

STATE OF HAWAII

DEPARTMENT OF HAWAIIAN HOME LANDS

January 26, 2024

To: Chairman and Members, Hawaiian Homes Commission

From: Lehua Kinilau-Cano, NAHASDA Government Relations Program Manager

Subject: Approval to Enter into Option to Purchase Agreement with K D WAIPOULI LLC, a Hawaii limited liability company, for 258,929 square feet of land (Lots 17-D-1 approx. 254,263 sf and 17-D-2 approx. 4,666 sf) located at 401 Papaloa Rd, Kapaa, Hawaii 96746 and known as the Courtyards at Waipouli – TMK Nos. (4) 4-3-001-014 and 21 – and improvements located thereupon and Convert to a Low-Income Housing Tax Credit Rent With Option to Purchase Project for the DHHL Kauai Island Waitlist

RECOMMENDED MOTION/ACTION

That the Hawaiian Homes Commission grants its approval to authorize the Chairman to do the following:

1. To enter into an Option to Purchase Agreement with K D WAIPOULI LLC, a Hawaii limited liability company, for 258,929 square feet of land (Lots 17-D-1 approx. 254,263 sf and 17-D-2 approx. 4,666 sf) located at 401 Papaloa Rd, Kapa'a, Hawaii 96746 and known as the Courtyards at Waipouli -- TMK Nos. (4) 4-3-001-014 and 021 -- and improvements located thereupon.
2. To authorize the Department to develop a Low-Income Housing Tax Credit Rent with Option to Purchase Project for the DHHL Kauai Island Waitlist.
3. To allocate no more than twenty-five million dollars (\$25,000,000) in NAHASDA funds for the acquisition of the above-referenced properties on Kauai, contingent upon receiving the HHFDC Award (as defined below) and subject to compliance with NAHASDA requirements.
4. To allocate funds for the actual costs of preparing and submitting the application to the Hawaii Housing and Finance Development Corporation (“HHFDC”) for Low-Income Housing Tax Credits and Rental Housing Revolving Funds (the “HHFDC Award”) for the acquisition and rehabilitation of the above-referenced properties (estimated at Two Million Four Hundred Thousand Dollars (\$2,400,000)) from the DHHL Trust Fund (T902) in the current fiscal year FY2024, which will be reimbursed to DHHL upon closing from the Permanent Sources of Funds identified below.
5. To exercise the Department’s option to purchase the above-referenced properties and issue a general lease (the “Lease”) for the above-referenced properties to a limited tax credit

investor partner created to access HHFDC's funding or allocation of low-income housing tax credits (the "HHFDC Award") for the acquisition and rehabilitation of the above-referenced properties.

6. To use an appropriate and qualified nonprofit entity, if needed, to maximize the points in the HHFDC application funding process to generate additional points in the competitive Qualified Allocation Plan funding process.
7. To negotiate the Management Agreement(s) with service provider(s) to service and ensure programs are provided which will address beneficiary needs and also provide services to ensure compliance with the HHFDC and tax credit requirements.

## DISCUSSION

### **Expanding DHHL Inventory: Establishing a New Homestead Community in a Prime Location**

The Courtyards of Waipouli presents a vital opportunity to significantly enhance DHHL's housing inventory offerings, particularly due to the project's location in a highly desirable area. This acquisition aligns seamlessly with DHHL's mission to provide more housing opportunities for native Hawaiian beneficiaries. The Courtyards of Waipouli, situated in a sought-after location, not only offers an immediate increase in available homes but also adds a valuable dimension of desirability and convenience to DHHL's housing portfolio.

This strategic move to incorporate the Courtyards of Waipouli into DHHL's portfolio would immediately diversify the housing options available to native Hawaiians. The existing structures at this location mean that beneficiaries can have quicker access to housing, avoiding the long development timelines of often 4 to 6 years and substantial costs associated with new constructions. Moreover, the attractiveness of the area enhances the overall appeal of these housing options, meeting varied preferences within the native Hawaiian community. The proposal underlines DHHL's commitment to a proactive and adaptable approach in fulfilling its mandate under the Hawaiian Homes Commission Act. By adding homes in a highly desirable area, DHHL ensures that a broader segment of native Hawaiian families can access quality, affordable homes in a location that offers enhanced living experiences.

### **Rent with Option-to-Purchase.**

The Rent with Option to Purchase is an established program of DHHL, offering a valuable pathway for individuals on the waitlist to transition into homeowners who typically wouldn't qualify for a mortgage for a turn-key unit. Being moderate to low-income, they qualify for this program, become "renters" at very affordable rates, then become homeowners after the 15-year tax credit compliance period expires. They receive significant equity generated from the sale of the tax credits and use of the NAHASDA funds. On the back end the participants on average will need to take out an estimated loan amount of \$195,000 to pay for the remaining debt, outstanding taxes, conveyance and closing cost, which is very small compared to what a market unit would cost. A fee-simple two-bedroom, one bathroom townhouse in Kapa'a cost approximately \$715,000 (Rock Mortgage of Housing Market Report – December 2023). What is also nice is that participants get to enjoy and live in the unit during this 15-year period.

This approach has been successfully used by DHHL in Kapolei's Ho'olimalima Project and La'i Opu'a's Village 4 'Akau Project.

Throughout the 15-year rental phase, participants can enhance their financial stability, which is crucial to qualifying for the takeout loan needed upon expiration of the tax credit compliance period. This period allows them to focus on building a solid credit history, accumulating funds for a down payment if needed. Importantly, it also offers the chance to become more financially literate and learn about the responsibility of owning their home. By the end of the rental term, participants are positioned to qualify for the takeout mortgage, making the transition from paying "rent" to a mortgage smoother and more feasible. Most important is the fact that the Rent with Option-to-Purchase program assists people on DHHL Waitlists who have historically and sadly been bypassed for many years because they couldn't initially qualify for a loan. This alternative funding approach also aligns with the broader objectives of DHHL to empower native Hawaiians through sustainable and long-term housing solutions.

### **NAHASDA Housing Plan and Funding**

The Hawaiian Homes Commission accepted the 2023-2024 Native Hawaiian Housing Block Grant (NHHBG) Annual Housing Plan in March 2023, which was subsequently found by HUD to be in compliance. One of the programs included in the Annual Housing Plan is Property Acquisition, which allows for the purchase of land or existing structure(s) to provide rental units to increase affordable housing inventory. A maximum of \$25,000,000 in NHHBG funds is expected to be used toward the acquisition of The Courtyards at Waipouli and other funds will be secured for this acquisition up to the appraised value of \$44,000,000.

The total NHHBG available balance as of January 8, 2024, is \$50,535,156.76 and an additional \$21,300,000 is anticipated to be appropriated by Congress. Use of NHHBG funds and other funding sources are expected to limit the availability of these units to DHHL applicants whose income does not exceed 80% of the median income. Any requirements for the use of NHHBG or other funds will be followed as part of the acquisition of The Courtyards at Waipouli.

Attached as Exhibit A is the Appraisal for the Courtyards at Waipouli reflecting a range of value from \$43,000,000 - \$45,000,000 with a point estimate (midpoint) of \$44,000,000.

By leveraging NAHASDA funds for this project, DHHL showcases its capability to efficiently and effectively allocate federal resources. This strategic approach not only ensures the timely acquisition of the Courtyards of Waipouli but also serves as a compelling demonstration to the federal government of DHHL's proficiency in managing and deploying allocated funds.

This effective use of NAHASDA funding for the Courtyards of Waipouli project is crucial for several reasons. Primarily, it underscores DHHL's commitment to fiscal responsibility and financial planning. More importantly, it establishes a specific and strong case for justifying additional federal funds in the subsequent fiscal year. By successfully utilizing NAHASDA funds and demonstrating tangible progress in expanding housing options for native Hawaiian beneficiaries, DHHL positions itself as a reliable and capable steward of federal resources. This not only strengthens its case for future funding but also aligns with its broader objectives of increasing housing availability and affordability for native Hawaiians, in line with the goals set forth by the Hawaiian Homes Commission Act.

The proposed transaction allows DHHL to acquire 82 units with no capital from DHHL and only NAHASDA funds. The table below outlines the sources of funds on a per unit basis:

	Gross Value	Per Unit \$
Total Units	82	
Estimated Total Development Cost	\$59,834,293	\$729,687
Tax Credit Equity	\$19,334,015	\$235,781
NAHASDA	\$25,000,000	\$304,878
RHRF	\$9,501,278	\$115,869
<b>DHHL</b>	<b>\$0</b>	<b>\$0</b>

Based on the proposed structure, LIHTC funding pays for most of the costs associated with both the acquisition and renovation of the Project. The 82 units will be acquired using \$304,878 per unit of federal funds controlled by DHHL. All other funds would not be accessible to DHHL if it did not include the LIHTC program.

The quality of the housing being purchased and transferred to beneficiaries in this market for a similar type of unit is typically selling in excess of \$700,000. DHHL will buy and improve existing housing at a lower price and faster than building new housing. This avoids the problems of sewer and water shortages which are currently holding up over 3,000 housing permits in Kauai County. This transaction is a win-win for DHHL and its beneficiaries. It provides quality housing at an affordable price in a short time.

### **The Courtyards at Waipouli**

The Courtyards at Waipouli, initially developed in 2009 as affordable housing, comprises 10 buildings with a total of 82 units: 20 one-bedroom apartments, 42 two-bedroom apartments, and 20 three-bedroom apartments. In 2019, Kauai County ordered an appraisal, which valued the development at \$38,000,000. However, following the expiration of the county's affordability requirement that year, the property underwent renovations, including upgrades with higher-end finishes. The objective was to market the development to investors, primarily targeting visitor-focused accommodations. The outbreak of the COVID-19 pandemic in March 2020 disrupted any sales activities related to the property.

This project offers a unique opportunity to address the critical issue of housing affordability for native Hawaiians. It entails the removal of these units from the open market, thus ensuring they remain at an affordable level. Notably, the DHHL Kauai Island Plan from May 2004 had already identified the island as grappling with an affordable housing crisis. The plan highlighted median prices in 2003, which were \$410,000 for a single-family home and \$420,000 for a condominium. Furthermore, the plan revealed that HHCA beneficiaries had identified Wailua, Anahola, and Kapa'a as their top residential location preferences, each representing over 15% of those surveyed.

For the past 20 years, the demand for affordable housing for HHCA beneficiaries has continued to escalate. According to the Kauai Board of Realtors, as of the third quarter of 2023, median prices soared to \$1,300,000 for a single-family home and \$780,000 for a condominium. In addition, according to Census data compiled by the Economic Research Organization at the University of Hawaii ("UHERO"), median rent rose by 24% from 2011 to 2021, from \$1,228 to \$1,525. These staggering price increases underscore

the urgent need to ensure that units at the Courtyards remain accessible and affordable for native Hawaiians. This project's significance in addressing this housing crisis cannot be overstated.

**Financing**

***Low-Income Tax Credit (“LIHTC”) Funding Approach: Leveraging Resources***

The 9% Low-Income Housing Tax Credit (“LIHTC”), administered by the Hawai’i Housing Finance and Development Corporation (“HHFDC”), is an essential tool for the financing of affordable housing projects. This tax credit significantly benefits such projects by offering a substantial reduction in federal income tax liability for the creation and maintenance of affordable rental housing for low-income households. The 9% credit is particularly advantageous as it can cover up to 70% of the present value of eligible costs in a qualified low-income housing project.

DHHL is strategically leveraging its \$25 million contribution from the Native American Housing Assistance and Self Determination Act (NAHASDA) funds to amplify the financial impact of the project. This contribution is set to leverage an additional \$19 million in tax credit equity through the LIHTC program. The substantial investment from DHHL acts as a catalyst, attracting further financial support and maximizing the overall funding capacity for the affordable housing project. Additionally, DHHL’s contribution helps secure approximately \$9.5 million in the form of a low-interest loan from the Rental Housing Revolving Fund (“RHRF”), further bolstering the project’s financial foundation.

This strategic financial structuring leads to a significant reduction in the permanent debt required for the project. After accounting for the leveraged funds from LIHTC and the RHRF loan, the project is left with a relatively modest permanent debt of approximately \$5.9 million. This efficient use of funds demonstrates DHHL’s commitment to maximizing the impact of its resources. The leveraging of NAHASDA funds in this manner not only amplifies the reach of the project but also underscores DHHL’s innovative approach in financing affordable housing solutions, ensuring long-term sustainability and affordability for the benefit of its beneficiaries.

The sources and uses statement below provide a comprehensive overview of the financial framework for the housing development project. It outlines in detailed estimates the various sources of funds and how these resources may be allocated.

<b><u>PERMANENT SOURCES OF FUNDS</u></b>	<b>Amount</b>	<b>%</b>
Permanent Bank Loan	\$5,999,000	10%
Tax Credit Equity	\$19,334,015	32%
NAHASDA	25,000,000	42%
RHRF	9,501,278	16%
<b>TOTAL PERMANENT SOURCES</b>	<b>\$59,834,293</b>	<b>100%</b>
<b><u>USES OF FUNDS</u></b>		
Acquisition	\$44,000,000	73.5%
Hard Costs	5,700,000	9.5%
Architectural	173,860	0.3%
Engineering	100,000	0.2%

Permanent Financing Fees	1,346,305	2.3%
Permanent Expenses at Completion	20,000	0.0%
Legal	120,000	0.2%
Reserves	386,143	0.6%
Contingencies	720,000	1.2%
Other Costs	4,344,985	7.3%
Developer Fee	2,750,000	4.6%
Syndication	173,000	0.3%
<b>TOTAL USES</b>	<b>\$59,834,293</b>	<b>100.0%</b>

### Pre-Development Costs:

The pre-development costs for this project enable the acquisition and rehabilitation of the Courtyards at Waipouli to happen. These expenditures are essential as they encompass various activities required for financial closing. It is important to note that these costs are anticipated to be reimbursed from the financial closing, and hence DHHL will receive these pre-development funds back at the time of financial closing and construction commencement.

As one of the most complex financial transactions in the industry, LIHTC transactions require many reports, third party legal review, and consultants, to ensure compliance with numerous legal requirements. These pre-development costs, however, also reduce the risk to the various investors and funders in LIHTC projects. These costs are thus up-front strategic investments that get capitalized into the costs at financial closing. Below is a breakdown of the pre-development costs.

<b><u>PRE-DEVELOPMENT COSTS</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
<b>Acquisition</b>		<b><u>\$20,000</u></b>
	Development Agreement / Ground Lease	20,000
<b>Entitlements</b>		<b><u>\$115,000</u></b>
	Government Financial Consultant	100,000
	Community Engagement Consultants	15,000
<b>Architect &amp; Engineering</b>		<b><u>\$125,000</u></b>
	Architectural & Engineering Updates	125,000
<b>Due Diligence &amp; Reports</b>		<b><u>\$225,000</u></b>
	Phase I ESA	5,000
	Hazardous Material Consultation Services	30,000
	ALTA Survey	20,000
	Legal	120,000
	Noise Study	25,000
	Market Study & Appraisals	25,000
<b>Other Soft Costs</b>		<b><u>\$1,915,000</u></b>
	Permits/Tap Fees	125,000
	Survey/Title	50,000
	Capital Needs Assessment	10,000
	Legal Counsel	120,000

	Relocation Process and Moving Residents	950,000
	Consultant Support	250,000
	LEED Consultant	15,000
	Permit Expediter / 3rd Party Review	75,000
	ADA, Units Dispersion and Site	15,000
	LIHTC Fee & Deposit	205,000
	RHRF Fee & Origination	100,000
<b>Total Project Expenses to Financial Closing</b>		<b>\$2,400,000</b>

## Rent Structure

The rent structure for this housing project is designed to address the critical issue of housing affordability, particularly for native Hawaiian beneficiaries on the waitlist. These rental rates are set significantly below market rents, ensuring affordability and accessibility for our target demographic—those with incomes at or below 80% of the Area Median Income (AMI).

Notably, this initiative prioritizes individuals who historically and typically found themselves bypassed. By offering these well below-market rents, our commitment is to provide affordable housing options to home ownership. This approach underscores our dedication to establishing a sustainable community where beneficiaries can secure safe and comfortable housing without the financial burdens often associated with housing costs. Through this rent structure, our goal is to promote the well-being and stability of local native Hawaiian beneficiaries, enabling them to secure a place to call home and fostering a sense of belonging within their community. This commitment to affordability, directed at those below 80% of AMI and targeted toward wait listers, aligns with our mission to address the housing crisis. The rental amounts are subject to adjustments of the AMI and may include rental assistance from NAHASDA or Section 8.

<b>RENT STRUCTURE</b>				
Income Restriction	Unit Type	# of Apts		Rent (in dollars)
30% of AMI				-
	1 Bdrm	2		554
	2 Bdrm	5		644
	3 Bdrm	2		726
40% of AMI				
	1 Bdrm	2		781
	2 Bdrm	5		916
	3 Bdrm	2		1,040
80% of AMI				
	1 Bdrm	16		1,233
	2 Bdrm	32		1,459
	3 Bdrm	14		1,667

## General Lease Terms

1. The duration of the lease is set for 65 years to the initial Limited Partnership primarily to win the HHFDC funding application. This period duration will be eliminated based on the transfer of the interest to each native Hawaiian beneficiary homeowner at the expiration of the 15-year tax compliance period.
2. This lease to the tax investors is needed so they can access and use the tax credits to offset their income.

#### RECOMMENDATION

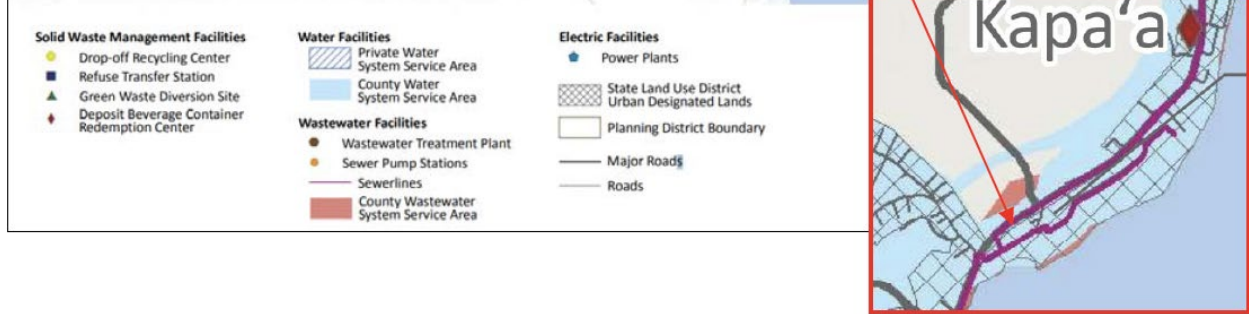
Staff respectfully requests approval of the recommended motions as stated.



## East Kau‘i Infrastructure Map



Figure 5-27 East Kau‘i Infrastructure Map

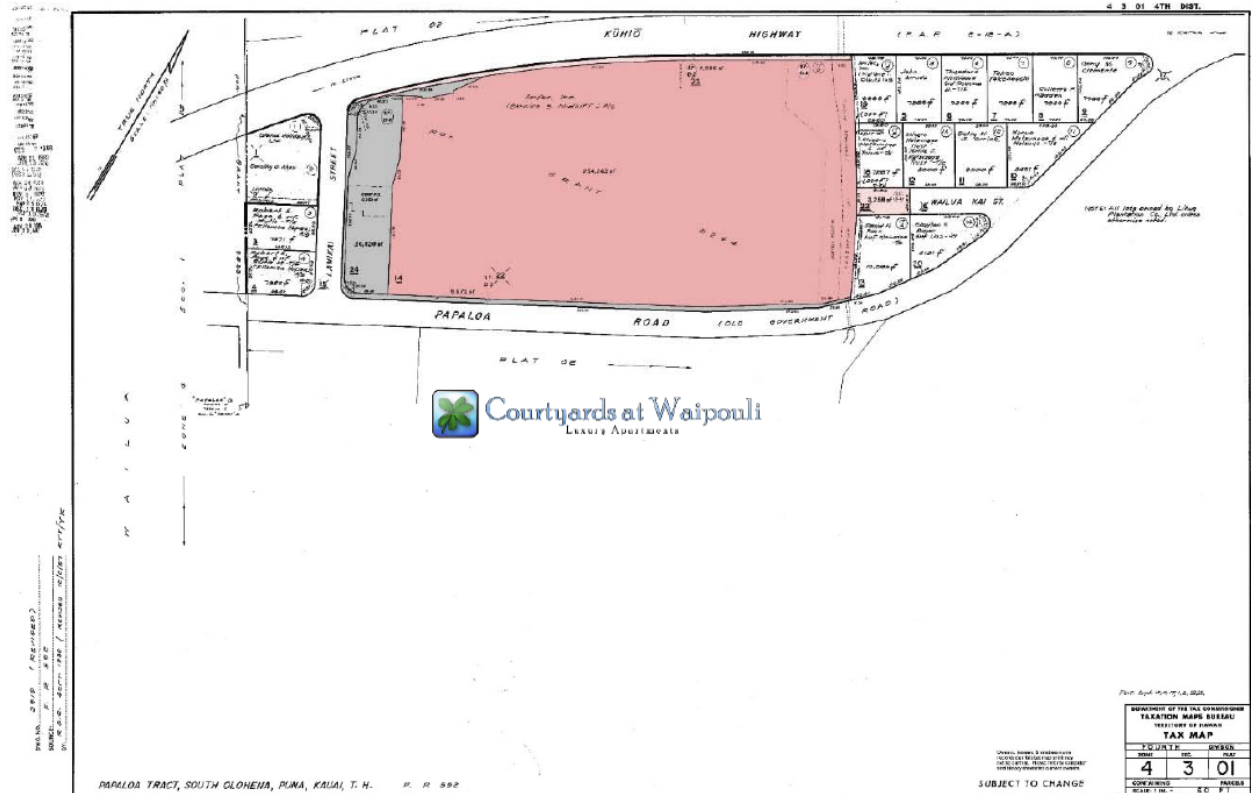


 **Courtyards at Waipouli**  
Luxury Apartments

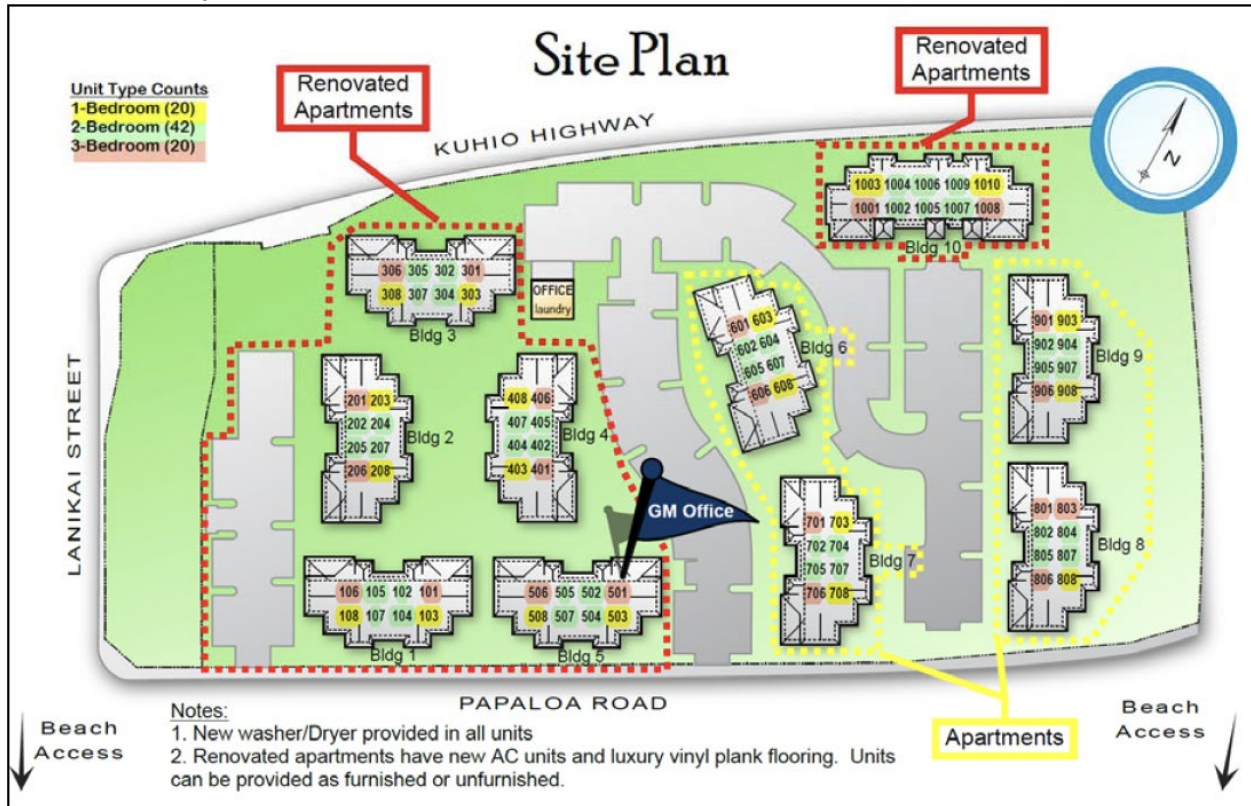
## Satellite Image of Project



# Tax Map of Project



# Site Plan of Project



Photos of Project Exterior



## Project Floor Plans

**1-Bedroom Unit**  
RESIDENCE APPROX. 715SQ. FT.  
LANAI APPROX. 98SQ. FT.



**2-Bedroom Unit**  
RESIDENCE APPROX. 985SQ. FT.  
LANAI APPROX. 96SQ. FT.



**3-Bedroom Unit**  
RESIDENCE APPROX. 1121SQ. FT.  
LANAI APPROX. 98SQ. FT.



**Interior Photos (including pre-renovation and post-renovation)**



Example of renovated kitchen



Kitchen in unrenovated unit

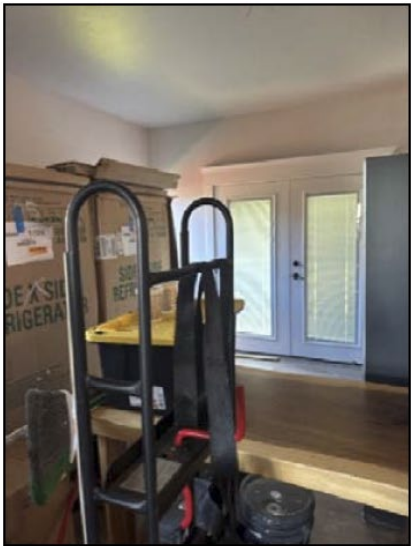
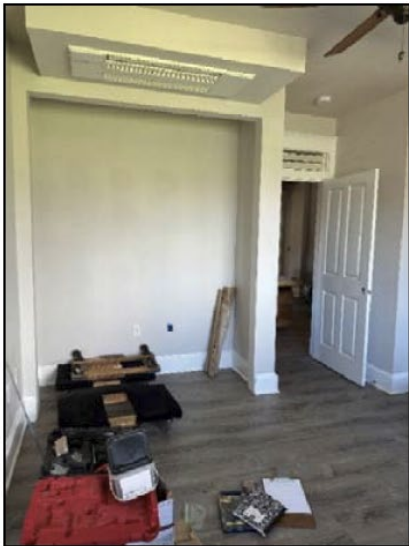
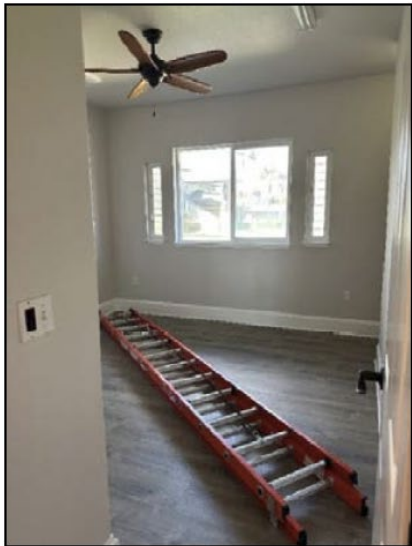


Newly renovated bath (tub not installed)



Unrenovated bath

**Interior Photos of Unit Undergoing Renovations**



Unit undergoing renovations

## AGREEMENT SUMMARY

Doc. Name: Option Purchase Agreement

Subject Property: 258,929 square feet of land (Lots 17-D-1 approx. 254,263 sf and 17-D-2 approx. 4,666 sf) located at 401 Papaloa Rd, Kapaa, Hawaii 96746 and known as the Courtyards at Waipouli -- TMK Nos. (4) 4-3-001-014 and 021 - - and improvements located thereupon

Seller: K D WAIPOULI LLC

Purchaser: DEPARTMENT OF HAWAIIAN HOME LANDS

Due Diligence Period: From execution of the agreement to **Sunday, June 30, 2024**

Option Price: If Purchaser intends to proceed with the transaction, then \$1M to be paid in to Escrow on or before the end of the Due Diligence Period and released to Seller on the business day following delivery by Purchaser to the Escrow Company of a written irrevocable and unconditional authorization to pay the Option Price to Seller -- If such authorization is not delivered by **Monday, July 8, 2024**, then the Option Price to be refunded

Option Period: At any time from the payment of the Option Price to Seller to **Friday, January 31, 2025** (or later date mutually agreed upon), Purchaser may exercise the option to purchase by delivery of written notice to Seller and the Escrow Company

Closing: Ninety (90) days from Purchaser's exercise of the option to purchase, but in any event no later than **Wednesday, April 30, 2025** (or later date mutually agreed upon)

Purchase Price: Total of \$44M -- \$1M Option Price to be credited and \$43M balance to be payable at Closing through Escrow

Condition at Closing: The Property (including multi-tenant housing improvements) to be delivered in the same condition as of the end of the Due Diligence Period - ordinary wear and tear excepted - free and clear of any contracts other than surviving Tenant Leases

Tenant Leases: Upon receipt of \$1M Option Price, Seller obligated to cooperate with Purchaser to: (i) institute termination of the Tenant Leases if and as directed by Purchaser, and (ii) provide any notices required by NAHASDA as directed by Purchaser, provided that Purchaser shall be responsible for all expenses of NAHASDA compliance, including relocation payments to displaced tenants

Appraisal Report to  
**Department of Hawaiian Home Lands  
(DHHL)**

Covering the

**MARKET VALUE OF THE  
COURTYARDS AT WAIPOULI**

401 Papaloa Road, Kapaa, Kauai  
Tax Map Key (4) 4-3-01:14

As of November 17, 2023







December 7, 2023

Karen Char, MAI, CRE  
Paul D. Cool, MAI, CRE  
Shelly H. Tanaka, MAI, AI-GRS  
Cooper Borge

Department of Hawaiian Home Lands  
c/o Ms. Nicole L. Kinilau-Cano  
PBR Hawaii & Associates, Inc.  
1001 Bishop Street, Suite 650  
Honolulu, Hawaii 96813

Dear Ms. Kinilau-Cano:

**Re: Appraisal of the Courtyards at Waipouli**

At your request, John Child & Company has estimated the market value of the 82-unit Courtyards at Waipouli project in Kapaa, Kauai. This letter summarizes the study background, key issues, and estimated market value. Information not contained in this report are available in our work file.

**STUDY BACKGROUND**

The Courtyards at Waipouli is an 82-unit rental apartment project located at 401 Papaloa Road, in the Waipouli neighborhood of Kapaa, Kauai.





The project includes a 5.84-acre, R-20 Residential zoned parcel on the makai (ocean side) of Kuhio Highway, one lot in from the ocean. Improvements consist of ten, two-story townhome buildings with a mix of one-, two-, and three-bedroom rental apartments that are currently about 93% occupied.

The project was developed by K D Waipouli LLC in 2009 under the Kauai Lagoons Affordable Housing Agreement. The agreement restricted 41 units to affordable housing for 10 years.

The agreement expired, and K D Waipouli LLC is offering the property for sale. DHHL is considering a purchase of the property and requires an estimate of the property's current market value for internal decision-making. You asked us to assist you in this regard.

### **STUDY OBJECTIVE**

The objective of our assistance is to estimate the current market value of the fee simple interest in the Courtyards at Waipouli.

### **INTENDED USE AND USER(S)**

Our assistance is intended to be used by DHHL (the Client) for internal information and decision-making in connection with the proposed acquisition.

In accepting this report, the Client specifically agrees that our assistance is not intended for any other purpose or users and is not to be relied upon by any third parties for any purpose, whatsoever.

### **EFFECTIVE DATE OF APPRAISAL**

I visited the property on November 17, 2023. The effective date of appraisal is November 17, 2023, the date of the property visit.

### **DEFINITION OF MARKET VALUE**

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:



1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. [1]

Other terms used in this report are defined in Addendum 1.

## **REPORTING**

The report is for the Client's internal information and decision-making. Therefore, the valuation analyses and estimated market value is presented in a Restricted Appraisal Report format described in Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP).

The report does not describe all of the data, reasoning, and analyses used to estimate the market value of the property. The opinions and conclusions in the report may not be understood properly without additional information contained in our workfile.

## **STUDY CONDITIONS**

This report is subject to the study conditions included in Addendum 2.

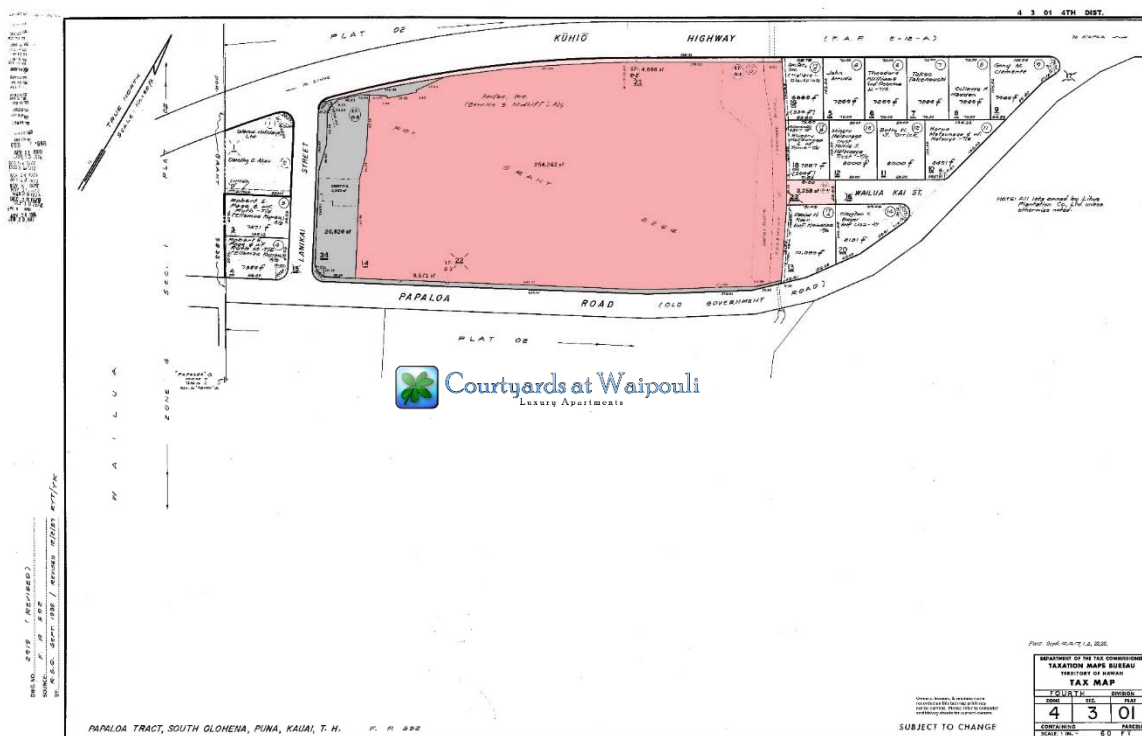
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[1] 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994.



**PROPERTY IDENTIFICATION**

- Tax map keys (4) 4-3-01:14 and 21
- Legal description Refer to Exhibit C in the Preliminary Report dated April 4, 2023, included in Addendum 3
- Owner of record K D Waipouli LLC, a Hawaii limited liability company



Lot	Tax map key	Description	Sq. ft.	Acres
17-D-1	(4) 4-3-01:14	Project site [1]	254,263	5.8371
17-D-2	(4) 4-3-01:21	Roadway widening lot along Kuhio Hwy.	4,666	0.1071
Total			262,187	6.0190

[1] According to the Kauai County real property tax website, Parcel 14 includes the 3,258 sq. ft. Lot 17-D-4, formerly identified as tax map key (4) 4-3-01:23.



**SITE DESCRIPTION**

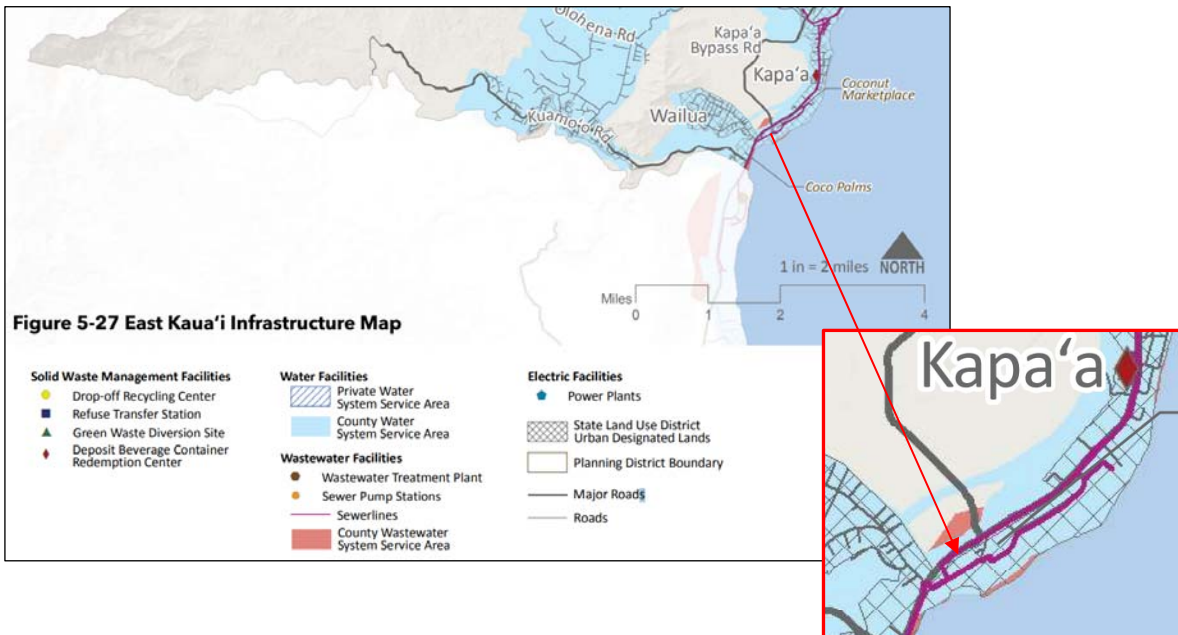
**Land area** 6.019 acres, including 4,666~~sq~~ road widening parcel on Kuhio Highway

**Easements** The April 4, 2023 Preliminary Report included in Addendum 3 identifies various easements for utilities (Easement E-1), drainage ditch (Easement A), detention basin (Easement D-1), and roadway access.

These easements are not considered to have a significant impact on the utility and marketability of the property for continued residential use or potential short-term vacation rentals.

**Street frontage and access** The site is situated between Kuhio Highway and Papaloa Road. Two driveways are located on Papaloa Road. Access from Kuhio Highway is restricted.

**Utilities** The property is serviced by County water and sewer electricity, natural gas, and internet/cable. A lift station facilitates wastewater conveyance for Buildings 7, 8, 9 and 10; however, no odors were detected at the time of our site visit, and a review of the October 2023 rent roll shows rents in these buildings do not differ from other buildings in the complex. A representative for the property owner also confirmed no significant issues with its operation or maintenance.





Topography	<p>Topography is generally level, but slightly sloping along a west-east axis.</p> <p>Portions are improved with detention basin and swales; no drainage issues were reported or observed during our property visit.</p> <p>The property was recently developed in 2009, and soils are assumed to be adequate for continued use and any future redevelopment.</p>
Environmental/other externalities	<p>No hazardous environmental, soils, or archaeological conditions were reported. The valuation assumes there are none that would significantly impact continued use or redevelopment of the property in accordance with zoning and other land use and building regulations.</p>

#### **AFFORDABLE HOUSING AGREEMENT**

The property was built in 2009 to satisfy the developer's affordable housing requirement for the Kauai Lagoons Resort rezoning and development.

The amended Kauai Lagoons Affordable Housing Agreement with the County of Kauai (i.e., the Affordable Housing Agreement) required the Developer/Declarant (K D Waipouli LLC) to construct 82 affordable housing rental units to be rented to the intended target income groups for a period of 10 years from the last certificate of occupancy (i.e., the Affordability Period).

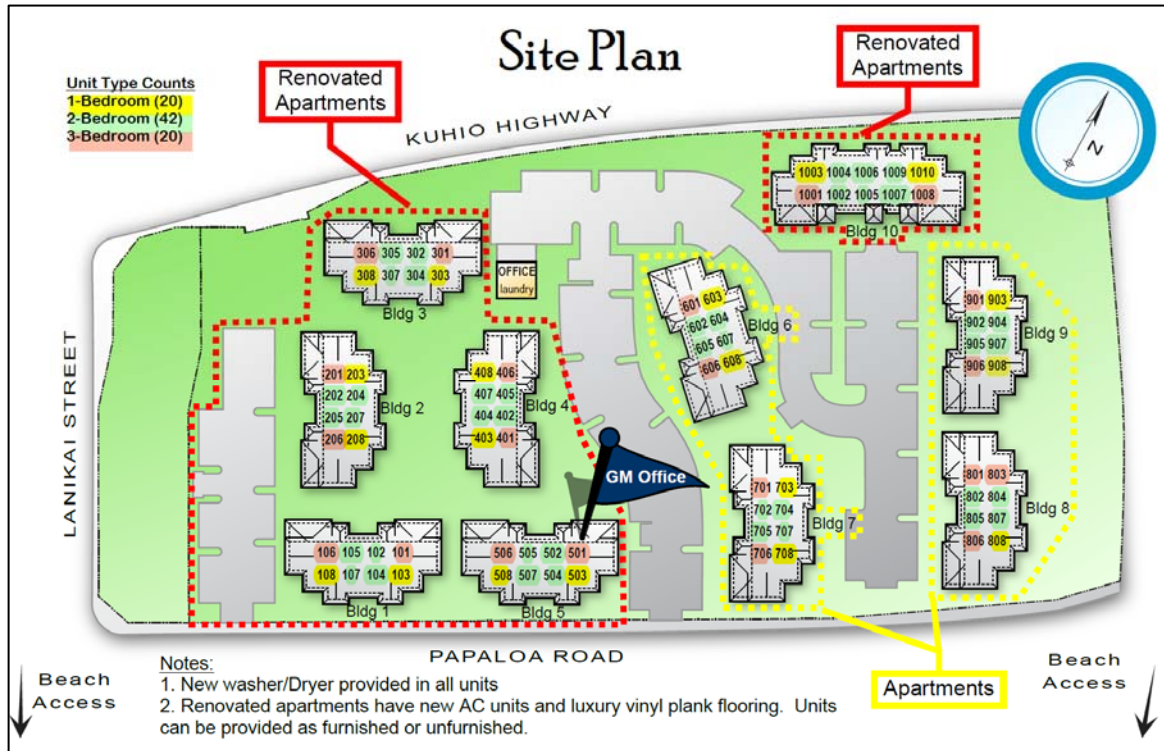
**1. Use of the Waipouli Parcel. For the period from the Effective Date until the end of the Affordability Period, the Waipouli Parcel shall be used only for the construction of the Units and related improvements and the rental of the Units to the intended target income groups as provided in the Affordable Housing Agreement. This Declaration shall run with the land as a burden on the Waipouli Parcel, but shall automatically terminate upon the expiration of the Affordability Period and in any event no later than February 18, 2020.**

The restrictions expired in 2019, and we confirmed with the Kauai County Housing Director, Adam Roversi, that there are no remaining obligations in connection with the Affordable Housing Agreement.



## IMPROVEMENTS

Improvements consist of 82 units in 10, two-story wood plantation-style townhomes (non-elevated). A freestanding building near Buildings 4 houses the management office and community laundry facility building.



A survey map is included in Addendum 4.







There are a total of 82, one-, two- and three-bedroom units that range in size from about 715<sup>sq</sup>ft to 1,121<sup>sq</sup>ft. All units have a full kitchen, living room, and outdoor patio/lanai with outdoor storage closets.

One bedroom apartments have a full bathroom; two- and three-bedroom units have two full baths.

Living area	715 sf	985 sf*	1,121 sf**	
Lanai area	98 sf	96 sf	98 sf	
Building	1br/1ba	2br/2ba	3br/2ba	Total
1	2	4	2	
2	2	4	2	
3	2	4	2	
4	2	4	2	
5	2	4	2	
6	2	4	2	
7	2	4	2	
8	2	4	2	
9	2	4	2	
10	2	6	2	
Total	<u>20</u>	<u>42</u>	<u>20</u>	82
Total living area (sq.ft.)	14,300	41,370	22,420	78,090
*Rent roll shows 1,081 sf; however, valuation assumes 985 sf per floor plans.				
**Rent roll shows 1,175 sf; however, valuation assumes 1,121 sf per floor plans.				
Renovated unit (Buildings 1-5 and 10)				
No. of units	12	26	12	50
% of total	60%	62%	60%	61%



### 1-Bedroom Unit

RESIDENCE APPROX. 715SQ. FT.  
LANAI APPROX. 98SQ. FT.



### 2-Bedroom Unit

RESIDENCE APPROX. 985SQ. FT.  
LANAI APPROX. 96SQ. FT.



### 3-Bedroom Unit

RESIDENCE APPROX. 1121SQ. FT.  
LANAI APPROX. 98SQ. FT.





According to the owner, all units are individually metered for electricity and outfitted with split air-conditioning units, ceiling fans, and a stack washer/dryer, although the age and condition of the equipment varies.

About 50 units have been renovated (or are in the process of being renovated) with new paint and Lifeproof® vinyl plank flooring, upgraded windows and patio doors, new kitchen appliances, new bathroom fixtures and kitchen and bathroom countertops, subway tile backsplashes, and new floating wood shelves and cabinetry. Other details include interior transom windows, soffits and baseboard moldings, ceiling fans and recessed lighting.



Example of renovated kitchen



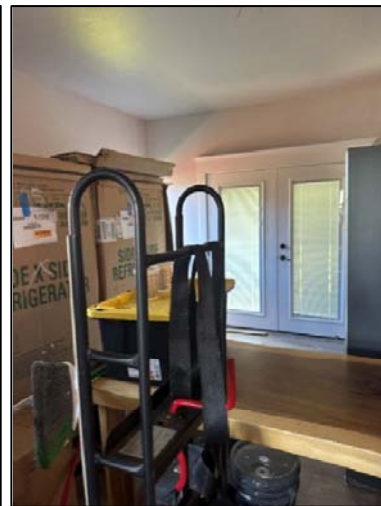
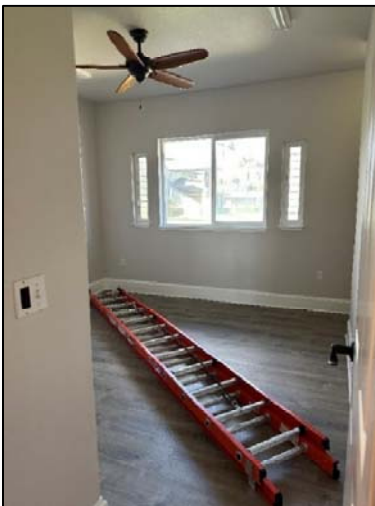
Kitchen in unrenovated unit



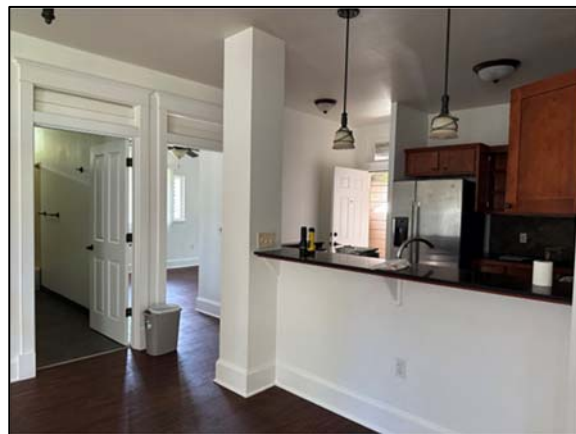
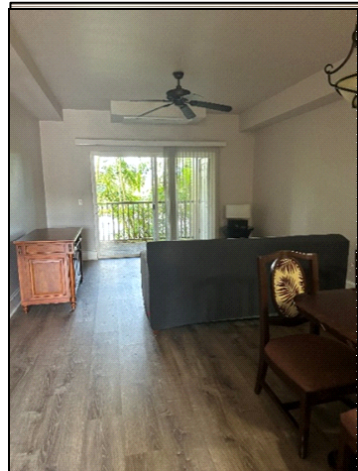
Newly renovated bath (tub not installed)



Unrenovated bath



Unit undergoing renovations



Unrenovated or partially renovated units



In unit stack laundry



Lanais



Lanai storage



The site is nicely landscaped with concrete walkways throughout. Other building and site improvements include an 853<sup>sq</sup> management office/community laundry room and three asphalt-concrete paved parking lots with 160 unreserved stalls (about 2 stalls per unit).



Community laundry



Management office



View from second floor stair landing.



There are no amenities other than the community laundry room and a BBQ area near the management office. However, two public beach access paths are located directly across the street on Papaloa Road.





## TAX ASSESSED VALUES

Real property in Hawaii is assessed at 100% of the fee simple market value using the cost and market approaches to value. Taxes are calculated based upon assessed values on October 1<sup>st</sup> of the prior year and current fiscal year tax rates.

For the 2024 tax assessment year, the Kauai County Real Property Tax Office estimates the market value of the land and improvements at \$32,883,800.

Year	Property Class	Total Market Value	Total Property Assessed Value	Total Property Exemption	Total Net Taxable Value
2024	NON-OWNER-OCCUPIED RESIDENTIAL	\$32,883,800	\$32,883,800	\$0	\$32,883,800
2023	RESIDENTIAL INVESTOR	\$28,091,900	\$28,091,900	\$0	\$28,091,900
2022	RESIDENTIAL INVESTOR	\$25,238,600	\$25,238,600	\$0	\$25,238,600
2021	RESIDENTIAL INVESTOR	\$23,077,100	\$23,077,100	\$0	\$23,077,100
2020	RESIDENTIAL INVESTOR	\$23,074,600	\$23,074,600	\$0	\$23,074,600
2019	RESIDENTIAL INVESTOR	\$23,300,200	\$23,300,200	\$11,650,100	\$11,650,100
2018	RESIDENTIAL INVESTOR	\$23,598,300	\$23,598,300	\$11,799,200	\$11,799,100
2017	RESIDENTIAL INVESTOR	\$20,391,100	\$20,391,100	\$10,195,600	\$10,195,500
2016	RESIDENTIAL INVESTOR	\$19,841,100	\$19,841,100	\$9,920,600	\$9,920,500
2015	RESIDENTIAL INVESTOR	\$19,164,400	\$19,164,400	\$9,582,200	\$9,582,200
2014	NON-OWNER-OCCUPIED RESIDENTIAL	\$19,164,400	\$19,164,400	\$9,582,200	\$9,582,200
2013	NON-OWNER-OCCUPIED RESIDENTIAL	\$100	\$100	\$0	\$100
2013	NON-OWNER-OCCUPIED RESIDENTIAL	\$19,164,400	\$19,164,400	\$9,582,200	\$9,582,200

The property is assessed as a Residential Investor property. The 2023 tax rate for the Residential Investor tax class was \$9.40 per \$1,000 of assessed value. The 2023 annual tax load was \$264,063.86.

The tax rate has been unchanged since 2020. Assuming the same tax rate, the total annual real property tax for 2024 would be about \$309,103.





## LAND USE CLASSIFICATIONS

Land classifications and ordinances that impact the use and development of the property are summarized as follows:

### State Land Use Classification

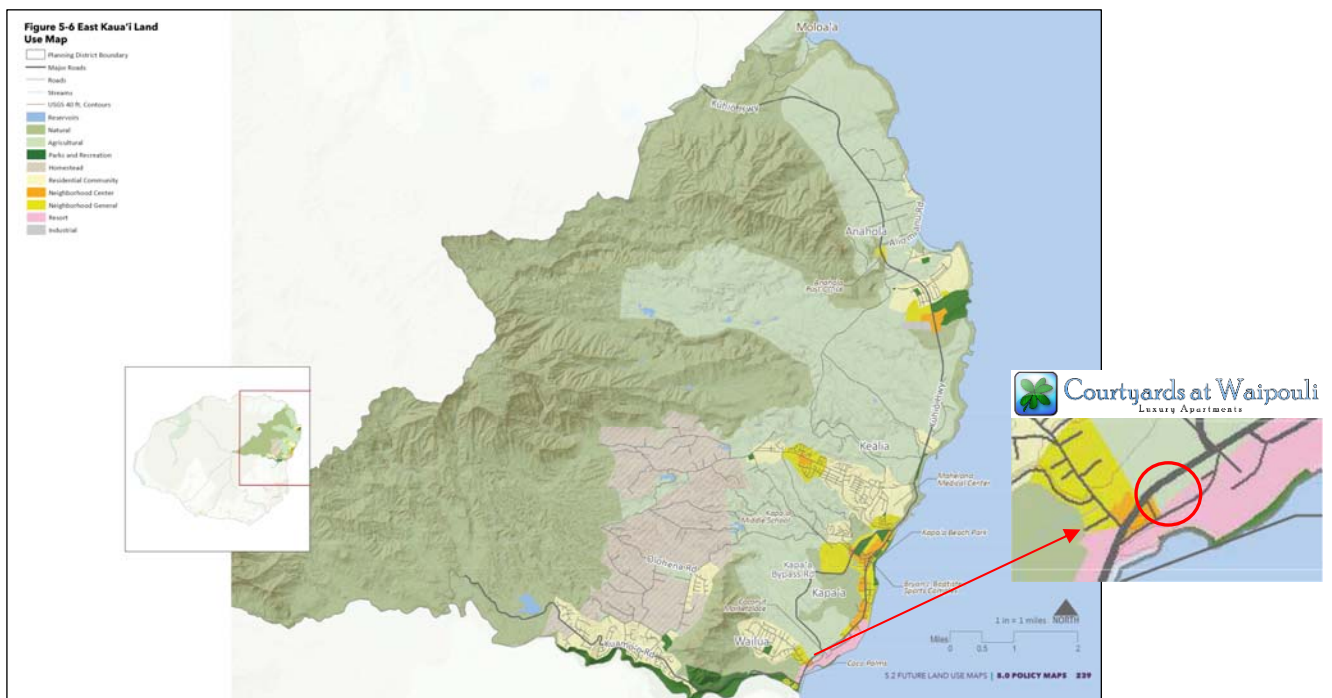
The State Land Use classifications under Chapter 205, Hawaii Revised Statutes, establish the basic planning and use parameters for all lands in the State of Hawaii. The four basic land use districts are: Urban, Rural, Agricultural and Conservation. Conservation classified lands are administered by the State Board of Land and Natural Resources. The primary use and development of the lands in the other districts are controlled by County regulations.

The Courtyards at Waipouli site and surrounding lands are in the Urban State Land Use district.

### County General Plan

The General Plan for the County of Kauai is intended to provide guidance for land use regulations, the location and character of new development and facilities, and planning for County facilities and services. The General Plan was adopted in 1971 and updated in 2018.

The General Plan land use map shows the property is designated both Agricultural and Resort.

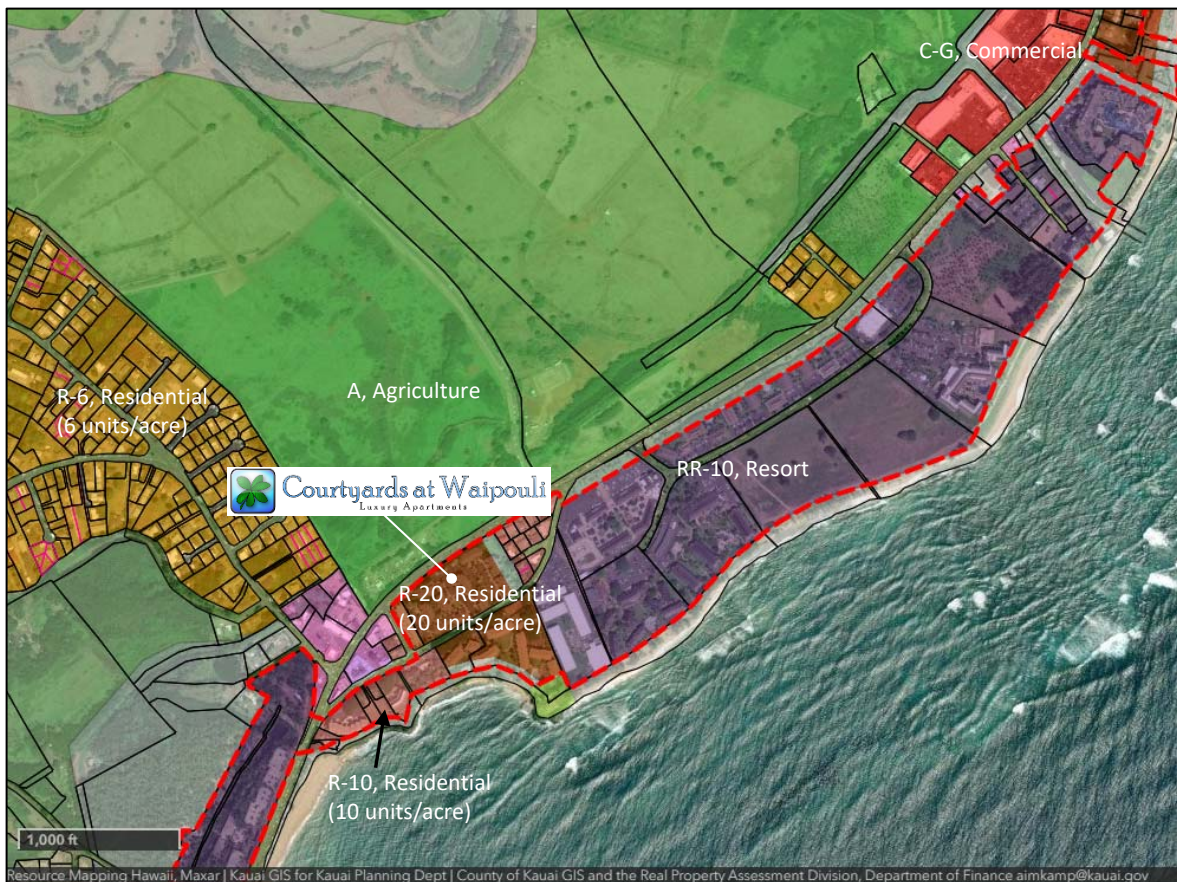




## County Zoning Ordinance

The Kauai County Comprehensive Zoning Ordinance (CZO) provides the regulations and standards for land development and the construction of buildings and other structures in the County of Kauai. The regulations and standards are intended to regulate development to ensure its compatibility with the overall character of the island.

The Courtyards at Waipouli site is in the Visitor Destination Area (VDA) and zoned R-20, Residential District with a maximum density of 20 units per acre.



Principal permitted uses in the R-20 district include single-family detached dwellings and accessory structures, such as one guest house per 9,000<sup>sq</sup> lot or parcel, and multiple family dwellings (including rental apartments and for-sale condominiums). Multi-family buildings in the Residential district shall not be more than 10 feet higher than any residential building located within 30 feet of the building, and no more than four stories (40 feet) from finished grade.



Hotels are not permitted. However, the property is in the Visitor Destination Area (VDA). The VDA permits timeshare and transient vacation units. Other VDA districts on Kauai include portions of Lihue, Poipu, and Princeville.

According to Mr. Kaaina Hull, Planning Director for the County of Kauai, ministerial approval only would be required to register the first 50 units for transient vacation rental use. Beyond 50 units, however, a Class IV Zoning Permit and Planning Commission review (with public hearing) would be required. Furthermore, full conversion of all of the residential units into vacation rental units could trigger the County's Housing Ordinance that would require an in-lieu fee or 30% affordable housing. Final determination of the applicability of the Housing Ordinance would be made by the Housing Director.

A limited number of non-residential uses such as retail shops and stores, day care centers, and churches or community centers, may be allowed with a Use Permit.

### **Housing Ordinance**

Development of 10 or more residential dwelling units or time share units would be subject to the County's Housing Ordinance that requires a 30% workforce housing requirement that may be satisfied by fee-simple sale of workforce housing units at prices affordable to households earning from 80% to 140% of Kauai's median household income. [1]

Subject to Housing Agency approval, the requirement may be satisfied in whole or in part by an in-lieu which, as of the 2020 Ordinance date, ranged from \$12,000 for units in the 140% AMI category to \$176,000 for units targeting 80% AMI households. [2]

Alternatively, the County may accept a dedication of land in-lieu. Subject to Housing Agency approval, rental units may also be substituted in place of for sale units, provided the units are restricted to rents consistent with workforce housing guidelines and remain affordable for a minimum period of forty (40) years.

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[1] For residential developments consisting of 26 or more units, the workforce housing requirement is as follows: 20% of units priced to be affordable to householdings earning from 80% of Kauai's Median household income, 30% to 100% AMI (area median income), 30% to 120% AMI, and 20% to 140% AMI.

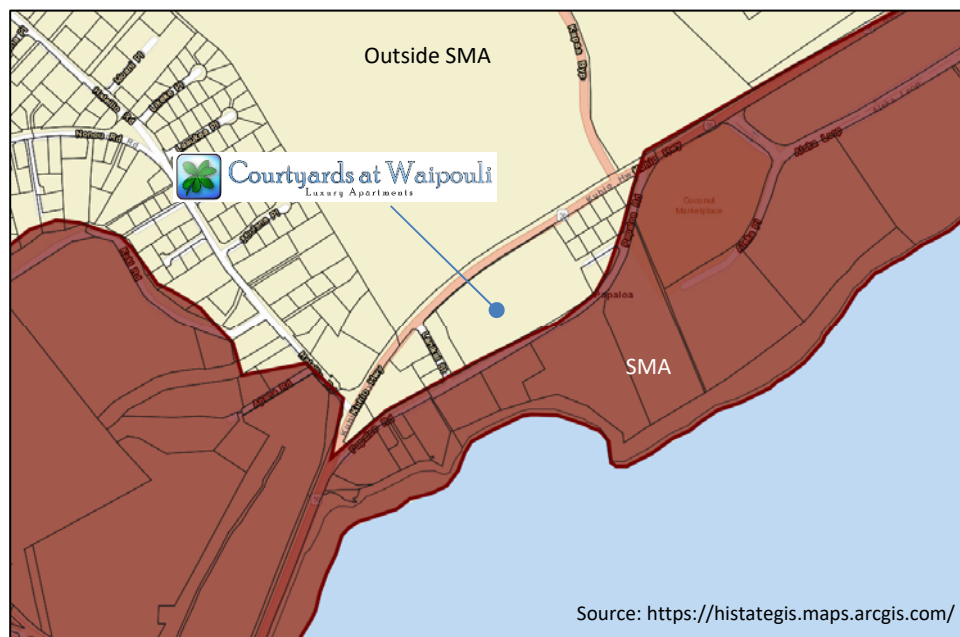
[2] The in-lieu fees are subject to annual adjustment based on the CPI index for Honolulu for all urban consumers.



### Special Management Area

The Special Management Area (SMA) on Kauai encompasses lands along or near the shoreline that are subject to additional permit requirements for renovation or construction. The SMA permit is discretionary. Major permits (i.e., for projects with a construction value of more than \$500,000) may require the preparation of an Environmental Assessment or Environmental Impact Statement. Public hearings are required.

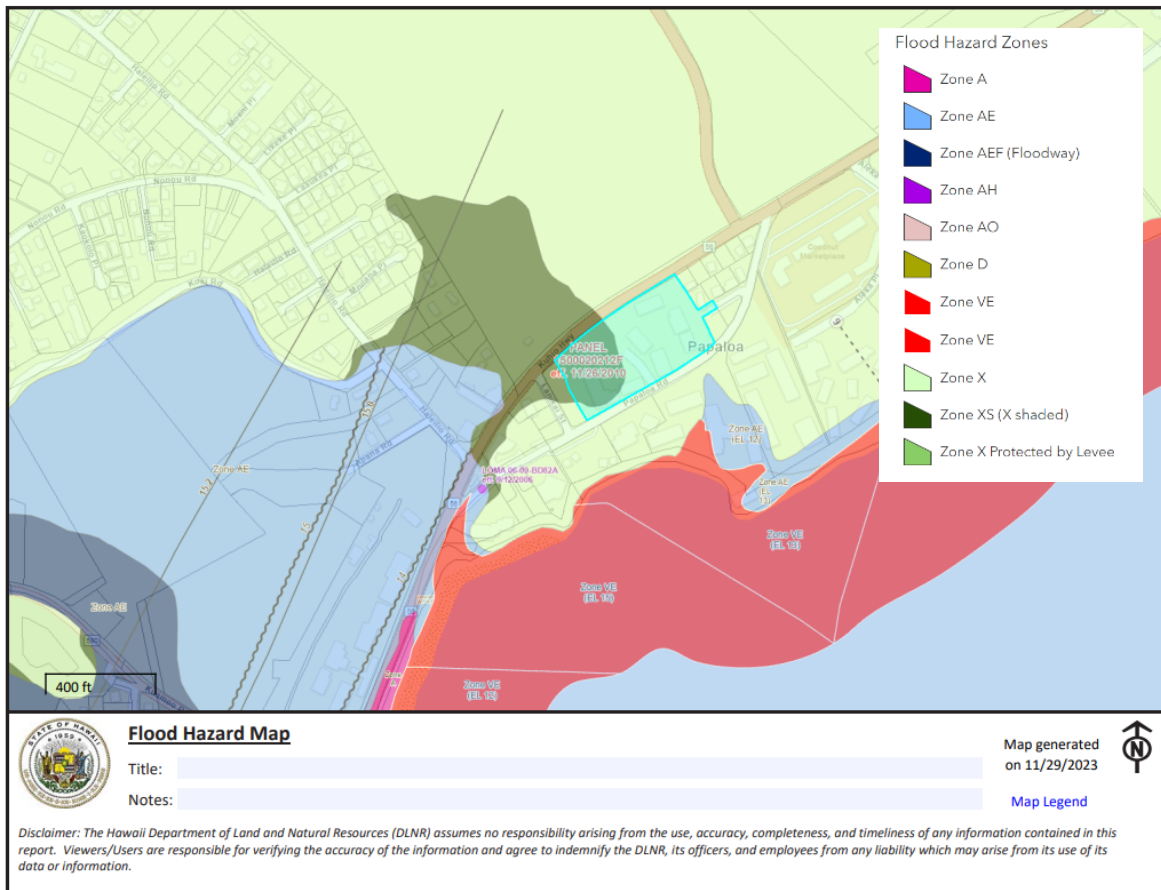
The Courtyards at Waipouli is not in the SMA, as shown on the following map:





### Flood Hazard Districts

Flood Hazard Districts with special development restrictions were established to protect life and property and reduce public costs for flood control and rescue relief efforts. According to FEMA Firm Panel 1500020212F (November 26, 2010), the Ninini Point site is within Zone X (unshaded) and XS (X shaded). These areas are “outside the 0.2% annual chance floodplain.” Flood insurance is not required.



### Other Hazard Zones

The site is not in an earthquake, lava hazard, or tsunami evacuation zone.



## CURRENT RENTAL OPERATIONS

The project is currently rented as long-term rentals; about 93% of the units are occupied. Monthly rents are being increased to market rent levels and currently range from \$2,050 to \$2,250 for the 20 one-bedroom apartments, \$2,350 to \$2,550 for the 42 two-bedroom apartments, and \$2,550 to \$2,750 for the three-bedroom apartments. Tenants pay General Excise Tax (GET) in addition. Several tenants rent furniture for an additional \$200 per month and/or pay an additional \$100 pet fee per month. Recent lease renewals have been for six month terms.

The trailing, 12-month net operating income (NOI) for the most recent calendar year ending December 31, 2022 was about \$1.3 million, as follows:

### Historical Income and Expenses for Courtyards at Waipouli: 2012-YTD October 2023

	2021	2022	Year to Date 10/31/2023		% of EGI		
			10 months	Annualized	2021	2022	Year to Date 10/31/2023
<b>Income</b>							
Rental Income	\$1,929,312.05	\$2,347,121.34	\$1,992,714.47	\$2,391,257.36	96.7%	97.9%	98.3%
Other income (laundry, pet fees, late charges, etc.)	66,630.78	51,322.51	34,786.18	41,743.42	3.3%	2.1%	1.7%
Effective gross income	<u>1,995,942.83</u>	<u>2,398,443.85</u>	<u>2,027,500.65</u>	<u>2,433,000.78</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Expenses</b>							
Renting expenses	12,805.98	993.67	8,765.01	10,518.01	0.6%	0.0%	0.4%
Management fees, including rent free unit	151,051.09	178,686.48	139,003.94	166,804.73	7.6%	7.5%	6.9%
Office services and expenses	105,777.26	100,236.79	103,985.76	124,782.91	5.3%	4.2%	5.1%
Legal and accounting services	60,342.11	44,848.09	30,039.86	36,047.83	3.0%	1.9%	1.5%
Model rent expense	-	-	-	-	0.0%	0.0%	0.0%
Bad debts/bank service charges	598.72	8,135.33	36,287.50	36,449.52	0.0%	0.3%	1.8%
Total administrative expenses	<u>317,769.18</u>	<u>331,906.69</u>	<u>309,317.06</u>	<u>364,084.99</u>	<u>15.9%</u>	<u>13.8%</u>	<u>15.3%</u>
Utilities	104,441.13	87,137.81	61,783.70	74,140.44	5.2%	3.6%	3.0%
Janitorial	11,928.68	2,616.57	476.35	571.62	0.6%	0.1%	0.0%
Pest control	6,301.37	7,106.10	5,085.73	6,102.88	0.3%	0.3%	0.3%
Trash/garbage removal	42,317.51	43,769.24	33,846.80	40,616.16	2.1%	1.8%	1.7%
Security services	1,120.94	867.54	-	-	0.1%	0.0%	0.0%
Grounds maintenance	120,879.20	105,403.87	94,185.19	113,022.23	6.1%	4.4%	4.6%
Repairs	134,439.53	91,776.02	207,261.44	215,661.25	6.7%	3.8%	10.2%
Other	4,290.94	5,465.32	7,584.73	9,101.68	0.2%	0.2%	0.4%
Total operating & maintenance expenses	<u>321,278.17</u>	<u>257,004.66</u>	<u>348,440.24</u>	<u>385,075.81</u>	<u>16.1%</u>	<u>10.7%</u>	<u>17.2%</u>
Real property taxes	224,423.53	234,606.10	190,368.29	228,441.95	11.2%	9.8%	9.4%
General excise tax	75,977.17	91,208.97	68,838.56	82,606.27	3.8%	3.8%	3.4%
Property insurance	71,571.12	76,819.92	61,298.94	73,558.73	3.6%	3.2%	3.0%
Other taxes and insurance	942.00	888.52	624.76	749.71	0.0%	0.0%	0.0%
Total taxes & insurance	<u>372,913.82</u>	<u>403,523.51</u>	<u>321,130.55</u>	<u>385,356.66</u>	<u>18.7%</u>	<u>16.8%</u>	<u>15.8%</u>
Total expenses	<u>1,129,208.28</u>	<u>1,080,566.34</u>	<u>1,049,436.56</u>	<u>1,219,175.91</u>	<u>56.6%</u>	<u>45.1%</u>	<u>51.8%</u>
Total net income	<u>\$866,734.55</u>	<u>\$1,317,877.51</u>	<u>\$978,064.09</u>	<u>\$1,213,824.87</u>	<u>43.4%</u>	<u>54.9%</u>	<u>48.2%</u>



## HIGHEST AND BEST USE

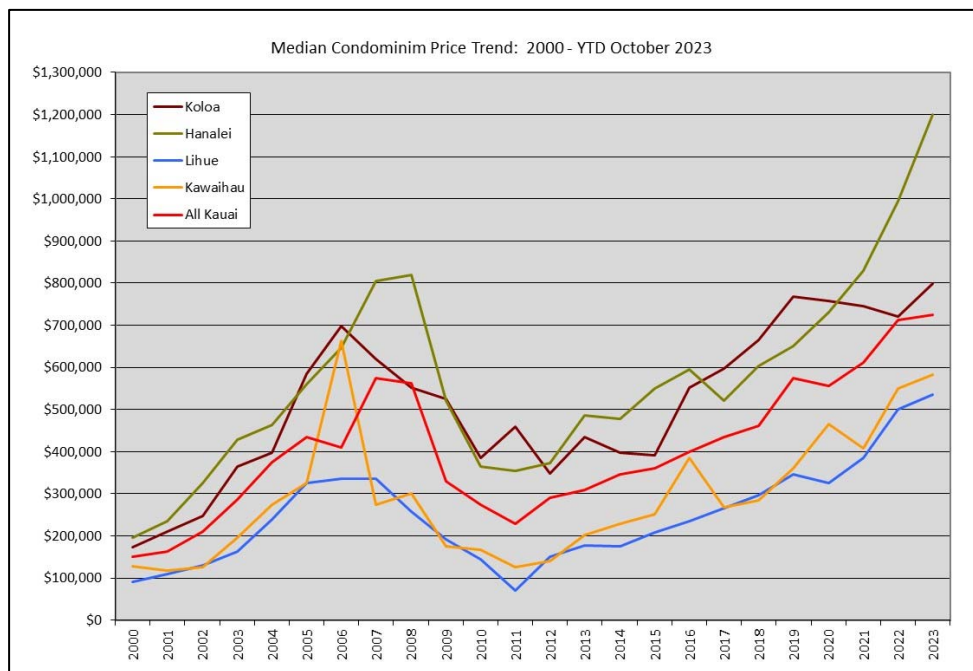
Highest and best use is defined as:

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. [1]

The determination of the highest and best use of a property is key to the appraisal of the property. The highest and best use of the property determines the selection of comparable properties which are key factors in the various approaches to value.

### Highest and Best Use if Vacant

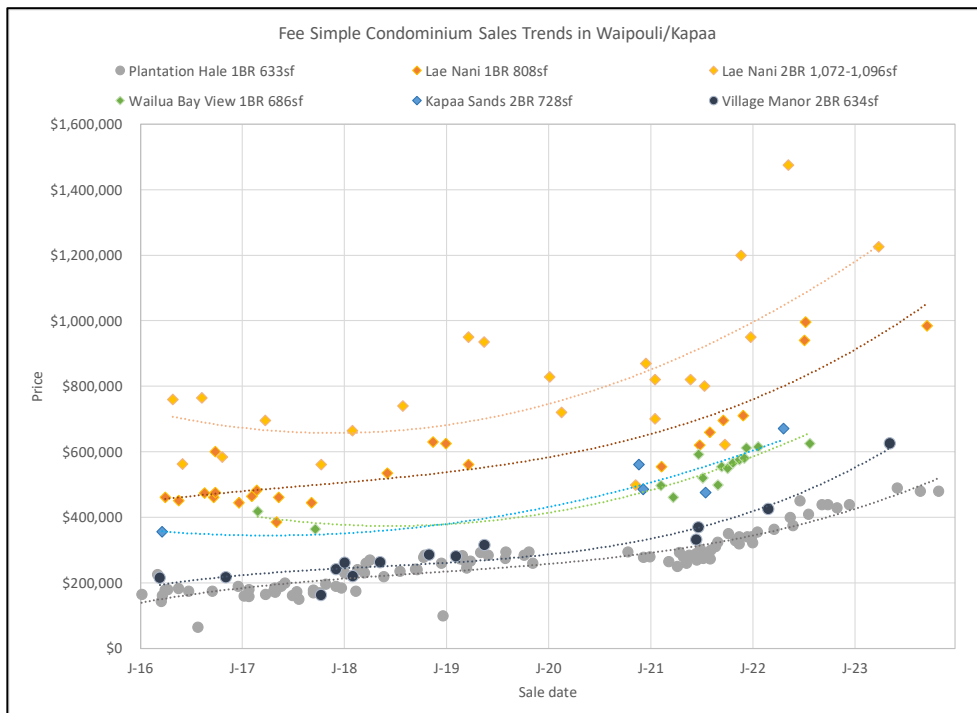
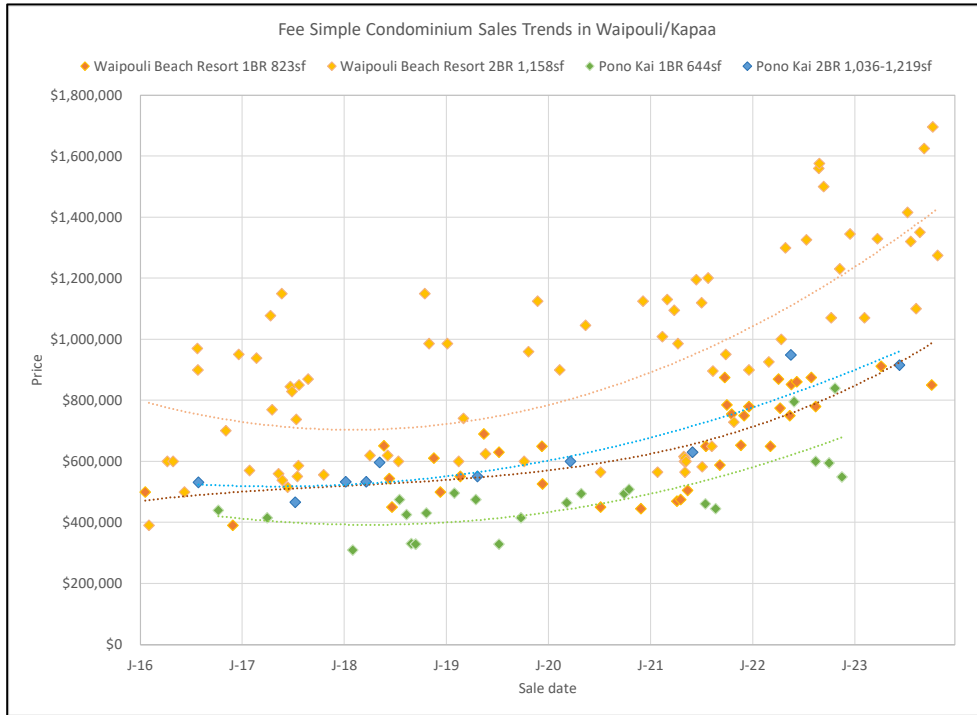
Current real estate market conditions on Kauai are strong. As of October 2023, the median year-to-date (YTD) condominium price on Kauai was \$725,000, well above the prior price peak in 2007-2008. In Kawaihau, which includes Waipouli/Kapaa, the median YTD price was \$582,000.



[1] Appraisal Institute, **The Dictionary of Real Estate Appraisal**, Seventh Edition.



Condominium sales in other projects in the Waipouli / Kapaa neighborhoods show a similar upward trend, especially in the last two to three years:







Although high interest rates and prices caused a slowdown in sales activity statewide, brokers interviewed for this assignment report continued demand exists for condominiums on Kauai, particularly in the VDA, while the supply of properties remains extremely constrained. Demand in the VDA is supplemented by investors for short-term rental properties. While one- and two-bedroom condominiums are most prevalent in the Kapaa/Waipouli VDA, investors generally prefer three- and four-bedroom condominiums, which are in even shorter supply.

If vacant, the highest and best use of the Courtyards at Waipouli site would be for development of a multi-family residential development that maximizes the allowable density of 20 units per acre. Because the property is in the VDA, individual units could also be marketed and used for transient vacation rental purposes. Any new development, however, would be subject to the Kauai County Housing Ordinance. Depending on the number of units developed, a Class IV zoning permit with public hearing would also, likely, be required.

Because of the recent high interest rates, construction costs, and workforce housing exactions, there has been relatively little new market-rate development on Kauai or other neighbor islands including Maui. During the last two years, in particular, new development projects have largely included new affordable rental apartments or conversions that have utilized favorable loans, subsidies, and other financial benefits designed to encourage development of affordable housing. These benefits are available through traditional federal, state and non-profits sources that include:

- Federal Low Income Housing Tax Credits (LIHTC)
- Rental Housing Revolving Fund (HHFDC)
- Hula Mae Multi-Family Program tax-exempt revenue bonds
- State of Hawaii matching Low Income Housing Tax Credits (LIHTC).

With these benefits, a new affordable rental development could also be a financially feasible use of the property.

### **Highest and Best Use as Improved**

The property was built for affordable rental housing in satisfaction of the Kauai Lagoons housing requirement. However, the agreement extended only 10 years, and the units were designed to be suited for market-rate rentals and condominium conversion at the end of the restriction period.

Strong demand would exist for the units if converted for fee simple condominium sales. Such use would be compatible with other condominium projects nearby with individual vacation rentals, many professionally managed in rental pools.

As the historical financial statements indicate, continuation of the current rental apartment use would also be financially feasible. However, the income yield from a rental operation would not be sufficient to justify that use over condominium conversion. Thus, the highest and best use of the 82-unit Courtyards at Waipouli project is for condominium conversion and sales to individual homeowners or investors.



At least 50 of these units could be marketed to investors for transient vacation rentals. While it is uncertain whether units beyond this number could also be used for short-term rental, we believe sufficient owner-user (homeowner) demand would exist for the remaining 32 units even if transient vacation rentals were prohibited for these units.

## **VALUATION METHODS**

The market value of the Courtyards at Waipouli assumes the project is sold to an investor that would submit the property to the Condominium Property Regime and ready the units for individual sale.

The sales comparison approach is used to estimate the market value “as is” of the 82 apartments assuming individual sale. The income capitalization approach using discounted cash flow analysis is used to estimate the market value of the project based on the present value of the projected cash flows to the investor assuming an appropriate time to market and sell the individual units.

The cost approach is typically not used to evaluate residential condominiums, individually and in bulk, particularly when comparable sales are available for direct comparison. Therefore, the cost approach was not used.

## **ESTIMATED RETAIL VALUES OF THE 82 APARTMENTS ASSUMING CONDOMINIUM CONVERSION**

The retail values of the 82 units in the Courtyards at Waipouli are estimated by comparison to a benchmark one-, two-, and three-bedroom unit.

The retail values of the benchmark units are estimated by sales comparison to residential condominiums in comparable projects. Adjustments reflect variations between the comparables and the benchmark unit in terms of market conditions, financing terms and motivations of buyers and sellers, location, physical characteristics and other significant factors.

At least half of the units have been renovated, or are in the process of being renovated. We viewed only a sampling of units. For purposes of the benchmark valuation, we have assumed a unit that is in-between the range of conditions observed i.e., unrenovated, but with no significant deferred maintenance and appliances, AC, fixtures, etc. in good condition and working order.

The comparable properties, adjustments, and sales comparison analyses are presented on the following pages.



### Comparable Condominium Sales





Comparables Used to Estimated Retail Value of the Benchmark One-Bedroom Apartment

	Courtyards at Waipouli	Lae Nani Unit 111	Pono Kai Unit H108	Pono Kai Unit H105	Lae Nani Unit 338	Lae Nani Unit 523	Plantation Hale Unit D3
Project	Courtyards at Waipouli	Lae Nani 111	Pono Kai H108	Pono Kai H105	Lae Nani 338	Lae Nani 523	Plantation Hale D3
Apartment	Typical 1-bedroom						
Street address	401 Papaloa Road	410 Papaloa Road	4-1250 Kuhio Highway	4-1250 Kuhio Highway	410 Papaloa Road	410 Papaloa Road	525 Aleka Loop
Tax map key	4-4-3-1-14	4-4-3-2-10-1	4-4-5-7-2-181	4-4-5-7-2-178	4-4-3-2-10-47	4-4-3-2-10-74	4-4-3-2-17-51
Project description							
Building type / stories	Low-Rise / 2 stories	Low-Rise / 3 stories	Low-Rise / 3 stories	Low-Rise / 3 stories	Low-Rise / 3 stories	Low-Rise / 3 stories	Low Rise / 2 stories
Total residential units (excl. mgr.)	82	79	19	19	79	79	160
Year built	2009	1978 / 1989	1978 / 1989	1978 / 1989	1978 / 1989	1978 / 1989	1972
Zoning	R-20 - Multi-Family Res.	R-20	RR-20	RR-20	R-20	R-20	RR-20
Visitor Destination Area	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Unit description							
Floor	1 or 2	1	1	1	3	2	1
Apartment position	Corner or Interior	Corner	Corner	Interior	Corner	Interior	Interior
Views	Garden	Ocean	Garden	Garden	Ocean	Ocean / Mountain	Garden
Number of bedrooms and baths	1/1	1/1.5	1/1	1/1	1/1.5	1/1.5	1/1
Unit size (square feet)							
- living area	715	808	644	644	808	808	633
- lanai area	98	150	96	96	150	150	143
- gross area	813	958	740	740	958	958	776
Air-conditioning	Split AC	Split AC	Split AC	Split AC	No	No	Split AC
Renovated	Partial	Kitchen	No	No	Flooring, Counters	Paint, Kitchen	Kitchen
Furnishings	Partial	Furnished	Furnished	Furnished	Furnished	Furnished	Furnished
Parking stalls	Unassigned	Unassigned	Unassigned	Unassigned	Unassigned	Unassigned	Unassigned
Maintenance fees							
Monthly	---	\$1,359.87	\$832.18	\$832.18	\$1,262.31	\$1,262.91	\$1,200.00
Per sq. ft. living	---	\$1.68	\$1.29	\$1.29	\$1.56	\$1.56	\$1.90
Transaction							
Contract date	---	9/16/2023	9/29/2022	8/10/2022	7/3/2022	6/23/2022	10/27/2023
Recordation date	---	9/21/2023	10/7/2022	8/18/2022	7/12/2022	7/8/2022	11/1/2023
Instrument	---	Warranty Apartment Deed	Apartment Deed	Apartment Deed	Exchange Warranty Apartment Deed	Apartment Deed	Warranty Apartment Deed
Financing	---	Cash	Conventional	Cash	Cash	Conventional	Conventional
Days on market	---	4	2	1	10	5	38
Sales price	---	\$985,000	\$595,000	\$599,000	\$996,000	\$940,000	\$480,000
Price/sf (net living area)	---	\$1,219	\$924	\$930	\$1,233	\$1,163	\$758



Adjustments to Comparable Sales and Estimated Retail Value for the One-Bedroom Benchmark

Project name	Lae Nani	Pono Kai	Pono Kai	Lae Nani	Lae Nani	Plantation Hale
Apartment number/type	111	H108	H105	338	523	Unit D3
Unadjusted sales price	\$985,000	\$595,000	\$599,000	\$996,000	\$940,000	\$480,000
Property rights adjustment	0%	0%	0%	0%	0%	0%
Assume fee simple	Same	Same	Same	Same	Same	Same
Property rights adjusted price	985,000	595,000	599,000	996,000	940,000	480,000
Conditions of sale	0%	0%	0%	0%	0%	0%
Assume typical motivations and cash equivalency	Same	Same	Same	Same	Same	Same
Conditions of sale adjusted price	985,000	595,000	599,000	996,000	940,000	480,000
Market conditions (time) adjustment	0%	0%	0%	0%	0%	0%
11/17/2023 Date of valuation	9/21/2023	10/7/2022	8/18/2022	7/12/2022	7/8/2022	11/1/2023
Market conditions adjusted price	985,000	595,000	599,000	996,000	940,000	480,000
Location & view	-35%	-20%	-20%	-35%	-35%	5%
ASF ocean	Oceanfront, ocean view	Oceanfront, garden view	Oceanfront, garden view	Oceanfront, ocean view	Oceanfront, ocean view	ASF ocean, inferior access
Living area	-6%	6%	6%	-6%	-6%	6%
715	808	644	644	808	808	633
Lanai	-1%	0%	0%	-1%	-1%	-1%
98	150	96	96	150	150	143
Unit type (beds/baths)	-2.5%	0%	0%	-2.5%	-2.5%	0%
1/1	1/1.5	1/1	1/1	1/1.5	1/1.5	1/1
Unit position	0%	0%	0%	0%	0%	0%
Interior	Corner	Corner	Interior	Corner	Interior	Interior
Apartment finish and quality	-5%	0%	0%	-5%	-5%	0%
Good	Superior	Similar	Similar	Superior	Superior	Similar
Building age, condition and amenities	10%	15%	15%	10%	10%	20%
Built 2009, no pool	Built 1978	Built 1978	Built 1978	Built 1978	Built 1978	Built 1972
Parking	0%	0%	0%	0%	0%	0%
Unassigned	Unassigned	Unassigned	Unassigned	Unassigned	Unassigned	Unassigned
Furnishings/other	-1%	0%	0%	0%	1%	0%
Split AC	Fully furnished, Split AC	Fully furnished, Split AC	Fully furnished, Split AC	Fully furnished, No AC	Fully furnished, No AC	Fully furnished, Split AC
Net adjustments	-41%	1%	1%	-40%	-39%	30%
Adjusted price	\$586,000	\$601,000	\$605,000	\$603,000	\$578,000	\$624,000
Reliability weighting	10%	25%	25%	10%	10%	20%
Range	\$578,000	\$624,000				
Median	602,000					
Average	599,500					
Weighted average	603,000					
Point estimate	600,000	839				



Comparables Used to Estimated Retail Value of the Benchmark Two-Bedroom Apartment

	Courtyards at Waipouli	Waipouli Beach Resort Unit E103	Waipouli Beach Resort Unit F102	Lae Nani Unit 335	Kauai Kailani Unit 118
Project	Courtyards at Waipouli	Waipouli Beach Resort E103	Waipouli Beach Resort F102	Lae Nani 335	Kauai Kailani 118
Apartment	Typical 2-bedroom				
Street address	401 Papaloa Road	4-820 Kuhio Highway	4-820 Kuhio Highway	410 Papaloa Road	4-856 Kuhio Highway
Tax map key	4-4-3-1-14	4-4-3-8-1-108	4-4-3-8-1-128	4-4-3-2-10-44	4-4-3-9-41-15
Project description					
Building type / stories	Low-Rise / 2 stories	Low Rise / 4 stories	Low Rise / 4 stories	Low-Rise / 3 stories	Mid-Rise / 5 stories
Total residential units (excl. mgr.)	82	151 / 42	151 / 42	79	57
Year built	2009	2005 / 2007	2005 / 2007	1978 / 1989	1972 / 1993
Zoning	R-20 - Multi-Family Res.	RR-20	RR-20	R-20	RR-20
Visitor Destination Area	Yes	Yes	Yes	Yes	Yes
Unit description					
Floor	1 or 2	1	1	3	1
Apartment position	Corner or Interior	Interior	Corner	Interior	Interior
Views	Garden	Mountain / Garden	Garden	Ocean	Garden
Number of bedrooms and baths	2/2	2/3	2/3	2/2	2/1
Unit size (square feet)					
- living area	985	1,158	1,158	1,096	590
- lanai area	96	154	154	222	153
- gross area	1,081	1,312	1,312	1,318	743
Air-conditioning	Split AC	Central AC	Central AC	No	Split AC
Renovated	Partial	No	No	Kitchen	N/A
Furnishings	Partial	Furnished	Furnished	Furnished	Furnished
Parking stalls	Unassigned	Unassigned	Unassigned	Unassigned	Unassigned
Maintenance fees					
Monthly	---	\$1,670.05	\$1,670.05	\$1,742.08	\$1,022.90
Per sq. ft. living	---	\$1.44	\$1.44	\$1.59	\$1.73
Transaction					
Contract date	---	10/25/2023	7/7/2023	3/16/2023	3/25/2023
Recordation date	---	10/31/2023	7/27/2023	3/31/2023	4/6/2023
Instrument	---	Apartment Deed	Apartment Deed	Apartment Deed	Warranty Apartment Deed
Financing	---	Conventional	1031	Cash	Cash
Days on market	---	3	30	129	56
Sales price	---	<b>\$1,275,000</b>	<b>\$1,320,000</b>	<b>\$1,225,000</b>	<b>\$575,000</b>
Price/sf (net living area)	---	<b>\$1,101</b>	<b>\$1,140</b>	<b>\$1,118</b>	<b>\$975</b>



Adjustments to Comparable Sales and Estimated Retail Value for the Two-Bedroom Benchmark

Project name	Waipouli Beach Resort	Waipouli Beach Resort	Lae Nani	Kauai Kailani
Apartment number/type	E103	F102	335	118
Unadjusted sales price	\$1,275,000	\$1,320,000	\$1,225,000	\$575,000
Property rights adjustment	0%	0%	0%	0%
Assume fee simple	Same	Same	Same	Same
Property rights adjusted price	1,275,000	1,320,000	1,225,000	575,000
Conditions of sale	0%	0%	0%	0%
Assume typical motivations and cash equivalency	Same	Same	Same	Same
Conditions of sale adjusted price	1,275,000	1,320,000	1,225,000	575,000
Market conditions (time) adjustment	0%	0%	0.0%	0.0%
11/17/2023 Date of valuation	10/31/2023	7/27/2023	3/31/2023	4/6/2023
Market conditions adjusted price	1,275,000	1,320,000	1,225,000	575,000
Location & view	-20%	-20%	-35%	-20%
ASF ocean	Oceanfront, garden view	Oceanfront, garden view	Oceanfront, ocean view	Oceanfront, garden view
Living area	-7%	-7%	-5%	33%
985	1,158	1,158	1,096	590
Lanai	0%	0%	-2%	-1%
96	154	154	222	153
Unit type (beds/baths)	-5%	-5%	0%	5%
2/2	2/3	2/3	2/2	2/1
Unit position	0%	0%	0%	0%
Interior	Interior	Corner	Interior	Interior
Apartment finish and quality	-10%	-10%	-5%	0%
Good	Superior	Superior	Superior	Similar
Building age, condition and amenities	0%	0%	10%	15%
Built 2009	Built 2005	Built 2005	Built 1978	Built 1972
Parking	0%	0%	0%	0%
Unassigned	Unassigned	Unassigned	Unassigned	Unassigned
Furnishings/other	-1%	-1%	1%	0%
Split AC	Fully furnished, Central	Fully furnished, Central	Fully furnished, No AC	Fully furnished, split AC
Net adjustments	-43%	-43%	-36%	32%
Adjusted price	\$727,000	\$752,000	\$784,000	\$759,000
Reliability weighting	25%	25%	25%	25%
Range	\$727,000	\$784,000		
Median	755,500			
Average	755,500			
Weighted average	756,000			
<b>Point estimate</b>	<b>750,000</b>	761		



Comparables Used to Estimated Retail Value of the Benchmark Three-Bedroom Apartment

	Courtyards at Waipouli	Waipouli Beach Resort Unit E103	Waipouli Beach Resort Unit F102	Lae Nani Unit 335	Kauai Kailani Unit 310
Project	Courtyards at Waipouli	Waipouli Beach Resort	Waipouli Beach Resort	Lae Nani	Kauai Kailani
Apartment	Typical 3-bedroom	E103	F102	335	310
Street address	401 Papaloa Road	4-820 Kuhio Highway	4-820 Kuhio Highway	410 Papaloa Road	4-8560 Kuhio Highway
Tax map key	4-4-3-001-014	4-4-3-8-1-108	4-4-3-8-1-128	4-4-3-2-10-44	4-4-3-9-41-47
Project description					
Building type / stories	Low-Rise / 2 stories	Low Rise / 4 stories	Low Rise / 4 stories	Low-Rise / 3 stories	Mid-Rise / 5 stories
Total residential units (excl. mgr.)	82	151 / 42	151 / 42	79	57
Year built	2009	2005 / 2007	2005 / 2007	1978 / 1989	1972 / 1993
Zoning	R-20 - Multi-Family Res.	RR-20	RR-20	R-20	RR-20
Visitor Destination Area	Yes	Yes	Yes	Yes	Yes
Unit description					
Floor	1 or 2	1	1	3	2
Apartment position	Corner or Interior	Interior	Corner	Interior	Interior
Views	Garden	Mountain / Garden	Garden	Ocean	Ocean
Number of bedrooms and baths	3/2	2/3	2/3	2/2	3/2.5
Unit size (square feet)					
- living area	1,121	1,158	1,158	1,096	929
- lanai area	98	154	154	222	131
- gross area	1,219	1,312	1,312	1,318	1,060
Air-conditioning	Split AC	Central AC	Central AC	No	Split AC
Renovated	Partial	No	No	Kitchen	Remodeled
Furnishings	Partial	Furnished	Furnished	Furnished	Furnished
Parking stalls	Unassigned	Unassigned	Unassigned	Unassigned	Unassigned
Maintenance fees					
Monthly	---	\$1,670.05	\$1,670.05	\$1,742.08	\$1,403.92
Per sq. ft. living	---	\$1.44	\$1.44	\$1.59	\$1.51
Transaction					
Contract date	---	10/25/2023	7/7/2023	3/16/2023	12/17/2021
Recordation date	---	10/31/2023	7/27/2023	3/31/2023	12/23/2021
Instrument	---	Apartment Deed	Apartment Deed	Apartment Deed	Apartment Deed
Financing	---	Conventional	1031	Cash	Conventional
Days on market	---	3	30	129	12
Sales price	---	\$1,275,000	\$1,320,000	\$1,225,000	\$650,000
Price/sf (net living area)	---	\$1,101	\$1,140	\$1,118	\$700





Adjustments to Comparable Sales and Estimated Retail Value for the Three-Bedroom Benchmark

Project name	Waipouli Beach Resort	Waipouli Beach Resort	Lae Nani	Kauai Kailani
Apartment number/type	E103	F102	335	310
Unadjusted sales price	\$1,275,000	\$1,320,000	\$1,225,000	\$650,000
Property rights adjustment	0%	0%	0%	0%
Assume fee simple	Same	Same	Same	Same
Property rights adjusted price	1,275,000	1,320,000	1,225,000	650,000
Conditions of sale	0%	0%	0%	0%
Assume typical motivations and cash equivalency	Same	Same	Same	Same
Conditions of sale adjusted price	1,275,000	1,320,000	1,225,000	650,000
Market conditions (time) adjustment	0%	0%	0.0%	30.0%
11/17/2023 Date of valuation	10/31/2023	7/27/2023	3/31/2023	12/23/2021
Market conditions adjusted price	1,275,000	1,320,000	1,225,000	845,000
Location & view	-20%	-20%	-35%	-20%
ASF ocean	Oceanfront, garden view	Oceanfront, garden view	Oceanfront, ocean view	Oceanfront, garden view
Living area	-2%	-2%	-1%	10%
1,121	1,158	1,158	1,096	929
Lanai	0%	0%	-2%	-1%
98	154	154	222	131
Unit type (beds/baths)	-5%	-5%	0%	-2.5%
3/2	2/3	2/3	2/2	3/2.5
Unit position	0%	0%	0%	0%
Interior	Interior	Corner	Interior	Interior
Apartment finish and quality	-10%	-10%	-5%	0%
Average	Superior	Superior	Superior	Similar
Building age, condition and amenities	5%	5%	15%	20%
Built 2009	Built 2005	Built 2005	Built 1978	Built 1972
Parking	0%	0%	0%	0%
Unassigned	Unassigned	Unassigned	Unassigned	Unassigned
Furnishings/other	-1%	-1%	1%	0%
Split AC	Fully furnished, Central	Fully furnished, Central	Fully furnished, No AC	Fully furnished, Split
Net adjustments	-33%	-33%	-27%	7%
Adjusted price	\$854,000	\$884,000	\$894,000	\$900,000
Reliability weighting	25%	25%	25%	25%
Range	\$854,000	\$894,000		
Median	889,000			
Average	883,000			
Weighted average	883,000			
<b>Point estimate</b>	<b>880,000</b>	785		



**Estimated Retail Values for the Remaining Units**

The benchmark values assumed a condition average for the project, in between the unrenovated and renovated units that were observed.

The remaining units are similar in size and layout to the benchmarks. Any price differences that could be due to location, privacy/views, interior vs. corner, and floor height (1<sup>st</sup> or 2<sup>nd</sup> floor) are judged nominal overall. Therefore, the estimated benchmark values are applied to the remaining units, as follows:

	<u>Benchmark value</u>	<u>No. of units</u>	<u>Aggregate of retail values</u>
One-bedroom	\$600,000	20	\$12,000,000
Two-bedroom	750,000	42	31,500,000
Three-bedroom	880,000	20	<u>17,600,000</u>
Potential gross sales proceeds			<u><u>\$61,100,000</u></u>

**VALUE INDICATOR BY DISCOUNTED CASH FLOW ANALYSIS**

The discounted cash flow analysis estimates the sale value based on the projected net profit from the sale of the 82 units over the projected marketing and sales period. The analysis assumes that a single investor would purchase the inventory at the completion of construction with the intent of marketing and selling the individual units.

The projected net sales revenue is discounted into a present value estimate using rates reflecting the associated risk and opportunities related to ownership of the property. The total of the periodic discounted cash flows represents an estimate of the value to a single investor.

The value indicator by the discounted cash flow analysis is presented under the following subheadings.

**Projected Absorption**

The analysis assumes the individual units would be marketed and sold over time. The projected presales and absorption considered sales absorption rates for other condominium projects on Kauai, including the Nihilani at Princeville and Pili Mai at Poipu, summarized as follows:



Sales Absorption for Other Condominium Projects on Kauai

Year	Nihilani at Princeville Resort		Pili Mai at Poipu	
	Units	% sold	Units	% sold
2006	63	62%		
2007	14	14%		
2008	6	6%		
2009	6	6%		
2010	8	8%		
2011	2	2%		
2012	0	0%		
2013	0	0%		
2014	2	2%		
2015	1	1%	5	3%
2016			24	13%
2017			41	22%
2018			45	24%
2019			50	26%
2020			25	13%
2021				
2022				
Total	102	100%	190	100%
Average per year	10		32	
Average, 1st 3 years	28		34	
% sold 1st 3 years	81%		53%	

The Nihilani at Princeville is in the Princeville VDA. The plantation-style townhomes were originally marketed and sold during the last market run-up that culminated in about three-fourths of the 102 units being sold within two years, from 2006 to 2007. The newer Pili Mai at Poipu condominium in Kiahuna was absorbed at a slightly slower sales pace between 2016 and 2020.

The 82 units in the Courtyards at Waipouli would be appealing to investors because of its more affordable price point (relative to e.g., Princeville), and the ability (for at least 50 units) to be used for short-term vacation rental. Since 2016, at least 60 to 80 condominium units per year have been sold in other Kapaa/Waipouli projects, including the Islander on the Beach, Plantation Hale, and Waipouli Beach Resort. The Courtyards at Waipouli units would be superior in size, layout, age and condition to



most of these projects and could be expected to attract new buyers or capture a significant share of the existing market demand as a result.

Furthermore, at least 93% of the units are already rented, many to long-time tenants that also contribute to the potential buyer pool. Investors would also be attracted to these units for the stable income return.

Considering the projected demand for the subject units, a three-year absorption period to sell all 82 units is judged reasonable.

### **Projected Sales Revenue**

Individual condominium prices are projected to remain relatively stable during the 36-month sales period.

Net sales revenues are projected after sales commissions and marketing expense, estimated at 8% of the sales prices, and closing costs that include escrow fees, conveyance tax, and documents, estimated at about \$13,000 per unit.

### **Other Expenses**

Costs to convert the property for condominium sales are estimated at about \$25,000 per unit, or about \$2.05 million. These costs include documentation and legal expenses, and estimated costs to renovate/refresh about one-half of the units to prepare them for sale.

Various carrying costs, marketing and sales expenses would be incurred during the marketing period. The expenses are identified as follows:

- Real property taxes are included for unsold units, estimated to range from about \$500/month for the one-bedroom units to about \$700/month for the three-bedroom units based on the average retail values and current real property tax rates.
- Monthly maintenance fees are also included for the unsold units, estimated at \$1.50/ŕ of living area, based on monthly maintenance fees for the comparable projects.
- Administrative/overhead expenses that include a stipend for the sales manager, office manager, and office occupancy expenses. An average annual monthly expense of \$20,000 is deducted throughout the sales period.

The projected sales revenues and expenses are summarized on the following page.



Projected Absorption, Sales Revenue, and Expenses  
 (Discounted Sell-Out Method Assuming Condominium Conversion)

	Presales	Year 1	Year 2	Year 3	Total
<b>One-bedroom units:</b>					
Beginning of period	20	18	12	6	
Units sold	<u>2</u>	<u>6</u>	<u>6</u>	<u>6</u>	20
End of period	<u><u>18</u></u>	<u><u>12</u></u>	<u><u>6</u></u>	<u><u>0</u></u>	
<b>Two-bedroom units:</b>					
Beginning of period	42	38	24	12	
Units sold	<u>4</u>	<u>14</u>	<u>12</u>	<u>12</u>	42
End of period	<u><u>38</u></u>	<u><u>24</u></u>	<u><u>12</u></u>	<u><u>0</u></u>	
<b>Three-bedroom units:</b>					
Beginning of period	20	18	12	6	
Units sold	<u>2</u>	<u>6</u>	<u>6</u>	<u>6</u>	20
End of period	<u><u>18</u></u>	<u><u>12</u></u>	<u><u>6</u></u>	<u><u>0</u></u>	
Gross sales revenue	\$5,960,000	\$19,380,000	\$17,880,000	\$17,880,000	\$61,100,000
<b>Expenses:</b>					
Conversion costs	2,050,000				2,050,000
Real property taxes	0	377,400	225,900	75,700	679,000
Maintenance fees	0	1,004,200	591,400	180,000	1,775,600
Administrative expense	<u>0</u>	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>	<u>720,000</u>
Subtotal	<u><u>2,050,000</u></u>	<u><u>1,621,600</u></u>	<u><u>1,057,300</u></u>	<u><u>495,700</u></u>	<u><u>5,224,600</u></u>
<b>Marketing</b>					
Closing	104,000	338,000	312,000	312,000	1,066,000
Sales commission	298,000	969,000	894,000	894,000	3,055,000
Advertising	<u>119,200</u>	<u>387,600</u>	<u>357,600</u>	<u>357,600</u>	<u>1,222,000</u>
Subtotal	<u><u>521,200</u></u>	<u><u>1,694,600</u></u>	<u><u>1,563,600</u></u>	<u><u>1,563,600</u></u>	<u><u>5,343,000</u></u>
Total expenses	<u><u>2,571,200</u></u>	<u><u>3,316,200</u></u>	<u><u>2,620,900</u></u>	<u><u>2,059,300</u></u>	<u><u>10,567,600</u></u>
Net sales revenue	<u><u>\$3,388,800</u></u>	<u><u>\$16,063,800</u></u>	<u><u>\$15,259,100</u></u>	<u><u>\$15,820,700</u></u>	<u><u>\$50,532,400</u></u>



## Selection of Appropriate Discount Rates

The discount rate appropriate for converting the projected net cash flows into a present value estimate considers the risk associated with the investment, including:

- Durability of the income stream
- Safety of the investment
- Potential for appreciation
- Value as collateral
- Certainty of yield
- Management burden
- Marketability.

The real estate investment return expectations of large institutional investors in the United States also provide a meaningful basis of comparison. The quarterly real estate investment surveys prepared by PwC summarize return expectations, property selection criteria, and investment outlook of a representative sampling of investors nationwide. The most recent PwC survey was conducted in the third quarter of 2023.

Mortgage rates and alternative investments yields increased sharply over the last couple of years. Increased borrowing costs, a pullback in capital availability, and high real estate prices lead to a contraction in commercial real estate activity in many markets. PwC reports the average yield rate (IRR) for all markets surveyed (i.e., including office, industrial, apartment, hotels, development land, self-storage and student housing) increased by about 100 basis points over the past year, to about 8.4% in the third quarter of 2023, compared to 7.4% one year ago.

YIELD COMPARISON								
July 1, 2023								
	2018 AVERAGE	2019 AVERAGE	2020 AVERAGE	2021 AVERAGE	2022 AVERAGE	2023 JANUARY	2023 APRIL	2023 JULY
PwC Yield Indicator (PYI) <sup>a</sup>	7.58%	7.47%	7.56%	7.51%	7.43%	7.91%	8.13%	8.39%
Long-Term Mortgages <sup>b</sup>	4.95%	4.71%	3.95%	4.53%	5.61%	6.57%	7.56%	7.39%
10-Year Treasuries <sup>c</sup>	2.79%	2.21%	0.97%	1.40%	2.64%	3.79%	3.43%	3.86%
Consumer Price Index Change <sup>d</sup>	2.50%	1.76%	1.19%	6.09%	7.54%	1.55%	5.61%	3.07%
<b>SPREAD TO PYI (Basis Points)</b>								
Long-Term Mortgages	263	276	361	298	182	134	57	100
10-Year Treasuries	479	526	659	611	479	412	470	453
Consumer Price Index Change	508	571	755	142	(11)	636	252	532

a. A composite IRR average of all markets surveyed (excluding hotels, development land, self storage, and student housing).  
 b. Source: Survey; Select Commercial Funding; Commercial Loan Direct; conventional funding, 60% to 80% LTV loans; fixed rates; 6- to 30-year terms.  
 c. Source: Federal Reserve; the annual average change is the mean of the four corresponding quarters.  
 d. Source: U.S. Department of Labor; quarterly changes are annualized based on the index change from the prior quarter; the annual average change is the mean of the four corresponding quarters.

Source: PwC Korpacz Real Estate Investor Survey, 3Q2023.

Industrial and multi-family markets continue to fare relatively well compared to the office, retail and hotel sectors. As of the third quarter, investor return requirements ranged from about 5.75% to 10% with an average of about 6.6% for Pacific Region warehouses, and 7.2% for apartments.



Department of Hawaiian Home Lands  
 c/o Nicole L. Kinilau-Cano  
 December 7, 2023  
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Pessimistic views about the economy, geopolitical conflicts abroad, and fundamental changes in the way people work, shop and travel continue to pose additional risks for the office, retail and resort sectors. Yield rates for these properties have tended to be at least 100 to 400 basis points higher on average, or about 7.6% to 10.1% on average.

Yields for non-income producing development land investments are even higher, ranging from 12% to 30% and averaging 19.2%, as follows:

Property type	Discount Rate (IRR, unleveraged)		Market Rent Change (Initial)		
	Range	Average	Range	Average	
Warehouses (Pacific Region)	5.75% - 8.00%	6.63%	0.00% - 9.00%	3.10%	
Apartments (Pacific Region)	6.00% - 9.00%	7.22%	2.00% - 4.00%	3.31%	
Net lease properties	6.00% - 10.00%	7.75%	-5.00% - 3.00%	0.67%	
Regional malls	6.00% - 13.00%	8.40%	-10.00% - 3.00%	-0.13%	
CBD Office	6.50% - 10.00%	7.63%	0.00% - 3.00%	1.38%	
Full-service hotels [1]	7.50% - 12.00%	10.10%	3.00% - 25.00%	6.20%	
Development land [2]	12.00% - 30.00%	19.20%	-----Not applicable-----		

[1] As of First Quarter 2023.  
 [2] As of Second Quarter 2023.

Source: PwC Korpacz Real Estate Investor Survey, 3Q2023.

The estimated return a hypothetical investor would require for the 82 units in Courtyards at Waipouli considers:

- immediate return associated with projected presales
- relatively short investment horizon thereafter based on the projected three-year absorption period
- minimal carrying costs
- upside potential for condominium price appreciation over the sales period that has not been factored into the net cash flows
- short-term rental income potential of unsold inventory.



Considering these factors, discount rates of 8% to 12% are considered appropriate for the projected net cash flows. The range is at or above the average rates for income-producing warehouse, apartment, net lease and office properties, but below the average yield rate for much riskier development land.

### Value Indicators by the Discounted Cash Flow Analysis

At a discount rate of 10%, the present value of the net sales revenue is estimated to be about \$44.1 million. Using the range of 8% to 12%, the present value indicator is estimated to range from about \$43 to \$45.3 million.

Range of Value Indicators at Varying Discount Rate Assumptions

<u>Discount rate</u>	<u>Value indicators</u>	
6%	\$46,500,000	} Warehouse, apartments Office, net leased, malls
7%	45,900,000	
8%	45,300,000	
9%	44,700,000	} Full-service hotels
10%	44,100,000	
11%	43,600,000	
12%	43,000,000	} Development land
15%	41,400,000	
...		
20%	38,900,000	
...		
30%	34,600,000	





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 c/o Nicole L. Kinilau-Cano  
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### Discounted Cash Flow Analysis Using 10.0% Discount Rate

	Presales	Year 1	Year 2	Year 3	Total
<b>One-bedroom units:</b>					
Beginning of period	20	18	12	6	
Units sold	2	6	6	6	20
End of period	<u>18</u>	<u>12</u>	<u>6</u>	<u>0</u>	
<b>Two-bedroom units:</b>					
Beginning of period	42	38	24	12	
Units sold	4	14	12	12	42
End of period	<u>38</u>	<u>24</u>	<u>12</u>	<u>0</u>	
<b>Three-bedroom units:</b>					
Beginning of period	20	18	12	6	
Units sold	2	6	6	6	20
End of period	<u>18</u>	<u>12</u>	<u>6</u>	<u>0</u>	
Gross sales revenue	\$5,960,000	\$19,380,000	\$17,880,000	\$17,880,000	\$61,100,000
<b>Expenses:</b>					
Conversion costs	2,050,000				2,050,000
Real property taxes	0	377,400	225,900	75,700	679,000
Maintenance fees	0	1,004,200	591,400	180,000	1,775,600
Administrative expense	0	240,000	240,000	240,000	720,000
Subtotal	<u>2,050,000</u>	<u>1,621,600</u>	<u>1,057,300</u>	<u>495,700</u>	<u>5,224,600</u>
<b>Marketing</b>					
Closing	104,000	338,000	312,000	312,000	1,066,000
Sales commission	298,000	969,000	894,000	894,000	3,055,000
Advertising	<u>119,200</u>	<u>387,600</u>	<u>357,600</u>	<u>357,600</u>	<u>1,222,000</u>
Subtotal	<u>521,200</u>	<u>1,694,600</u>	<u>1,563,600</u>	<u>1,563,600</u>	<u>5,343,000</u>
Total expenses	<u>2,571,200</u>	<u>3,316,200</u>	<u>2,620,900</u>	<u>2,059,300</u>	<u>10,567,600</u>
Net sales revenue	3,388,800	16,063,800	15,259,100	15,820,700	50,532,400
Deferral factor at 10%	<u>1.0000</u>	<u>0.9530</u>	<u>0.8597</u>	<u>0.7782</u>	
Present value of the net sales revenue, rounded	<u>\$3,389,000</u>	<u>\$15,308,000</u>	<u>\$13,119,000</u>	<u>\$12,312,000</u>	<u>\$44,100,000</u>
Aggregate of retail values (gross sales revenue)					\$61,100,000
Bulk sale value (present value of the net sales revenue)					<u>44,100,000</u>
Implied bulk sale discount					<u>-27.8%</u>



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### **Collateral Analysis: Bulk Sale Discounts**

The implied bulk sale discount (i.e., discount from \$61.1 million aggregate retail value) ranges from about 25% to 30%.

Recent bulk purchases of similar portfolios of resort condominiums or homes were not available for comparison. However, historical sales of unsold condominiums or single-family lots in Hawaii show bulk sale discounts have been negotiated. These discounts have ranged from about -13% to nearly -50% of the aggregate retail values.

The comparable bulk sales involved the unsold inventory of vacant condominiums or undeveloped lots that were not generating income at the time. In this regard, the bulk sale discount primarily reflects the anticipated carrying costs and risks associated with the development and/or resale of the individual units/lots. In addition, the bulk sale discounts reflect generally weaker market conditions at the time these sales occurred.

In comparison, the current Kauai real estate market is strong, despite the recent headwinds. The potential to rent these units as short-term vacation homes offsets sales and marketing expenses and holding period costs and helps to mitigate absorption risk that would otherwise warrant a larger bulk sale discount.

Based on the historical range of discounts, the implied bulk sale discount of -25% to -30% is estimated to be appropriate.

### **MARKET VALUE OF THE COURTYARDS AT WAIPOULI PROJECT**

Based on the valuation analyses, the market value of the fee simple interest in the Courtyards at Waipouli, as encumbered by short-term tenant rental agreements, is estimated as follows:

**Range of Value**  
**\$43,000,000 - \$45,000,000**

**Point Estimate (Midpoint)**  
**\$44,000,000.**

The market value estimate presumes a reasonable exposure period of 9 to 15 months would have been expected to sell the property at the estimated market value as of the effective date of transaction.

\* \* \* \* \*



Department of Hawaiian Home Lands  
c/o Nicole L. Kinilau-Cano  
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We appreciate the opportunity to assist you on this interesting assignment. Please contact us if you have any questions.

Sincerely,

JOHN CHILD & COMPANY, INC.

Shelly H. Tanaka, MAI, AI-GRS  
Vice President  
Certified General Appraiser License No. 648  
State of Hawaii  
Expires December 31, 2023

## CERTIFICATION

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We certify, to the best of our knowledge and belief:

- Reported statements of fact are true and correct.
- Reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- Within the past three years, we have not provided real estate appraisal and/or appraisal review services relating to an ownership interest in the property that is the subject of this report.
- Our engagement was not contingent upon developing or reporting predetermined results.
- Our compensation is not contingent on the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event and is not contingent on an action or event resulting from the analyses, opinions or conclusions in, or use of, this report.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Shelly Tanaka, MAI, AI-GRS has completed the continuing education program for Designated Members of the Appraisal Institute.
- Shelly Tanaka personally visited the real estate that is the subject of this report. Cooper Borge did not visit the real estate.
- Cooper Borge provided significant professional assistance, including researching and confirming condominium comparables, analyzing time trends, and estimating adjustments that were used in the sales comparison analysis.

JOHN CHILD & COMPANY, INC.

Shelly H. Tanaka, MAI, AI-GRS

Vice President

Certified General Appraiser License No. 648

State of Hawaii

Expires December 31, 2023

Cooper Borge

Real Estate Analyst



Terms used in this report are defined in the Appraisal Institute's **The Dictionary of Real Estate Appraisal**, Seventh Edition, unless otherwise footnoted.

### **Market Value**

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. [1]

### **Fee Simple Interest**

For the purpose of this report, fee simple interest is the same as fee simple estate. Fee simple estate is defined as absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

### **Exposure Time**

Exposure time means:

1. The time a property remains on the market.
2. An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

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[1] 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994.

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**Highest and Best Use**

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

**Hypothetical Condition**

A hypothetical condition is a condition that is presumed to be true when it is known to be false. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

**Extraordinary Assumption**

An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Uncertain information might include physical, legal, or economic characteristics of the subject property; such as market conditions or trends, or about the integrity of data used in an analysis.

**Aggregate of Retail Values**

The sum of separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions.

Note: An appraisal has an effective date, but summing the sale prices of multiple units over an extended period of time will not be the value on that one day unless the prices are discounted to make the value equivalent to what another developer or investor would pay for the bulk purchase of the units.

**Bulk Value**

The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction.

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The study conditions that are the basis of the analyses, opinions, and conclusions of this report are as follows:

**Prior Assignment Disclosure**

Within the past three years, we have not provided real estate appraisal and/or appraisal review services relating to an ownership interest in the property that is the subject of this appraisal.

**Extraordinary Assumptions and Hypothetical Conditions**

The report does not rely on any extraordinary assumptions or hypothetical conditions.

**Reporting**

The appraisal is for internal information and decision-making only. Therefore, the appraisal assignment is presented in a letter report with exhibits intended to comply with the reporting requirements for a Restricted Appraisal Report, as described in Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP).

The report may not present all of the data, reasoning, and analyses used in the appraisal process to develop the estimates of value. Supporting documentation will be available in our workfile. The rationale for the opinions and conclusions set forth in this report may not be properly understood without additional information in our workfile. The format of this Restricted Appraisal Report is specific to the needs of the Client and for the intended use stated in this report.

**Basis of Analyses, Opinions and Conclusions**

The analyses, opinions, and conclusions of this report rely on data and information provided by others. The information is believed to be reliable; however, no responsibility is assumed for the accuracy of information provided by others.

The analyses, opinions, and conclusions assume:

1. No hidden or unapparent surface or subsurface conditions of the property, structures, soils, subsoils, geological formations, ground water, or drainage conditions exist that would render the property more or less valuable.
  2. Existing improvements comply with all applicable public and private zoning codes, regulations and covenants, unless stated otherwise.
-



3. The client has provided us with all significant, relevant information covering the subject of this report.

No responsibility is assumed for matters legal in nature affecting the property or its title, which is assumed to be good and merchantable.

Properties in Hawaii typically include a reservation in favor of the State of Hawaii of all mineral and metallic mines. Our analyses, opinions, and conclusions assume these reservations do not have an impact on the value or use of the property.

Any drawings, maps, photographs, and similar exhibits accompanying this report are included to assist the reader in visualizing the property. No responsibility is assumed for the accuracy of these exhibits.

### **Hazardous Substances**

Unless otherwise stated, the existence of hazardous substances (actual, alleged or threatened discharge, disposal, seepage, migration, release, growth, infestation, spread or escape of molds, mildews, fungi and/or spores, or any materials, goods or products containing, harboring or nurturing these substances) that could be present on the property, or other environmental conditions that could impact the property, were not brought to the attention of the appraisers nor observed during the site visit.

The appraisers are not trained or qualified to detect hazardous substances or conditions even if these hazards, or evidence of potential presence of these hazards, are visible on the property.

Therefore, this report assumes no hazardous substance or condition exists that would impact the analyses, opinions or conclusions. If a hazardous substance or condition exists, it could have a negative effect on the value of the property.

### **Archaeological or Historically Significant Conditions**

The appraisers are not trained or qualified to recognize archaeological or historically significant conditions, even if these conditions are visible on the property.

Unless otherwise stated, archaeological or historically significant conditions that could be present on the property were not identified nor observed during the site visit. The report assumes no archaeological or historically significant condition exists that would impact the analyses, opinions or conclusions of this report. If an archaeological or historically significant condition exists, it could impact the use or value of the property and affect the results of this assignment.

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**Endangered Species**

The appraisers are not trained or qualified to recognize endangered flora or fauna qualified for protection under the Endangered Species Act of 1973, even if visible on the property.

Unless otherwise stated, the presence of endangered flora or fauna was not identified, and the report assumes no endangered species are present on the property. The presence of endangered species could impact the value of the property.

**Terms of Assignment**

We have no obligation to update our report because of events and transactions occurring subsequent to the effective date of the report.

Neither our fees nor payment were contingent upon the results of the report.

**Use of Report**

This report is valid only if presented in whole, with the letter of transmittal and signed certification.

This report or any portion of this report may not be reproduced or published without the prior written consent of John Child & Company, and then only with proper qualification.

The contents of this report or portions of this report, the identity of the appraisers or any reference to John Child & Company, the Appraisal Institute, or to their respective designations may not be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication.

**Limitation on Liability**

John Child & Company shall not be liable to Client or to any third party (including without limitation lenders and other persons to whom Client may show this report for the purposes of obtaining credit, insurance or any other benefit or promise) in the event that the use or value of the subject property is or becomes different from the use or value estimates, analyses, opinions or conclusions in this report unless it is established by clear and convincing evidence that John Child & Company acted in bad faith or willfully and recklessly failed to exercise an appropriate standard of care in the community while performing this assignment. In any event, John Child & Company's liability to Client or to any third party shall be limited to the amount of the fees to complete this assignment.

This report may not be shown to any third party without our consent and without receiving a written acknowledgement from any person to whom it is shown that such person has read, understands and agrees to be bound by the limitation of liability in this paragraph.

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**PRELIMINARY REPORT DATED APRIL 4, 2023**

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**PRELIMINARY REPORT**  
(No Liability Hereunder)

This report (and any revisions thereto) is issued solely for the convenience of the titleholder, the titleholder's agent, counsel, purchaser or mortgagee, or the person ordering it for the purpose of facilitating the issuance of a policy of title insurance by Title Guaranty of Hawaii, LLC and no liability will arise under this report.

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**SCHEDULE A**

Title Guaranty of Hawaii, LLC (the "Company") hereby reports that, subject to those matters set forth in Schedule "B" hereof, the title to the estate or interest to the land described in Schedule "C" hereof is vested in:

K D WAIPOULI LLC,  
a Hawaii limited liability company,  
as Fee Owner

This report is dated as of April 04, 2023 at 8:00 a.m.

**Inquiries concerning this report should be directed to:**

Title Officer - Jade Oda; Office: 808-533-5667

Email: joda@tghawaii.com

Please reference Title Order No. 7311411502.

**SCHEDULE B  
EXCEPTIONS**

1. Real Property Taxes, if any, that may be due and owing.  
Parcel First is(are) covered by Tax Key: (4) 4-3-001-014.  
Parcel Second is(are) covered by Tax Key: (4) 4-3-001-021.
  
2. Mineral and water rights of any nature.
  
3. EASEMENT "A" in favor of the Lihue Plantation Company, Limited, its successors and assigns, for the maintenance of a drainage ditch, as shown on File Plan No. 592.
  
4. SETBACK (20 feet wide)  
  
PURPOSE : building  
CONTAINED : in DEED dated September 26, 1973, recorded in Liber 9524 at Page 468
  
5. The terms and provisions contained in the following:  
  
INSTRUMENT : DEED  
  
DATED : September 26, 1973  
RECORDED : Liber 9524 Page 468
  
6. The terms and provisions contained in the following:  
  
INSTRUMENT : DECLARATION OF RESTRICTIONS  
  
DATED : August 10, 2007  
RECORDED : Document No. 2007-144036
  
7. The terms and provisions contained in the following:

SCHEDULE B CONTINUED

INSTRUMENT : WAIVER, RELEASE AND INDEMNITY AGREEMENT FOR TMK:  
(4) 4-3-001-014 (COURTYARDS AT WAIPOULI)

DATED : August 13, 2007  
RECORDED : Document No. 2007-151397  
PARTIES : KD WAIPOULI LLC, a Hawaii limited liability  
company, "Owner", COUNTY OF KAUAI, the BOARD OF  
WATER SUPPLY of the County of Kauai, and the  
DEPARTMENT OF WATER of the County of Kauai,  
"County"

8. The terms and provisions contained in the following:

INSTRUMENT : WAIVER, RELEASE AND INDEMNITY AGREEMENT FOR TMK:  
(4) 4-3-001:014 (COURTYARDS AT WAIPOULI)

DATED : November 27, 2007  
RECORDED : Document No. 2007-210368  
PARTIES : KD WAIPOULI LLC, a Hawaii limited liability  
company, "Applicant", and DEPARTMENT OF WATER,  
COUNTY OF KAUAI, "Department of Water"

9. REAL PROPERTY MORTGAGE AND FINANCING STATEMENT

MORTGAGOR : K D WAIPOULI LLC, a Hawaii limited liability  
company  
MORTGAGEE : FIRST HAWAIIAN BANK, a Hawaii corporation  
DATED : as of December 24, 2007  
RECORDED : Document No. 2007-220546  
AMOUNT : \$15,750,000.00 - (covers the land described herein,  
besides other land)

PARTIAL RELEASE OF MORTGAGE

DATED : March 9, 2011  
RECORDED : Document No. 2011-052428

SCHEDULE B CONTINUED

BY : FIRST HAWAIIAN BANK, a Hawaii corporation  
RELEASING : LOT 17-D-5 from the above Mortgage

AMENDMENT TO AND CONFIRMATION OF MORTGAGE AND ASSIGNMENT OF RENT dated as of December 30, 2020, recorded as Document No. [A-76690257](#), by and between FIRST HAWAIIAN BANK, a Hawaii corporation, and K D WAIPOULI LLC, a Hawaii limited liability company.

PARTIAL RELEASE OF MORTGAGE

DATED : December 21, 2020  
RECORDED : Document No. [A-76690258A](#)  
BY : FIRST HAWAIIAN BANK, a Hawaii corporation  
RELEASING : LOTS 17-D-3 and 17-D-4 from the above Mortgage

10. The terms and provisions contained in the following:

INSTRUMENT : ABSOLUTE ASSIGNMENT OF RENTALS AND LESSOR'S INTEREST IN LEASE

DATED : December 24, 2007  
RECORDED : Document No. [2007-220547](#)  
PARTIES : K D WAIPOULI LLC, a Hawaii limited liability company, "Assignor", and FIRST HAWAIIAN BANK, a Hawaii corporation, "Assignee"  
RE : loan in the principal sum of \$15,750,000.00 - (covers the land described herein, besides other land)

PARTIAL REASSIGNMENT OF RENTALS AND LESSORS INTEREST IN LEASE

DATED : March 11, 2011  
RECORDED : Document No. [2011-052429](#)  
BY : FIRST HAWAIIAN BANK, a Hawaii corporation  
RELEASING : LOT 17-D-5 from the above Mortgage

AMENDMENT TO AND CONFIRMATION OF MORTGAGE AND ASSIGNMENT OF RENT dated as of December 30, 2020, recorded as Document No. [A-76690257](#), by and between FIRST HAWAIIAN BANK, a Hawaii corporation, and K D WAIPOULI LLC, a Hawaii limited liability company.

SCHEDULE B CONTINUED

PARTIAL REASSIGNMENT OF RENTALS AND LESSOR'S INTEREST IN LEASE

DATED : December 21, 2020  
RECORDED : Document No. [A-76690258B](#)  
BY : FIRST HAWAIIAN BANK, a Hawaii corporation  
RELEASING : LOTS 17-D-3 and 17-D-4 from the above Mortgage

11. FINANCING STATEMENT

DEBTOR : K D WAIPOULI LLC  
  
SECURED  
PARTY : FIRST HAWAIIAN BANK

RECORDED : Document No. [2007-220548](#)  
RECORDED ON: December 24, 2007

AMENDMENT recorded as Document No. [2011-052430](#) on March 31, 2011.

CONTINUATION recorded as Document No. [A-46850676](#) on October 29, 2012.

CONTINUATION recorded as Document No. [A-65050855](#) on October 23, 2017.

CONTINUATION recorded as Document No. [A-83340462](#) on October 26, 2022.

UCC FINANCING STATEMENT AMENDMENT recorded on December 30, 2020 as Document No. [A-76690259](#); re: releasing LOTS 17-D-3 AND 17-D-4 from the above Financing Statement.

12. -AS TO PARCEL FIRST:-

(A) DESIGNATION OF EASEMENT "D-1"

REFERENCED : on subdivision map prepared by Wayne T. Wada, Land Surveyor with Esaki Surveying & Mapping, Inc., dated May 12, 2009, approved by the

SCHEDULE B CONTINUED

Planning Department, County of Kauai, on June 23, 2009

(B) RESTRICTION OF VEHICULAR ACCESS RIGHTS

ALONG : Lot 17-D-4  
REFERENCED : on map prepared by Wayne T. Wada, Land Surveyor, with Esaki Surveying & Mapping, Inc., dated May 12, 2009, approved by the Planning Department, County of Kauai, on June 23, 2009

(C) The terms and provisions contained in the following:

INSTRUMENT : DETENTION BASIN AGREEMENT (COURTYARDS AT WAIPOULI)  
  
DATED : July 1, 2009  
RECORDED : Document No. [2009-118683](#)  
PARTIES : KD WAIPOULI LLC, a Hawaii limited liability company ("Owner"), and the COUNTY OF KAUAI, a political subdivision of the State of Hawaii ("County")

(D) GRANT

TO : KAUAI ISLAND UTILITY COOPERATIVE, a cooperative association formed pursuant to the provision of Chapter 421C of the Hawaii Revised Statutes  
  
DATED : January 20, 2011  
RECORDED : Document No. [2011-045873](#)  
GRANTING : a right and easement for utility purposes over, under, upon, across and through Easement "E-1" more particularly described therein and shown on the map attached thereto

13. CONVEYANCE OF WATER FACILITY FOR TMK: (4) 4-3-01-014 dated May 8, 2009, recorded as Document No. [2009-126485](#).



SCHEDULE B CONTINUED

14. The terms and provisions contained in the following:

INSTRUMENT : NOTICE OF ORDINANCES AND HOUSING AGREEMENTS

DATED : --/--/2011 (acknowledged on October 21, 2011)

RECORDED : Document No. [2011-185242](#)

PARTIES : COUNTY OF KAUA'I, a political subdivision of the  
State of Hawai'i

15. Any unrecorded leases and matters arising from or affecting the same.

16. Discrepancies, conflicts in boundary lines, shortage in area, encroachments or any other matters which a correct survey or archaeological study would disclose.

17. K D WAIPOULI LLC, aHawaii limited liability company has not yet submitted proper information to the applicable state and/or country agency for Good Standing status.

18. This transaction may be subject to a FinCEN Geographic Targeting Order issued pursuant to the Bank Secrecy Act. Information necessary to comply with the order must be provided prior to closing. This transaction will not be insured until this information is submitted, reviewed and found to be complete.

**END OF SCHEDULE B**

## SCHEDULE C

-PARCEL FIRST:-

All of that certain parcel of land (being portion(s) of the land(s) described in and covered by Land Patent Grant Number 5264 to Rufus P. Spalding and portion of Government Remnant 15 conveyed by the Territory of Hawaii to the Lihue Plantation Company, Limited, by Exchange Deed dated December 4, 1934, recorded in Liber 1259 at Page 336, Land Office Deed 5052) situate, lying and being at South Oloheua, Puna, Island and County of Kauai, State of Hawaii, being LOT 17-D-1, and thus bounded and described, as per survey dated December 2020, to-wit:

Beginning at the north corner of this parcel of land on the southeast side of Road Widening Lot 17-D-2, the coordinates of said point of beginning referred to Government Survey Triangulation Station "NONOU" being 2,580.91 feet South and 8,118.95 feet East, thence running by azimuths measured clockwise from true South:

- |    |      |     |        |  |
|----|------|-----|--------|--|
| 1. | 325° | 59' | 97.95  | feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-C);                           |
| 2. | 327° | 30' | 140.03 | feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lots 17-B and 17-D-4);               |
| 3. | 332° | 51' | 123.26 | feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding and Government Remnant 15 (Lot 17-A); |
| 4. | 45°  | 55' | 52.58  | feet along the remainder of Government Remnant 15 (Lot 17-D-3);  |
| 5. | 56°  | 40' | 173.95 | feet along the remainder of Government Remnant 15 (Lot 17-D-3);  |
| 6. | 61°  | 02' | 492.27 | feet along the remainder of Government Remnant 15 (Lot 17-D-3);  |
| 7. | 151° | 02' | 165.48 | feet along the remainder of Grant 5264 to Rufus P. Spalding and Government Remnant 15 (Lot 17-D-5);    |

SCHEDULE C CONTINUED

8.	163°	24'	45"	46.64	feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-D-5);
9.	151°	02'	42"	94.18	feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-D-5);
10.	241°	19'	35"	35.20	feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-D-3);
11.	317°	49'	50"	3.89	feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-D-3);
12.	227°	49'	50"	50.00	feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-D-3);
13.	137°	49'	50"	3.89	feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-D-3);
14.	214°	20'	05"	54.65	feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-D-3);

thence along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-D-2) on a curve to the right with a radius of 1,964.00 feet, the chord azimuth and distance being:

15.	234°	15'		303.06	feet;
16.	238°	40'	30"	259.69	feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-D-2) to the point of beginning and containing an area of 254,263 square feet, more or less.

-PARCEL SECOND:-

All of that certain parcel of land (being portion(s) of the land(s) described in and covered by Land Patent Grant Number 5264 to Rufus P. Spalding) situate, lying and being at South Olohena, Kawaihau, Island and County of Kauai, State of Hawaii, being LOT 17-D-2, and thus bounded and described as per survey dated July 2009:

SCHEDULE C CONTINUED

Beginning at the east corner of this parcel of land, the coordinates of said point of beginning referred to Government Survey Triangulation Station "NONOU" being 2,580.91 feet south and 8,118.95 feet east, thence running by azimuths measured clockwise from true South:

1. 58° 40' 30" 259.69 feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-D-1);

Thence along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-D-1 and Lot 17-D-3) on a curve to the left with a radius of 1,964.00 feet, the chord azimuth and distance being:

2. 51° 03' 46.3" 520.33 feet;

Thence along the intersection of Lanikai Street and Kuhio Highway on a curve to the right with a radius of 20.00 feet, the chord azimuth and distance being:

3. 200° 58' 39.5" 15.56 feet;

Thence along Kuhio Highway on a curve to the right with a radius of 1,970.00 feet, the chord azimuth and distance being:

4. 231° 16' 19" 507.66 feet;
5. 238° 40' 30" 259.41 feet along Kuhio Highway;
6. 325° 59' 6.01 feet along the remainder of L.P. Grant 5264 to Rufus P. Spalding (Lot 17-C) to the point of beginning and containing an area of 4,666 square feet, more or less.

BEING THE PREMISES ACQUIRED BY LIMITED WARRANTY DEED

GRANTOR : MIRAMAR HOTEL (HAWAII) INC., a Hawaii corporation

GRANTEE : K D WAIPOULI LLC, a Hawaii limited liability company

DATED : May 24, 2005

RECORDED : Document No. [2005-106408](#)

**END OF SCHEDULE C**

SCHEDULE C CONTINUED

## GENERAL NOTES

1. There is hereby omitted from any covenants, conditions and reservations contained herein any covenant or restriction based on race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law. Lawful restrictions under state or federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

## GUIDELINES FOR THE ISSUANCE OF INSURANCE

- A. Taxes shown in Schedule B are as of the date such information is available from the taxing authority. Evidence of payment of all taxes and assessments subsequent to such date must be provided prior to recordation.
- B. Evidence of authority regarding the execution of all documents pertaining to the transaction is required prior to recordation. This includes corporate resolutions, copies of partnership agreements, powers of attorney and trust instruments.
- C. If an entity (corporation, partnership, limited liability company, etc.) is not registered in Hawaii, evidence of its formation and existence under the laws where such entity is formed must be presented prior to recordation.
- D. If the transaction involves a construction loan, the following is required:
  - (1) a letter confirming that there is no construction prior to recordation; or
  - (2) if there is such construction, appropriate indemnity agreements, financial statements and other relevant information from the owner, developer, general contractor and major sub-contractors must be submitted to the Company for approval at least one week prior to the anticipated date of recordation.

Forms are available upon request from the Company.

- E. Chapter 669, Hawaii Revised Statutes, sets forth acceptable tolerances for discrepancies in structures or improvements relative to private property boundaries for various classes of real property. If your survey map shows a position discrepancy that falls within the tolerances of Chapter 669, call your title officer as affirmative coverage may be available to insured lenders.
- F. The right is reserved to make additional exceptions and/or requirements upon examination of all documents submitted in connection with this transaction.
- G. If a policy of title insurance is issued, it will exclude from coverage all matters set forth in Schedule B of this report and in the printed Exclusions from Coverage contained in an ALTA policy or in the Hawaii Standard Owner's Policy, as applicable. Different forms may have different exclusions and should be reviewed. Copies of the policy forms are available upon request from the Company or on our website at [www.tghawaii.com](http://www.tghawaii.com).
- H. Please be aware that due to the conflict between federal and state laws concerning the cultivation, distribution, manufacture or sale of marijuana, the Company is not able to close or insure any transaction involving Land that is associated with these activities.

DATE PRINTED: 04/10/2023

STATEMENT OF ASSESSED VALUES AND REAL PROPERTY TAXES DUE

TAX MAP KEY

DIVISION ZONE SECTION PLAT PARCEL HPR NO.  
(4) 4 3 001 014 0000

CLASS: RESIDENTIAL INVESTOR AREA ASSESSED: 254,264  
SF

ASSESSED VALUES FOR CURRENT YEAR TAXES: 2022

The records of this division show the assessed values and taxes on the property designated by Tax Key shown above are as follows:

BUILDING	\$	25,238,600
EXEMPTION	\$	0
NET VALUE	\$	25,238,600
LAND	\$	0
EXEMPTION	\$	0
NET VALUE	\$	0
TOTAL EXEMPTION	\$	0
TOTAL ASSESSED	\$	25,238,600
TOTAL NET VALUE	\$	25,238,600

Installment (1 - due 8/20; 2 - due 2/20) Tax Info As Of - 08/20/2022

Tax Year	Installment	Tax Amount	Penalty Amount	Interest Amount	Other Amount	Total Amount	
2022	2	118,621.42				118,621.42	PENDING
2022	1	118,621.42				118,621.42	PAID
2021	2	108,462.37				108,462.37	PAID
2021	1	108,462.37				108,462.37	PAID

Total Amount Due: 118,621.42

Penalty and Interest Computed to: 08/20/2022

The real property tax information provided is based on information furnished by the respective counties, is deemed reliable but not guaranteed, and no warranties are given express or implied. Billing and tax collection details may have changed. Please refer to the appropriate county real property tax offices for any further information or updates for the subject property.





**SURVEY MAP**

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### SCOPE OF PROFESSIONAL SERVICES

#### Background

John Child & Company is a professional corporation that specializes in real estate appraisal and consulting and business valuation. It is the only company in Hawaii with expertise and professional designations in both real estate appraisals and business valuations.

John Child & Company was established by John F. Child, Jr. in 1937. The Company was the first firm to specialize in market research in Hawaii. Since 1937, the Company has provided critical knowledge of real estate market conditions and trends gained from the strength of its market research. As a result, its clients have confidence that John Child & Company real estate appraisal and business valuation assignments are based on competent analysis and careful documentation, and its consulting assignments focus on the key issues and provide sound alternatives.

The Company's professional team members' past and current local, regional, and national leadership positions in their professional organizations help to establish and promote the highest standards of professional practice and ethics for the industry.

#### Real Estate Appraisal and Consulting

The Company's real estate consulting and appraisal practice includes a range of specialized services covering real estate in Hawaii and the Pacific area. Professional services include:

- Valuation of real estate
- Litigation support
- Arbitration
- Market rent analysis
- Highest and best use studies
- Market and financial feasibility analyses
- Economic and fiscal impact assessments
- Purchase price allocation.

Its assignments include all types of real estate interests such as fee simple, leasehold, leased fee, and other partial rights and fractional interests. Its assignments cover a variety of land uses and property types such as:

- Office buildings and commercial property
- Industrial property
- Telecommunications facilities
- Hotels and resort properties
- Agricultural, conservation, and vacant land
- Conservation easements
- Shopping centers and retail facilities
- Residential developments (single family, multifamily, and condominium)



- Master-planned and mixed-use projects
- Golf courses
- Healthcare facilities
- Redevelopment projects
- Special-purpose property
- Timeshare properties.

### **Business Valuation**

The Company's business valuation practice focuses on the valuation of closely-held businesses, including controlling and minority interests in corporations, partnerships, limited liability companies, and family limited partnerships. Its business valuation practice provides assistance in:

- Estate planning
- Tax reporting
- Mergers, acquisitions, and sales
- Stock transfers and redemptions
- Financial reporting
- Internal accounting
- Litigation support.

### **REPRESENTATIVE ASSIGNMENTS**

The Company has provided real estate appraisal and consulting and business valuations for more than 80 years.

### **Real Estate Appraisal and Consulting**

The Company's real estate appraisal and consulting practice covers a variety of properties and property interests. Real estate interests include fee simple, leasehold, leased fee, and other partial rights and fractional interests. Representative projects are listed as follows:

#### **Redevelopment**

Aloha Tower  
Honolulu Waterfront  
Master Development  
Plan

Kakaako Redevelopment Plan  
Kakaako Waterfront Park  
Kapalama Development  
Complex

Pawaa Redevelopment  
Masterplan  
Puck's Alley/Moiliili Gateway

#### **Resorts**

Hualalai  
Ka'anapali North Beach  
Kapalua  
Kauai Lagoons  
Ka'upulehu

Kiahuna Plantation  
Ko Olina  
Makena  
Manini'owali  
Mauna Kea

Princeville  
Turtle Bay  
Waikoloa Beach Resort  
Wailea Resort



**Hotels**

Embassy Suites Ka'anapali	Hyatt Regency Waikiki Kahala Hilton	Maui Prince Princeville Hotel
Four Seasons Resort Hualalai	Kea Lani Hotel Koa Kea Hotel	Sheraton Kauai Resort Sheraton Waikiki
Halekulani Hotel Hilton Hawaiian Village	King Kamehameha Kona Beach Hotel	W Hotel Wailea Beach Resort
Hotel Hana Maui Hyatt Regency Maui	Kona Village Maui Marriott	Waikiki Resort Hotel

**Shopping Centers**

Ala Moana Aloha Tower Marketplace	Kahala Mall Center Kamehameha Shopping Center	Pearl City Pearl City Shops Pearl Kai Center
Coconut Grove Downtown Kihei (proposed)	Keauhou Shopping Center Keeaumoku Shopping Center King's Village	Piilani Shopping Center Princeville Royal Hawaiian
Ewa Pointe Marketplace Hawaii Kai Shopping Center	Koko Marina Kukui Mall Lanihau Center	Wailea Shopping Village Windward City Windward Mall
Hawaii Kai Towne Center	Mililani Nimitz Business Center	

**Golf Courses**

Asahi Kanko Olomana Course	Ko Olina Mid-Pac Country Club	Waikele Golf Course Waikoloa (Kings)
Dunes at Maui Lani Hawaii Country Club	Pearl Country Club Princeville (Makai and Prince)	Waikoloa Village (two proposed)
Hawaii Kai Golf Course Ka'anapali	Sandalwood Golf Course Swordsmen Golf Course	Wailea (Blue, Emerald, and Gold)
Kauai Lagoons (Kiele and Lagoons)	Waikapu Country Club	

**Office Buildings**

1164 Bishop Aina Haina Professional Building	Castle Professional Center Commerce Tower Davies Pacific Center	James Campbell Building Kailua Professional Center I and II
Ala Moana Building Ala Moana Pacific Center	Financial Plaza of the Pacific Grosvenor Center	Leilehua Building Pan Am Building
Amfac Towers ANA Kalakaua Center	Harbor Court Hawaii National Bank	Waialae Building Waikiki Bank of Hawaii Building
Arcade Building C. Brewer Building	Hawaiian Life Building HMSA Building	Waikiki Trade Center



**Industrial Properties**

Airport Industrial Subdivision	Halawa Industrial Subdivision	Mapunapuna
Airport Trade Center	Hawaii Business Center	Mill Town
Barbers Point	Honokohau Harbor	Panasonic/Technics Center
Bougainville	Iwilei & Iwilei Business Center	Pier 38 Domestic Commercial
Bougainville Commercial Center	Kalaeloa	Fishing Village
Campbell Industrial Park	Kapolei Business Park	Sand Island Business Park
Ewa Drum & Varona Village	Kona Industrial Subdivision	Waiau
Halawa Center	La Tour Plaza	Waikele Storage Park
	Lihue Industrial Park	Waipahu
	Makalapua Business Center	Waipio Business Center
	Manana	

**Residential**

Discovery Bay	Makakilo	The Kalia, Inc.
Ewa by Gentry	Maui Eldorado	Uplands at Mauna Kea
Harbor Court	Mawaena Kai	Victoria Tower
Honolulu Park Place	Mililani	Village Park
Imperial Plaza	Napili Kai	Vineyard Court
Kalele Kai	Nauru Tower	Wailea Golf Vistas
Kamaole Heights	One Archer Lane	Wailea Pualani Estate
Kamehame Ridge	Royal Capitol Plaza	Yacht Harbor Tower
Ko Olina Fairways	Royal Kuhio	
Lahaina Residential	The Kahala Beach	

**Healthcare**

Adventist Health	Kahuku Medical Center	Roselani Place
Arcadia Retirement Residence	Kapiolani Medical Center for Women and Children	St. Francis Healthcare Systems
Castle Medical Center	Kauai Care Center	Straub Hospital & Clinic
Clinical Laboratories of Hawaii	Pali Momi Medical Center	Waianae Coast Comprehensive Health Care Center
Diagnostic Laboratories Services	Palolo Chinese Home	Wilcox
Hale Mahaolu	Ponds at Punalu'u	
Hawaii Health Care Systems Corporation	Queen's Health Systems	
	Regency at Hualalai	

**Agricultural, Conservation, and Conservation Easements**

Campbell Palehua and Kahe Ranch	Kealia Pond	Paradise Park
Dunbar Ranch	Kona Forest Unit Access	Ponoholo Ranch
Galbraith Trust Lands	Kuamo'o Point	Pupukea Property Conservation Easement
Hana Ranch	Kukaiiau Ranch Conservation Easement	Pu'u O Hoku Ranch
Honouliuli Forest Reserve	Lipoa Point	Turtle Bay
Kainalu Ranch	Maka'alae Conservation Easement	Ulupalakua Ranch Conservation Easements
Kalauao Valley	May's Landing	Waikapuna
Kanepuu Conservation Easement	McCandless Ranch Conservation Easement	Waimea Valley
Kaupo Ranch Wai'u and Nu'u Lands	Moanalua Valley	Wao Kele O Puna
	Palmyra Atoll	



### Special Purpose

Cemeteries/Memorial Parks	Hawaii Newspaper Agency Building	Outrigger Canoe Club Quarries
Chinese Cultural Plaza	Hawaiian Home Land Claims	Schools
Churches	Kapaa Land Fill	State of Hawaii Airports
Convents	Kaunapali Harbor	Telecommunications sites
Condominium and Residential	NAS Barbers Point Electrical Distribution System	Tokai University
Lease-to-Fee Conversions	Oahu Club	Visitor attractions
		Wedding chapels

### Business Valuation

The Company's business valuation practice focuses on closely-held businesses in Hawaii. Business valuation assignments typically estimate the market value of controlling and minority interests in closely-held corporations, limited liability companies, and partnerships.

These assignments are prepared to assist in estate planning and estate and gift tax reporting to the Internal Revenue Service, litigation, mergers, stock repurchase/redemptions, and acquisitions.

Valuations of closely-held businesses include:

### Corporations

Aala Produce, Inc.	Loyalty Development Company, Inc.
Advanced Fresh Concepts Food Service	Loyalty Enterprises, Ltd.
Dowling Company, Inc.	Palani Ranch Company, Inc.
Finance Investment, Ltd.	Ponoholo Ranch Limited
Gay & Robinson, Inc.	Royal Phoenix Corporation
Industrial Investors, Inc.	Sen Plex Corporation
Jas W. Glover Holding Company, Ltd.	SSFM Engineers
K. Inouye Properties, Inc.	

### Limited Partnerships and Limited Liability Companies

Aaron Properties Partners of Hilo	Leong Brothers
Baruch Bakar and Beth-El	Livingston Family Limited Partnership
BFFP Incorporated	Loyalty Associates
Caroline J. Robinson LLC	Loyalty Investments
CGB Partners	Maui Quest, LLC
Fernandez Properties	MLB Inc.
Hawaii Aina Management	Pawaa Court LLC
Honolulu Open Medical Imaging, LLC	Pohaku Koloa
J.L.P. Robinson LLC	Robinson Kunia Land LLC
K.J.L. Associates	Royal Phoenix
KSM Associates LLC	SCF Limited Partnership
KVH Partners	Second City
Kaha Kai LLC	Taihook Associates
Kamali'i Family Limited Partnership	Taira Family Limited Partnership
Lanikai Properties LLC	The Mark A. Robinson Trusts



### CLIENTS

The Company provides professional services to a range of clients representing private, non-profit, and public interests. Selected clients in private industry, non-profit organizations, and public agencies are listed.

### PRIVATE INDUSTRY

#### Attorneys

Ashford & Wriston	Law Offices of Thomas Watts
Bendet Fidell	Lung Rose Voss Wagnild
Cades Schutte	MacDonald Rudy O'Neill & Yamauchi
Carsmith Ball	McCorrison Miller Mukai McKinnon
Case & Lynch	Ning, Lily & Jones
Case Lombardi & Pettit	Oshia Chuh Fong & Chung
Chun Kerr	Price Okamoto Himeno & Lum
Cox Wooten Lerner Griffin & Hansen	Rush Moore
Crockett & Nakamura	Schneider Tanaka Radovich Andrew & Tanaka
Damon Key Leong Kupchack Hastert	Settle Law
Dentons	Starn O'Toole Marcus & Fisher
Ekimoto & Morris	Tom Petrus & Miller
Goodsill Anderson Quinn & Stifel	Torkildson Katz Moore Hetherington & Harris
Huilin Dong, Attorney at Law	Tsugawa Biehl Lau & Muzzi
Imanaka Asato	Van Buren & Shimizu
Ing Horikawa & Jorgensen	Wagner Choi Verbrugge
Kobayashi Sugita & Goda	Watanabe Ing

#### Banks/Lenders

American Savings Bank	Hawaii National Bank
Bank of Hawaii	The Chuo Mitsui Trust & Banking Co., Ltd.
Central Pacific Bank	The Industrial Bank of Japan, Ltd.
Citibank, N.A.	The Long-Term Credit Bank of Japan, Ltd.
First Hawaiian Bank	Wells Fargo Bank

#### Closely Held Corporations/Limited Partnerships/Family Trusts

Baruch Bakar and Beth-el Associate	Lanihau Properties, LLC
BFFP Incorporated	Leong Brothers
Caroline J. Robinson LLC	Livingston Family Limited Partnership
Gay & Robinson	Loyalty Development
Hawaii Aina Management Co. LL	Loyalty Investments
Jas. W. Glover Holding Company, Ltd.	Maui Quest LLC
J.L.P. Robinson LLC	MLB, Inc.
Kaha Kai LLC	Norman & Amy Hirohata-Goto LLC
Kamalii Family Limited Partnership	Nua Family Limited Partnership
K.J.L. Associates	Palani Ranch
KVH Partners and CGB Partners	Pawaa Court LLC
Knudsen Trusts	Pohaku Koloa LLC





**Closely Held Corporations/Limited Partnerships/Family Trusts, Continued**

Ponoholo Ranch, Limited	Sheridan Ing Marital Trust
Royal Phoenix Corporation	Taira Family Limited Partnership
SCF Limited Partnership	The Mark A. Robinson Trusts
Second City Property Management Inc.	WBL, Inc.
Sen Plex Corp.	

**Developers/Landowners**

A&B Properties, Inc.	Hemmeter/Tokyu Waterfront Joint Venture
Aloha Tower Associates	James Campbell Company
Bedford Properties, Inc.	Kaneohe Ranch
(fka Kaiser National Housing Corporation Development Company)	Kapolei Property Development, LLC
Cuzco Development U.S.A. LLC	Krausz Properties
Dowling Company, Inc.	McCandless Land & Cattle Company
Elleair Hawaii, Inc.	MW Group, Ltd.
Finance Realty	Niu Pia Farms
Gentry Companies	Pauahi Management Corp.
Hana Ranch Partners	Queen Emma Land Company
Hanalei Land Company	Sam Koo Pacific, LLC
Haseko (Hawaii), Inc.	Tesoro Hawaii Corporation
	Ulupalakua Ranch Inc.

**Resort Operators/Owners**

Alpha U.S.A., Inc.	Princeville Development Company
Kapalua Land Company, Ltd.	Shinwa International
Kaupulehu Makai Venture (Hualalai Resort)	Turtle Bay Resort
Namalu LLC (Makena Resort)	Wailea Resort Company, Inc.

**Retailers**

7-Eleven (Hawaii), Inc.	Safeway, Inc.
Kyotaru International	Sears Holding Corporation
McDonald's Restaurants of Hawaii	

**Trust Companies and Trusts**

Bank of Hawaii Trust Department	Knudsen Trusts
First Hawaiian Trust	Lili'uokalani Trust
Hawaiian Trust Co., Ltd.	Mark A. Robinson Trusts

**NON-PROFIT ORGANIZATIONS**

Adventist Health	Hawaii Pacific Health
Bobby Benson Center	Hawaii Pacific University
Castle Medical Center	Honolulu Community Action Program, Inc. (HCAP)
Chaminade College	Iolani School
Hawaii Health Systems Corporation	Japan Association of Real Estate Appraisers
Hawaii Opera Theatre	



**NON-PROFIT ORGANIZATIONS, Continued**

Kahuku Medical Center	Segull Schools, Inc.
Kamehameha Schools	The Fathers of the Sacred Hearts
KCAA Pre-Schools of Hawaii	The Sisters of the Sacred Hearts
Manoa Valley Theatre	St. Francis Healthcare Systems of Hawaii
Maui Coastal Land Trust	The Nature Conservancy
National Tropical Botanical Garden	The Trust for Public Land
Pacific Buddhist Academy	Young Women's Christian Association (YWCA)
Punahou School	
Queen's Health Systems	

**PUBLIC AGENCIES**

**Bank Regulatory Agencies**

Federal Depository Insurance Corporation (FDIC)	Federal Home Loan Bank Board (FHLBB)
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**City & County of Honolulu**

Honolulu Authority for Rapid Transportation	Department of Design and Construction
Honolulu Public Transit Authority	Department of the Corporation Counsel
Department of Housing and Community Development	

**County of Hawaii**

Department of Finance	Department of Public Works
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**County of Kauai**

Department of Water	
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**Federal Agencies**

Internal Revenue Service	U.S. Department of Agriculture, Natural Resource Conservation Service
National Business Center, Appraisal Services Directorate	U.S. Department of the Army
U.S. Attorney General	U.S. Department of the Navy
U.S. Department of Agriculture, Forest Service	U.S. Department of Interior, Fish & Wildlife Service

**Utilities**

Aloha Solar Energy Fund	Eurus Energy America Corporation
Citizens Utilities Company - Kauai Electric	Hawaiian Electric Industries (HEI, Inc.)
D.R. Fortress	Pacific Resources, Inc.



### **State of Hawaii**

Attorney General  
Department of Hawaiian Home Lands  
Department of Land & Natural Resources  
Department of Transportation

Hawaii Community Development Authority  
Hawaii Housing Finance and Development  
Corporation  
Office of Hawaiian Affairs

### **PROFESSIONAL TEAM QUALIFICATIONS**

The professional team has a wide range of real estate experience gained through a variety of field experience, professional accomplishments, training, and education. Team members have earned their reputation for quality work and professional service.

#### **Professional Designations**

Team members hold designations earned from the major professional organizations. Team members have earned the MAI designation from the Appraisal Institute, the CRE (Counselor of Real Estate) from The Counselors of Real Estate, and ASA (Accredited Senior Appraiser) from the American Society of Appraisers.

#### **State Certification**

Members of the professional team are Certified General Appraisers under the State of Hawaii license and certification program.

#### **Other Qualifications and Training**

Professional team members are qualified as expert witnesses in the courts of Hawaii; actively participate in and serve as arbitrators and review appraisers; and continue to attend courses, seminars and workshops to strengthen their own specialized appraisal skills and education.

#### **Professional Team Members**

Professional team members include:

- Karen Char, MAI, CRE, ASA, President
- Paul D. Cool, MAI, CRE, Vice President
- Shelly H. Tanaka, MAI, AI-GRS, Vice President
- Cooper Borge, Real Estate Analyst.

The education and professional experiences of team members are outlined in their accompanying resumes.

## QUALIFICATIONS OF JOHN CHILD & COMPANY

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**SHELLY H. TANAKA, MAI, AI-GRS**

**Vice President**

Shelly estimates the value of closely-held businesses and real estate in Hawaii. Because of her expertise in both real property and business valuation, she is able to effectively assist clients with their estate planning and gifting decisions, tax reporting, acquisitions and mergers, stock transfers and redemptions, and purchase price allocations.

Shelly's real estate valuations include resort, commercial, industrial, residential, agricultural, and conservation properties on Oahu, Maui, Kauai, and Hawaii. Assignments have included appraisals of conservation and right-of-way easements, hospitals, and other complex or limited-market properties, as well as market assessments, feasibility analyses, and fiscal and economic impact studies for a variety of projects including senior living facilities, hotels, shopping centers, residential subdivisions, and two master-planned communities on Oahu and Maui. She serves as an arbitrator and expert witness, and has worked on several class-action lawsuits providing complex and timely analysis to assist in trial preparation and settlement negotiations.

### **Education**

- Master of Business Administration, University of Hawaii at Manoa, 1998
- Bachelor of Arts, Psychology, University of California at Los Angeles, 1994
- Iolani School, 1990
  
- Various courses, workshops and seminars including:
  - Appraisal Institute, Uniform Appraisal Standards for Federal Land Acquisitions, 2017
  - Appraisal Institute, General Review Theory, 2014
  - Appraisal Institute, Complex Litigation Appraisal Case Studies, 2014
  - Appraisal Institute, Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets, 2012

### **Professional Designations**

The Appraisal Institute conducts voluntary programs of continuing education for its designated members.

The MAI Membership designation is held by professionals who can provide a wide range of services relating to all types of real property, such as providing opinions of value, evaluations, review, consulting and advice regarding investment decisions, among others.

The AI-GRS Review designation is conferred upon professionals who have demonstrated the knowledge and skills needed to provide appraisal reviews for a wide range of property types in order to satisfy issues related to due diligence and risk management.

Shelly H. Tanaka, MAI, AI-GRS is designated under both programs.

### **State Certification**

- Certified General Appraiser, State of Hawaii, License Number CGA-648, expiring December 31, 2023.
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**Court Testimony**

- Qualified as an expert witness in the valuation of real property and business valuation in the Courts of the State of Hawaii.

**Professional Associations**

- Appraisal Institute
  - National Board of Directors, 2017 – 2020
  - National Finance Committee, 2018 – 2021
  - Women’s Initiative Committee, member, 2020
  - Region VII Finance Chair, 2014 – 2015
  - President, Hawaii Chapter, 2014
- Appraisal Institute Education and Relief Foundation
  - Chair of the Board of Directors, 2019 – 2021
  - Director, 2022
- Appraisal Institute Education Trust, Trustee and Vice Chair, 2017 - 2018

**Other Service**

- The Appraisal Foundation, Board of Trustees, 2022 – 2024
    - Audit Chair, Executive Committee, 2023
  - Real Estate Appraiser Advisory Committee, Professional & Vocational Licensing Division, Department of Commerce and Consumer Affairs, State of Hawaii
    - Chair, 2021 – 2023
    - Vice Chair, 2019 – 2020
    - Member, 2016 – 2018
  - Hawaii Appleseed Center for Law and Economic Justice, Board of Directors, 2019-2021
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## **QUALIFICATIONS OF JOHN CHILD & COMPANY**

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### **COOPER BORGE**

Real Estate Analyst

Cooper provides data research and analysis for various real estate assignments. His valuation assignments have covered industrial land and warehouses, agricultural lands, apartment projects, single-family lots and condominium apartments, and utility easements on Hawaii island and Oahu. He has also assisted with market rent surveys for limited-market properties including hospital specialist space and preschools.

#### **Education**

- Bachelor of Science, Kinesiology and Rehabilitation Sciences, University of Hawaii at Manoa, 2016
- Moanalua High School, 2011
- Appraisal Institute, Basic Appraisal Principles, 2022

#### **Professional Experience**

- Analyst, John Child and Company, Inc., 2023 – present
  - Service Account Manager, Heide & Cook, 2020 – 2023
-