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a private operating foundation

BEFORE THE LAND USE COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Petition of

QUEEN LILI'UOKALANI TRUST

To Amend the Agricultural District Boundary
into the Urban District for approximately 919.366
acres and to Amend the Conservation District
Boundary into the Urban District for
approximately 188.358 acres, at Keahuolū,
Island, County and State of Hawaii, Hawaii Tax
Map Key Nos. (3) 7-4-08: por. 2, por. 12

DOCKET NO. A89-646

QUEEN LILI'UOKALANI TRUST'S
**SUPPLEMENTAL MEMORANDUM IN
SUPPORT OF ITS MOTION FOR
ORDER MODIFYING THE FINDINGS
OF FACT, CONCLUSIONS OF LAW,
AND DECISION AND ORDER FILED
AUGUST 28, 1991; AFFIDAVIT OF
LEEANN CRABBE; EXHIBIT "5";
CERTIFICATE OF SERVICE**

Hearing

Date: _____

Time: _____

**QUEEN LILI'UOKALANI TRUST'S SUPPLEMENTAL MEMORANDUM IN SUPPORT
OF ITS MOTION FOR ORDER MODIFYING THE FINDINGS OF FACT, CONCLUSIONS
OF LAW, AND DECISION AND ORDER FILED AUGUST 28, 1991**

Petitioner Queen Lili'uokalani Trust ("Petitioner") respectfully submits this Supplemental Memorandum in Support of its Motion for Order Modifying the Findings of Fact, Conclusions of Law and Decision and Order Filed August 28, 1991 (the "1991 Decision and Order"). The purpose of this Supplemental Memorandum is to provide the Commission with the context within which the Petitioner created its original land plan for its Keahuolu property in the late-1980s, and to explain the reasons the Petitioner has not been able to complete its original development plans since the entry of the 1991 Decision and Order.

I. BACKGROUND

The Petitioner is an Alii trust¹ established for the benefit of orphans and destitute children of Hawaiian ancestry. The Keahuolu lands at issue here are and have always been a part of the trust corpus for the Petitioner, used to support programs benefitting its trust beneficiaries.

Prior to the 1991 Decision and Order, the Petition Area was undeveloped. During the years leading up to the Petitioner's decision to seek a district boundary amendment for its original land plan, there was a feeling that the surrounding Kona area on the island of Hawaii was quickly developing. As a result, the Petitioner began exploring various options for the use of its Keahulou lands in the early to mid-1980s, in hopes that it could use the lands to generate more income for the trust, which in turn could be used to support the programs and other benefits for its beneficiaries.

As the Trust considered its development options, an on-going legal battle being fought in both the State and Federal courts had culminated in a number of significant legal decisions that

¹ Alii trusts are trusts that own land, which formerly belonged to Hawaiian royalty or alii.

would ultimately deter the Petitioner and many other alii trusts from developing residential leasehold properties in Hawaii. The legal battle concerned the Hawaii Land Reform Act, which was passed by the legislature with the intent to break up large estates, like the alii trusts, that held a significant percentage of the land in Hawaii. The Hawaii Land Reform Act allowed certain lessees of residential leasehold property to force lessors to involuntarily sell the fee-simple interest to the lessee, often for little or no profit for the lessor. Since many of the alii trusts were large landowners in Hawaii, the fear that the trusts could be forced to involuntarily sell trust land sent fear to many beneficiaries of the trusts that saw the Hawaii Land Reform Act as a means to take lands owned by Hawaiians.² As a result, many of the alii trusts stopped developing residential leasehold properties altogether and focused instead on other uses for their property.

In the Petitioner's instance, it chose to develop commercial leasehold property instead, which was not subject to the Hawaii Land Reform Act. Unfortunately, shortly after Petitioner began development of its original land plan, which consisted primarily of commercial retail development, the economy encountered some unexpected downturns, and the projected growth in Kona that many had anticipated did not come to fruition.

To provide the Commission with the proper context in which we bring this motion to modify the 1991 Decision and Order, we first begin with a brief explanation of the history of the Hawaii Land Reform Act and how it influenced the Petitioner's development plans. We also provide a history of the economic conditions impacting the Kona area to explain why the

² "Leaseholding's most vocal proponents were often Hawaiian because of Bishop Estate's major involvement. Hawaiians' statements in defense of the system tended to recall their peoples' loss of land in the nineteenth century. [Reverend Abraham K. Akaka] wrote in 1967: 'Memories of the Great Mahele of 1848 come to mind. We feel that pressure for land reform then was due more to a rising generation of Western investors than from the native Hawaiian himself. We cannot but feel that pressure for land reform now is due not to the poorer man—among whom are a great many Hawaiians—but from a new generation of investors from East and West.'" George Cooper & Gavan Daws, *Land and Power in Hawaii*, 428 (1985)

Petitioners original land development plans were no longer feasible in light of the unanticipated downturn in the economy.

A. The Hawaii Land Reform Act

The history of the Hawaii Land Reform Act began with the passage of Act 307 (1967), which established Hawaii Revised Statutes Chapter 516. In the mid-1960s, the Hawaii State Legislature (the “Legislature”) found that 47% of the land in the State was held by only 72 private landowners. Hawaii Housing Authority v. Midkiff, 467 U.S. 229, 232, 104 S.Ct. 2321, 2325 (1984). The Legislature also found that 18 landholders, with tracts of 21,000 acres or more, owned more than 40% of this land. Id. In light of this information, “[t]he Legislature concluded that concentrated land ownership was responsible for skewing the State’s residential fee simple market, inflating land prices, and injuring the public tranquility and welfare. To redress these problems, the [L]egislature decided to compel the large landowners to break up their estates.” Id. The result was the passage of the Hawaii Land Reform Act which created a mechanism for condemning residential tracts and for transferring ownership of the condemned fee simple land to the existing lessees on the property. See id. at 233, 104 S.Ct. at 2325. “Under the Act’s condemnation scheme, tenants living on single-family residential lots within developmental tracts at least five acres in size are entitled to ask the Hawaii Housing Authority (“HHA”) to condemn the property on which they live. . . . After compensation has been set, HHA may sell the land titles to tenants who have applied for fee simple ownership.” Id. at 233-234, 104 S.Ct. at 2325-2326.

“There were few conversions from leasehold to fee simple between 1967 and 1975, partly due to the unwillingness of Governors Burns and Ariyoshi to implement the 1967 [Hawaii Land Reform Act].” Sumner J. La Croix, et al., *The Political Economy of Urban Land Reform in*

Hawaii (Working Paper No. 93-13 (R), 1994) at 21.³ A series of legislative Acts were later passed in the mid-70s that made leasehold developments even less desirable for landowners. See id.⁴

As many of the leasehold agreements began nearing rent renegotiation, however, there became more incentive for lessees to look to the Hawaii Land Reform Act to purchase their property rather than pay the increasing leasehold rent. The Hawaii Land Reform Act “was first employed in 1976 when lessees purchased 182 lots from the Pflueger-Cassiday Trust in a negotiated settlement. This was followed by a growing number of petitions and subsequent conversions between 1979 and 1982.” Id. at 21-22.

Finally, in 1979, Kamehameha Schools Bishop Estate, one of the large landowners in the State of Hawaii that opposed the condemnation of residential leasehold property under the Hawaii Land Reform Act, filed suit in the United States District Court asking that the law be declared unconstitutional and that its enforcement be enjoined.⁵ See Midkiff, 467 U.S. at 234-35; 104 S.Ct. at 2326. The case was litigated all the way to the United States Supreme Court where the Court unanimously upheld the Hawaii Land Reform Act as being constitutional.⁶

³ Available at http://www.economics.hawaii.edu/research/workingpapers/88-98/WP_93-13R.pdf.

⁴ For example, Act 184 (1975) required that at the termination of a lease, the lessor must compensate the lessee for unremoved onsite improvements at fair market value. Sumner J. La Croix, et al., *The Political Economy of Urban Land Reform in Hawaii* (Working Paper No. 93-13 (R), 1994) at 22. Act 185 (1975), established rent controls on renegotiated leases. Id. at 26. Act 242 (1976) established a method of appraisal for determining the price of the leased fee interest that was favorable to the lessees. Id.

⁵ The Petitioner (Queen Lili'uokalani Trust) filed an amicus brief in the Midkiff case. In its brief, joined by King Lunalilo Trust, Alu Like, Inc. and Association of Hawaiian Civic Clubs (the “Amici”), the Petitioner states that it “believe[s] the challenged statute, and particularly its application to the lands of [Kamehameha Schools Bishop Estate], affect adversely the interests and welfare of [the Amici and] their clients and beneficiaries.” Hawaii Housing Authority v. Midkiff, 1984 WL 987631 (1984). The Petitioner’s involvement in the Midkiff case as an *amici curiae* demonstrates the Petitioner’s concerns with the potential leasehold conversion of its lands pursuant to the Hawaii Land Reform Act at that time.

⁶ Kamehameha Schools Bishop Estate argued that the Hawaii Land Reform Act was unconstitutional because it was a taking of private property for the benefit of another private owner, thus, there was no “public use” justifying the

Following the Midkiff decision in 1984, residential leasehold development agreements essentially ceased out of fear by landowners that they would be forced to sell their properties to their lessees if their lessees petitioned the HHA to condemn the residential property under the Hawaii Land Reform Act. A year after the Midkiff decision was entered, the Hawaii State Supreme Court entered a similar decision in Hawaii Housing Authority v. Lyman, 68 Haw. 55, 704 P.2d 888 (1985), in which the State Supreme Court held that the Hawaii Land Reform Act did not violate the Hawaii State Constitution. The Lyman case also involved Kamehameha Schools Bishop Estate, but differed from Midkiff in that it involved the interpretation of the Hawaii State Constitution rather than the United States Constitution.

In light of these landmark cases, large landowners, like the Petitioner, opted to develop commercial property instead of residential, since the Hawaii Land Reform Act only applied to residential leasehold lots.⁷ As a result, the Petitioner's proposed plan for its Keahuolu property focused primarily on commercial development—with no plans for residential development. See 1991 Decision and Order ¶ 31(a)-(i).

Since the 1991 Decision and Order, however, the Petitioner's management and investment plan for its trust corpus has changed. The Petitioner's new plan for residential development recognizes the need for more housing on the island of Hawaii and its growing

taking under the State's police powers. Justice Sandra Day O'Connor, writing for the Court held: "A purely private taking could not withstand the scrutiny of the public use requirement; it would serve no legitimate purpose of government and would thus be void. But no purely private taking is involved in these cases. The Hawaii Legislature enacted its Hawaii Land Reform Act not to benefit a particular class of identifiable individuals but to attack certain perceived evils of concentrated property ownership in Hawaii—a legitimate public purpose. Use of the condemnation power to achieve this purpose is not irrational." Midkiff, 467 U.S. at 245, 104 S.Ct. at 2331-2332. ⁷ In 1995, the City and County of Honolulu Council passed a city ordinance similar to the Hawaii Land Reform Act, but which applied to leasehold condominium owners rather than to single family residential house lots. Ordinance 91-95, which was subsequently codified as Chapter 38 of the Revised Ordinances of Honolulu ("ROH"), was upheld by the United States Court of Appeals for the Ninth Circuit in the case of Richardson v. City and County of Honolulu, 124 F.3d 1150 (1997) as being constitutional. The Hawaii Supreme Court, likewise, upheld the constitutionality of Chapter 38, ROH in the case of Kau v. City and County of Honolulu, 104 Hawaii 468, 92 P.3d 477 (2004). However, Chapter 38 of the ROH was subsequently repealed by the City Council in 2005 by Ordinance 05-001. See Young v. City and County of Honolulu, 630 F.Supp.2d 1233 (2009).

population. It also recognizes a need for diversification of the Petitioner's real estate portfolio so that in the event of another unanticipated recession, the trust's entire real estate portfolio in Keahuolu is not dependent upon only one particular land use. If this motion is granted, Petitioner will propose a new land plan⁸ that is expected to incorporate a mix of uses—both residential and commercial—with hopes that the new land plan will be a more feasible development in the event of unanticipated changes in the economy.

As discussed further below, when the economy took a downturn, the demand for commercial development also took a hit. As a result, the Petitioner's original development plan, which consists primarily of commercial development, was no longer the best use of trust lands.

B. The Economy Since 1991

Since the entry of the 1991 Decision and Order, the economy took an unforeseen economic downturn. While the economy has improved since the recession in 2008, the market projections that shaped the Petitioner's original development plans for Keahuolu are significantly different from the actual market we have seen over the past 25 years. Attached hereto as Exhibit "5" is a market study analysis report prepared by The Concord Group (the "TCG" report), which explains the overall economic conditions on the island of Hawaii during the period between 1990 and 2015, and how the projections in the 1989 market study differ from the actual economic conditions we have seen.

1. Overall Economic Conditions

"A major indicator of demand for the development of new residential and commercial real estate is the overall growth rate of the economy as measured by Gross Domestic Product

⁸ This new land plan has not been finalized yet, but will be presented to the Commission at a later date in a new petition, if this motion is granted. The reason the Petitioner has filed this motion is so that it can remove Phase 3 from the Petition Area in this docket and incorporate it in the new land plan. Petitioner will then file a new Petition for district boundary amendment in a separate docket for the Commission's consideration of the new land plan.

(GDP).” Exhibit “5” at 2. According to the TCG report, the GDP for both the United States and the State of Hawaii began to decline in 1991. The decline in the GDP for the State of Hawaii was further exacerbated by the declining GDP and economic conditions of Japan and California—two major sources of investment and tourism for the State of Hawaii. “By 1999, the State of Hawaii suffered negative GDP growth, indicating that the market was actually contracting.” Exhibit “5” at 3.

Weak economic conditions lead to a loss of approximately 12,000 jobs between 1992 and 1998. See Exhibit “5” at 3. While the GDP and employment rate increased during the period between 2000 and 2007, the impact of the recession that hit the global community in 2008 had a significant impact upon development in Hawaii. Since the recession, there has been moderate improvement in economic conditions, but such growth has not reached the numbers projected in the market report submitted in 1989 in connection with the Petitioner’s original development plans.

2. The Projections in the Market Study Performed in 1989 Exceeded Actual Conditions in Hawaii During the Same Period.

Petitioner’s marketing consultant Natelson Levander Whitney, Inc. (“NLW”) prepared a market study dated November 19, 1989 for the original proposed development (the “1989 report”). The study at that time concluded that there is a strong demand for the proposed uses of the Property. See 1991 Decision and Order, Finding of Fact No. 44. The economic projections at the time, however, were significantly more optimistic than actual conditions during the past 25 years.

a. Finding of Fact No. 45

With respect to population growth, visitor volume and income growth, the Commission previously found:

45. According to the market assessment, by the year 2020, the number of residents in North Kona will quadruple (in West Hawaii, the number of residents will increase by three and one-half times); the number of visitors are also projected to increase by similar proportions. The projected demand for retail goods is expected to increase five-fold from \$162.6 million in 1988 to \$943.7 in year 2020.

1991 Decision and Order, Finding of Fact No. 45.

Actual population growth, however, was significantly lower than earlier projected. The 1989 report projected a 247% increase by 2015. Actual population growth only increased by 75% by 2015. Visitor volume was also over estimated. The 1989 report, projected visitor volume was anticipated to increase to 2.6 million between 1990 and 2014; however, actual visitor volume during this period increased just under 1.5 million. Finally, total income per capita in North Kona was projected to quadruple from 1990 to 2015. In actuality, total income increased by only 57% during this period. See Exhibit "5".

The difference in numbers shows that the economy was not as strong as originally anticipated by the Petitioner and the Commission when the 1991 Decision and Order was entered.

b. Finding of Fact No. 46

With respect to need for commercial retail, office, industrial and hotel space needs, the Commission previously found:

46. Petitioner's market consultant indicated that by the year 2020 the West Hawaii region will require an additional 2.74 million square feet in commercial retail space, 1.3 million in additional office space, ten to fifteen acres per year of light industrial space, and approximately 5,000 hotel units.

1991 Decision and Order, Finding of Fact No. 46.

The 1989 report, however, overestimated the need for retail demand by over 850,000 square feet and the need for office space was overstated by approximately 500,000 square feet. The projection for light industrial needs was overstated by 160%. The projected need for hotel rooms was also overstated in the 1989 report—actual economic drivers supported only 30% of the projected demand for hotel rooms in the 1989 report. These differences show that market demand for space (whether for commercial retail, office, light industrial or hotel) in Kona were not as strong as previously anticipated. Had the Petitioner developed according to its earlier plans, most of the development likely would have remained unoccupied in light of actual need for space in the area.

c. Finding of Fact Nos. 47 and 48

Finally, with respect to long-term development in the Kona area, the Commission previously found:

47. According to the Petitioner's market consultant, the proposed development of the Property has excellent potential for long-term development of major commercial, business, and institutional facilities to capture some of the predicted demand. The properties are ideally located in close proximity to major sources of demand such as the Kona central business district and the State's proposed Kealahou Project.

48. Petitioner's market consultant indicated that the proposed development of the Property could absorb and utilize the projected demand over the next ten years for phases one and two. The proposed development of the Property is believed to be economically viable.

1991 Decision and Order, Finding of Fact Nos. 47-48.

As a result of the unanticipated downturn in the economy, the Petitioner's plan for large scale commercial development was no longer feasible. As such, the Petitioner was not able to complete its original development plans for its Keahuolu lands. Petitioner has since revised its land plan in order to meet the needs of the Kona community and to make the best use of its lands for the benefit of its beneficiaries.

A first step towards its revised land plan entails the removal of the area identified as Phase 3 from the Petition area and from this docket so that it may be included in a new Petition to be filed with this Commission for Petitioner's new land plan for its Keahuolu property. By removing Phase 3 from the docket and allowing the Petitioner to include it in a new Petition, the Commission will have an opportunity to review the Petitioner's updated land plan and to address any concerns it may have with the Petitioner's proposed development in the context of a new docket.

II. CONCLUSION

For the reasons stated above and in its Motion filed on August 14, 2015, the Petitioner respectfully requests that this Commission grant its Motion and order that the 1991 Decision and Order be modified to remove Phase 3, as shown on Exhibit 2 of the Motion, from the Petition Area and from this docket.

DATED: Honolulu, Hawaii, October 16, 2015.


BENJAMIN A. KUDO
CONNIE C. CHOW

Attorneys for Petitioner
QUEEN LILIUOKALANI TRUST

BEFORE THE LAND USE COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Petition of

QUEEN LILI'UOKALANI TRUST

To Amend the Agricultural District Boundary into the Urban District for approximately 919.366 acres and to Amend the Conservation District Boundary into the Urban District for approximately 188.358 acres, at Keahuolū, Island, County and State of Hawaii, Hawaii Tax Map Key Nos. (3) 7-4-08: por. 2, por. 12

DOCKET NO. A89-646

AFFIDAVIT OF LEEANN CRABBE

AFFIDAVIT OF LEEANN CRABBE

STATE OF HAWAII

)

) SS.

COUNTY OF HONOLULU

)

LEEANN CRABBE, being first duly sworn on oath, deposes and says:

1. I am employed by the Petitioner Queen Lili'uokalani Trust ("Petitioner") as one of its Vice Presidents.
2. My duties as Vice President for the Petitioner include overseeing all development activities on the Petitioner's lands. As Vice President, I have been given care, custody and control over the records and files of the Petitioner, which are kept in the Petitioner's ordinary course of business.
3. The lands that are the subject matter of this docket are Petitioner's lands.
4. I submit this affidavit in support of Petitioner's Motion for Order Modifying the Findings of Fact, Conclusions of Law, and Decision and Order filed August 28, 1991 (the "Motion").

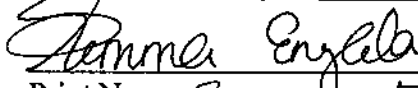
5. Attached hereto as Exhibit "5" is a true and correct copy of a letter from The Concord Group to me dated October 13, 2015 Re "Market Analysis Pertaining to the Motion for Order Modifying the '1991 Decision and Order' Relative to the 212.33 acres of Agricultural Land Makai of Queen Ka'ahumanu Highway; Island and County of Hawaii."

FURTHER AFFIANT SAITH NAUGHT

Executed: Honolulu, Hawaii, October 14, 2015.


LEEANN CRABBE

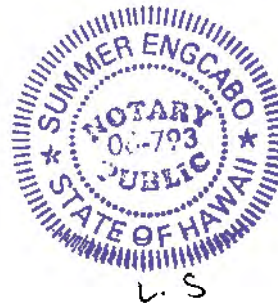
Subscribed and sworn to before me
this 14 day of October, 2015.

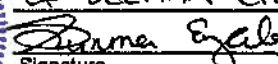


Print Name: Summer Engcabo

Notary Public, State of Hawaii

My commission expires: December 31, 2018



Doc. Date: 10/14/2015 # Pages: 02
Name: Summer Engcabo 1st Circuit
Doc. Description: Affidavit
of LeeAnn Crabbe
 10/14/2015
Signature Date
NOTARY CERTIFICATION



October 13, 2015

15249.01

Ms. Leanne Crabbe
QUEEN LILI'UOKALANI TRUST
Alakea Corporate Tower
1100 Alakea Street, Suite 1100
Honolulu, Hawai'i 96813

RE: Market Analysis Pertaining to the Motion for Order Modifying the "1991 Decision and Order" Relative to the 212.33 acres of Agricultural Land Makai of Queen Ka'ahumanu Highway; Island and County of Hawaii

Dear Ms. Crabbe:

We are pleased to present this letter summarizing the results of our analysis relative to the above subject. We look forward to discussing our findings and conclusions with you and other appropriate parties.

BACKGROUND AND OBJECTIVES

Queen Lili'uokalani Trust ("QLT", or "Petitioner") is submitting a motion to the Land Use Commission of the State of Hawaii to order modification of the "1991 Decision and Order" relative to the 212.33 acres of Agricultural Land Makai of Queen Ka'ahumanu Highway ("Subject Properties"). As part of this effort, you requested The Concord Group (TCG) to provide market analysis to evaluate the economic and real estate conditions prevalent at the time of the 1991 Decision and Order, and the subsequent cyclical conditions impacting the market feasibility of commencing development on the Subject Properties since that time.

To complete the analysis, TCG reviewed the economic conditions prevailing from 1990 to the present, to illustrate the market context for development of the Subject Property. TCG also reviewed the Findings of Fact in the 1991 Decision and Order pertaining to the "Analysis of Market Potentials", by Natelson Levander Whitney, Inc., dated November 1989 ("NLW Market Report"), and compared the projections therein to actual market performance in the ensuing 25 years.

The following discussion summarizes our key findings and conclusions. Supporting exhibits and data, as referenced below, are presented throughout the document and in the attached Appendices I and II.

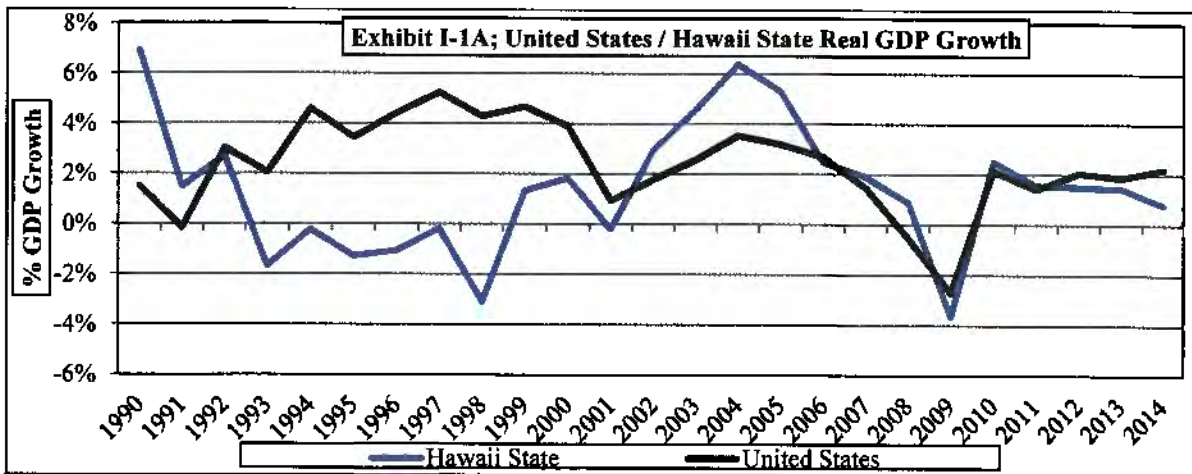
FINDINGS AND CONCLUSIONS

Overall, our findings and conclusions support QLT's assertion that, despite its best efforts and due to changing market conditions and the slow-down in the real estate market, QLT was not able to substantially complete the development plan. In the 1990s, market conditions in Hawaii County did not present a feasible environment for successful implementation of QLT's development plan for the Subject Properties. Subsequently, the recession at the end of the 2000s further blocked the opportunity to commence development activity.

In the 1991 Decision and Order, Findings of Fact 44 through 48 ("Need for Proposed Development"), describe the market rationale for developing the Subject Properties per the commercial land use master plan. Importantly, our analysis reveals that the projections from 1990 to 2015 presented in the NLW Market Report did not anticipate the pending economic recessions. As a result, the NLW projections overestimated the demand potential supporting development of the Subject Properties.

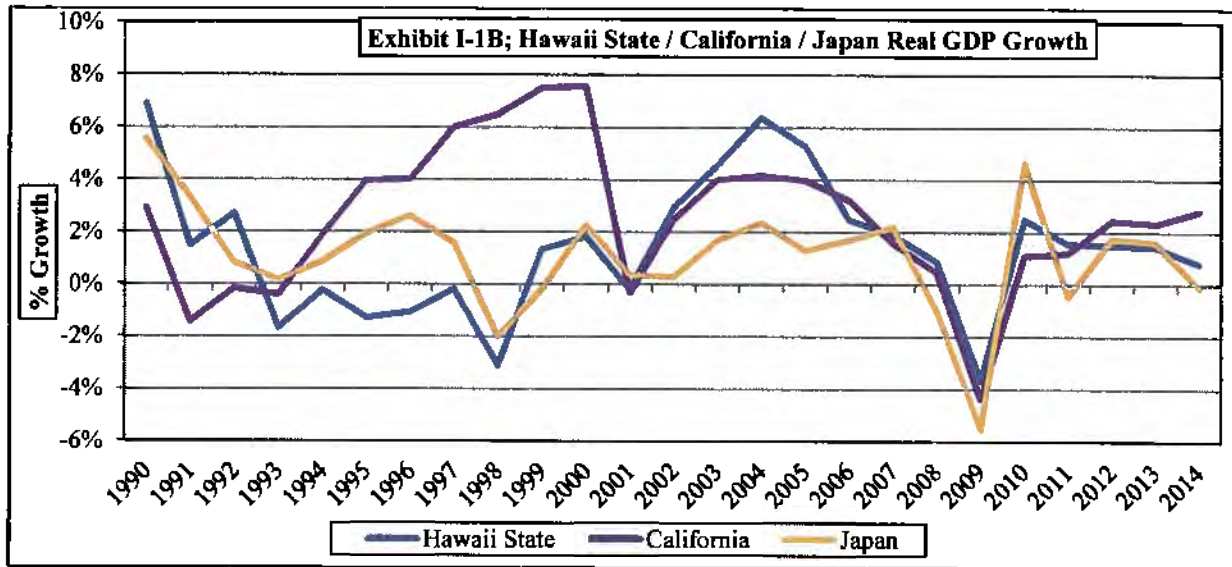
I. Overall Economic Conditions

1. Macro-economic conditions were deteriorating concurrent with, and following the issuance of the 1991 Decision and Order, creating an environment that prevented QLT from continuing to move forward with development of the Subject Properties.
 - a. A major indicator of demand for the development of new residential and commercial real estate is the overall growth rate of the economy as measured by. Gross Domestic Product (GDP). As shown on Exhibit I-1A, GDP at the United States and State of Hawaii levels began to decline in 1991, and experienced a continued downward trend through the mid-1990s.



Source: US Bureau of Economic Analysis

- i. Japan and California are recognized as major sources of inbound investment and tourism to the State of Hawaii. The declining GDP and overall stagnant-to-recessionary economies of both during the 1990s, as shown on Exhibit I-1B, were major determinants of Hawaii's lackluster economic performance.



Source: US Bureau of Economic Analysis; World Bank

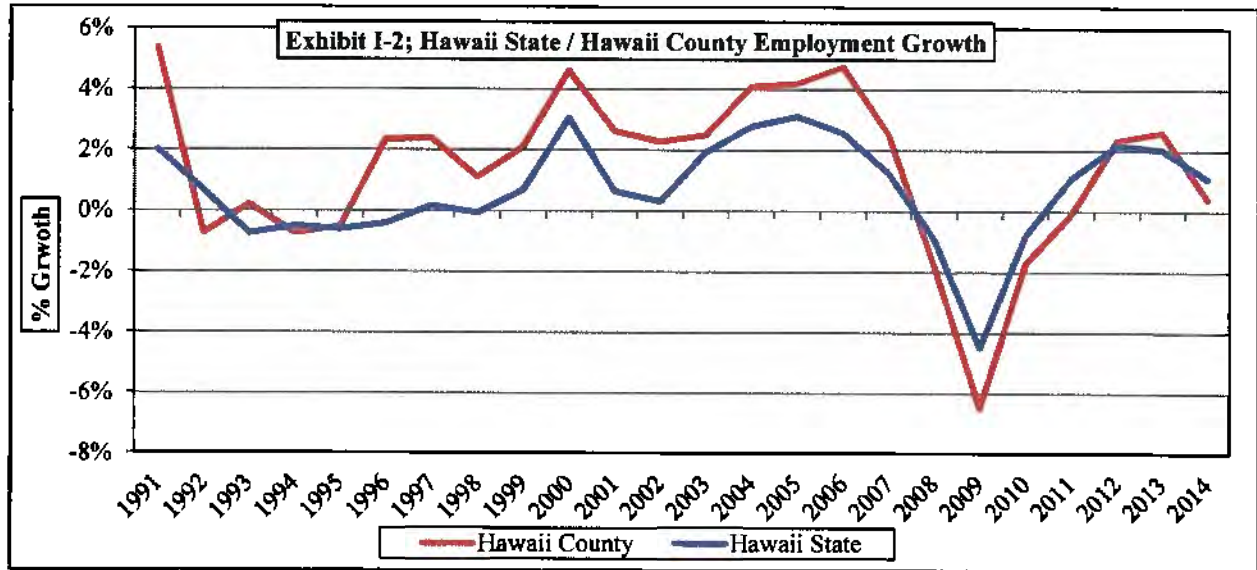
- ii. The impact of slower GDP growth in the key demand generating markets further exacerbated the local economy. By 1999, the State of Hawaii suffered negative GDP growth, indicating that the market was actually contracting.
- b. As a result of weak economic conditions, the State of Hawaii experienced the loss of approximately 12,000 jobs from 1992 through 1998, as indicated on Exhibit I-2. During this period, employment levels in Hawaii County were generally flat.

QUEEN LILI'UOKALANI TRUST

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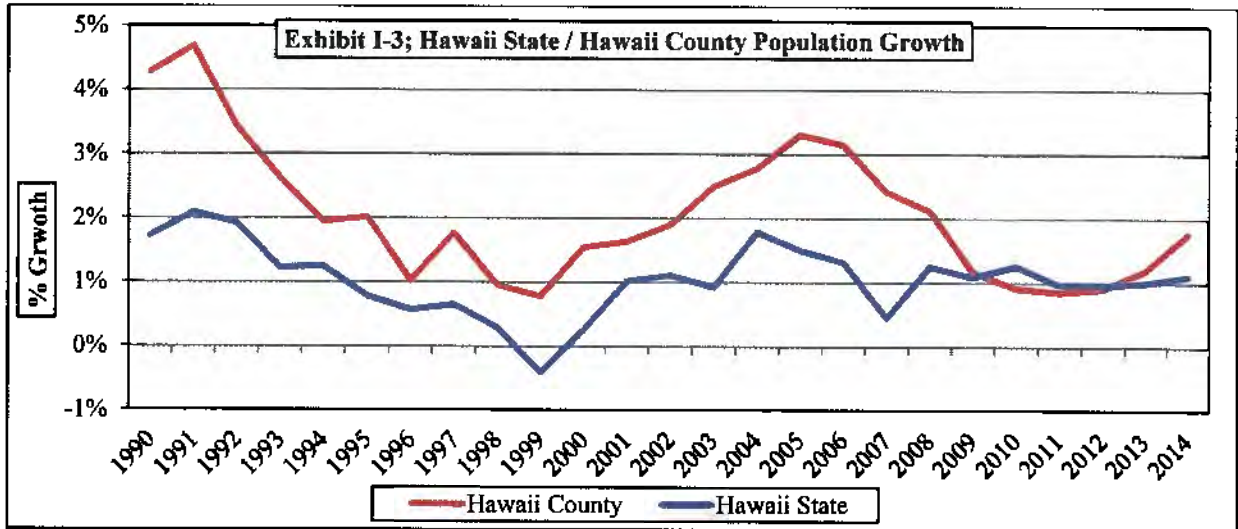
October 13, 2015

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- c. From 2000 to 2007, economic growth rates as expressed by both GDP and employment were strong, followed by the dramatic impact of the recession in 2008.
- d. As a result of the broad economic recessions that impacted all sectors of the national and global economy, QLT was not able to proceed with development plans for the Subject Properties.

2. Demographic conditions were not favorable to new large scale commercial development in the 1990's.
 - a. Population growth trends within the State of Hawaii and Hawaii County parallel the declining economic conditions, as shown on Exhibit I-3.



Source: Hawaii Department of Business, Economic Development, and Tourism; US Census

- i. In the State, annual population growth slowed from over 2% in 1991 to negative 0.4% by 1999. Thereafter, population growth stabilized at approximately 1% per year, through the recessionary period of 2008-2009 and also through 2014.
 - ii. In the County, annual population growth slowed from a robust 4.7 % in 1991 to less than 1% in 1999. In the period preceding the recession, growth rates exceeded 3%, and since 2008, population has grown at over 1% per year.
- b. Moderate population growth and the economic headwinds created by GDP and employment conditions described above precluded QLT's ability to proceed with development of the Subject Properties.

II. Projections in NLW Market Report versus Actual Growth

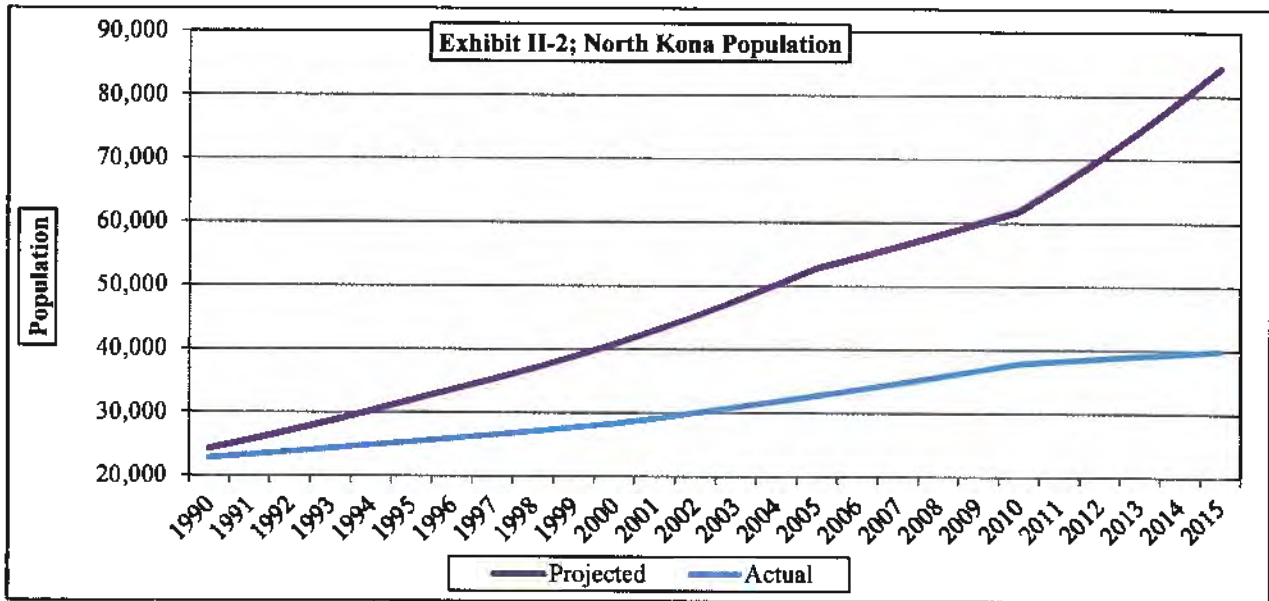
1. In the 1991 Decision and Order, Need for Proposed Development, Findings of Facts 44 through 48 (as presented in full in Exhibit II-1) describe the market rationale for developing the Subject Properties per the commercial land use master plan.
 - a. Findings of Fact 44 – “Petitioner’s marketing consultant, Natelson Lavender Whitney, Inc. prepared a market study dated November 19, 1989 for the proposed development of the Property. The study concluded that there is a strong demand for the proposed uses of the Property.”
 - i. As shown throughout this analysis, actual projections of key demand drivers for development at the Subject Properties exceeded actual results.
 - b. Findings of Fact 45 – “According to the market assessment, by the year 2020, the number of residents in North Kona will quadruple (in West Hawaii, the number of residents will increase by three and one-half times) ; the number of visitors are also projected to increase by similar proportions. The projected demand for retail goods is expected to increase five-fold from \$162.6 million in 1988 to \$943.7 in year 2020.”
 - i. Actual population growth levels in North Kona, West Hawaii and Hawaii County were significantly lower than the projections, as shown on Exhibits II-2 through II-4. By 2015, NLW projected a 247% increase from 1990. However, actual population in North Kona is estimated at 84,000, only a 75% change from 1990. Correspondingly, actual population growth in the broader West Hawaii market, and in the County overall, were also well below forecast.

QUEEN LILI'UOKALANI TRUST

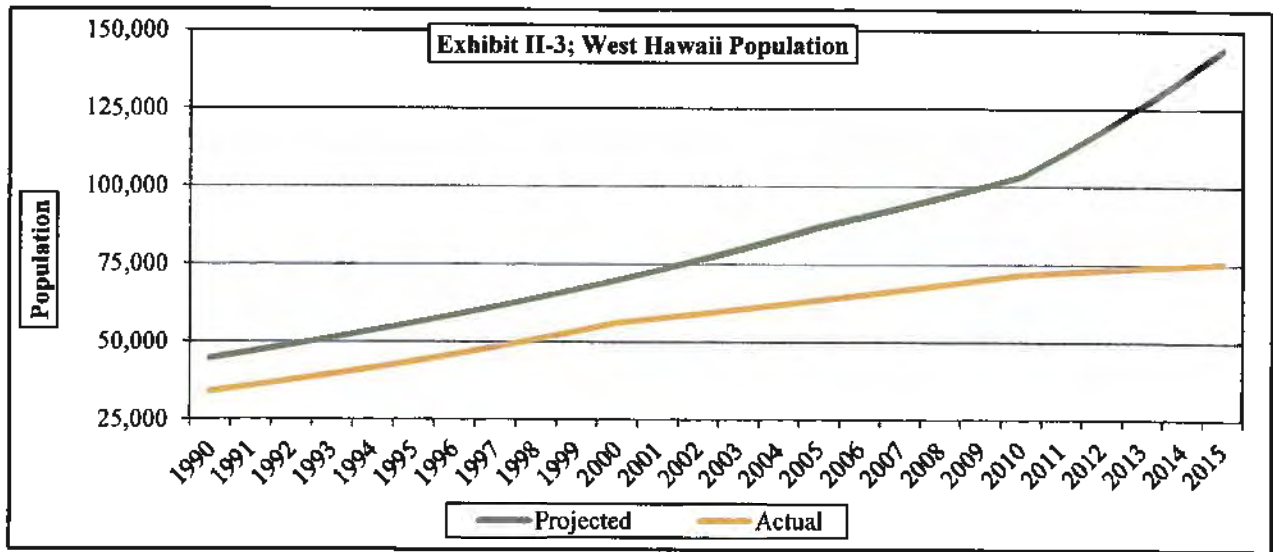
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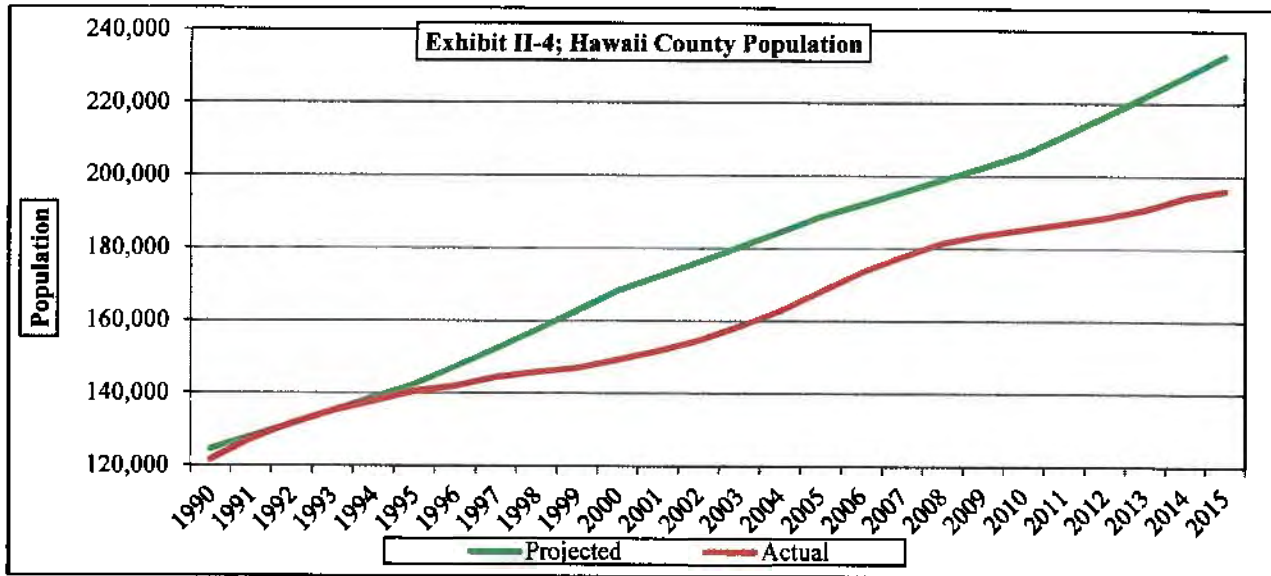
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Source: Natelson-Levander-Whitney; US Census; Claritas

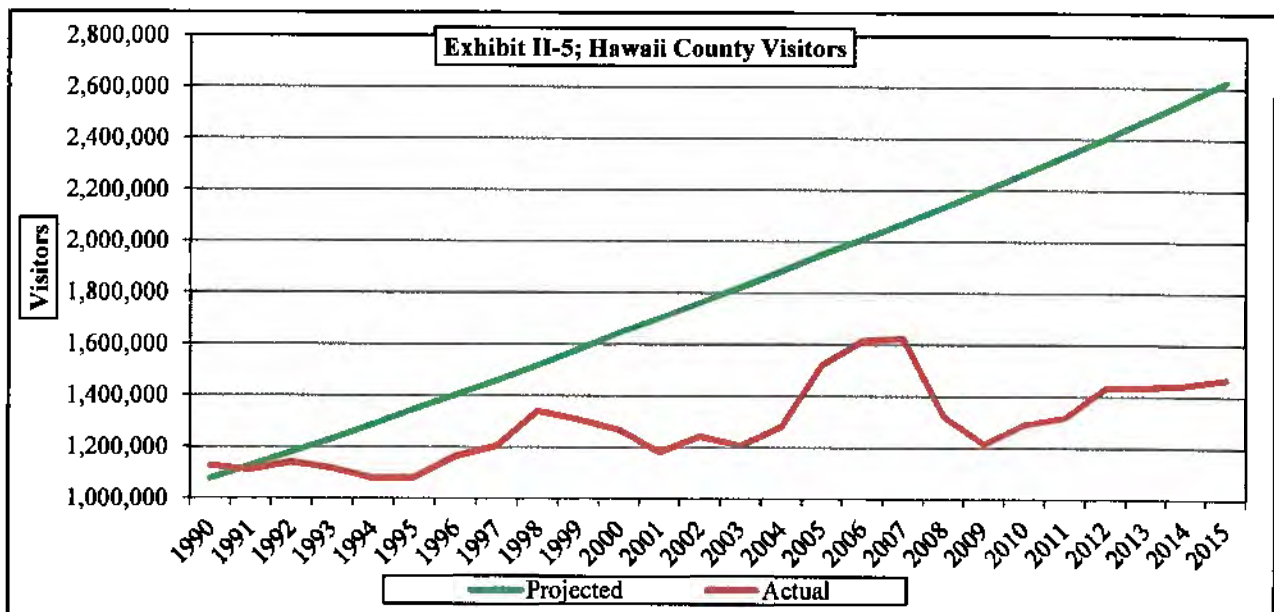


Source: Natelson-Levander-Whitney; US Census; Claritas



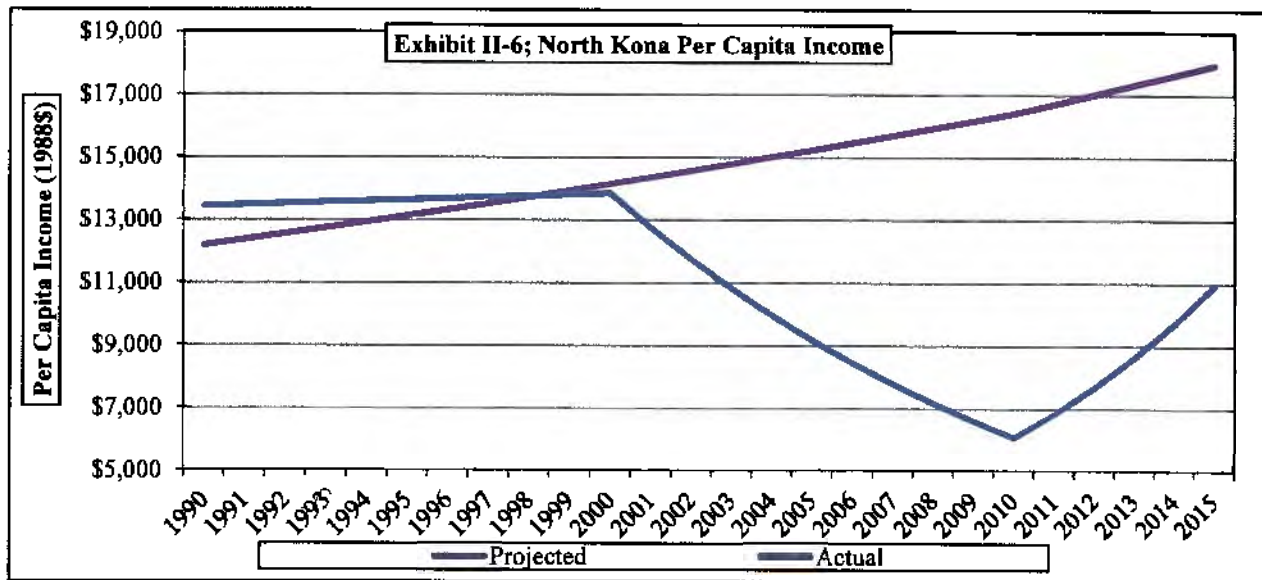
Source: Hawaii Department of Business, Economic Development, and Tourism; Natelson-Levander-Whitney; US Census; Claritas

- ii. From 1990 to 2014 visitor volume to Hawaii County increased 30%, to total of just under 1.5 million visits as shown on Exhibit II-5. The NLW Market Report projected visitor volume in 2015 at 2.6 million, an over statement by 1.1 million visitors. The visitation patterns reflect the economic conditions in California and Japan during the 1990's, as described in Section I above.

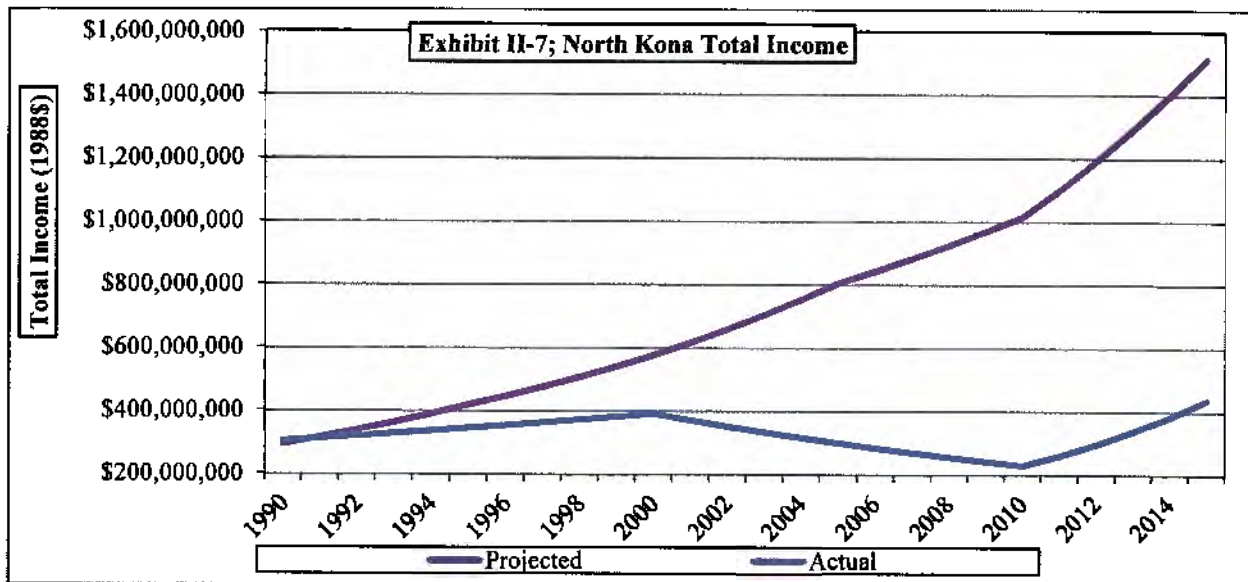


Source: Hawaii Department of Business, Economic Development, and Tourism; Natelson-Levander-Whitney

- iii. Per Capita and total incomes in North Kona were well below projections, as shown on Exhibits II-6 and II-7. While projections of per capita income were at 47% from 1990 to 2015, actual incomes fell over 18%. Total income in North Kona (per capita income multiplied by population) was projected by the NLW Market Report to quadruple from 1990 to 2015. In actuality, total income increased by only 57% in this time period.

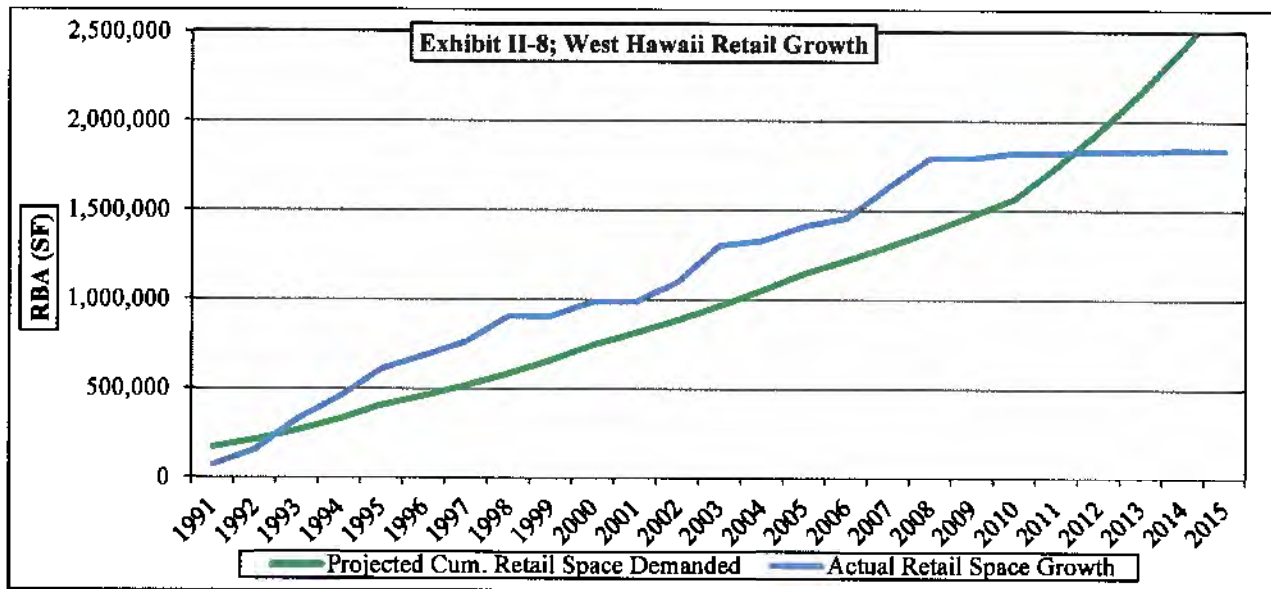


Source: Hawaii Department of Business, Economic Development, and Tourism; Natelson-Levander-Whitney; US Census; Claritas



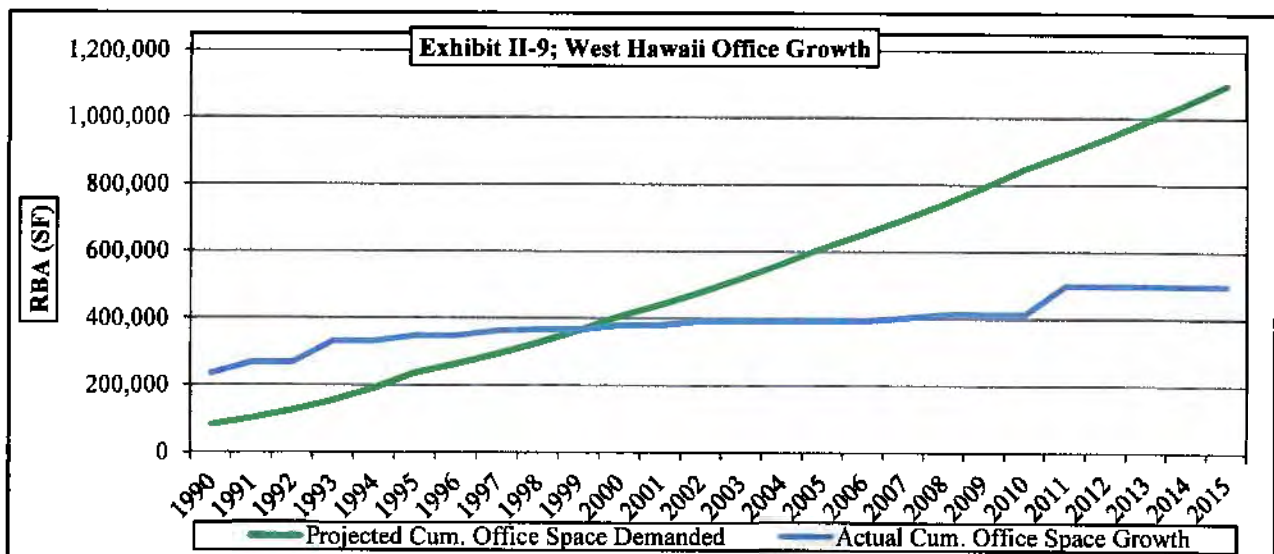
Source: Hawaii Department of Business, Economic Development, and Tourism; Natelson-Levander-Whitney; US Census; Claritas

- iv. Demographic growth, visitor volume and income levels are represented in the NLW Market Report as major drivers of demand for commercial space for the market area and the Subject Properties. The aggressive projections generated very large overestimates of spending capacity, and a greater support for development than would have been supported in the market.
- c. Findings of Fact 46 – “Petitioners market consultant indicated that by the year 2020 the West Hawaii region will require an additional 2.74 million square feet in commercial retail space, 1.3 million in additional office space, ten to fifteen acres per year of light industrial space, and approximately 5,000 hotel units.”
 - i. The retail space inventory in West Hawaii in the 1990’s actually increased more than the projections produced in the NLW Market Report, as shown in Exhibit II-8. By 2015, however, the forecasts overstated retail demand by over 850,000 square feet. Importantly, lease rates are considerably lower in 2015 than in 1999-2000, suggesting that retail sales, as expressed by the income levels and spending capacity described above, were not sufficient to spur rent growth.



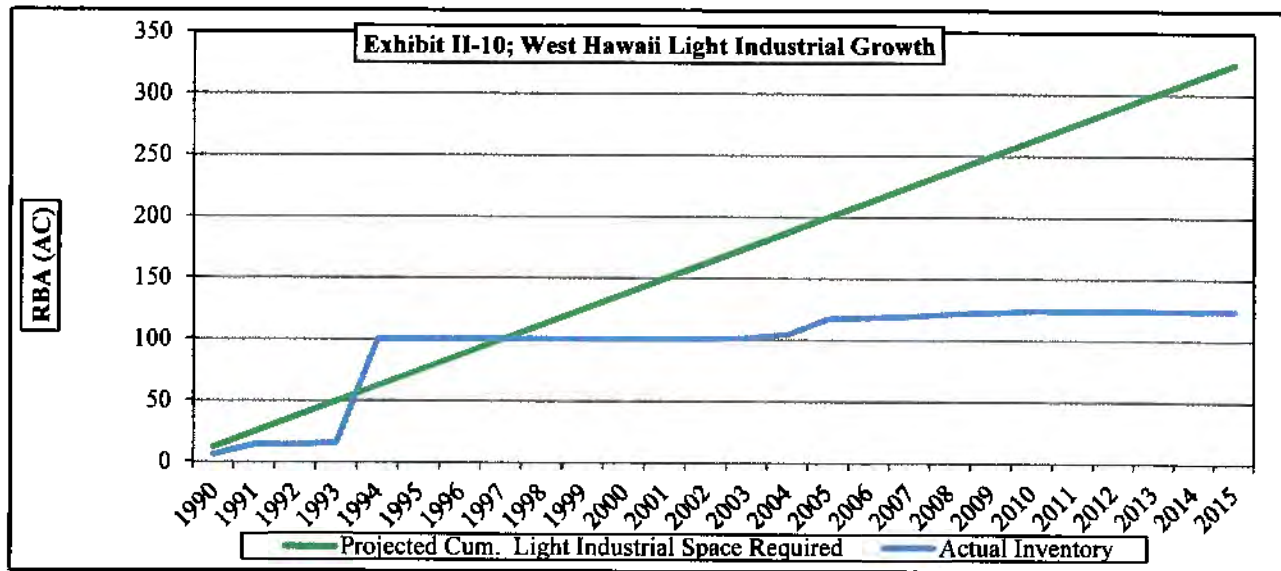
Source: CoStar; Natelson-Levander-Whitney

- ii. Office space development as shown on Exhibit II-9, varied dramatically from the NLW Market Report projections. From 1990 through current estimates in 2015, West Hawaii added approximately 500,000 total square feet of space. The projections, however, forecast support for over 1 million square feet of new space during this period.



Source: CoStar; Natelson-Levander-Whitney

- iii. Corresponding with the recessions described in Section I, the performance of in-place office space during the 1990's was poor, with rents in decline and occupancy rates below 90%. In fact, rents in 2015 are on par with values achieved in 1992-1993.
- iv. The NLW Market Report projected market demand for light industrial property at approximately 325 acres through 2015, as shown on Exhibit II-10. Cumulative actual inventory growth reached 124 acres in 2010, and has been flat for the last 5 years. In aggregate the projections overstated light industrial market potential by 160%.



- v. NLW projected additional hotel demand of 5,000 rooms to 2020 in Hawaii County on top of a base of 6,167 rooms. In 2014, hospitality inventory in Hawaii County included approximately 7,600 rooms (per STR), indicating that the actual economic drivers supported only 30% of the NLW Market Report's projected demand.
- d. Findings of Fact 47– “According to the Petitioner's market consultant, the proposed development of the Property has excellent potential for long-term development of major commercial, business, and institutional facilities to capture some of the predicted demand. The properties are ideally located in close proximity to major sources of demand such as the Kana central business district and the State's proposed Kealakehe Project.”

- e. Findings of Fact 48 – “Petitioner’s market consultant indicated that the proposed development of the Property could absorb and utilize the projected demand over the next ten years for phases one and two. The proposed development of the Property is believed to be economically viable.”
 - i. Based on the discrepancies between the demographic forecasts, land use projections and actual market deliveries, QLT was not able to complete phases one and two over a ten year time frame beginning in 1991. The Subject Properties were not economically viable as initially proposed, however they have excellent potential for long-term development.
 - ii. As QLT proceeds with new development plans on the Subject Properties, the program will need to incorporate prudent long term trends and accommodate flexibility to best fit within the market’s scale of growth over the long term.

We appreciate the opportunity to conduct the analysis on this project, and look forward to discussing the findings and conclusions with you.

Best regards,



Richard M. Gollis
THE CONCORD GROUP, LLC

APPENDIX I

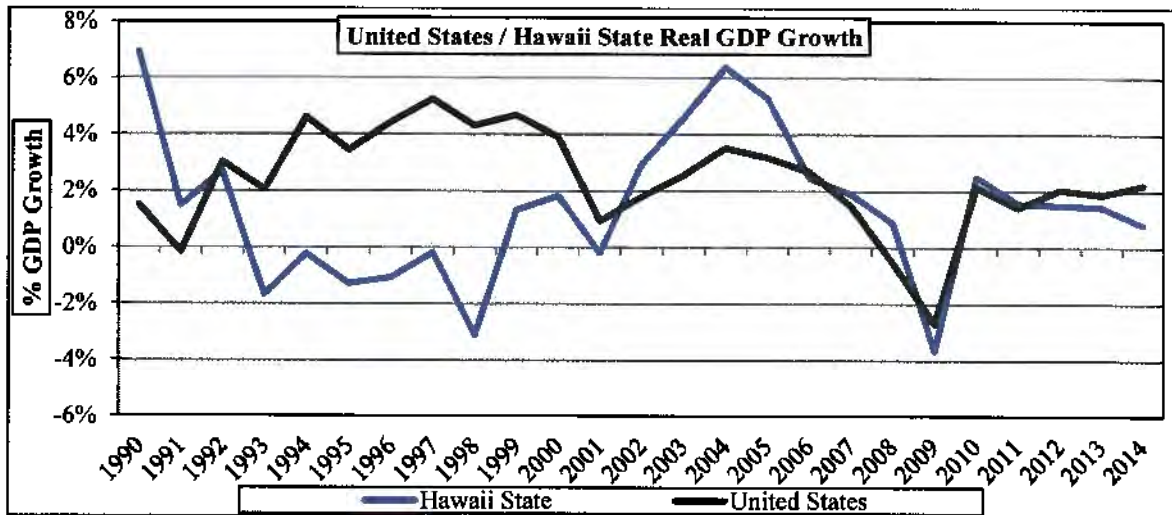
- Exhibit 1A Real GDP Growth; United States and Hawaii State
- Exhibit 1B Real GDP Growth; Hawaii State, California and Japan
- Exhibit 2 Employment Growth; Hawaii County and Hawaii State
- Exhibit 3 Population Growth; Hawaii County and Hawaii State

APPENDIX II

- Exhibit 1 Excerpt from 1991 Decision and Order; Findings of Fact 44-48; Need for the Proposed Development; (Pages 13-14)
- Exhibit 2 North Kona Population; Projected and Actual
- Exhibit 3 West Hawaii Population; Projected and Actual
- Exhibit 4 Hawaii County Population; Projected and Actual
- Exhibit 5 Hawaii County Visitors; Projected and Actual
- Exhibit 6 North Kona Income Per Capita; Projected and Actual
- Exhibit 7 North Kona Total Income; Projected and Actual
- Exhibit 8 West Hawaii Retail Space Growth; Projected & Actual
- Exhibit 9 West Hawaii Office Growth; Projected and Actual
- Exhibit 10 West Hawaii Light Industrial Growth; Projected and Actual

APPENDIX I

Exhibit I-1A Real GDP Growth; US & Hawaii State

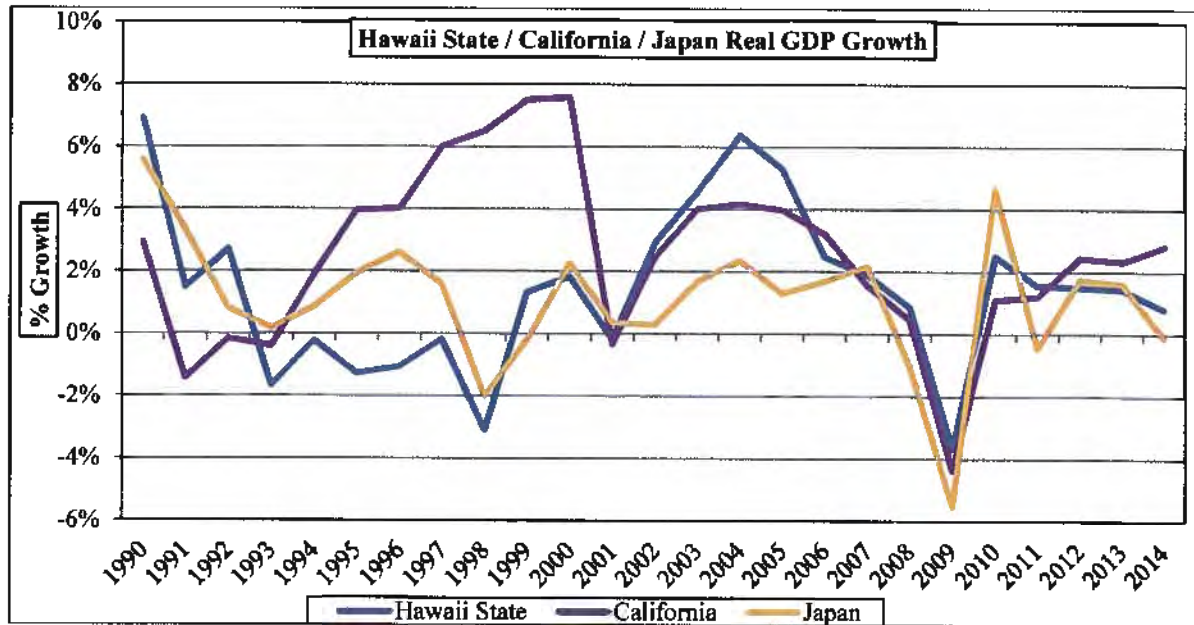


Real GDP Growth

Year	US	Hawaii State
1990	1.50%	6.91%
1991	-0.16%	1.48%
1992	3.03%	2.71%
1993	2.04%	-1.67%
1994	4.60%	-0.22%
1995	3.44%	-1.27%
1996	4.41%	-1.06%
1997	5.24%	-0.17%
1998	4.30%	-3.10%
1999	4.68%	1.34%
2000	3.90%	1.83%
2001	0.94%	-0.20%
2002	1.78%	2.95%
2003	2.57%	4.58%
2004	3.52%	6.38%
2005	3.18%	5.30%
2006	2.69%	2.47%
2007	1.46%	1.90%
2008	-0.54%	0.87%
2009	-2.70%	-3.66%
2010	2.15%	2.51%
2011	1.41%	1.56%
2012	2.05%	1.50%
2013	1.87%	1.44%
2014	2.21%	0.81%

Means of GDP reporting changed in 2007. Pre-2007 is chained to 1997 dollars. 2007 and after is chained to 2009 dollars.
Source: US Bureau of Economic Analysis

Exhibit I-1B
Real GDP Growth; Hawaii State, California & Japan

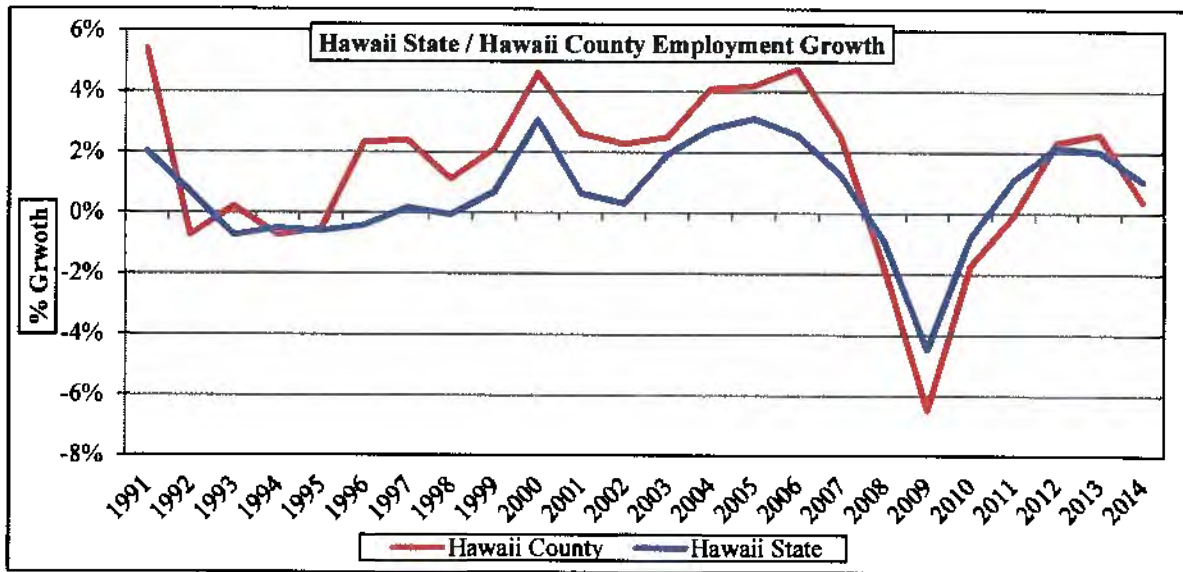


Real GDP Growth

Year	Hawaii State	California	Japan
1990	6.91%	2.93%	5.57%
1991	1.48%	-1.43%	3.32%
1992	2.71%	-0.17%	0.82%
1993	-1.67%	-0.40%	0.17%
1994	-0.22%	1.88%	0.86%
1995	-1.27%	3.96%	1.94%
1996	-1.06%	4.01%	2.61%
1997	-0.17%	6.01%	1.60%
1998	-3.10%	6.50%	-2.00%
1999	1.34%	7.51%	-0.20%
2000	1.83%	7.58%	2.26%
2001	-0.20%	-0.33%	0.36%
2002	2.95%	2.47%	0.29%
2003	4.58%	4.01%	1.69%
2004	6.38%	4.17%	2.36%
2005	5.30%	3.98%	1.30%
2006	2.47%	3.22%	1.69%
2007	1.90%	1.57%	2.19%
2008	0.87%	0.47%	-1.04%
2009	-3.66%	-4.38%	-5.53%
2010	2.51%	1.10%	4.65%
2011	1.56%	1.21%	-0.45%
2012	1.50%	2.46%	1.75%
2013	1.44%	2.34%	1.61%
2014	0.81%	2.82%	-0.10%

Means of reporting GDP in 2007 Pre-2007 is chained to 1997 dollars 2007 and after is chained to 2009 dollars
Source US Bureau of Economic Analysis, World Bank

Exhibit I-2
Employment Growth; Hawaii County & Hawaii State

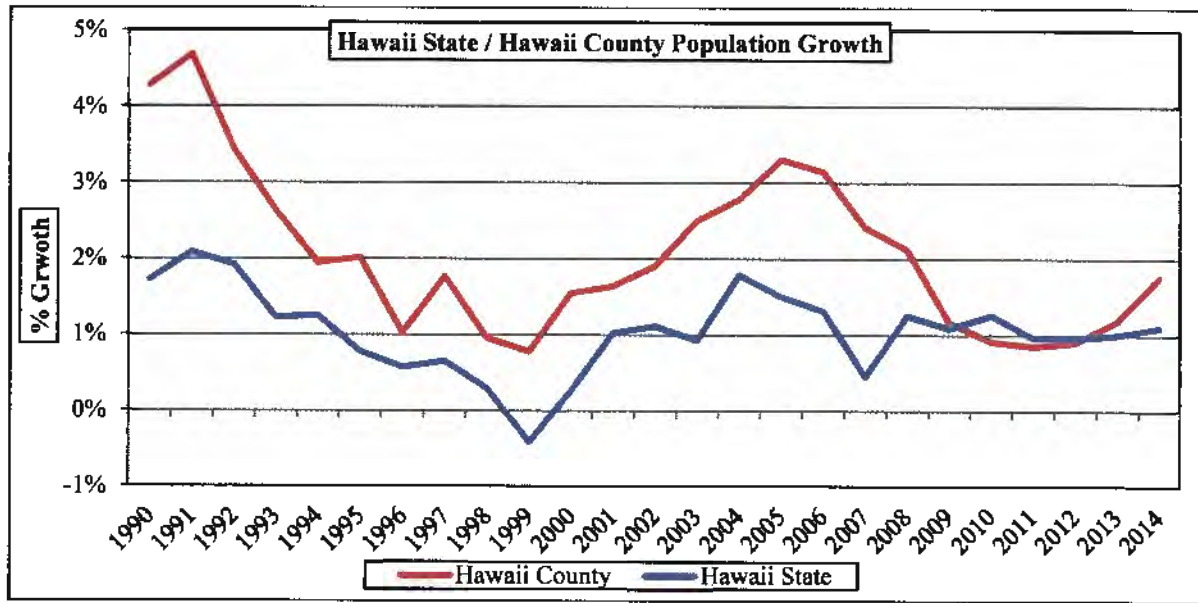


Employment

Year	Hawaii State			Hawaii County		
	Employment	Growth	% Growth	Employment	Growth	% Growth
1990	528,400			45,500		---
1991	539,100	10,700	2.0%	47,950	2,450	5.4%
1992	542,800	3,700	0.7%	47,600	-350	-0.7%
1993	538,800	-4,000	-0.7%	47,700	100	0.2%
1994	536,100	-2,700	-0.5%	47,350	-350	-0.7%
1995	532,900	-3,200	-0.6%	47,100	-250	-0.5%
1996	530,700	-2,200	-0.4%	48,200	1,100	2.3%
1997	531,600	900	0.2%	49,350	1,150	2.4%
1998	531,300	-300	-0.1%	49,900	550	1.1%
1999	535,000	3,700	0.7%	50,950	1,050	2.1%
2000	551,400	16,400	3.1%	53,300	2,350	4.6%
2001	555,000	3,600	0.7%	54,700	1,400	2.6%
2002	556,800	1,800	0.3%	55,950	1,250	2.3%
2003	567,600	10,800	1.9%	57,350	1,400	2.5%
2004	583,400	15,800	2.8%	59,700	2,350	4.1%
2005	601,600	18,200	3.1%	62,200	2,500	4.2%
2006	617,100	15,500	2.6%	65,150	2,950	4.7%
2007	624,900	7,800	1.3%	66,800	1,650	2.5%
2008	619,200	-5,700	-0.9%	65,600	-1,200	-1.8%
2009	591,500	-27,700	-4.5%	61,350	-4,250	-6.5%
2010	586,900	-4,600	-0.8%	60,300	-1,050	-1.7%
2011	593,400	6,500	1.1%	60,250	-50	-0.1%
2012	606,300	12,900	2.2%	61,650	1,400	2.3%
2013	618,600	12,300	2.0%	63,250	1,600	2.6%
2014	625,300	6,700	1.1%	63,500	250	0.4%

Source: US Bureau of Labor Statistics

Exhibit I-3
Population Growth; Hawaii County & Hawaii State



Population

Year	Hawaii State			Hawaii County		
	Population	Growth	% Growth	Population	Growth	% Growth
1990	1,113,491	18,903	1.7%	121,572	4,987	4.3%
1991	1,136,754	23,263	2.1%	127,266	5,694	4.7%
1992	1,158,613	21,859	1.9%	131,630	4,364	3.4%
1993	1,172,838	14,225	1.2%	135,085	3,455	2.6%
1994	1,187,536	14,698	1.3%	137,713	2,628	1.9%
1995	1,196,854	9,318	0.8%	140,492	2,779	2.0%
1996	1,203,755	6,901	0.6%	141,935	1,443	1.0%
1997	1,211,640	7,885	0.7%	144,445	2,510	1.8%
1998	1,215,233	3,593	0.3%	145,833	1,388	1.0%
1999	1,210,300	-4,933	-0.4%	146,970	1,137	0.8%
2000	1,213,519	3,219	0.3%	149,244	2,274	1.5%
2001	1,225,948	12,429	1.0%	151,690	2,446	1.6%
2002	1,239,613	13,665	1.1%	154,576	2,886	1.9%
2003	1,251,154	11,541	0.9%	158,442	3,866	2.5%
2004	1,273,569	22,415	1.8%	162,852	4,410	2.8%
2005	1,292,729	19,160	1.5%	168,237	5,385	3.3%
2006	1,309,731	17,002	1.3%	173,536	5,299	3.1%
2007	1,315,675	5,944	0.5%	177,733	4,197	2.4%
2008	1,332,213	16,538	1.3%	181,506	3,773	2.1%
2009	1,346,717	14,504	1.1%	183,629	2,123	1.2%
2010	1,363,731	17,014	1.3%	185,307	1,678	0.9%
2011	1,376,897	13,166	1.0%	186,886	1,579	0.9%
2012	1,390,090	13,193	1.0%	188,575	1,689	0.9%
2013	1,404,054	13,964	1.0%	190,821	2,246	1.2%
2014	1,419,561	15,507	1.1%	194,190	3,369	1.8%

Source: Hawaii Department of Business, Economic Development, and Tourism; US Census

APPENDIX II

Exhibit II-1

Excerpt from 1991 Decision and Order Findings of Fact 44-48, Need for the Proposed Development (Pages 13-14)

NEED FOR THE PROPOSED DEVELOPMENT

44. Petitioner's marketing consultant, Natelson Lavender Whitney, Inc. prepared a market study dated November 19, 1989 for the proposed development of the Property. The study concluded that there is a strong demand for the proposed uses of the Property.

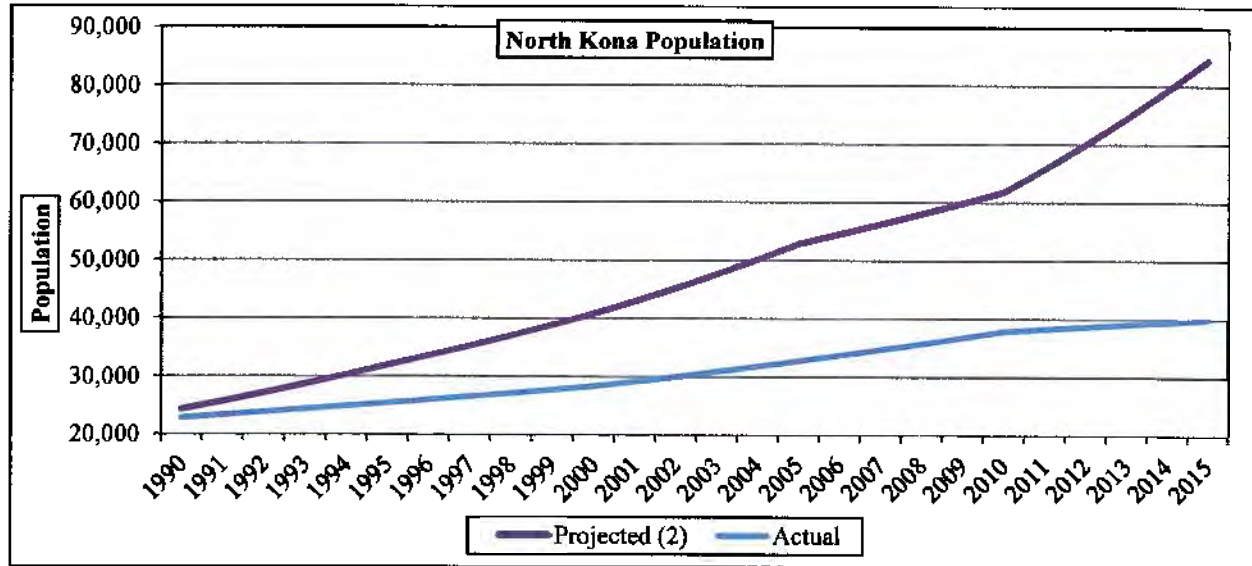
45. According to the market assessment, by the year 2020, the number of residents in North Kona will quadruple (in West Hawaii, the number of residents will increase by three and one-half times) ; the number of visitors are also projected to increase by similar proportions. The projected demand for retail goods is expected to increase five-fold from \$162.6 million in 1988 to \$943.7 in year 2020.

46. Petitioner's market consultant indicated that by the year 2020 the West Hawaii region will require an additional 2.74 million square feet in commercial retail space, 1.3 million in additional office space, ten to fifteen acres per year of light industrial space, and approximately 5,000 hotel units.

47. According to the Petitioner's market consultant, the proposed development of the Property has excellent potential for long-term development of major commercial, business, and institutional facilities to capture some of the predicted demand. The properties are ideally located in close proximity to major sources of demand such as the Kona central business district and the State's proposed Kealahou Project.

48. Petitioner's market consultant indicated that the proposed development of the Property could absorb and utilize the projected demand over the next ten years for phases one and two. The proposed development of the Property is believed to be economically viable.

**Exhibit II-2
 North Kona Population; Projected & Actual (1)**



North Kona Population

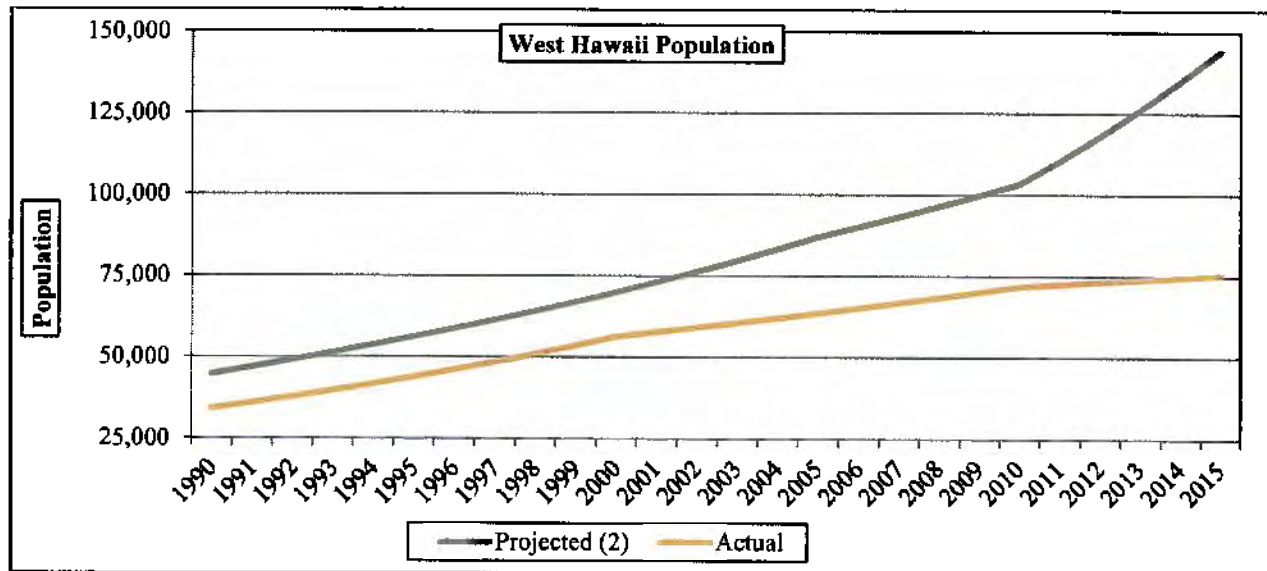
Year	Projected (2)		Actual	
	Num.	Cum. Growth	Num.	Cum. Growth
1990	24,276	---	22,823	---
1995	31,966	31.7%	---	---
2000	40,798	68.1%	28,344	24.2%
2005	52,869	117.8%	---	---
2010	61,830	154.7%	37,875	66.0%
2015	84,416	247.7%	39,944	75.0%

(1) North Kona refers to the area defined by Census Tracts 215 & 216

(2) Projected figures per 1989 Report by Natelson-Levander-Whitney. Initial base numbers vary based on census revisions.

Source: Natelson-Levander-Whitney, US Census; Claritas

**Exhibit II-3
West Hawaii Population; Projected & Actual**



West Hawaii Population

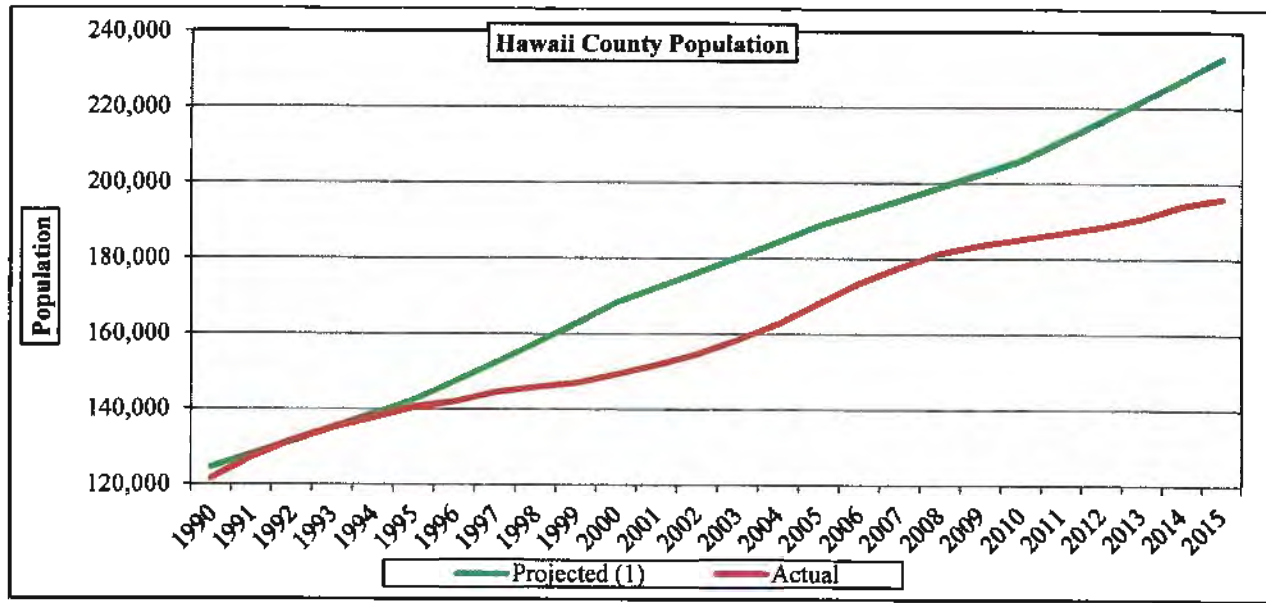
Year	Projected (2)		Actual		
	Num.	Cum. Growth	Num.	Growth	Cum. Growth
1990	44,662	---	34,142	---	---
1995	56,293	26.0%	---	---	---
2000	69,919	56.6%	56,308	5.1%	64.9%
2005	87,055	94.9%	---	---	---
2010	103,359	131.4%	71,821	2.5%	110.4%
2015	144,167	222.8%	75,507	1.0%	121.2%

(1) West Hawaii refers to the area defined by Census Tracts 213-218

(2) Projected figures per 1989 Report by Natelson-Levander-Whitney. Initial base numbers vary based on census revisions

(3) Source: Natelson-Levander-Whitney, US Census, Claritas

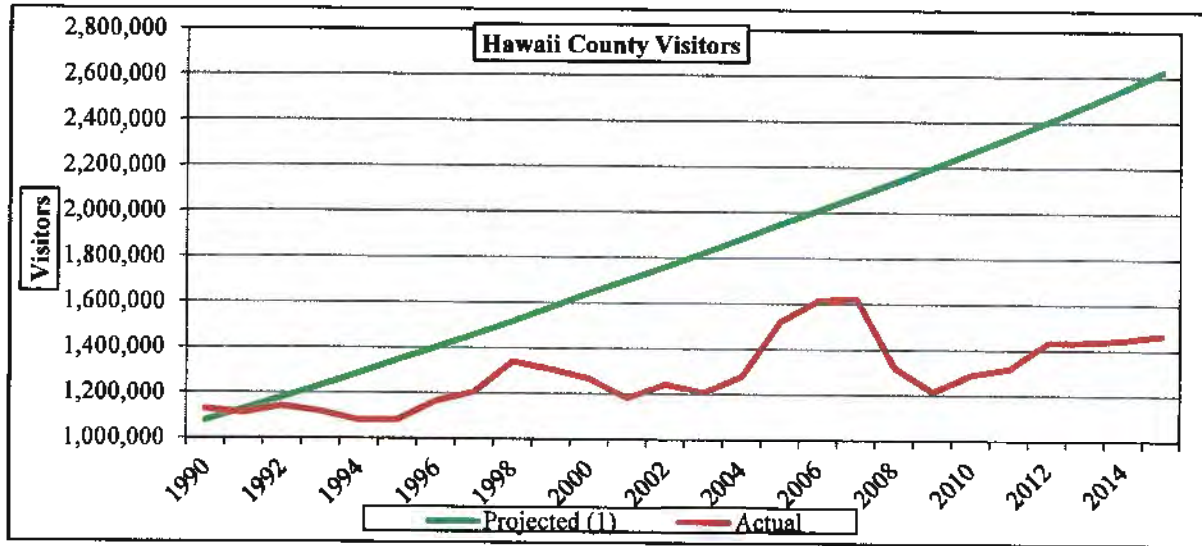
**Exhibit II-4
Hawaii County Population; Projected & Actual**



Hawaii County Population				
Year	Projected (1)		Actual	
	Num.	Cum. Growth	Num.	Cum. Growth
1990	124,600	---	121,572	---
1991			127,266	4.7%
1992			131,630	8.3%
1993			135,085	11.1%
1994			137,713	13.3%
1995	142,500	14.4%	140,492	15.6%
1996			141,935	16.7%
1997			144,445	18.8%
1998			145,833	20.0%
1999			146,970	20.9%
2000	168,400	35.2%	149,244	22.8%
2001			151,690	24.8%
2002			154,576	27.1%
2003			158,442	30.3%
2004			162,852	34.0%
2005	188,800	51.5%	168,237	38.4%
2006			173,536	42.7%
2007			177,733	46.2%
2008			181,506	49.3%
2009			183,629	51.0%
2010	206,100	65.4%	185,307	52.4%
2011			186,886	53.7%
2012			188,575	55.1%
2013			190,821	57.0%
2014			194,190	59.7%
2015	233,200	87.2%	196,066	61.3%

(1) Projected figures per 1989 Report by Natelson-Levander-Whitney. Initial base numbers vary based on census revisions.
Source: Hawaii Department of Business, Economic Development, and Tourism; Natelson-Levander-Whitney, US Census; Claritas

**Exhibit II-5
 Hawaii County Visitors; Projected & Actual**



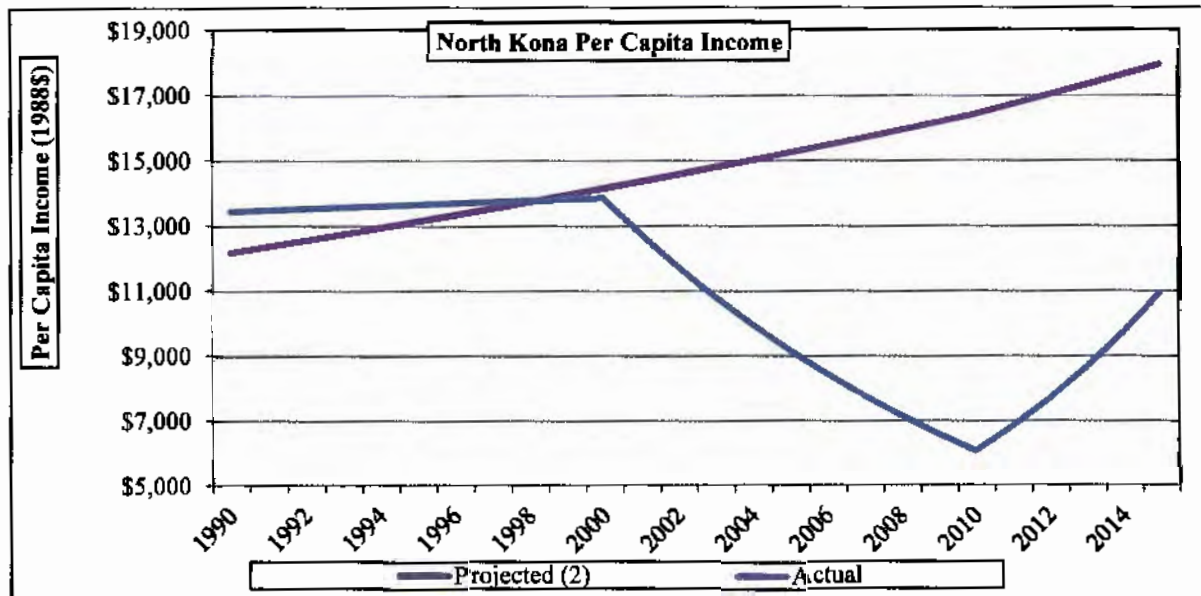
Hawaii County Visitors

Year	Projected (1)		Actual	
	Num.	Cum. Growth	Num.	Cum. Growth
1990	1,078,000	--	1,127,373	--
1991			1,111,035	-1.4%
1992			1,139,978	1.1%
1993			1,117,656	-0.9%
1994			1,079,535	-4.2%
1995	1,348,000	25.0%	1,081,047	-4.1%
1996			1,163,700	3.2%
1997			1,205,081	6.9%
1998			1,340,767	18.9%
1999			1,307,720	16.0%
2000	1,645,000	52.6%	1,267,966	12.5%
2001			1,181,618	4.8%
2002			1,243,313	10.3%
2003			1,207,164	7.1%
2004			1,281,156	13.6%
2005	1,951,000	81.0%	1,521,538	35.0%
2006			1,614,408	43.2%
2007			1,622,359	43.9%
2008			1,321,277	17.2%
2009			1,215,256	7.8%
2010	2,268,000	110.4%	1,290,859	14.5%
2011			1,318,310	16.9%
2012			1,433,282	27.1%
2013			1,435,245	27.3%
2014			1,445,939	28.3%
2015	2,625,000	143.5%	1,467,628	30.2%

(1) Projected figures per 1989 Report by Natelson-Levander-Whitney

Source: Hawaii Department of Business Economic Development & Tourism, Natelson-Levander-Whitney

Exhibit II-6
North Kona Income Per Capita; Projected & Actual (1)



North Kona Income Per Capita

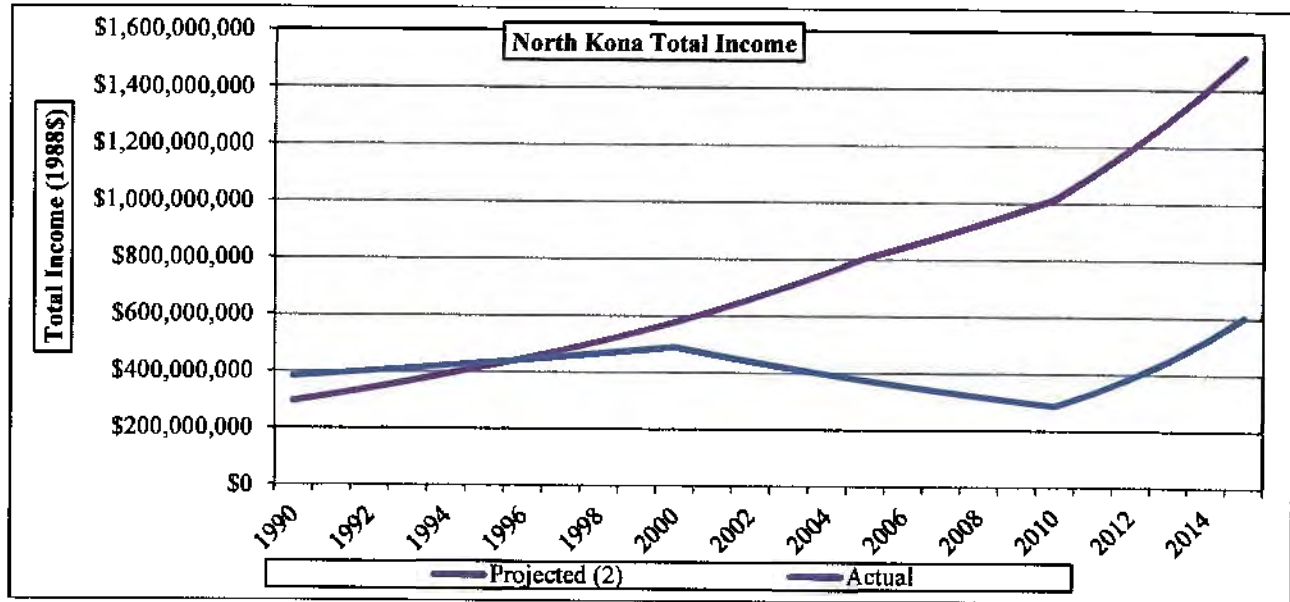
Year	Projected (2)		Actual	
	\$	Cum. Growth	\$	Cum. Growth
1990	\$12,195	---	\$13,447	---
1995	\$13,137	7.7%	---	---
2000	\$14,153	16.1%	\$13,860	3.1%
2005	\$15,246	25.0%	---	---
2010	\$16,424	34.7%	\$6,085	-54.7%
2015	\$17,964	47.3%	\$10,958	-18.5%

(1) North Kona refers to the area defined by Census Tracts 215 & 216

(2) Projected figures per 1989 Report by Natelson-Levander-Whitney. Figures are in 1988\$. Initial base number varies.

Source: Hawaii Department of Business Economic Development & Tourism, Natelson-Levander-Whitney, US Census, Claritas

Exhibit II-7
North Kona Total Income; Projected & Actual (1)



North Kona Total Income

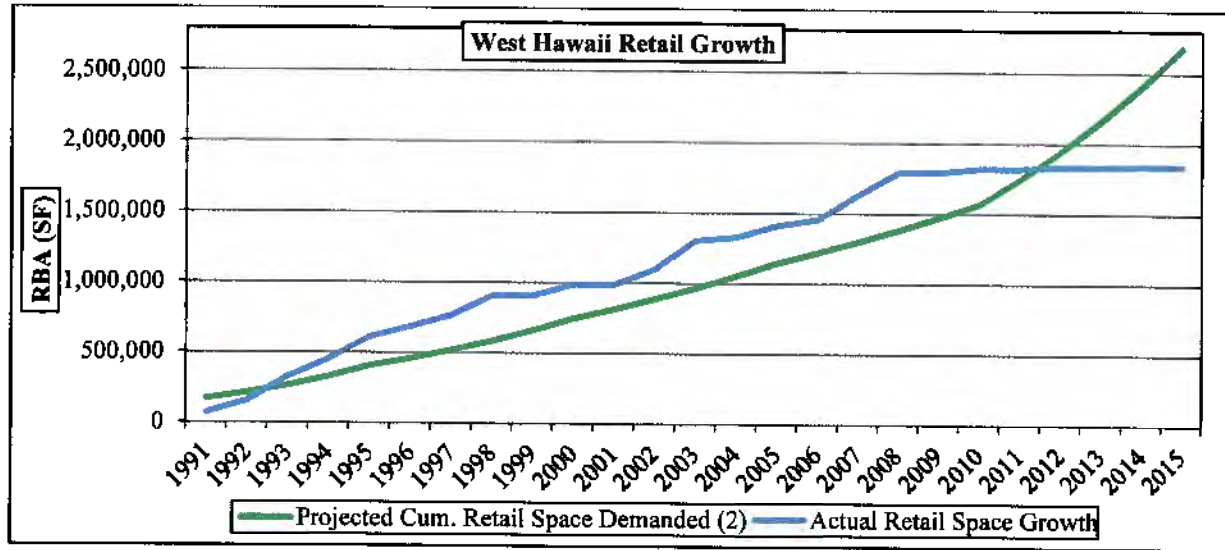
Year	Projected (2)		Actual	
	\$	Cum. Growth	\$	Cum. Growth
1990	\$296,045,820	---	\$383,677,453	---
1995	\$419,937,342	41.8%	---	---
2000	\$577,414,094	95.0%	\$490,368,660	27.8%
2005	\$806,040,774	172.3%	---	---
2010	\$1,015,495,920	243.0%	\$288,117,398	-24.9%
2015	\$1,516,449,024	412.2%	\$603,873,415	57.4%

(1) North Kona refers to the area defined by Census Tracts 215 & 216

(2) Projected figures per 1989 Report by Natelson-Levander-Whitney. Figures are in 1988\$. Initial base number varies.

Source: Hawaii Department of Business Economic Development & Tourism, Natelson-Levander-Whitney; US Census, Claritas

Exhibit II-8
West Hawaii Retail Space Growth; Projected & Actual (1)



West Hawaii Retail Space Growth

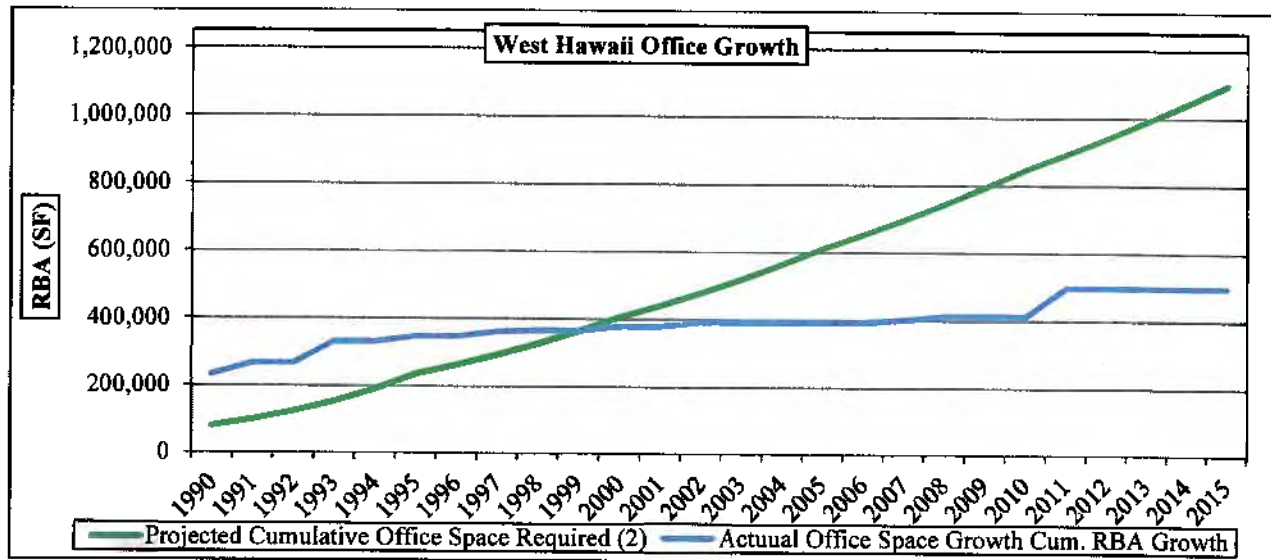
Year	Projected Cum. Retail Space Demanded (2)			Actual Retail Space Growth				
	Total RBA	Cum. RBA Growth	Cum. Growth	Total RBA	Cum. RBA Growth	Cum. Growth	Occupancy	Rent
1988	420,000							
1990		141,377	33.7%	1,704,502				
1991				1,779,502	75,000	4.8%		
1992				1,862,899	158,397	10.1%		
1993				2,034,499	329,997	21.1%		
1994				2,159,504	455,002	29.1%		
1995	409,494		97.5%	2,316,693	612,191	39.2%		
1996				2,391,539	687,037	44.0%		
1997				2,471,036	766,534	49.1%		
1998				2,613,639	909,137	58.2%		
1999				2,613,639	909,137	58.2%	95.8%	\$31.20
2000	748,004		178.1%	2,693,300	988,798	63.3%	92.6%	\$28.92
2001				2,693,300	988,798	63.3%		
2002				2,804,066	1,099,564	70.4%		
2003				3,010,085	1,305,583	83.6%		
2004				3,034,951	1,330,449	85.2%		
2005	1,148,808		273.5%	3,118,357	1,413,855	90.5%		
2006				3,162,970	1,458,468	93.4%		
2007				3,337,970	1,633,468	104.6%	97.5%	\$19.96
2008				3,500,598	1,796,096	115.0%	93.7%	\$21.24
2009				3,500,598	1,796,096	115.0%	92.2%	\$23.89
2010	1,569,747		373.7%	3,528,117	1,823,615	116.8%	93.7%	\$23.32
2011				3,528,117	1,823,615	116.8%	93.9%	\$26.53
2012				3,539,281	1,834,779	117.5%	93.5%	\$21.39
2013				3,539,281	1,834,779	117.5%	94.2%	\$22.43
2014				3,545,781	1,841,279	117.9%	93.7%	\$25.02
2015	2,685,403		639.4%	3,545,781	1,841,279	117.9%	94.8%	\$26.03

(1) West Hawaii refers to the area defined by Census Tracts 213-218. 2015 actual data through 3Q.

(2) Projected figures per 1989 Report by Natelson-Levander-Whitney "Cumulative Retail Space Required" refers to cumulative additional demand since 1988 (420,000 SF). Number varies from actual retail.

Source: CoStar, Natelson-Levander-Whitney

**Exhibit II-9
West Hawaii Office Growth; Projected & Actual (1)**



West Hawaii Office Growth

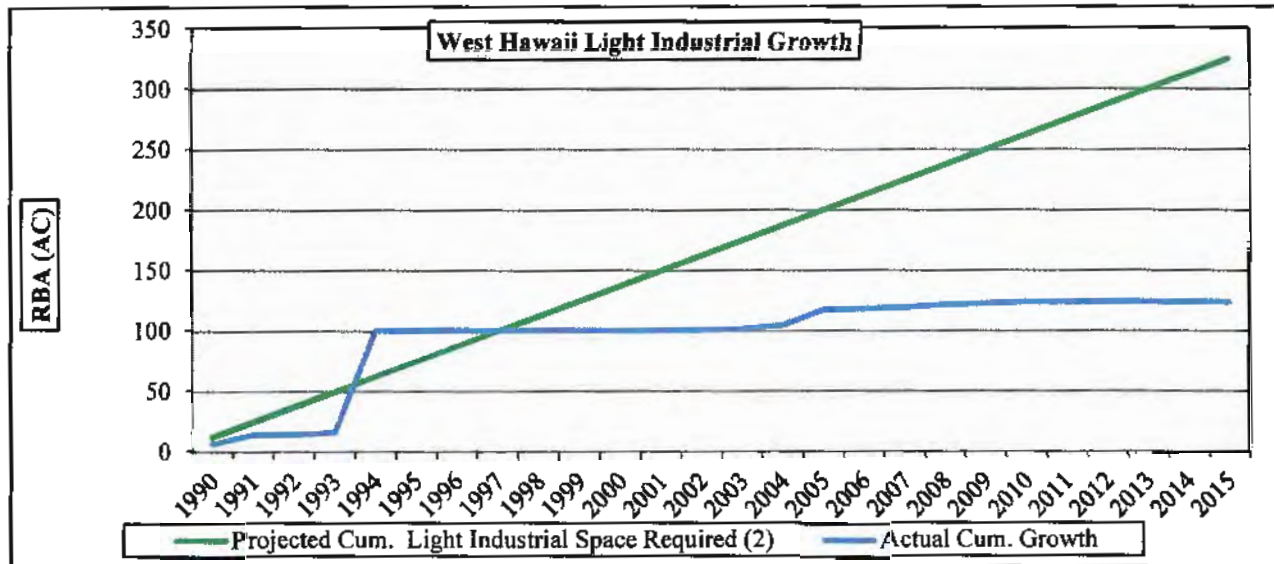
Year	Projected Cum. Office Space Demanded (2)			Actual Office Space Growth				
	Total RBA	Cum. RBA Growth	Cum. Growth	Total RBA	Cum. RBA Growth	Cum. Growth	Occupancy	Rent
1988	272,502			272,502				
1990		82,860	30.4%		234,050	85.9%	---	---
1991					267,654	98.2%	---	---
1992					267,654	98.2%	92.0%	\$19.32
1993					331,178	121.5%	93.7%	\$19.44
1994					331,178	121.5%	93.8%	\$17.52
1995		236,832	86.9%		347,260	127.4%	88.3%	\$18.72
1996					347,260	127.4%	88.2%	\$18.00
1997					362,080	132.9%	89.4%	\$17.40
1998					366,264	134.4%	86.2%	\$15.48
1999					366,264	134.4%	91.9%	\$17.76
2000		406,012	149.0%		380,264	139.5%	89.7%	\$17.40
2001					380,264	139.5%	---	---
2002					393,285	144.3%	---	---
2003					393,285	144.3%	---	---
2004					393,285	144.3%	---	---
2005		611,816	224.5%		393,285	144.3%	---	---
2006					393,285	144.3%	---	---
2007					402,285	147.6%	93.7%	\$19.63
2008					413,091	151.6%	89.6%	\$22.08
2009					413,091	151.6%	88.9%	\$19.96
2010		848,502	311.4%		413,091	151.6%	94.4%	\$19.97
2011					498,091	182.8%	94.3%	\$19.23
2012					498,091	182.8%	92.2%	\$15.23
2013					498,091	182.8%	92.4%	\$16.94
2014					498,091	182.8%	92.4%	\$18.47
2015		1,099,324	403.4%		498,091	182.8%	92.9%	\$19.43

(1) West Hawaii refers to the area defined by Census Tracts 213-218. 2015 actual data through 3Q.

(2) Projected figures per 1989 Report by Natelson-Levander-Whitney. Growth refers to cumulative additional demand since 1988 (base office space inventory of 272,502 SF).

Source: CoStar, Natelson-Levander-Whitney

Exhibit II-10
West Hawaii Light Industrial Growth; Projected & Actual (1)



Year	Projected Cum. Light Industrial Space Required (2)	Actual Cum. Growth
1990	12.5	6.7
1991	25.0	14.4
1992	37.5	14.4
1993	50.0	16.3
1994	62.5	100.7
1995	75.0	100.7
1996	87.5	100.7
1997	100.0	100.7
1998	112.5	100.7
1999	125.0	100.7
2000	137.5	100.7
2001	150.0	100.7
2002	162.5	100.7
2003	175.0	101.8
2004	187.5	104.9
2005	200.0	117.5
2006	212.5	118.5
2007	225.0	119.5
2008	237.5	121.9
2009	250.0	123.0
2010	262.5	124.3
2011	275.0	124.3
2012	287.5	124.3
2013	300.0	124.3
2014	312.5	124.3
2015	325.0	124.3
Avg.	12.5/year	5.0/year

(1) West Hawaii refers to the area defined by Census Tracts 213-218. 2015 actual data through 3Q.

(2) Projected figures per 1989 Report by Natelson-Levander-Whitney. "Cumulative Light Industrial Space Required" refers to cumulative additional demand since 1988 (from an average of 12.5 acres per year).

Source: CoStar, Natelson-Levander-Whitney

BEFORE THE LAND USE COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Petition of

QUEEN LILI'UOKALANI TRUST

To Amend the Agricultural District Boundary into the Urban District for approximately 919.366 acres and to Amend the Conservation District Boundary into the Urban District for approximately 188.358 acres, at Keahuolū, Island, County and State of Hawaii, Hawaii Tax Map Key Nos. (3) 7-4-08: por. 2, por. 12

DOCKET NO. A89-646

CERTIFICATE OF SERVICE

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of Queen Lili'uokalani Trust's Supplemental Memorandum in Support of its Motion for Order Modifying the Findings of Fact, Conclusions of Law, and Decision and Order filed August 28, 1991; Affidavit of LeeAnn Crabbe; Exhibit "5"; Certificate of Service was served upon the following as indicated below:


BRYAN C. YEE, Esq. Department of the Attorney General Hale Auhau, Third Floor 425 Queen Street Honolulu, Hawaii 96813 Attorney for State Office of Planning	Via U.S. Postal Mail
DUANE KANUHA, Planning Director Planning Department, County of Hawaii 101 Pauahi Street, Suite 3 Hilo, Hawaii 96720	Via U.S. Postal Mail

MARK VAN PERNIS, ESQ., Attorney for Intervenor 75-167F Hualalai Rd., Ste B Kailua-Kona, HI 96740 P.O. Box 1837 Kailua-Kona, Hawaii 96745-1837	Via U.S. Postal Mail
HAWAII ELECTRIC LIGHT COMPANY, INC 1200 Kilauea Ave. Hilo, Hawaii 96720 54 Halekauwila Street Hilo, Hawaii 96720 P.O. Box 1027 Hilo, Hawaii 96721-1027	Via U.S. Postal Mail
HILO ELECTRIC LIGHT COMPANY, LIMITED 1200 Kilauea Avenue Hilo, Hawaii 96720 54 Halekauwila Street Hilo, Hawaii 96720 P.O. Box 1027 Hilo, Hawaii 96721-1027	Via U.S. Postal Mail
William V. Brilhante, Jr. Office of Corporation Counsel 101 Aupuni Street, Suite 325 Hilo, Hawaii 96720 Attorney for County of Hawaii	Via U.S. Postal Mail
GTE HAWAIIAN TELEPHONE COMPANY INCOPORATED, now known as HAWAIIAN TELCOM, INC. 1177 Bishop Street Honolulu, Hawaii 96813 161 Kinoole Street Hilo, Hawaii 96720 P.O. Box 2200 Honolulu, Hawaii 96841	Via U.S. Postal Mail

<p>WATER BOARD OF THE COUNTY OF HAWAII 25 Aupuni Street Hilo, Hawaii 96720</p> <p>345 Kekuanaoa Street, Suite 20 Hilo, Hawaii 96720</p>	Via U.S. Postal Mail
<p>WATER COMMISSION OF THE COUNTY OF HAWAII 25 Aupuni Street Hilo, Hawaii 96720</p> <p>345 Kekuanaoa Street, Suite 20 Hilo, Hawaii 96720</p>	Via U.S. Postal Mail
<p>HAWAII PLANNING MILL LTD., dba HPM BUILDING SUPPLY 380 Kanoelehua Ave. Hilo, Hawaii 96820</p> <p>16-166 Melekahiwa Street Keaau, Hawaii 96749</p>	Via U.S. Postal Mail
<p>TIME WARNER ENTERTAINMENT COMPANY, L.P. dba OCEANIC TIME WARNER CABLE 1136 Union Mall, Suite 301 Honolulu, Hawaii 96813</p>	Via U.S. Postal Mail
<p>STATE OF HAWAII, DEPARTMENT OF TRANSPORTATION 869 Punchbowl Street Honolulu, Hawaii 96813</p> <p>601 Kamokila Blvd. Room 691 Kapolei, Hawaii 96707</p>	Via U.S. Postal Mail
<p>TROY CMBS PROPERTY, L.L.C., 3100 West Big Beaver Road Troy, Michigan 48084</p> <p>3333 Beverly Rd. Hoffman Estates, IL 60179</p>	Via U.S. Postal Mail

MACY'S WEST, INC. now known as MACY'S WEST STORES, INC. 1600 Pauahi Tower 1003 Bishop Street Honolulu Hawaii 96813	Via U.S. Postal Mail
KM KONA PARTNERS 1288 Ala Moana Boulevard, Suite 208 Honolulu, Hawaii 96814	Via U.S. Postal Mail
WALLACE THEATER CORPORATION 7132 Regal Ln. Knoxville TN 37918-5803 REGAL CINEMAS, INC. 1136 Union Mall, Suite 301 Honolulu, Hawaii 96813 HOLLYWOOD THEATERS, INC. c/o Regal Cinemas, Inc. 7132 Regal Lane Knoxville, Tennessee 37918 Attn: Real Estate Department	Via U.S. Postal Mail

Dated: Honolulu, Hawaii, October 16, 2015.


 BENJAMIN A. KURO
 CONNIE C. CHOW
 Attorneys for Petitioner
 QUEEN LILI'UOKALANI TRUST