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MARKET ASSESSMENT

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**MARKET ASSESSMENT FOR `O`OMA  
BEACHSIDE VILLAGE**

North Kona, Island of Hawai`i

Prepared for:  
`O`oma Beachside Village, LLC

***FINAL REPORT***  
*December 2007*

# Market Assessment for `O`oma Beachside Village

## Table of Contents

Acronyms and Other Terms Used in this Report.....	iii
<b>Report Text</b>	
Chapter 1 – Introduction and Executive Summary.....	1
Chapter 2 – Economic and Demographic Trends.....	12
Chapter 3 – Residential Market Environment.....	22
Chapter 4 – `O`oma Residential Market Assessment.....	30
Chapter 5 – Commercial Market Environment.....	41
Chapter 6 – `O`oma Commercial Market Assessment.....	48
<b>Exhibits</b>	
Exhibit 1-1: `O`oma Beachside Village – Site Location.....	55
Exhibit 1-2: `O`oma Beachside Village – Regional Context.....	56
Exhibit 1-3: `O`oma Beachside Village – Proposed Land Uses.....	57
Exhibit 2-1: `O`oma Location and Hawaii Island Districts.....	58
Exhibit 2-2: Resident Population – Island of Hawaii.....	59
Exhibit 2-3: Projected Population by Age Group – State of Hawaii.....	60
Exhibit 2-4: Resident Population – Competitive Residential Market Area and Island of Hawaii.....	61
Exhibit 2-5: Population by Age Group – Competitive Residential Market Area and Island of Hawaii.....	62
Exhibit 2-6: Households – Competitive Residential Market Area and Island of Hawaii.....	63
Exhibit 2-7: Households by Household Income – Competitive Residential Market Area and Island of Hawaii.....	64
Exhibit 2-8: Labor Force Trends – Hawaii County.....	65
Exhibit 3-1: Residential Building Permits – County of Hawaii.....	66
Exhibit 3-2: Hawaii County Residential Resales Trends.....	67
Exhibit 3-3: Residential Resales in Kona Palisades and Kealakehe.....	68
Exhibit 3-4: Sales to Off-Island, Non Owner-Occupants.....	69
Exhibit 3-5: Potential New Resident Housing Units – Competitive Residential Market Area.....	70
Exhibit 3-6: Projected Supply and Demand for Housing – Competitive Residential Market Area.....	71

Exhibit 4-1: Market Performance of Selected Comparison Residential Projects.....	72
Exhibit 4-2: `O`oma – Market Assessment for Residential Products.....	73
Exhibit 4-3: `O`oma – Potential Residential Sales Absorption By Area.....	74
Exhibit 5-1: Existing Retail Space – Primary Trade Area and Benchmarks.....	75
Exhibit 5-2: Existing Office Space – Primary Trade Area and Benchmarks.....	76
Exhibit 5-3: Potential Future Commercial Space – Primary Trade Area.....	77
Exhibit 5-4: Resident Profiles – Primary Trade Area.....	78
Exhibit 5-5: Daytime Resident Population and Employment Residence Ratios By Census Designated Places.....	79
Exhibit 5-6: Existing Retail Areas in Relation to Consumer Population.....	80
Exhibit 5-7: Existing Office RBA in Relation to Employment.....	81
Exhibit 6-1: Projected Supportable Commercial Areas – Primary Trade Area.....	82
Exhibit 6-2: Commercial Market Assessment for `O`oma.....	83
Appendix 1: North Kona-North: Census Tract 215.01, the Portion of the North Kona District Considered Within the Competitive Residential Market Area.....	85
Appendix 2: South Kohala-Waikoloa: Census Tract 217.01, the Portion of the South Kohala District Considered Within the Competitive Residential Market Area.....	86
Appendix 3: Planned Primary Residential Development Projects in Census Tracts 215.01 and 217.01, Island of Hawaii.....	87
Appendix 4: Entitled and Planned Commercial Developments in the North Kona and South Kohala Districts.....	89
Appendix 5: Report Conditions.....	90

# Market Assessment for `O`oma Beachside Village

## Acronyms and Other Terms Used in this Report

Ac.....	acres
ACS.....	American Community Survey, prepared by the U.S. Census Bureau
Airport.....	Kona International Airport at Keāhole
CDPs.....	Census Designated Places, as defined by the U.S. Census Bureau
Claritas.....	Claritas, Inc.
County.....	County of Hawai`i
CRMA.....	Competitive Residential Market Area, as defined for purposes of this study
CT.....	census tract, as defined by the U.S. Census Bureau
DBEDT.....	State of Hawai`i, Department of Business, Economic Development and Tourism
DEIS.....	Draft Environmental Impact Statement
DHHL.....	State of Hawai`i, Department of Hawaiian Home Lands
DLIR.....	State of Hawai`i, Department of Labor and Industrial Relations
EIS.....	Environmental Impact Statement
GLA.....	gross leasable area, in square feet
HHFDC.....	State of Hawai`i, Hawai`i Housing Finance & Development Corporation
HOST.....	Hawai`i Ocean Science & Technology Park
INA.....	information not available
Island.....	island of Hawai`i
LUC.....	State of Hawai`i, Land Use Commission

Makai Area (Petition Area).....	the approximately 181.169 acre portion of the `O`oma property within TMK Nos. (3) 7-3-009: 004 and 7-3-009 (portion of State Right of Way) for which reclassification from the State Land Use Conservation District to the State Land Use Urban District is being sought
Mauka Area (Current LUC Urban District).....	the approximately 83 acres of the `O`oma property within TMK No. (3) 7-3-009: 022 and currently within the State Land Use Urban District
Makai Village.....	a residential and retail mixed-use area proposed within the <i>Makai Area</i> .
Mauka Village .....	a residential and retail mixed-use area proposed within the <i>Mauka Area</i> .
MC.....	Mikiko Corporation
MFY .....	median family income
MU.....	mixed-use, including residential and retail
NELHA.....	Natural Energy Laboratory of Hawai`i Authority
North-Kona North.....	the northwestern portion of the North Kona District, Census Tract 215.01
`O`oma.....	`O`oma Beachside Village, the subject property and/or development proposal
`O`oma Beachside Village, LLC .....	the entity that owns and proposes to develop `O`oma; also the entity that is petitioning the State Land Use Commission to reclassify the Petition Area into the LUC Urban District
PBR HAWAII.....	PBR HAWAII & Associates, Inc.
PTA.....	Primary Trade Area, retail trade area as defined for purposes of this study
QLT.....	Queen Lili`uokalani Trust Estate
RBA.....	rentable building area, in square feet
Residential Village.....	a residential area within the <i>Makai Area</i>
RHU.....	primary residential housing unit
ROR.....	residential over retail
SC.....	shopping center
SCD.....	Stanford Carr Development, LLC

SFD..... single-family residential development

SMA..... Special Management Area Permit

SMS..... SMS, Inc.

South Kohala-Waikoloa..... the southwestern portion of the South Kohala District,  
Census Tract 217.01

sq. ft..... square feet

State ROW ..... the approximately 1.814 acre portion of the State Right-of-  
Way located within TMK No. (3) 7-3-009: that separates  
the Mauka and Makai Areas

TH..... townhouse residential unit

U.S..... United States of America

U/A..... units per gross acre

U/C..... under construction

UHCWH..... University of Hawai`i Center for West Hawai`i

UHERO..... University of Hawai`i Economic Research Organization

YTD..... year to date

# 1 – Introduction and Executive Summary

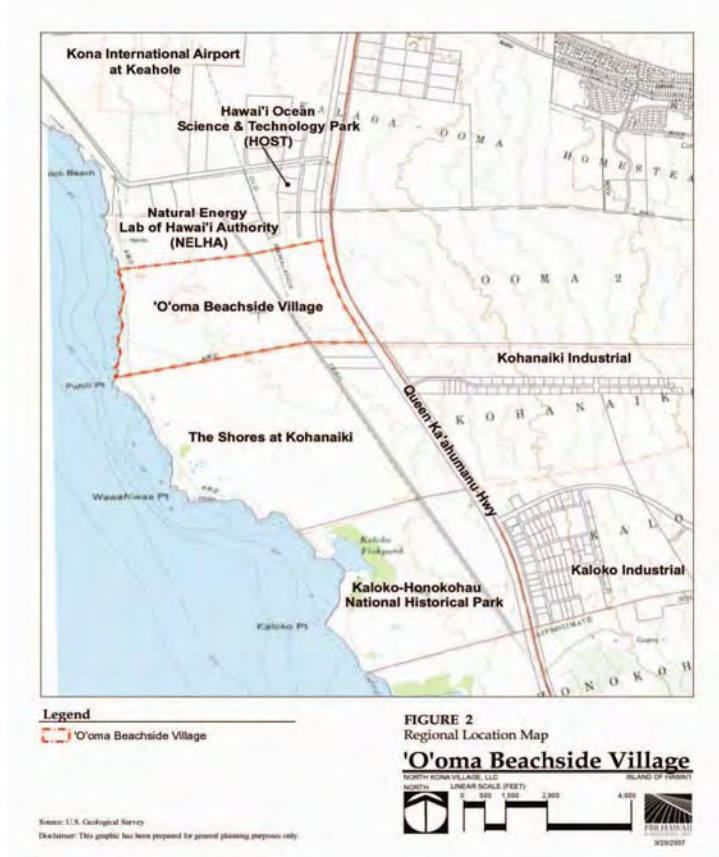
## *Project Background*

### **Location** (Exhibits 1-1 and 1-2)

`O`oma Beachside Village, LLC owns some 303 acres in the North Kona District of the Island of Hawaii (Island). Some 83 acres are currently in the State Land Use Commission (LUC) Urban District, while the balance is designated in the LUC Conservation District. `O`oma Beachside Village, LLC proposes to develop these lands as a master-planned community called `O`oma Beachside Village (`O`oma). PBR HAWAII & Associates, Inc. (PBR HAWAII) is assisting `O`oma Beachside Village, LLC in developing land use plans and other assessments related to the entitlement process for these lands.

`O`oma is in a logical area for infill development, being located alongside Queen Ka`ahumanu Highway between the Kona International Airport at Keāhole (Airport) and the town of Kailua-Kona. Immediately north of `O`oma is the State's Natural Energy Laboratory of Hawai'i Authority (NELHA) and the Hawai'i Ocean Science & Technology Park (HOST). NELHA and HOST house commercial and light industrial production as well as research and educational endeavors. Immediately south of `O`oma is The Shores at Kohanaiki, which is planned to offer 500 luxury resort residential units upon completion. Also within a four-mile radius of `O`oma are:

**Location and Vicinity of  
`O`oma Beachside Village**



Source: PBR HAWAII, 2007. See Exhibit 1-1 for copy at a larger scale



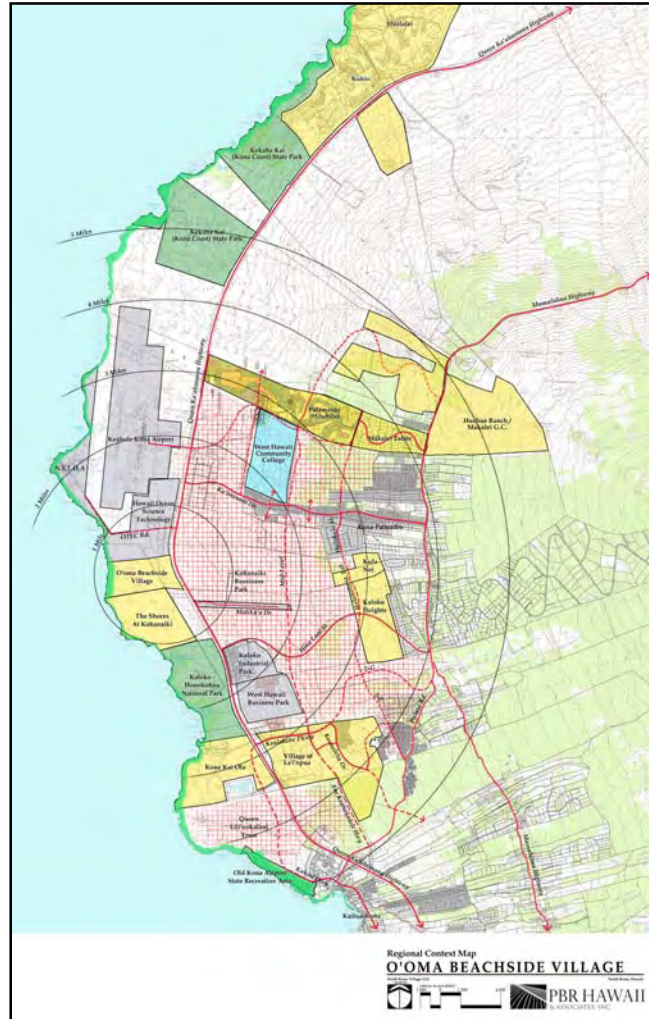
✦ **To the north** – the Airport.

✦ **Mauka**, across Queen Ka`ahumanu Highway – Kohanaiki Industrial Park, Kaloko Industrial Park and the West Hawaii Business Park; the proposed new University of Hawai`i Center for West Hawai`i (UHCWH) campus and the related, proposed community of Palamanui; the existing residential communities of Makalei Estates, Kona Palisades and the Department of Hawaiian Home Lands' (DHHL) Villages of La`i`ōpua; proposed residential, commercial and other urban developments.

✦ **To the south** – Kaloko-Honokōhau National Park; the proposed Kona Kai Ola commercial and visitor-related community to be centered around the Honokōhau Small Boat Harbor; various existing and proposed commercial uses on Queen Lili`uokalani Trust (QLT) properties.

✦ **Makai** - `O`oma fronts the ocean just north of Pūhili Point.

## Regional Context



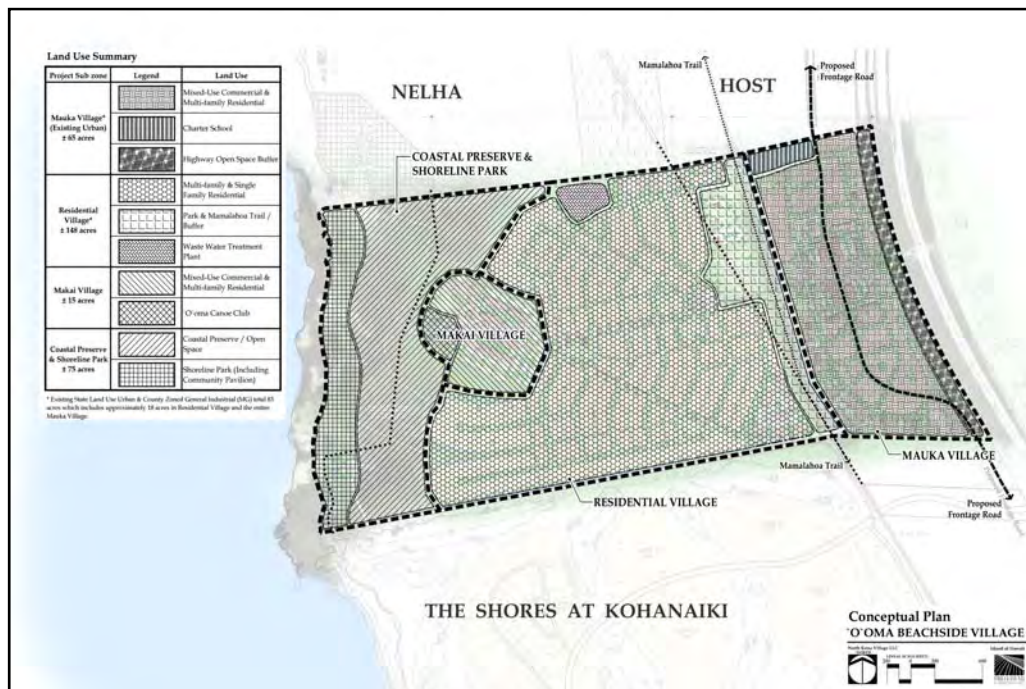
Source: PBR Hawaii, April 2007. See Exhibit 1-2 for copy at larger scale.

## Conceptual Master Plan (Exhibit 1-3)

The Mauka and Makai Areas are separated by the State Right-of-Way (State ROW) and are distinguished by their respective LUC Urban and Conservation District designations.

- Mauka Area (Current LUC Urban District)** - The 83-acre Mauka Area (TMK (3) 7-3-009:022) is within the LUC Urban District. These lands are proposed for development as a medium-density mixed-use village (the Mauka Village) with residential uses, including traditional apartments, “live-work” units, and residential/commercial mixed uses. The Mauka Area will also include park space, the Māmalahoa Trail and buffers and a charter school. A connector road that is proposed to take traffic from south of `O`oma to the Airport would traverse the Mauka Area.

### `O`oma Conceptual Master Plan



Source: PBR HAWAII, 2008. See Exhibit 1-3 for copy at larger scale.

- Makai Area (Petition Area)** - The Makai, or Petition, Area consists of a portion of the approximately 217-acre parcel of land designated as TMK (3) 7-3-009:004 and TMK (3) 7-3-009: (State Right-of-Way, portion). This area is located within the LUC Conservation District. `O`oma Beachside Village, LLC is seeking LUC Urban District reclassification for only 179 acres of parcel 004, and will leave the remaining 38 acres in the LUC Conservation District.

The Makai Area is generally proposed for more traditional primary resident-oriented community developments in the Residential Village, as well as mixed uses within the smaller Makai Village. The Makai Area will be enhanced by extensive parks and trails, and a large area of open space leading to a shoreline park and the ocean.

In addition to frontage on the shoreline park, the Makai Area fronts the proposed luxury resort project, The Shores at Kohanaiki.

The Makai Village will be on a promontory set back about 1,100 feet from the shoreline. This area would include housing at lower densities than offered in the Mauka Village, as well as commercial areas likely to include ocean-facing restaurants, other services, or retail. The Makai Village is also proposed to include a private canoe club.

The Residential Village will include multi-family residential areas as well as single-family residential lots. All homes in the Residential Village will have direct or easy access to pedestrian/bike community trail systems that will connect to the shoreline, the various parks and the Mauka and Makai Villages.

### **Proposed Developments to be Marketed**

Within the master plan, some 191 to 199 acres are proposed for residential or commercial uses. `O`oma Beachside Village, LLC estimates that the first real estate products at `O`oma could be sold as early as 2012. At buildout, `O`oma is proposed as shown on the following page:

**Summary of Proposed Residential and  
Commercial Land Uses at `O`oma**

	<b>Estimated gross acres*</b>	<b>Range of residential units</b>	<b>Estimated commercial development (square feet)</b>
<b>Makai Area (Petition Area):</b>			
Multifamily Units at Makai Village*	<b>+/- 11</b>	<b>35 to 60</b>	<b>Up to 30,000</b>
Restaurant & Canoe Club	<b>+/- 4</b>	<b>0</b>	<b>Up to 20,000</b>
Multifamily Units at Residential Village* (portion)	<b>+/- 9</b>	<b>75 to 105</b>	<b>0</b>
Single-Family Homes at Residential Village	<b>+/- 84</b>	<b>350 to 400</b>	<b>0</b>
Single-Family Lots at Residential Village	<b>+/- 32</b>	<b>70 to 85</b>	<b>0</b>
<b>Subtotal</b>	<b>+/- 140</b>	<b>530 to 650</b>	<b>Up to 50,000</b>
<b>Mauka Area (Current LUC Urban District):</b>			
Multifamily Units at Mauka Village*	<b>+/- 49 to 57</b>	<b>395 to 520</b>	<b>Up to 150,000</b>
Multifamily Units at Residential Village* (portion)	<b>+/- 2</b>	<b>25 to 30</b>	<b>0</b>
<b>Subtotal</b>	<b>+/- 51 to 59</b>	<b>420 to 550</b>	<b>Up to 150,000</b>
<b>Total `O`oma</b>	<b>+/- 191 to 199</b>	<b>950 to 1,200</b>	<b>Up to 200,000</b>

\* Based on current County guidelines, 20% or some 190 to 240 of the residential units may be developed as affordable housing. These units might be developed within the areas noted.

Source: PBR HAWAII, July 2007.

## ***Study Background***

`O`oma Beachside Village, LLC has initiated a planning and entitlement process for `O`oma, including an Environmental Impact Statement (EIS) that will be used in the LUC and County zoning processes. PBR HAWAII is assisting `O`oma Beachside Village, LLC in this process and asked Mikiko Corporation (MC) to prepare market, economic, and fiscal impact assessments for `O`oma, addressing the residential and commercial retail/office land uses noted above.

This report covers the market assessment. Economic and fiscal impacts are described in a separate report.

## ***Mikiko Corporation Study Objective***

MC's objective in this study was to describe the market support for the residential and commercial uses proposed at `O`oma, in terms of:

- a) Evidence of the demand and competitive supply for the residential and commercial retail/office development elements, and
- b) Assessment of supportable market shares and market absorption at `O`oma; also, for residential units, assessment of supportable pricing.

These evaluations are based in part on information and planning parameters provided by PBR HAWAII and/or `O`oma Beachside Village, LLC.

The remaining sections of this chapter summarize the market conclusions. The rationale behind these conclusions, as well as documentation of the study methodology and supportive data, may be found in the subsequent chapters and appendices.

At the end of this report, Appendix 5 presents a statement of its report conditions.

## ***Summary of Conclusions***

### **Area Character**

The North Kona area is appropriately seeing urban infill development and proposals, consistent with the Hawai`i County General Plan (2005) for this region. This urban infill development is especially along the major regional traffic corridor Queen Ka`ahumanu Highway, between the town of Kailua-Kona and the Airport. This area comprises the northwestern portion of the North Kona District, and is contained within Census Tract 215.01 (also referred to herein as "North Kona-North").<sup>1</sup> It already is the commercial and industrial heart of West Hawai`i, serving the Airport and the needs of the visitor, agriculture, ranching, technology, and other industries of the western half of the Island. The area also has a long-standing and growing residential population. This area will

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<sup>1</sup> See Appendix 1 for a map of this census tract.

continue to be the focus of such development as the Island's population grows, given its proximity to the Airport and other existing infrastructure.

### **Need for Area Development**

Together with the coastal portion of the adjacent South Kohala District (CT 217.01, also referred to herein as "South Kohala-Waikoloa")<sup>2</sup>, North Kona-North is estimated to provide 21% of the Island's employment in 2006.<sup>3</sup> However, this center of employment supported residences for only 12% of the Island's population, leading to crowding among area households, and a tremendous amount of commuting into the region by persons who live in distant areas.

A relative lack of resident-oriented shopping, entertainment, and other services in the South Kohala-Waikoloa area also adds to traffic headed into the Kailua-Kona area from the north.

ʻOʻoma is among a relatively small group of area properties that could offer a substantial solution for this imbalance of primary resident-oriented housing and services, relative to the area's existing and anticipated jobs base.

### **Residential Markets and Development Character**

ʻOʻoma is proposed to be developed as a master planned residential community with a variety of housing opportunities and mixed-uses, as well as abundant recreational resources. As part of the overall master planned community, the Mauka and Makai Areas each will have their own character and feel, thereby being able to appeal to a broad range of population:

- ✦ **Mauka Area (Current LUC Urban District)** – This area is seen as a mixed-use village community planned and developed along the lines of Traditional Neighborhood Design principles.<sup>4</sup> All residential uses would be multifamily, at densities of 7.5 to 12 units per acre, including homes that will address the County's affordable housing guidelines. Some homes would be located above or within the same structures as commercial retail or office uses. This area could also include "live-work" units that are designed to accommodate a home and commercial enterprise within a single unit. These commercial components and other commercial spaces developed in the Mauka Village are intended to provide attractive locations for sole proprietorships and other small businesses.

This area is anticipated to appeal mostly to primary residents such as younger households who are attracted to an urban setting, higher activity levels, and relative

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<sup>2</sup> See Appendix 2 for a map of this census tract.

<sup>3</sup> The 1,435 establishments of CTs 215.01 and 217.01 are estimated to support 19,100 of the Island's 92,900 employees in 2006, according to Claritas, Inc. Note that "employees" on the Island exceed the "civilian labor force," since labor force members may hold more than one job.

<sup>4</sup> See Chapter 4 for a discussion of Traditional Neighborhood Design.

affordability. It may also appeal to retirees, empty nesters or off-island business enterprises that regularly do business in the County and are attracted by its convenience to the Airport and area business services, and their mix of business and housing functions.

☒ **Makai Area (Petition Area)** – This area is proposed with more primary resident-oriented single- and multifamily homes, developed at gross densities ranging from 2.5 to 12 units per acre. This area may also offer some of `O`oma’s affordable housing.

As in the Mauka Area, the majority of homes in the Makai Area are expected to serve a local resident base, including young families, empty nesters and move-up households. Homes along the ocean-facing edges of the community and bordering along The Shores at Kohanaiki would be developed at the lowest density range, from 2.5 to 3 units per acre. These estate lots could attract some part-time or former Island residents who customarily reside off-Island.

Considering residential developments in both the Mauka and Makai areas, some 84% of `O`oma homes are anticipated to be used as primary residences by established Island households, while the remaining 16% might be expected to attract second home or vacation property buyers.<sup>5</sup>

The residential developments could also include homes built in accordance with County affordable housing requirements.

### **Commercial Markets and Enterprise Types**

Commercial uses at `O`oma would address needs of the community’s own residents as well as those of the surrounding areas. The Primary Trade Area for `O`oma is expected to encompass the full North Kona and South Kohala Districts.

A variety of potential enterprise types are suggested in Chapter 6. They are envisioned to serve markets such as:

- ☒ `O`oma residents;
- ☒ Area shoreline park users;
- ☒ Daytime populations of North Kona and South Kohala;
- ☒ Airport users, especially if the NELHA/Airport connector road is developed;
- ☒ Businesses that support the part-time resident community of the broader region; and
- ☒ Off-island enterprises that frequently do business in West Hawai`i.

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<sup>5</sup> This split is based on 20% of the market units being sold to second or vacation home buyers (20% x 80% = 16%).

## Supportable Absorption

The projected absorption of residential and commercial uses at `O`oma is summarized as follows:

### Supportable Market Absorption at `O`oma (At maximum development)

	Makai (Petition Area)	Mauka (Current LUC Urban District)	Total Project
<b>Residential units:</b>			
Maximum inventory	<b>650</b>	550	1,200
Average annual sales	<b>46</b>	34	67
Years on market	<b>14</b>	16	18
Start date	<b>2012</b>	2014	2012
End date	<b>By 2025</b>	By 2029	By 2029
<b>Commercial gross leasable area:</b>			
Maximum square feet	<b>50,000</b>	150,000	200,000
Absorption date	<b>By 2020</b>	By 2029	By 2029

Source: Mikiko Corporation, 2007.

The overall residential absorption represents an average of about 67 per year. Year to year sales would be expected to vary around this average depending on the amount and types of product on the market at any time as well as business cycle conditions. `O`oma's projected average absorption could represent about 9% of the projected annual requirement for new primary resident housing in a market area consisting of census tracts 215.01 and 217.01<sup>6</sup>, and about 5% of the North Kona District non owner-occupant, off-Island sales. The maximum commercial build-out could represent only about 3% of the North Kona and South Kohala commercial retail and office markets in 2030.

<sup>6</sup> See Chapter 2 for further explanation of this market reference area.



## Residential Pricing – Market Units

Supportable unit pricing for the “market priced” finished homes is estimated at an average of \$550,000, in 2007 dollars. By product type, this represents:

- ☒ **Multifamily Units at Mauka Village** (7.5 to 10 units per acre) - \$425,000;
- ☒ **Multifamily Units at Makai Village** (3 to 4.5 units per acre) - \$525,000;
- ☒ **Multifamily Units at Residential Village** (9 to 12 units per acre) - \$425,000; and
- ☒ **Single-Family Homes at Residential Village** (finished homes, 5,000 to 6,000 square foot lots) - \$650,000.

Additionally, `O`oma would offer 70 to 85 estate lots for custom home development, in a premium location. Pricing for these lots is estimated at:

- ☒ **Estate Lots at Residential Village** (with ocean views and alongside shoreline park or bordering Kohanaiki, 9,000 to 15,000+ square feet) - \$650,000.

These estimated supportable prices were developed after review of developer products marketing or soon to be marketed within the Competitive Residential Market Area (CRMA) as of the study date, as discussed in Chapter 4.

With product averages ranging from \$425,000 to \$525,000, market priced multifamily homes at `O`oma would be affordable to households earning approximately 150% to 180% of the 2007 County median income of \$58,200<sup>7</sup>, assuming interest rates of 6.0% to 7.0% and a 20% down payment. At an average \$650,000, the single-family homes, the highest priced finished product proposed, could be expected to be affordable to households earning between 210% and 220% of the 2007 County median income. A “move-up” or other household with more than 20% of purchase price funds available to apply as a down payment for a new purchase would be able to purchase any of these homes at lower income ranges.

The projected supportable prices may also be compared to recent resales of existing homes in the area. Average single family sales prices in the Kona Palisades and Kealakehe areas ranged from \$662,000 in 2006 and \$590,000 from January 1, 2007 to September 7, 2007, respectively. For multifamily homes they were \$579,000 and \$327,000, respectively. In Waikoloa Village, resales of existing single-family homes tended to be higher priced, at an average of \$717,000 in 2006 and \$748,000 as of September 7, 2007. On the other hand, multifamily homes in Waikoloa Village resold at slightly lower average prices than in the North Kona-North comparison areas, at an average of \$435,000 in 2006 and \$302,000 YTD September 7, 2007.<sup>8</sup>

<sup>7</sup> This figure, as used by the County, differs slightly from the \$58,528 estimated by Claritas, Inc. and reported in Exhibit 2-7.

<sup>8</sup> Data downloaded in September 2007, from Hawaii Information Service for tax map keys 3-7-3, 3-7-4 and 3-6-8.

## **Residential Pricing – “Affordable” Units**

Pricing of the homes to be designated affordable will be established in future agreements with the County. For illustrative purposes, as of May 1, 2007, County guidelines would require that for-sale units marketed to families of four earning between 110% and 130% of the median income would range from \$248,800 to \$294,000. Some of the affordable housing could alternatively be developed as rental housing. Example monthly rents also based on the County’s 2007 guidelines would range from \$935 to \$1,309 for one- to two-bedroom units rented to households earning between 80% and 100% of median income.

## **Style of Development**

Considering the magnitude of demand for new housing and commercial facilities, yet with respect for Hawaii’s finite island land, it is fortunate that Hawaii residents, like other people worldwide, are showing interest in “urban village” living styles. Given the environmental burdens of population growth, this Traditional Neighborhood Design sensibility not only reflects taste changes but a more sound approach to the use of natural resources. Chapter 4 offers an expanded discussion of these trends.

Most of `O`oma is within the Hawai`i General Plan’s (2005) designated Urban Expansion Area, near to existing and growing centers of employment, such as the several commercial and industrial complexes proposed in the area, and the proposed UHCWH campus. These characteristics enhance Traditional Neighborhood Design planning, and support the mixed-use, primary resident-oriented medium-density developments proposed at `O`oma.

## 2. Economic and Demographic Trends

### *Geographic Areas of Analysis*

#### **Judicial Districts**

The island of Hawai`i (Island) is divided into nine judicial districts. `O`oma is in the North Kona District, which extends from Kealahou in the south, past Kīholo Bay in the north. It includes the Airport as well as the resort communities of Keauhou, Kailua-Kona, Kona Village, Hualālai and Kūki`o.

Adjacent to and north of this district is the South Kohala District, which includes the majority of the balance of the Island's visitor and second home infrastructure in the resort areas of Waikoloa Beach, Mauna Lani, and Mauna Kea. The other major communities in South Kohala are Waikoloa Village and Waimea Town, which offer both primary and second homes.

Island of Hawai`i Districts



Source: Claritas, Inc., 2007. See Exhibit 2-1 for copy at a larger scale.

#### **West Hawai`i**

The island of Hawai`i is often considered in two major divisions, East Hawai`i and West Hawai`i. Although there is a great deal of commuting from East to West Hawai`i, this is in large part a reflection of the lack of appropriate housing opportunities for local families in West Hawai`i, rather than an integration of the two divisions' economies.

West Hawai`i is commonly defined as the districts of North Kohala, South Kohala, North Kona and South Kona. Within West Hawai`i, the North Kona and South Kohala Districts contain the primary drivers of the region's economy, which is anchored in the visitor, construction, and related service industries.

## Areas of Market Evaluation

- ✦ **For purposes of commercial market assessment,** `O`oma's Primary Trade Area (PTA) is considered to encompass all of North Kona and South Kohala, the shaded areas of the map on the prior page. While this broad area may be considered to generate the majority of demand for commercial development at `O`oma, most of the supply that serves this demand is concentrated in the northern parts of the North Kona District.
- ✦ **For purposes of residential market assessment,** a tighter area is evaluated, reflecting the need for additional residential supply in the midst of the North Kona and South Kohala Districts, where the majority of West Hawai`i's jobs are located. This smaller Competitive Residential Market Area (CRMA) for residential uses is defined herein to consist of:

**North Kona-North: Census Tract 215.01, within the North Kona District**



Source: Claritas, Inc., 2007. See Appendix 1 for copy at a larger scale.

**South Kohala-Waikoloa: Census Tract 217.01, within the South Kohala District**



Source: Claritas, Inc., 2007. See Appendix 2 for copy at a larger scale.

- ❑ “North Kona-North,” or Census Tract (CT) 215.01. This area extends from approximately Henry Street in the south to the northern border of the North Kona District. In includes the `O`oma site but excludes Kailua-Kona Town and Keauhou Resort.
- ❑ “South Kohala-Waikoloa,” or CT 217.01. This area extends from the southern border of the South Kohala District up past Kawaihae in the north. Its major residential community is Waikoloa Village; it excludes Waimea Town.

Many of the demographic trends reported in the section below refer to the Island as a whole and the CRMA as defined for residential purposes. Demographic data for the larger PTA for commercial uses are presented in Chapter 4, alongside the commercial market assessment.

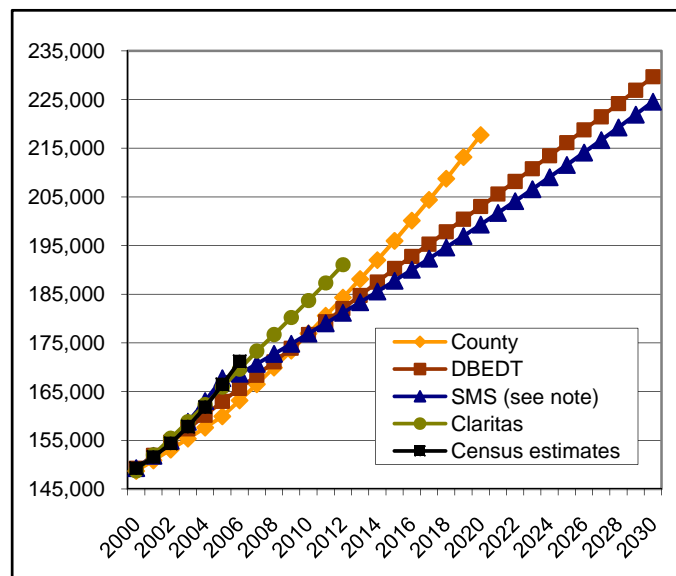
### *Overview of Demographic Trends*

#### **Projected Island of Hawaii Population (Exhibit 2-2)**

Hawai`i Island had approximately 149,000 residents at the time of the U.S. Census in 2000. Five sources are considered in estimating how population has grown since then, and how it is likely to grow over the next two decades.

✦ The U.S. Census provides annual population estimates for counties as of July of each year. The Census estimates the Island’s 2006 resident population at 171,191 persons, representing an annual average rate of increase of 2.4% since 2000.

**Projected Resident Population – Island of Hawai`i**



See Exhibit 2-2 for sources and further information.

✦ Claritas<sup>7</sup> provided MC’s study with 2007 population estimates and a 5-year projection to 191,052 by 2012. Claritas’ figures were prepared on the basis of the Census’ 2006 estimate and represent a 2.2% rate of growth since 2000, and 1.6% from 2007 to 2012.

✦ In its 2005 General Plan (amended December 2006), the County presented three scenarios of population growth. Series “B,” the mid-range projection, showed up to 217,718 persons by 2020. The County’s series represents 2.1% per annum growth from

<sup>7</sup> Claritas derives its information from the U.S. Bureau of the Census, State and local governmental planning and forecasting entities, its proprietary Business-Facts © database and other sources.

2005 to 2020. Based on subsequent estimates, this series appears to have been low to date. However, it is the highest of the projections after 2011.

- ✘ The State of Hawai`i, Department of Business, Economic Development and Tourism (DBEDT) also offers a long-term projection; the latest was prepared in 2004. This series is relatively low in the long-term, and anticipates 229,700 residents on island of Hawai`i by 2030, a 1.4% average annual rate of growth after 2005.
- ✘ In 2007, SMS<sup>8</sup> completed a housing study that also offers a long-term population outlook, under various scenarios. Using the Hawai`i County “official parameter” growth rate of 1.2%, as cited in the SMS model, this data set yields a projected 224,573 Island residents by 2030. The SMS-derived projections are the lowest of the three long-term projections after approximately 2010.

MC has selected the 1.2% growth projection presented in the SMS housing study because this 1.2% growth rate is conservative and based upon recent estimates. SMS’ relatively conservative series is considered appropriate for this study so as not to overstate the assessments for residential and commercial uses. Following this outlook, the Island could see about 225,000 residents in 2030, meaning it would need to accommodate some 54,000 more persons over the next 24 years.<sup>9</sup>

### **Aging of the Population (Exhibit 2-3)**

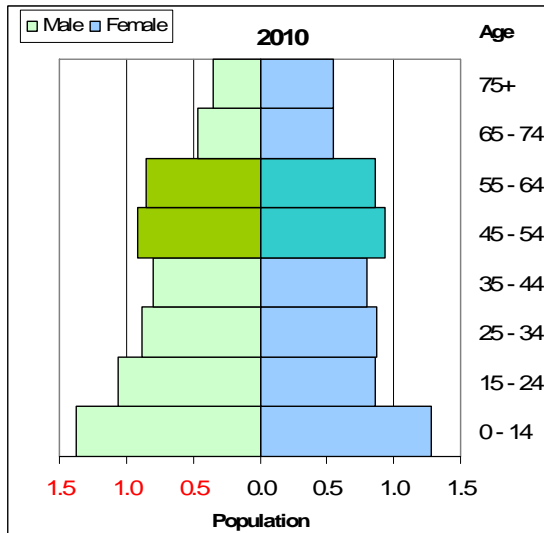
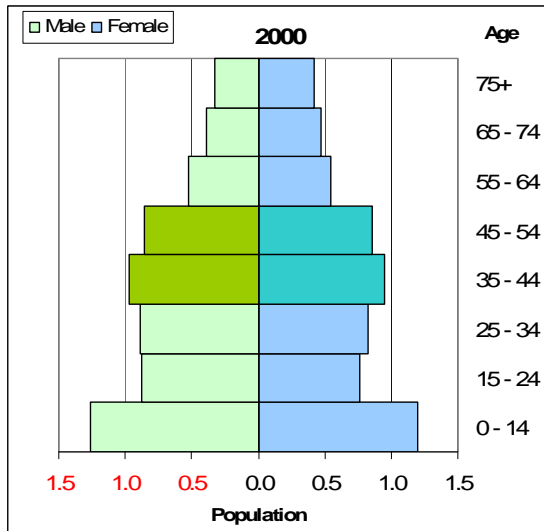
The changing age-composition of the population will have an enormous impact on home-buying and other consumer spending patterns in Hawai`i as elsewhere in the nation. While long-term projected age-cohort data is not available by county or sub-areas, the U.S. Census does prepare decennial projections by state.

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<sup>8</sup> SMS, Inc., “Housing Policy Study, 2006: Hawaii Housing Model 2006,” February 2007. The study was prepared for a consortium including the Housing Officers and other Administrators of the four Hawai`i counties, the State of Hawai`i, Hawai`i Housing Finance and Development Corporation, the Office of Hawaiian Affairs, and the Department of Hawaiian Home Lands.

<sup>9</sup> Note that on February 22, 2007 County Planning Director Chris Yuen testified to the State Legislature that the Island was on-track to add 60,000 people within 10 years. Honolulu Advertiser, “Big Island mayor grapples with rapid population growth,” February 23, 2007.

**Age Pyramids – State of Hawai'i:  
2000 and 2010**



Note: Each unit on horizontal axis represents 100,000 persons.  
See Exhibit 2-3 for sources and further information.

✦ **2010 to 2020** – In the subsequent decade, Baby Boomers will continue to exert strong influence in the housing market. This will be reflected in rapidly growing demand for downsized, retirement and/or other specialized housing types reflecting their empty nester and retiree stages of life. Also notable in this decade will be strong growth in the entry and early-housing market, represented by persons aged 25 to 34.

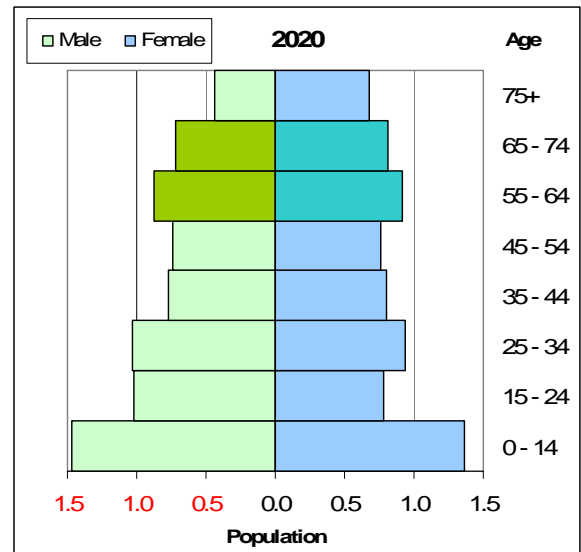
Viewed in an age pyramid, a most notable feature is the aging of the Baby Boomers, whose members were between the ages of 41 and 60 in 2006, will range from about 45 to 64 years old by 2010, 55 to 74 by 2020, and 65 to 84 by 2030.

✦ **2000 to 2010** - As the dominant consumers in the overall marketplace today and for years to come, Baby Boomers are fueling a move-up home-buying market consistent with their middle-aged, peak earnings-power status.

Age groups showing the most population gains in the 2000 to 2010 period in Hawai'i are all over 45:

- ☐ 45 to 54: +14,000 persons
- ☐ 55 to 64: +64,000 persons
- ☐ 65 to 74: +16,000 persons
- ☐ 75+: +15,000 persons

**Age Pyramid – State of Hawai'i: 2020**



Note: Each unit on horizontal axis represents 100,000 persons.  
See Exhibit 2-3 for sources and further information.

Thus, age groups projected to show the most gains in this later period include both early and older homebuyers:

- ❑ 25 to 34: +22,000 persons
- ❑ 55 to 64: +8,000 persons
- ❑ 65 to 74: +52,000 persons
- ❑ 75+: +21,000 persons

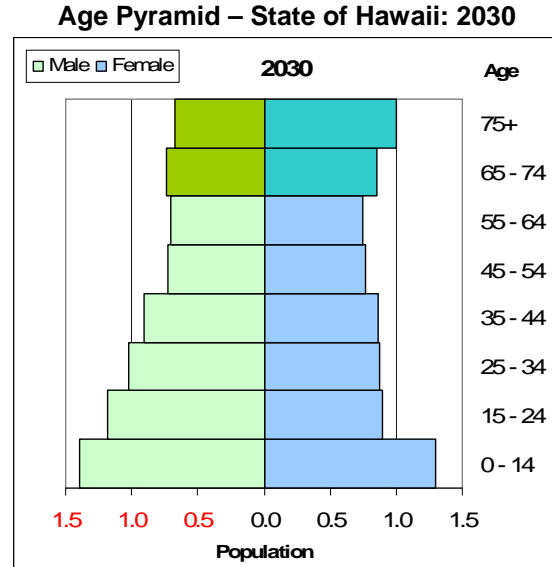
✦ **2020 to 2030** – The last decade evaluated will be characterized by rapid growth of the elderly population, necessitating specialized and age-catering housing solutions.

The second most rapidly growing potential housing market during this period will consist of those aged 15 to 24, an age that usually encompasses household formation, often in rental housing.

The third rapidly growing group would be those aged 35 to 44, typically a home-buying or early trade-up housing market.

Cohorts expected to gain population statewide in this decade include:

- ❑ 15 to 24: + 27,000 persons
- ❑ 35 to 44: + 19,000 persons
- ❑ 65 to 74: + 6,000 persons
- ❑ 75+: +56,000 persons



Note: Each unit on horizontal axis represents 100,000 persons.  
See Exhibit 2-3 for sources and further information.

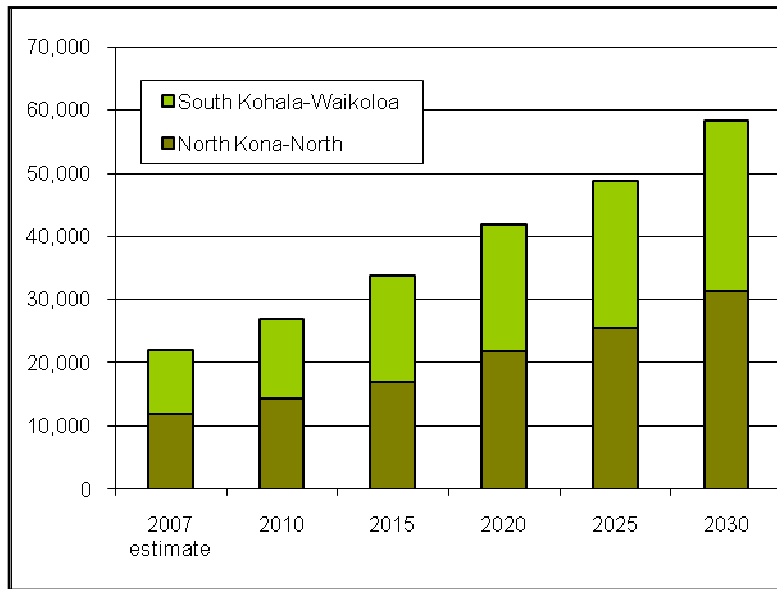


***Projected Growth in  
the Competitive Market  
Area***

**Resident Population  
(Exhibit 2-4)**

Considering the SMS projection for population Island-wide, MC prepared 2030 projections for residents of the CRMA in North Kona-North and South Kohala-Waikoloa. MC’s projections assume it is possible and desirable from a policy standpoint that residential opportunity in the CRMA approach the level of employment opportunity in the CRMA.

**Resident Population –  
Competitive Residential Market Area**



See Exhibit 2-4 for sources and further information.

As of 2006, the CRMA was estimated to offer 21% of employment positions on the Island, while it housed only 12% of the Island population.<sup>10</sup> The area includes six of the seven largest employers on the Island, including the Hilton Waikoloa Village, the Fairmont Orchid, the Four Seasons Resort Hualālai, The Mauna Lani Bay Hotel & Bungalows, the Hāpuna Beach Prince Hotel and the Mauna Kea Beach Hotel<sup>11</sup> (the latter closed for renovations and is projected to reopen in late Fall, 2008). Additionally, large clusters of new development are planned within the CRMA at:

- ☒ UHCWH and its associated community, Palamanui;
- ☒ NELHA;
- ☒ Already zoned commercial areas in Keahuolū and elsewhere;
- ☒ Kona Kai Ola; and
- ☒ `O`oma.

MC assumed that the CRMA population matches its 2006 share of Island jobs within 14 years (achieving just over 20% of Island population in 2020), and that it continues to increase as a center of employment and population thereafter, achieving 26% of the Island population by 2030. This would result in a 2020 population of some 41,800

<sup>10</sup> The 1,435 establishments of CTs 215.01 and 217.01 are estimated to provide jobs for 19,100 of the Island’s 92,900 employees, according to Claritas, Inc., April 2007. Note that “employees” exceed the “civilian labor force” discussed in a later section, since labor force members may hold more than one job.

<sup>11</sup> Pacific Business News, “2007 Book of Lists,” December 22, 2006.

persons in CTs 215.01 and 217.01, and a 2030 population of about 58,300. These would represent a near doubling of the CRMA's population by about 2020 and a 4.3% per annum rate of increase for the 2007 to 2030 period as a whole.

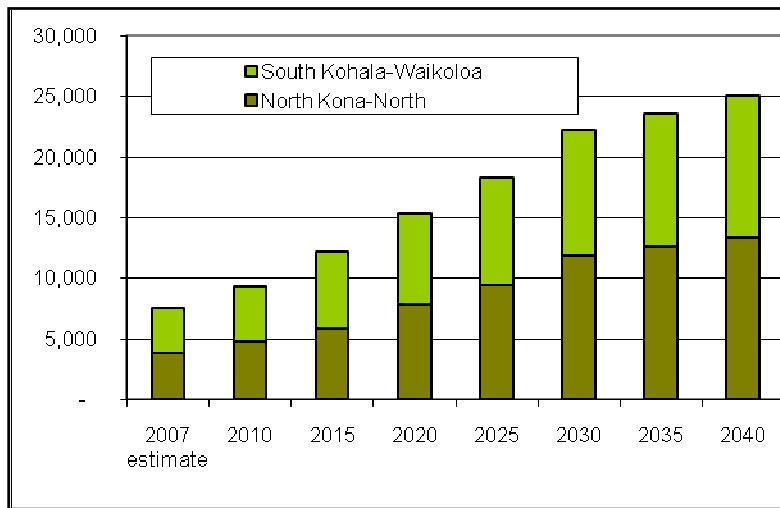
**Population by Age Group** (Exhibit 2-5)

The largest age groups in the CRMA, as for the Island as a whole, were those under age 25, followed by the 25 to 44 and 45 to 59 age groups. The CRMA as a whole includes almost 40% of the Island's population of persons under 59, but only 10% of those aged 60 to 74 and 7% of those aged 75 and over. This reflects the relatively young, working population of the CRMA, where the median age of residents in 2007 was estimated at 34 and 36 for North Kona-North and South Kohala-Waikoloa, respectively, compared to 37 for the Island as a whole.

**Number of Households** (Exhibit 2-6)

More housing opportunities in the CRMA would enable the uncoupling of some currently doubled up households. Together with age profile changes over time, this will lead to declining household sizes in the CRMA as well as the Island as a whole. MC employed Claritas' 2007 estimated household numbers for the three regions of interest, and then extrapolated future households in the CRMA by approximating the rate of decline projected by SMS for average household size in the County as a whole.

**Projected Households –  
Competitive Residential Market Area**



See Exhibit 2-6 for sources and further information.

For 2007, SMS estimated that the island of Hawai`i had about 62,000 households, at an average size of 2.75 persons. Within this, some 12% or about 7,400 households were located in the CRMA, at an average size of 3.08 persons in North Kona-North and 2.77 persons in South Kohala-Waikoloa, according to Claritas. Based on an average decline in household size of 0.3% to 0.7% per annum the CRMA, the area could expect to house some 22,200 households by 2030, assuming its future housing opportunities are allowed to approach its future employment opportunities.

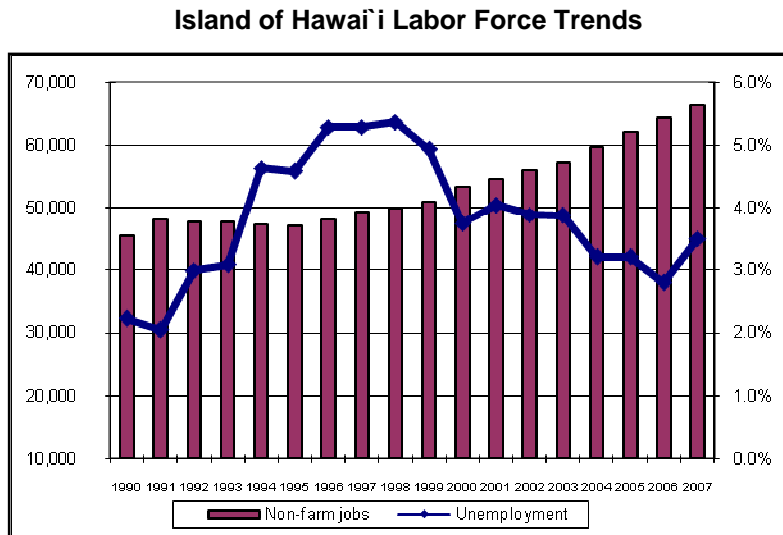
**Households by Income**  
(Exhibit 2-7)

North Kona-North and South Kohala-Waikoloa show a higher household income profile than the Island as a whole, with relatively more households earning \$50,000 or more in 2007, and relatively fewer earning less. Claritas estimates the median 2007 household income is approximately \$61,800 in North Kona-North, \$60,200 in South Kohala-South, and \$58,528 for the Island of Hawai`i.<sup>12</sup>

Per capita income is also notably higher in the CRMA CTs than for the Island as a whole.

**Employment Trends**  
(Exhibit 2-8)

The State of Hawai`i, Department of Labor and Industrial Relations (DLIR) reports island of Hawai`i unemployment averaging 3.5% as of September 2007, up from 3.0% in September 2006.<sup>13</sup> Hawai`i's unemployment rates have been among the lowest in the nation in recent years.



See Exhibit 2-8 for sources and further information.

<sup>12</sup> These do not reflect the substantially higher incomes of the region's part-time residents.

<sup>13</sup> Not seasonally adjusted, for civilian labor force.

The island of Hawai`i has supported annual increases in the number of employed persons and in non-farm and salaried jobs since 1995. In September 2007, there were an estimated 82,400 employed persons in the County, holding some 66,500 non-farm jobs. However, increases in the civilian labor force seem to be cooling since last year, according to the DLIR.

### 3. Residential Market Environment

#### *Historical Supply Conditions*

##### **2005/2006 Inventories**

✠ **Hawai`i County** had some 75,185 housing units in 2006, of which 63,178, or 84% were occupied, according to the American Community Survey (ACS).<sup>14</sup> Among occupied units, 65% were owner-occupied and 35% renter-occupied, a higher owner ratio than Honolulu County, according to the ACS. In the 2005 ACS survey, among those units estimated to be vacant, the majority was classified for seasonal, recreational or occasional use. An additional share of occupied units, estimated at a minimum of 5%, was also considered occupied by persons whose usual place of residence was outside of the County.<sup>15</sup>

Subtracting the non-primary housing units from the inventory of occupied units yields an estimated 60,000 resident housing units (RHU) in the County in 2006, or 87% of the total stock.

✠ **North Kona-North and South Kohala-Waikoloa** - While the ACS does not break out housing supply by area, according to data obtained from Claritas, about 9,474 or 13% of the Island's 2007 housing units was located in the CRMA.<sup>16</sup> With its many resort second home communities such as Mauna Kea, Mauna Lani, Waikoloa, Hualālai, Kūki`o and others, the CRMA has a far greater share of units held for seasonal, recreational or occasional use than the County as a whole. Also, among homes that are occupied, a greater than average share is occupied by persons who customarily live off-Island.

Considering these factors together, there were an estimated 6,900 RHUs in the CRMA in 2006, representing 73% of the area's total estimated housing stock. Based on surveys of new housing currently marketed in the CRMA, the RHU inventory in the CRMA in 2007 is estimated to have increased by about 200 units to some 7,100 homes.<sup>17</sup>

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<sup>14</sup> U.S. Census, "2006 American Community Survey," released September 12, 2007 and as reported in Hawai`i State Department of Business, Economic Development & Tourism, Research & Economic Analysis Division. This survey marked the first time that the ACS survey included group quarter populations, rather than household populations only.

<sup>15</sup> DBEDT does not report these variables for the 2006 ACS survey.

<sup>16</sup> Competitive Residential Market Area, as defined for the housing market analysis of this study, and explained in Chapter 2. The CRMA is defined to consist of Census Tracts 215.01, the northern part of the North Kona Judicial District (including `O`oma and excluding Kailua-Kona Town) plus 217.01, the Waikoloa area of the South Kohala Judicial District (excluding Waimea Town). These two Census Tracts may also be referred to in this report as North Kona-North and South Kohala-Waikoloa, respectively.

<sup>17</sup> The survey excluded new product being marketed in the beach resorts, and all properties makai of Queen Ka`ahumanu Highway.

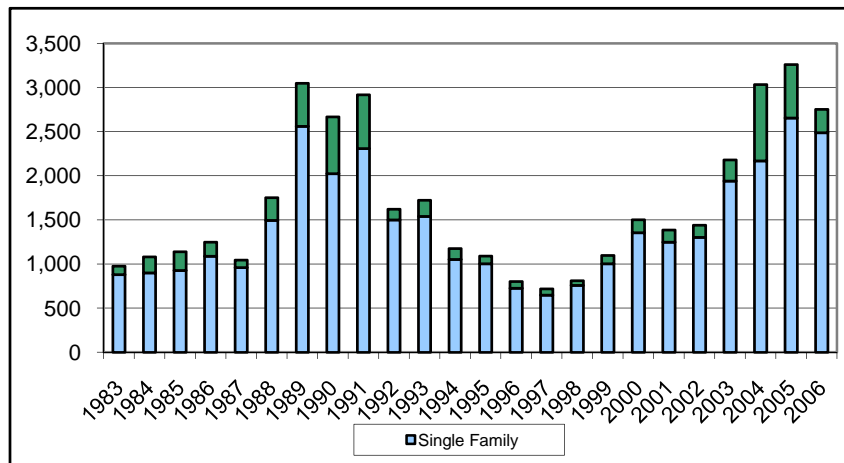
North Kona-North's homeownership rate is equivalent to the County's as a whole, at 64%, while South Kohala-Waikoloa's is lower, at an estimated 53%, according to Claritas in 2007.

**Residential Building Permits**

(Exhibit 3- 1)

Hawaii County residential permitting is dramatically cyclical and evidenced a trough from 1996 to 1998. After 2001, permitting activity increased rapidly, culminating in a record 3,262 permits obtained in 2005. Activity has cooled since then, and 2006 showed 2,754 residential permits, of which 10% were multifamily and 90% single-family. As of September 2007, 1,070 single family and 349 multi-family permits had been obtained.

**Building Permits – Hawai`i County**



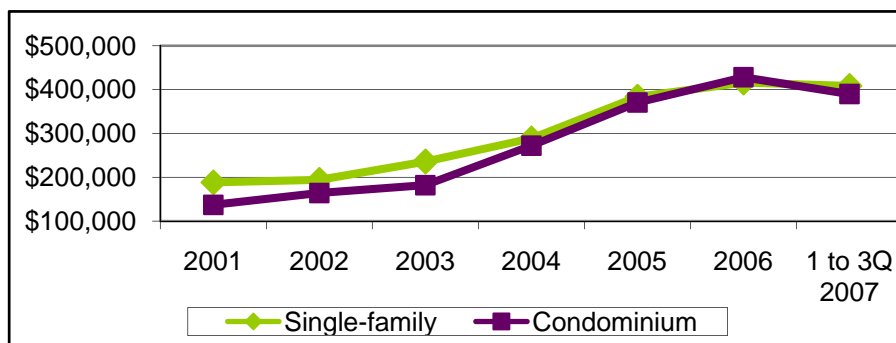
See Exhibit 3-1 for sources and further information.

**Market Trends**

**Islandwide Sales (Exhibit 3-2)**

Rapidly rising home prices in recent years reflect the relatively limited production of new housing, combined with strong labor market conditions and favorable financing conditions in recent years.

### Hawaii Island Sales – Median Prices



See Exhibit 3-2 for sources and further information.

Sale recordations during the first three quarters of 2007 showed a median single-family price of \$408,500 and a median condominium price of \$390,000, according to UHERO.<sup>18</sup> These represent 5% and 13% declines from the corresponding periods in 2006, respectively.

The near parity in prices between condominiums and single-family homes reflects the relatively large share of resort and second home product on the Island. These units are generally higher priced than RHUs and much of the Island's existing condominium stock is in such use.

Residential sales velocity has slowed since a peak in 2005, and the first three quarters of data in 2007 reflect 16% and 35% fewer closings than in the corresponding period in 2006, for single-family and condominium units respectively.

In October 2007, the median priced single-family unit closed at \$386,000, while the median price of a condominium unit was \$420,000. These prices are -6% and +9% compared to October 2006 sales, according to Hawai'i Information Service.

The short-term outlook is for continued slowing sales and stabilized or somewhat declining prices as the market makes adjustments to reflect the overly rapid rises of past years. However, longer-term, ongoing population growth, household formation and pent-up demand will continue to fuel demand for new housing.

<sup>18</sup> University of Hawai'i Economic Research Organization, Economic Information Service, as accessed November 2007.

### **Single-Family Sales in North Kona and South Kohala (Exhibit 3-2)**

Like the island as a whole, North Kona and South Kohala are recording fewer sales, while prices continued to appreciate through 2006.

☒ In 2006, single-family sales in the North Kona District numbered 456 at a median price of \$645,000, but prices appear to have come down in 2007.

☒ South Kohala showed a 2006 median price of \$550,000 with 287 closings.

Prices in these districts tend to be significantly higher than typical for the Island, and can be compared to the median single-family sale of \$416,100 for the Island as a whole. These area premiums reflect both (1) the strong demand to live in the CRMA compared to a limited supply of area housing, as well as (2) the relatively high mix of resort residential product in the region.

### **Sales in Selected Areas, North Kona-North (Exhibit 3-3)**

An analysis of residential sales in the Kona Palisades and Kealakehe communities of North Kona-North, both very close to `O`oma, was conducted. These are well-established primary residential communities with a predominance of single-family product. As for their surrounding districts and the Island as a whole, 2007 prices are generally lower than 2006. The median prices of single-family sales during the first eight months of 2007 were \$540,000 in Kona Palisades, and \$500,000 in Kealakehe.

### **Off-Island Markets (Exhibit 3-4)**

Portions of `O`oma, particularly those areas facing the ocean and shoreline park, as well as those along the southern border fronting Kohanaiki's golf fairways, are expected to appeal to off-Island buyers seeking part-time or vacation homes. To evaluate the potential market support from this segment, data was collected on sales transactions where the buyer did not claim an owner-occupant exemption and where the tax bill address is not on the Island. In 2007, there were 645 such transactions Island-wide, of which 31% were North Kona properties, 28% South Kohala properties, and 41% located elsewhere on the Island.<sup>19</sup> The total sample is down from about 800 such sales recorded in 2006. These findings are similar to those of another survey of vacation home sales.<sup>20</sup>

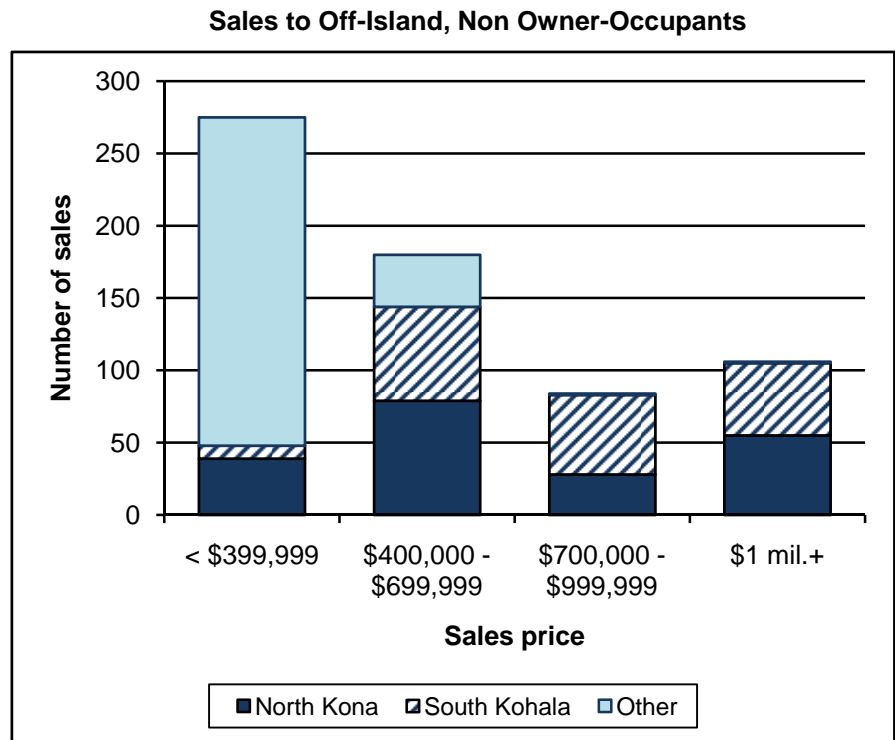
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<sup>19</sup> The sample excludes vacant land sales and partial or multiple deed transactions. It includes 120 non owner-occupant sales transactions for which no tax bill address information was available. Data obtained from Hawai'i Information Service.

<sup>20</sup> Ricky Cassiday, in Honolulu Advertiser, "Fewer, pricier sales at resorts," August 21, 2007.



By sales price, 28% of 2007 off-Island, non owner-occupant sales were priced from \$400,000 to \$699,000, which as demonstrated elsewhere in this report, is a range encompassing the anticipated prices of all the market-priced, for-sale residential properties at `O`oma. North Kona is also shown to be the dominant location for property within this range, with 79 of the 180 transactions, or 44%.



See Exhibit 3-4 for sources and further information.

The less than \$400,000 and \$700,000+ ranges also demonstrate strong activity, although beyond \$700,000, such transactions were largely confined to North Kona and South Kohala. This reflects a number of factors including:

- ☒ The desirability of proximity to the Airport and Kona area commercial offerings;
- ☒ Location on the Island’s leeward side, which tends to offer beaches, drier weather, and sunset orientations;
- ☒ Development activity, which is centered in the Island’s master-planned resort areas; and
- ☒ The off-Island market’s familiarity with West Hawai`i locations, after years of successful marketing and operations.

### ***Housing Supply Outlook***

#### **Potential New RHUs in the CRMA (Exhibit 3-5)**

MC conducted a survey of planned residential projects within the CRMA, or CTs 215.01 and 217.01. This survey targeted projects of 100 units or more for which the LUC Urban District designation was in place as of October 1, 2007, and/or for which the landowner

may be exempt from LUC governance.<sup>21</sup> The planned units reported are the maximum allowed by existing entitlements, and/or the maximum currently planned for development according to project representatives, whichever is lower. As such, these counts are likely to overstate future production, since most projects are not built to their ultimate entitled or planned capacity. Planned totals were also adjusted according to the share of development anticipated to be built for the primary residential market, as opposed to a second home or investor/other non-resident market.

The survey does not consider emergency shelters, dormitory beds, or other group living quarters.

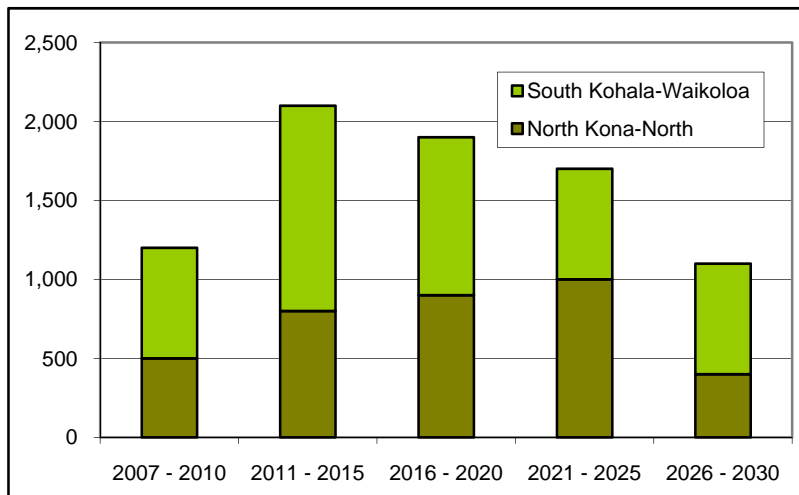
✦ **North Kona-North** - Some 3,700 future units were identified at five projects in CT 215.01, of which 3,600 units are considered deliverable by 2030. The largest planned neighborhoods are Kaloko Heights by Stanford Carr Development (SCD) (estimated up to 1,160 RHUs) and the Villages of La`i`ōpua by the State of Hawai`i, DHHL (another 1,130 RHUs). With respect to La`i`ōpua, in 2012, DHHL faces an end to the significant State funding the department has been receiving, and this could disrupt its future production.

These figures do not include `O`oma.

✦ **South Kohala-Waikoloa** shows about 4,800 future units entitled and planned, at seven projects. Among these projects, 4,400 units are considered deliverable by 2030. The largest in terms of potential future RHUs are Keolalani at Waikoloa by Keolalani Investment

Partners (estimated 1,950 RHUs) and the County's Kamakoa Vistas, or Waikoloa Workforce Housing development (estimated at 1,140 RHUs). The development team for Kamakoa Vistas is still seeking to secure financing and funding for its project.

**Potential New Resident Housing Units –  
Competitive Residential Market Area**



See Exhibit 3-5 for sources and further information.

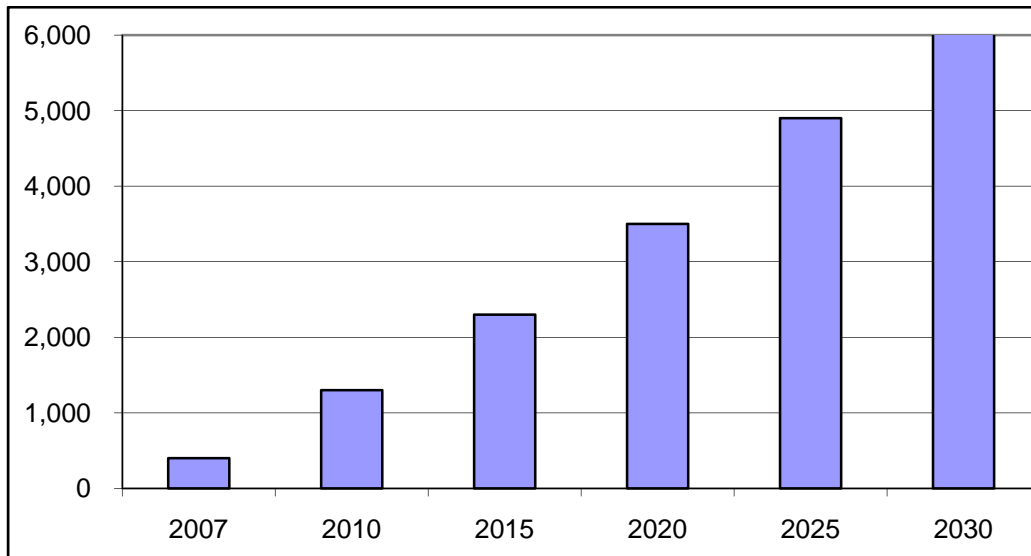
<sup>21</sup> The inventory excludes proposed residential developments on QLT lands in Keahuolū, where LUC-Urban District designation is already in place, but the lands are zoned for commercial use. QLT is considering petitioning the LUC for review of the use of these Urban lands within the next year. Likewise, the projected future inventory does not count plans on lands designated within the LUC Agricultural or Conservation districts as of October 1, 2007, because these plans require discretionary approvals at both the State and County levels and thus are currently considered too speculative to assume production. Such projects include `O`oma itself, as well as other announced proposals such as Kula Nei, Kaloko Makai and Waikoloa Highlands.

As noted, these potential inventories are generous since they consider current zoning or plan maximums and projected development schedules. Often projects get developed at less than their permitted or planned densities, and/or experience delays that push inventory further into the future.

**Summary of Island Demand and Supply Factors (Exhibit 3-6)**

- ✦ **Current and Future Demand** – As presented previously in Exhibit 2-6, households in the CRMA would have to increase from about 7,481 in 2007, to 22,200 in 2030 in order to begin to address the area’s imbalance of jobs and primary resident housing. This suggests a need to provide housing for some 15,000 new households by 2030. In addition, existing pent-up demand for RHUs in the CRMA as of the end of 2007 is estimated at 400 units.
- ✦ **Current Supply** – The 2007 supply of RHUs in the CRMA is estimated at 7,100 units, as presented at the beginning of this chapter.
- ✦ **Future Supply** – Future supply estimates are based on the schedule of LUC-entitled maximum potential future developments in the CRMA<sup>22</sup>. The identified projects could produce up to 8,000 new units by 2030, as discussed above. From this figure a 5% vacancy allowance is deducted, resulting in some 7,600 new units available for resident housing use. Note that these estimates are considered generous, as explained previously.

**Resident Housing Unit Deficit in the CRMA  
After Development of Currently LUC-Urban Lands**



Source: Mikiko Corporation, 2007; see Exhibit 3-6 for further information.

<sup>22</sup> See previous footnote regarding sample selection based on land entitlement.

Taken together, the demand and entitled supply projections indicate a growing shortfall in currently permitted housing opportunities. In addition to the desire to house up to 15,000 new households in the CRMA by 2030, there is an estimated pre-existing pent-up demand for about 400 housing units, and only 7,600 net units LUC-enabled.<sup>23</sup> Thus, even with aggressive housing production efforts, without further LUC entitlement to allow for additional housing developments in the CRMA, the unmet demand for housing in the CRMA is estimated to be approximately 7,900 homes by the year 2030.

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<sup>23</sup> Based on 8,000 LUC-entitled units delivered by 2030, less a 5% vacancy allowance among those units.

## 4 – `O`oma Residential Market Assessment

### *Future Housing Market Setting*

#### **Demand Generators** (reference Exhibit 3-4)

`O`oma Beachside Village, LLC anticipates `O`oma's first housing units could be available for occupancy in 2012, with the first units produced within the Makai Area. At that time, there could be more pent-up demand for primary resident housing in the CRMA than there is today. The RHU supply in the area is projected to be more than 1,300 units short of what is anticipated to be desired by Island residents, even assuming aggressive and sustained development in the interim.

Additionally, demand generated during `O`oma's marketing will originate from new household formation as well as from existing households wishing to move into the area. This new demand can be characterized as:

✘ **Downsizers** – This is the Baby Boom generation between 2010 and 2020, and a larger share will be entering their mid-60s than their mid-50s by 2020. Many members of this generation can be expected to seek to live closer to community amenities as their children move out from home, they enter retirement and/or as they no longer care to maintain a large home.

After 2020, the 55 to 64 age cohort could decline as Baby Boomers move into their 70s (see “senior markets,” below.)

✘ **Entry level markets** – Hawai`i's next most rapidly growing cohort between 2010 and 2020 is likely to be persons aged 25 to 34, the “Echo Boom” generation. This life phase often includes household formation, and one's first rental or home purchase. Since affordability is key to this market and many do not yet have spouses or children, this market also tends to accept smaller units.

✘ **First move-ups** – A strong move-up market could emerge after 2020, as the Echo Boom cohort ages into its mid 30s and early 40s.

✘ **Retirement/senior markets** – The retiree/senior market will also show significant gains between 2010 and 2030. Typically one or two persons per household, this market is also amenable to smaller units.

As noted, many of these household types are expected to be willing to accept smaller living units and to value accessibility to community amenities. Within the Island, the CRMA (and `O`oma's site in particular) is considered a good location for attracting these growing market segments because of its proximity to existing and future anticipated Island jobs, the shoreline and regional parks, shopping and entertainment, the Airport and the many ongoing regional investments in public and private infrastructure throughout the region.

**Housing Demand and Supply** (reference Exhibit 3-6)

Currently entitled projects are estimated to yield up to 7,600 of the potentially demanded 15,000 housing units in the CRMA by 2030, if they are developed within the time frame and at the maximum levels of current plans and entitlements<sup>24</sup>

Despite these substantial developments and a strong and sustained rate of new home production forecast throughout the period, the CRMA could still anticipate a 7,800 to 7,900 unit shortage by 2030, the end of the projection period:

**Supply and Demand for New Resident Housing Units -  
Competitive Regional Market Area, 2006 to 2030**

<b>Future Demand</b>	Pent-up demand, 2006	400
	Future need, 2007-2030	<u>15,000</u>
	Total need	15,400
<b>Future Supply</b>	Planned and entitled (8,000 less 5% vacancy)	7,600
<b>Shortage</b>	<b>As of 2030</b>	<b>7,800*</b>

\* Exhibit 3-6 shows a 2030 shortage of 7,900 units; the difference is due to rounding of subtotals.

Source: Mikiko Corporation, 2007. See Exhibit 3-6 for further information.

The shortage appears to be particularly acute after about 2015, when many of today's projects could have already delivered substantial portions of their entitled and planned inventory.

<sup>24</sup> The projected future supply does not count plans on lands designated LUC Agricultural or Conservation District as of October 1, 2007, because these plans would require discretionary approvals at both the State and County levels and thus are currently considered too speculative to assume production. Such projects include `O`oma itself, as well as other announced proposals such as Kula Lei, Kaloko Makai and Waikoloa Highlands.

## Development Style - Traditional Neighborhood Design

The mixed-use village development concept for portions of `O`oma is one that has been widely tested and refined as the principles of “Traditional Neighborhood Design,” “New Urbanism,” or “Smart Growth” are adopted in communities worldwide.<sup>25</sup> In contrast to the former suburban/commuter model of development, typical guidelines for Traditional Neighborhood Design include:

- ☒ Mixed land uses (residential, commercial, community);
- ☒ Walkable neighborhoods;
- ☒ A range of transportation opportunities;
- ☒ Housing opportunities and choices for a range of household types and incomes; and
- ☒ A greater balance of jobs and housing within each community.

According to The Congress for New Urbanism, even if overall demand for new housing were to slow, cultural changes are resulting in a preference for living in walkable neighborhoods, and thus the demand for homes in New Urbanism communities is expected to increase rapidly. This is being driven by several trends:

- ☒ Demand stemming from rapid increases in the number of households that are headed by persons who are middle-aged or older, even though these same persons likely grew up in and raised their children in suburban, car-centered communities;
- ☒ Receptivity of the young adult “Echo Boomers” to urban lifestyles and Traditional Neighborhood Design values, as well as a typical inability to afford living in the suburbs;
- ☒ Deteriorating driving experience on most US highways and roadways and ever-increasing transportation costs; and
- ☒ Workforce changes related to technology and outsourcing that encourage and enable more people to work from home.

## *`O`oma’s Proposal*

### Development Concept

Consistent with the land use pattern envisioned for this region by The Hawai`i County General Plan (2005) and the Kona Community Development Plan concepts (in process), `O`oma is planned to respond to the trends and community needs discussed above. It will serve a County population that is evolving in terms of age profile and lifestyle, and it will

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<sup>25</sup> The term “Traditional Neighborhood Design,” as used herein, connotes similar design concepts as those that may be referred to elsewhere as “New Urbanism” or “Smart Growth.” Although often dated to the late 1990s, all of these movements are rooted in the ideas of Jane Jacobs, who’s The Death and Life of Great American Cities was published in 1961.

make available opportunities for primary resident living at more modest cost than now available almost anywhere else makai of Queen Ka`ahumanu Highway.

- ✦ It offers significant primary resident housing in a region that tends to be dominated by luxury resort second home developments.
- ✦ It offers a wide variety of housing types, including “live-work” units where a resident can combine a home and a small business.
- ✦ It offers an accessible lifestyle that is not car-driven, due to its medium-densities, mixed-uses, trails and “walkable” streets. These non-car options further enhance the affordability of the community, as studies have shown that automobile costs represent up to 15% or more of the typical U.S. household budget (and much more for lower income households.)
- ✦ It offers housing in an area with significant existing and anticipated jobs as well as schools, parks and other community amenities.

### **Product Mix**

About 60% of `O`oma’s residential units could be for-sale multifamily units, and 40% for-sale single-family units, including some estate lots for custom home development. A share of `O`oma’s units is expected to be developed as affordable housing, in accordance with the County’s affordable housing requirements. A portion of these “affordable” homes could alternatively be developed as multifamily rental units.

The exact mix of units by type will be determined upon finalizing agreements with the County and during the years of build-out, as market conditions and preferences materialize.



A conceptual development scenario for `O`oma includes three distinct areas and types of multifamily development, and two main single-family product types:

**Conceptual Mix of Residential Units at `O`oma**

Unit type	Development density (units per gross acre)	Total planned units	Multifamily homes	Single-family homes	Single-family lots
Multifamily Units at Mauka Village	7.5 to 10	395 to 520	395 to 520	0	0
Multifamily Units at Makai Village	3 to 4.5	35 to 60	35 to 60	0	0
Multifamily Units at Residential Village	9 to 12	100 to 135	100 to 135	0	0
Single-Family Lots at Residential Village (ocean-facing properties)	2.5 to 3	70 to 85	0	0	70 to 85
Single-Family Homes at Residential Village	4 to 5	350 to 400	0	350 to 400	0
<b>Total</b>		<b>950 to 1,200</b>	<b>530 to 715</b>	<b>350 to 400</b>	<b>70 to 85</b>

Sources: PBR HAWAII, July 2007; prior studies.

***Comparison Project Characteristics*** (Exhibit 4-1)

To develop market conclusions regarding the above product types, several North Kona and South Kohala projects were identified and evaluated in terms of their development densities, pricing, absorption and other characteristics. The survey results are summarized in Exhibit 4-1; highlights include:

☒ **Mixed-use villages (Mauka and Makai)** – The Big Island does not yet have any Traditional Neighborhood Design developments. However, a portion of Palamanui, a planned development north and mauka of the `O`oma site, is proposed for this style. Palamanui projects multifamily units in this area are proposed to be priced from about \$400,000 to \$500,000.

☒ **Other multifamily** – Makana Kai at Wehilani and Stanford Carr’s developing Kaloko Heights project both offer townhomes, at 10 to 12 units per acre, comparable to what is proposed at `O`oma. As of this study’s field work, these were priced from

\$337,000 to \$400,000+ at Makana Kai and are proposed to average about \$400,000 at Kaloko Heights. Most buyers to date at Makana Kai were long-time Island residents.

- ✦ **Other single-family, finished homes** – Four mid-density comparison projects from North and South Kohala were identified as comparisons for single-family home development at `O`oma. These include Malulani Gardens (smaller lot homes only) and Pualani Estates in the southern part of North Kona (mauka of Kailua-Kona), Sunset Ridge in Waikoloa Village, and the planned mid-density single-family products at Kaloko Heights. Development densities at these projects range from 4.2 to about 5 units per acre, while achieved or planned sales prices clustered in the \$500,000 to \$600,000 range, but ranged up to \$746,000.
- ✦ **Single-family estate lots** – There has been little vacant lot development catering to the primary residential market in the 2.5 to 3 units per acre range in West Hawai`i. Lot developments at these densities have generally been in resort settings and/or at very high-end oceanfront or golf-front locations. The most similar product identified was Bayview Estates, which is in an off-ocean but excellent view location in Keauhou Resort. Bayview resales between November 1, 2006 and October 31, 2007 ranged from \$469,000 to \$997,000 for still vacant lots with 71% of the buyers appearing to be established Island residents.

## ***Residential Market Evaluation and Conclusions for `O`oma***

### **Anticipated Buyer Markets (Exhibit 4-2)**

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

- ✦ **Entry-level markets** – Those units designated as affordable units, as well as many of the multifamily units in the Mauka Area are conceived to appeal to entry-level markets, typified by the rapidly increasing 25- to 34-year-old Echo Boom cohort in the 2010 to 2020 period.
- ✦ **Move-up markets** – `O`oma's Makai Village, which will be developed at lower densities than the Mauka Area, as well as its single-family housing, is expected to appeal to move-up markets and growing families. The first level move-up market, typified by persons aged 35 to 44, is projected to grow particularly rapidly in the 2020 to 2030 period as the Echo Boomers mature. A second-tier move-up market could be attracted to the custom home development opportunities at the estate lots.
- ✦ **Downsizers** – `O`oma's single-family units and all of its mixed-use multifamily units are seen to appeal to the Baby Boomer cohort that is looking to simplify its lifestyle, lessen homeowner commitments and enhance access to urban amenities. This market may overlap with the retiree segment described below.

- ✘ **Retirement/senior markets** – All of the multifamily units and some of the built single-family product could appeal to retiree markets. The age 70+ population will be a rapidly increasing age classification especially towards the latter years of `O`oma’s marketing.

The great majority of `O`oma homebuyers (estimated at 84%) are anticipated to be long-term Island residents. However, some product types, notably a few of the Mauka Village live-work” units and the estate lots, could also appeal to second home buyers, relocating retirees, or others that may come from off-Island. Such non-primary resident buyers are projected to account for about 16% of all homes at build-out.<sup>26</sup>

### **Projected Sales Prices** (Exhibit 4-2)

Evaluation of supportable residential prices at `O`oma takes into account its unique community characteristics:

- ✘ It is in North Kona, on the ocean side of Queen Ka`ahumanu Highway, an area that has been dominated by luxury second home developments with little to no housing opportunities for full-time Island residents.
- ✘ `O`oma includes more than a half-mile of shoreline planned for public use, including a beach and shoreline park. It will also connect to an extensive public waterfront park and other open spaces that will extend beyond `O`oma to the Kaloko-Honokōhau National Park, the Honokōhau Harbor, and possibly further south.
- ✘ It is planned to include a private canoe club as well as a public community pavilion.
- ✘ It is planned as a mixed-use community that is walkable and bikeable through a network of paths offering easy access to the beach, the shoreline park and retail, dining and entertainment options.
- ✘ It will offer considerable employment within the community itself, as well as “live-work” units that allow residents to combine their business and residential investments.
- ✘ The mixed-use villages would provide community retail and support services to minimize the need to travel outside the community for everyday needs.
- ✘ It is within a rapidly developing area of North Kona, where new developments include:
  - The proposed UHCWH, which would support new professional, technical, and research careers;

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<sup>26</sup> This split is based on 20% of the market units being sold to second or vacation home buyers (20% x 80% = 16%).

- ❑ Additional tenants and expansions at NELHA and HOST, which are likewise expected to generate new positions in research, education and manufacturing;
  - ❑ West Hawai`i's first regional mall and "lifestyle center" at Kona Commons; and
  - ❑ Some of the Island's most unique commercial establishments.
- ✠ `O`oma's proximity to the Airport is both a positive and negative factor. On the one hand, it offers great convenience for those who travel frequently or whose business involves use of the Airport facilities. On the other hand, the Airport generates noise levels that are addressed through project design.

On balance, where density and other product characteristics are equivalent, `O`oma's site and location characteristics are considered to convey a premium over prices for comparable product at the selected comparison properties that were surveyed. It is also noted that elsewhere in the U.S., Traditional Neighborhood Design communities tend to enjoy a price premium over equivalent other residential products not developed in a mixed-use village setting with support community services.

The pricing conclusions for `O`oma are presented in Exhibit 4-2 and summarized as follows:

**Market Unit Price Conclusions for `O`oma**  
2007 dollars

	Average sales price	Average unit density or lot size
<b>Finished homes:</b>		
Multifamily Units at Mauka Village*	\$425,000	7.5 to 10 units/acre
Multifamily Units at Makai Village*	\$525,000	3 to 4.5 units/acre
Multifamily Units at Residential Village*	\$425,000	9 to 12 units/acre
Single-Family Homes at Residential Village (finished units)	\$650,000	5,000 to 6,000 square foot lots
<b>Vacant lots:</b>		
Single-Family Lots at Residential Village	\$650,000	9,000 to 15,000+ square foot lots

\* Prices are for market-priced units, not considering any affordable units that could be offered among these product types.

Source: Mikiko Corporation. See Exhibit 4-2 for further information.

The prices listed on the prior page do not consider the affordable units that would also be developed on-site. Their pricing would be set in accordance with County requirements. Likewise, rental rates, assuming some affordable housing units are developed as rentals, would also be based on County requirements.

For illustrative purposes, according to County guidelines in effect as of May 1, 2007, affordable housing prices would include:

- ☒ For-sale units priced from \$248,800 to \$294,000, for those offered to families of four earning 110% to 130% of the median income; and
- ☒ One- to two-bedroom rental units priced from \$935 to \$1,309 per month, including utilities, and offered to households earning 80% to 100% of the median income.

### **Projected Supportable Sales Absorption**

It is concluded that `O`oma could support a long-term sales absorption averaging about 67 units per year. Within this absorption rate are the 16% or so of buyers anticipated to come from off-Island and to be purchasing for other than primary housing purposes. As discussed in Chapter 3, North Kona is a well-proven area for such market activity, and the \$400,000 to \$699,999 price range is a very strong segment. The single-family estate lots, with a projected average price of \$650,000, can be expected to result in finished home values of \$900,000 or more, and these price ranges are also well tested in the North Kona vacation and part-time resident market.

Assuming off-Island buyers account for 16% of `O`oma's residential sales, they would account for approximately 11 sales in an average year. This in turn would represent an Island market share of less than 2% of the non owner-occupant sales identified in 2006 and 2007, or about 5% of 2007 North Kona non owner-occupant purchases (reference Exhibit 3-4.)

The remaining 56 of the 67 total average annual sales projected at `O`oma are assumed to be to Island residents who are seeking a primary home. This would mean `O`oma could satisfy approximately 9% of the 650 new units projected to be required within the CRMA in an average year between 2007 and 2030 (reference page 25 and Exhibit 3-4).

The overall conclusion considers:

- ☒ The experience of single-product types at the selected price comparison projects;
- ☒ The variety of product types at varying prices (including affordable units) to be provided at `O`oma, enabling appeal to many market segments;
- ☒ The location, pricing and community characteristics represented for `O`oma;
- ☒ `O`oma's extensive shoreline park and ocean access; and

✘ The strong future demand for new housing in the CRMA, which is projected at an average of about 650 units per year until 2030.

The 67 unit average might support the various product types approximately as follows:

**Projected Supportable Residential Unit Sales Rate at `O`oma  
by Product Type, 2012 - 2029**

	<b>Maximum units</b>	<b>Average annual absorption*</b>	<b>Potential marketing period (years)*</b>	<b>Comments</b>
<b>Makai Area (Petition Area)</b> (start 2012):				
Multifamily Units at Makai Village	<b>60</b>	<b>10</b>	<b>6</b>	Some mixed-use units
Multifamily Units at Residential Village (portion)	<b>105</b>	<b>15</b>	<b>7</b>	No mixed-use; site spans Urban and Petition Areas
Single-Family Lots at Residential Village	<b>85</b>	<b>10</b>	<b>9</b>	No mixed-use
Single-Family Homes at Residential Village	<b>400</b>	<b>30</b>	<b>13</b>	No mixed-use
<b>Subtotal</b>	<b>650</b>	<b>46</b>	<b>14</b>	
<b>Mauka Area (Current LUC Urban District)</b> (start 2014):				
Multifamily Units at Mauka Village	520	33	16	Some "live-work" units
Multifamily Units at Residential Village (portion)	30	15	2	No mixed-use; site spans Urban and Petition Areas
<b>Subtotal</b>	<b>550</b>	<b>34</b>	<b>16</b>	
<b>Total `O`oma</b>	<b>1,200</b>	<b>67</b>	<b>18</b>	

Note: Total and subtotals assume several but not all products are marketed simultaneously in any given year.

\* Based on maximum number of units of each type, assuming all marketed for-sale (rather than some also as rentals), thus possibly high estimates. However, sales periods for products may also be extended due to phasing.

Absorption rates assume affordable for-sale housing. Actual inventory and unit tenure to be determined in future agreements with relevant government agencies.

Sources: PBR HAWAII, October 2007; Mikiko Corporation, 2007. See Exhibits 4-2 and 4-3 for further information.

Actual sales from year to year would vary depending on market cycles and the types of units available for sale at any given time. An illustrative mix of absorption periods for residential products within the Mauka and Makai areas of `O`oma are provided below:

**Illustrative Summary of Maximum Potential Residential Sales Absorption at `O`oma**

	<b>Makai Area (Petition Area)</b>	<b>Mauka Area (Current LUC Urban District)</b>	<b>Total for-sale housing (maximum)*</b>
Potential total inventory	<b>650</b>	550	1,200
Average annual sales	<b>46</b>	34	67
Years on market	<b>14</b>	16	18
Start date	<b>2012</b>	2014	2012
<b>End date</b>	<b>By 2025</b>	By 2029	By 2029

\*Assumes several but not all products are marketed simultaneously in any given year, thus total project years on market could exceed that for the Makai or Mauka Areas individually; also, total average annual sales is less than the sum of those for the two areas individually.

Source: Mikiko Corporation, 2007.

As shown, developments within the Makai Area could be expected to be absorbed within about 14 years, or by 2025. Marketing of the Mauka Area could be expected to overlap with the Makai Area, but could extend somewhat longer, to about 2029.

Alternatively, if the community is developed at less than its planned maximum capacity, or if some of the units were developed as rental products, the residences could be absorbed more rapidly.

## 5 - Commercial Market Environment

### *Background*

Various commercial areas offering retail and office facilities are planned at `O`oma. This chapter presents a review of area retail and office market conditions. Although many retail shopping centers include substantial office space, and office buildings often include retail, comparison properties are classified as one or the other based on the predominant use or representation of type by property managers.

### **Analytical Approaches**

- ✦ **Retail** - The market assessment for retail space compares retail supply to area daytime populations. Daytime population consists of residents of an area, less those who may be away during the daytime for work or other purposes, plus those who may live elsewhere but are in the area during the daytime, such as workers employed in the area. The U.S. Census estimates daytime population for primary residents of the area; to this MC adds average daily visitors. Daytime population is a better indicator of commercial demand in West Hawai`i than resident population because of the strong influence of visitor spending on area commercial markets.<sup>26</sup>
- ✦ **Office** – Demand for office space is related to civilian employment at jobs located within the region, regardless of where the employees live. Government office buildings are not considered, since their development and placement is more often a matter of policy and budget processes than market trends.

### **Primary Trade Area**

The Primary Trade Area (PTA) for commercial uses at `O`oma is considered to be the entire North Kona and South Kohala districts of the Island. This is a larger reference area than considered in the residential market review, where it was referred to as the Competitive Residential Market Area. This larger area of interest for commercial purposes is appropriate because:

- ✦ Commercial establishments in North Kona, and particularly its northern half, defined by CT 215.01, serve broad regional markets on the Island that extend far beyond CT 215.01. Obvious examples of this are Costco and The Pottery Terrace, the latter being the largest office building on the Island.

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<sup>26</sup> Part-time residents of the region are another potentially very significant market segment, but this source is not evaluated quantitatively here.



✦ There appears to be significant commuting within North Kona and South Kohala, meaning that residents travel within the area for work, their children's schooling or for other activities. Hence, they may shop or patronize businesses within a broad area.

✦ There is a large daily visitor population in the PTA, mostly accommodated along the coastline. A significant share of this population is likewise considered quite mobile within the region, since they are vacationing.

North Kona and South Kohala also serve commercial markets that originate outside their borders. These sources of market demand are not addressed quantitatively in this analysis, and hence the conclusions expressed could be somewhat conservative.

### Primary Trade Area



See Exhibit 2-1 for sources and further information.

### ***Commercial Supply***

#### **Existing Retail Supply in the PTA (Exhibit 5-1)**

The PTA had some 2.1 million square feet of retail space in place as of the first quarter of 2007. About 75% or 1.6 million square feet of this was located in the North Kona District. The PTA accounts for about 65% of Island's retail-based commercial gross leasable area (GLA).

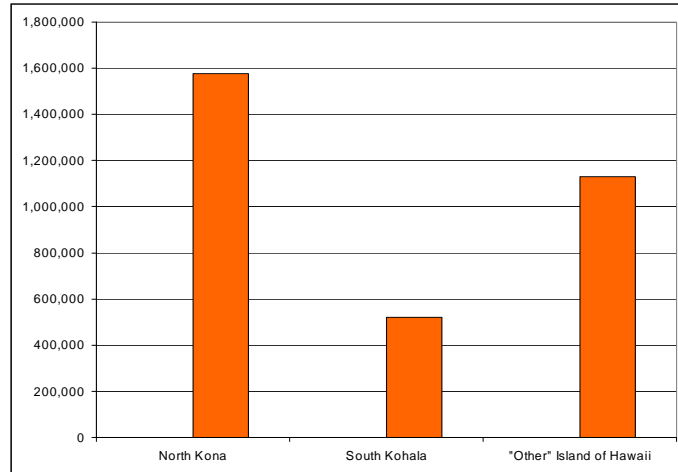
On the other hand, Hilo is home to the Island's largest existing centers, the Prince Kuhio Plaza with over 500,000 square feet, and Waiakea Center with about 230,000 square feet.

Overall, Hawai`i Island's retail market appears undersupplied, with an August 2007 composite vacancy rate of about 3%. The West Hawai`i area appears to be near balance with an average vacancy of about 5%.

**Retail Benchmark Areas**  
(Exhibit 5-1)

Hawai`i Island as a whole has a different economic profile than does West Hawai`i, with significantly less visitor influence, and without the benefit of the major international port of the Island. Thus, while market data is provided and considered for the Island, it is not viewed as an ideal benchmark for the PTA, and a comparison locale was sought on Oahu.

**Existing Retail GLA – Island of Hawai`i**  
(square feet)



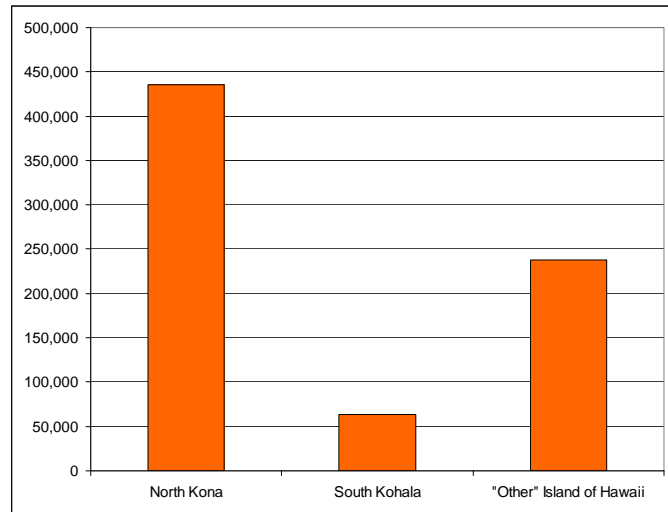
See Exhibit 5-1 for sources and further information.

As a planned community nearing buildout, with retail centers operating at or near capacity and a growing jobs base, Hawai`i Kai is a better indicator for the relationship of balanced retail supply to population levels in a suburban community.<sup>27</sup> Hawai`i Kai has about 857,000 square feet of GLA, of which 247,000 are in the regional Hawai`i Kai Towne Center, about 322,000 in Koko Marina Shopping Center, and 133,600 in Hawai`i Kai Shopping Center.

**Existing Office Supply in the PTA**  
(Exhibit 5-2)

Office supply and demand is evaluated in terms of rentable building area (RBA), also expressed in square feet. Like retail, North Kona also dominates the office-based supply in the PTA, with an estimated 435,000 RBA, compared to only 63,000 in South Kohala and 238,000 elsewhere on the Island.

**Existing Office RBA – Island of Hawai`i**  
(square feet)



See Exhibit 5-2 for sources and further information.

<sup>27</sup> Because Hawai`i Kai is a suburban community, whereas the PTA is emerging as an urban infill development, Hawai`i Kai's ratios are possibly low indicators for the PTA.

The PTA as a whole houses about 66% of the County's office-based RBA.

Office vacancies were about 7% in North Kona, 0% in South Kohala, and 10% for the Island as whole, as of November 2006.

### **Office Benchmark Areas (Exhibit 5-2)**

As in the retail market, office market characteristics for Hawai'i Island as a whole are considered low indicators for office demand in the PTA. Thus, the study also looks to O`ahu as an example of more mature office markets and a labor force that includes a greater share of non-service-based employment, as may West Hawai'i in the future. While O`ahu includes some highly urbanized areas, taken as a whole it is a composite of urban, rural and suburban areas.

The island of O`ahu had a total of 15.7 million RBA, of which 11.4 million or 73% was in urban Honolulu. O`ahu's average vacancy rate was about 7% as of the third quarter of 2007.

### **Planned and Future Space in the PTA (Exhibit 5-3)**

A total of 2.6 million square feet of planned and entitled commercial inventory was identified in North Kona and South Kohala.<sup>28</sup>

Within the PTA, North Kona is the focus of current commercial development interest. There is an estimated 1.9 million square feet of potential retail- and/or office-based commercial spaces proposed or already underway on lands that are entitled and planned for commercial development, as of October 2007.

- ☒ The largest will be the Kona Commons, an approximately 70,000 square foot "lifestyle" center planned on lands leased from QLT in the Keahuolū area. The first phase of about 132,000 square feet of this center is anticipated in October 2008.
- ☒ Second largest is the up to 500,000 square feet proposed at Kona Kai Ola, which would also include a marina and hotel, and timeshare units on lands extending from Honokōhau Harbor to Queen Ka`ahumanu Highway. Although most of these lands are now designated LUC-Urban, developer Jacoby and the State landowners Department of Land & Natural Resources (DLNR) and DHHL are initiating an EIS process because of agreements between DLNR and Jacoby. The property will also require a Special Management Area Permit (SMA) to proceed.

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<sup>28</sup> As for residential developments, this analysis considers only those proposals on lands designated Urban by the LUC as of October 1, 2007. Additionally, commercial developments within projects designated for industrial use are not considered. These would include the West Hawaii Business Park and Kaloko Industrial Park. In addition, the Department of Transportation-Airports division is currently working a revised Master Plan for KOA, which may result in additional commercial uses at KOA. These potential uses have not been considered here because the DOT-A master planning process is still underway and specific uses have not been determined, therefore such development is too speculative for analysis at this time. "

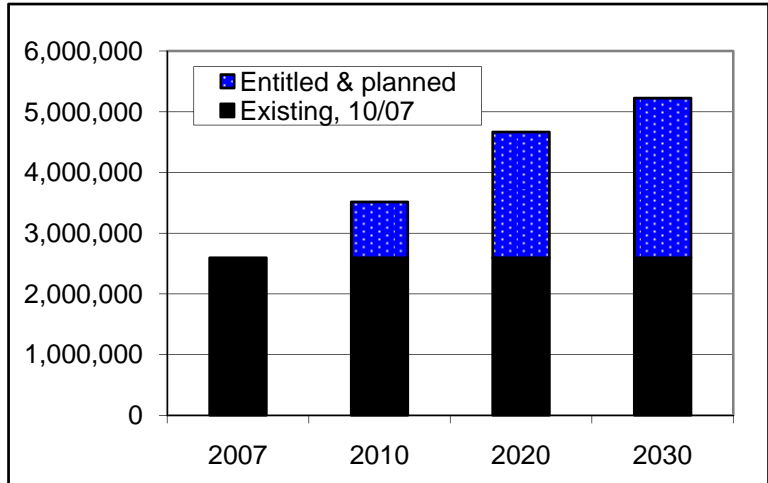
South Kohala has some 740,000 square feet of commercial area proposed over the next 20 years, at four locations: Queen’s Marketplace in Waikoloa Beach Resort (under construction), the proposed Aina Le`a development across from Mauna Lani Resort, Waikoloa Village and in Waimea Town.

Specific projects and land areas from which these estimates were derived are presented in Appendix 4.

**Future Trade Area Inventory**  
(Exhibit 5-3)

If all of the planned and entitled projects identified were developed to their full capacity, and no existing retail- or office-based centers were demolished, the PTA’s commercial inventory could approximately double by 2030, to some 5.2 million square feet.

**Potential Future Commercial Space - PTA (square feet)**



See Exhibit 5-3 for sources and further information.

**Retail Supply and Demand Relationships**

**Area Resident Profiles** (Exhibit 5-4)

The PTA was home to some 50,917 persons, representing an estimated 30% of the Island’s population in 2006. Claritas estimates the PTA population grew 3.4% per year after 2000, much more rapidly than the Island as a whole. The benchmark market Hawai`i Kai housed about 28,000 persons in 2000 and is estimated to have grown just 0.8% per annum to about 29,000 in 2006.

North Kona’s median age in 2006 was about 39, somewhat older than in South Kohala or the Island as a whole, whose medians were estimated at 36 and 37, respectively. North Kona’s median age is closer to that of Hawai`i Kai, where it was estimated at 44 in 2005.

**Daytime Population Ratios** (Exhibit 5-5)

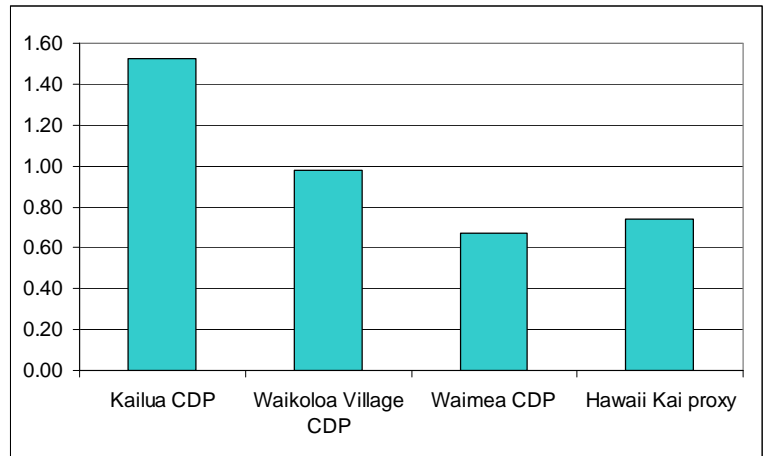
Daytime populations within the Trade Area and benchmark market are estimated based on 2000 ratios prepared by the U.S. Census within Census Designated Places (CDPs).<sup>29</sup> The PTA is evaluated by means of three CDPs: Kailua (Kailua-Kona area), Waikoloa Village and Waimea. The ratios derived from this source are considered baseline figures for the current analysis, as explained below.

<sup>29</sup>US Census Bureau, Census 2000, PHC-T-40, "Estimated Daytime Population and Employment-Residence Ratios: 2000" Journey to Work and Migration Statistics Branch, 2005.

Hawai`i Kai is not a “Place” designated by the Census. Therefore, Kailua on O`ahu is used as a proxy for Hawai`i Kai, since both are long-established bedroom communities to Honolulu, located about 30 minutes away, and both have shown recent increases in retail- and service-related employment.

On average, the PTA CDPs showed a daytime to resident ratio of 1.13 persons in 2000, suggesting significant in-commuting during the day, especially to the Kailua-Kona area. These figures do not consider the impact of non-Island residents such as visitors staying at area resorts.

**Ratio of Daytime Population to Residents**



See Exhibit 5-5 for sources and further information.

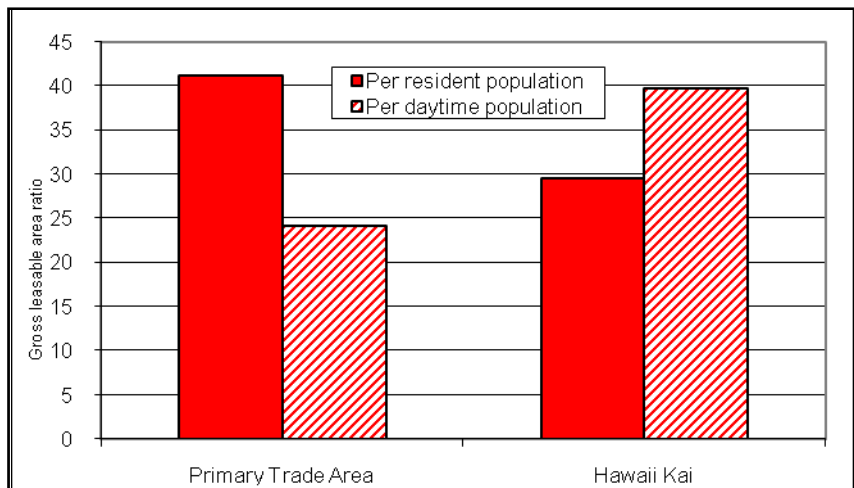
In-commuting to the PTA as a whole could be even greater than these figures reflect, because there are persons who live and work in different CDPs but still within the Trade Area.

As a proxy for Hawai`i Kai, Kailua CDP showed a 0.74 daytime to resident population ratio.

**Retail Supply in Relation to Population**  
(Exhibit 5-6)

Comparing retail GLA to resident population, the PTA suggests high supply when one considers resident population, but upon evaluation of the more relevant daytime population, it is well below the Hawai`i Kai benchmark. The PTA supply represents 24 square feet per daytime resident, while Hawai`i Kai is considered a relatively balanced suburban market, at 40 square feet per daytime resident.

**Retail GLA Per Person**  
(square feet)



See Exhibit 5-6 for sources and further information.

Hawai'i Kai was able to support this significantly higher space ratio despite virtually no vacancies.

### ***Office Supply and Demand Characteristics***

#### **Employment Ratios (Exhibit 5-7)**

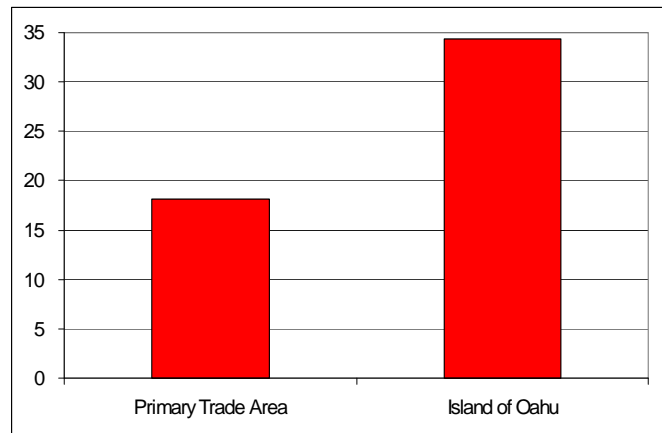
The PTA's civilian labor force accounted for about 54% of its resident population in 2006, with insignificant variation between North Kona and South Kohala. For the island of Oahu as a whole, the ratio was 49%. The PTA's higher ratio reflects its relatively young and workforce-dominated population. With the job and career opportunities of the PTA, it is likely to continue to attract a substantial workforce population, but its age profile will also "gray" as will the rest of the State's.

#### **RBA Ratios**

(Exhibit 5-7)

Comparing existing office RBA to the number of civilian employed persons, the PTA offered significantly less office space than O`ahu as a whole. In 2006, the PTA's private office inventory was estimated at 18 square feet per person in the civilian labor force, compared to 34 for O`ahu.

RBA Per Civilian Employee  
(square feet)



See Exhibit 5-7 for sources and further information.

## 6 – `O`oma Commercial Market Assessment

This chapter presents the estimated market support for additional commercial space in the PTA and at `O`oma, as derived from retail- and office-based market indicators.

### *Supportable Commercial Area in the Primary Trade Area*

#### **Methodology** (Exhibit 6-1)

Additional future retail-and office-based market needs will be related to growth in the daytime populations of the PTA for retail space, and in the labor force for office space. The potentially rapidly increasing resident population of the PTA itself would anchor demand in the area. Additionally, the populations of rest of West Hawai`i could also contribute significant retail expenditures to the PTA, as the PTA becomes further established as the regional hub for jobs, services, entertainment and shopping. This analysis of supportable commercial area considers only demand that originates within the PTA, and thus may be considered conservative.

#### **Retail-Based Demand** (Exhibit 6-1)

- ✦ Retail-based demand is evaluated as a function of daytime population. This assessment assumes daytime to resident population ratio in the PTA rises from the 1.28 level that was derived from year 2000 working patterns, to 1.40 by 2020 and beyond. This is considered possibly conservative due to:
  - ❑ The PTA ratio is likely already higher than the 1.28, since that figure reflects 2000 working patterns and only those persons remaining within small CDP areas within the Trade Area.
  - ❑ The many proposed commercial developments in North Kona reinforce its position as a jobs and commercial hub of West Hawai`i, and reflect its status as an urban infill area.
- ✦ Added to this “resident daytime population” is an estimate of the average daily visitor population in the area, which is assumed to grow at about 2% in the future, according to projections prepared by UHERO.<sup>30,31</sup>

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<sup>30</sup> UHERO, “Tourism Pause Means Further Slowing Ahead,” March 2, 2007.

<sup>31</sup> This methodology may also be considered conservative in that the sizeable and growing area population of second home residents is not quantified as a part of daytime population.

These components identify a future PTA retail consumer population of about 179,000 persons by 2030, reflecting a 3.1% per annum rate of increase from 2010. Employing a ratio of 40 GLA square feet per person, equivalent to that realized in Hawai`i Kai in 2006, the PTA could be expected to support some 3.0 million square feet of retail-based GLA by 2010, or up to 5.9 million by 2030.

**Office-Based Demand** (Exhibit 6-1)

North Kona already dominates the Island’s office market with the majority of the Island’s supply at better than average occupancy.

Future office-based demand is considered a function of growth in the civilian labor force in the PTA. This can be expected to follow from the relocation and expansion of UHCWH, additional job creation at NELHA and HOST, and from plans for commercial, second home, timeshare and hotel developments within the area. Some of these developments represent expansion of non-service industries in the PTA and can be expected to support more professional and technical opportunities than are available today. These sectors tend to generate more office-based employment than others. Accordingly, supportable RBA in the PTA is projected to increase to up to 25 square feet per civilian employed resident by 2020. This would be a significant change from the 2006 profile of the area, but is still well within the 34-square foot average evidenced on Oahu.

Using these assumptions and considering just the PTA as a demand generator, by 2030, the PTA could require up to 1.4 million square feet of office RBA.

**Total Commercial Demand** (Exhibit 6-1)

In total, the retail- and office-market derived demand indicator suggest support for up to 3.6 million square feet of commercial area by 2010, or 7.3 million throughout the PTA, by 2030:

**Projected Supportable Commercial Areas in the PTA** (square feet)

	2010	2020	2030
Retail-based demand	3,000,000	4,700,000	5,900,000
Office-based demand	600,000	1,100,000	1,400,000
<b>Total</b>	<b>3,600,000</b>	<b>5,800,000</b>	<b>7,300,000</b>

Note: Represents total projected supportable areas, including existing and entitled/planned developments. See Exhibit 6-1 for further information.



**Supportable Additional Areas**

Considering the already existing State entitled and planned areas,<sup>32</sup> the PTA could be expected to support an additional 1.13 million square feet of commercial space by 2020. By 2030, the cumulative total of new supportable areas could amount to about 2.07 million square feet over and above those areas already existing or proposed and entitled for development.

**Assessment for `O`oma**  
(Exhibit 6-2)

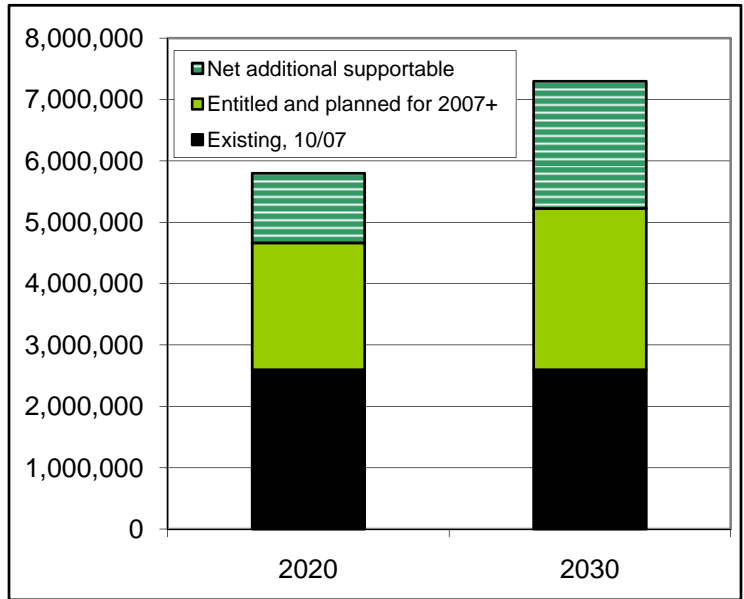
**`O`oma Proposal**

`O`oma Beachside Village, LLC proposes to offer approximately 200,000 square feet of commercial areas at `O`oma. The majority, up to about 150,000 square feet, would be located in the Mauka Village, which may be traversed by a proposed NELHA/Airport connector road. This would create highly desirable commercial sites at the Mauka Village.

The balance of up to about 50,000 square feet would be located in the ocean-facing, Makai Village, at the edge of the shoreline park. This Village could include a private canoe club, restaurants and other retail or entertainment-oriented establishments that would benefit from the ocean and shoreline views.

As with the residential development, the first finished commercial building products are assumed to be available for use in about 2012.

**Projected Supportable Commercial Areas in the PTA**  
(square feet)



Source: Mikiko Corporation. See Exhibit 6-2 for further information.

<sup>32</sup> See Appendix 4 for listing and explanation of areas considered “entitled and planned” future inventory.

## Commercial Markets and Enterprise Types

`O`oma's commercial development will address `O`oma residents' retail and office needs as well as those of the PTA and in some cases, the broader West Hawai`i community. Facilities could include neighborhood or community shopping centers, office buildings, "live-work" or "flex units" that could accommodate a proprietor's office as well as home, and retail spaces mixed into residential and/or office structures.

The location suggests a variety of enterprise types of interest, such as:

- ✦ **Neighborhood retail and services** directed at `O`oma and Kohanaiki primary residents and the `O`oma and NELHA workforce. This demand could support establishments such as eating and drinking places, convenience grocery, sundries, laundry services and banking;
- ✦ **Community retail and businesses** directed at `O`oma residents as well as the broader West Hawai`i community, but particularly the North Kona and South Kohala districts. These could include unique eating and drinking places, specialty foods or nursery/floral shops; postal or other civic services; and offices for professional services, real estate and rental agencies;
- ✦ **Airport convenience goods and services** such as gas stations, gifts and packaging/mailing, especially if the NELHA/Airport connector road is developed;
- ✦ **Service businesses that support area part-time resident communities** such as at Hualālai, Kūki`o and Kohanaiki, with services such as home maintenance and repair, housekeeping, pool maintenance, landscaping, and auto storage and maintenance;
- ✦ **Branch offices** of professional or construction-related enterprises that frequently do business in West Hawai`i.

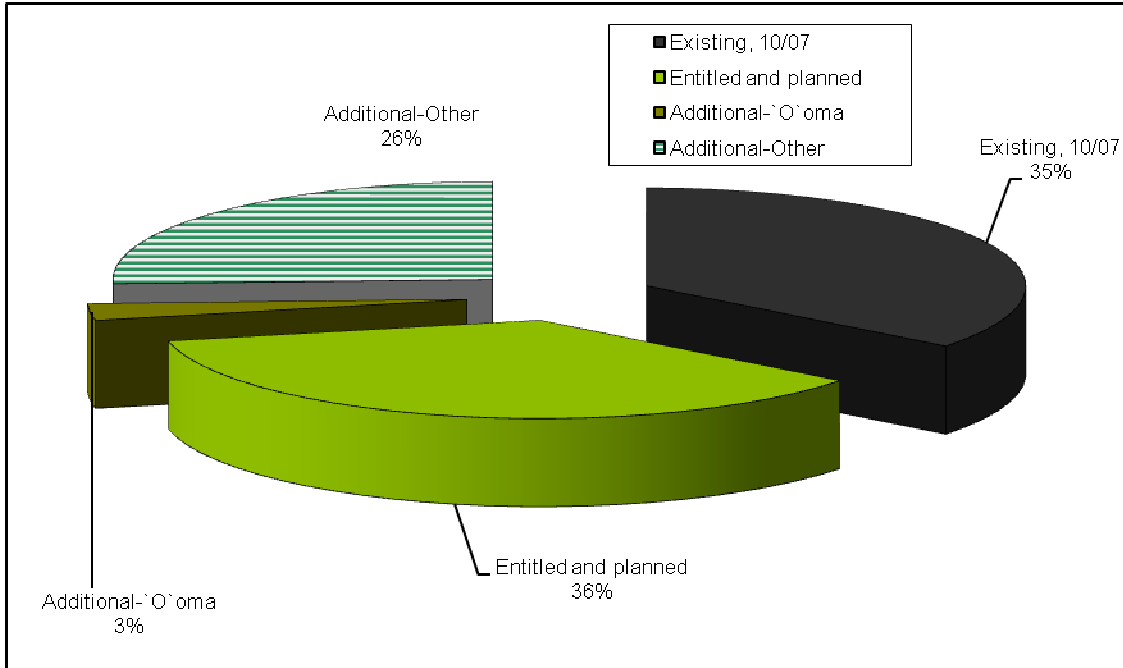
It is estimated that a majority of the commercial space planned throughout `O`oma could be supported by resident and daytime populations that originate within a three- to four-mile radius of `O`oma. In addition to offering convenience to these area residents, workers and visitors, the planned commercial areas could also benefit the broader region:

- ✦ **Traffic alleviation** – With its prime location near to the Airport, between Kailua-Kona and the resorts of North Kona, and with frontage along Queen Ka`ahumanu Highway and a potential NELHA/Airport connector road, commercial development at `O`oma could alleviate unnecessary traffic into congested Kailua-Kona for residents, employees and visitors to the region.
- ✦ **Ocean access** – The proposed Makai Village will greatly enhance public access to the shoreline. This would be a great departure from existing commercial developments near to the shoreline in North Kona, which have tended to be entirely private or very exclusive.

## Projected Supportable Commercial Areas (Exhibit 6-2)

If developed to the full-proposed approximate capacity of 200,000 square feet, `O`oma's commercial spaces could represent some 3% of the PTA's total 2030 inventory. It could also represent a venue for about 10% of the currently unplanned but future supportable commercial space in the PTA.

**Distribution of Projected Supportable Commercial Space in the PTA: 2030**



See Exhibit 6-2 for sources and further information.

`O`oma is projected to support about 100,000 square feet within nine years (by 2020). This could include all of the 50,000 square feet proposed within the Makai Area, and about one-third of areas proposed within the Mauka Area. The balance of commercial development could be expected to be completed coincident with the buildout of the residential community.

A potential development scenario consistent with the market findings is outlined on the following page. The assessment addresses commercial spaces that may be developed within "live-work" units, as well as those that may be built in dedicated commercial or mixed-use centers.

**Summary of Projected Commercial Absorption at `O`oma  
2012 - 2029**

	2012 - 2020	2021 - 2029	Total
Number of years	9	9	18
<b>Makai Area (Petition Area)</b> (start 2012):			
Mixed-use	30,000	0	30,000
Restaurant/canoe club	20,000	0	20,000
<b>Subtotal</b>	<b>50,000</b>	<b>0</b>	<b>50,000</b>
<b>Mauka Area (Current LUC Urban District)</b> (start 2014):*			
Mixed-use*	50,000	100,000	150,000
<b>Total</b>	<b>100,000</b>	<b>100,000</b>	<b>200,000</b>

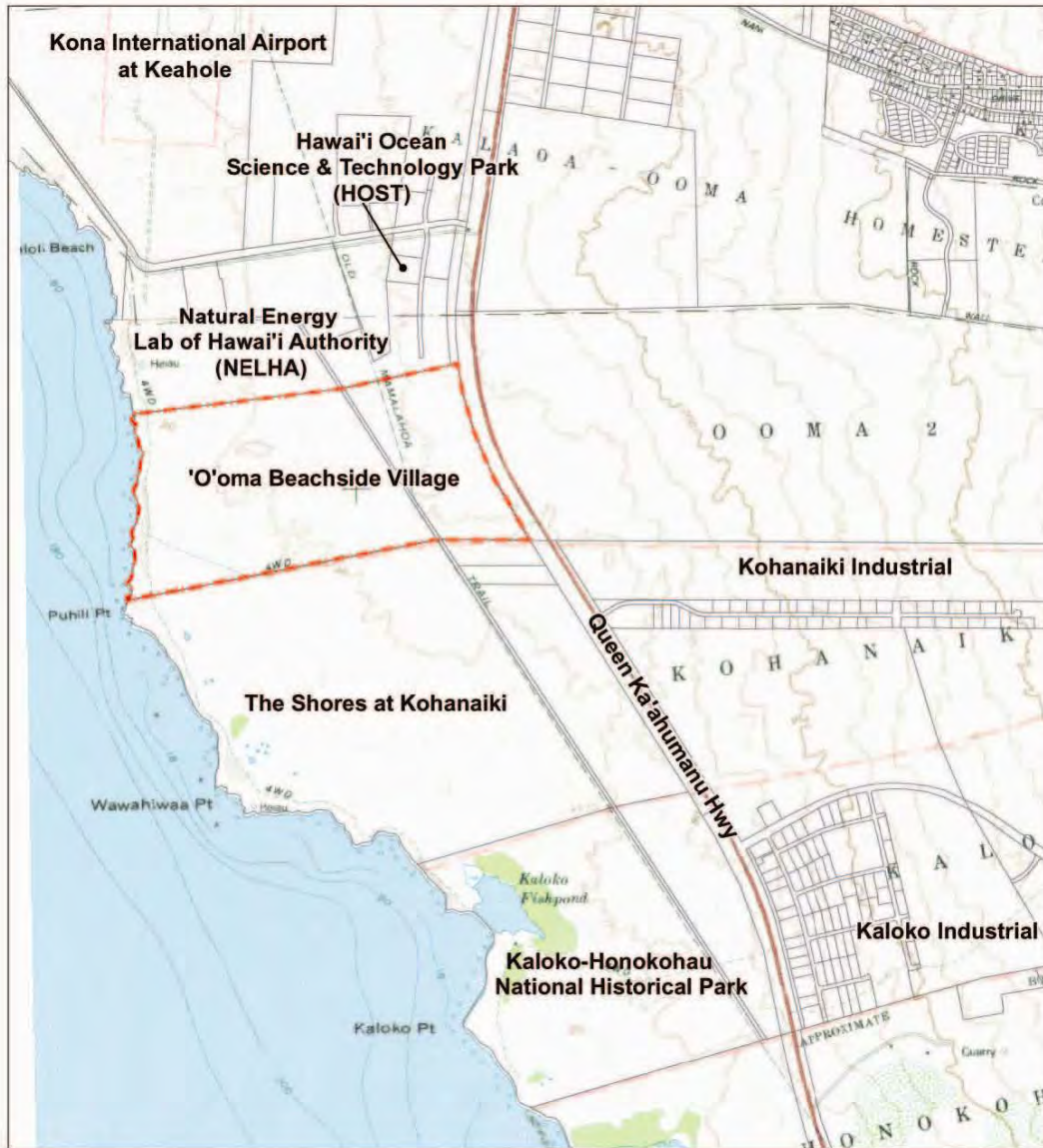
\* Start date refers to all developments within the Current LUC Urban District, including residential uses. Commercial uses likely to be initiated a year or more after residential uses within this area.

Source: Mikiko Corporation, 2007.

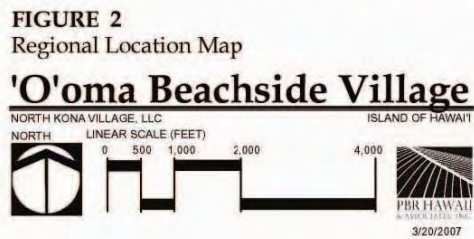
# **Market Assessment for `O`oma Beachside Village**

## **Exhibits**

# Exhibit 1-1 `O`oma Beachside Village – Site Location



**Legend**  
 'O`oma Beachside Village

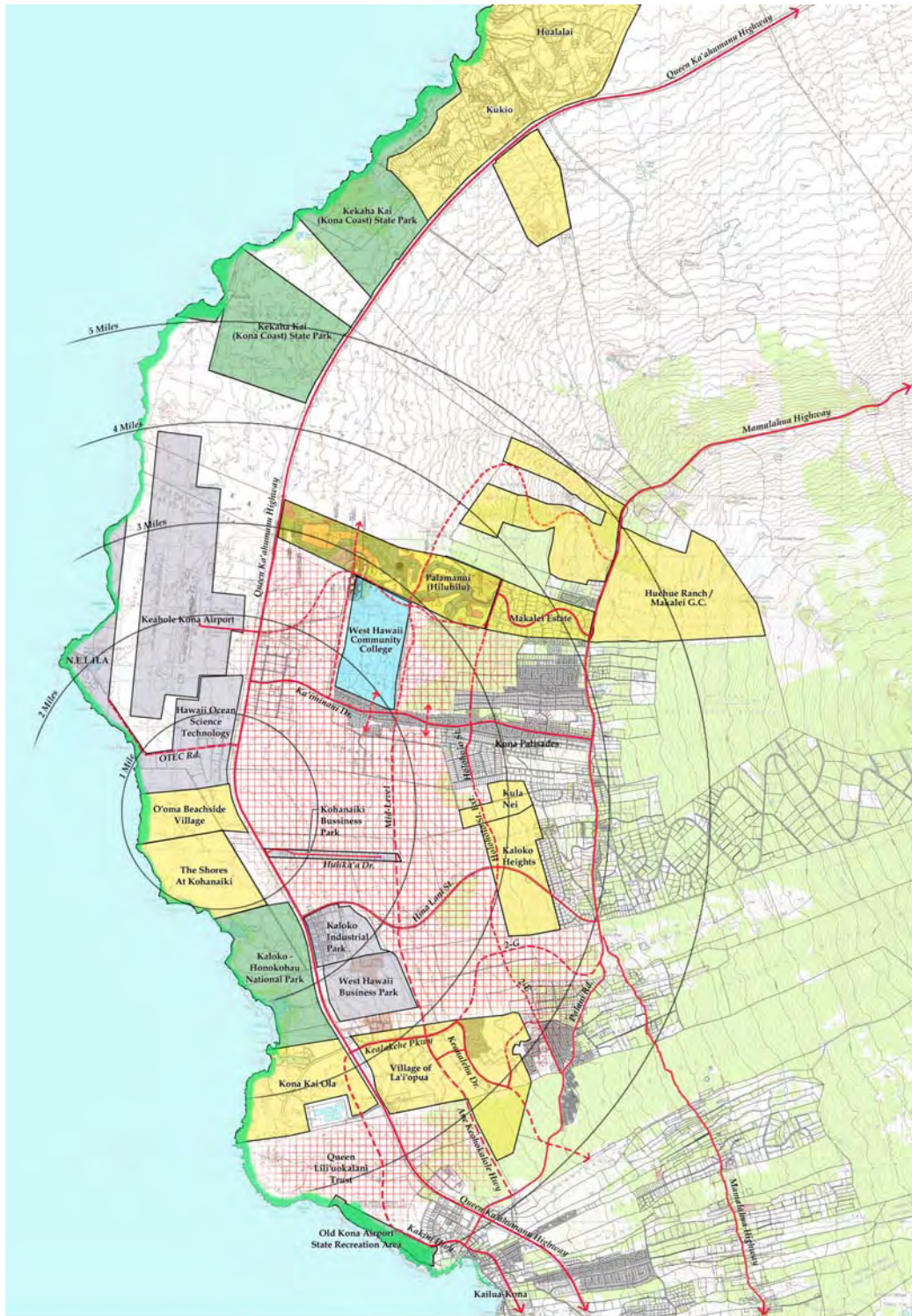


Source: U.S. Geological Survey  
 Disclaimer: This graphic has been prepared for general planning purposes only.

Source: PBR Hawaii, 2006.



# Exhibit 1-2 O`oma Beachside Village – Regional Context

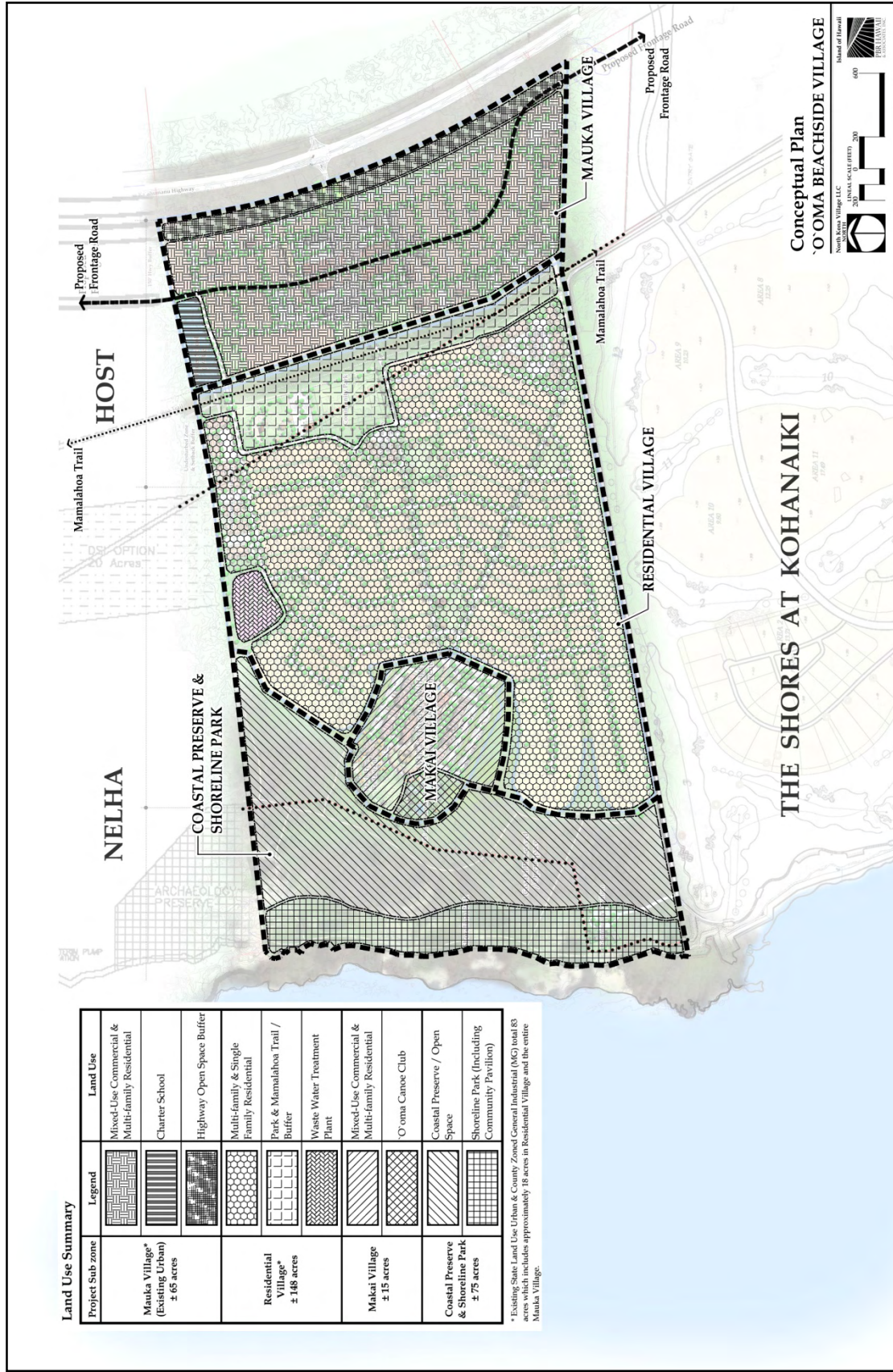


Regional Context Map  
**O'OMA BEACHSIDE VILLAGE**  
North, East, West, South  
  
**PBR HAWAII**  
& ASSOCIATES, INC.

Source: PBR Hawaii, April 2007.



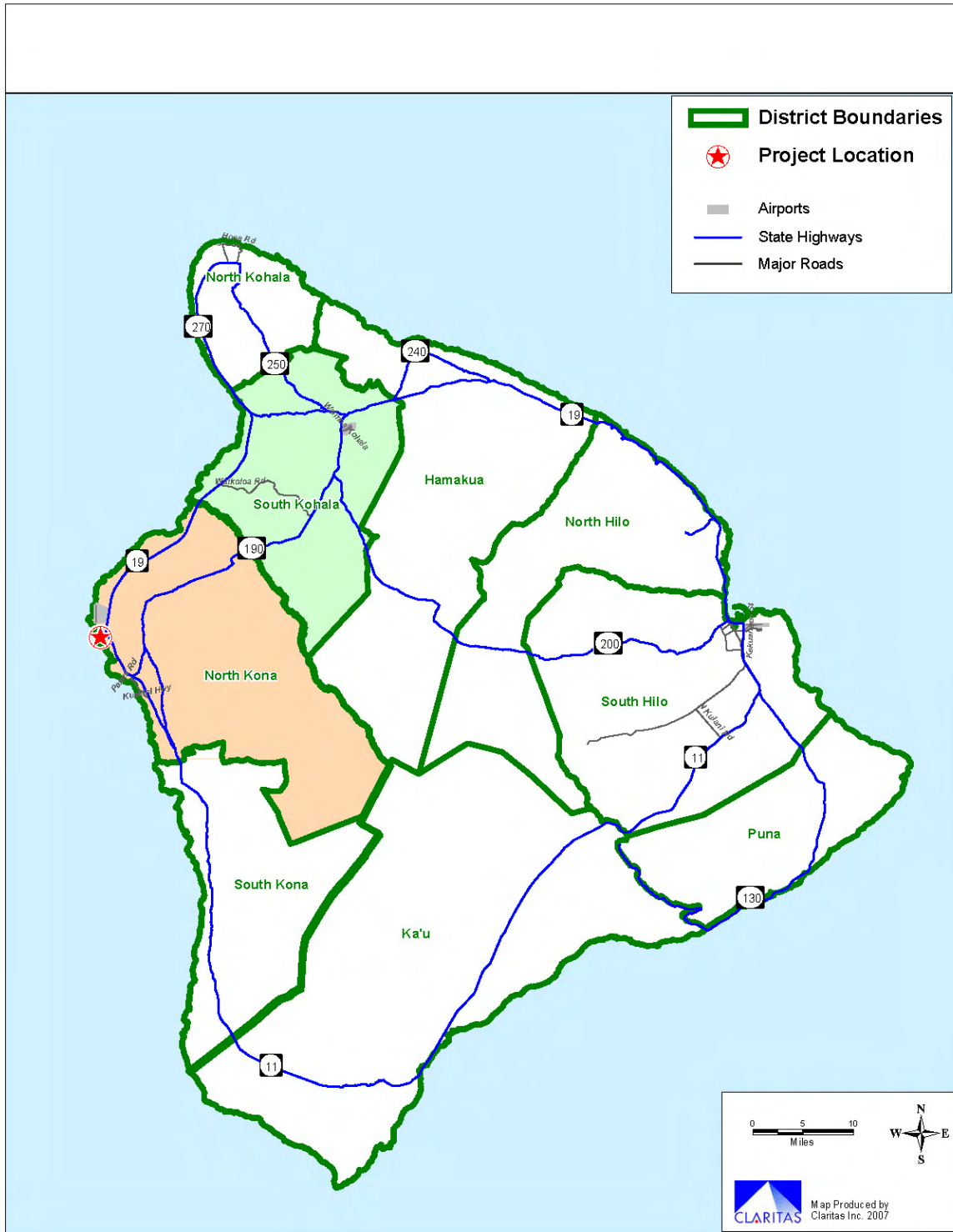
# Exhibit 1-3 O`oma Beachside Village – Proposed Land Uses



Source: PBR Hawaii, 2008.



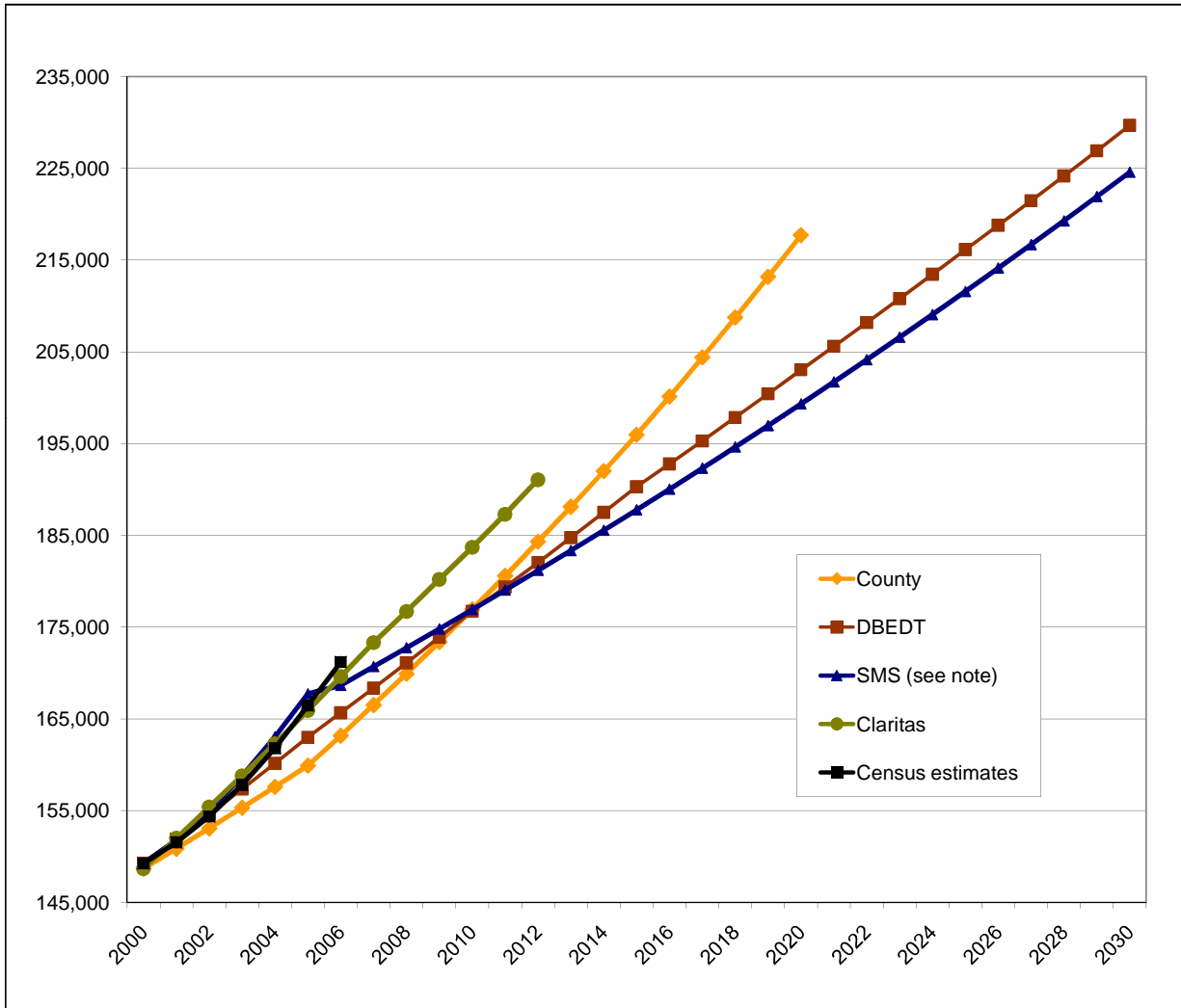
## Exhibit 2-1 `O`oma Location and Hawaii Island Districts



Source: Claritas, Inc., March 12, 2007.

**Exhibit 2-2  
Resident Population - Island of Hawaii  
Comparison of Estimates and Projections  
2000 to 2030**

	<u>Date of study</u>	<u>2000</u>	<u>2005</u>	<u>2007</u>	<u>2012</u>	<u>2020</u>	<u>2030</u>	<u>Average annual growth</u>		
								<u>2000-2005</u>	<u>2005-2020</u>	<u>2020-2030</u>
County <sup>1</sup>	2001	148,677	159,907	166,513	184,316	217,718		1.5%	2.1%	NA
DBEDT <sup>2</sup>	2004	149,261	163,000	168,367	182,050	203,050	229,700	1.8%	1.5%	1.2%
SMS <sup>3</sup>	2007	149,261	167,729	170,689	181,179	199,321	224,573	2.4%	1.2%	1.2%
Claritas <sup>4</sup>	2007	148,677	165,900	173,314	191,052			2.2%	NA	NA
U.S. Census <sup>5</sup>	2007	149,243	166,461					2.2%	NA	NA



NA - Not applicable.

<sup>1</sup> County of Hawaii, Hawaii County General Plan, 2001; ("Series "B," mid-range projections).

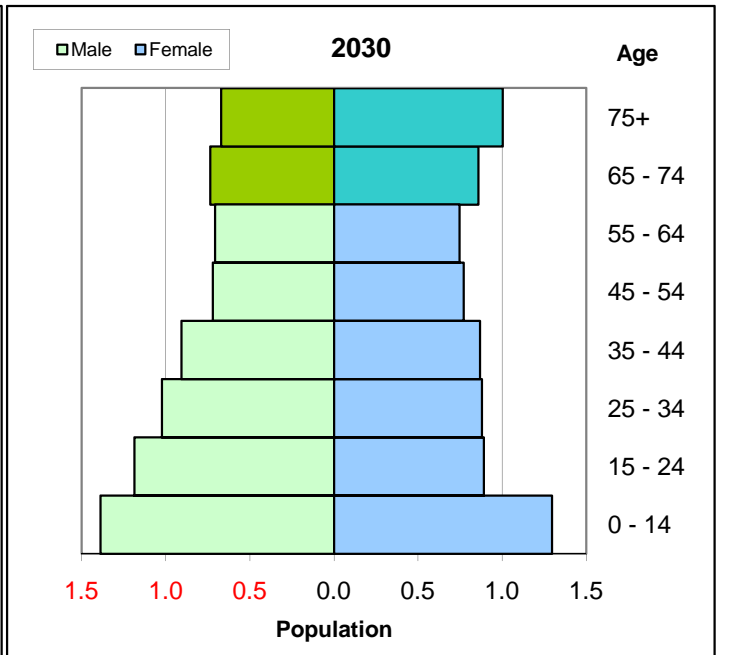
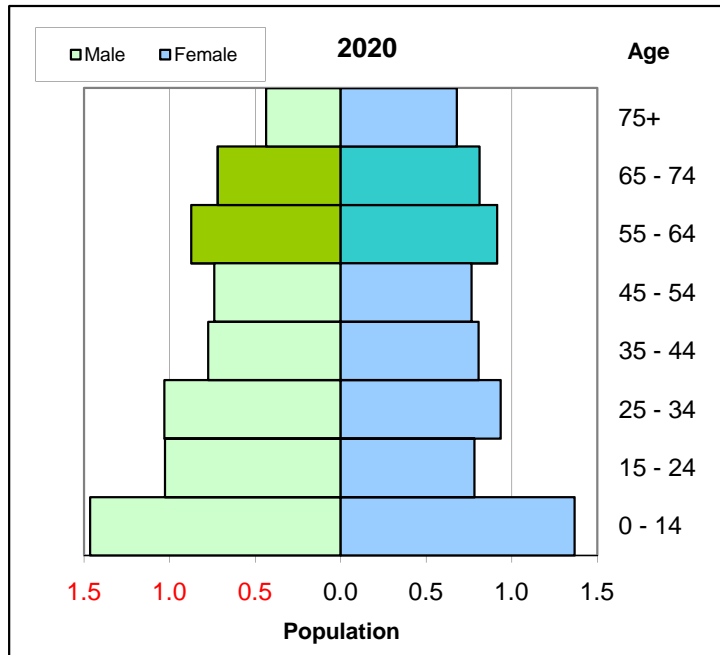
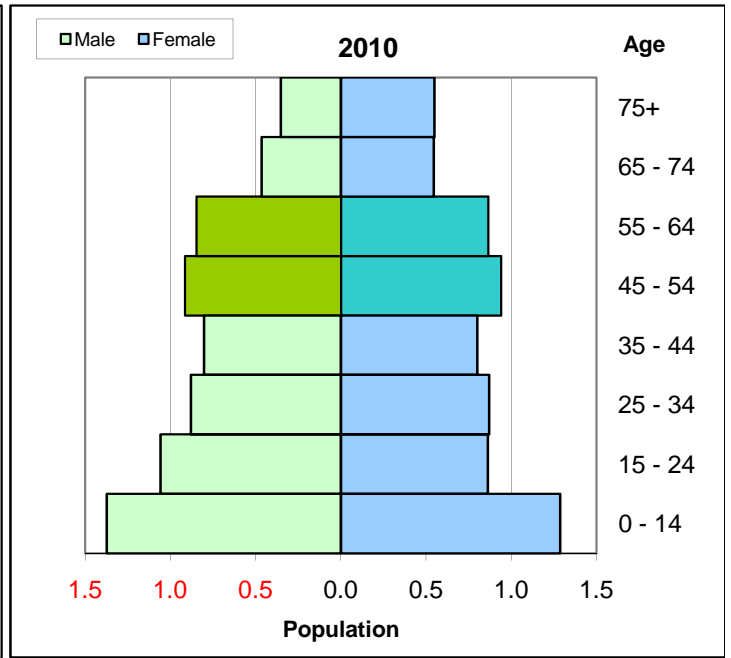
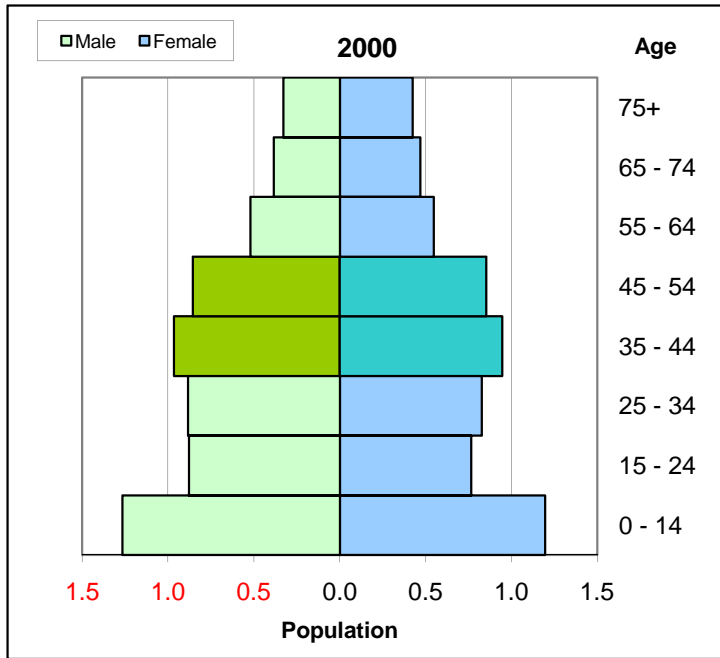
<sup>2</sup> State of Hawaii, Research and Economic Analysis Division, Department of Business, Economic Development and Tourism, "Population and Economic Projections for the State of Hawaii to 2030," August 2004.

<sup>3</sup> SMS, Inc. "Hawaii Housing Policy Study, 2006: Hawaii Housing Model 2006," February 2007, prepared for the State of Hawaii, Hawaii Housing Finance and Development Corporation and the housing officers/administrators for Honolulu, Maui, Hawaii and Kauai Counties. The population projections shown above are obtained from the excel model SMS prepared for HHFDC in association with this study, with Hawaii County population growth set to the "official parameter" of 1.2% to 2030.

<sup>4</sup> Claritas, Inc., November 6, 2007. Estimate for 2007; projection for 2012; figures interpolated in-between.

<sup>5</sup> U.S. Census Bureau, Population Division, Table 1: Annual Estimates of the Population for Counties of Hawaii: April 1, 2000 to July 1, 2006 (COEST2006-01-15), March 20, 2007 (as of July 1 each year).

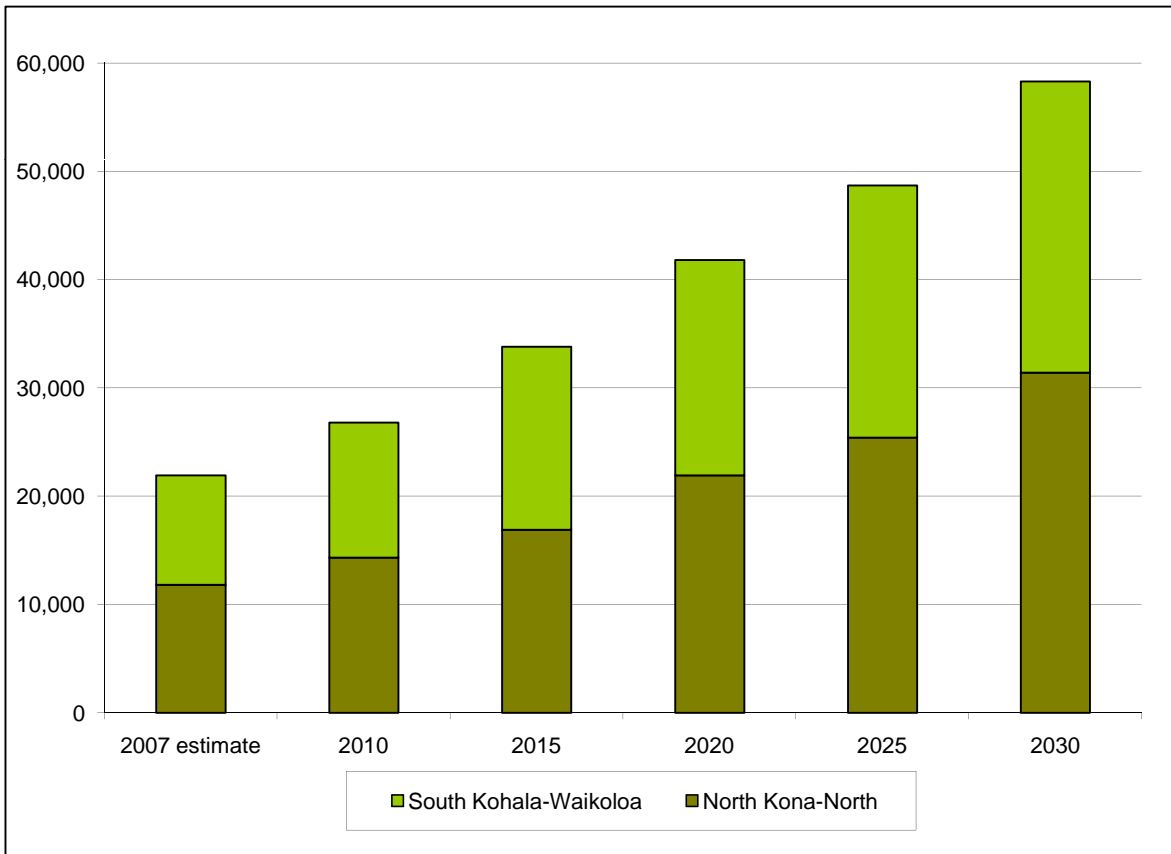
## Exhibit 2-3 Projected Population by Age Group - State of Hawaii 2000 to 2030



Notes: Each unit on X axis represents 100,000 persons. Highlighted bars include Baby Boom cohort.  
 Source: U.S. Census Bureau, Population Division, Interim State Population Projections (released 4/21/05),  
<http://www.census.gov/population/www/projections/statepyramid.html>.

**Exhibit 2-4**  
**Resident Population -**  
**Competitive Residential Market Area and Island of Hawaii**  
2007 to 2030

	<b>2007 Estimate</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>Average annual % increase, 2007-30</b>
<b>Competitive Residential Market Area<sup>1</sup>:</b>							
North Kona-North <sup>2</sup>	11,804	14,300	16,900	21,900	25,400	31,400	4.3%
South Kohala-Waikoloa <sup>3</sup>	10,114	12,500	16,900	19,900	23,300	26,900	4.3%
<b>Total</b>	<b>21,918</b>	<b>26,800</b>	<b>33,800</b>	<b>41,800</b>	<b>48,700</b>	<b>58,300</b>	<b>4.3%</b>
<b>Island of Hawaii<sup>4</sup></b>	168,665	179,031	187,780	199,321	211,570	224,573	1.3%
<b>As a percentage of Island:</b>							
North Kona-North <sup>2</sup>	7.0%	8.0%	9.0%	11.0%	12.0%	14.0%	--
South Kohala-Waikoloa <sup>3</sup>	6.0%	7.0%	9.0%	10.0%	11.0%	12.0%	--
<b>Total Trade Area</b>	<b>13.0%</b>	<b>15.0%</b>	<b>18.0%</b>	<b>21.0%</b>	<b>23.0%</b>	<b>26.0%</b>	<b>--</b>



<sup>1</sup> As provided by Claritas for 2007. Thereafter, population projected by Mikiko Corporation assuming the area's Island share should approach alignment with its jobs base.

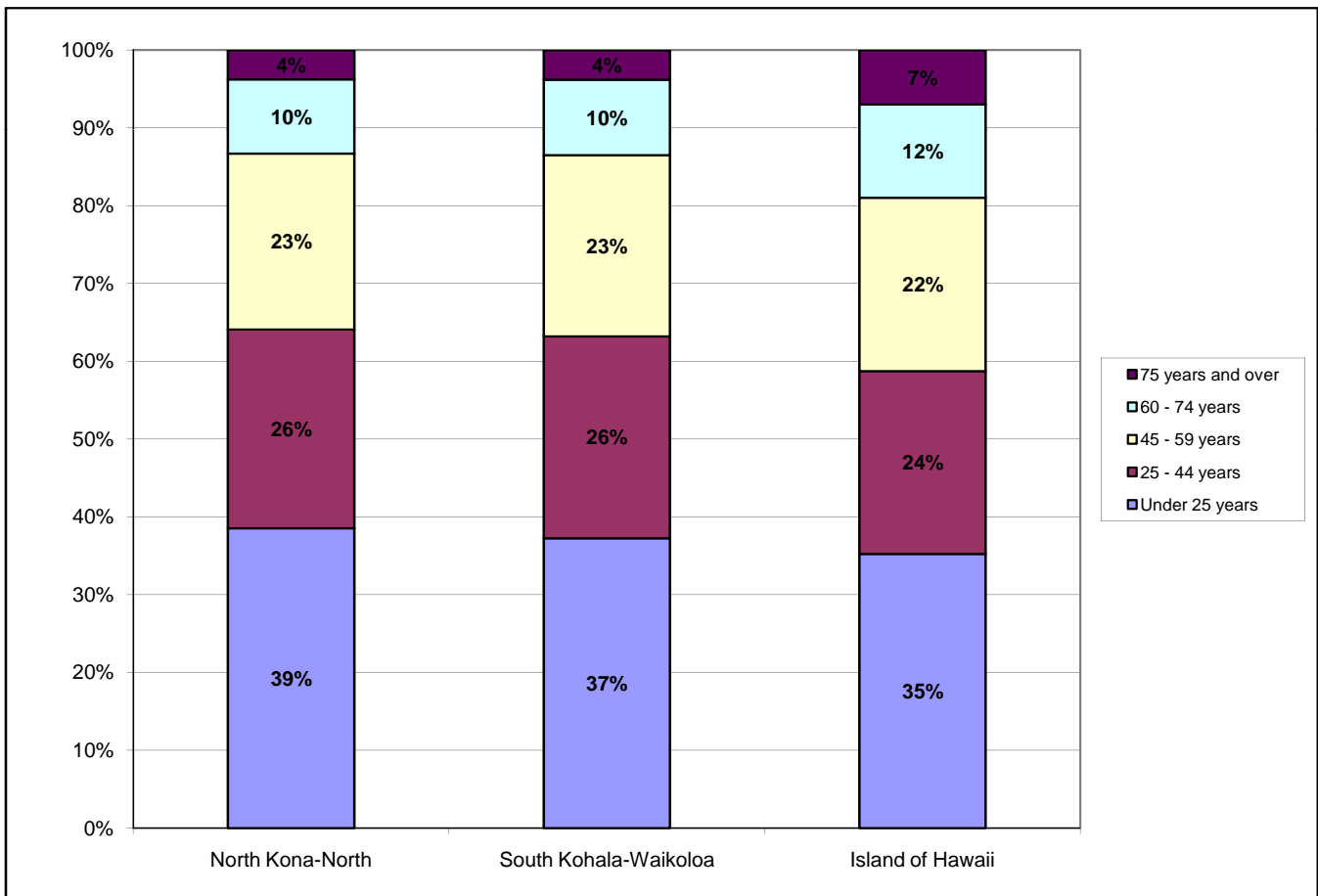
<sup>2</sup> Census Tract 215.01, the northern part of the North Kona District, generally to Henry Road. Excludes Kailua-Kona and areas southward. See Appendix 1 for map.

<sup>3</sup> Census Tract 217.01, the southern part of the South Kohala District, generally from Waikoloa Beach Resort to Mauna Kea Resort, and mauka to Waikoloa Village. Excludes Waimea Town. See Appendix 2 for map.

<sup>4</sup> SMS/Mikiko series, as shown in Exhibit 2-2.

**Exhibit 2-5**  
**Population by Age Group -**  
**Competitive Residential Market Area and Island of Hawaii**  
 2007 Estimate

				As a percentage of Island of Hawaii	
	North Kona-North <sup>1</sup>	South Kohala- Waikoloa <sup>2</sup>	Island of Hawaii	North Kona- North <sup>1</sup>	South Kohala- Waikoloa <sup>2</sup>
Under 25 years	4,553	3,769	61,088	7%	6%
25 - 44 years	3,016	2,626	40,737	7%	6%
45 - 59 years	2,667	2,355	38,670	7%	6%
60 - 74 years	1,129	982	20,782	5%	5%
75 years and over	439	382	12,037	4%	3%
<b>Total</b>	<b>11,804</b>	<b>10,114</b>	<b>173,314</b>	<b>7%</b>	<b>6%</b>
<b>Median age</b>	<b>34</b>	<b>36</b>	<b>37</b>		

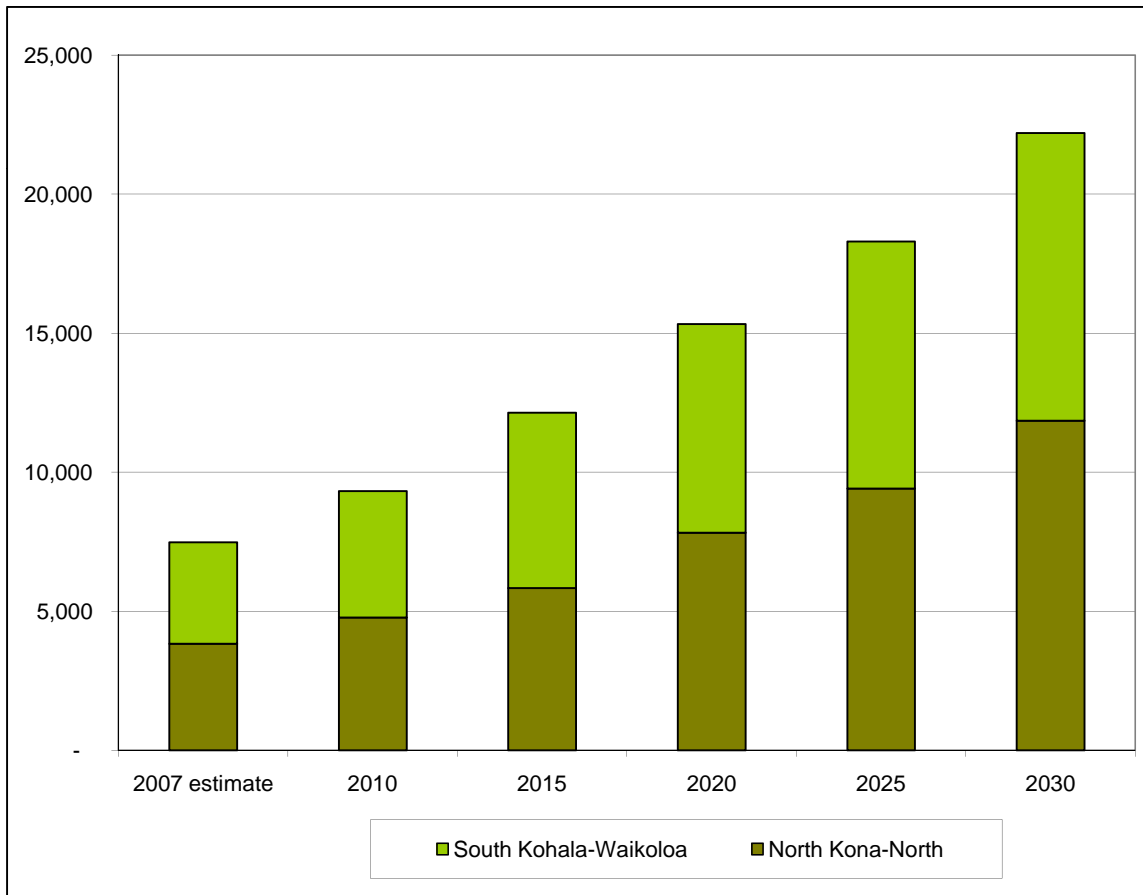


<sup>1</sup> Census Tract 215.01, the northern part of the North Kona District, generally to Henry Road. Excludes Kailua-Kona and areas southward. See Appendix 1 for map.

<sup>3</sup> Census Tract 217.01, the southern part of the South Kohala District, generally from Waikoloa Beach Resort to Mauna Kea Resort, and mauka to Waikoloa Village. Excludes Waimea Town. See Appendix 2 for map.

**Exhibit 2-6**  
**Households - Competitive Residential Market Area and Island of Hawaii**  
 2007 to 2030

	<b>2007 Estimate</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>Average annual % increase, 2007-30</b>
<b>Number of households:</b>							
<b>Competitive Residential Market Area<sup>1</sup> -</b>							
North Kona-North <sup>2</sup>	3,831	4,770	5,830	7,820	9,410	11,850	5.0%
South Kohala-Waikoloa <sup>3</sup>	3,650	4,550	6,310	7,510	8,890	10,350	4.6%
<b>Total</b>	<b>7,481</b>	<b>9,320</b>	<b>12,140</b>	<b>15,330</b>	<b>18,300</b>	<b>22,200</b>	<b>4.8%</b>
Island of Hawaii <sup>4</sup>	62,021	64,510	68,881	73,549	78,533	83,855	1.3%
<b>Average household size:</b>							
North Kona-North <sup>2</sup>	3.08	3.00	2.90	2.80	2.70	2.65	-0.7%
South Kohala-Waikoloa <sup>3</sup>	2.77	2.75	2.68	2.65	2.62	2.60	-0.3%
Island of Hawaii <sup>4</sup>	2.75	2.74	2.73	2.71	2.69	2.68	-0.1%



<sup>1</sup> As provided by Claritas for 2007. Thereafter, based on projected population as shown in Exhibit 2-4 and household sizes as shown.

<sup>2</sup> Census Tract 215.01, the northern part of the North Kona District, generally to Henry Road. Excludes Kailua-Kona and areas southward. See Appendix 1 for map.

<sup>3</sup> Census Tract 217.01, the southern part of the South Kohala District, generally from Waikoloa Beach Resort to Mauna Kea Resort, and mauka to Waikoloa Village. Excludes Waimea Town. See Appendix 2 for map.

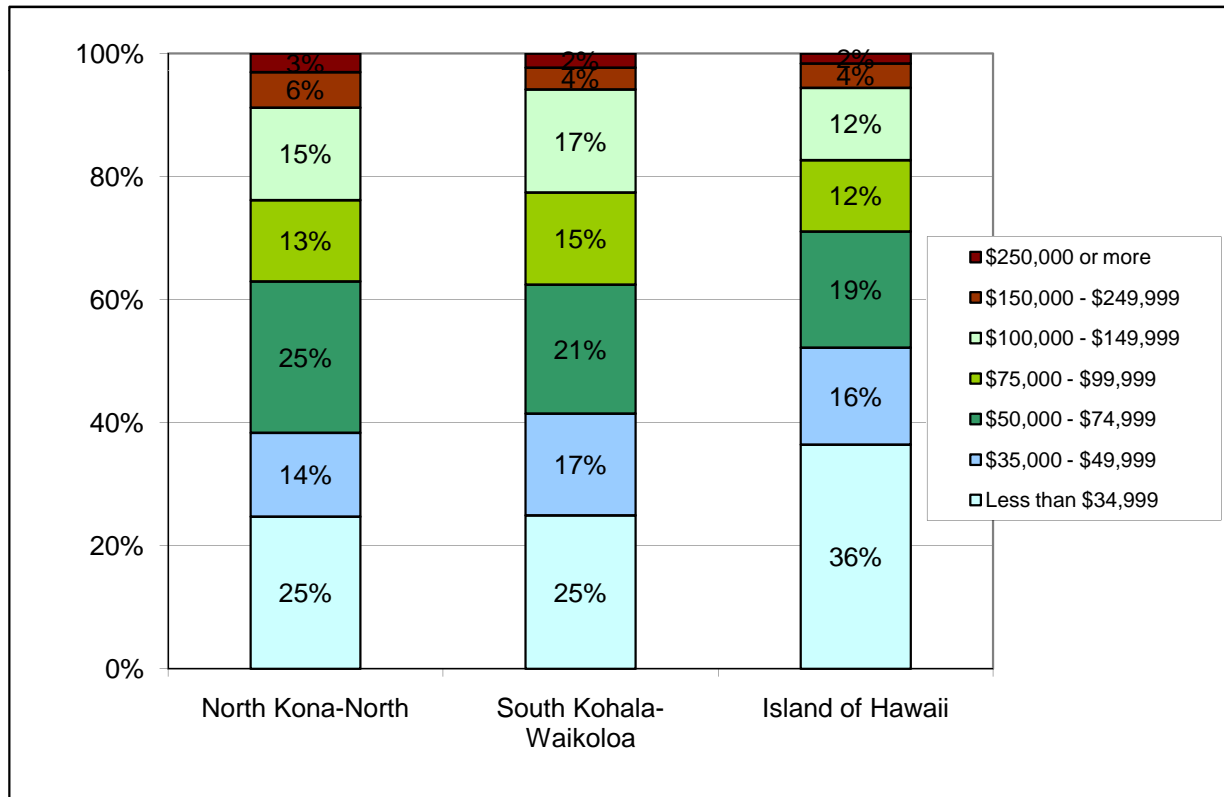
<sup>4</sup> SMS, Inc., excel model accompanying "Hawaii Housing Policy Study, 2006: Hawaii Housing Model 2006," February 2007. Population growth set to 1.2%, the "official parameter" for the County.

**Exhibit 2-7**  
**Households by Household Income -**  
**Competitive Residential Market Area and Island of Hawaii**  
 2007 Estimate

	<u>North Kona-North<sup>1</sup></u>	<u>South Kohala- Waikoloa<sup>2</sup></u>	<u>Island of Hawaii</u>
<b>Median household income</b>	<b>\$61,825</b>	<b>\$60,166</b>	<b>\$58,528</b>
<b>Per capita income</b>	<b>\$26,042</b>	<b>\$27,092</b>	<b>\$22,973</b>

**Number of households, by income -**

Less than \$34,999	947	911	22,569
\$35,000 - \$49,999	522	603	9,740
\$50,000 - \$74,999	944	765	11,699
\$75,000 - \$99,999	506	547	7,180
\$100,000 - \$149,999	576	612	7,277
\$150,000 - \$249,999	220	129	2,439
\$250,000 or more	116	83	993
<b>Total</b>	<b><u>3,831</u></b>	<b><u>3,650</u></b>	<b><u>61,897</u></b>



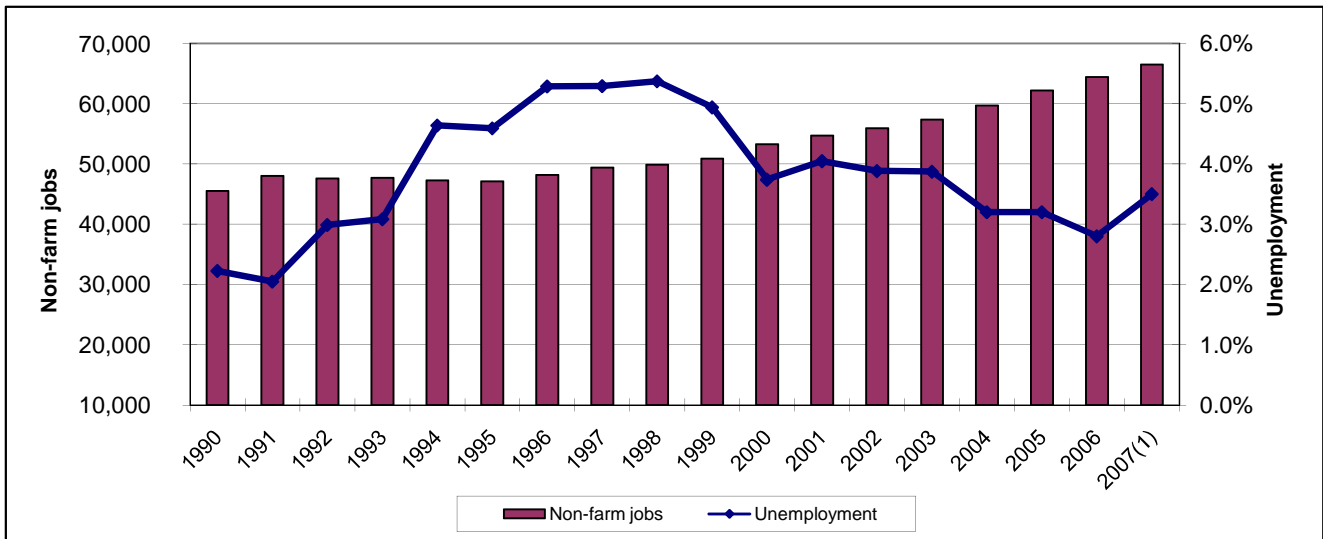
<sup>1</sup> Census Tract 215.01, the northern part of the North Kona District, generally to Henry Road. Excludes Kailua-Kona and areas southward. See Appendix 1 for map.

<sup>2</sup> Census Tract 217.01, the southern part of the South Kohala District, generally from Waikoloa Beach Resort to Mauna Kea Resort, and mauka to Waikoloa Village. Excludes Waimea Town. See Appendix 2 for map.

Source: Claritas, Inc., November 6, 2007.

## Exhibit 2-8 Labor Force Trends - Hawaii County 1990 to 2007

	Civilian labor force	Employed persons	Non-farm wage & salary jobs	Percent unemployment
1990	58,350	56,300	45,500	3.5%
1991	62,600	59,750	48,000	4.5%
1992	64,250	59,450	47,600	7.5%
1993	64,850	59,900	47,700	7.6%
1994	65,500	59,400	47,300	9.2%
1995	65,400	59,100	47,100	9.6%
1996	67,400	61,200	48,200	9.2%
1997	69,300	62,900	49,400	9.3%
1998	69,500	63,400	49,900	8.7%
1999	70,750	65,250	50,900	7.8%
2000	74,200	70,750	53,300	4.7%
2001	76,300	72,500	54,700	5.0%
2002	76,450	72,950	55,950	4.6%
2003	77,900	74,300	57,350	4.6%
2004	79,100	76,050	59,700	3.8%
2005	81,300	78,650	62,200	3.2%
2006	83,650	81,300	64,400	2.8%
2007 <sup>1</sup>	85,400	82,400	66,500	3.5%



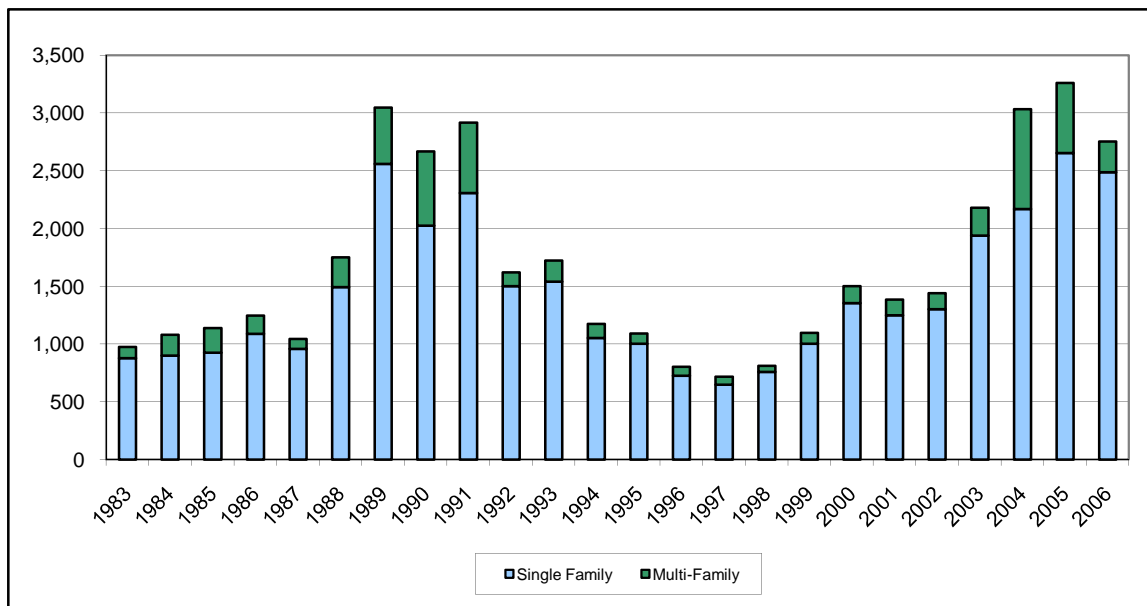
<sup>1</sup> Data are for September 2007; year to date data are not available.

Source: "Hawaii State Department of Labor & Industrial Relations, 2007. Labor force estimates revised by DLIR with new methodology employed by U.S. Bureau of Labor Statistics, as of 2007. As referenced in: [www.hiwi.org/admin/uploadedPublications/469\\_LFHC.PDF](http://www.hiwi.org/admin/uploadedPublications/469_LFHC.PDF). Non-farm wage and salary job estimates provided by DLIR as referenced in: [http://www.hiwi.org/admin/uploadedPublications/778\\_CESH90S.PDF](http://www.hiwi.org/admin/uploadedPublications/778_CESH90S.PDF); [http://www.hiwi.org/admin/uploadedPublications/700\\_CESH00S.PDF](http://www.hiwi.org/admin/uploadedPublications/700_CESH00S.PDF); and [http://www.hiwi.org/admin/uploadedPublications/1687\\_CHC2007.pdf](http://www.hiwi.org/admin/uploadedPublications/1687_CHC2007.pdf)



**Exhibit 3-1**  
**Residential Building Permits - County of Hawaii**  
 1990 - 2007<sup>1</sup>

	<u>Single Family</u>	<u>Multi-Family</u>	<u>Total</u>
<b>Average</b>	<b>1,513</b>	<b>263</b>	<b>1,776</b>
1990	2,025	644	2,669
1991	2,309	609	2,918
1992	1,501	121	1,622
1993	1,540	184	1,724
1994	1,052	123	1,175
1995	1,003	88	1,091
1996	726	77	803
1997	649	69	718
1998	759	53	812
1999	1,004	94	1,098
2000	1,356	147	1,503
2001	1,249	138	1,387
2002	1,303	138	1,441
2003	1,941	239	2,180
2004	2,169	866	3,035
2005	2,655	607	3,262
2006	2,488	266	2,754
2007 <sup>1</sup>	1,070	349	1,419

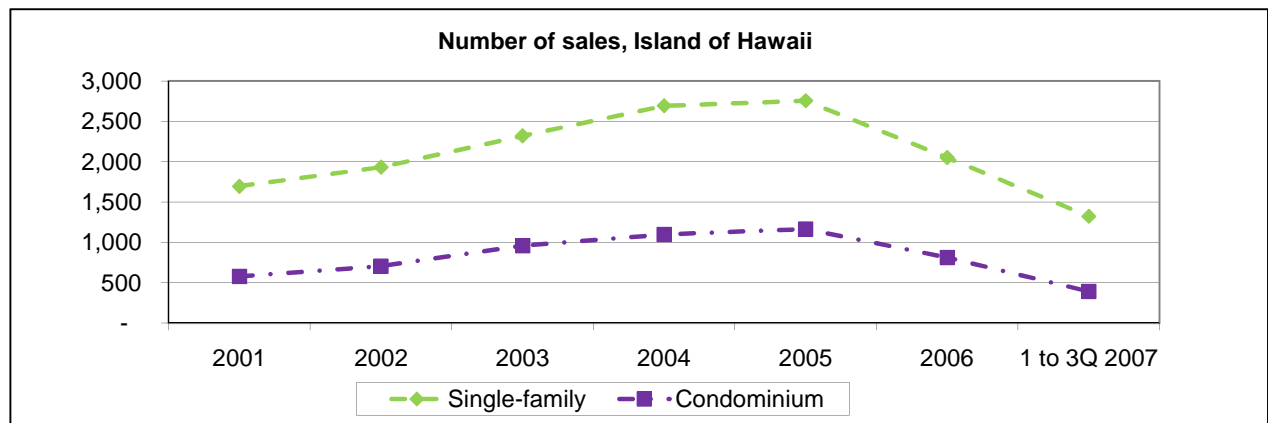
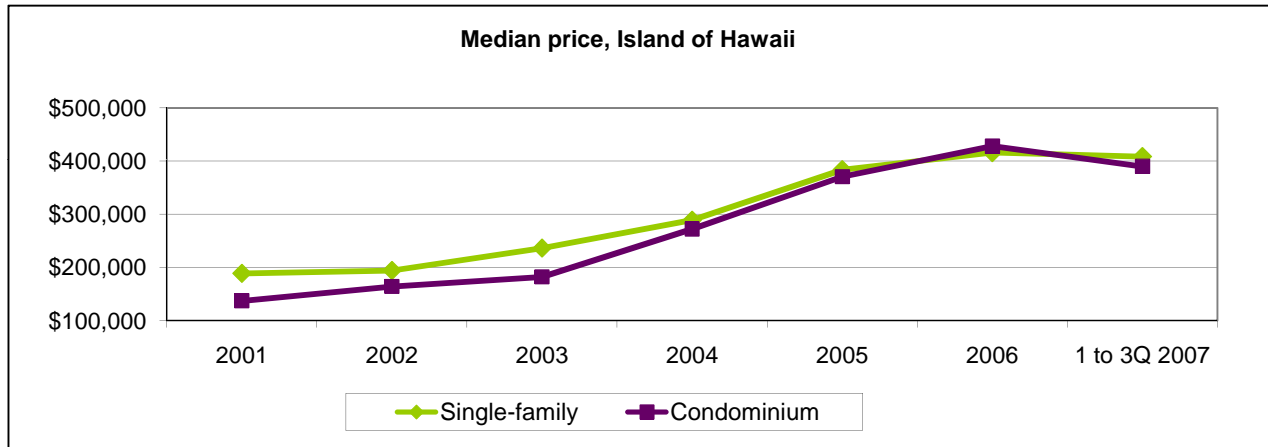


<sup>1</sup> Through September 2007.

Source: County of Hawaii, Department of Public Works.

**Exhibit 3-2**  
**Hawaii County Residential Sales Trends**  
 2001 to 3rd Quarter 2007

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007, 1st-3rd Q</u>	<u>2007-Oct</u>
<b>Island of Hawaii:</b>								
Median price -								
Single-family	\$188,400	\$194,100	\$236,000	\$288,800	\$383,800	\$416,100	\$408,500	\$386,000
Condominium	\$137,100	\$164,000	\$182,000	\$272,200	\$370,600	\$428,200	\$390,000	\$420,000
Number of sales -								
Single-family	1,696	1,933	2,322	2,694	2,757	2,052	1,324	118
Condominium	580	707	959	1,097	1,166	814	392	39
<b>North Kona District - single-family:</b>								
Median price	INA	INA	INA	INA	\$620,000	\$645,000	INA	(down)
Number of sales	INA	INA	INA	INA	651	456	INA	INA
<b>South Kohala District - single-family:</b>								
Median price	INA	INA	INA	INA	\$530,000	\$550,000	INA	(up 3%)
Number of sales	INA	INA	INA	INA	313	287	INA	INA

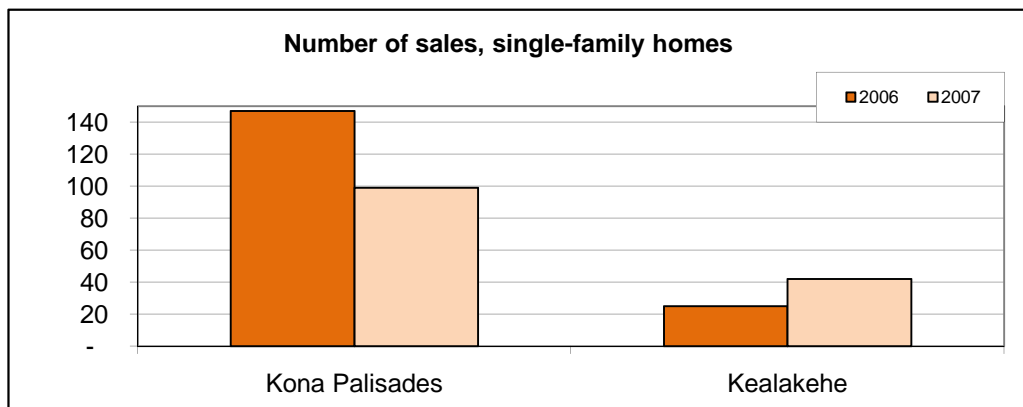
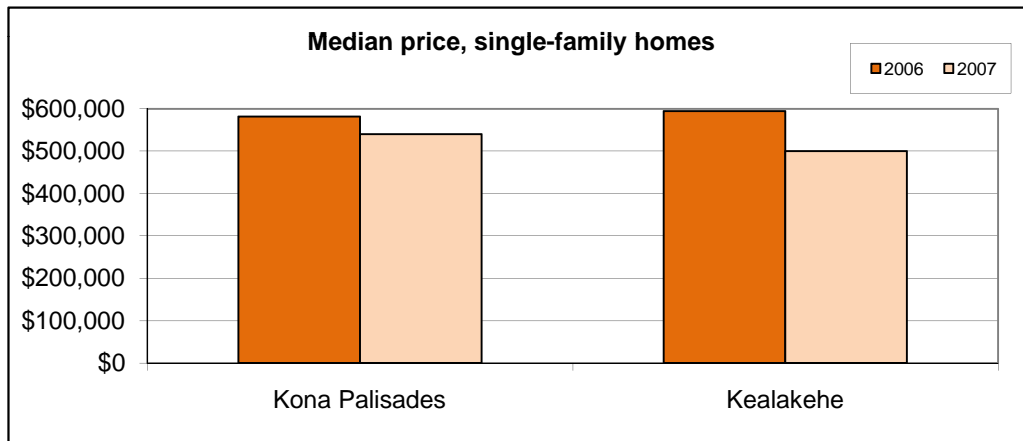


INA = Information not available.

Sources: Annual county data from University of Hawai'i Economic Research Organization, Economic Information Service, as accessed November 4, 2007; 2007 updates and district data from (1) Hawaii Information Service, in Honolulu Advertiser, November 6, 2007 (Andrew Gomes), Pacific Business News, October 5, 2007 (Leroy Laney) and West Hawaii Today, January 7, 2007; and (2) Star Bulletin, October 6, 2007.

**Exhibit 3-3**  
**Residential Sales in Kona Palisades and Kealakehe**  
 TMKs 3-7-3 & 4, North Kona-North  
 2006 and 2007<sup>1</sup>

	<u>2006</u>	<u>2007</u>	<u>Percent change</u>
<b>Kona Palisades:</b>			
Median price -			
Single-family	\$581,900	\$540,000	-7%
Condominium	\$585,000	\$293,400	-50%
Number of sales <sup>1</sup> -			
Single-family	147	99	-33%
Condominium	13	20	50%
<b>Kealakehe:</b>			
Median price -			
Single-family	\$595,000	\$500,000	-16%
Condominium	\$489,000	\$510,000	4%
Number of sales <sup>1</sup> -			
Single-family	25	42	68%
Condominium	3	2	-50%

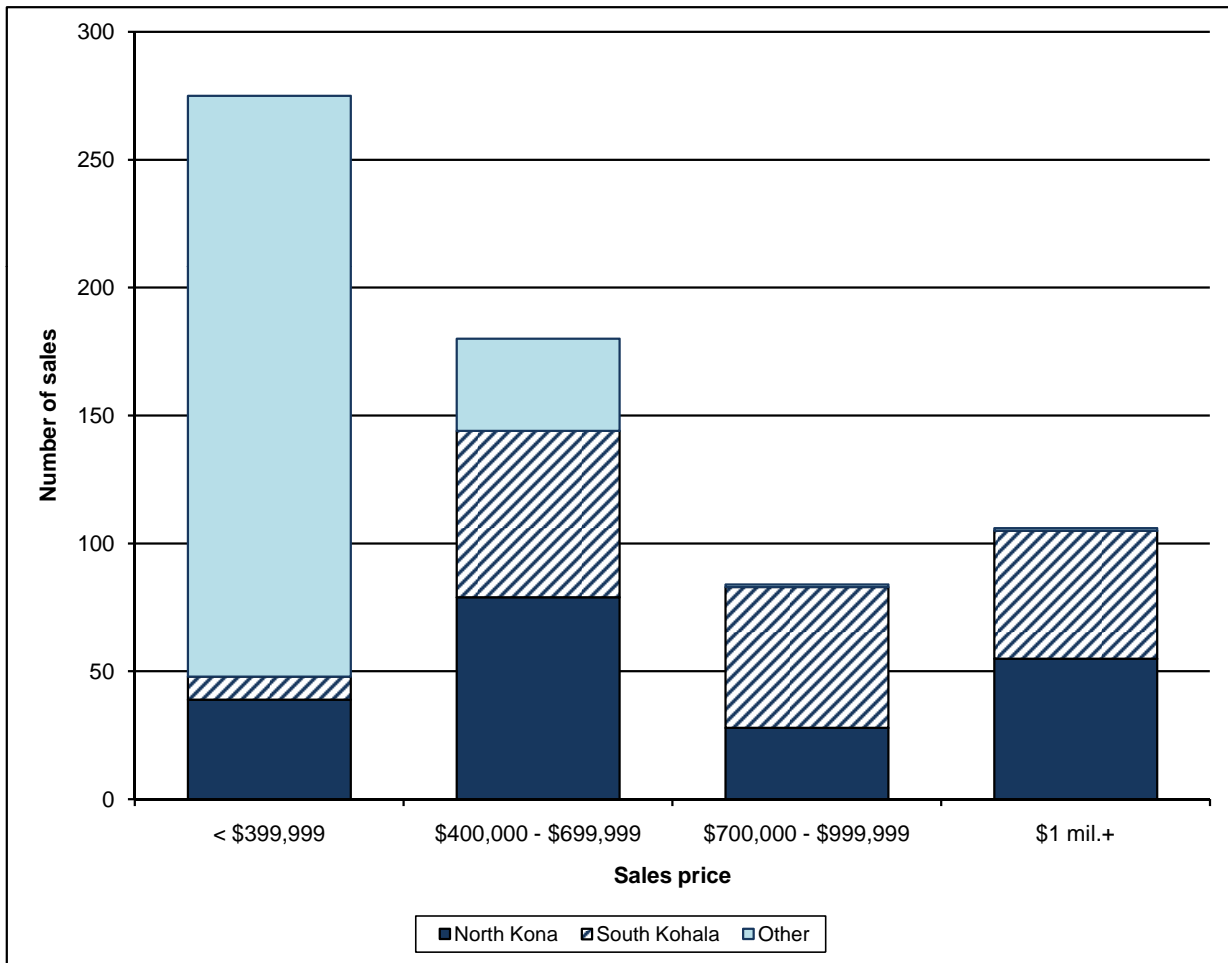


<sup>1</sup> Annualized based on 8 months data.

Source: Hawaii Information Service, data as of September 7, 2007.

**Exhibit 3-4**  
**Sales to Off-Island, Non Owner-Occupants**  
 Island of Hawaii, 2007

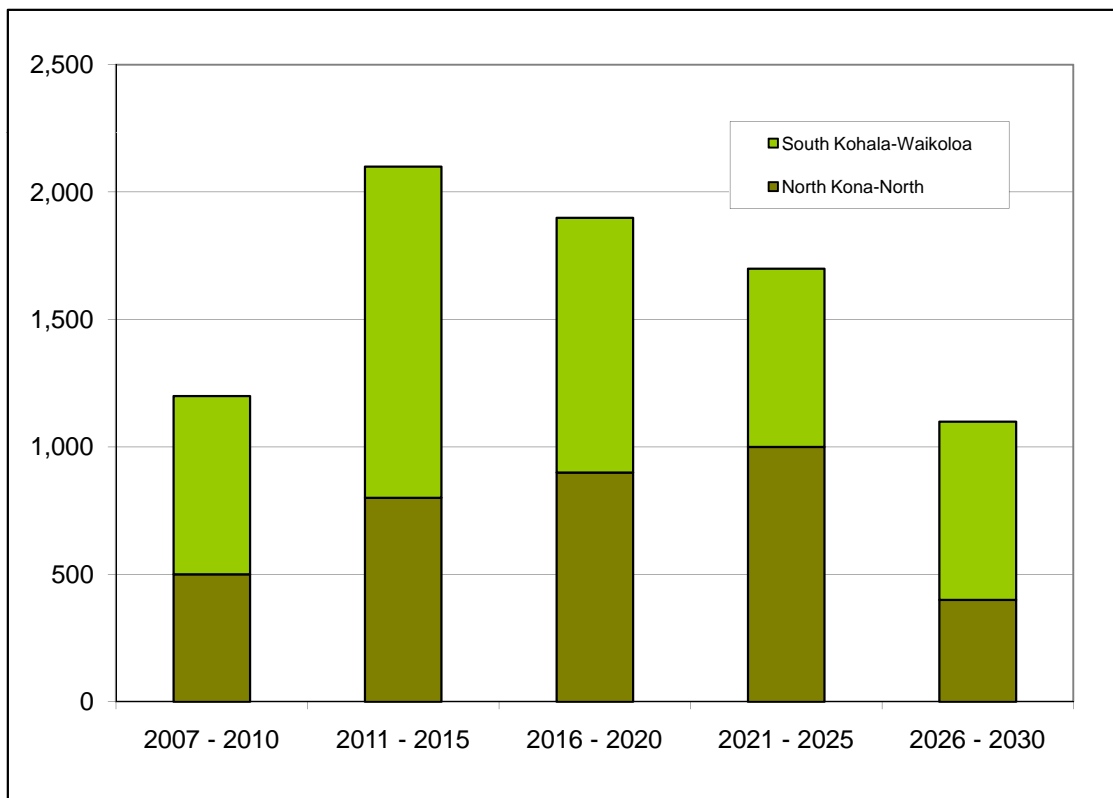
	<u>&lt; \$399,999</u>	<u>\$400,000 - \$699,999</u>	<u>\$700,000 - \$999,999</u>	<u>\$1 mil.+</u>	<u>Total</u>	<u>Distribution</u>
North Kona	39	79	28	55	201	31%
South Kohala	9	65	55	50	179	28%
Other	<u>227</u>	<u>36</u>	<u>1</u>	<u>1</u>	<u>265</u>	<u>41%</u>
Total	<u>275</u>	<u>180</u>	<u>84</u>	<u>106</u>	<u>645</u>	<u>100%</u>
Distributon	<u>43%</u>	<u>28%</u>	<u>13%</u>	<u>16%</u>	<u>100%</u>	



Source: Based on data obtained from Hawaii Information Service, March 13, 2008. Represents closed deed sales that do not show an owner-occupant exemption and where the tax bill address is other than Hawaii Island. Excludes vacant land sales, and partial or multiple deed transactions.

**Exhibit 3-5**  
**Potential New Resident Housing Units -**  
**Competitive Residential Market Area**  
Based on Planned Developments with State Entitlement or Exemption  
as of October 2007

	<u>2007 - 2010</u>	<u>2011 - 2015</u>	<u>2016 - 2020</u>	<u>2021 - 2025</u>	<u>2026 - 2030</u>	<u>Total, 2007-2030</u>
<b>North Kona-North<sup>1</sup></b>	500	800	900	1,000	400	3,600
<b>South Kohala-Waikoloa<sup>2</sup></b>	700	1,300	1,000	700	700	4,400
<b>Total (rounded)</b>	<u><b>1,200</b></u>	<u><b>2,100</b></u>	<u><b>1,900</b></u>	<u><b>1,700</b></u>	<u><b>1,100</b></u>	<u><b>8,000</b></u>
<b>% of projection period</b>	<u><b>15%</b></u>	<u><b>26%</b></u>	<u><b>24%</b></u>	<u><b>21%</b></u>	<u><b>14%</b></u>	<u><b>100%</b></u>



<sup>1</sup> Census Tract 215.01, the northern part of the North Kona District, generally to Henry Road. Excludes Kailua-Kona and areas southward. See Appendix 1 for map.

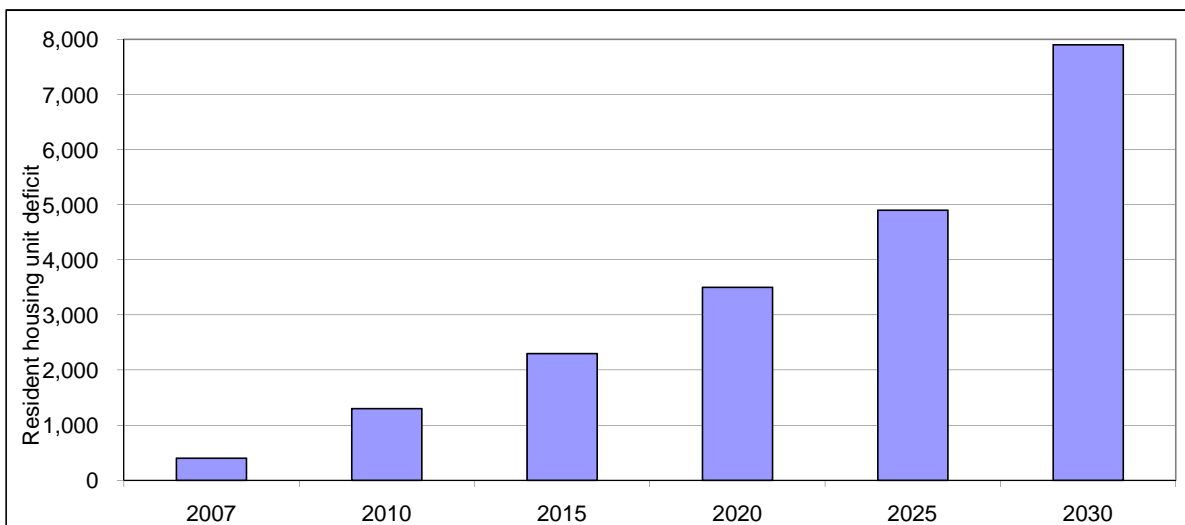
<sup>2</sup> Census Tract 217.01, the southern part of the South Kohala District, generally from Waikoloa Beach Resort to Mauna Kea Resort, and mauka to Waikoloa Village. Excludes Waimea Town. See Appendix 2 for map.

Note: Targeting projects of 100 units or more. Excludes emergency shelters, dormitory beds and other group living quarters.

Sources: Interviews with developers, landowners and project principals as shown in Appendix 3. Component numbers may vary slightly from those in Appendix 3, due to rounding.

### Exhibit 3-6 Projected Supply and Demand for Housing - Competitive Residential Market Area 2007 to 2030

	<i>Basis/ reference</i>	<u>2007</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>Total/ average, 2007-2030</u>
<b>Demand (households):</b>								
Number	Exhibit 2-6	7,481	9,320	12,140	15,330	18,300	22,200	
Change since prior date -								
Total (rounded)		--	2,000	3,000	3,000	3,000	4,000	15,000
Average annual		--	670	600	600	600	800	650
<b>Supply (resident housing units):</b>								
Estimated occupied RHUs in 2006 <sup>1</sup>	ACS/ Claritas	6,900						
Developer RHUs delivered 2007 <sup>2</sup>		200						
Entitled new developments -								
Development since prior date	Exhibit 3-4	--	1,200	2,100	1,900	1,700	1,100	8,000
Less vacancy allowance (applied to new units)								
	5%	--	-60	-105	-95	-85	-55	-400
Net available RHUs (rounded)		7,100	8,240	10,240	12,050	13,670	14,720	7,600
Change since prior date -								
Total		--	1,140	2,000	1,810	1,620	1,050	7,600
Average annual		--	380	400	360	320	210	330
<b>Resident housing unit surplus/(deficit):</b>								
At prior date shown		INA	(400)	(1,300)	(2,300)	(3,500)	(4,900)	
Net surplus (deficit) in RHU production since prior date		INA	(860)	(1,000)	(1,190)	(1,380)	(2,950)	
By end of column date (rounded)		(400)	(1,300)	(2,300)	(3,500)	(4,900)	(7,900)	



INA = Information not available.

<sup>1</sup> RHU = resident housing unit. 2006 estimate based on data provided by the U.S. Census Bureau, 2005 American Community Survey, as accessed April 2007; Ricky Cassidy, April 2007; Claritas, Inc., 2007. See beginning of Chapter 3 text for discussion.

<sup>2</sup> Estimated 2007 developer closings in CMRA as of October 2007.

## Exhibit 4-1 Market Performance of Selected Comparison Residential Projects

	Comparison projects					
	Name, location (developer)	Density (U/A)	Typical current pricing <sup>1</sup>	Recent developer sales rate	% Island buyers <sup>2</sup>	Comment
<b>O`oma product type (density in U/A)</b>						
<b>Mixed-use villages (3 to 10)</b>	<b>Palamanui, North Kona-North (Hiluhilu Development LLC)</b>	7 to 14	\$400,000-\$500,000 (proposed)	INA-not yet marketed	INA	Reported preliminary pricing for market units in mixed-use setting.
<b>Other multifamily, at residential village (7.5 to 12)</b>	<b>Makana Kai, Wehilani, Waikoloa Village (Castle &amp; Cooke)</b>	10.3	\$337,000-\$400,000+	51	85%	TH 4- and 6-plexes. 4 units bought as housing for off-island construction workers.
	<b>Kaloko Heights, North Kona-North (Stanford Carr Development)</b>	11.8	\$400,000 (average, proposed)	INA-not yet marketed	INA	THs on RM-3 zoning.
<b>Single-family lot, rim (2.5 to 3.0)</b>	<b>Bayview Estates at Keauhou (Kamehameha Investment Corporation)</b>	2.2	\$469,000 to \$997,000; \$525,000 (median)	INA - resales only	71%	Vacant lots, 15,000 to 22,650 sq. ft.; all have ocean view.
<b>Other single-family, finished home (4 to 5)</b>	<b>Malulani Gardens, North Kona-South (Brian Cook)</b>	5	\$485,000 - \$645,000 \$609,500 (median)	INA - resales only	25%	Only considers those homes on lots of 6,000 s.f. or less.
	<b>Pualani Estates, North Kona-South (DR Horton)</b>	4.2	Up to \$706,750; \$555,000 (median)	65	36%	Average 6,000 sq. ft. lots, range 5,000 to 8,000
	<b>Kaloko Heights, North Kona-North (Stanford Carr Development)</b>	4.2 and 4.7	\$550,000 and \$520,000 (proposed)	INA-not yet marketed	INA	SFD starter homes on RS-7.5 and SFD condos.
	<b>Sunset Ridge, Waikoloa Village (Towne Development)</b>	4+	Up to \$746,000; \$500,700 median	70 (2006)	67%	SFD, two product types

<sup>1</sup> Current asking prices for projects in marketing; recorded sales prices since 11/1/06 - 10/31/07 for projects in resales; projected sales prices for planned developments. Excludes pricing of affordable units within projects, where applicable.

<sup>2</sup> Based on tax bill address of sampled buyers or interviews.

INA - Information not available; SFD - single-family detached home; U/A - units per acre.

Sources: Interviews with developers and other project representatives, project websites, Hawaii Information Service.

**Exhibit 4-2**  
**Residential Market Assessment for `O`oma**  
 2007 Dollars

Unit type/area	Number of units		Average density (U/A)	Lot size (sq. ft.)	Average annual absorption rate <sup>1</sup>	Average unit sales price, market units <sup>2</sup>	Potential marketing period (years) <sup>3</sup>	Comments
	Low	High						
<b>Finished homes</b>								
Multifamily Units at Mauka Village <sup>4</sup>	395	520	7.5 to 10	n/a	33	\$400,000	16	Young families, singles, retirees, corporate investors; ROR or TH.
Multifamily Units at Makai Village	35	60	3 to 4.5	n/a	10	\$500,000	6	Move-up families, singles, empty nesters, corporate investors; ROR or TH.
Multifamily Units at Residential Village <sup>4</sup>	100	135	9 to 12	n/a	15	\$425,000	9	Young and move-up families, singles, corporate investors; TH or flats.
Single-Family Homes at Residential Village	350	400	4 to 5	5,000 - 6,000	30	\$650,000	13	Move-up families, local and off-Island buyers.
Subtotal/average, finished homes	880	1,115	6.8			\$500,000	16	<b>Average price excludes affordable units</b>
<b>Vacant lots</b>								
Single-Family Lots at Residential Village	70	85	2.5 to 3	9,000 - 15,000+	10	\$650,000	9	Price for lot only, expected to appeal to local and off-Island buyers.
<b>Total/average, all products</b>	<b>950</b>	<b>1,200</b>	<b>6.2</b>		<b>46 to 80 (av. 67)</b>	<b>\$510,000</b>	<b>16</b>	<b>Average price excludes affordable units</b>

U/A - units per gross residential acre; ROR - residential over retail; TH - townhouse; n/a - not applicable.

<sup>1</sup> Total assumes several but not all products are marketed simultaneously; therefore it is less than sum of average absorption of individual product types. Absorption rates within Mauka Village and Residential Village assume for-sale affordable housing is also marketed within those two areas.

<sup>2</sup> For market-priced units only. See footnote 4 for price indicators on affordable unit pricing.

<sup>3</sup> Based on high scenario for unit counts and assuming all units are marketed for-sale (rather than some also as rentals), which could make the numbers shown high. On the other hand, anticipated phasing of development could extend sales periods. See text for further information.

<sup>4</sup> Area expected to include for-sale affordable housing, assumed to represent 20% of total units being developed, based on current County guidelines. Actual affordable home inventory and tenure to be determined based on future agreements with government agencies and then-prevailing market conditions.

For illustrative purposes, Hawaii County guidelines in effect as of May 1, 2007 would specify for-sale affordable housing offered to families of four earning 100% to 140% of median income be priced from \$226,200 to \$316,600; and one- to two-bedroom rental units offered to households earning 80% to 100% of median income be priced from \$935 to \$1,309 per month, including utilities.



**Exhibit 4-3**  
**ʻO`oma - Potential Residential Sales Absorption By Area**  
 Based on maximum development scenario and no rentals

Unit type/area	Maximum units	Average annual absorption rate <sup>1</sup>	2012 - 2020	2021 - 2025	2026 - 2030
<b>Number of years in period</b>			<b>9</b>	<b>5</b>	<b>5</b>
<b>Current Urban District</b> (start 2014):					
Multifamily Units at Mauka Village <sup>2</sup>	520	33	230	170	120
Multifamily Units at Residential Village (portion) <sup>2</sup>	30	15	0	30	0
<b>Subtotal, Urban Area</b>	<b>550</b>	<b>34</b>	<b>230</b>	<b>200</b>	<b>120</b>
<b>Petition Area</b> (start 2012):					
Multifamily Units at Makai Village	60	10	60	0	0
Multifamily Units at Residential Village (portion) <sup>2</sup>	105	15	105	0	0
Single-Family Lots at Residential Village	85	10	85	0	0
Single-Family Homes at Residential Village	400	30	270	130	0
<b>Subtotal, Petition Area</b>	<b>650</b>	<b>46</b>	<b>520</b>	<b>130</b>	<b>0</b>
<b>Total ʻO`oma</b>	<b>1,200</b>	<b>46 to 80 (av. 67)</b>	<b>750</b>	<b>330</b>	<b>120</b>

<sup>1</sup> Total and subtotals consider that not all products would be marketed simultaneously; therefore they are less than the sums of individual product types or areas.

<sup>2</sup> Based on 20% of total units being developed as affordable for-sale housing, with some in indicated locations. Actual inventory and unit tenure to be determined in future agreements with government agencies.

**Exhibit 5-1**  
**Existing Retail Space - Primary Trade Area and Benchmarks**  
 In square feet, 2007

	Island of Hawaii					Benchmark - Hawaii Kai
	Primary Trade Area				Total	
	North Kona	South Kohala	Total PTA	Other		
<b>Gross leasable area</b>	1,576,000	522,000	2,098,000	1,130,000	3,228,000	857,000
<b>Vacancy indicators<sup>1</sup></b>	"West Hawaii" - 5%			INA	3%	1%
<b>Largest properties</b>	Makalapua Shopping Center (170,000)	Parker Ranch Center (146,800)	Makalapua Shopping Center (170,000)	Prince Kuhio Plaza (505,600)	Prince Kuhio Plaza (505,600)	Koko Marina Shopping Center (322,300)
	Keauhou Shopping Center (169,700)	Waikoloa Village Center (78,000)	Keauhou Shopping Center (169,700)	Waiakea Center (229,300)	Waiakea Center (229,300)	Hawaii Kai Towne Center (247,000)

INA - Information not available.

Note: Includes retail in shopping centers and free-standing "big box" stores. Excludes other single-tenant or owner-occupied buildings as well as retail uses in light industrial or business centers. Includes some office/service tenants within shopping centers or other primarily retail complexes.

<sup>1</sup> Based on shopping center-based retail only, as surveyed by Colliers Hawaii Consulting in August 2007; for centers representing approximately 70% of the Island's GLA.

Sources: PM Realty, 2007; Metric Holdings, Inc.; Colliers Hawaii Consulting, A Division of Colliers Monroe Friedlander, Inc., private communication, 11/19/2007; Ibid, "Big Island Retail Guide," in Hawaii Business, November 2006; Pacific Business News, "The List: Shopping Centers - Neighbor Islands," November 3, 2006; Pacific Business News, 2007, "Book of Lists: 2007;" listing agents for respective centers.

**Exhibit 5-2**  
**Existing Office Space - Primary Trade Area and Benchmarks**  
Rentable building area, 2007

	Island of Hawaii					Benchmark - Island of Oahu
	Primary Trade Area			Other	Total	
	North Kona	South Kohala	Total PTA			
<b>Rentable building area (rounded)</b>	435,000	63,000	498,000	238,000	736,000	15,702,000
<b>Vacancy indicators<sup>2</sup></b>	7%	0%	6%	11%	10%	7%
<b>Largest properties/areas</b> (Rentable building area)	The Pottery Terrace (47,500)	Waikoloa Highlands Center (19,900)	The Pottery Terrace (47,500)	Bank of Hawaii Building - Hilo (31,600)	The Pottery Terrace (47,500)	Central Business District (8,057,000)
	Kaiwi Square (37,600) <sup>3</sup>	Kamuela Business Center (18,400)	Kaiwi Square (37,600) <sup>3</sup>	Kealakekua Business Center (27,000)	Kaiwi Square (37,600) <sup>3</sup>	Kaka`ako/ Kapiolani/ King (3,370,000)

Notes: Excludes government-owned buildings and exclusively owner-occupied buildings. Properties may include some retail spaces. INA - information not available.

<sup>1</sup> Includes the Central Business District, Kapiolani and King Streets and Kaka'ako District, as defined by CMF. Excludes Waikiki.

<sup>2</sup> Hawaii Island data is as of November 2006 and based properties for which vacancy and total RBA figures are available (36 of 47 properties, or 83% of total RBA reported), as provided by Colliers Monroe Friedlander. Oahu data is as of 3rd quarter 2007.

<sup>3</sup> May include ground floor retail.

Sources: PM Realty Group; interviews with property managers and agents; Loopnet, April 2007; Colliers Hawaii Consulting, A Division of Colliers Monroe Friedlander, Inc., "Big Island Office Guide," in Hawaii Business, November 2006; *ibid*, "Office Market Briefing: Honolulu 3Q2007."

### Exhibit 5-3 Potential Future Commercial Space - Primary Trade Area

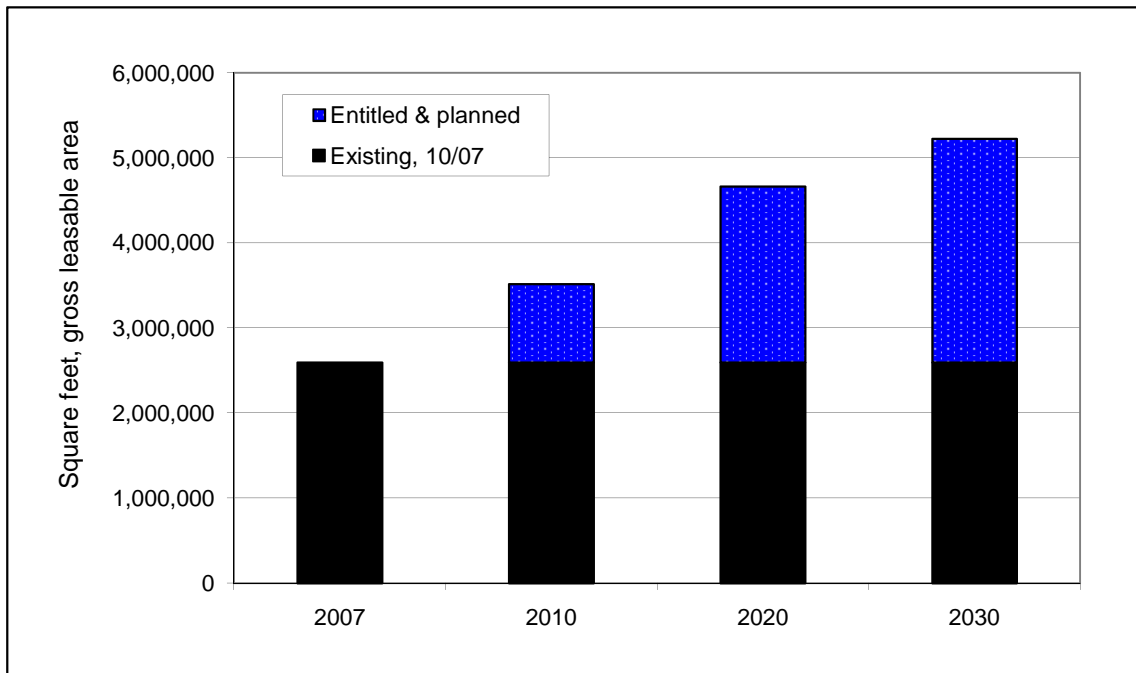
Existing and Planned/Entitled Developments as of October 2007

Square feet of gross leasable area

	Reference	Existing, October 2007	Potential future, by period end:			Total
			2007 - 2010	2011 - 2020	2021 - 2030	
<b>Existing inventory:</b>						
Retail	Exhibit 5-1	2,098,000				2,098,000
Office	Exhibit 5-2	498,000				498,000
<b>Entitled &amp; planned space (in period)</b>	Appendix 4, distributed					
North Kona			640,000	900,000	350,000	1,890,000
South Kohala			280,000	250,000	210,000	740,000
<b>Total</b>			<u>920,000</u>	<u>1,150,000</u>	<u>560,000</u>	<b>2,630,000</b>

**Potential future inventory (cumulative)**

**2,596,000**    **3,516,000**    **4,666,000**    **5,226,000**



Note: Includes proposed retail and office uses, but excludes industrial lands that could potentially accommodate similar uses.

**Exhibit 5-4**  
**Resident Profiles - Primary Trade Area**  
 2000 Census and 2006 estimates

	Primary Trade Area			Benchmark markets	
	North Kona	South Kohala	Total PTA	Island of Hawaii	Hawaii Kai
<b>Resident population:</b>					
2000 U.S. Census	28,543	13,131	41,674	148,677	27,657
2006 estimated	33,634	17,283	50,917	168,612	29,023
Compound annual % increase, 2000-2006	2.8%	4.7%	3.4%	2.1%	0.8%
<b>Median age</b> (2006, except Hawaii Kai)	39	36	INA	37	44 (2005)
<b>Civilian labor force</b> (2006):					
Number	18,225	9,203	27,428	83,850	16,500
Percent of population	54%	53%	54%	50%	57%

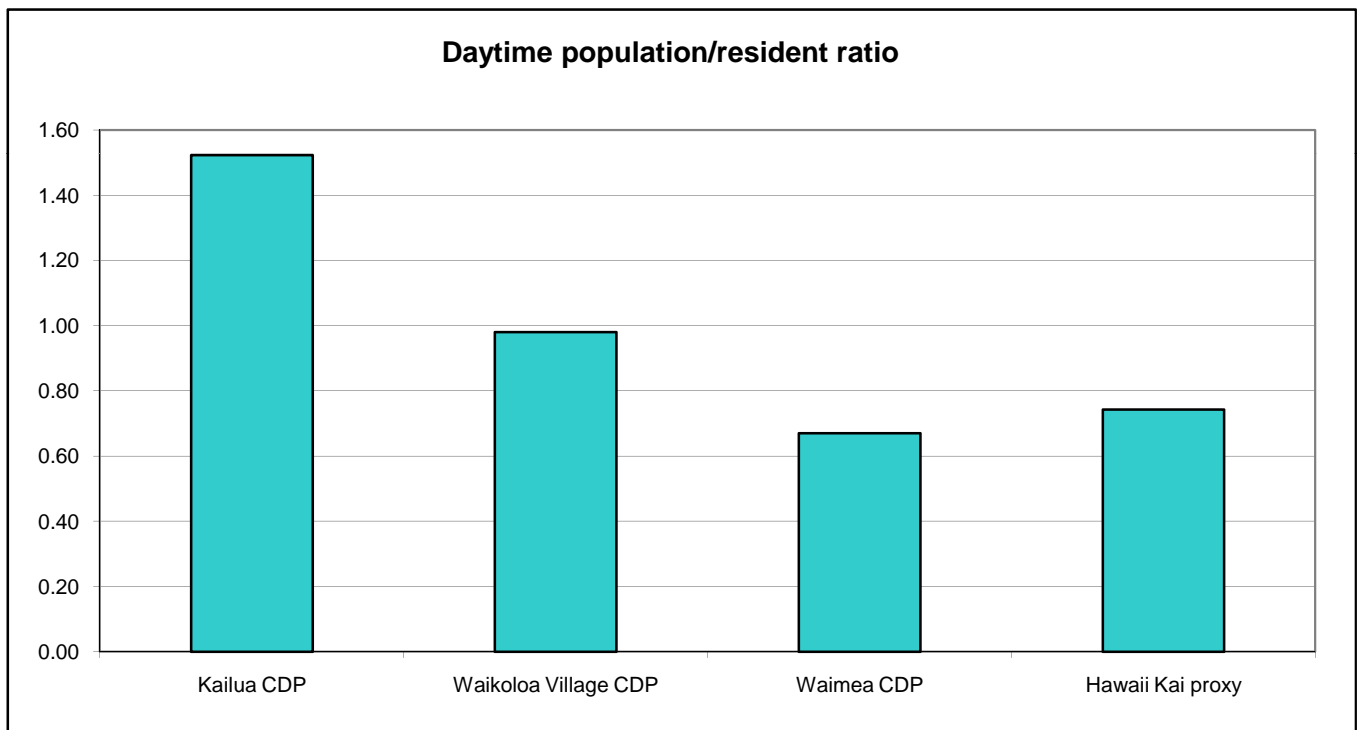
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Note: INA = Information not available.

Sources: Claritas Inc., 2005, 2006 and 2007. Hawaii Kai income data supplied by ESRI; Hawaii Kai 2006 population and labor force estimates based on growth rates projected by Claritas in 2005.

**Exhibit 5-5**  
**Daytime Resident Population and Employment Residence Ratios**  
**by Census Designated Places**  
 2000

	Residents, 2000	Employment residence ratio <sup>1</sup>	Daytime population <sup>2</sup>	Daytime pop/ residents
<b>Primary Trade Area CDPs:</b>				
Kailua CDP	9,870	2.07	15,036	1.52
Waikoloa Village CDP	4,806	0.96	4,713	0.98
Waimea CDP	7,028	0.53	4,713	0.67
Total Trade Area	21,704	1.33	24,462	1.13
<b>Benchmark markets:</b>				
Hawaii County	148,677	1.00	148,509	1.00
Hawaii Kai proxy <sup>3</sup>	INA	0.49	INA	0.74



INA = Information not available.

Note: All ratios shown are within the respective CDP. Ratios would be higher if reported on a regional basis.

<sup>1</sup> Workers working in the CDP divided by workers living the CDP.

<sup>2</sup> Residents of area plus workers working in area less workers living in area.

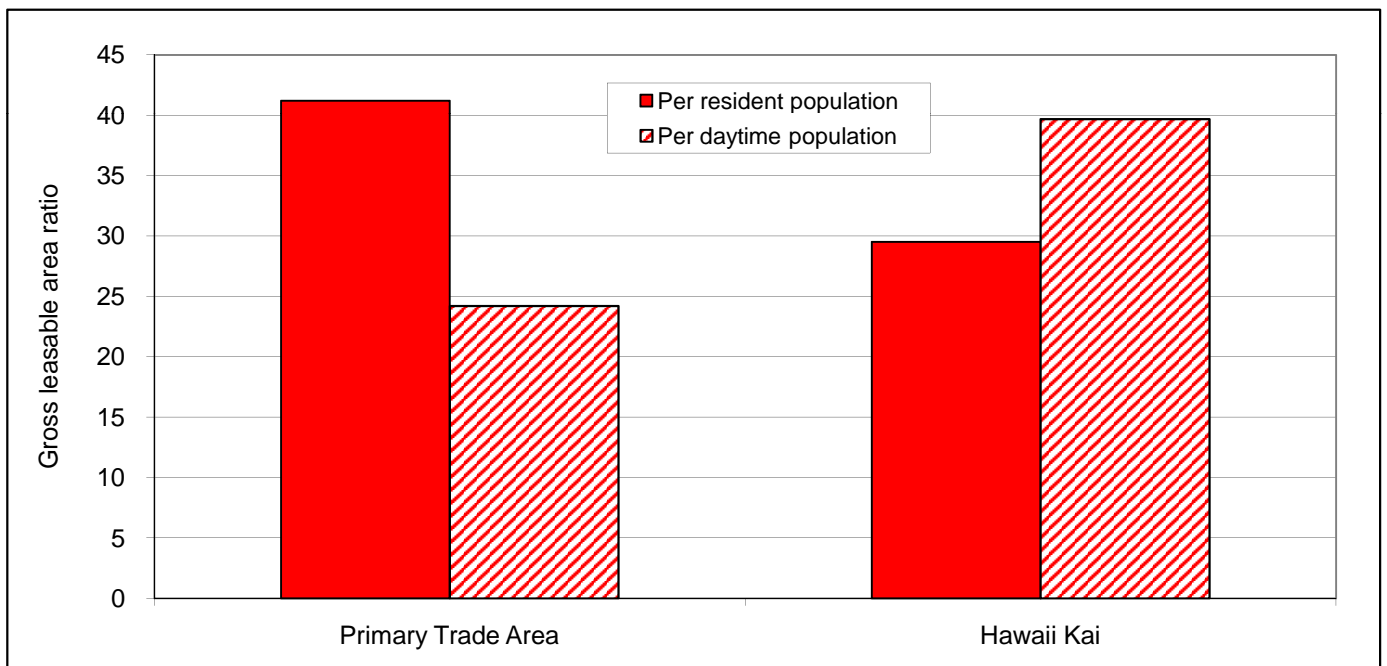
<sup>3</sup> The 2000 Census included Hawaii Kai within the Honolulu CDP, so Kailua CDP used as a proxy for Hawaii Kai ratios; actual population figures not relevant.

Source: US Census Bureau, Census 2000, PHC-T-40, "Estimated Daytime Population and Employment-Residence Ratios: 2000" Journey to Work and Migration Statistics Branch, 2005.

**Exhibit 5-6**  
**Existing Retail Areas in Relation to Consumer Population**

As of 2006, except where noted

	Primary Trade Area			Island of Hawaii	Benchmark - Hawaii Kai
	North Kona	South Kohala	Total PTA		
<b>Estimated consumers:</b>					
Resident population <sup>1</sup>	33,634	17,283	50,917	168,612	29,023
Daytime population -					
<i>Daytime resident ratio</i> <sup>2</sup>	1.52	0.80	1.28	1.00	0.74
Daytime resident pop.	51,200	13,800	65,000	168,400	21,600
Average daily visitors <sup>3</sup>	11,200	10,500	21,700	27,600	0
Total daytime pop.	62,400	24,300	86,700	196,000	21,600
<b>Existing retail GLA<sup>4</sup></b>	1,576,000	522,000	2,098,000	3,228,000	857,000
<b>Existing GLA ratios:</b>					
Per resident population	47	30	41	19	30
Per daytime population	25	21	24	16	40



Note: DPAs (Development Plan Areas) are those defined by the City and County of Honolulu, but approximated for data generation purposes by zip code area. See Chapter 2 for further information.

INA - Information not available.

<sup>1</sup> Primary Trade Area populations as shown in Exhibit 5-4.

<sup>2</sup> 2000 ratios, as shown in Exhibit 5-5. Total PTA ratio shown here varies from that shown for the three CDPs within the PTA in Exhibit 5-5, since the former reflects a weighted average for the total PTA, while the latter is a weighted average for the CDPs only.

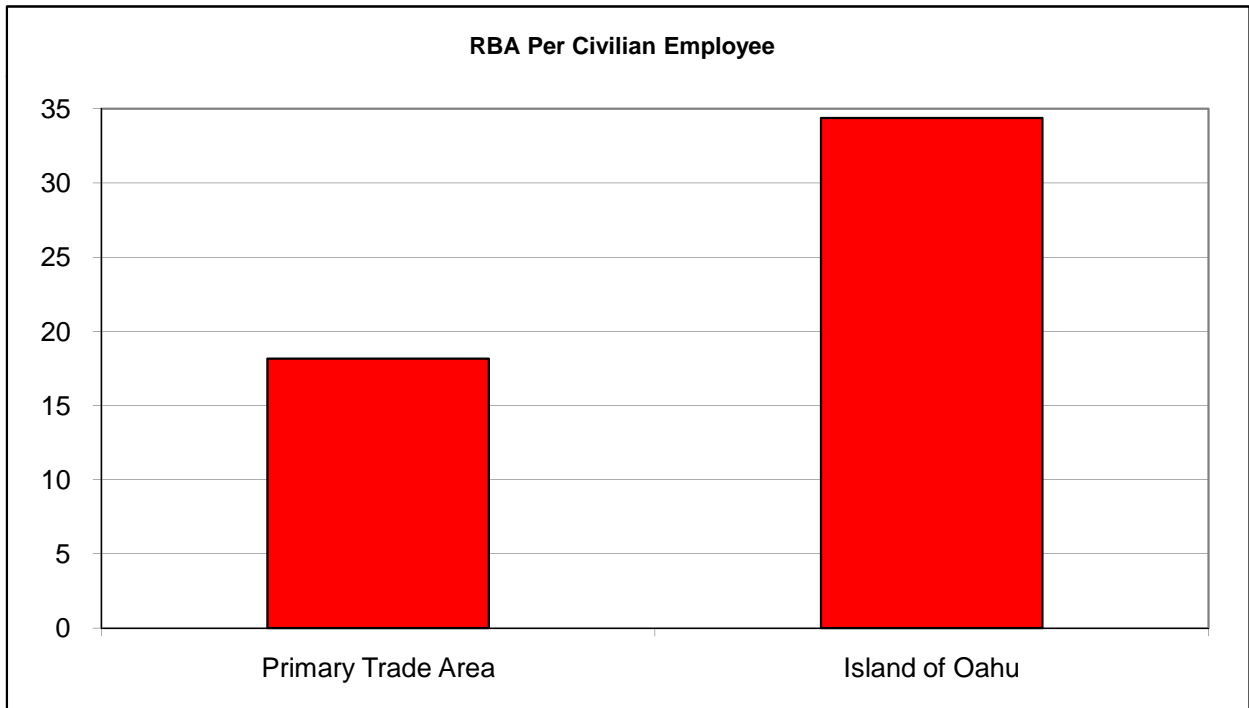
<sup>3</sup> Hawaii island data based on average daily visitor census for Kona, 2005.

<sup>4</sup> As shown in Exhibit 5-1.

Sources: Claritas Inc., 2006 & 2007; State of Hawaii, Department of Business Economic Development and Tourism, "Annual Research Report," 20065.

**Exhibit 5-7**  
**Existing Office RBA in Relation to Employment**  
 As of 2006

	<u>Primary Trade Area</u>			<u>Benchmark - Island of Oahu</u>
	<u>North Kona</u>	<u>South Kohala</u>	<u>Total PTA</u>	
<b>Estimated consumers:</b>				
Resident population	33,634	17,283	50,917	909,408
Civilian labor force <sup>1</sup>	18,225	9,203	27,428	446,200
% in civilian LF	54%	53%	54%	49%
<b>Existing office RBA<sup>2</sup></b>	435,000	63,000	498,000	15,337,000
<b>Existing RBA ratio</b>				
Per civilian employee	24	7	18	34



Notes: INA - Information not available; RBA - Rentable building area, in square feet.

<sup>1</sup> Trade Area estimates provided by Claritas, Inc., 2007; Island figures derived from DLIR data on civilian labor force; Hawaii island figure, as shown in Exhibit 2-8.

<sup>2</sup> As shown in Exhibit 5-2.

Sources: Claritas Inc., 2007; American Factfinder, 2007; Colliers Monroe Friedlander, 2007; prior exhibits as cited.



**Exhibit 6-1**  
**Projected Supportable Commercial Areas - Primary Trade Area**  
 In square feet, 2010 to 2030

	<u>Basis/reference</u>	<u>2010</u>	<u>2020</u>	<u>2030</u>	<u>Ave. annual change, 2010-2030</u>
<b>Resident population in Primary Trade Area:</b>					
Population in North Kona-North & South Kohala-Waikoloa <sup>1</sup>	Exhibit 2-4	26,800	41,800	58,300	4.0%
Relation to Trade Area	2.7 in 2000 2.4 in 2006	2.1	2.0	1.8	-0.8%
Population in Trade Area		56,000	84,000	105,000	3.2%
<b>Retail-based demand assessment:</b>					
Trade Area daytime resident population -	<i>Estimated at</i>				
<i>Ratio to resident pop</i>	<i>1.28 in 2006<sup>2</sup></i>	1.35	1.40	1.40	0.2%
Daytime residents		75,600	117,600	147,000	3.4%
Visitor population <sup>3</sup>	2006: 21,700	23,500	26,500	32,300	1.6%
Retail consumer population in Trade Area		97,300	144,100	179,300	3.1%
Supportable GLA in Primary Trade Area	40 sf/person	<u>3,000,000</u>	<u>4,700,000</u>	<u>5,900,000</u>	<u>3.4%</u>
<b>Office-based demand assessment:</b>					
Civilian labor force	54% of resident population	30,200	45,200	56,600	3.2%
Supportable RBA in Primary Trade Area	18 sf/person in 2006 <sup>4</sup>	20	25	25	1.1%
		<u>600,000</u>	<u>1,100,000</u>	<u>1,400,000</u>	<u>4.3%</u>
<b>Total supportable commercial areas</b>		<b><u>3,600,000</u></b>	<b><u>5,800,000</u></b>	<b><u>7,300,000</u></b>	<b><u>3.6%</u></b>

Note: Demand projections could be conservative in that market support from area second home is residents not explicitly considered.

<sup>1</sup> Census Tracts 215.01 and 217.01, respectively.

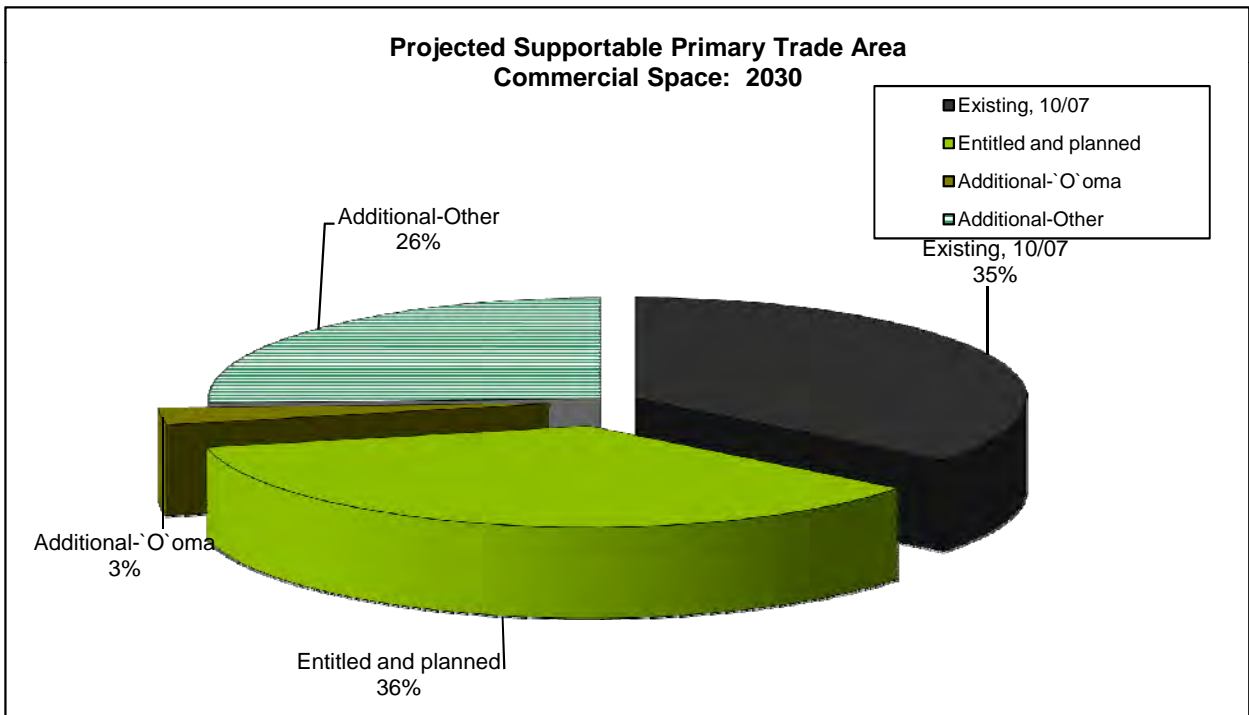
<sup>2</sup> Based on 2000 ratios and weighted average for PTA, as shown in Exhibit 5-6. This indicator could be low compared to the daytime ratios that would be effective for the larger regions considered here, since it is derived from the relatively small CDP places.

<sup>3</sup> Assumes annually compounded 2% average growth in visitor population, most originating in planned interval ownership developments. 2006 figure as shown in Exhibit 5-6. Growth rate based on projections set forth by University of Hawaii Economic Research Organization in "Tourism Pause Means Further Slowing Ahead," March 2, 2007; visitor populations projected do not consider the growing resort second home resident population of the region.

<sup>4</sup> As shown in Exhibit 5-7. Future ratio assumed to approach Oahu's 2006 average.

**Exhibit 6-2**  
**Commercial Market Assessment for `O`oma**  
 Cumulative square feet, 2020 and 2030

	<b>Basis/reference</b>	<b>2020</b>	<b>2030</b>
<b>`O`oma commercial market:</b>			
Potential development phasing	<i>200,000 maximum</i>	<b>100,000</b>	<b>200,000</b>
Mauka (Current Urban District)	<i>150,000 maximum</i>	50,000	150,000
Makai (Petition Area)	<i>50,000 maximum</i>	50,000	50,000
Share of total future PTA		2%	3%
Share of net unplanned PTA market support		9%	10%
<b>Projected supportable space in Primary Trade Area:</b>			
	<i>Cumulative figures</i>		
Existing, 10/07	<i>Exhibit 5-3</i>	2,596,000	2,596,000
Entitled and planned for 2007+	<i>Exhibit 5-3</i>	2,070,000	2,630,000
Net additional supportable		1,134,000	2,074,000
<b>Total</b>	<i>Exhibit 6-1</i>	<b>5,800,000</b>	<b>7,300,000</b>



Note: Demand projections could be conservative in that market support from area second home residents is not explicitly considered.

Source: Mikiko Corporation, 2007

# **Market Assessment for O`oma Beachside Village**

## **Appendices**

# Appendix 1: Census Tract 215.01 – Portion of North Kona District Considered Within the Competitive Residential Market Area

KXPRESS

Page 1

Project 2833752 - Prepared for Mikiko Corporation  
Census Tract 215.01  
Hawaii County, HI



Source: Claritas, Inc., March 8, 2007.

## Appendix 2: Census Tract 217.01 – Portion of South Kohala District Considered Within the Competitive Residential Market Area

KXPRESS

Page 1

Project 2833751 - Prepared for Mikiko Corporation  
Census Tract 217.01  
Hawaii County, HI



Source: Claritas, Inc., March 8, 2007.

## Appendix 3: Planned Primary Residential Development Projects in Census Tracts 215.01 and 217.01, Island of Hawaii

Subject and Primary Residential Projects with  
State Entitlement or Exemption, as of October 2007

Project Identification	Landowner or developer	Number of units			Est % primary resident & buildout <sup>1</sup>	Projected additional RHU at buildout	Comment
		Total	Built as of 10/07	Potential future			
<b>North Kona-North (CT 215.01):</b>							
<b>Subject: O'oma Beachside Village</b>	<b>O'oma Beachside Village, LLC</b>	<b>1,200</b>	<b>0</b>	<b>1,200</b>	<b>84%</b>	<b>1,010</b>	<b>Subject. Planned for 1,000 to 1,200 units, including affordable housing.</b>
Palamanui (previously Hilu Hilu)	Hunt Development Group/Charles Schwab/Guy Lam	1,100	0	1,100	85%	940	Within 725-acre site tied to proposed UH West Hawaii campus; first homes 2009+. Excludes dormitories.
Keauhuolu Lands (RCX-2)	Queen Lili'uokalani Trust	234	0	234	95%	220	Mauka of Henry St. & South of Palani Rd. Plans in flux as of September 2007.
Kaloko Heights	Stanford Carr Development/Kaloko Heights Associates LLC	1,362	0	1,362	85%	1,160	Adjacent to Subject, on Hina Lani Drive. Market homes on 7,500 to 15,000 sq. ft.; also MF. First product +/- 2013.
Villages of La'iohua (Kealakehe ahupua'a)	State-DHHL	1,364	0	1,364	95%	1,300	Residential lots at Villages 1,2,4,5,6,7,11. Village 3 (Kaniohale) completed 2001. Villages 8, 9, 10 taken by HHFDC and are subject to EIS for Urbanization.
Seascape	Westpro Holdings	108	0	108	90%	100	Affordable condos with buy-back provision. Building permits issued 2007.
Wainani Estates	INA; marketed by Clark Realty Corporation	49	30	19	85%	20	Vacant lots, Increment One (30 lots) now on the market, 15,000 to 25,000 sq. ft. Ko'i Ko'i Street near Kaiminani Street.
<b>South Kohala-Waikoloa (CT 217.01):</b>							
Aina Le'a	Bridge Aina Le'a (Banter, Inc.); seeking developer	1,924	0	1,924	20%	380	Across from Mauna Lani Resort; plans include 2 golf courses & 25-acre shopping center.
Wehilani (formerly "Na Puu Nani")	Castle & Cooke Waikoloa LLC (C&C Homes Hawaii, Inc. subsidiary)	883	65	818	90%	740	Makana Kai (MF) and Kikaha (SF) now marketing. West & south of Waikoloa Village entrance.
Kilohana Kai at Waikoloa Phase II	Clearly Waikoloa; marketed by Hawaiian Island Homes, Peter Savio	230	115	115	70%	80	80 homes/150 vacant lots. Ph I (51 units) sold out 2005; Phase II now being marketed. Completion of Ph III projected 2008.
Kamakoa Vistas (Waikoloa Workforce Housing)	UniDev LLC/Hawai'i Island Housing Trust (land owner)	1,200	0	1,200	95%	1,140	1,000 to 1,200, of which 400 rentals. County deeded land to HIHT & has committed \$40 million for infrastructure. Community Facilities District financing.

## Appendix 3: Planned Primary Residential Development Projects in Census Tracts 215.01 and 217.01, Island of Hawaii

Subject and Primary Residential Projects with  
State Entitlement or Exemption, as of October 2007

Project identification	Landowner or developer	Number of units			Est % primary resident & buildout <sup>1</sup>	Projected additional RHU at buildout	Comment
		Total	Built as of 10/07	Potential future			
Sunset Ridge	Towne Development	197	100	97	95%	90	High \$400,000s to low \$700,000s in 2007; 65 acres, north of Wehilani.
Keolalani at Waikoloa (formerly "Waikoloa Heights")	Keolalani Investment Partners (purchased from Lynch; entity known as Waikoloa Ma La'i)	3,000	0	3,000	65%	1,950	Land zoned RS-10; assumed RHU productivity estimated based on slope and a share of development being purchased by off-island investors. No affordable condition; required sewer, water line and bridge improvements will add to project infrastructure costs.
Waikoloa Village	Metric Holdings, Inc.	476	0	476	90%	430	45 acres total; also planned for lifestyle retail. Across Waikoloa Road from Village Golf Course.

**Totals, rounded (excludes Subject):**

<b>North Kona-North</b>	4,200	0	4,200	3,700
<b>South Kohala-Waikoloa</b>	7,900	300	7,600	4,800
	<b>12,100</b>	<b>300</b>	<b>11,800</b>	<b>8,500</b>

Note - Based on survey of projects planned on lands with State Land Use "Urban" designation as of October 1, 2007, or with landowner that may be exempt from LUC governance. Survey targeted projects of 100 or more planned units. Excludes projects developed in conjunction with beachfront resorts offering golf and/or hotel amenities; also excludes QLT Urban lands for which LUC petitions to be filed to redesignate uses from commercial to residential. Figures shown based on stated owner or developer plans where available, else maximum entitled units.

INA - Information not available; sq. ft. - square feet; u - residential unit; RHU - primary resident housing unit; MU - Mixed use development including residential and retail uses; SF - Single-family detached home; MF - Multifamily; TH - Townhouse (multifamily); LUC - State Land Use Commission; HHFDC - Hawaii Housing Finance & Development Corporation; DHHL - Department of Hawaiian Home Lands; DLNR - Department of Land & Natural Resources; MFY - median family income; DEIS - Draft Environmental Impact Statement; QLT - Queen Lili'uokalani Trust.

<sup>1</sup> Reflects estimated percent of project anticipated to sell to primary residents already established on-Island and the likelihood of project building to maximum entitled capacity.

Sources: Interviews with project principals, developers, planners and brokers, and County and State officials; Honolulu Advertiser; Honolulu Star Bulletin; Pacific Business News; West Hawaii Today; State of Hawaii, Office of Environmental Quality Control; project websites and internet searches.

**Appendix 4: Entitled and Planned Commercial Developments in the  
North Kona and South Kohala Districts**

Subject and Projects with State LUC Entitlement and Plans, as of October 2007

<b>Project identification</b>	<b>Landowner or developer</b>	<b>Site area (Ac)</b>	<b>Estimated GLA (Sq. ft.)</b>	<b>Comments</b>
<b>North Kona:</b>				
<i>O'oma Beachside Village</i>	<i>North Kona Village, LLC</i>	<i>INA</i>	<i>200,000</i>	<i>6 acres in Makai Area, of which 3 to be canoe club; balance on Mauka Area.</i>
Kaloko Heights	Stanford Carr Development/Kaloko Heights Associates LLC	5	50,000	Neighborhood commercial; zoned CN-20.
Palamanui (previously Hilu Hilu)	Hunt Development Group/Charles Schwab/Guy Lam	INA	70,000	Village and Community Commercial areas designated within 725-acre site. Excludes 70-acre potential business park.
Kona Kai Ola	Jacoby Development, Inc. (Atlanta)/State DLNR and DHHL	51	500,000	50-acres along Queen Kaahumanu, rest around harbor. Project also includes 800-slips, 700 hotel rooms, 1,800 timeshare units.
Kona Commons	MacNaughton, Kobayashi, Queen Lili'uokalani Trust	65	700,000	"Village style Main Street". Phase I - 132,400 sq. ft. by 10/08. On QLT leased lands makai of Queen Kaahumanu Hwy.
CG10 site	Queen Lili'uokalani Trust Estate	12	200,000	Office and retail potential development; no residential planned at this time.
Lots 14 & 15	Queen Lili'uokalani Trust Estate	9	60,000	Plans under review.
Makalapua Shopping Center Phase 2	Queen Lili'uokalani Trust Estate	20	116,000	Up to 20-acre expansion permitted by water agreements within current Urban Phase 1. Development likely pending petition to LUC for residential uses in this area.
Lanihau Shopping Center Phase 2	Westwood Development Group	22.4	220,000	Fronts Henry Street. Westwood also involved in Aina Le`a.
INA	Pua`a Development, LLC	14.97	20,000	SLU-04-009, Neighborhood commercial. Across Pualani Estates, makai of Hwy 11.
<b>South Kohala:</b>				
Queen's Marketplace	INA	INA	135,000	Anchor Island Gourmet Markets (ABC Stores/KTA).
Aina Le`a	Bridge Aina Le`a	25	200,000	Estimate based on land area; project in need of financing and development partner.
Waikoloa Village	Metric Holdings, Inc.	12.92	200,000	Zoned CV-10; project also includes residential rentals, senior housing, hotel.
Waimea Town Center	Parker Ranch	20	200,000	Town Center Plan under review; represents maximum development expected.
<b>Potential development but no plans specified:</b>				
NELHA	State of Hawaii	400	0	Plans unspecified but some 400 acres of Commercial/Industrial land are potentially available.

**Totals of available information, rounded (excludes Subject):**

<b>North Kona</b>	1,890,000
<b>South Kohala</b>	740,000
<b>Total, Primary Trade Area</b>	<u>2,630,000</u>

Note: Survey covers projects with LUC "Urban" designation as of April 1, 2007, and targeted community and regional retail/office facilities, generally those of 20,000 square feet or more. Excludes industrial-designated commercial projects such as West Hawaii Business Park and Kaloko Industrial Park.

INA - Information not available; Ac - Acres; LUC - Land Use Commission; U/C - Under construction; MU - mixed-use development, including residential and retail; SC - Shopping center

Sources: Interviews with project developers, landowners, planners and brokers; area site visits; PM Realty Group, 2007; Pacific Business News, 2006, "Book of Lists: 2007"; Pacific Business News (weekly); developer websites; Honolulu Advertiser; West Hawaii Today; internet searches.



## **Appendix 5: Report Conditions**

This assessment is based on information provided by government agencies, developers, brokers, landowners, and other third party sources. While every attempt has been made to verify information via multiple sources, it is not always possible to do so. MC cannot guarantee the accuracy of all information upon which its assessments may be based.

MC has no responsibility to update this report or any of the underlying data for events and circumstances occurring after October 1, 2007, the date of substantial completion of primary data collection.

This report is for the planning purposes of NKV, PBR and their consultants, as well as for public disclosure of the nature of `O`oma pursuant to seeking State and County land entitlements. It is not to be used for solicitation of investment or other third party purposes without prior written consent of the author.

This report does not offer an appraisal of `O`oma, nor should it be construed as any opinion of value for `O`oma.

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ECONOMIC & FISCAL IMPACT ASSESSMENT

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**ECONOMIC AND FISCAL IMPACT  
ASSESSMENT FOR `O`OMA BEACHSIDE  
VILLAGE**

North Kona, Island of Hawai`i

Prepared for:  
`O`oma Beachside Village, LLC

***FINAL REPORT***  
*April 2008*

# Economic and Fiscal Impact Assessment for `O`oma Beachside Village

## Table of Contents

### Report Text

Chapter 1 – Introduction and Executive Summary.....	2
Chapter 2 – Study Approach.....	9
Chapter 3 – Economic Impacts.....	14
Chapter 4 – In-Migrant Population.....	19
Chapter 5 – Fiscal Impacts.....	21

### Exhibits

Exhibit 2-1: `O`oma Concept and Potential Development Timing.....	26
Exhibit 2-2: Buyer Origins and Residential Utilization Patterns.....	27
Exhibit 3-1: Non Primary Resident Expenditures in Hawai`i: Average Annual.....	28
Exhibit 3-2: Industry Coefficients and Multipliers for Development Activities.....	29
Exhibit 3-3: Estimated Current Development Costs: Total for Each Period.....	30
Exhibit 3-4: Estimated Current Development Costs: Average Annual.....	31
Exhibit 3-5: Development Employment: FTE Jobs.....	32
Exhibit 3-6: Personal Earnings from Development: Total in Period.....	33
Exhibit 3-7: Personal Earnings from Development: Average Annual.....	34
Exhibit 3-8: Direct Operational Employment Generated by Facilities at `O`oma: New FTE Jobs.....	35
Exhibit 3-9: Net Additional Operational Employment: Net Additional FTE Jobs.....	36
Exhibit 3-10: Personal Earnings from Net Additional Operational Activity: Total Annual.....	37
Exhibit 3-11: Personal Earnings from Net Additional Operational Activity: Average per Job and Household.....	38
Exhibit 4-1: Average Daily In-Migrant Population.....	39

Exhibit 5-1: Real Property Taxes Generated by Development.....	40
Exhibit 5-2: Total Annual Revenues to County Government Attributable to Development & In-Migrant Population.....	41
Exhibit 5-3: Bases for Projecting State Government Revenues.....	42
Exhibit 5-4: Projected State Government Revenues.....	43
Exhibit 5-5: Hawai`i County Governmental Expenditures Net of Intergovernmental Revenues (State and Federal).....	44
Exhibit 5-6: State of Hawai`i Governmental Expenditures Net of Intergovernmental Revenues (Federal).....	45
Exhibit 5-7: Annual County Government Expenditures Attributable to Population In-Migrating.....	46
Exhibit 5-8: Annual State Government Expenditures Attributable to Population In-Migrating.....	47
Exhibit 5-9: County & State Government Revenue and Expenditure Comparison.....	48
Appendix 1: Report Conditions.....	50
Appendix 2: Derivation of Multipliers for Part-Time Resident Spending.....	51

# Market Assessment for `O`oma Beachside Village

## Acronyms and Other Terms Used in this Report

AGI.....	Adjusted Gross Income, for tax purposes
av.....	Average
County.....	County of Hawai`i
CPI-U.....	Consumer Price Index - Urban
CT.....	Census tract, as defined by the U.S. Census Bureau
DBEDT.....	State of Hawai`i, Department of Business, Economic Development and Tourism
est.....	Estimated
FY.....	Fiscal Year
FF&E.....	Furniture, fixtures & equipment
FTE.....	Full-time equivalent
GET.....	General Excise Tax
GLA.....	Gross leasable area, in square feet
Island.....	Island of Hawai`i
LUC.....	State of Hawai`i, Land Use Commission
MF.....	Multi-family
MC.....	Mikiko Corporation
mils.....	Millions
`O`oma.....	`O`oma Beachside Village, the subject property and/or development proposal
`O`oma Beachside Village, LLC.....	The entity that owns and proposes to develop `O`oma; also the entity that is petitioning the State Land Use Commission to reclassify the Petition Area into the LUC Urban District
PBR HAWAII.....	PBR HAWAII & Associates, Inc.
psf.....	Per square foot
SF.....	Single-family home
sq. ft.....	Square feet

State..... State of Hawai`i  
TI..... Commercial tenant improvements  
wtd..... Weighted, as in a weighted average

# **Economic and Fiscal Impact Assessment for `O`oma Beachside Village**

## **Report Text**



# 1 – Introduction and Executive Summary

This chapter relates the study background, objectives, approach and principal conclusions of an economic and fiscal impact assessment prepared for the proposed `O`oma Beachside Village (`O`oma) on the island of Hawai`i (Island). The following chapters offer a more detailed explanation of the findings and analyses on which these conclusions are based.

## *`O`oma Beachside Village and Study Background*

`O`oma Beachside Village, LLC has initiated a planning and entitlement process for its proposed `O`oma development. The mixed-use, master-planned community is planned for some 303 acres in the North Kona District of the Island. The site fronts on Queen Ka`ahumanu Highway as well as the ocean, and is south of the State of Hawai`i's Natural Energy Laboratory of Hawai`i and north of The Shores at Kohanaiki, a resort development. Some 83 acres of the site are currently in the State Land Use Commission (LUC) Urban District, while the balance is designated in the LUC Conservation District.

The planning firm PBR HAWAII & Associates, Inc. (PBR HAWAII) is preparing materials to support these entitlement efforts.

## *Mikiko Corporation Study Objectives*

Mikiko Corporation (MC) was engaged to prepare two reports for `O`oma:

- 1) **Market assessment** – An assessment of the anticipated future market support for the residential and commercial uses proposed.
- 2) **Economic and fiscal impact assessment** – An assessment of the anticipated future economic and fiscal impacts of `O`oma.

The market report is contained in a separate document. The economic and fiscal impact assessment reported in this document uses the findings of the market report as input assumptions.

## *Study Approach*

This economic and fiscal impact assessment is intended to assess `O`oma's effects within the State of Hawai`i (State) and Hawai`i County (County). Impacts that were evaluated include:

### ✦ Economic impacts:

- Expenditures by persons who move to the County because of `O`oma;
- Development-related employment;
- Operations-related employment; and
- Personal income deriving from development and operations.

### ✦ Population impacts:

- Residential utilization patterns; and
- In-migrants to the State and Island.

### ✦ Fiscal impacts:

- Property tax and other County government revenues;
- General excise tax, income and other State government revenues;
- County and State government expenditures; and
- County and State net fiscal operating impacts.

State and County revenues and expenses projected herein are generally based on the structure of tax collections and services reported as of the fiscal year ending June 30, 2006 for the State<sup>1</sup>, and June 30, 2007 for the County. The projected impacts would differ if governmental taxing and spending policies were to be materially altered in the future.

All dollar amounts in this report are stated in 2007 dollars, and year references are to calendar years, unless otherwise stated.

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<sup>1</sup> While the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007 was available for use in this study, the State's analogous report is not due to be released until late May, 2008. Thus, the study utilizes the State's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006, with adjustment for inflation.

## Executive Summary

### Development Proposal

`O`oma Beachside Village, LLC is the fee owner of an approximately 303-acre site in North Kona, island of Hawai`i. It proposes to develop a mixed-use community to be known as `O`oma Beachside Village on this property. `O`oma would include up to 1,200 homes and 200,000 square feet of commercial retail and office spaces, including ocean-facing restaurants and a canoe club. The community would also include a 3-acre charter school site, an 18-acre public shoreline park, and 85 acres of other trails, preserve areas, and open space.

Based on the entitlements required to commence development and other factors, the first properties at `O`oma could be expected to be available for sale or lease in 2012. `O`oma is projected to be completely built out, and all homes sold by the developer, by 2029.

The development plan is as summarized below.

#### Overview of Proposed Developments at `O`oma Beachside Village 2007 dollars

	Comment	2010 to 2020	2021 to 2030	Total
<b>Homes:</b>				
	<i>Average sales price:</i>			
Finished homes (single & multifamily), market	\$540,000	553	322	875
Estate lots, market	\$650,000	85	0	85
Affordable homes (multifamily)*	\$271,000	112	128	240
<b>Total/wtd. average</b>	<b>\$494,000</b>	<b>750</b>	<b>450</b>	<b>1,200</b>
<b>Other:</b>				
Commercial centers	<i>GLA sq. ft.</i>	100,000	100,000	200,000
School site	<i>Acres</i>	3	0	3
Parks, trails, open space/buffers	<i>Acres</i>	103	0	103
Canoe club	<i>Acres</i>	2	0	2
<b>Total development costs</b>	Hard and soft costs (mils.)	<b>\$312.5</b>	<b>\$228.1</b>	<b>\$540.6</b>

\* Assumes 20% of total units and a 1:1 credit per County guidelines currently in effect. Actual credits could vary depending on affordable housing market segments and other factors to be agreed upon with the County, and such variation could change the affordable unit count.

Estimated average price considers County's 2007 guidelines for pricing of for-sale units for a family of four earning 110% to 130% of the County median family income. Target markets and specific pricing to be determined in agreements to be established with the County

Based on current guidelines, about 20% of `O`oma's homes are expected to be provided in accordance with County standards for affordable housing (see note to box above.) This analysis assumes that this housing is developed for sale. Alternatively, `O`oma Beachside Village, LLC may develop some of its affordable housing as rental housing.

As noted above, `O`oma development costs are estimated to total some \$540.6 million, including on- and off-site infrastructure, vertical construction, and commercial tenant improvements, as well as "soft costs" such as professional services, administration of operating subsidiaries, marketing and the like.

### **`O`oma Beachside Village Impacts<sup>2</sup>**

`O`oma would generate significant, on-going economic and fiscal benefits for residents of Hawaii, as well as for the County and State governments. Development of `O`oma would generate employment and consequent income and taxes. In addition, by attracting new residents to the Island and generating additional real estate sales activity, `O`oma is expected to support long-term impacts, including additional consumer expenditures, employment opportunities, personal income and government revenue enhancement.

Highlights of the projected impacts are summarized in the table on the next page.

### **Economic Impacts**

- ❑ **Development employment** – During the approximately first half of its development, `O`oma could generate employment for some 380 full-time equivalent (FTE) persons per year through its direct, indirect and induced impacts. During the subsequent years of the community's buildout, this might subside to some 290 FTE development-related jobs per year, considering direct, indirect and induced impacts. These jobs are expected to be associated with average annual personal earnings<sup>3</sup> of some \$21.4 million (2010 to 2020) or \$17.1 million (2021 to 2030), at about \$57,000 to \$59,000 per FTE job.
- ❑ **Operational employment** - By 2030, when all developer products at `O`oma are projected to have been sold out and/or to be in stabilized operations, `O`oma is expected to have generated about 480 permanent, ongoing new FTE jobs on-site and in real estate sales and marketing. These 480 FTE jobs are in addition to the development-related employment described above.

Among the 480 new FTE jobs, about 200 could be net additional to the County and State<sup>4</sup>. They could include professional, technical and managerial positions at

<sup>2</sup> See following chapter for study methodology and definitions of key terminology, such as "direct," "indirect" and "induced" impacts.

<sup>3</sup> Earnings are defined as wage, salary and proprietary income, plus director's fees and employer contributions to health insurance, less employee contributions to social insurance. "Earnings" are typically less than salaries.

<sup>4</sup> See Chapter 2 for explanation of new vs. net additional jobs, under bullet header "Commercial facilities."

the office areas, sales and marketing positions supported by sales and leasing of property, and myriad other positions generated throughout the economy, as supported by the activity generated by such new expenditures. Altogether, these net additional operations-related positions could be expected to generate personal earnings for Hawai'i residents of about \$10.8 million per year, or an average of about \$54,000 per FTE job.

**Summary of Projected Economic and Fiscal Impacts**  
2007 dollars, in millions except where noted

	Comment	By 2020	By 2030	Average/ At completion*
<b>FTE employment** :</b>				
Development-related	<i>Average annual in preceding period (direct, indirect &amp; induced)</i>	380	290	340
Operations-related				
Total generated by project	<i>On-site and directly supported</i>	250	480	480
Net additional jobs	<i>Additional to County or State</i>	90	200	200
<b>Total personal earnings*** :</b>				
	<b>Annual, on-going</b>			
Development-related	<i>Average annual in preceding period (direct jobs only)</i>	\$21.4	\$17.1	\$19.3
Operations-related	<i>On net additional jobs only (direct, indirect &amp; induced)</i>	\$6.1	\$10.8	\$10.8
<b>Average earnings per FTE job*** :</b>				
	<b>Direct, indirect and induced (not in millions)</b>			
Development-related	<i>Average annual in preceding period</i>	\$57,000	\$59,000	\$56,000
Operations-related	<i>On net additional jobs only</i>	\$67,000	\$54,000	\$54,000
<b>On-site resident population</b>	<b>Average daily residents, including FTE visitors/second home owners</b>	1,670	2,850	2,850
<b>In-migrant resident population:</b>				
	<b>Average daily employees, dependents, and part-time residents</b>			
To the County	<i>Total in-migrants</i>	160	430	430
To the State	<i>Subset of County in-migrants</i>	110	320	320
<b>Net additional government operating revenues**** :</b>				
	<b>Operating revenues less operating expenditures</b>			
For the County		\$2.3	\$3.2	\$3.2
For the State		\$2.1	\$1.4	\$1.4
<b>Revenue/expenditure ratio**** :</b>				
	<b>For government operations</b>			
For the County		10.6	6.0	6.0
For the State		5.2	1.9	1.9

\* Figures represent average annual estimates for development-related impacts, considering the 2010-2030 period as a whole (these impacts would not exist after 2030) and 2030 estimates ("at completion") for operations-related, population and fiscal impacts. The latter figures are considered to stabilize in 2030 and to persist thereafter.

\*\* FTE = Full-time equivalent, defined as 40 hours per week or 2,080 hours per year.

\*\*\* Earnings defined to include wage, salary and proprietary incomes, plus directors' fees and employer contributions to health insurance, less employee contributions to social insurance.

\*\*\*\* Does not consider impact and permit fees that may be paid to County or State governments.

Sources: `O`oma Beachside Village, LLC, 2007; Mikiko Corporation, 2008.

## ☒ Population Impacts

- ☐ **In-migrants to the County and State** - It can be assumed that the jobs created by `O`oma, particularly its professional, technical and managerial career opportunities, as well as the homes to be developed, will create incentives for some neighbor islanders or former Island residents to move to Hawai`i Island. `O`oma's housing opportunities are also expected to attract some second home owners or other investors who normally live off-Island.

These and other indirect factors can be expected to result by 2030 in perhaps 430 FTE persons living on the Island, but not necessarily at `O`oma, who otherwise might not have moved to the Island. Of these 430, approximately 110 are anticipated to come from elsewhere in the State, and 320 might be persons who moved to the Island from out-of-State.

- ☐ **On-site population at `O`oma** - At `O`oma itself, resident population on an average day is projected at some 2,850 persons at buildout. Of this total, some 2,580 or about 90% could be expected to be primary residents.

## ☒ Fiscal Impacts

- ☐ **Net County fiscal impacts** - Net additional County revenue resulting from the completed development of `O`oma is expected to exceed the concomitant County government expenditures by a factor of 6.0, or some \$3.2 million per year in net additional County revenues, at project completion.
- ☐ **Net State fiscal impacts** - For the State, net additional operating revenues generated by `O`oma are estimated at \$1.4 million per year by 2030 and beyond. This represents a revenue/expenditure ratio of about 1.9.

These public sector contributions do not consider the value of the school site, public parks or various off-site infrastructural improvements to be contributed by `O`oma Beachside Village, LLC. Neither do they consider the various impacts and permit fees that may be paid to the County and State governments during development. Such additional contributions would increase the public and fiscal benefits of `O`oma.

## ***Report Organization***

The rest of the report is organized in three parts, as follows:

- 1) **Remainder of Text** - Explanation of the study analyses and conclusions, including:
  - ◆ Study Approach
  - ◆ Economic Impacts
  - ◆ In-Migrant Population
  - ◆ Fiscal Impacts
- 2) **Exhibits**- Detailed bases and findings on which the conclusions are based.
- 3) **Appendices** – Report conditions and further documentation of input assumptions.

## 2. Study Approach

### *Special Considerations*

Special considerations for some of `O`oma's facilities guide the analyses presented herein. These and other aspects of this study's analytical framework are set forth below.

- ✦ **Time frame** – This analysis extends from 2010 to 2030, a 21-year period that would span from preconstruction planning through `O`oma's buildout. The first homes at `O`oma are estimated to be available for purchase in 2012, and the first commercial developments to be available for occupancy the same year. All residential units, as well as commercial and industrial spaces, are projected to be sold and/or occupied by 2029. Thus, in contrast to its buildout period, `O`oma's sell-out period is estimated to be 18 years (2012 to 2029).
- ✦ **Use and classification of residential units** – As explained further in MC's market study, some 16% of the homes sold at `O`oma are anticipated to be used for purposes other than as primary residences.<sup>5</sup> These could include second or vacation home buyers, as well as investor-buyers who do not plan to rent the units as primary residences. For purposes of this analysis, such buyers are assumed to customarily live off-Island. This group is distinguished from the primary resident buyers in terms of their economic and fiscal impacts.
  - Non primary residents staying at `O`oma (estimated to be approximately 270 persons at completion) would bring new investments, earnings and expenditures to the State and County. Conversely, such buyers also require some additional government resources and services. In short, they generate new economic and fiscal impacts within the County and State.
  - Primary residents living at `O`oma (estimated to be approximately 2,580 persons at completion) are assumed to have lived elsewhere on the Island even if `O`oma were not developed. Thus, while they may increase population at the `O`oma site itself, from the County or State's standpoint, their presence is not an impact.
- ✦ **Commercial facilities** - The proposed commercial facilities are expected to attract spending from `O`oma residents and employees, Island residents not living at `O`oma, and Island visitors. However, it is likely that Island residents and visitors would have spent an equivalent amount on dining out and/or personal services whether or not `O`oma's commercial facilities were developed. Thus, given a competitive retail market on the Island, the planned commercial facilities could lead

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<sup>5</sup> This is based on 20% of the 80% of units estimated to be sold as market units (20% x 80% = 16%).



to a geographic reallocation of spending within the region, but would not in themselves be expected to increase expenditures made in the County or State.

On the other hand, commercial facilities would contribute to `O`oma's ability to attract residential buyers to `O`oma.

In other words, `O`oma's on-site commercial facilities will employ workers, pay taxes and generate other economic and fiscal benefits. These are considered directly generated impacts and most of the new jobs would be located on-site. However, the net benefits of `O`oma's commercial facilities are measured in terms of the new Island residents and visitors that `O`oma attracts, and the spending, taxes and other benefits these non primary resident persons will generate throughout the County and State. Many of these impacts are likely to be felt off-site.

This report distinguishes the "new" vs. the "net additional" jobs attributable to `O`oma. The net additional jobs would be those supported by the additional spending generated on-Island by those who attracted to live on the Island because of `O`oma's development.

Only the net additional jobs (as opposed to the new jobs) and spending are considered as input to the estimation of fiscal impacts, such as income taxes, GET, and the like. This methodology is considered a conservative approach to estimating `O`oma's fiscal impacts. For instance:

- ❑ While the opening of a new store may not in itself increase aggregate spending on the Island, it is likely to lead to some net additional job creation, since each store needs a manager and some operating staff, regardless of its level of sales.
- ❑ Existing Island residents who move out of another household because of the living opportunities in `O`oma are likely to spend more, at least initially, on various household items, since there are many costs typically associated with setting up a new household. In the methodology described above, such additional spending is ignored, while only that spent by additional Island residents is modeled.

✘ **Other uses/considerations not modeled** – This assessment does not consider the economic and fiscal impacts of development that would be of a public or civic nature. Thus, the costs and employment generated by buildings or other facilities at the proposed charter school, the parks, or any other public facilities, are not modeled. Neither are the values of the lands underlying such uses considered in estimating real property taxes.

Additionally, impact and permit fees that may be paid to the State and County governments are not modeled.

- ✦ **Entitlement spending not considered** – `O`oma Beachside Village, LLC's currently on-going entitlement process for `O`oma is already generating economic and fiscal benefits by employing professionals and supporting various vendors around the State. However, since such benefits are not dependent on the outcome of the entitlement process, they are not enumerated in this analysis.
- ✦ **Other** –This study does not compare the proposed developments to prior master plan(s) for the property nor to other developments that could be hypothesized given the lands' existing entitlements.

### ***Definition of Terminology***

Within this report, the following definitions apply:

- ✦ **Direct impacts** - Those economic, population or other impacts attributable to persons or activities that are a direct result of the proposed development. For instance, direct employment impacts might include those involved in building the proposed facilities, such as construction workers, and those who would later work at them in their operations.

Many, but not all of direct impacts can be expected to occur on-site. For instance, a portion of the construction budget is for architects and engineers. While such persons' employment might be temporarily dependent on the contracts generated by `O`oma, they may do the majority of their work from offices in Kona, Honolulu or elsewhere. Likewise, administrative and managerial staff located off-site would support construction professionals working on-site.

- ✦ **Indirect impacts** – Indirect impacts occur when the businesses or persons who are directly affected make expenditures for additional supplies or services. For instance, some of the additional retail spending by those newly attracted to Hawai`i by `O`oma could be spent on eating out. These elevated dining out expenditures could indirectly increase demand for produce, seafood and meats from Hawai`i farms, fishermen and/or ranching enterprises. `O`oma would thus have indirectly supported new business opportunities for area providers of such goods and services.

- ✦ **Induced impacts** – Induced impacts occur throughout the community when those persons or companies that have benefited from the direct or indirect impacts of `O`oma spend their associated earnings on consumer goods and services. For instance, a construction worker may spend her earned wages to buy a new pair of shoes, or to pay for her child's day care. The farmer who sells produce to a restaurant at `O`oma may use some of his profit to take his family out to the movies. The businesses and individuals impacted by such re-spending are said to enjoy induced economic impacts from `O`oma.

- ☒ **Total impacts** – Total impacts are defined as the sum of direct, indirect and induced impacts for any given variable.
- ☒ **Resident population** – Resident population refers to all those persons who habitually reside in a given area, whether or not they may have temporarily traveled away.
- ☒ **De facto population** – De facto population refers to all those persons who could be expected to be present in a place at any given time. Thus it would exclude residents who are temporarily away on a trip, but would include visitors who are temporarily present.
- ☒ **Full-time equivalent** – This study measures employment opportunities in full-time equivalent (FTE) units. For purposes of this study, one full-time equivalent position is defined as 2,080 hours of employment (including paid vacation and sick leave) per year. This is equivalent to 40 hours per week, and may also be referred to as a “person-year” of employment. Two half-time jobs would be considered together represent one FTE job.

### *ʻOʻoma Beachside Village Parameters*

Assumptions regarding the scale, nature and timing of ʻOʻoma are made in order to assess its impacts. This assessment is based on findings of the market study, and on timelines and development programs provided by ʻOʻoma Beachside Village, LLC, PBR HAWAII and others as noted.

#### **Development Program** (Exhibit 2-1)

ʻOʻoma is proposed to be developed with up to 1,200 residential units, and up to 200,000 square feet of commercial retail and office space.

Among the residential units, about 20% or some 240 could be developed as affordable housing, in accordance with County guidelines. If these units were developed for sale (as opposed to rentals), they could expect to be sold for about \$271,000 on average, based on County guidelines in effect as of May 2007 for a family of four earning 110% to 130% of the County median family income.

Market-priced residential properties offered for sale would include finished multi- and single-family homes as well as estate lots on which buyers might construct their own custom homes. Finished homes are projected to be sold at an average price of \$540,000, while the estate lots could be priced at about \$650,000. Considering both finished homes and estate lots, average market home production and sales could occur at about 54 units per year.

Assuming entitlements are obtained on a timely basis, infrastructure development could begin in 2010, and the first residential homes could be available for occupancy in 2012. All developer products at ʻOʻoma are anticipated to be sold out and/or leased by 2029.

This analysis extends to 2030, in order to capture the impacts of stabilized operations a year or so after sell-out.

### **Residential Buyer and Utilization Patterns (Exhibit 2-2)**

Based on buyer origin patterns at representative other developments on the Island, as explained in MC's market study, 80% of market units and all of the affordable units are assumed to be purchased (or in the case of affordable units, possibly rented) by primary residents who are already established on the Island. The remaining 20% of market units could be purchased by non primary resident household, who are assumed to come from off-Island, as explained above.

As a percent of total units (not just of market units), at completion, `O`oma's units are assumed to be used as follows (numbers rounded):

- ✘ **Primary residences**, including market and affordable units – 1,010 units, or 84%;
- ✘ **Non primary residences**, all market units – 190 units, or 16%.

The primary residences at `O`oma are assumed to be occupied 95% of the time, at 2.7 persons per household for both market units and affordable units. Projected household size is based on the projected average Island household size for 2030, as also presented in MC's market study. The number of primary residents expected to be on-site on an average day is 2,580.

Non primary residents are assumed to reside at their `O`oma property an average of 20% of the year by 2020, and up to 50% by 2030. This increase is attributable to the gradual buildout of homes on the estate lots, a share of which could be expected to be purchased for second or vacation home use.

Non primary resident homes are estimated to house an average of 2.8 persons when they are in use, based on interviews with brokers, developers and others familiar with the Kona second and vacation home marketplace. Thus, the number of non primary residents expected to be on site on an average day is about 270.

These assumptions support an average daily `O`oma population of some 2,850 persons by 2030, of which 2,580 or about 90% could be primary residents and 270 or about 10% could be second home owners or vacationers.

### 3. Economic Impacts

`O`oma may be expected to impact the State and County economies by (a) generating development activity, which supports expenditures for goods and services, (b) creating and supporting jobs and business enterprises in its ongoing operations, and (c) attracting new Island residents who would make new expenditures. The new jobs would in turn generate additional personal earnings in the County and throughout the State.

#### ***Non Primary Resident Expenditures*** (Exhibit 3-1)

Expenditures by part-time or vacation home owners attracted to the County by `O`oma will contribute economic benefits. Direct expenditures made in Hawai`i by the non primary residents themselves are projected to amount to about \$1.6 million in 2020, increasing to some \$6.0 million per year by 2030 and thereafter. Including the indirect and induced impacts of these direct expenditures, the total contribution to the State economy by `O`oma's non primary residents is expected to amount to about \$10.3 million per year by 2030 and thereafter.

#### ***`O`oma Beachside Village Costs***

##### **Coefficients and Multipliers** (Exhibit 3-2)

The State of Hawai`i, Department of Business, Economic Development and Tourism (DBEDT) periodically evaluates the economic interdependencies of the various industries within the State, and their rates of job and personal earnings creation. The latest such study is dated June 2006 and entitled, "The 2002 State Input-Output Study for Hawai`i." Appendix 2 shows the information extracted from this report for use in the analysis of `O`oma's development activity.

✠ **Final demand industry coefficients** show the relationship between input, or spending within any given industry category, and its resulting creation of jobs and earnings in other sectors of the State economy<sup>6</sup>. Such coefficients are used to estimate the direct effects of the construction and development activities planned for `O`oma.

✠ **Industry multipliers** show the relationship between direct jobs or earnings and the indirect and induced jobs or earnings that they can be expected to subsequently support.

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<sup>6</sup> Personal earnings are defined in the DBEDT study as wage and salary income plus proprietors' income, director's fees, and employer contributions to health insurance, less personal contributions to social insurance (i.e., social security taxes).

## **Development Costs (Exhibits 3-3 and 3-4)**

Based on estimates provided by `O`oma Beachside Village, LLC, their planners, engineers and other sources as cited in the exhibits, `O`oma's development is expected to lead to some \$540.6 million in development-related expenditures over the 21 years between 2010 and 2030. This budget is in 2007 dollars and includes:

- ✘ **Professional services** – planning, architectural, engineering, landscape design, development management, and similar services. Note that this excludes those services related to the effort to entitle `O`oma's lands, as expenditures for such services are not contingent upon obtaining the entitlements
- ✘ **Construction** – on- and off-site infrastructure, land subdivision and site preparation, commercial and residential facility development, and retail and office tenant improvements.
- ✘ **Other** – administrative overhead, subsidiary operations, marketing, public relations, off-site community contributions, legal services and other “soft” costs incurred during `O`oma's development and developer sales, post-entitlement.

Because the latest DBEDT coefficients are calibrated to 2002 dollars, the development budgets are also re-estimated in 2002 dollars, as shown in the middle rows of Exhibit 3-3.

Exhibit 3-4 restates the 2007 figures on an average annual basis within each period, rather than as a total. Over the projection period, `O`oma could be expected to average \$25.7 million per year in development expenditures in the State. The rate of expenditures would be higher than this average between 2010 and 2020, when large shares of the planning, infrastructure development and vertical construction are expected to take place.

## ***Employment and Earnings***

### **Development Employment (Exhibit 3-5)**

During its buildout, `O`oma could directly generate some 3,000 person-years of development-related work. The majority of this work would occur on-site. However, some, such as the professional services and administrative positions, are likely to be located off-site. A great deal of the off-site employment may be expected to be located elsewhere on the Island or in Honolulu. This estimate includes wage, salaried and proprietary employment opportunities supported by `O`oma's development.

Considering also the indirect and induced employment opportunities that these direct impacts are likely to support, the total impacts of `O`oma's development could be expected to have represented 7,200 total FTE jobs by 2030, or 3,000 direct jobs plus 4,200 indirect and induced jobs<sup>7</sup>.

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<sup>7</sup> See Chapter 2 for discussion and examples of direct as compared to indirect and induced impacts.

The impacts are also considered on an average annual basis, in order to suggest the numbers of persons that could be employed in `O`oma's development in an average year. Over the entire development period from 2010 to 2030, `O`oma is anticipated to support an average of 140 direct FTE development-related jobs within the State each year. Total employment impacts, including direct, indirect and induced FTE jobs, could represent about 340 FTE positions each year.

### **Personal Earnings from Development** (Exhibits 3-6 and 3-7)

Direct personal earnings associated with the above positions could amount to some \$208.0 million over `O`oma's development. Considering the indirect and induced earnings, the State's workers could expect to enjoy some \$406.0 million in additional earnings over `O`oma's development.

On an annual basis, these total earnings represent an average of \$19.3 million from 2010 to 2030. The indirect and induced benefits could be expected to be supported throughout the State, with concentration on Hawai`i Island.

Comparing projected earnings to the employment figures shown previously, the FTE-wages, salaries, proprietary income and other earnings generated by `O`oma's overall development are estimated to average about \$69,000 per direct FTE position, or \$56,000 considering its total, more dispersed impacts.

Since many households include more than one jobholder, and many employees themselves hold more than one job, these position-specific earnings can be expected to be associated with higher average household incomes.<sup>8</sup> On average, those employed in positions directly supported by `O`oma's development could be expected to have household incomes averaging \$90,000, while those associated with all jobs created through `O`oma's direct, indirect or induced effects could be expected to have household incomes averaging \$73,000. These would represent 155% and 125% of the median household income for the County, which was estimated at \$58,200.<sup>9</sup>

### **Operational Employment** (Exhibits 3-8 and 3-9)

In addition to its development-related positions, `O`oma would create numerous long-term permanent jobs in its operations. Operational employment may be considered in two ways:

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<sup>8</sup> Ratio derived from 2006 average Hawai`i County earnings for full-time, year-round workers with earnings (\$45,284) and 2006 average Hawai`i County household income (\$60,912). Earnings as provided by U.S. Census Bureau, 2006 American Community Survey; household income estimated by Claritas, Inc., February 2007. See Exhibit 3-7 for further information.

<sup>9</sup> Median based on 2006 figures from the U.S. Department of Housing & Urban Development, for a family of four, as provided by the County of Hawai`i; this income level used in County affordable housing guidelines in effect as of May 2007.

☒ **Employment generated by facilities (“new” jobs)** (Exhibit 3-8) – The development and operations of `O`oma’s facilities are expected to be directly associated with about 480 permanent new FTE positions in its operations. Most of these jobs would be on-site, such as employees of `O`oma’s retail and office facilities. These estimates do not include employees of public or community facilities and amenities that may be developed on-site, such as at the proposed charter school or parks.

☒ **Net additional employment** (Exhibit 3-9) - As explained in Chapter 2, it is conservatively assumed that existing Island residents would spend an equivalent amount on consumer goods and services whether or not `O`oma’s commercial facilities were developed. One impact of `O`oma’s development may be a geographic reallocation of spending and hence jobs within the region. Thus, while representing new jobs, many of the jobs located at `O`oma would not necessarily be net additional jobs for the State or County.

On the other hand, to the extent that `O`oma attracts new residents to the Island, those persons’ spending can be considered new monies in the State’s and the County’s economies. Such new spending will generate new employment opportunities that may be dispersed Statewide.

In conclusion, `O`oma’s impacts on employment opportunities Statewide are estimated:

- ☐ Via employment multipliers applied to estimated spending by non primary residents attracted by `O`oma, and
- ☐ Via employment multipliers applied to the projected volume of sales and leasing costs and commissions.

Altogether, some 40 direct FTE operational jobs to be generated Statewide by `O`oma are considered likely to be net additional jobs in 2020, and some 90 by 2030. Indirect and induced effects would add more permanent positions, for a total of some 200 net additional permanent FTE positions by the time of `O`oma’s stabilization in 2030.

### **Personal Earnings from Net Additional Operational Activity** (Exhibits 3-10 and 3-11)

Personal earnings are estimated for the net additional operational jobs supported by `O`oma. Direct wages and salaries paid to those employed in `O`oma’s operations, plus proprietary earnings, director’s fees and the like earned as a direct result of `O`oma’s resident spending are expected to reach \$4.6 million per year by `O`oma’s stabilization in 2030. Including personal earnings associated with the indirect and induced positions, `O`oma could be expected to generate some \$10.8 million per year in ongoing payroll within the State.



These figures do not include gratuities, bonuses or some of the employee benefits that would also be realized by many of the employees and proprietors benefiting from this economic growth.

Based on the multipliers derived from DBEDT's Input-Output Study, the direct employment and proprietary opportunities generated by `O`oma could be expected to support average FTE earnings of about \$51,000 at stabilization. Indirect and induced operational positions could be expected to support FTE earnings of about \$56,000.

As for development employment, these earnings per job may be expected to be associated with higher average household incomes. Using the same methodology explained previously, the households that include a person employed through direct, indirect or induced employment impacts of `O`oma is expected to have average incomes of about \$70,000. This would mean these `O`oma-associated households would be earning about 120% of the County's median income as defined for a family of four, as defined in the County's 2007 affordable housing guidelines.

## 4. In-Migrant Population

The development of `O`oma is expected to result in some in-migration to the State and from within the State to the County.

### *`O`oma Beachside Village Residents* (Exhibit 4-1)

The majority (perhaps 90%) of non primary resident homebuyers at `O`oma are anticipated to come from out-of State, while 10% or so could be from neighbor islands.

By 2020, non primary residents living at `O`oma are estimated at about 70 persons on any given day. By 2030, the in-migrant population residing at `O`oma is estimated at 270 FTE persons, or about 10% of the total resident population at `O`oma on any given day.<sup>10</sup> Some 240 of these persons are estimated to come from out-of-State.

### *Employees and Dependents* (Exhibit 4-1)

Some of those employed by activity generated by `O`oma may come from off-Island, attracted to Hawai`i County because of a job opportunity, or because `O`oma's development provided an entrée to the Island. These might include young householders who grew up in Hawai`i but had been working on the U.S. mainland due to the lack of attractive career and living environments in Hawai`i, or neighbor islanders who seek employment and lifestyle opportunities such as envisioned at `O`oma. Other household members might also accompany such in-migrating workers.

✠ **Development employees** - Hawai`i's labor market is considered to have sufficient supply and the required skills to satisfy most of `O`oma's development labor needs. A nominal 5% of FTE specialty staffing needs are assumed to come from outside the State. Such persons may temporarily reside on the Island during periods of `O`oma's development, and could represent some 6 to 8 persons at any given time.

The construction labor pool on Hawai`i Island is more limited than found Statewide. Therefore, approximately 5% of `O`oma's development employees are expected to come from elsewhere within the State. The combined total of development related employees expected to come from off-Island (either from out of State, or from neighbor islands) would thus be 10% of the FTE employees needed for development of `O`oma. This would still be a relatively nominal number, such as 12 to 16 FTE positions in any given year.

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<sup>10</sup> Based on the estimated total of 2,850 average daily persons in residence as of 2030, as shown in Exhibit 2-2.

✘ **Operational employees** – Some 95% of `O`oma’s operational employee needs are anticipated to be satisfied from within the State’s and 85% from within the County’s labor pool. Conversely, this could mean that at stabilization in 2030, perhaps 70 persons would have been attracted to the County because of `O`oma’s operational employment needs, while the other 410 new operational employees would be expected to have been previously established Island residents<sup>11</sup>.

✘ **Dependents** - In-migrant dependents are estimated at an average of 0.2 per FTE in-migrant construction worker, since the position on which the “move” is based would be temporary, and 1.0 per FTE in-migrant operational employee.

***Total In-Migrant Impacts*** (Exhibit 4-1)

In total, by 2030, `O`oma is projected to have been associated with about 430 in-migrants to the County, of whom perhaps 320 could also have been new to the State. This would include those in-migrating as vacation or second home owners, those moving because of employment opportunities, and the dependents of both these populations.

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<sup>11</sup> Based on the total of 480 new FTE operational jobs shown in Exhibit 3-8.

## 5. Fiscal Impacts

`O`oma's fiscal impacts are estimated by comparing its anticipated impacts on government revenues to the government service costs associated with the additional population `O`oma could attract to the State and County.

### *Operating Revenues*

#### **Real Property Taxes** (Exhibit 5-1)

`O`oma's most significant fiscal impact would be the higher real property taxes it would generate compared to those currently paid on the site. Net new real property taxes are based on the County's Fiscal Year 2007-2008 (FY08) rates for land and building uses of the relevant land use classifications.

Future assessed values will be based on the County assessors' estimates at a future time, and County standards of practice for establishing such values. For projection purposes, the following proxies are used:

✦ **Assessed values of the residential areas as improved** are based on an estimated average primary home sales price of \$495,000, which is slightly higher than the overall figure shown previously in Exhibit 2-1. This is due to the exclusion of vacation or second homes from this mix, and the inclusion of custom improvements on a few of the estate lots.

Vacation or second homes (those owned by non primary residents) are anticipated to have an average tax assessed value of \$933,000, based on an assumed mix of units by type (multifamily, single-family and estate lots) and the addition of custom homes expected to be built on a share of the estate lots.

✦ **Assessed values of the unimproved residential areas** are based on comparison to FY08 tax assessed values per acre at Kaloko Heights, which is near to `O`oma in North Kona, and LUC Urban-designated with residential zoning. `O`oma's unimproved areas' assessed values are also based on a pro-rata share of `O`oma's residential lands assumed to remain undeveloped at any given time. This figure goes to \$0 by 2030, since all homes are anticipated to be built by that date.

✦ **Assessed values of the commercial improvements** are estimated based on the estimated "hard" construction costs for the buildings, plus their tenant improvement costs, as presented previously in Exhibit 3-3.

☒ **Assessed values of the commercial lands** are based on comparison to currently assessed values for LUC Urban-designated, unimproved, zoned commercial sites at Kaloko Heights and in Keahuolū, both in North Kona.

Based on these inputs, `O`oma is estimated to have a tax assessed value of about \$504.2 million in 2020, and \$744.1 million by 2030, when it is assumed to be fully built-out.

#### **County Real Property Tax Revenues (Exhibit 5-1)**

Considering the estimated assessments and the current County real property taxation structure, `O`oma could support potential new real property taxes of up to \$3.0 million by 2020 or \$4.5 million per year by 2030 and thereafter.

Deductions from these figures include real property taxes currently paid for the subject lands, and an allowance for homeowner's exemptions.

On balance, `O`oma is projected to supply the County with about \$2.5 million in net additional real property tax revenues in 2020, and \$3.7 million on an on-going annual basis after its completion in 2030.

#### **Total County Government Operating Revenues (Exhibit 5-2)**

In addition to real property taxes, the County obtains liquid fuel taxes, license and permit fees and various other charges from residents and businesses. Based on the revenues reported by Hawai`i County for FY07, these minor County taxes and fees amount to about \$277 per resident, in 2007 dollars. Applying this revenue rate to the number of persons expected to move to the County because of `O`oma yields a nominal amount of other new County revenues.<sup>12</sup>

Added to the real property taxes discussed above, net new taxes earned by the County as a result of `O`oma's development and operations are estimated at a total of \$2.5 million in 2020 or \$3.8 million per year by 2030 and thereafter.

These figures do not include impact and permit fees anticipated to be paid to the County during the development of `O`oma, nor the value of lands or improvements that may be dedicated to County agencies such as for parks and roads.

#### **State Government Operating Revenues (Exhibits 5-3 and 5-4)**

Additional operating revenues accruing to the State government are expected to derive principally from:

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<sup>12</sup> The estimate excludes public service company taxes, public utility franchises taxes, investment earnings and other revenues noted as "miscellaneous." It includes charges for services; business and other permits, licenses and fees; and the fuel tax. County of Hawai`i, "Comprehensive Annual Financial Report: Fiscal Year Ended June 30, 2007," January 2008.

- ☒ GET applied to `O`oma's development expenditures, brokers' commissions, the in-State spending by its non primary residents and those employees who came from out of State.
- ☒ Individual income taxes paid by `O`oma's employees, including both its development- and operations-related employees.
- ☒ Other sources evaluated include income taxes on new personal earnings generated by `O`oma, and specific excise, licenses, fees, fines and other payments to the State made by those who move to Hawai`i because of `O`oma.

Assumptions on which the above sources are estimated are shown in Exhibit 5-3.

Exhibit 5-4 applies these assumptions and shows net new operating revenues for the State at some \$2.6 million in 2020, or \$2.8 million per year by 2030 and thereafter.

These projected State tax revenues are conservative in that they do not include:

- ☒ Potential income taxes from certain business operating incomes, including those that may be paid by the operating entity for `O`oma,
- ☒ Personal income tax on gratuities, bonuses or other earnings by `O`oma employees not accounted for herein,
- ☒ GET and income taxes that may be incurred on rental income earned by owners at `O`oma,
- ☒ Conveyance taxes on commercial space leasing,
- ☒ Conveyance taxes on the ongoing resales of residential and commercial properties within `O`oma, and
- ☒ State surcharges on motor and tour vehicles that could be rented by `O`oma's residents.

The figures cited also exclude fees and permits that may be paid to the State on behalf of `O`oma over the years of its development. Neither do they include the value of lands or improvements that may be dedicated to the State.

## ***Operating Expenses***

### **Per Capita Government Operating Expenditures** (Exhibits 5-5 and 5-6)

Both State and County governments can be expected to incur additional operating expenses in supporting the in-migrants that are attracted by `O`oma. An analysis of the County's FY07 operating expenditures, net of Federal and State grants, suggests that the County spends some \$1,490 per FTE resident per year, in 2007 dollars. These

expenditures support functions ranging from public safety and highways to recreation, as well as County debt service and benefits for its employees.

A similar analysis of State government operating expenditures, based on data available for FY06, suggests that the State spends about \$4,600 per year to support government operations on behalf of each FTE resident.

#### **Additional County Government Operating Expenditures** (Exhibit 5-7)

The per capita budgets derived above are applied to the counts of those anticipated to immigrate to the County because of employment or housing opportunities at `O`oma. This results in an estimated \$0.6 million in additional County government operating expenditures in 2030 and thereafter.

#### **Additional State Government Operating Expenditures** (Exhibit 5-8)

Employing an analogous methodology, the State could be expected to require up to \$1.5 million more per year to support the net additional residents `O`oma could eventually attract, by 2030.

#### ***Net Fiscal Benefits*** (Exhibit 5-9)

Comparing the net new government operating revenues and expenditures discussed above yields projected net fiscal benefits for the County and State governments.

☒ **County government** operating revenues attributable to `O`oma are anticipated to exceed the additional operating expenses in both of the benchmark years evaluated. By `O`oma's stabilization in 2030, net additional operating revenues could represent some \$3.2 million per year, for a revenue/expenditure ratio of about 6.0.

☒ **The State government's** operating revenues are also anticipated to exceed the additional operating expenses throughout `O`oma's development and operating periods. The State's net additional revenues are projected to amount to \$1.4 million per year by project stabilization in 2030. New revenues to the State government could then represent about 1.9 times new State government operating expenditures.

# **Economic and Fiscal Impact Assessment for `O`oma Beachside Village**

## **Exhibits**



## Exhibit 2-1 `O`oma Concept and Potential Development Timing 2010 to 2030

		<u>Unit</u>	<u>Notes</u>	<u>2010-20</u>	<u>2021-30</u>	<u>Total</u>
<b>Highlights of period:</b>				<ul style="list-style-type: none"> <li>■ 2010-2012: infra-structure planning and development</li> <li>■ 2012: first home sales</li> <li>■ 2012: first commercial development</li> </ul>	<ul style="list-style-type: none"> <li>■ `O`oma buildout by 2029</li> <li>■ 2029: final home sale</li> </ul>	
<b>Development in period:</b>						
Residential unit completions/sales -			<u>Av. price:</u>			
			<u>Av. sales/year<sup>1</sup></u>			
Finished homes (single & multifamily), market	Sold homes	\$540,000	49	553	322	875
Estate lots, market	Sold lots	\$650,000	5	85	0	85
Affordable homes (multifamily) <sup>2</sup>	Sold homes	\$271,000	13	112	128	240
Subtotal, residential units/weighted average price		<u>\$494,000</u>	<u>67</u>	<u>750</u>	<u>450</u>	<u>1,200</u>
Custom home development on estate lots (by lot buyers)			50% by end of first period 90% by end of second period	43	34	77
Commercial centers	Gross leasable square feet			<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
<b>Cumulative development by end of period:</b>						
Residential unit completions/sales -						
Finished homes (single & multifamily), market	Sold homes			553	875	
Estate lots, market				85	85	
Affordable homes (multifamily) <sup>2</sup>	Sold homes			112	240	
Subtotal				<u>750</u>	<u>1,200</u>	
Custom home development on estate lots (by lot buyers)				43	77	
Commercial centers	Gross leasable square feet			<u>100,000</u>	<u>200,000</u>	

<sup>1</sup> Average over entire project selling period; not necessarily the pace each product class is projected to sell at during its own marketing period.

<sup>2</sup> Assumes 20% of total units and a 1:1 credit per County guidelines currently in effect. Actual credits could vary depending on affordable housing market segments and other factors to be agreed upon with the County, and such variation could change the affordable unit count. Estimated average price considers County's guidelines in effect as of May 1, 2007, as applicable to for-sale units for a family of four earning 110% to 130% of the County median family income; figure shown is that specified for the 120% of median family income family of four. Target markets and specific pricing to be determined in agreements to be established with the County.

Sources: `O`oma Beachside Village, LLC, 2007; Mikiko Corporation.

## Exhibit 2-2 Buyer Origins and Residential Utilization Patterns 2020 and 2030

	Basis/reference	2020	2030
<b>Usage assumptions:</b>			
Market units-primary residences	80% of sold market units	510	768
Market units-non primary residences	20% of sold market units	128	192
Affordable units <sup>1</sup>	100% of sold affordable units	112	240
Total		750	1,200
<b>Unit occupancy assumptions:</b>			
Market units-primary residences	Allowance for vacancy/transitions	95%	95%
Market units-non primary residences	Share of year spent on-island (increases as homes are built on estate lots)	20%	50%
Affordable units	Allowance for vacancy/transitions	95%	95%
<b>Utilization pattern:</b>			
Average daily occupied units - Usage and occupancy assumptions			
Market units-primary residences		485	730
Market units-non primary residences		26	96
Affordable units (all primary homes)		106	228
Total, rounded		620	1,050
Average daily persons in residence <sup>2</sup> -			
Market units-primary residences	2.7 persons per occupied unit	1,309	1,970
Market units-non primary residences	2.8 persons per occupied unit	71	269
Affordable units	2.7 persons per occupied unit	287	615
Total, rounded		1,670	2,850

<sup>1</sup> Assumes 20% of total units and a 1:1 credit per County guidelines currently in effect. Actual credits could vary depending on affordable housing market segments and other factors to be agreed upon with the County, and such variation could change the affordable unit count.

<sup>2</sup> Average household sizes for primary residents based on 2020 Island of Hawai'i figure as shown in Mikiko Corporation, "Market Assessment for 'O'oma Beachside Village," December 2007, Exhibit 2-6. That for non primary residents based on interviews with selected comparison property brokers and developers.

**Exhibit 3-1**  
**Non Primary Resident Expenditures in Hawai'i: Average Annual**  
**2020 and 2030 (2007 dollars, in millions, except as noted)**

	<u>Basis/reference (not in millions)</u>	<u>2020</u>	<u>2030</u>
<b>Bases for direct expenditures:</b>			
Average household income	Second & vacation home owners \$250,000		
Percent of income spent on island <sup>1</sup>	(See Exhibit 2-2): 25%		
Persons per household	(See Exhibit 2-2): 2.8		
<b>Projections:</b>			
Direct expenditures	Expenditure per FTE person: \$22,300	\$1.6	\$6.0
Indirect & induced	0.71 multiplier <sup>2</sup>	\$1.1	\$4.3
<b>Total</b>		<b>\$2.7</b>	<b>\$10.3</b>

1 Based on estimated average spending on local consumption items of 53% of pre-tax income, weighted according to average occupancy of unit, as shown on prior exhibit. Spending allocation derived from figures shown in Department of Business, Economic Development and Tourism, State of Hawaii Data Book 2006, "Table 13.25, Average Annual Expenditures and Other Characteristics of Consumer Units, for Honolulu: 2000-2001 to 2004-2005," 2004-2005 figures, excluding shelter and personal insurance and pensions expenditures. DBEDT source references U.S. Bureau of Labor Statistics, Selected Western Metropolitan Statistical Areas: Average annual Expenditures and Characteristics, Consumer Expenditure Survey (annual.)

2 Based on estimates by Dr. Xijun Tian, DBEDT (personal communication, 4/18/1999). Considers weighted average visitors to Hawai'i and their expenditures as allocated to 118 industry categories as available in 1992 State Input-Output model by DBEDT.

## Exhibit 3-2 Industry Coefficients and Multipliers for Development Activities

### FINAL DEMAND INDUSTRY COEFFICIENTS<sup>1</sup>

	DBEDT industrial categories applied	Final demand coefficient per \$1 million (2002\$) project cost		
		Jobs <sup>2</sup>	FTE factor <sup>3</sup>	\$ Earnings <sup>4</sup>
<b>Professional services</b>	#45-Architectural and engineering services	10.31	0.80	0.63
<b>Construction:</b>				
Residential units	#13-SF housing construction, and #14-Construction of other buildings	7.99	0.87	0.40
Commercial facilities	#14-Construction of other buildings	8.41	0.87	0.44
Tenant improvements	#14-Construction of other buildings	8.41	0.87	0.44
Infrastructure	#15-Heavy & civil engineering construction	11.61	0.87	0.86
<b>Other costs</b>	#42-Real estate, #44-Legal services, #40-Other finance and insurance	8.55	0.80	0.52

### DIRECT-EFFECT INDUSTRY MULTIPLIERS<sup>5</sup>

	DBEDT industrial categories applied	Indirect & induced multiplier per direct:	
		FTE job	\$ Earnings <sup>4</sup>
<b>Professional services</b>	Same as above	1.03	0.63
<b>Construction:</b>			
Residential units	Same as above	1.46	1.12
Commercial facilities	Same as above	1.42	1.05
Tenant improvements	Same as above	1.42	1.05
Infrastructure	Same as above	1.40	0.67
<b>Other</b>	Same as above	0.97	1.17

1 For direct impacts of development expenditures. Type I total jobs and earnings direct impact coefficients, from Hawai'i State Department of Business, Economic Development & Tourism, "The 2002 State Input-Output Study for Hawai'i," June 2006 (revised from May 2006), Detailed Tables. Jobs coefficients are for 2012; earnings coefficients not provided for future years.

2 Based on final demand, total jobs multipliers from the Input-Output Study. Study estimates total wage, salaried and proprietary jobs, both full- and part-time (not full-time equivalent).

3 Adjustment factor applied in addition to the jobs coefficient to estimate full-time equivalent jobs at 40 hours per week. Factor derived from the 34.9 average weekly hours reported worked in the natural resources, mining and construction industries and 32.0 in professional & business services industries for the State of Hawai'i for 2007, as reported by Hawai'i Department of Labor and Industrial Relations, "Experimental All Employee Hours & Earnings," 3/28/2008, at www.hiwi.org, as accessed 4/1/2008.

4 Earnings defined to include wage, salary and proprietary incomes, plus directors' fees and employer contributions to health insurance, less employee contributions to social insurance.

5 For indirect and induced impacts of respective direct impacts. Indirect and induced factors derived from Type II Direct-Effect total job/total job and earnings/earnings multipliers as shown in DBEDT, Ibid, "Job multipliers for 2012-2012" and "2002 Detailed Output, Earnings and Tax Multipliers for Hawai'i."

**Exhibit 3-3**  
**Estimated Current Development Costs: Total for Each Period**  
**2010 to 2030 (2007 and 2002 dollars, in millions unless stated)**

	<u>Basis/reference (not in mils unless stated)</u>	<u>2010 2020</u>	<u>2021 2030</u>	<u>Total</u>
<b>In 2007 dollars:</b>				
Professional services <sup>1</sup>	<i>3% of construction excl. infrastructure, with 60% assumed expended by 2020</i>	\$6.9	\$4.6	\$11.5
Construction -	<i>"Hard" costs, net of contingencies:</i>			
Production homes (affordable & market, SF and MF)	<i>1,110 sq. ft. at psf cost: \$210</i>	\$155.0	\$104.9	\$259.9
Custom homes (built by lot buyers)	<i>2,500 sq. ft. at psf cost: \$400</i>	\$42.5	\$34.0	\$76.5
Commercial facilities	<i>\$160 per sq. ft. developed in period</i>	\$16.0	\$16.0	\$32.0
Tenant improvements <sup>2</sup>	<i>\$70 per sq. ft. developed in period</i>	\$7.0	\$7.0	\$14.0
Infrastructure <sup>3</sup>	<i>\$108.4 mil. total, of which 60% assumed expended by 2010</i>	\$65.1	\$43.4	\$108.4
Subtotal		<u>\$285.6</u>	<u>\$205.3</u>	<u>\$490.8</u>
Other	<i>10% of construction excl. infrastructure, distributed pro rata by number of years in period</i>	<u>\$20.0</u>	<u>\$18.2</u>	<u>\$38.2</u>
<b>Total, rounded</b>		<b><u>\$312.5</u></b>	<b><u>\$228.1</u></b>	<b><u>\$540.6</u></b>
<b>In 2002 dollars:<sup>4</sup></b>				
Professional services	<i>72% of 2007 costs</i>	\$5.0	\$3.3	\$8.3
Construction -				
Residential units		\$142.2	\$100.0	\$242.2
Commercial facilities		\$11.5	\$11.5	\$23.0
Tenant improvements		\$5.0	\$5.0	\$10.1
Infrastructure		\$46.8	\$31.2	\$78.1
Other		\$14.4	\$13.1	\$27.5
<b>Total, rounded</b>		<b><u>\$255.6</u></b>	<b><u>\$188.7</u></b>	<b><u>\$444.3</u></b>

Sources: \*O'oma Beachside Village, LLC; brokers and developers of selected comparison projects; other sources as noted.

1 Planning, engineering and related for infrastructure and commercial and residential pad development; architectural, engineering and related for vertical developments.

2 Includes developer- and tenant-provided construction budgets.

3 M&E Pacific, Inc., estimated \$100,500,000 in 2006 dollars (est. May 2007). Inflated based on DBEDT estimate for 2006-2007 construction cost change of 7.9% based on the Honolulu Construction Cost Index: Single Family Residence (Quarterly Statistical and Economic Report, 1Q 2008, published February 26, 2008; Table E-6.) Cost estimate includes site preparation, roadways, drainage, sewer and water systems, and utilities stubbed to development pads on-site, plus frontage road/highway connection and water and utilities off-site. Excludes landscaping, parks and related equipment, beachfront improvements, community pavilion and contingencies.

4 Construction cost deflator from DBEDT, single-family residence construction cost indices from First Hawaiian Bank and DBEDT, see citation above.

**Exhibit 3-4**  
**Estimated Current Development Costs: Average Annual**  
**2010 to 2030 (2007 dollars, in millions)**

	Basis/reference	2010 2020	2021 2030	Overall average
<b>Costs by type:</b>	<i>Exhibit 3-3, annualized</i>			
Professional services		\$0.6	\$0.5	\$0.5
Construction -				
Residential units		\$14.1	\$10.5	\$12.4
Commercial facilities		\$1.5	\$1.6	\$1.5
FF&E/Tenant improvements <sup>1</sup>		\$0.6	\$0.7	\$0.7
Infrastructure <sup>2</sup>		\$5.9	\$4.3	\$5.2
Other		\$1.8	\$1.8	\$1.8
<b>Total, rounded</b>		<b>\$28.4</b>	<b>\$22.8</b>	<b>\$25.7</b>

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1 Includes developer- and tenant-provided construction budgets.

2 Excludes landscaping, parks and related equipment, beachfront improvements, community pavilion and contingencies.

**Exhibit 3-5**  
**Development Employment: FTE Jobs<sup>1</sup>**  
**2010 to 2030 (Total in each period)**

	Basis/reference	2010 2020	2021 2030	Total/ average
<b>Total:</b>				
<b>Direct jobs -</b>	<i>Exhibits 3-2 and 3-3</i>			
Professional services		41	27	68
Construction -				
Residential units		988	695	1,684
Commercial facilities		84	84	169
FF&E/Tenant improvements <sup>2</sup>		37	37	74
Infrastructure <sup>3</sup>		473	315	789
Other		99	90	188
Subtotal direct jobs (rounded)		1,700	1,200	3,000
<b>Indirect and induced jobs<sup>4</sup></b>	<i>Exhibit 3-2</i>	2,416	1,744	4,160
<b>Total jobs (rounded)</b>		<b>4,100</b>	<b>2,900</b>	<b>7,200</b>
<b>Average annual:</b>				
<b>Direct jobs -</b>				
Professional services		4	3	3
Construction <sup>2,3</sup>		144	113	129
Other		9	9	9
Subtotal direct jobs (rounded)		160	120	140
<b>Indirect and induced jobs<sup>4</sup></b>		220	174	198
<b>Total jobs (rounded)</b>		<b>380</b>	<b>290</b>	<b>340</b>

1 FTE = Full time equivalent, defined as 40 hours per week or 2,080 hours per year.

2 Includes employees supported by developer- and tenant-provided construction activities.

3 Excludes landscaping, parks and related equipment, beachfront improvements, community pavilion and contingencies.

4 Based on weighted average of Direct-Effect jobs multipliers for each job category, as shown on Exhibit 3-2.

**Exhibit 3-6**  
**Personal Earnings from Development: Total in Period**  
**2010 to 2030 (2007 dollars, in millions)**

<u>Basis/reference</u>	<u>2010 2020</u>	<u>2021 2030</u>	<u>Total</u>
<i>Exhibits 3-2 &amp; 3-3</i>			
<b>Direct earnings<sup>1</sup>:</b>			
Professional services	\$3.0	\$2.0	\$5.1
Construction -			
Residential units	\$60.2	\$42.3	\$102.5
Commercial facilities	\$5.4	\$5.4	\$10.7
FF&E/Tenant improvements <sup>2</sup>	\$2.3	\$2.3	\$4.7
Infrastructure <sup>3</sup>	\$42.7	\$28.4	\$71.1
Other	\$7.3	\$6.6	\$13.9
<b>Subtotal, direct</b>	<b>\$120.9</b>	<b>\$87.1</b>	<b>\$208.0</b>
<b>Indirect and induced earnings<sup>4</sup></b>	<b>\$114.5</b>	<b>\$83.6</b>	<b>\$198.0</b>
<b>Total earnings</b>	<b>\$235.3</b>	<b>\$170.7</b>	<b>\$406.0</b>

Note: Earnings defined to include wage, salary and proprietary incomes, plus directors' fees and employer contributions to health insurance, less employee contributions to social insurance.

1 Based on industry coefficients and FTE factors as shown in Exhibit 3-2 and estimated construction costs in 2002 dollars, as shown in Exhibit 3-3. Figures inflated to estimated 2007 dollars based on change in Honolulu CPI-U from 2002 to 2007, at: 21.7% as obtained from U.S. Department of Labor, Bureau of Labor Statistics, <http://data.bls.gov/PDQ>, as accessed April 3, 2008.

2 Includes earnings supported by developer- and tenant-provided construction activities.

3 Excludes landscaping, parks and related equipment, beachfront improvements, community recreation facilities.

4 Weighted average of estimated direct earnings by industry as shown above, and Direct-Effect industry multipliers shown in Exhibit 3-2.



**Exhibit 3-7**  
**Personal Earnings from Development: Average Annual**  
**2010 to 2030 (2007 dollars, in millions except average earnings)**

	<u>Basis/reference</u>	<u>2010 2020</u>	<u>2021 2030</u>	<u>Average</u>
<b>Average annual in period:</b>	<i>Exhibit 3-6, refers to all jobs</i>			
Direct earnings		\$11.0	\$8.7	\$9.9
Indirect & induced earnings		\$10.4	\$8.4	\$9.4
<b>Total earnings</b>		<b>\$21.4</b>	<b>\$17.1</b>	<b>\$19.3</b>
<b>Average per new FTE job:</b>	<i>Exhibits 3-5 and 3-6, rounded</i>			
Direct jobs		\$71,000	\$73,000	\$69,000
Indirect and induced jobs		\$47,000	\$48,000	\$48,000
<b>Average per job</b>		<b>\$57,000</b>	<b>\$59,000</b>	<b>\$56,000</b>
<b>Estimated household income<sup>1</sup>:</b>	<i>1.3 times average wage</i>			
For direct job-holders		\$92,000	\$95,000	\$90,000
For indirect and induced job-holders		\$61,000	\$62,000	\$62,000
<b>All O'oma-related job-holders</b>		<b>\$74,000</b>	<b>\$77,000</b>	<b>\$73,000</b>
<b>Percent of County median income<sup>2</sup>:</b>	<i>\$58,200 for a family of four, as applicable to affordable housing guidelines</i>			
For direct job-holders		158%	163%	155%
For indirect and induced job-holders		105%	107%	107%
<b>All O'oma-related job-holders</b>		<b>127%</b>	<b>132%</b>	<b>125%</b>

Note: Earnings defined to include wage, salary and proprietary incomes, plus directors' fees and employer contributions to health insurance, less employee contributions to social insurance.

1 Ratio estimated from 2006 average Hawai'i County earnings for full-time, year-round workers with earnings (\$45,284) and 2006 average Hawai'i County household income (\$60,912). Earnings as provided by U.S. Census Bureau, 2006 American Community Survey, "S2001: Earnings in the Past 12 Months;" household income estimated by Claritas, Inc., February, 2007. Multiplier reflects multiple job-holders within each family as well as multiple job-holding by individuals.

2 Median income based on 2006 figures from U.S. Department of Housing & Urban Development, for a family of four, as provided by the County of Hawai'i. This income level used in County affordable housing guidelines effective May 1, 2007.

**Exhibit 3-8**  
**Direct Operational Employment Generated by Facilities at `O`oma:**  
**New FTE Jobs**  
**2020 and 2030**

	<u>Basis/reference</u>	<u>2020</u>	<u>2030</u>
<b>On-site:</b>			
Commercial retail/office	<i>425 square feet GLA per FTE job</i>	235	471
<b>Other associated jobs:</b>			
Residential and commercial leasing and sales	See Exhibit 3-9	14	10
		<hr/>	<hr/>
<b>Total direct jobs associated with `O`oma, rounded</b>		<b><u>250</u></b>	<b><u>480</u></b>

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Note: Excludes employees at public or community facilities on-site, such as at the school and parks; also excludes service providers to private homes.

**Exhibit 3-9**  
**Net Additional Operational Employment:**  
**Net Additional FTE Jobs<sup>1</sup>**  
**2020 and 2030 (2007 dollars, in millions)**

<b>Bases for projection:</b>	<b>Basis/reference</b>	<b>2020</b>	<b>2030</b>
<i>Av. annual spending by non primary residents</i>	<i>Direct, indirect &amp; induced, in state: Exhibit 3-1</i>	\$2.7	\$10.3
<i>Av. annual residential selling costs</i>	<i>See Exhibit 3-1</i>		
<i>Sell-out of developer inventory</i>	<i>2.0% of gross sales, preceding years<sup>2</sup></i>	\$0.8	\$0.5
<i>Resales after 2020</i>	<i>3.5% Turnover per year<sup>3</sup></i> <i>6.0% of gross sales, same av. price</i>	\$0.0	\$0.1
<i>Av. annual commercial leasing expenses -</i>	<i>Listor &amp; outside brokers' commissions plus sales &amp; marketing expenses</i>		
<i>Initial lease-up</i>	<i>\$1.4 mil total, listing &amp; outside agents</i>	\$0.2	\$0.1
<i>Releasing after 2020</i>	<i>5.0% Turnover per year</i>	\$0.0	\$0.0
<b>Projected net additional jobs:</b>			
<b>Direct -</b>			
<i>Attributable to non primary residents<sup>4</sup></i>	<i>23.0 /\$mil, net margin: 35%</i>	22	82
<i>Real estate leasing &amp; sales</i>	<i>14.0 /\$mil selling costs, new and resales</i>	14	10
<b>Subtotal, direct jobs, rounded</b>		<b>40</b>	<b>90</b>
<b>Indirect and induced -</b>			
	<i>Multiplier and industry category applied<sup>5</sup>:</i>		
<i>Attributable to non primary residents</i>	<i>1.07 Average of select industries</i>	23	88
<i>Real estate leasing &amp; sales</i>	<i>1.91 Real estate &amp; rentals industries</i>	26	19
<i>Subtotal, indirect &amp; induced jobs, rounded</i>		50	110
<b>Total net additional jobs</b>		<b>90</b>	<b>200</b>

1 FTE = Full time equivalent, defined as 40 hours per week or 2,080 hours per year.

2 Assumes 2% inside commissions; no outside commissions.

3 From 2020 on, resales activity assumed at 3.5% of completed and sold residential inventory shown in Exhibit 2-1. Resales factor based on 2006 Hawai'i Island activity of 2,833 units vs. estimated 75,185 total housing units (3.8%); University of Hawai'i Economic Research Organization, April 3, 2008 and American Community Survey, September 12, 2007; also considers 2002 sales of 2,640 homes vs. housing inventory of 65,703 (4.0%). Housing inventories for both sampled years as reported by DBEDT. Commissions and other selling costs estimated at rate shown and average prices shown in Exhibit 2-1.

4 Category includes shopping center and office operational employment, since net additional employment is largely considered a function of induced new spending on-island, not leasable area to be developed at 'O'oma. Also spending by existing island residents, such as at the commercial centers to be developed, is assumed to have occurred elsewhere on-island even if 'O'oma were not developed.

Retail spending subject to reduction by 35% assumed retail trade margin prior to application of weighted average Type II jobs multiplier shown in Appendix 2. This results in conservative estimates since DBEDT multipliers for many applicable industry categories such as services, agriculture, food processing & etc. are calculated assuming they will be applied to total expenditures rather than trade margin expenditures.

5 Based on Type II Direct-Effect Multipliers (less 1.0 each) as shown by industry groups in Appendix 2. Non primary residents based on all industries shown.

**Exhibit 3-10**  
**Personal Earnings from Net Additional Operational Activity:**  
**Total Annual**  
**2020 and 2030 (2007 dollars, in millions except where noted)**

	<u>Basis/reference (not in millions)</u>	<u>2020</u>	<u>2030</u>
<b>Direct earnings -</b>	<i>Estimated average FTE salary or other basis:</i>		
Attributable to non primary residents	\$47,400 Average Hawai'i Island earnings <sup>1</sup>	\$1.0	\$3.9
Av. annual commercial leasing -	Residential & commercial properties, Ex. 3-9		
Initial lease-up		\$0.2	\$0.1
Releasing after 2020		\$0.0	\$0.0
Real estate sales & marketing -	Residential & commercial properties, Ex. 3-9		
Sell out of developed inventory		\$0.8	\$0.5
On-going resales after 2020		\$0.0	\$0.1
<b>Subtotal, direct earnings</b>		<b>\$2.0</b>	<b>\$4.6</b>
<b>Indirect and induced earnings -</b>	<i>Multiplier and industry category<sup>2</sup>:</i>		
Attributable to non primary residents	1.01 Average of select industries	\$1.0	\$3.9
Real estate leasing and sales	3.07 Real estate & rentals industries	\$3.0	\$2.2
<b>Subtotal, indirect &amp; induced</b>		<b>\$4.1</b>	<b>\$6.1</b>
<b>Total earnings</b>		<b>\$6.1</b>	<b>\$10.8</b>

Note: Exhibit portrays on those earnings on positions that would be new to the Island; not on all employment associated with 'O'oma.

1 Exclusive of tips, bonuses, etc. Mean earnings for full-time, year-round workers with earnings of \$45,284 in 2006, as reported by U.S. Census Bureau, 2006 American Community Survey, with inflation to 2007 dollars based on 4.75% change in Honolulu CPI-U from 2006 to 2007, as reported by U.S. Department of Labor, Bureau of Labor Statistics, <http://data.bls.gov/PDQ>, as accessed April 3, 2008.

2 Based on Type II Direct-Effect Multipliers (less 1.0 each) as shown by industry groups in Appendix 2. Non primary residents based on all industries shown.

**Exhibit 3-11**  
**Personal Earnings from Net Additional Operational Activity:**  
**Average Per Job and Household**  
**2020 and 2030 (2007 dollars)**

	<u>Basis/reference</u>	<u>2020</u>	<u>2030</u>
<b>Average earnings per net additional FTE job:</b>	<i>Not in millions</i>		
Direct jobs		\$50,000	\$51,000
Indirect and induced jobs		\$81,000	\$56,000
<b>Average per job</b>		<b>\$67,000</b>	<b>\$54,000</b>
<b>Estimated household income<sup>1</sup>:</b>	<i>1.3 times average wage</i>		
For direct job-holders		\$65,000	\$66,000
For indirect and induced job-holders		\$105,000	\$73,000
<b>All `O`oma-related job-holders</b>		<b>\$87,000</b>	<b>\$70,000</b>
<b>Percent of County median income<sup>2</sup>:</b>	<i>\$58,200 for a family of four, as applicable to affordable housing guidelines</i>		
For direct job-holders		112%	113%
For indirect and induced job-holders		180%	125%
<b>All `O`oma-related job-holders</b>		<b>149%</b>	<b>120%</b>

Note: Exhibit portrays earnings on positions that would be new to the Island; not on all employment associated with `O`oma.

Earnings defined to include wage, salary and proprietary incomes, plus directors' fees and employer contributions to health insurance, less employee contributions to social insurance.

1 Ratio estimated from 2006 average Hawai'i County earnings for full-time, year-round workers with earnings (\$45,284) and 2006 average Hawai'i County household income (\$60,912). Earnings as provided by U.S. Census Bureau, 2006 American Community Survey, "S2001: Earnings in the Past 12 Months;" household income estimated by Claritas, Inc., February, 2007. Multiplier reflects multiple job-holders within each family as well as multiple job-holding by individuals.

2 Median income based on 2006 figures from U.S. Department of Housing & Urban Development, for a family of four, as provided by the County of Hawai'i. This income level used in County affordable housing guidelines effective May 1, 2007.

## Exhibit 4-1 Average Daily In-Migrant Population 2020 and 2030

	Basis/reference	2020	2030
<b>‘O‘oma non primary residents:</b>			
Average FTE persons in residence	<i>At non primary resident units: Exhibit 2-2</i>	71	269
<b>In-migrants to State (rounded)</b>	<i>90% of FTE persons in residence</i>	<u>60</u>	<u>240</u>
<b>In-migrants to Co. (rounded)<sup>1</sup></b>	<i>100% of FTE persons in residence</i>	<u>70</u>	<u>270</u>
<b>Employees:</b>			
In-migrants to the State <sup>1</sup> - Development employees	<i>(Subset of in-migrants to County) 5% of direct av. annual jobs (Ex. 3-5)</i>	8	6
Direct operational employees	<i>8% of jobs generated (Exhibit 3-8)</i>	20	38
Dependents <sup>2</sup>	<i>Ratio of in-migrant employees</i>	22	40
<b>In-migrants to State (rounded)<sup>3</sup></b>		<u>50</u>	<u>80</u>
In-migrants to County <sup>3</sup> - Development employees	<i>(Includes in-migrants to State) 10% of direct av. annual jobs (Ex. 3-5)</i>	16	12
Operational employees	<i>15% of jobs generated (Exhibit 3-8)</i>	38	72
Dependents <sup>2</sup>	<i>Ratio of in-migrant employees</i>	41	74
<b>In-migrants to County (rounded)<sup>3</sup></b>		<u>90</u>	<u>160</u>
<b>Total population impact (average daily):</b>	<i>Non primary residents (FTE), employees and their dependents</i>		
<b>To State</b>		<u>110</u>	<u>320</u>
<b>To County</b>		<u>160</u>	<u>430</u>

1 Subset of County in-migrants. See footnote 3, below.

2 In-migrant dependents estimated to average 0.2 per in-migrant development employee, and 1.0 per in-migrant operational employee.

3 In-migrants to the County include all those moving to the State plus any that may move between islands due to job opportunities at ‘O‘oma.

**Exhibit 5-1**  
**Real Property Taxes Generated by Development**  
**2020 and 2030 (2007 dollars, in millions except as noted)**

	<u>Basis/reference (not in millions)</u>	<u>2020</u>	<u>2030</u>
<b>Total assessed values:</b>			
Improved primary residences <sup>1</sup>	1,008 units @ av. value: \$495,000	\$308.1	\$499.0
Improved second/vacation homes <sup>1</sup>	192 units @ av. value: \$933,000	\$119.1	\$179.1
Unimproved residential <sup>2</sup>	Estimated assessed value per acre: \$40,000	\$2.6	\$0.0
Commercial - land <sup>2</sup>	20 acres, @ per acre: \$450,000	\$9.0	\$9.0
Commercial - improvements	Vert. cost (Ex. 3-3) + share of TI @ 100%	\$23.0	\$23.0
Parks, recreation center & other <sup>3</sup>	Not estimated	\$0.0	\$0.0
<b>Total assessed values</b>		<b><u>\$504.2</u></b>	<b><u>\$744.1</u></b>
<b>Real property tax revenues:</b>			
<b>Potential new revenues -</b>	<u>FY08 rates per \$1,000 net taxable value</u>		
Improved primary residences	\$5.55 Homeowner	\$1.7	\$2.8
Improved second/vacation homes	\$8.10 Improved Residential; Apartment	\$1.0	\$1.5
Unimproved residential	\$8.10 Unimproved Residential	\$0.0	\$0.0
Commercial - land	\$9.00 Commercial	\$0.1	\$0.1
Commercial - improvements	\$9.00 Commercial	\$0.2	\$0.2
Subtotal, potential tax revenues		<u>\$3.0</u>	<u>\$4.5</u>
<b>Less deductions -</b>			
RPT payments prior to `O`oma	\$45,000 FY08, per `O`oma Beachside Village, LLC	\$0.0	\$0.0
Homeowner's exemption <sup>4</sup>	\$132,000 average/unit, primary residences	\$0.5	\$0.7
Subtotal deductions		<u>\$0.5</u>	<u>\$0.8</u>
<b>Estimated net additional RPT</b>		<b><u>\$2.5</u></b>	<b><u>\$3.7</u></b>

Note: Figures exclude real property tax impacts of public facility lands such as schools, parks and roads presumed to be dedicated but not taxed.

1 Average values differ from those shown in Exhibit 2-1 because they include owner-built improvements on the estate lots and because they combine the three product types in different mixes, in order to represent primary vs. second/vacation home owner properties.

2 Tax assessed values for unimproved lands based on other lands of similar classification in North Kona. Undeveloped residential areas estimated pro rata based on the number of units sold and a total of 173 acres in residential use, for a total value of: \$6,920,000 Includes 127 acres planned exclusively for residential uses plus share of 66 acres proposed for mixed uses within the Villages; the latter area allocated for tax estimation purposes as follows: 20 acres for commercial and 46 acres for residential uses.

3 Taxes on parks, roads, trails, recreation center, school and open spaces not estimated as they are assumed to be exempt (if publicly owned) and/or taxed at a negligible rate.

4 Assumes 75% of primary resident household heads are less than 60, qualifying for a \$120,000 exemption, 15% are aged 60 to 69, qualifying for a \$160,000 exemption, and 10% are aged 70 or more, for a \$180,000 homeowner's exemption. Exemptions likely overstated and thus tax collections understated because affordable housing units would not be able to achieve the full "additional exemption" of \$80,000 that is based on 20% of assessed value. Exemption levels based on rules stated in County of Hawai'i, Real Property Tax Division, "Explanation of the Real Property Tax Homeowner Exemption," revised January 2006, at www.hawaiipropertytax.com, as accessed April 3, 2008. Age distribution based on 2007 estimates for population aged 25 and older, for CTs 215.01, 217.01 and the County of Hawai'i, base data provided by Claritas, Inc., November 2007.

**Exhibit 5-2**  
**Total Annual Revenues to County Government**  
**Attributable to Development & In-Migrant Population**  
2020 and 2030 (2007 dollars, in millions, except as noted)

	<u>Basis/reference (not in millions)</u>	<u>2020</u>	<u>2030</u>
<b>Bases for projection:</b>			
<i>FTE in-migrants to County -</i>	<i>Exhibit 4-1</i>		
`O`oma non primary residents		70	270
Employees and their dependents		90	160
<b>Estimated tax and other revenues:</b>			
Net new property tax revenues	<i>Exhibit 5-1</i>	\$2.5	\$3.7
Taxes and other revenue sources from in-migrant residents <sup>1</sup>	<i>Other than real property taxes</i> <i>\$277 per resident</i>	\$0.0	\$0.1
<b>Total new County revenues</b>		<b><u>\$2.5</u></b>	<b><u>\$3.8</u></b>

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Note: Does not consider impact and permit fees that may be paid to the County.

<sup>1</sup> Includes fuel tax, licenses and permits and charges for services. Excludes public service company tax, public utility franchise tax, investment earnings and miscellaneous. As stated in County of Hawai'i, "Comprehensive Annual Financial Report: Fiscal Year Ended June 30, 2007," January 2008.



**Exhibit 5-3**  
**Bases for Projecting State Government Revenues**  
**2020 and 2030 (2007 dollars, in millions, except as noted)**

	<u>Basis/reference</u>	<u>2020</u>	<u>2030</u>
<b>For GET calculations:</b>			
O'oma development costs -	<i>Exhibit 3-4, average annual for preceding period</i>		
Professional services		\$0.6	\$0.5
Construction and other		\$27.8	\$22.3
Subtotal development cost		<u>\$28.4</u>	<u>\$22.8</u>
Real estate sales & marketing costs -	<i>Based on average activity in prior 5 years</i>		
Residential	<i>New and resold units, Exhibit 3-9</i>	\$0.8	\$0.6
Commercial	<i>Leasing revenue, Exhibit 3-9</i>	\$0.2	\$0.1
Subtotal		<u>\$1.0</u>	<u>\$0.7</u>
Spending by non primary residents	<i>In-State spending: Exhibit 3-9</i>	\$2.7	\$10.3
In-migrant employees & dependents to State -			
Number persons	<i>Exhibit 4-1</i>	50	80
Estimated number households	<i>2.5 persons per household</i>	20	32
In-State spending by hhds <sup>1</sup>	<i>58% of average of earnings per development and operational job (below)</i>	\$0.7	\$1.0
<b>For individual income taxes:</b>			
Net new personal income earned -	<i>Average annual in preceding period</i>		
Development employment	<i>Exhibit 3-7 (total personal earnings)</i>	\$21.4	\$17.1
Operational employment	<i>Exhibit 3-10 (total personal earnings)</i>	\$6.1	\$10.8
Av. personal earnings/FTE job -			
Development employment	<i>Exhibit 3-7 (total personal earnings)</i>	\$57,000	\$59,000
Operational employment	<i>Exhibit 3-10 (total personal earnings)</i>	\$67,000	\$54,000
<b>For other State taxes:</b>			
FTE in-migrants to State	<i>FTE non primary residents, employees and their dependents</i> <i>Exhibit 4-1</i>	110	320

Note: Does not consider impact and permit fees that may be paid to the State.

<sup>1</sup> U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Spending Patterns in Honolulu: 2001-02", released April 30, 2004 at [www.bls.gov/ro9/cexhono.htm](http://www.bls.gov/ro9/cexhono.htm). Estimate uses study findings showing 77.6% of pre-tax income of household units was spent, of which 75.1% were on items likely subject to Hawai'i Gross Excise Tax. Excludes spending on shelter (owned dwellings), cash contributions, personal insurance and pensions. Applied to estimated in-migrant households and average of personal earnings for 2020 and 2030 for operational employees, as shown. Excludes potential household income from other household members.

**Exhibit 5-4**  
**Projected State Government Revenues**  
2020 and 2030 (2007 dollars, in millions, except as noted)

	<u>Basis/reference (not in millions)</u>	<u>2020</u>	<u>2030</u>
<b>General excise taxes, on:</b>			
Development <sup>1</sup>		\$0.7	\$0.6
Real estate sales and marketing	<i>4.0% of costs</i>	\$0.0	\$0.0
Spending by `O`oma's non primary residents	<i>4.0% of spending</i>	\$0.1	\$0.4
Spending by in-migrants to State	<i>4.0% of employee &amp; dependent spending</i>	\$0.0	\$0.0
<b>Individual income taxes<sup>2</sup>:</b>			
Development employees	<i>6.1% effective tax rate on av. family income estimated at \$62,000 as shown in Ex. 3-7</i>	\$1.3	\$1.0
Operational employees	<i>6.1% effective tax rate on av. family income estimated at \$60,000 as shown in Ex. 3-11</i>	\$0.4	\$0.7
<b>Other taxes and revenues from in-migrants<sup>3</sup></b>	<i>\$222 per person</i>	<u>\$0.0</u>	<u>\$0.1</u>
<b>Total, additional revenues</b>		<u><b>\$2.6</b></u>	<u><b>\$2.8</b></u>

Note: Does not consider impact and permit fees that may be paid to the State.

- 1 Based on 4% on 100% of professional services and 60% of construction costs, plus a wholesale construction materials tax of 0.5% against 40% of construction costs.
- 2 Based on 2007 Tax Tables, for married taxpayers filing joint returns and range of average personal earnings per job shown in prior exhibits noted. Adjusted Gross Incomes (AGI) assumed to be 15% less than total average earnings shown. Estimated tax impact likely to be conservative due to frequency of dual incomes and multiple job-holding among Hawai'i households, which could push household incomes to higher tax brackets.
- 3 Based on total FY 2006 State tax revenue receipts as reported by State of Hawai'i, "Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006," statement of activities-general revenue taxes. Includes tobacco and liquor taxes, liquid fuel tax, and motor vehicle weight & registration tax. Excludes fines & forfeitures, licenses and other fees. Figures inflated to 2007 dollars.

**Exhibit 5-5**  
**Hawai`i County Governmental Expenditures**  
**Net of Intergovernmental Revenues (State and Federal)**  
**Per Capita in Fiscal Year July 1, 2006 to June 30, 2007**

	Expenditures (\$thousands)	Service population <sup>1</sup>	Expenditures (not in thousands) per:	
			Resident	Visitor
<b>Governmental funds:</b>				
General Government	\$37,651	193,500	\$195	\$195
Public Safety	\$93,241	193,500	\$482	\$482
Highways and Streets	\$14,033	193,500	\$73	\$73
Sanitation	\$31,817	193,500	\$164	\$164
Health, Education & Welfare	\$21,470	171,200	\$125	\$0
Culture and Recreation	\$17,118	193,500	\$88	\$88
Pension and Retirement Contributions	\$21,796	171,200	\$127	\$0
Employees' Health Insurance	\$16,941	171,200	\$99	\$0
Miscellaneous	\$5,108	193,500	\$26	\$26
Debt Service (principal & interest)	\$25,970	193,500	\$134	\$134
Capital Outlays	\$52,285	193,500	\$270	\$270
Less: Intergovernmental revenues (Federal and State)	(\$63,599)	193,500	(\$329)	(\$329)
Subtotal	<u>\$273,831</u>		<u>\$1,456</u>	<u>\$1,104</u>
<b>Proprietary funds:</b>				
Kulaimano Elderly Housing Project	\$277	171,200	\$2	\$0
`O`uli Ekahi Affordable Housing Project	\$317	171,200	\$2	\$0
Less: Federal rental subsidy	(\$134)	171,200	(\$1)	\$0
Subtotal	<u>\$460</u>		<u>\$3</u>	<u>\$0</u>
<b>Total, in 2006-2007 dollars</b>	<u>\$274,291</u>		<u>\$1,458</u>	<u>\$1,104</u>
<b>Total, in 2007 dollars, rounded, based on increase of<sup>2</sup></b>	2.3%		<u><u>\$1,490</u></u>	<u><u>\$1,130</u></u>

Note: Line items may also have debt service and employee benefit expenses within each, but exclude depreciation.

1 Resident population as of January 1, 2007 estimated based on July 1 estimates from U.S. Census Bureau, Federal-State Cooperative Program for Population Estimates, as reported by State of Hawai`i, DBEDT, March 2008; de facto population estimated based on 2005 and 2006 ratios of de facto to resident population, as also reported by DBEDT.

2 Based on annual 2007 Honolulu CPI-U vs. average of 2nd half 2006 and 1st half 2007 CPI-U, as reported by U.S. Department of Labor, Bureau of Labor Statistics at <http://data.bls.gov>, accessed April 3, 2008.

Source: County of Hawai`i, "Comprehensive Annual Financial Report: Fiscal Year Ended June 30, 2007," January 2008.

**Exhibit 5-6**  
**State of Hawai'i Governmental Expenditures**  
**Net of Intergovernmental Revenues (Federal)**  
Per Capita in Fiscal Year July 1, 2005 to June 30, 2006

	Operating expenditures (\$thousands)	Service population <sup>1</sup>	Expenditures (not in thousands) per:	
			Resident	Visitor
<b>Governmental funds:</b>				
General Government	\$493,301	1,393,000	\$354	\$354
Public Safety	\$322,578	1,393,000	\$232	\$232
Highways	\$267,213	1,393,000	\$192	\$192
Conservation of Natural Resources	\$86,628	1,393,000	\$62	\$62
Health	\$685,679	1,393,000	\$492	\$492
Welfare	\$1,709,810	1,273,100	\$1,343	\$0
Lower Education	\$1,984,129	1,273,100	\$1,559	\$0
Higher Education	\$678,338	1,273,100	\$533	\$0
Other Education	\$19,183	1,273,100	\$15	\$0
Culture and Recreation	\$87,478	1,393,000	\$63	\$63
Urban Redevelopment and Housing	\$60,725	1,273,100	\$48	\$0
Economic Development and Assistance	\$215,559	1,273,100	\$169	\$0
Other	\$4,634	1,273,100	\$4	\$4
Debt service	\$447,577	1,393,000	\$321	\$321
Less: Intergovernmental revenues	(\$1,601,005)	1,393,000	(\$1,149)	(\$1,149)
Subtotal	<u>\$5,461,827</u>		<u>\$4,237</u>	<u>\$570</u>
<b>Proprietary funds:</b>				
Airports	\$175,884	1,393,000	\$126	\$126
Harbors	\$38,224	1,393,000	\$27	\$27
Unemployment compensation	\$105,786	1,273,100	\$83	\$0
Nonmajor proprietary fund	\$2,587	1,393,000	\$2	\$2
Less: Federal grants to Airports Division	(\$7,750)	1,393,000	(\$6)	(\$6)
Subtotal	<u>\$314,731</u>		<u>\$233</u>	<u>\$150</u>
<b>Total, in 2005-2006 dollars</b>	<b><u>\$5,776,558</u></b>		<b><u>\$4,470</u></b>	<b><u>\$720</u></b>
<b>Total, in 2007 dollars, rounded, based on increase of<sup>2</sup></b>		3.0%	<b><u>\$4,600</u></b>	<b><u>\$740</u></b>

Note: Figures include legislative expenses; line items may also have debt service and employee benefit expenses within each. They exclude depreciation and expenses of "Component Units" including the University of Hawai'i, Housing and Community Development Corporation of Hawai'i, Hawai'i Health Systems Corporation and Hawai'i Hurricane Relief Fund. The first three charge for services, and receive capital and operating grants and contributions.

1 Resident and de facto populations as of January 1, 2006 estimated based on July 1 estimates from U.S. Census Bureau, Federal-State Cooperative Program for Population Estimates, as reported by State of Hawai'i, DBEDT, March 2008.

2 Based on annual 2007 Honolulu CPI-U vs. average of 2nd half 2005 and 1st half 2006 CPI-U, as reported by U.S. Department of Labor, Bureau of Labor Statistics at <http://data.bls.gov>, accessed April 3, 2008.

Source: State of Hawai'i, Department of Accounting and General Services, "State of Hawai'i: Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2006," 2007.

**Exhibit 5-7**  
**Annual County Government Expenditures**  
**Attributable to Population In-Migrating**  
2020 and 2030 (2007 dollars, in millions, except where noted)

	<u>Basis/reference (not in millions)</u>	<u>2020</u>	<u>2030</u>
<b>Bases for County projection -</b>			
<i>FTE in-migrants to County</i>	<i>Non primary residents, employees and dependents (Ex. 4-1)</i>	160	430
<b>Annual expenditures -</b>			
FTE in-migrants to County	\$1,490 per person, ref: Exhibit 5-5	\$0.2	\$0.6
<b>Subtotal new County expenditures</b>		<b><u>\$0.2</u></b>	<b><u>\$0.6</u></b>

**Exhibit 5-8**  
**Annual State Government Expenditures**  
**Attributable to Population In-migrating**  
2020 and 2030 (2007 dollars, in millions, except where noted)

	<u>Basis/reference (not in millions)</u>	<u>2020</u>	<u>2030</u>
<b>Bases for State projection -</b>			
<i>FTE in-migrants to State</i>	<i>Non primary residents, employees and dependents (Ex. 4-1)</i>	110	320
<b>Annual expenditures -</b>			
FTE in-migrants to State	\$4,600 per FTE person, ref: Exhibit 5-6	\$0.5	\$1.5
<b>Subtotal new State expenditures</b>		<b><u>\$0.5</u></b>	<b><u>\$1.5</u></b>

**Exhibit 5-9**  
**County & State Government Revenue and Expenditure Comparison**  
**2020 and 2030 (2007 dollars, in millions)**

	Basis/reference	2020	2030
<b>County of Hawai'i:</b>			
New revenues	<i>Exhibit 5-2</i>	\$2.5	\$3.8
New expenditures	<i>Exhibit 5-7</i>	\$0.2	\$0.6
Net additional revenues		<u>\$2.3</u>	<u>\$3.2</u>
<b>Revenue ÷ expenditure ratio<sup>1</sup></b>		<u><b>10.6</b></u>	<u><b>6.0</b></u>
<b>State of Hawai'i:</b>			
New revenues <sup>2</sup>	<i>Exhibit 5-4</i>	\$2.6	\$2.8
New expenditures	<i>Exhibit 5-8</i>	\$0.5	\$1.5
Net additional revenues		<u>\$2.1</u>	<u>\$1.4</u>
<b>Revenue ÷ expenditure ratio<sup>1</sup></b>		<u><b>5.2</b></u>	<u><b>1.9</b></u>

N/A - Not applicable.

Note: Other than school impact fees, does not consider applicable impact and permit fees to be paid to County and State governments. These could include sewer, water, transportation and other fees and permits.

1 New revenues divided by new expenditures. Calculated where denominator (additional expenses) exceeds zero.

2 Excludes potential income taxes from any operating entities, GET on ground lease rents and applicable government permit and impact fees that may be paid.

# **Economic and Fiscal Impact Assessment for `O`oma Beachside Village**

## **Appendices**



## Appendix 1: Report Conditions

This assessment incorporates information provided by government agencies, developers, brokers, landowners, `O`oma Beachside Village, LLC, PBR HAWAII, and other sources as cited in the exhibits. While attempts have been made to verify information via multiple sources, it is not always possible to do so. MC cannot guarantee the accuracy of all information upon which its assessments may be based.

MC has no responsibility to update this report or any of the underlying data for events and circumstances occurring after April 4, 2008, the date of substantial completion of primary data collection.

This report is for the planning purposes of `O`oma Beachside Village, LLC, PBR HAWAII and their consultants, as well as for public disclosure of the nature of `O`oma pursuant to seeking State and County land entitlements. It is not intended to be used for solicitation of investment.

This report does not offer an appraisal of the Subject, nor should it be construed as an opinion of value for `O`oma.

## Appendix 2: Derivation of Multipliers for Part-Time Resident Spending

	<b>Type II final demand multipliers</b>		<b>Type II final demand effect multipliers (for indirect &amp; induced impacts)</b>	
	<b><u>Earnings</u></b>	<b><u>Job</u></b>	<b><u>Earnings</u></b>	<b><u>Job</u></b>
Agriculture	0.66	36.6	1.77	1.44
Food processing	0.51	21.6	3.05	3.05
Other manufacturing	0.34	10.2	1.97	2.36
Transportation	0.57	17.7	2.26	2.55
Information	0.52	13.6	1.71	2.15
Utilities	0.33	8.2	2.38	4.17
Wholesale trade	0.55	17.1	1.76	1.96
Retail trade	0.57	24.4	1.69	1.51
Real estate & rentals	0.22	9.1	4.07	2.91
Professional services	0.81	23.3	1.69	1.97
Business services	0.83	30.9	1.69	1.62
Educational services	0.83	33.2	1.70	1.57
Health services	0.77	24.1	1.71	1.91
Arts & entertainment	0.77	37.4	1.59	1.38
Accommodations	0.63	20.0	1.90	2.06
Eating & drinking	0.60	30.5	1.99	1.54
Other services	0.69	30.7	1.80	1.54
Government	<u>0.85</u>	<u>24.7</u>	<u>1.40</u>	<u>1.54</u>
<b>Average</b>	<b><u>0.61</u></b>	<b><u>23.0</u></b>	<b><u>2.01</u></b>	<b><u>2.07</u></b>

Source: State of Hawai'i, Department of Business, Economic Development and Tourism, "The 2002 State Input-Output Study for Hawaii," June 2006 (as revised from May 2006), Table 2.4.

---

APRIL 13, 2007, LUC HEARING  
(DOCKET NUMBER A07-774) TESTIMONY

---



"Grace Horowitz"  
 <grace.horowitz@thetownegr  
 oup.com>  
 04/10/2007 03:32 PM

To <luc@dbedt.hawaii.gov>  
 cc <cyuen@co.hawaii.hi.us>, <cohmayer@co.hawaii.hi.us>, <KAPILAGO@co.hawaii.hi.us>  
 bcc  
 Subject Action

2007 APR 12 PM 2:41  
 ACTION

To whom it may concern;

I am a resident of Kailua Kona Hawaii, I have lived here for the past 33 years, since I was a baby.

I, along with my family, children and friends have enjoyed camping and relaxing along the coastline area's of Kohanaiki and O'oma for as long as I can remember.

I am respectfully asking that an EIS be required before any change is considered or made to O'oma's current Conservation designation.

The West side of our island has very few beaches that are accessible and close to our homes, please keep this land as a conservation and open area so that we and our future generations can appreciate and enjoy our beautiful island, our home.

Blessings,

Grace K.M. Horowitz

\*\*\*\*\*

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than the intended recipient is not a waiver of any attorney-client or work-product privilege.

\*\*\*\*\*



"Keli Campbell"  
<keli@tombomb.net>

04/11/2007 09:41 AM

Please respond to  
<keli@tombomb.net>

To <luc@dbedt.hawaii.gov>

cc <cyuen@co.hawaii.hi.us>, <cohmayer@co.hawaii.hi.us>, <KAPILAGO@co.hawaii.hi.us>

bcc

Subject O'oma Property, Kona, Hawai'i County

To whom it may concern

Please require the owners of the O'oma property to (at the very least) prepare an Environmental Impact Statement regarding their development. Furthermore, please keep the O'oma property zoned conservation. My name is Keli Campbell and I grew up surfing at Kohanaiki. The Kona community, the surfing community and the Hawai'ian community have already sacrificed a piece of the 'aina to development at Kohanaiki in exchange for a small part of the coast. Much of Kona's natural landscape has been paved over, and we've seen the direct result; traffic hazards, more pollution and an overall sense of loss from the people of this island. Do we really need another development, especially on the stretch of coast where most of Kona's children learn to ride waves, appreciate the ocean and environment and families bond? Thank you for your very careful consideration regarding this project. The decisions you make are for the good of this island and its people and I beg you to protect our open spaces and island environment.

mahalo nui,

Keli Campbell  
p.o. box 760  
Holualoa, HI 96725  
808-557-9112

2007 APR 12 P 2:44  
MAIL ROOM

---

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"George Broderson"  
<ghbroderson@hawaii.rr.com>  
>

04/09/2007 10:05 PM

To <luc@dbedt.hawaii.gov>

cc

bcc

Subject Action VII - pt.2 #A07-774 North Kona Village LLC. Meeting  
Date 4-13-07

Dear Commission Members

I am writing to request that the North Kona Village LLC. Development groups request for land reclassification be denied. At a minimum they are required to submit an EIS statement with the hope that a quality assessment be made concerning their plans.

The reason I am asking you to deny their land use reclassification request is simply that good reasons were considered in the original zoning. As a member of the Kona Community for 34 years I have been active in both sides of the development issues along the Kona and Kohala Coasts. I have made my livelihood from the landscaping industry and have formed my life and raised my family (and now my grandchildren) along the shores of Kohanaiki and O'oma. I have attended the planning meetings held here in Kona listening to the heart of the people. I have to say with all due respect that at times I have wondered if those we entrust with our care also here what we have to say.

Kona's population has increased dramatically at the expense of what people are hoping to find here. That would be a "since of place" surrounded by Ocean and Mountain views. Sounds like a sales ad that a developer might use doesn't it. Please let us keep the remaining few spots we have.

Respectfully Submitted

George Broderson and Family

2007 APR 13 A 7:39  
COMMUNICATION



Duane  
<derway@hawaii.rr.com>  
04/11/2007 05:47 PM

To luc@dbedt.hawaii.gov  
cc <cyuen@co.hawaii.hi.us>, <cohmayor@co.hawaii.hi.us>, <KAPILAGO@co.hawaii.hi.us>  
bcc  
Subject Re: 13 April '07 item 2 :A07-774 NORTH KONA VILLAGE, LLC (Hawaii)

Aloha!!!

Please copy and distribute required number of copies for Commission Members and Staff.



Duane PTP Letter to LUC.doc

2007 APR 13 A 7:41

COMMUNICATIONS SECTION



# PLAN TO PROTECT KONA



74-5602-A Alapa Street  
Suite 725  
Kailua-Kona, HI 96740

11 April 2007

Hawai'i State Land Use Commission  
Department of Business, Economic Development & Tourism  
State of Hawaii  
P.O. Box 2359  
Honolulu, Hawaii 96804-2359

Re: 13 April '07 item 2 :A07-774 NORTH KONA VILLAGE, LLC (Hawaii)

Aloha Commissioner Judge, Chairperson  
Aloha Commissioner Montgomery, Vice Chair,  
Aloha Commissioner Formby, Vice Chair and  
Aloha Commission Members Kanuha, Contrades, Wong, Im, Piltz and Teves!!!

Except for approximately 60 acres, this precious coastal area is currently in Conservation designation. This is entirely appropriate and should remain in Conservation. So where to start?

Certainly a place to start is an EIS that addresses economic, cultural and environmental issues. Plan to Protect Kona endorses the need: an EA would not formally address these issues in a way that examines alternatives that have less impact than building 1,000 homes.

If this were a great place for such a development, it would have been included in the Kona Community Development Plan process, now being wrapped up. It was not. The process included over a hundred small group meetings of stakeholders and several large meetings with 300 plus people to get consensus on what was appropriate for Kona. In addition Working Groups addressed Environmental, Cultural, Economic issues and turned in reports. While the final report lies in the future, I can safely say developments such as being proposed were deemed inappropriate for this area of Kona.

In any event, an EIS needs to be developed before any change is considered or made to O'oma's current Conservation designation.

A handwritten signature in cursive script that reads "Duane D. Erway".

Duane D. Erway , President

\*\*\*\*\*

Plan To Protect Kona is a 501c3 organization formed to encourage land use and economic development decisions that reflect Sustainable Development and Smart Growth policies.

2007 APR 13 A 7 41  
NO. 10



"pHyllis"  
<pHyllisHanson@hawaii.rr.com>

04/11/2007 09:50 PM

To <luc@dbedt.hawaii.gov>

cc <cyuen@co.hawaii.hi.us>, <KAPILAGO@co.hawaii.hi.us>

bcc

Subject re: O`oma as Conservation land

Please require an EIS for any development of the proposal, by North Kona Village LLC at O`oma.

We need to maintain open space, so let's keep the conservation designation also.

Thank you

Phyllis Hanson  
Kailua Kona

APR 13 10 45 AM '07  
MAIL ROOM



**James Sogi**  
<[jsogi@hawaii.rr.com](mailto:jsogi@hawaii.rr.com)>  
04/11/2007 09:52 PM

To [luc@dbedt.hawaii.gov](mailto:luc@dbedt.hawaii.gov)  
cc  
bcc  
Subject O'Oma

1. Require North Kona Village LLC to do an EIS for their proposed 300-acre coastal development at O`oma II in Kona.
2. Maintain the Conservation designation of O`oma so that it will remain natural, open space (with potential to be acquired as public open space, as was requested by the public).

I am a current user of O'oma. I used it today and have for the past 25 years.

James Sogi  
75-170 Hualalai Rd. D120  
Kailua Kona, Hawaii 96740  
(808) 329-5672  
[jsogi@hawaii.rr.com](mailto:jsogi@hawaii.rr.com) <<mailto:jsogi@hawaii.rr.com>>

2007 APR 13 A 7:45



**Randy Rugar**  
<randyldna@earthlink.net>

04/12/2007 01:14 AM

Please respond to  
Randy Rugar  
<randyldna@earthlink.net>

To luc@dbedt.hawaii.gov

cc

bcc

Subject RE: North Kona Village

Aloha Public Servants!

Please take into consideration the following requests:

1. require North Kona Village LLC to do an EIS for their proposed 300-acre coastal development at O`oma II in Kona.
2. maintain the Conservation designation of O`oma so that it will remain natural, open space (with potential to be acquired as public open space, as was requested by the public).

Respectfully,

Randy Rugar, Ph.D.

APR 12 2007 11:47 AM



"Cory \ (Martha) Harden"  
<mh@interpac.net>

04/11/2007 10:54 PM

To <luc@dbedt.hawaii.gov>

cc <cyuen@co.hawaii.hi.us>, <cohmayer@co.hawaii.hi.us>,  
"GVT CTY HI CNCL Pilago" <kapilago@co.hawaii.hi.us>,  
"Janice Palma-Glennie" <palmtree7@earthlink.net>

bcc

Subject O'oma

Dear LUC,

Open, coastal land in West Hawai'i is at a premium  
Luxury housing, shops, traffic, and construction jobs are not.

Bulldozing and building have claimed Oahu, Maui, and Kauai. The untouched tracts of Hawai'i Island are the next target.

My dad had pictures of Waikiki with one hotel and all palm trees taken when he was 30. When he was 70, all the hotels were up.

I remember Kona, when I was growing up, with two hotels and just cottages...quiet two-lane roads, plenty of room to park and swim at Disappearing Sands...in one generation, it can all be lost.

O'oma II was chosen as one of the top ten special places in Hawai'i County to be acquired as open, public space.

So please require North Kona Village LLC to do an EIS for their proposed 300-acre coastal development at O'oma II in Kona.

And please maintain the Conservation designation of O'oma so that it will remain natural, open space (with potential to be acquired as public open space, as was requested by the public).

mahalo,  
Cory (Martha) Harden  
PO Box 10265  
Hilo, Occupied Hawai'i 96721  
808-968-8965  
[mh@interpac.net](mailto:mh@interpac.net)

2007 APR 13 A 7:47



**TOM CAREY**  
<tmcfarms@yahoo.com>  
04/12/2007 08:07 AM

To luc@dbedt.hawaii.gov  
cc cyuen@co.hawaii.hi.us, cohmayor@co.hawaii.hi.us,  
kapilago@co.hawaii.hi.us  
bcc  
Subject Protect our ocean and coast!!!

Hawaii state land use commision

Please require north kona village to do a EIS for the proposed 300 acre coastal development at O'oma II in Kona. This is your responsibility to the taxpaying residents.

Also please maintain the conservation designation of O'oma so that it will remain natural open space,with the potential to be acquired as public open space for use by the public.

Thank you, Tom Carey, Kona, Hawaii April 12 2007

2007 APR 13 AM 7:49  
A  
KONA



"kamaukala campbell"  
<chadkona@hotmail.com>  
04/12/2007 10:19 AM

To luc@dbedt.hawaii.gov  
cc cyuen@co.hawaii.hi.us, cohmayor@co.hawaii.hi.us,  
kapilago@co.hawaii.hi.us  
bcc  
Subject O'oma

To whom it may concern,  
I am writing to strongly suggest that you require North Kona Village LLC to do an EIS for their proposed 300 acre development at O'oma II in Kona. I have heard talk that they plan to do this anyhow, but an order from the government would be appropriate in any case.  
I grew up in Kona, learned to surf at Kohanaiki, just south of O'oma, and have seen firsthand the mostly negative effects of the whirlwind of development that Kona has seen in the last 10-12 years. I oppose the development on principle alone, but in the very least I would hope our government would DEMAND a complete EIS from this company whos' main contribution to the community will be "one heck of of a playground" (West Hawaii Today, 4/10/07).  
thank you for your time,  
chad kamaukala campbell,  
Kona

2007 APR 13 A 7:51  
CH

---

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"Kerry S. Alligood"  
<ksalligood@hawaii.rr.com>

04/12/2007 12:21 PM

To <luc@dbedt.hawaii.gov>

cc <cohmayor@co.hawaii.hi.us>, <cyuen@co.hawaii.hi.us>,  
<kapilago@co.hawaii.hi.us>

bcc

Subject O' Oma II EIS by North Kona Village LLC

State Land Use Commission,

I am sending this email today because I feel the issue at hand is extremely serious and if approved will have a negative impact on the West Hawaii community and the Big Island in general for many, many years to come. Because of the massive scope of the North Kona Village LLC proposed project and the sensitivity of it's coastline location I believe it is **prudent** that an EIS be required of the developer. By requiring an EIS it will enable the community as well as our local government to fully understand the impact this project will have on our water/sewer systems, traffic, schools, medical, fire and police, libraries, parks, the ocean and just the quality of life in general. The West Hawaii infrastructure is barely able to sustain with our current and recent growth rate. Additionally the land was designated Conservation for a reason and the community has fought off two previous attempts to urbanize the O' Oma II land so why are we going through this again. There are a few who will feel this project is good and are willing to cave in to the developer because it **may** provide some affordable housing but the trade off is much more detrimental than the shortage of affordable housing.

In closing, I ask you to please require an EIS so the community can be properly educated on what is actually being proposed and to please maintain the Conservation designation this land has earned and truly deserves. What we need is more open space for all to enjoy not more luxury housing, shops and traffic.

Sincerely,

*Kerry S. Alligood*  
Kerry S. Alligood  
808-885-4155 (phone)  
805-680-2162 (cell)  
808-887-0779 (fax)





**hainp004@hawaii.rr.com**

04/12/2007 11:56 AM

To luc@dbedt.hawaii.gov

cc cyuen@co.hawaii.hi.us, cohmayor@co.hawaii.hi.us,  
KAPILAGO@co.hawaii.hi.us

bcc

Subject EIS for O'oma development

Dear LUC:

Please require North Kona Village LLC to do an EIS for their proposed 300-acre coastal development at O'oma II in Kona. Please maintain the Conservation designation of O'oma so that it will remain natural, open space (with potential to be acquired as public open space, as was requested by the public).

Thanks,

Peter Hain  
73-1066A Ahikawa St.  
Kailua Kona, HI 96740

2007 APR 13 A 7:54  
LUC



westpeak@aol.com  
04/12/2007 12:30 PM

To luc@dbedt.hawaii.gov  
cc  
bcc  
Subject Save O'oma Conservation Designation

2007 APR 13 4 8:01

Gentlepersons:

I am a 10 year resident of the North Kona District. I have seen this area grow without planning or control. It is indeed an understatement to say that this lack of planning, fueled by out of state greed, and some in state profiteers, has severely affected my family's and my quality of life. Overpopulation and unbearable traffic where there once was none, loss of or severely limited access to beaches, lack of public parks, and no upkeep or maintenance of the places we will have to enjoy, pristine waters being polluted by golf course run off and rampant overdevelopment, and most concerning a change in the spirit of the people - "live aloha" is becoming harder and harder to hold onto.

Please require North Kona Village LLC to obtain an EIS for its 300 acres in O`oma II. Please honor the public's clear, undisputed position that O`oma MUST remain a conservation designation so the area can be preserved and potentially acquired for a very much needed public open space.

Respectfully,

Andrea Alden, Attorney at Law  
Kailua Trade Center  
75-5706 Hanama Pl #208A  
Kailua-Kona HI 96740

Home:  
75-317 East Kakalina Place  
Kailua-Kona HI 96740

---

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"debbyd"  
<debbyd@hawaii.rr.com>  
04/12/2007 10:01 AM

To <luc@dbedt.hawaii.gov>  
cc  
bcc  
Subject Open, coastal land in West Hawai'i

State Land Use Commission at:  
Fax: (808) 587-3827  
email:luc@dbedt.hawaii.gov

Aloha-

I am writing to put on record my objection to the new project planned in the area next to our treasured ex-land mark Pine Trees.(very, very sad that you let this land mark be removed!!!!) This project called O`oma II is to be developed on land which is zoned primarily conservation land. We have lost so much of our ocean views here in Kona and the ocean can hardly be seen when driving down Alii Drive. Please do not allow this zoning change to take place and leave this area zoned conservation and it's ocean views to be enjoyed by all. Why is all of Hilo's oceanfront area zoned special management, conservation area and we do not have these protections of our views here in Kona where most of the visitors come?? And last but not least we need new roads before we have any more projects approved here on the Kona side, traffic is a nightmare in the morning and pau hana hours of the day. Please listen to the public and your conscience and do not approve this project!

Please require North Kona Village LLC to do an EIS for their proposed 300-acre coastal development at O`oma II in Kona. maintain the Conservation designation of O`oma so that it will remain natural, open space (with potential to be acquired as public open space, as was requested by the public).

Debby Datkowitz  
kuakini hwy  
K-K, HI 96740

2007 APR 13 A 8:01



"Susan Decker"  
<lentz@kona.net>

04/12/2007 03:30 PM

Please respond to  
"Susan Decker"  
<lentz@kona.net>

To <luc@dbedt.hawaii.gov>

cc <cyuen@co.hawaii.hi.us>, <cohmayor@co.hawaii.hi.us>,  
<KAPILAGO@co.hawaii.hi.us>

bcc

Subject O'oma II, North Kona

Dear Sirs,

Please require that:

- 1) North Kona Village LLC prepare and submit an EIS for the proposed 300-acre costal development project in North Kona at O'oma II; and
- 2) the current Conservation designation be retained to preserve the potential for public acquisition as open space.

Conversion of this property to any other land classification is not in the best interests of the citizens of North Kona. Please assist in preserving our coastline, our life style and quality of life in North Kona in your disposition of this matter.

Sincerely,

Susan Decker  
76-156 Kamehamalu Street  
Kailua-Kona, HI 96740  
808-326-9725

Kona resident since 1984

APR 13 4 08 PM '07



"shannon rudolph"  
<shannonkona@gmail.com>  
04/12/2007 08:37 AM

To luc@dbedt.hawaii.gov  
cc cyuen@co.hawaii.hi.us, cohmayor@co.hawaii.hi.us,  
KAPILAGO@co.hawaii.hi.us  
bcc  
Subject EIS of O'oma as Conservation land

Aloha Land Use Commission Members,

Please plan very carefully, what little open coastal space, we have remaining on our island. Please require North Kona Village LLC do an EIS for the proposed 300-acre development at O'oma, in Kona. Please maintain the Conservation designation of O'oma.

The public has requested that this land be purchased by the County of Hawaii, to save for future generations. Many believe we are selling our island to the highest bidder, but really, we are giving it away. We MUST require MUCH more than we are receiving, to ok developments such as these.

Mahalo, Shannon Rudolph  
P.O. 243 Holualoa, Hi. 96725

2007 APR 13 10:00 AM  
KAPILAGO@CO.HAWAII.HI.US



**Aaron Stene**  
<aaron@hawaiiintel.net>

04/12/2007 11:31 AM

Please respond to  
aaron@hawaiiintel.net

To luc@dbedt.hawaii.gov, aaron@hawaiiintel.net

cc

bcc

Subject Ooma Beachside Village

Aloha,

In regards to the proposed Ooma Beachside Village project, I strongly believe it is ill advised to allow 1,000 new homes in this area. The existing infrastructure in the area is ill equipped for these additional homes. Plus it deeply concerns me that these homes will be in close proximity to OTEC/NELHA. The government should explore the possibility of purchasing this property. So the public will have perpetual access to this land for future generations.

Best Regards,  
Aaron Stene

2007 APR 13 A 7:53

MAIL ROOM



**Kalei Rapoza**  
<bass\_fission@yahoo.com>

04/12/2007 02:41 PM

Please respond to  
bass\_fission@yahoo.com

To luc@dbedt.hawaii.gov

cc

bcc

Subject Testimony - A07-774 North Kona Village, LLC (Hawaii)

Aloha,

Please find attached testimony for Action A07-774 North Kona Village, LLC (Hawaii).

Mahalo,

Kalei Rapoza

Be a PS3 game guru.

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LUC Testimony - April 11 2007.doc

2007 APR 13 AM 10:00

April 11, 2007

Honorable Lisa M Judge  
Chairperson, Land Use Commission  
Department of Business, Economic Development & Tourism  
State of Hawaii  
235 South Beretania Street, Room 406  
Honolulu, HI 96813

Re: A07-774 North Kona Village, LLC (Hawaii) – determination of whether the Land Use Commission is the appropriate accepting authority pursuant to Chapter 343 HRS and whether the reclassification of conservation lands requires an Environmental Assessment

Dear Chairwoman Judge,

My name is Kalei Rapoza, Second Year Law Student at William S. Richardson School of Law, not affiliated with any organization, group, or company having stake or interest in the following matter. I am writing testimony to **Strongly Support** the need for an Environmental Assessment pursuant to HRS Chapter 343 to determine “significant impact” prior to the reclassification of the proposed project area from Conservation District to the Urban District.

HRS Chapter 343 mandates:

“Whenever an applicant proposes an action specified by subsection (a) that requires approval of an agency and that is not a specific type of action declared exempt under section 343-6, the agency initially receiving and agreeing to process the request for approval shall prepare an environmental assessment of the proposed action at the earliest practicable time to determine whether an environmental impact statement shall be required.” HRS § 343-5(c) (2006)

Based on the Hawaii Supreme Court’s holding in Sierra Club v. Office of Planning, State of Hawaii, 109 Haw. 411, 417, 126 P.3d 1098, 1104 (2006), an environmental assessment shall be prepared at the earliest practicable time when: “(1) an applicant proposes an action specified by HRS § 343-5(a); (2) the action requires approval of an agency; and (3) the action is not exempt under HRS § 343-6.”

The LUC is required by law to prepare and environmental assessment prior to the proposed reclassification. As the Hawaii Supreme Court held in Pearl Ridge Estates Community Assoc. v. Lear Siegler, Inc, 65 Haw. 133, 134, 648 P.2d 702, 704 (1982), “when an application is made for the **reclassification of conservation lands** to other uses, an environmental assessment is necessary before the LUC can reclassify the lands.”

Under HRS § 343-5(a)(7) an environmental assessment shall be required for actions that “[p]ropose any reclassification of any land classified as a conservation district by the state land use commission under chapter 205.” Should significant impacts be determined then an



Environmental Impact Statement must be performed, otherwise, a finding of no significant impact shall be prepared.

HRS Chapter 205-4 states:

“Any department or agency of the State...or any person with a property interest in the land sought to be reclassified, may petition the land use commission for a change in the boundary of a district. This section applies to all petitions for changes in district boundaries of lands within conservation districts.” HRS § 205-4(a) (2006)

In summary, in the case of North Kona Village, LLC, all three factors are present requiring an EA at the earliest practicable time:

- (1) Action under HRS § 343-5(a) - Request for reclassification of conservation district – HRS § 343-5(a)(7)
- (2) Approval of an agency – under HRS § 205-4(a). Clearly the proposed reclassification of 181.169 acres fulfills the requirement of “land areas greater than fifteen acres.”
- (3) This action is not exempt under HRS § 343-6

I strongly urge the Land Use Commission to perform an Environmental Assessment prior to reclassification of the concerned land in order to determine whether there is significant impact and whether to conduct an Environmental Impact Statement. Thank you for the opportunity to present my position regarding this matter.

Very truly yours,

Kalei Rapoza



**Jane Bockus**  
<jane.bockus@hawaiiantel.net>

04/11/2007 09:38 PM

To cyuen@co.hawaii.hi.us, KAPILAGO@co.hawaii.hi.us,  
luc@dbedt.hawaii.gov, cohmayor@co.hawaii.hi.us  
cc palmtree7@earthlink.net

bcc

Subject

Please keep the Conservation designation for O'oma - we need that open space!

Another development that close to the airport will soon be demanding that aircraft take "noise abatement" procedures, and possibly limiting the hours of operation at Keahole Airport.

The Magoon Estate land at Mahaiula was made into the Kona Coast State Park, as it was felt that any development there would soon be objecting to airport noise and I feel that the plans to develop the 300 acres at O'oma would have the same result. With current plans to build another runway, allowing any further development close to the airport is ridiculous!

Mahalo,  
Jane Bockus

2007 APR 13 A 7:44  
LAWSON, JANE BOCKUS



"Fuller"  
<fishman@lhawaii.net>

04/11/2007 04:33 PM

Please respond to  
"Fuller" <fishman@kona.net>

To <luc@dbedt.hawaii.gov>

cc "Chris Yuen" <cyuen@co.hawaii.hi.us>, "Harry Kim"  
<cohmayer@co.hawaii.hi.us>, "Angel Pilago"  
<KPILAGO@co.hawaii.hi.us>

bcc

Subject Preserve the open space along West Hawaii coast at O'oma

Aloha,

As the development continues along our already over crowded coastline there is still a chance for the public to work together to preserve a parcel of land that is currently dedicated as CONSERVATION...O'oma. We already are "lucky" enough to have hotels, prepackaged parks, strip malls and golf courses. How about some good old fashioned OPEN SPACE?

I am an educator in Kona. With over 33 years experience in the public school system I can see first hand what today's pace is doing to the stability and structure of our society. Children of today need a place to go where they can reflect, have **unstructured** play experiences and also reconnect with their families and culture. Let's not sell our future generations short by building up every speck of open land.

Think about it!

Mahalo,  
Carol Fuller

2007 APR 12 P 2:54

COMMUNICATIONS SECTION



"Charles Flaherty"  
<oneheart@aloha.net>  
04/12/2007 10:07 PM

To <luc@dbedt.hawaii.gov>  
cc "'Mayor Harry Kim'" <cohmayor@interpac.net>,  
<CYUEN@co.hawaii.hi.us>, <KAPILAGO@co.hawaii.hi.us>  
bcc  
Subject Testimony, LUC meeting agenda item VII.2, A07-774

April 12, 2007

Re: April 13, 2007 meeting agenda item VII.2, A07-774

Aloha mai Mr. Chair and members of the State Land Use Commission,

I am writing in regard to the North Kona Village, LLC application for reclassification of 181.169 acres from Conservation to Urban State Land Use District.

I have been unable to review the detailed information regarding the North Kona Village, LLC application as the information is located solely in the Hilo Planning Department office, a 2 ½ hour drive from the Kona Planning Department office.

However, I can provide the Commission with the following information to determine whether the proposed action may have a "significant effect" to warrant the preparation of an Environmental Impact Statement pursuant to Chapter 343, HRS.

In August 2003, the Third Circuit Court-appointed water monitor reported "the water quality in nearshore coastal waters off Hokuli'a has obviously deteriorated since the third sampling in February 2003...we conclude that the most likely source of these nutrients are the immediate Hokuli'a lands under construction."

In April 2004, the same water monitor reported "there is strong evidence that activities at the Hokuli'a site are contributing significant amounts of nitrate+nitrite-nitrogen to the groundwater".

In April 2006, the Marine Sciences Department at University of Hawai'i-Hilo issued a report, *A Review of Coastal Monitoring Data for Developments in West Hawai'i*, prepared for the County of Hawai'i. The Executive Summary contained the following statements:

- "Historical water quality analyses from Waikoloa and Hokuli'a revealed that nitrogen water quality parameters have significantly increased at both developments over the past ten years."
- "Nutrient concentrations were more elevated at low salinities, suggesting that nutrients originate from freshwater sources like fertilizers, irrigation water, or waste water. These elevated nutrient concentrations may lead to algal blooms in West Hawai'i, which may be comprised of exotic and/or harmful species."
- "Results from these analyses [from 13 coastal developments in West Hawai'i, including the Natural Energy Laboratory of Hawai'i adjacent to the proposed North Kona Village, LLC project] are consistent with historical temporal trends from these sites, suggesting that **conditions in West Hawai'i may be developing for extreme environmental degradation, possibly resulting in algal blooms like those in West Maui.**"

The results of water quality testing offshore 13 developments in West Hawai'i have proven that the proposed action will have a "significant effect" on the environment and the preparation of an Environmental Impact Statement pursuant to Chapter 343 is warranted.

The State Supreme Court has found that both the State of Hawai'i and the County of Hawai'i, including this Commission, have an "affirmative duty" to protect the Class AA pristine nearshore waters of West

2007 APR 13 A 8:06

Hawai'i.

It is now clear that the Land Use Commission should never have reclassified the nearshore areas in West Hawai'i from Conservation to Urban as that conditions are developing in West Hawai'i for extreme environmental degradation of our constitutionally-protected nearshore marine waters.

I strongly encourage this Commission to take proactive steps to reverse its prior decisions and to reclassify all West Hawai'i lands not already developed between Queen Ka'ahumanu Highway and the shoreline from the Urban District and back into the Conservation District.

Mahalo,

Charles Flaherty  
P O Box 922  
Captain Cook HI 96704

P.O. Box 1185  
Volcano, HI 96785

April 9, 2007

Sandy-File EIS  
comments  
✓ MC Max  
LUC STATE COMMISSION  
STATE OF HAWAII  
2007 APR 10 A 11:13

State Land Use Commission  
235 S. Beretania St. 406  
Honolulu, HI  
(hand delivered)

RE: A07-774 North Kona Village LLC Development at O'oma

Members of the State Land Use Commission:

I am writing both to explain why a full environmental impact statement should be required for North Kona Village's project at O'oma, and why approval of this project is not a good idea.

#### Global Warming

✓ It is beyond dispute that global warming and sea level rise are real. Government agencies, like the LUC, need to begin to carefully plan a long-term retreat from the coastline. With sea level rise predicted to rise twenty to seventy feet over the next century, it makes little sense to approve more development near the coastline. In any case, the EIS should specifically examine the issue of sea level rise and how it could impact this project.

#### Scenic Vistas

This project will significantly and adversely affect scenic views of the ocean. Poor planning in the past has caused far too much development *ma kai* of Queen Ka'ahumanu Highway. We should not sacrifice any more coastal open space in this area.

#### Class AA Waters

✓ Coastal water quality in this area is outstanding. The difference between water quality here and the coastal waters off urban Honolulu is staggering. Runoff from urban development has permanently deteriorated Honolulu's water quality. There is no question that this development will significantly degrade water quality in the area. There is no reason why Kona's water quality should be sacrificed for the benefit of housing for the rich.

#### Jobs


Kona is already at full employment. The region does not have the capacity to absorb more jobs -- let alone a need for any more.

## Traffic

If any of the LUC members have tried to drive through Kona during “rush” hour, you would understand that traffic in Kona is far, far worse than on O’ahu. This project will only exacerbate existing conditions. There is no question that for this reason alone the project will have a significant and adverse environmental impact.

Development at O’oma provides absolutely no public benefits whatsoever. Kona does not need more luxury housing, traffic, or construction jobs. Kona needs to preserve its coastal open space.

Sincerely,

A handwritten signature in black ink, appearing to read 'DK Frankel', with a stylized flourish at the end.

David Kimo Frankel



IN REPLY REFER TO:

## United States Department of the Interior

NATIONAL PARK SERVICE  
 Kaloko-Honokohau National Historical Park  
 73-4786 Kanalani St., Suite 14  
 Kailua-Kona, HI 96740

April 12, 2007

STATE LAND USE COMMISSION, 13 APRIL 2007. DOCKET NO. A07-774; North Kona Village, LLC.

### TESTIMONY OF THE NATIONAL PARK SERVICE

The National Park Service submits this testimony to the Land Use Commission in support of the preparation of an Environmental Impact Statement (EIS) by North Kona Village, LLC for their proposed action. A new development of this magnitude (1000 homes) along the environmentally sensitive coastal shoreline, and near a National Park and National Historic Landmark requires a rigorous environmental review at the level of an EIS. The proposed action is likely to have a significant effect on the environment, an irrevocable commitment of natural resources by the withdrawal of groundwater to support the proposed development's potable and non-potable water needs, and substantial effects on cultural practices and cultural resources. Additionally, the cumulative impacts of the proposed development in the context of this rapidly urbanizing section of West Hawaii's coastline are likely to be significant and must be thoroughly considered in an EIS. The National Park Service is particularly concerned about the potential for significant effects to local water and groundwater resources, and how water withdrawals and reinjection will affect groundwater inside the National Park. Groundwater quantity and quality are critical to Kaloko-Honokohau National Historical Park's 140+ anchialine pools, two historic fishponds, 596 acres of marine waters, and their associated ecosystems. Reduction in the quality and quantity of available groundwater will significantly impact these nationally significant cultural and natural resources.

Thank you for the opportunity to provide this testimony.

Sincerely

*Geraldine K. Bell*  
 FOR Geraldine K. Bell, ACTING  
 Superintendent



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WATER BOARD OF THE COUNTY OF HAWAII  
RESOLUTION No. 08-08

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**WATER BOARD**

**COUNTY OF HAWAII, STATE OF HAWAII**

**RESOLUTION NO. 08-08**

RESOLUTION OF SUPPORT FOR DEVELOPMENT OF WATER DESALINATION FACILITIES FOR O'OMA BEACHSIDE VILLAGE, LLC SITUATE IN THE DISTRICT OF NORTH KONA, COUNTY AND STATE OF HAWAII, IDENTIFIED AS TMK NO. (3) 7-3-009:004 AND 022.

BE IT RESOLVED BY THE WATER BOARD OF THE COUNTY OF HAWAII:

WHEREAS the Water Board of the County of Hawaii is desirous of securing additional sources of water to service existing and future customers of the Department of Water Supply ("DWS");

WHEREAS these water improvements and source development may include desalination facilities developed by private parties;

WHEREAS pursuant to Section 8-2, Article VIII (Department of Water Supply) of the Charter of the County of Hawaii (2006, as amended), the Water Board shall manage, control and operate the water works of the County and . . . adopt rules and regulations which shall have the force and effect of law relating to the management, control, operation, preservation and protection of the water works of the County;

WHEREAS pursuant to Section 11.2 (Water) and Section 11.2.2 (Policies) of the County of Hawaii General Plan (February 2005, as amended), a coordinated effort by County, State and private interests shall be developed to identify and implement sources of additional water supply to ensure sufficient quantities of water for existing and future needs of high growth areas;

WHEREAS the Rules and Regulations of the Department of Water Supply (October 21, 2004, as amended) ("DWS Rules") Section 4-5 states that the development of any water system that is to be connected to the public water system shall be in accordance with the requirements and standards of the DWS, of the State Department of Health and all applicable laws;

WHEREAS O'oma Beachside Village, LLC proposes to develop a masterplanned community consisting of residential, commercial, mixed-use villages, shoreline and neighborhood parks and open space at TMK (3) 7-3-009:004 and 022 at O'oma 2<sup>nd</sup>, North Kona, Hawaii (the "Project");

WHEREAS O'oma Beachside Village, LLC has proposed to the DWS as one of its options for potable water to service development of the Project, that the developer design, construct and operate a desalination water treatment plant and facilities necessary to service the Project, and upon inspection and approval pursuant to a schedule established by the DWS, offer for dedication the desalination facilities to the Water Board for acceptance as part of the DWS potable water system;

WHEREAS O'oma Beachside Village, LLC has proposed that the desalination facilities be constructed on site at the Project, on lands owned by the State of Hawaii, located mauka of the Project at TMK (3) 7-3-009: portion of 005, and/or (3) 7-3-010: portion of 043 and/or 044, or other lands, as mutually agreed upon by DWS, Water Board and O'oma Beachside Village, LLC;

WHEREAS the Project anticipates a maximum daily demand for potable water of approximately 1,032,750 gallons per day, and is proposing a reduction in the maximum daily demand of potable water through the use of non-potable brackish, blended and/or gray water for use in common area irrigation to reduce the demand for potable water and to meet the maximum non-potable daily demand of 408,000 gallons per day;

WHEREAS the DWS is currently in discussions with O'oma Beachside Village, LLC on the potential of accepting for dedication the desalination facilities, conditioned upon the approval by the State Department of Health;

NOW THEREFORE, BE IT RESOLVED by the Water Board of the County of Hawai'i, State of Hawai'i, that it express the support of the development of desalination facilities by private parties such as O'oma Beachside Village, LLC, for dedication to the Water Board, provided however, that the DWS and the State Department of Health both approve of the desalination facilities and of the quality of water produced by said facilities and that there is sufficient demand and infrastructure for distribution of the water to operate the facility in an economically responsible manner;

BE IT FURTHER RESOLVED that the DWS be and is hereby authorized and empowered to continue discussions with O'oma Beachside Village, LLC, as provided by law, for the design, development and operation of future desalination facilities, for dedication to the Water Board.

BE IT FINALLY RESOLVED that the Secretary forward certified copies of this

Resolution to the Manager of the DWS, Deputy Manager of the DWS, County Planning Director and Hawai'i County Mayor.

I hereby certify that the foregoing Resolution No. 08-08 was, by the vote indicated below, adopted by the Water Board of the County of Hawai'i on the 25<sup>th</sup> day of November, 2008.

WATER BOARD  
COUNTY OF HAWAII  
HILO, HAWAII

ATTEST: Doreen Shirota  
Doreen Shirota, Secretary  
Department of Water Supply

  
THOMAS GOYA, CHAIRPERSON  
WATER BOARD, COUNTY OF HAWAII

ROLL CALL VOTE

	AYES	NOES	ABSENT	EXCUSED
HARAI	✓			
LINDSEY	✓			
KIM			✓	
KONANUI			✓	
KUAILANI	✓			
MEIERDIERCKS	✓			
MUKAI			✓	
SMITH	✓			
CHAIRPERSON GOYA	✓			
	6	0	3	0