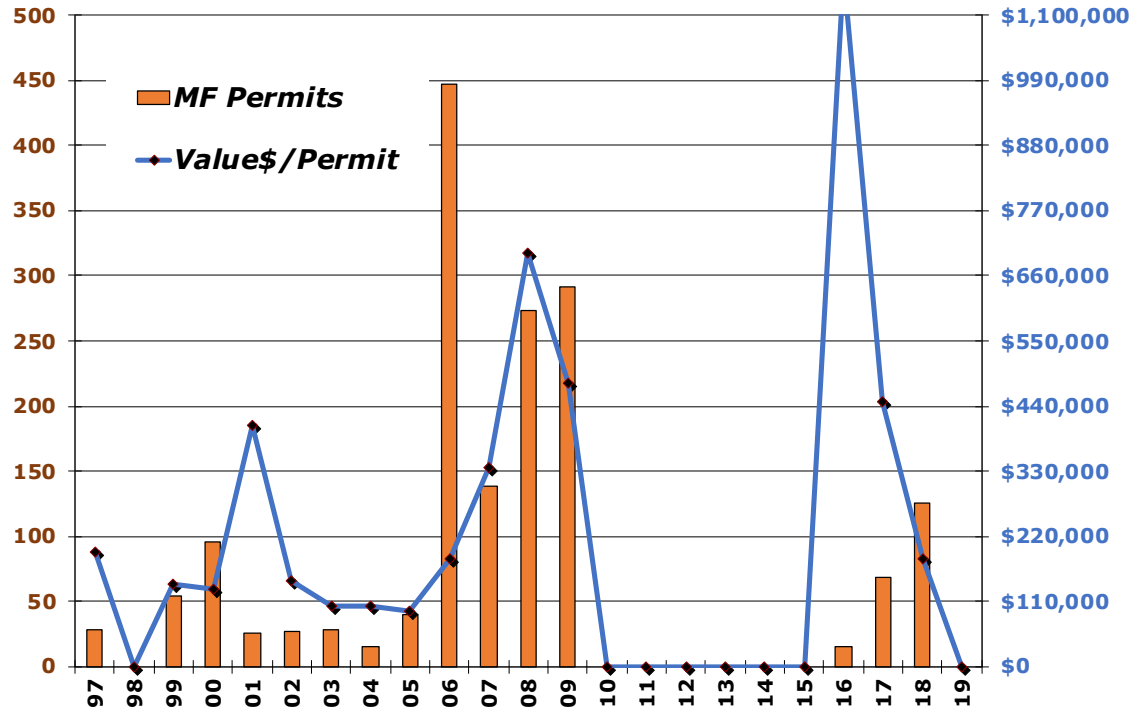
Further, the ensuing high cost of land has caused development, when conditions are right, to be focused on the most profitable segments of the housing market. For Kauai, this is the high end of the buyer demand.

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).

Single Family Permits & Per Unit Value



Kauai Condo Permits & Per Unit Values



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 2020, using the info given by those polled in the 2010 Census.

OWNER ONLY HOUSEHOLD COUNTS BY INCOME AND FAMILY SIZE, 2019

	1-P'rson	2-Prsn	3-Prsn	4-Prsn	5-Prsn	6-Prsn	7+-Prsn	Total
$0-10,000	207	191	42	15	20	10	13	498
$10,000-20,000	457	274	62	38	15	9	11	866
$20,000-30,000	445	435	64	44	50	25	33	1,096
$30,000-40,000	327	472	122	30	26	15	18	1,010
$40,000-50,000	235	543	202	88	78	40	52	1,238
$50,000-60,000	155	430	214	130	39	22	27	1,017
$60,000-70,000	214	290	205	184	68	35	45	1,041
$70,000-75,000	111	150	107	96	38	21	26	549
$75,000-80,000	17	137	92	87	52	26	34	445
$80,000-90,000	45	314	213	204	125	67	85	1,053
$90,000-100,000	30	260	181	154	93	47	62	827
$100,000-112,500	47	414	245	214	134	72	91	1,217
$100,000-125,000	27	264	152	139	86	44	57	769
$125,000-150,000	133	357	247	212	151	80	102	1,282
$150,000-200,000	116	389	220	304	114	59	76	1,278
$200,000+	107	601	141	106	138	74	94	1,261
-	2,673	5,521	2,509	2,045	1,227	646	826	15,447

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, 2020, HUD

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
80%	$54,400	$62,160	$69,920	$77,680	$83,920	$90,160	$96,400	$102,560
100%	$68,000	$77,700	$87,400	$97,100	$104,900	$112,700	$120,500	$128,200
120%	$81,600	$93,240	$104,880	$116,520	$125,880	$135,240	$144,600	$153,840
140%	$95,200	$108,780	$122,360	$135,940	$146,860	$157,780	$168,700	$179,480

Using this income guidelines, the state's affordable housing financing arm, HHFDC, generated a schedule of the maximum prices that a 2-person household could pay for a unit. The table below shows this, given a 5% 30-year mortgage rate, plus the number of 2 people in the household.

MAXIMUM PRICE GUIDELINES, PER AMI INCOME LIMITS, 2020, HHFDC

Household	80%	100%	120%	140%
2 person	$284,400	$355,500	$426,600	$497,700

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 in the price limits from above, $497,700 is the upper-most price that the guidelines allow a two-person (two income) household making 140% of AMI to buy a house at. At prices above that, the buyer can purchase a unit at market rates (and without the affordable restrictions).

This is described in the table below:

ANNUAL TOTAL HOUSING SALES, BY PRICE SEGMENT

	M/F	S/F	Affordable MF	Market MF	Affordable SF	Market SF
$100,000-$199,999	39	2	39		2	
$200,000-$299,999	72	13	72		13	
$300,000-$399,999	48	29	48		29	
$400,000-$499,999	58	67	29	29	34	34
$500,000-$599,999	48	92		48		92
$600,000-$699,999	46	83		46		83
$700,000-$799,999	34	53		34		53
	345	339	188	78	157	262

Given that, we looked at the housing demand potentially at these low price 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 2020 AMI definitions, to arrive at the number of owners, by AMI segment. This is the source of potential demand.

In light of the fact that the affordable housing policy of the county starts at 80% of AMI, we focused on the 80% of AMI or above, as this is the potential market of households who are qualified to buy a dwelling.

OWNERS ONLY HOUSEHOLDS BY AMI AND FAMILY SIZE, 2020

	1-P'rson	2-Prsn	3-Prsn	4-Prsn	5-Prsn	6-Prsn	7+-Prsn
80%	311	703	342	221	127	48	62
100%	221	395	321	343	214	113	145
120%	324	432	310	239	128	67	86
140%	37	417	308	267	183	96	123

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.

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, 2019

AMI	0 Bed (1-2)	1 Bed (1-2)	2 Bed (2-3)	3 Bed (3-4)	4 Bed (4-8)	Totals
80%	186	546	486	358	238	1,814
100%	133	325	351	471	473	1,753
120%	194	389	359	363	281	1,586
140%	37	417	442	317	218	1,431

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

PROJECT AFFORDABLE SUPPLY VS. POTENTIAL DEMAND, BY AMI

AMI	Requirement	1 person	2 person	3 person
80%	46	546	486	358
100%	62	325	351	471
120%	67	389	359	363
140%	56	417	442	317

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).

HOKUA 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)	452
Affordable Housing Dwellings (12 DU/Ac)	231

Note that Hokua Place 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 452 units. The following table gives an overview of this segment. It shows multifamily sales of 1 Bedroom Units, sold in the $200,000-$400,000 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, ONE BEDROOM

	Sales	Ave$	Ave sf	$/sf	Yr. Built
2000	8	$226,438	739	$306	1975
2001	8	$239,500	707	$339	1979
2002	16	$259,531	727	$357	1979
2003	20	$313,445	751	$417	1979
2004	36	$302,675	668	$453	1978
2005	23	$358,398	730	$491	1990
2006	10	$330,550	681	$485	1993
2007	9	$271,767	626	$434	1985
2008	4	$324,750	639	$509	1975
2009	4	$284,500	680	$419	1975
2010	12	$338,508	755	$448	1980
2011	5	$270,200	721	$375	1975
2012	11	$250,182	749	$334	1979
2013	16	$283,025	712	$398	1975
2014	17	$324,015	722	$449	1976
2015	3	$342,667	801	$428	1984
2016	15	$360,000	772	$466	1980
2017	16	$377,227	743	$507	1977
2018	25	$314,492	665	$473	1976
2019	5	$319,500	671	$476	1975

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

The following table gives an overview of this segment. It shows multifamily sales of 2 Bedroom Units, sold in the $200,000-$600,000 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, 2 BEDROOM

	Sales	Ave$	Ave sf	$/sf	Yr. Built
2001	75	$351,317	1,191	$ 295	1983
2002	80	$346,408	1,175	$ 295	1976
2003	123	$351,342	1,168	$ 301	1980
2004	180	$351,477	1,024	$ 343	1988
2005	215	$399,461	1,023	$ 391	1989
2006	155	$420,606	1,041	$ 404	1993
2007	79	$371,802	955	$ 389	1991
2008	36	$393,777	1,073	$ 367	1989
2009	42	$355,275	1,108	$ 321	1984
2010	49	$362,424	1,240	$ 292	1989
2011	64	$350,023	1,198	$ 292	1992
2012	89	$344,137	1,199	$ 287	1990
2013	94	$353,612	1,130	$ 313	1994
2014	93	$371,115	1,069	$ 347	1980
2015	75	$367,282	1,071	$ 343	1986
2016	127	$369,022	1,022	$ 361	1984
2017	149	$388,076	1,049	$ 370	1988
2018	136	$379,425	967	$ 393	1986
2019	89	$406,989	985	$ 413	1982
2020	81	$398,473	942	$ 423	1982

The following table gives an overview of this segment. It shows multifamily sales of 3 Bedroom Units, sold in the $200,000-$600,000 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, 3 BEDROOM

	Sales	Ave$	Ave sf	$/sf	Yr. Built
2001	17	$347,421	1,480	$ 235	1978
2002	116	$409,614	1,670	$ 245	1999
2003	115	$443,895	1,694	$ 262	1995
2004	66	$439,217	1,486	$ 296	1992
2005	72	$465,712	1,282	$ 363	1991
2006	47	$507,748	1,306	$ 389	1999
2007	53	$321,433	1,134	$ 283	2005
2008	13	$400,846	1,326	$ 302	1995
2009	14	$422,521	1,435	$ 294	1992
2010	18	$424,574	1,513	$ 281	1998
2011	29	$386,303	1,581	$ 244	1989
2012	23	$406,735	1,466	$ 277	1991
2013	29	$404,994	1,426	$ 284	1995
2014	29	$366,876	1,357	$ 270	1992
2015	24	$370,832	1,249	$ 297	1993
2016	28	$386,671	1,222	$ 316	1990
2017	35	$418,300	1,240	$ 337	1995
2018	25	$423,148	1,225	$ 345	1993
2019	32	$460,767	1,295	$ 356	1993
2020	24	$477,328	1,226	$ 389	1993

The following table looks at a smaller segment of this data (again these sales occurred in all locations on the island, except in West and North Kauai). It shows all the sales that were made only since 2014, and only for units built after 2000. The virtue of filtering the data such is that the values are for recently built product and the sales are recent, as well.

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 2006.

SALES SINCE 2014, BUILDINGS BUILT SINCE 2000, BY BEDROOMS

Beds	Sales	Min $	Ave$	Max $	Ave sf	Min sf	Max sf
2	41	$247,500	$405,248	$555,000	1,119	752	1,392
3	57	$240,000	$425,907	$555,000	1,301	969	2,026
4	8	$399,000	$437,269	$535,000	1,386	1,336	1,735

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.

BY PROJECT, SALES SINCE 2014, AVERAGES

Bed/Project	**Sales**	**Min $**	**Ave $**	**Max $**	**Ave sf**	**Min sf**	**Max sf**	**$/sf**
2 Bedrooms	**41**	**$247,500**	**$405,248**	**$555,000**	**1,119**	**752**	**1,392**	**$362**
HALEMALU AT PUHI	2	$418,000	$420,000	$422,000	924	924	924	$455
HOOKENA AT PUHI	9	$247,500	$299,722	$335,000	779	752	788	$385
KAMAMALU	3	$285,000	$296,667	$310,000	870	870	870	$341
REGENCY HULEIA	25	$350,900	$447,586	$555,000	1,265	1,265	1,265	$354
VILLAS AT PUALI	2	$448,000	$499,000	$550,000	1,392	1,392	1,392	$358
3 Bedrooms	**57**	**$240,000**	**$425,907**	**$555,000**	**1,301**	**969**	**2,026**	**$327**
HALEMALU AT PUHI	9	$424,000	$465,167	$515,000	1,174	1,047	1,336	$396
HOOKENA AT PUHI	13	$240,000	$323,692	$395,000	1,156	969	1,398	$280
REGENCY HULEIA	7	$406,000	$494,143	$555,000	1,404	1,404	1,404	$352
VILLAS AT PUALI	23	$371,500	$452,097	$510,000	1,391	1,380	1,392	$325
TK RESORT	1	$355,000	$355,000	$355,000	2,026	2,026	2,026	$175
HALEMALU AT PUHI	4	$395,000	$417,500	$445,000	1,172	1,154	1,189	$356

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**
2	HALEMALU AT PUHI	9	$396,950	924	$430
	HOOKENA AT PUHI	28	$434,390	940	$457
	REGENCY HULEIA	10	$453,811	1,005	$426
2 Total		**47**	**$429,580**	**940**	**$457**
3	HALEMALU AT PUHI	16	$447,438	1,161	$385
	REGENCY HULEIA	13	$516,885	1,204	$429
	VILLAS AT PUALI	25	$472,304	1,050	$450
3 Total		**54**	**$478,876**	**1,138**	**$422**

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 large side; and
- that the price per square foot valuation would be liberal, as these are values 4-5 years away.

Note also that these values are set for 2020, same as the study.

PRICING INDICATIONS FOR MF MARKET UNIT

	Sq Ft	$/sf	Price
2 Bed	1,000	$450	$450,000
3 Bed	1,150	$420	$483,000

MULTIFAMILY AFFORDABLE UNITS

Current county affordable housing regulations for developments larger than 26 units require that a percentage the total unit count be sold at prices that are affordable.

Specifically, the regulation says that 20% of 100% of the total units must be sold at affordable prices, overall. The breakdown for the total 769 units by count per AMI is as follows:

- 6% (46) of Units = up to 80% of HUD Annual Median Income
- 8% (62) of Units = 81% - 100% of HUD AMI
- 6% (46) of Units = 101% - 120% of HUD AMI

Additionally, 10% (72 Homes) will voluntarily be sold at affordable prices
- 3% (21) of Units = 101% - 120% of HUD AMI
- 7% (56) of Units = 121% - 140% of HUD AMI

Thus, this development is voluntarily raising its own affordable requirement by 10%.

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.

PROJECT AFFORDABLE SUPPLY REQUIRMENT, BY AMI

AMI	Requirement
80%	46
100%	62
120%	67
140%	56

Then, we look at the price guidelines for 2020 from HHFDC, as seen in the table below. In most cases, the households comprised of one person or of two persons purchase an affordable unit. Thus, we have highlighted those prices, and reproduce them in the table below.

MULTIFAMILY TAX SUBSIDY PROJECT INCOME LIMITS, 2020, HUD

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
80%	$54,400	$62,160	$69,920	$77,680	$83,920	$90,160
100%	$68,000	$77,700	$87,400	$97,100	$104,900	$112,700
120%	$81,600	$93,240	$104,880	$116,520	$125,880	$135,240
140%	$95,200	$108,780	$122,360	$135,940	$146,860	$157,780

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

PRICE GUIDELINES, 2020, FOR THE AFFORDABLE UNITS

AMI	One Pers'n	Two Pers'n	Three Pers'n	Unit Count	Demand (All Beds)
80%	$248,900	$284,400	$319,900	46	1,814
100%	$311,100	$355,500	$399,900	62	1,753
120%	$373,300	$426,600	$479,900	67	1,586
140%	$435,600	$497,700	$559,800	56	1,418

As seen, there is more demand than supply for this project. Furthermore, the prices for a one or two-person household are relatively affordable, at the lower AMIs.

Note that the price guidelines in and around the 140% of AMI level are at or above the market prices. As such, those units will be sold at market, meaning 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.

TAX ASSESSOR DATA FOR 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 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 of only three bedroom units 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 3 BEDROOM SINGLE-FAMILY UNITS, 10,000 sf LOTS

Yr.	Sales	Ave Price	Ave Int sf	Ave Lot sf	Yr_Blt
2004	23	$931,065	2,234	13,445	1983
2005	44	$922,612	1,985	13,135	1984
2006	29	$974,707	2,096	12,287	1982
2007	18	$935,250	2,064	12,446	1991
2008	11	$903,602	2,046	14,117	1988
2009	13	$951,923	1,967	13,593	1984
2010	10	$894,350	2,316	12,966	1990
2011	16	$939,031	2,227	12,433	1988
2012	10	$936,190	2,328	14,218	1992
2013	18	$928,361	2,083	11,378	1997
2014	23	$980,739	2,288	13,290	1992
2015	23	$944,717	2,251	11,615	1994
2016	32	$961,422	2,229	12,770	1994
2017	29	$971,362	2,028	12,694	1996
2018	47	$969,806	2,136	12,280	1995
2019	46	$939,042	1,922	14,369	1992
2020	68	$953,721	2,000	12,331	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 7,500-10,000 sf plus lots could bring between $900,000 and $1MM.

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

TAX ASSESSOR DATA 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	63	$746,771	1,935	10,633	1986
2005	101	$757,158	1,748	10,677	1991
2006	66	$734,152	1,690	9,861	1984
2007	46	$733,957	1,723	9,856	2005
2008	28	$740,103	1,705	10,179	1988
2009	19	$771,013	1,996	9,847	1989
2010	19	$745,184	2,105	10,123	1990
2011	29	$755,367	2,199	9,838	1991
2012	28	$734,461	2,097	10,165	1993
2013	40	$742,010	1,996	10,499	1997
2014	40	$749,595	1,952	10,014	1991
2015	44	$741,602	1,969	10,126	1995
2016	49	$740,184	1,832	10,398	1993
2017	68	$730,629	1,733	10,030	1994
2018	98	$746,855	1,767	9,834	1990
2019	112	$741,193	1,669	11,066	1988
2020	120	$762,943	1,561	10,163	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 $800,000 and $950,000.

XIII. RATIONALE & MARKET SUPPORT FOR THE PROJECT

As a backdrop, COVID-19 pandemic has caused significant turmoil and uncertainty. Governments are taking dramatic efforts to reduce the strain on health care systems and, beyond that, on their economies and societies. The import in terms of this project is:

- It has created significant demand for housing on Kauai because of the incidence of CV cases is remarkably low;
- It is disrupting the rest of the economy to an alarming extent, with the health of our society and harmony of our community at risk.

While first completion of these units is several years into the future, it will have the effect of reducing price pressure on the cost of shelter to local residents. And produce better shelter, particularly healthier, that what is in place now.

LOCATION

The HOKUA PLACE project will transform a property that is:

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

THE DEVELOPMENT PLAN

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

- Needed affordable to market-priced housing to a broad-spectrum of Kauai households.
- Targeted, appropriately scaled, efficient dwellings which should appeal to primary-home purchasers.
- Support for existing Kapaa business, particularly "neighborhood-type" commercial and industrial services; strengthening existing businesses, promoting business expansion, and

supporting new business formation; all contributing economic activity, employment, taxes and the critical mass of the region.

- Significant "worker years" of employment for East Kauai contractors and tradespeople; many of whom otherwise must commute meaningful distances to job sites.
- An expanded real property and other tax base.
- 5.8 acres of park and open spaces.

THE MARKET CONTEXT

- It will offer new high-demand affordable multi-family product at affordable to mid-market prices which are in limited supply in the study area. It will appeal to many resident households which comprise the broadest (base) portion of the housing demand pyramid.
- It is within a market which has had limited new major residential development in recent years. This has resulted in an aging housing inventory, estimated at an average of some 25-plus years, that is increasingly costly to maintain, fails to meet the evolving demographic needs of area households, and does not reflect modern design/planning and materials standards.
- high prices in the market coupled with demand from non-resident purchasers, will preclude many residents from finding affordable shelter proximate to Kapaa employment centers. And, the relatively high cost of land, difficulties in obtaining entitlements, shortage of systems/services, creates a barrier for new development and limits the potential for affordable to mid-market priced projects.
- Larger master planned developments have generally provided higher-quality, more desirable housing and lifestyle opportunities than in standard small subdivisions. Such projects are rare on Kauai, and usually have been traditionally oriented towards resort and upper- end development.

SUPPORT: The rationale for this Project is as follows:

- As shown, the imbalance between supply and demand since 2001 has grown to over 1,400 households (unmet or pent-up demand) on the island who have been unable to find shelter on the island.
- Macro-economic fundamentals show that Kauai's housing market suffers from excessive demand and inadequate supply, and the pandemic has made it worse.
- The county, state, national and global economies have fallen into a deep recession, with the private sector hurting, shedding jobs and chopping salaries, and the public sector forecasting budget deficits and spending cuts. New housing supply such as this will moderate the effects on both, pushing up jobs and incomes, and increasing the tax base, particularly property.
- 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

Beyond that, we believe strongly that any housing production on the island benefits not only the purchasers, who acquire a home at a price affordable to them, but it also benefits those families in the market that do NOT buy here. This is because buyers in this project then relinquish, or liberate, a lower priced unit. That is the first link in a chain of events that ripple throughout the housing market on the island, leading to the creation of more affordable housing units, above and beyond the 231 dwellings supplied.

Finally, the pandemic not only is making housing scarcer and more unaffordable, but it is also making housing less safe. They current housing inventory on the island, particularly in the price

ranges targeted by this planned community is generally quite old, built on average 15 years ago. They can be characterized as small in size, with dated designs - meaning small bedrooms, limited living area and poor ventilation. They shelter the island's lower income households, and are often over crowded, with 2 or more families doubling up. Crowded housing conditions is conducive to spreading the pandemic, as has been witnessed in public housing across the state, as well as within crowded neighborhoods.

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).

HOKUA 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)	452	$350,000-$425,000	
Affordable Housing Dwellings (12 DU/Ac)	231	$225,000-$325,000	

The following table describes the potential sales absorption for each product type in the development.

HOKUA PRODUCT CLOSING PROJECTION

Product	2025	2026	2027	2028	2029	2030	2031	2032	Totals
Large Lot Homes	7	6	7	8	8				36
Medium Lot Homes	8	8	9	9	9	7			50
Multi-Family Market Units	30	40	50	60	65	70	70	67	452
Multi-Family Affordables	40	45	50	50	46				231
Totals	**85**	**99**	**116**	**127**	**128**	**77**	**70**	**67**	**769**

Housing production on the island since 2000 has averaged less than 190 dwellings a year. While this might look ambitious, remember that a full 30% are being priced at below market rates. Also, there is little or no direct competition.

ECONOMIC & FISCAL BENEFITS OF HOKUA PLACE

As a part of the LUC approval process, this report assesses the fiscal and economic impacts of the Project during and after construction.

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

From a direct perspective, the proposed 769 homes will create numerous construction, equipment operator and specialty trade jobs on- and off-site, directly and indirectly, during the planning and emplacement of the infrastructure, and building of the improvements.

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

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

The general island economy also will benefit from the subject development, as its full and part- time residents will spend large amounts of discretionary income in off-site shops, restaurants, and service establishments throughout Lihue/East Kauai, and in purchasing goods and services.

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

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

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

It is anticipated that:

- Final approvals and planning will be completed by late 2022;
- Ground-breaking, survey and site clearing will begin in late 2023;
- Infrastructure emplacement will take place in 2023 along with the commencement of the pre-sales program;
- first closings will begin in 2025;
- Full-Absorption/Sell-Out of the finished lot product being developed will be achieved by 2034, equating to a total project period of eight years.

The economic and fiscal impacts for the H2 Residential Project are estimated based on "The Hawaii State Input-Output Study: 2012 Benchmark Report" prepared by the State of Hawaii Department of Business, Economic Development & Tourism (DBEDT). The 2012 Benchmark Report is the most recent study available.

The economic and fiscal impacts find that the Project will have positive economic and fiscal impacts on State and County tax revenues, job counts, employment earnings, and overall output both during and after construction. The development will comply with workforce housing requirements and other conditions that include contributions towards school, traffic, and park improvements,

In comparison, incremental expenditures associated with the increased population and utilization of roadways, schools, parks, and State and County services are projected to be more than offset by the increase in State and County tax revenues.

All estimates are reported in 2021 dollars and do not reflect inflation. In addition, the economic and fiscal impacts were estimated based on construction cost, sales price, and absorption assumptions provided by the Client without verification.

ESTIMATED ECONOMIC IMPACTS

Direct Construction Expenditures

The direct impact of the development is measured by the total construction expenditures.

Infrastructure costs were provided by the development team. They estimated site work, landscaping and offsite improvement costs to develop the 683 condominium and 86 homes to be about $83 million before financing costs and impact fees. In addition, vertical construction, for completing the homes, were estimated by Unlimited Construction Limited were estimated to be about $218 million. The table below summarizes this, and shows about that there will be about $301 million invested in constructing this project.

PROJECTED COST OF CONSTRUCTION

Expenditures	Totals
Infrastructure	$82,931,400
Vertical Construction	$218,405,000
Totals	$301,336,400

Direct investment made here will spread out through the economy and have a beneficial effect on local business. Some portion of the construction costs spent directly on local firms results in profits for their provision of goods and services. While profit margins very widely, the table below estimates a conservative factor of 10% for contractors and 5% for suppliers.

EXPENDITURES & LOCAL PROFITS

Expenditures	Totals
Totals	$301,336,400
Contractor profits	$30,133,640
Supplier profits	$15,066,820

Indirect and Induced Expenditures

The direct construction expenditures of $300M will, in turn, create additional expenditures in other industries as suppliers of construction materials and equipment. Based on multipliers reported by DBEDT, construction spending generates direct sales in other industries, as shown in the table above. In addition, it also generates indirect expenditures such as profits and wages.

The following table measures the impacts of the project on the state and the county economy using the State Input-Output Economic Model Type II multipliers. These factors quantify the total Direct,

Indirect and Induced "effects" of various forms of business and spending activity as it flows through the economy of the islands..

Note that in the table, there are two components to these expenditures:

- The aggregated ones necessary to reach build out; and
- The expenditures occurring afterwards – which are annualized and expended on an ongoing basis.

For example, once built, the project and homes will require ongoing maintenance.

As seen in the table below, the indirect and induced expenditures are projected to total about $639 million, from start to finish. After the project is completed, there will be an additional $317,000 spent annually on the project. That then will generate $672,000 on an annual basis of increased output.

INDIRECT & INDUCED EXPENDITURES

Costs/Outputs	To Build-Out	Post-Completion
Total Construction Costs	$301,336,400	$317,343
I/O Multiplier	2.12	2.12
Total State Output	$638,833,168	$672,767

Job Creation

The development will generate short-term (one-time) construction jobs and long-term employment. According to DBEDT, the jobs include onsite laborers, operatives and craftsmen, as well as professional, managerial, sales and clerical workers who may be employed elsewhere in the State.

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

Based on the budgeted construction costs to develop the 769 units, about 4,650 jobs will be created directly through the investment in this project, with 1,736 being ones in the construction industry. In addition, when completed, the Master plan and the individual homes will require an operations and maintenance staff. A total of 15 new direct jobs will be created.

JOB & WAGE CREATION

Costs/Outputs	To Build-Out	Post-Completion
Total Construction Costs	$301,336,400	$317,343
Total Direct Jobs Created	4,651	40
Construction Jobs Created	1,736	14.9
Construction Wages	$137,201,999	$762,751

Labor earnings from these jobs will ripple through the economy and increase employment in other sectors.

There are other significant impacts attributable to this spending. The following tables use the I/O multiplier to translate this new spending, or investment, into direct attributable earnings.

EARNINGS GENERATION

Costs/Outputs	To Build-Out	Post-Completion
Total Construction Costs	$301,336,400	$317,343
Attributable Earnings Multiplier	2.02	2.02
	$277,148,039	$1,540,757

Secondary Impacts

HOKUA PLACE will have an impact on the socio-economic aspects of the surrounding community. Some relate to real estate issues, others to social stability and household well-being.

- While property values throughout market are largely driven by external, cyclical economic factors internationally and nationally, HOKUA PLACE will inject a substantial amount of supply into the housing market. As such, that new supply will put pressure on prices downwards. This is consistent with impacts of other large master plan communities in the state.
- It is not expected there will be significant in-migration to Kauai as a direct result of the project. It is primarily intended to provide housing opportunities for families and individuals who are already part of the existing island population base and its natural growth. As such, it is likely that it will relieve the overcrowding and doubling up that exists in the community already.

ESTIMATED FISCAL IMPACTS

STATE ESTIMATED FISCAL IMPACTS:

The development will result in increased general excise and income tax revenues to the State of Hawaii. Based on the anticipated land and building construction expenditures, State tax revenues are projected to increase by about $36 million as a result of the new construction and induced effects.

INVESTMENT EFFECTS ON TAXES

Costs/Outputs	To Build-Out	Post-Completion
Total Construction Costs	$301,336,400	$317,343
State Tax Multipliers	0.12	0.12
	$36,160,368	$38,081

Conveyance taxes also will be assessed and collected by the state. The analysis will assume a blended average price per unit of $ 492,414 for the 769 units to be sold. Given the tax rate of $.10 per $100, we expect a contribution of about $378,000.

INVESTMENT EFFECTS ON CONVEYANCE TAXES

	MF	SF	Total
Gross	$ 82,600,000	$ 296,066,300	
Taxable	$ 826,000	$ 2,960,663	
Taxed	$ 82,600	$ 296,066	$ 378,666

Altogether, the development is projected to generate an additional $36.5 million in tax revenues and fees for the State.

ESTIMATED STATE FISCAL IMPACTS

	Construction Period	Post Construction, PA
Tax revenues	$36,160,368	$38,081
Conveyance Fee	$378,666	-
Net economic benefit	$36,539,034	$38,081

COUNTY ESTIMATED FISCAL IMPACTS:

The following analysis of the public fiscal impacts to the county will assume the vast majority of buyers will be existing, full-time residents. The affordable housing regulations, also the market housing regulations, fully dampen the demand for off-shore buyers by dint of anti-flipping rules and owner-occupant priorities. Thus, there will be little, if any, in-migration into the island and purchases made by non-resident buyers.

Since these buyers currently live on Kauai (prior to their residing at the subject project), they are already contributing their State GET and Income taxes, so these are excluded from this model. Given that they are merely moving their home from one location to the other, their public fiscal footprint will remain generally unchanged apart from the additions to the County's real property tax base. The only change would be in the relocation of economic and public activity to the greater Kapaa community from elsewhere on Kauai.

The exception is for real property taxes, as the "new" houses at the project will mean increased real property assessments and taxes for the County (and while this is happening, their previous homes/units will continue producing property taxes, paid by a subsequent owner.

It was assumed:

- The average assessment per finished home would be $492,430, which is a blend between the attached and detached homes.
- 88 percent of all the homes would be owner-occupied by full time Kauai residents, subject to a homeowner's real property tax rates of $6.05 per $1,000 in assessments, and eligible for a $160,000 homeowners or owner/occupant exemption.
- 12 percent of all the homes would be owned by investors, including full time Kauai residents who are not owner-occupants, plus non-residents, subject to standard residential real property tax rates of $8.05 per $1,000 in assessments, and not eligible for homeowner or owner/occupant exemption.

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

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

SALES BY TARGET PRICE & OCCUPANCY

AMI	Price Targets	Unit Count	Owner-Occp'nt	Investor
0%-80% AMI	$ 284,400	46	46	0
80%-100% AMI	$ 355,500	62	62	0
100%-120% AMI	$ 426,600	67	67	0
120%-140% AMI	$ 450,000	56	48	8
Open Market Units	$ 480,000	452	362	90
Attached Housing Totals		683	584	99
Detached Housing Units	$ 965,000	86	60	26
Total Housing		**769**	**644**	**125**

NEW PROPERTY TAXES VIA SALES BY PRICE & OCCUPANCY

AMI	Price Targets	Units	Owner-Occp'nt	Investor	Total
0%-80% AMI	$ 284,400	46	$34,621	$-	$ 34,621
80%-100% AMI	$ 355,500	62	$73,332	$-	$ 73,332
100%-120% AMI	$ 426,600	67	$108,066	$-	$108,066
120%-140% AMI	$ 450,000	56	$83,514	$ 30,429	$113,943
Open Market Units	$ 480,000	452	$700,058	$ 349,306	$ 1,049,363
Attached Housing Totals		683	$999,591	$ 379,735	$ 1,379,325
Detached Housing Units	$ 965,000	86	$293,189	$ 200,421	$493,610
Total Housing		769	**$1,292,780**	**$ 580,155**	**$ 1,872,935**

Upon completion, the project ultimately will produce about $1.873 million a year in taxes to the county. The schedule below shows the annual contributions.

NEW PROPERTY TAXES

Product	Detached	Attached	Totals	New Taxes
2025	15	70	85	$207,021
2026	14	85	99	$241,119
2027	16	100	116	$282,523
2028	17	110	127	$309,314
2029	17	111	128	$311,750
2030	7	70	77	$187,537
2031	0	70	70	$170,488
2032	0	67	67	$163,182
Totals	86	683	769	$1,872,935

This compares with current property taxes, per the table below.

CURRENT PROPERTY TAXES

Acres	Zoned	Tax Assessed	Tax Rate	Taxes Owed
152.00	Ag	$ 3,255	$ 6.75	$ 21,971
6.54	Res	$ 2,434	$ 6.50	$ 15,821
				$ 37,792

ECONOMIC & FISCAL BENEFITS SUMMARY

In sum, the project's total investment of $301 million, rounded up, would yield on a one-time basis:

- Increased State economic output of $639 million.
- Increased direct private sector earnings of $277 million.
- Increased construction wages of $130 million.
- Increased profits of $45 million to the private sector.
- Increased state taxes of $36 million.
- Increased job creation of 4,651 employees, 1,736 of which would be in construction.
- Increased conveyance taxes of $378,000.
- Increased property taxes to the county of $1.3 million.

On an ongoing annual basis upon completion of the project, it would yield:

- Increased State economic output of $672,000.
- Increased tax revenue to the state of $38,000.
- Increased construction expenses of $317,000.
- Increased direct private sector earnings of $1.5 million.
- Increased construction wages of $762,000.
- Increased job creation of 40 employees, 15 of which would be in construction.
- Increased property taxes to the county of $1.3 million.

As a backdrop, COVID-19 pandemic has caused significant turmoil and uncertainty. Governments across the globe are taking dramatic efforts to reduce the strain on health care systems, and beyond that, on the economy and society. While this project will not resolve the global problem, it will produce much welcome economic activity and social benefits to Hawaii and Kauai.