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DRAFT

ANALYSIS AND RECOMENDATIONS

in Support of Updates to

CHAPTER 11 OF THE HAWAI'I COUNTY CODE

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County of Hawai'i

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1.0 EXECUTIVE SUMMARY AND RECOMENDATIONS

This report provides analysis and recommendations to support potential updates to Hawai'i County's Affordable Housing ordinance established in Chapter 11 of the Hawai'i County Code ("Chapter 11"). Chapter 11 requires affordable housing be provided as part of new residential developments where property is rezoned to create five or more residential units or lots and rezonings for resorts, hotels and industrial uses that add more than 100 full time equivalent jobs. The report was prepared by Keyser Marston Associates, Inc. ("KMA") for the County of Hawai'i ("County").

1.1 Summary of Findings

The analysis presented herein evaluates the financial feasibility of representative market rate residential developments in a range of locations on Hawai'i Island and their ability to sustain existing and modified affordable housing requirements.

Residential developments in Kona and Kohala were found to be feasible assuming use of the existing option under Chapter 11 to purchase excess credits or at a range of fee levels under a potential in-lieu fee option. Mandating on-site production of affordable units was found to adversely affect project feasibility with existing on-site requirements.

Residential developments in Hilo, Puna and Hamakua have constrained or challenged feasibility. New market rate units in these areas are also priced within or near to the income ranges Chapter 11 is targeting (up to 140% of Area Median Income). Despite more constrained feasibility, permitting data shows construction of new homes is occurring in these communities, primarily individual homes and smaller scale projects made possible by a supply of existing lots.

The feasibility analysis was prepared in fall 2022 and reflects market conditions as of that time. Subsequent escalation in costs, increases in interest rates, and softening prices are likely to have adversely affected feasibility relative to results presented herein. Conditions will continue to evolve going forward. In interpreting results, it is useful to keep in mind that policies may be in place for a number of years through both strong and weaker cycles in the housing market, and that projects will move forward when market conditions support it, and it is at that point when projects will be required to satisfy the requirements of Chapter 11.

Like all inclusionary policies, Chapter 11 depends on market rate housing development for its success and will only create affordable housing if it does not create a barrier to market rate housing. While projects on the Big Island are challenged by high costs and other factors, and rising interest rates have put downward pressure on prices, Chapter 11 in its current form is not a primary driver of feasibility constraints. Feasibility findings for all project types evaluated are similar with or without existing Chapter 11 requirements.

Chapter 11's ability to ensure new developments address housing needs for a broad spectrum of incomes has been inhibited by the excess credit feature of the ordinance. Projects that produce more affordable housing than required may sell credits to another party for use in meeting the Chapter 11 affordable housing requirements of a separate project. State law also requires the award of credits for projects sponsored by the Department of Hawaiian Home Lands (DHHL). In theory, the system of credits seems like a promising and flexible policy approach; however, the experiment with excess credits on the Big Island does not show evidence of a strong link between successful completion of affordable units and their ability to earn excess credits. Affordable developers primarily rely on State and Federal subsidy sources as well as debt financing for their projects, and generally have not been able to leverage excess credits as a source of financing for affordable housing development. Most excess credits earned over the past two decades remain unused, resulting in a glut of approximately 1,300 unused credits. This large, accrued balance of credits has the potential to offset future production of affordable housing under Chapter 11 for years to come.

See Section 2 for a full summary of findings.

1.2 Recommendations for Updates to Chapter 11

Following are KMA's recommendations for updates to Chapter 11 based on the findings of the analysis and our experience with other programs:

- (1) Phase out, eliminate, or restrict use of excess credits.** The existing excess credit system is not working as an effective tool to deliver affordable units and should be modified or phased out. Affordable projects have not been able to use credits to secure debt or equity financing. Affordable developers say credits do not induce the construction of affordable units and that they would build affordable units using other State and Federal subsidy sources regardless of the ability to earn credits. Development projects using excess credits to meet the requirement of Chapter 11 do not create inclusive communities with a mix of market rate and affordable housing intended by Chapter 11. Developers choose the excess credit option because the cost is less. However, requiring developers to purchase excess credits adds cost to projects without a clear benefit or link to affordable housing production. Funds from purchase of credits go to private parties or corporate entities that own credits and have no obligation to reinvest the funds in local affordable housing projects. If the system remains in place in its current form, it is likely to impair effectiveness of Chapter 11 going forward.

The following is one potential approach to phasing out use of credits going forward. Legal review and coordination with the Department of Hawaiian Home Lands (DHHL) are required to refine the approach.

- a. Cease granting new excess credits, except where mandated by State law (e.g. DHHL projects).
- b. Apply a proration factor to the value of excess credits that are redeemed five or more years from the date of the affordable housing agreement generating the excess credits. Proration could be based on the portion of the original 20-year required affordability term remaining. As an example, credits generated by an affordable development built ten years prior to redemption would be prorated by a factor of 50%, representing the portion of the original 20-year required affordability term remaining. Even in cases where the affordability term is longer, 20 years could still be the basis for proration since this is the affordability term required by Chapter 11 for rental projects, which generated most excess credits. DHHL credits could be excluded from this proration, if necessary.

(2) Add an In-Lieu Fee Alternative – Consider adding an in-lieu fee option, as is available in Maui and Kaua'i. Excess credits have provided a feasible option for market rate projects to meet their affordable housing requirement. Mandating on-site units was found to impair feasibility outside of the Kohala resorts. When inclusionary programs set requirements beyond a level that projects can feasibly bear, market rate housing production can decline. For example, Kauai and Maui, which set stringent initial inclusionary requirements of 30% and 33%, respectively, demonstrated very limited market rate housing production under those requirements. Assuming excess credits are phased out as an option under Chapter 11, there is a need for another alternative to avoid adverse effects on feasibility. Funds from a new in-lieu fee could be dedicated to assisting local affordable housing projects, leveraging federal and state resources to create affordable housing. There are a variety of ways to structure a potential in-lieu fee. Three potential approaches are described below, including setting fees based on feasibility results, setting fees as a percentage of the affordability gap, and setting fees as a percent of sales price.

a. In-Lieu Fees Based on Feasibility Results

Table 1-1 identifies potential in-lieu fee ranges identified based on the feasibility analysis results. In Kona and portions of Kohala including Waikoloa, Waimea, and Kawaihae, that are outside of the coastal resorts, a rate of \$5 to \$10 per square foot is identified, which is similar to the cost associated with the purchase of excess credits. In the resort areas along the Kohala coast, an in-lieu fee of \$15 to \$25 per square foot is suggested, given stronger feasibility results in these areas. In Hilo, Puna, Hamakua, and Ka'u, initial rates between zero and \$5 per square foot are suggested based on feasibility constraints for market rate units in these areas, and the fact prices and rents are within or near the income ranges Chapter 11 serves.

Location	In-Lieu Fee Per Net Livable Square Foot of Residential Uses in the Entire Project*
Kona and Kohala, outside of resorts	\$5 to \$10
Kohala, oceanfront resorts	\$15 to \$25
Hilo, Puna, Hamakua, Ka'u	\$0 to \$5

*Net livable square feet excludes garages, porches, decks, lanai's, common hallways, community rooms and amenities. Rates apply to the entire project, not just the square footage of required affordable units.

b. Gap-Based Approach to Setting In-Lieu Fees

Table 1-2 identifies potential in-lieu fees based on a percentage of the gap between market and affordable prices. Gaps are based on on-site for-sale affordable units within the same development as the market rate units. Gaps would be less to the extent affordable units are provided in a standalone affordable rental development leveraging other funding sources. Gaps are not calculated for rentals; however, the same in-lieu fee rates could be applied. Due to feasibility constraints, it is recommended that in-lieu fees be limited to no more than 20% to 30% of the calculated gaps (highlighted in green).

Where there is a higher gap between market and affordable prices, the calculations in Table 1-2 yield a higher in-lieu fee. If desired, separate results for condo and single family could be blended, with just one rate applied to both, or single family results could be used since single family units have been more common.

Market Rate Project Example	Living Area (sq.ft.)	Market Price	Affordable Price (80% AMI)	Gap Per Affordable Unit ⁽¹⁾	Calculated In-Lieu Fees Per Square Foot ⁽²⁾ , as Percentage of Gap ⁽³⁾				
					100%	50%	30%	20%	10%
Kailua Kona Single Family, Larger	2,300	\$1,541,000	\$362,850	\$1,178,150	\$51	\$26	\$15	\$10	\$5
Kailua Kona Single Family, Smaller	1,500	\$1,050,000	\$348,800	\$701,200	\$47	\$23	\$14	\$9	\$5
Attached Condo	1,200	\$720,000	\$314,200	\$405,800	\$34	\$17	\$10	\$7	\$3
Single Family (Kohala Resort)	2,400	\$3,120,000	\$376,900	\$2,743,100	\$114	\$57	\$34	\$23	\$11
Attached Condo (Kohala Resort)	1,400	\$1,470,000	\$322,850	\$1,147,150	\$82	\$41	\$25	\$16	\$8
Waikoloa Single Family	1,700	\$1,050,000	\$348,800	\$701,200	\$41	\$21	\$12	\$8	\$4
Waimea Single Family	1,750	\$1,000,000	\$362,850	\$637,150	\$36	\$18	\$11	\$7	\$4
Hilo Single Family	1,700	\$725,000	\$352,313	\$372,688	\$22	\$11	\$7	\$4	\$2
Puna Single Family	1,200	\$390,000	\$348,800	\$41,200	\$3	\$2	\$1	\$1	\$0
Hamakua Single Family	1,500	\$630,000	\$348,800	\$281,200	\$19	\$9	\$6	\$4	\$2

(1) Calculated as the difference between market rate and affordable price.

(2) Net livable square feet excludes garages, porches, decks, lanai's, common hallways, community rooms and amenities. Rates apply to the entire project, not just the square footage of required affordable units.

(3) Calculated as the gap per affordable unit multiplied by 10% effective affordable unit requirement when units are provided at 80% AMI, divided by the square footage of the unit, multiplied by the percentage of the gap addressed by the in-lieu fee.

c. Percent of Sales Price

A third and less common approach to establishing in-lieu fees is as a percentage of sales price. Advantages to this approach are that rates automatically adjust for differences in market conditions by area and over time, which may be helpful given the wide range of conditions in Hawaii County. A disadvantage is that it is more complicated to implement and cannot be readily applied to a rental project. To apply the fee, the payment obligation must be recorded on each market rate unit and the fee collected out of escrow upon sale of the unit. Alternatively, an estimated sales price may be used in advance of the actual sale occurring. Table 1-3 illustrates in-lieu fees using a percentage of sales price approach. Selecting an in-lieu fee in the 1% to 2% of sales price range would result in similar in-lieu fee rates to the options identified above. A per square foot in-lieu fee could be applied to rentals.

Table 1-3. Illustration of In-Lieu Fee, Expressed as Percent of Sale Price						
	Prototype Living Area (sq.ft.)	Prototype Sale Price	In-Lieu Fee as % of Sales Price, Expressed as Equivalent \$/SF cost			
			1%	1.5%	2%	3%
Kailua Kona Single Family, Larger	2,300	\$1,541,000	\$7	\$10	\$13	\$20
Kailua Kona Single Family, Smaller	1,500	\$1,050,000	\$7	\$11	\$14	\$21
Attached Condo	1,200	\$720,000	\$6	\$9	\$12	\$18
Single Family (Kohala Resort)	2,400	\$3,120,000	\$13	\$20	\$26	\$39
Attached Condo (Kohala Resort)	1,400	\$1,470,000	\$11	\$16	\$21	\$32
Waikoloa Single Family	1,700	\$1,050,000	\$6	\$9	\$12	\$19
Waimea Single Family	1,750	\$1,000,000	\$6	\$9	\$11	\$17
Hilo Single Family	1,700	\$725,000	\$4	\$6	\$9	\$13
Puna Single Family	1,200	\$390,000	\$3	\$5	\$7	\$10
Hamakua Single Family	1,500	\$630,000	\$4	\$6	\$8	\$13

For the first two in-lieu fee approaches described above, an index is needed to adjust the in-lieu fee each year. Adjustments are usually automatic and implemented administratively, similar to regular updates for affordable pricing and rents. Some options for adjustments include:

- a) Construction cost index from Engineering News Record
- b) Consumer Price Index
- c) Index based on changes in home prices using data published by UHERO.
- d) Update to the gap-based approach shown in Table 1-2.

In-lieu fees expressed as a percentage of sale price adjust automatically and don't require another adjustment mechanism.

In-lieu fees are typically collected prior to building permit issuance. Collection prior to occupancy is another option that builders tend to prefer since it avoids financing costs associated with paying the in-lieu fee at building permit. When in-lieu fees are expressed

as a percent of sale price, the fee will need to be collected out of escrow at closing of the sale unless an estimated sale price is used to determine the amount due.

To avoid all projects defaulting to the fee option, if preferred, certain types of projects could be precluded from use of the in-lieu fee option. For example, large projects over a threshold size, such as 500 units or more, that are more capable of providing affordable units in a standalone rental development that will leverage other subsidies, or projects in the ocean-front resort areas that have stronger feasibility. Projects precluded from use of the fee would need to utilize one of the other compliance choices (on-site units, off-site units, land dedication, finished lots).

- (3) Modify or Eliminate the Option to Provide Finished Lots** – The current approach for determining affordable lot prices results in prices above what buildable lots sell for at market rate in many locations. As currently structured, it is not clear the option to provide finished lots delivers an affordability benefit. We recommend either modifying the option to provide a clearer affordability benefit or eliminating the option all together. If the option is retained, one approach would be to require lots be conveyed at no cost to eligible purchasers, since even without the cost of purchasing a finished lot, the cost of building a new home will generally exceed the 80% and 100% AMI affordable purchase prices that apply to the finished lot option.
- (4) Broaden Applicability** – Chapter 11 currently applies only to rezonings, which is a common approach; however, many programs apply requirements more broadly to all projects over a threshold size, including Maui and Kaua'i. Applying requirements to all projects over five or ten units would help increase production of affordable units through the program.
- (5) Increase Incentive to Provide Affordable Units** – If the County would prefer to see more projects provide affordable units on-site, it would be helpful to increase incentives to do so. Following are possible approaches that could be used independently or in combination:

 - a. *Density bonus* – Chapter 11 currently provides a density bonus of 10% when affordable units are provided. The County could consider enhancement of the incentive to provide affordable units within the project by significantly increasing the density bonus, to say 50% or 100%, or waiving minimum lot size standards for projects providing all required affordable units on-site which are connected to public water and sewer. To be effective, the density bonus may also need to be accompanied by an ability to request modification of other development standards like setbacks to the extent they would prevent achievement of the allowed density bonus.
 - b. *Affordable Unit Mix* – Chapter 11 caps the share of affordable units by income category (Section 11-5(d)). Removing these prescriptive percentages would

provide additional flexibility to projects that provide affordable units on-site. Chapter 11 already establishes powerful incentives to provide affordable units at lower income levels through its system of credits, ensuring projects will not just default to the highest income levels allowable.

- c. *Credit-based Incentive* – Currently, the same affordability percentage applies to projects whether units are provided on-site, off-site, or through excess credits. Allowing an incentive in the form of a reduction in the affordable housing credits required for projects that include affordable units on-site, or have other desired characteristics, could help make on-site units a more competitive choice. As an example, Kaua'i allows a reduction up to 50% for projects that provide single family affordable units, build green, or provide affordable rental units at 60% or 80% of AMI without use of County land or funds.

- d. *Local version of 201H-38 State program* – The County could consider creating a local version of the State's 201H-38 program, which allows projects to request exemptions from planning, zoning, and construction standards that do not negatively affect health and safety and creates a streamlined approval process. A local version of this program could allow customization of program features to meet local policy objectives while potentially expanding use of the program. For example, a reduced affordable unit threshold to be eligible for the program, of say 20% to 30%, may encourage more projects to provide on-site affordable units to qualify. The County could also limit the scope of available exemptions under the local version of the program; for example, by not including fee waivers, restricting use to projects that are primarily residential, and could preclude use of the program within certain geographic areas or zoning districts. Maui established a local version of the 201H-38 program that local development projects have found attractive to use. Use of the State program by local affordable development projects in Hawaii County also shows the potential promise of this tool. A local version of the 201H-38 program could be expanded to encompass a broader array of projects, bundling several of the incentive tools discussed in Section 7.

(6) Ensure Affordable Prices are Below Market – When deed restricted units are priced too close to market, this can create challenges in marketing the units. Honolulu is an example of the pitfalls that can occur when affordability and qualification standards are not workable for inclusionary unit buyers, resulting in affordable units sitting unsold for an extended period. We recommend that projects be precluded from utilizing affordable unit pricing tiers that exceed 75% of the market rate average for the area¹. There are several options for implementing a provision of this nature, including:

¹ This discussion applies to affordable pricing for units, as opposed to finished lots. See separate recommendation on finished lots.

- a. Apply the 75% limit on a case-by-case basis as projects proposing on-site for-sale affordable units come forward for approval using an analysis of market data at the time.
- b. Specify maximum pricing tiers by geographic area in the County's annual Affordable Housing Guidelines, based on an annual update of market data.
- c. Specify maximum pricing tiers by geographic area in updating the ordinance.

(7) Pursue Opportunities to Reduce Development Costs – The Hawai'i County housing market is exhibiting signs of feasibility challenges driven by high costs of construction. This is evidenced by feasibility analysis findings, feedback from stakeholder interviews, and pricing of entitled development sites. Projects with high sales prices are able to sustain these high costs; however, containing or reducing costs would be helpful for promoting affordability as it would allow projects with more moderate prices to “pencil” financially. While construction costs are out of the County's control to a large extent, there may be areas where the County can have an impact, some of which may already be under consideration in connection with the updates to Chapters 23 and 25 of the County Code that are underway. Possible areas for exploration include:

- a. *Minimum building site sizes* – One impediment to feasibility is the cost of site improvements such as interior streets, utilities, grading, and other costs necessary to make properties buildable. Increased allowable densities and reduced minimum lot sizes in appropriate locations could enhance feasibility of some projects by allowing costly site improvements to be spread across a greater number of units.
- b. *Subdivision standards* – Several stakeholders suggested that there may be opportunities to reduce costs through changes to subdivision standards. Others were interested in ensuring the inspection process for modular homes was structured in a manner that does not create a barrier to this housing type.
- c. *Parking standards* – the County's parking standards do not vary by bedroom count and could lead some projects to be over-parked, such as senior housing. Reducing or waiving minimum parking standards for all projects, or projects that provide affordable units on-site, may be a relatively straight forward way to reduce costs, particularly in urban or waterfront locations where land costs tend to be higher.

KMA is not an expert on the standards discussed above and changes would be outside the scope of Chapter 11.

2.0 INTRODUCTION AND SUMMARY OF FINDINGS

This report provides analysis and recommendations in support of potential updates to Hawai'i County's Affordable Housing ordinance established in Chapter 11 of the Hawai'i County Code ("Chapter 11"). The report was prepared by Keyser Marston Associates, Inc. ("KMA") for the County of Hawai'i ("County").

The report includes the following major components:

- **Financial Feasibility Analysis** – The real estate feasibility analysis evaluates the ability of residential developments to sustain existing or modified affordable housing requirements, examines whether current requirements are a barrier to market rate housing, and whether allowing additional density could improve feasibility.
- **Compliance Cost Analysis** – the estimated cost of complying with Chapter 11 under various alternatives such as on-site units and purchase of excess credits is quantified and expressed as a dollar per square foot cost. The purpose is to assist in understanding incentives for developers and to inform the design of updated provisions.
- **Excess Credit System Review** – the system of excess credits is reviewed to determine if it is serving as an effective tool for producing affordable housing.
- **Requirements in Other Counties** – affordable housing requirements in other counties along with feedback obtained from local staff regarding experience with implementation are summarized to provide context for potential updates to Chapter 11.
- **Incentive Programs** – information regarding other programs focused on creating incentives for market rate and affordable housing production.

2.1 Household Income Categories

The analysis addresses income categories as defined by the United States Department of Housing and Urban Development (HUD). Chapter 11 utilizes the following income categories, each defined in relation to the Area Median Income (AMI):

- Under 60% of AMI;
- 60% to 80% of AMI;
- 80% to 100% of AMI;
- 100% to 120% of AMI; and
- 120% to 140% of AMI

The 2023 median income for Hawai'i County is \$100,800 for a four-person household. The 2023 income limits for each of the above income categories are presented in Table 2-1.

	Household Size (Persons)					
	1	2	3	4	5	6
60% AMI	\$42,360	\$48,420	\$54,480	\$60,480	\$65,340	\$70,200
80% AMI	\$56,480	\$64,560	\$72,640	\$80,640	\$87,120	\$93,600
100% AMI	\$70,600	\$80,700	\$90,800	\$100,800	\$108,900	\$117,000
120% AMI	\$84,720	\$96,840	\$108,960	\$120,960	\$130,680	\$140,400
140% AMI	\$98,840	\$112,980	\$127,120	\$141,120	\$152,460	\$163,800

Source: Hawai'i Housing Finance and Development Corporation and U.S. Department of Housing and Urban Development (HUD).

2.2 Overview of Existing Chapter 11 Requirements

Chapter 11 requires affordable housing to be provided in conjunction with rezonings to residential, resort and industrial uses. Rezoning to residential uses that include five or more residential units or lots are subject to the requirements of Chapter 11. Projects must provide affordable housing credits equal to 20% of the units in the project. Rezoning for resort, hotel and industrial uses that add more than 100 full time equivalent employees are required to provide one affordable housing credit per four full time equivalent employees. The analysis in this report is focused on provisions of Chapter 11 that apply to residential uses.

Chapter 11 includes a schedule identifying the credits that apply according to the tenure and affordability level of the unit, shown in Table 2-2. As an example, for-sale units at 120% to 140% AMI earn 0.5 credits while for-sale units at 80% AMI or below earn two credits.

	For Sale Units	Rental Units	Finished Lots
<60% AMI	2	2	1
60% to 80% AMI	2	1.5	1
80 to 100% AMI	1.5	1	0.5
100 to 120% AMI	1	0.5	N/A
120% to 140% AMI	0.5	N/A	N/A

The following options are available to obtain the required 20% credits:

- On-site or off-site affordable units. Providing 10% to 13.5% affordable units, depending on the mix of income levels, earns the requisite 20% credits.
- Purchase excess credits earned by another project (common).
- Provide a buildable site accommodating affordable units equal to 20% of the market rate project.
- Provide finished lots for sale to qualifying households at an affordable price.
- Provide infrastructure.

Chapter 11 previously included an option to pay an in-lieu fee, which was removed as part of a 2011 amendment.

When affordable units are provided, the maximums shown in Table 2-3 apply regarding the percentage of units that may be provided by income level. Projects may provide units at lower AMI levels, but not higher.

	For Sale	Rental	Finished Lots
<60% AMI	No maximum	No maximum	No maximum
60% to 80% AMI	No maximum	30%	No maximum
80 to 100% AMI	30%	20%	80%
100 to 120% AMI	20%	10%	n/a
120% to 140% AMI	10%	n/a	n/a

2.3 Need for Affordable Housing in Hawai'i County

There is a critical need for affordable housing in Hawai'i County as evidenced by prior studies and Census data that identifies the prevalence of affordability challenges. The Hawai'i Housing Planning Study prepared by SMS in 2019 provided an in-depth look at affordability and availability of housing. Key findings include:

- There is an estimated need for over 13,000 new housing units during the 2020 to 2025 period, of which approximately 10,800 (80%) of the need is for units affordable to households earning less than 140% of AMI. This estimated need is distributed by income category as shown in Table 2-4.

< 60 AMI	39%
60% up to 80% AMI	17%
80% up to 120% AMI	16%
120% up to 140% AMI	9%
140% up to 180% AMI	9%
180% AMI and above	10%

Source: SMS Hawai'i Housing Planning Study 2019.

- Approximately 31% of households were spending more than 30% of their income on housing, which is the threshold to be considered cost-burdened. At least 22% were spending more than 40% of their income on housing, considered severely cost-burdened. Updated 2020 Census data released after the SMS study shows similar findings with 32% of households cost-burdened, including 43% of renter households.
- There has been an increase in overcrowding and multiple families or multiple generations doubling-up in housing units over the prior two decades.
- 41% of home sales in Hawai'i County were to out-of-state purchasers in 2018. The purchase price of homes bought by out-of-state buyers was 88% higher than the prices

of homes purchased by Hawai'i residents. This price differential is significantly higher than the state-wide average of 45%. 74% of homes purchased by out-of-state buyers are used as vacation homes.

- Only 20% of households wishing to buy a single family housing unit in Hawai'i County are financially able to afford both the monthly payment and a 20% down payment.

Table 2-5 provides a summary of the existing housing stock in Hawai'i County based on data from the 2015-2020 American Community Survey (ACS). As shown, 19% of housing units are vacant. Most vacancy is due to seasonal or vacation home use or another reason such as being renovated. Only 3% of units are available for rent or sale.

Total Housing Units	88,624	100%
Occupied Units	71,747	81%
Owner-occupied housing units	49,721	56%
Renter-occupied housing units	22,026	25%
Vacant Units	16,877	19%
For seasonal, recreational, or occasional use	7,524	8%
Other vacant	5,746	6%
For rent or sale	2,715	3%
Rented or sold, not occupied	801	1%
For migrant workers	91	0%

Source: ACS 2020 Five-Year Estimates, Tables B25004, S2504, and S1101.

2.4 Financial Feasibility Analysis

The feasibility analysis evaluates development economics of residential projects in various locations on the Big Island and their ability to sustain existing and modified affordable housing requirements.

The analysis evaluates “prototypical” or representative projects to facilitate a general understanding of feasibility conditions in Hawai'i. The economics of specific projects can be expected to vary to some degree from the prototypical projects analyzed, with some having stronger and some having weaker economics based on project-specific zoning, site conditions, development costs, market considerations and target returns. A summary of the analysis and findings follows. In reviewing the findings of the feasibility analysis, it is important to keep in mind that it represents a snapshot in time based on market conditions as of the time of preparation in summer / fall 2022. Subsequent increases in costs, interest rates, and some softening of prices will have made conditions more challenging. Conditions will continue to evolve in response to changes in rents, sales prices, construction costs, interest rates, and other factors.

a. Residential Feasibility Analysis

The residential feasibility analysis evaluates the development economics of prototypical residential development projects on Hawai'i Island. Three main project types are evaluated: single family, attached condominiums and apartments. To capture differences in market conditions by location, the analysis evaluates feasibility in seven distinct sub-markets, as shown in Table 2-6. Single family units are evaluated in all submarkets, attached condominiums are evaluated in two submarkets, and apartments are evaluated based on broader East and West Hawai'i submarket definitions.

Table 2-6: Summary of Prototypes and Submarkets Evaluated			
Submarket	Single Family	Attached Condo	Apartments
Kailua Kona	X	X	X
Kohala Oceanfront	X	X	
Waikoloa Village	X		
Waimea	X		
Hilo	X		X
Puna	X		
Hamakua	X		

Typical unit sizes, number of bedrooms, and development density of the prototypes vary by area based on a review of development activity and sales data, as described in Section 6.

Financial feasibility was tested under the following scenarios regarding affordability requirements:

1. Purchase of Excess Credits;
2. No Chapter 11 Requirement;
3. On-site affordable units with two alternatives regarding affordability mix; and
4. In-lieu fees of \$5, \$10, \$15, and \$20 per square foot.

Purchase of excess credits is referred to as the “base case” scenario under existing requirements because it has been the most common method of satisfying Chapter 11. Findings of the feasibility analysis are summarized in Table 2-7, followed by a narrative discussion:

Table 2-7. Summary of Feasibility Scenario Testing								
Scenario	1	2	3a	3b	4a	4b	4c	4d
	Credits (Base Case)	No Rqrm't	On-Site Units		In-Lieu Fee (\$/NSF in Project)			
			Mix A, 13.5% affordable	Mix B, 10% affordable	\$5	\$10	\$15	\$20
Prototype Project								
W1 Kailua Kona Single Family, Larger	F	F	M	M	F	F	F	F
W2 Kailua Kona Single Family, Smaller	F	F	M	M	F	F	F	F
W3 Kailua Kona Attached Condo	I	I	I	I	I	I	I	I
W4 Kohala Resort Single Family	F	F	F	F	F	F	F	F
W5 Kohala Resort Attached Condo	F	F	F	F	F	F	F	F
W6 Waikoloa Single Family	F	F	M	F	F	F	F	F
W7 Waimea Single Family	F	F	I	I	F	F	M	I
E1 Hilo Single Family	I	I	I	I	I	I	I	I
E2 Puna Single Family	I	I	I	I	I	I	I	I
E3 Hamakua Single Family	I	I	I	I	I	I	I	I
Wa West Hawai'i Market Rate Rental	F	F	M	M	F	F	F	F
Ea East Hawai'i Market Rate Rental	I	I	I	I	I	I	I	I
F= Feasible / More Likely to Develop								
M = Marginal / Weaker Feasibility								
I = Infeasible / Less Likely to Develop								

- Market rate developments were found to be feasible in Kailua Kona, Waikoloa Village, Kohala, and Waimea under the base case analysis, which assumes purchase of credits to satisfy Chapter 11. The condo prototype in Kailua Kona is an exception that was found to be infeasible at current prices. While the analysis indicates that projects are feasible, anecdotal evidence such as the level of development, feedback received through developer stakeholder interviews, and pricing of entitled development sites suggests projects still face challenges moving forward.
- Market rate residential projects in Hilo, Puna, and Hamakua were found to be infeasible. This is driven by an imbalance between high development costs and market prices. Despite the lowest pricing of any submarket and the feasibility challenges identified, Puna represented approximately 40% of new residential building permits on Hawai'i Island over the last ten years. This appears to be driven by availability of existing buildable lots that can be purchased at a relative discount.
- New market rate units in Hilo, Puna, and Hamakua are affordable within or near the income ranges Chapter 11 serves (under 140% of AMI), specifically, market prices for new homes in Puna are estimated to equate to approximately 89% of AMI, homes in Hilo are estimated at 165% of AMI, and new homes in Hamakua are estimated at 144% of AMI. This suggests additional market rate housing production in these areas would address affordability goals of the Chapter 11 policy.
- Overall, Chapter 11 is not a major driver of feasibility challenges on the Big Island. Fundamentally, feasibility challenges are driven by an imbalance between high development costs and the prices the market can bear or that buyers are able to afford.

Chapter 11 can be satisfied for an estimated cost of approximately \$10,000 per market rate unit through the purchase of excess credits². While not insignificant, this is a relatively minor percentage of total development cost for a unit (~1% in the West Hawai'i communities, ~2% in the East Hawai'i communities and ~2.7% for apartments), which dampens the potential influence on feasibility conditions.

- Mandating affordable unit production is estimated to adversely impact feasibility for several of the prototype projects that are currently feasible, as shown in Table 2-7. Projects that are feasible assuming compliance through purchase of excess credits are downgraded to marginally feasible or infeasible if on-site affordable units were required, except resort projects on the Kohala coast. The cost of providing on-site units in a mixed-income format with affordable units dispersed throughout the project can represent up to 10% of total development costs of a project, depending on the project type, which results in a stronger influence on feasibility compared to excess credits.
- Projects in Kailua Kona, and Waikoloa Village are estimated to sustain in-lieu fees of up to \$20 per livable square foot in the project while projects in Waimea are estimated to sustain an in-lieu fee of up to \$10 per square foot. Resorts on the Kohala coast are estimated to sustain fees of \$30 per square foot or more. Projects in Hilo, Puna, and Hamakua were not found to support an in-lieu fee due to feasibility challenges even without a requirement.

Section 6-9 provides an analysis to express the cost to comply with alternative affordable housing requirements as a cost per unit and per square foot. On-site affordable unit percentages equivalent in cost to the in-lieu fee ranges identified in Table 1-1 are also provided.

2.5 Review of Excess Credit System

Chapter 11 allows projects that produce extra affordable units beyond the level required to earn "excess credits." These excess credits may be used on another project or sold. Since this feature was added to Chapter 11 in 2005, purchase of excess credits has emerged as the default compliance option for many projects.

On the surface, providing an option to buy and sell excess credits would seem to be a straightforward and flexible approach. However, the track record with this approach suggests the excess credit system has not served as an effective tool for producing affordable housing.

Existing credits were earned through completion and occupancy of affordable units, which is generally consistent with the purposes of Chapter 11. However, affordable developers indicated that they do not use credits to finance their affordable projects and that credits do not induce them to build affordable units in Hawaii County. This was confirmed through a review of several

² This \$10,000 figure is based on an average credit price of \$50,000 and a requirement for credits equal to 20% of the market rate units in the project, $\$50,000 \times 20\% = \$10,000$ per market rate unit.

pro formas for local affordable housing developments. In these pro formas, excess credits are not identified as part of the capital stack to finance the affordable units, nor are they identified as a source of funds to pay down or service debt over time once the projects are completed. Thus, there does not appear to be a clear link between the creation of affordable units and the ability to earn and sell the credits.

In practice, credits function as a de-facto in-lieu fee, except proceeds from sale of credits accrue to private parties with no requirement to expend funds on local affordable housing projects.

A large balance of over 1,300 credits was built up through affordable projects that were primarily completed over a decade ago. The large balance has been built up in part because market rate development activity that would utilize credits has been limited. This excess credit balance has the potential to offset the ability of Chapter 11 to produce affordable housing for years to come, thus limiting the effectiveness of Chapter 11 going forward, unless the system is modified.

2.6 Requirements for Other Counties

Requirements of Chapter 11 were compared to the counties of Honolulu, Maui, and Kaua'i, each of which have affordable housing policies in place. Staff from each of the counties were interviewed to assist in understanding the experience in implementing the requirements.

Like Hawaii County, the other counties have had challenges with constrained housing production. High development costs, infrastructure limitations, land use regulations, the Great Recession, and high inclusionary requirements all appear to have contributed to the limited amount of housing production. Inclusionary requirements in Maui and Kaua'i were reduced from more substantial prior requirements due to feasibility considerations in 2014 and 2020, respectively. Maui saw a somewhat higher rate of housing production since then, while Kaua'i has not, despite providing an exemption in certain locations for projects that build to the maximum allowed density.

Both Honolulu and Maui have a local version of the State's 201H-38 program, which provides flexibility and an expedited approval process for projects that include more than 50% affordable housing. Maui's program has been favored over the State program by some projects. Honolulu's requirements for deeper affordability and a longer term of affordability compared to State requirements has led to developer feedback that the program be brought into closer alignment with the State program. See Section 3.0 for more information.

2.7 Incentives

Section 7 provides information on approaches other communities have used to incentivize market rate and affordable housing production. Incentives encompass both regulatory and financial tools and include the following:

- Density bonus,
- Flexible development standards,
- Reduced parking requirements,
- Expedited approval processes,
- Expanding the types of projects eligible for a by-right administrative approval process.
- Fee waivers,
- Property tax abatements.

Each type of incentive is discussed in more detail in Section 7. Some of the measures, such as reduced property taxes for affordable units and density bonuses, are already used in Hawaii County. The State's 201H-38 program makes several of the listed incentives available to eligible projects with more than 50% affordability. Creation of a local version of such a program could effectively bundle many of the common types of development-related incentives being offered by other communities into a single process.

2.8 Report Organization

The report is organized into the following seven sections:

- Section 1.0 provides an executive summary and recommendations.
- Section 2.0 provides an introduction and summary of findings.
- Section 3.0 provides information on affordable housing requirements for other counties.
- Section 4.0 summarizes feedback from a series of developer stakeholder interviews.
- Section 5.0 provides an evaluation of the County's excess credit system.
- Section 6.0 presents the financial feasibility of residential development.
- Section 7.0 describes approaches used in other communities to incentivize market rate and affordable housing production.

The report includes two appendix sections that provide supporting data and analysis:

- Appendix A. provides the supporting pro forma analyses for the feasibility analysis.
- Appendix B. presents supporting residential market data.

3.0 AFFORDABLE HOUSING REQUIREMENTS – OTHER COUNTIES

Affordable housing requirements in Hawai'i County are compared with Honolulu, Maui, and Kaua'i to provide context for consideration of updated requirements. The comparison is presented in Table 3-1.

Table 3-1: Comparison of Affordable / Workforce Housing Requirements				
County	Kaua'i	Honolulu	Maui	Hawai'i
Year Adopted / Updated	Rev. 2020	Rev. 2018	Rev. 2014	Rev. 2011
Minimum Project Size	10 units	10 units	10 units	5 units
Percentage Required	20% (reduction to as low as 10% with incentives for integration w/mkt rate, single family, 60% or 80% AMI rentals, build green)	FS: 5% for 30 yrs OR 10% for 10 yrs OR 15% for 5 yrs R: 5% [TOD bonus projects FS: 10-30%, R: 15%]	25% of market units (equates to 20% of total units in mixed income project) (20% of market units if units are affordable in perpetuity)	Effective requirement of 10% to 13.5% depending on affordability level. [Projects must earn credits equal to 20% of units. Credits vary based on affordability level of provided unit]
Income Level of Units	10-25 units: 80-120% AMI with average of 100% AMI 26+ units: 30% up to 80% AMI 40% 80-100% AMI 30% 100 - 120% AMI	FS: 50% at 100% AMI, 50% at 120% AMI R: 80% AMI	FS: 20% @ 120-140% AMI 50% @ 100-120% AMI 30% @ 80-100% AMI R: 1/3 @ 100-120% AMI 1/3 @ 80-100% AMI 1/3 @ 0-80% AMI	Effective requirement based on required credits: FS: 10% @ 120-140% AMI 20% @ 100-120% AMI 30% @ 80-100% AMI 40% @ 60-80% AMI R: 10% @ 100-120% AMI 20% @ 80-100% AMI 30% @ 60-80% AMI 40% @ 0-60% AMI
Term of Affordability	FS: 50 years R: 40 years	FS: 5-30 years depending on set-aside percent R: 30 years	FS: 5-10 years depending on AMI level R: 30 years	FS: 10 years R: 20 years
Fee Option	Fee per unit owed: 80% AMI: \$218,240 100% AMI: \$151,280 120% AMI: \$83,080 140% AMI: \$14,700	no fee option	Fee per unit owed equal to difference between affordable price at 160% AMI and 100% AMI for a 3 BR unit.	no fee option
Excess Credits	Yes for units built on State lands. Credits may satisfy 25% of workforce housing requirement. No geographic restriction.	No except where required by DHHL.	Yes. No geographic restriction on use. 201H projects earn credits if more than 50% affordable.	Yes. Restricted to use within 15 miles (does not apply to DHHL credits).
Finished Lots Option	None	None	None	Finished lots affordable to 80% or 100% AMI
Other Compliance Options	Offsite units, land dedication, rental units	Rental units, offsite units, land dedication	Offsite (within same community plan area), land dedication, credits.	Offsite units, rental units, land dedication, infrastructure, credits.

Abbreviations: R = Rental FS = For Sale AMI = Area Median Income

Note: This chart presents an overview, and as a result, terms are simplified. For use other than general comparison, please consult the code and staff of the jurisdiction.

Affordable Percentage – Kaua’i and Maui have affordability requirements that equate to 20% of units³. Honolulu’s requirements range from 5% to 15% affordable units, depending on the term of affordability and tenure. Projects seeking a height and density bonus within specific zones are required to provide twice as many affordable units, or three times for rentals. Hawai’i County’s requirements equate to an effective 10% to 13.5%⁴ of units required to be affordable, depending upon the income level of the affordable units, less than Maui and Kaua’i but more than Honolulu for non-TOD projects.

In-Lieu Fee – Kaua’i and Maui allow developers to pay a fee in lieu of providing units onsite, while Honolulu and Hawai’i County do not. Fees for both programs are calculated per affordable unit owed. This type of fee structure has the advantage of simplicity and a direct link to the affordable unit not being provided. The disadvantage is that it creates a disincentive for smaller unit sizes and higher density project types by charging the same amount regardless of the size of the market rate units, which creates a disproportionate burden on projects with small units.

Kaua’i allows payment of in-lieu fees subject to approval by the County Housing Agency. The amount of the in-lieu fee is based on the number of affordable units not provided multiplied by a per affordable unit in-lieu fee amount. The in-lieu fee amount varies based on the income level of the affordable unit that is not provided. For example, the in-lieu fee for an 80% of AMI unit is \$218,240 while the in-lieu fee for a 120% of AMI unit is \$83,080.

Maui’s in-lieu fee rate is also applied on a per affordable unit basis. The per affordable unit in-lieu fee rate is calculated by comparing affordable sales prices for a three bedroom single family home at 160% of AMI and at 100% of AMI, with the in-lieu fee equal to the difference between the two. Maui County staff have indicated the in-lieu fee option is not being used.

Affordable Prices – Pricing of for-sale affordable units in Honolulu and Kaua’i focus on households below 120% of AMI while Hawai’i and Maui address housing needs up to 140% AMI. Kaua’i and Hawai’i both require some units at 80% AMI while the lowest pricing in Maui and Honolulu is at 100% AMI.

Affordable Rents – For rentals, Kaua’i, and Maui both specify rents at a range of income levels from 80% to 120% AMI while Honolulu just requires rents at 80% AMI or below. Hawai’i covers the broadest range from 60% to 120% of AMI rents.

Excess Credits – Kaua’i, Hawai’i and Maui allow use of excess credits to meet affordable housing requirements. Honolulu’s ordinance does not include an excess credit feature, although the requirement to provide credits for DHHL projects would still apply. Kaua’i provides credits for

³ Maui’s requirement of 25% of market rate units calculates to 20% of total units.

⁴ This effective percentage range is calculated from the credits earned per affordable unit and the requirement for credits equal to 20% of units under Chapter 11.

affordable units built on State lands only and allows credits to be used to meet up to 25% of the total affordable housing requirement for a project.

Maui provides credits for affordable units in excess of requirements but sets a higher threshold of 50% affordability before credits are earned for 201H projects (which require 50% affordability). If units are part of an affordable housing project with a portion of the units rented above 60% AMI, then credits may only be issued for 75% of units. Credits may only be used to offset affordable obligations on future projects and not on projects with units due at the time the credit is created.

Neither Maui nor Kaua'i have a geographic restriction on the use of credits, while Hawai'i does.

Additional discussion of the Maui, Kaua'i and Honolulu policies follows.

Affordable finished lots – Hawaii County is the only one of the four programs that provides an option to sell affordable finished lots.

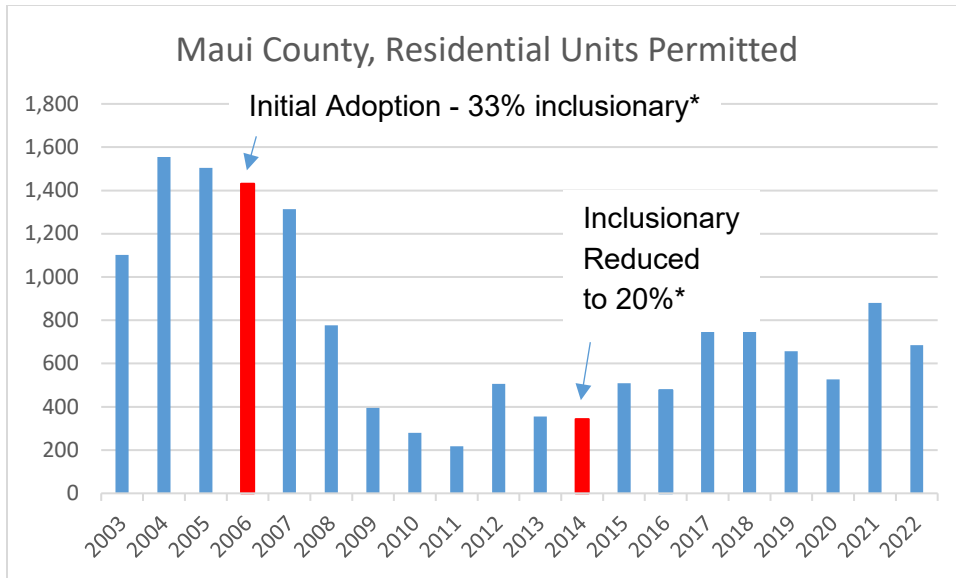
3.1 Maui County

Maui's Residential Workforce Housing Policy was enacted in 2006 and originally required developers to provide affordable units equal to 50% of the number of market rate units built (50% of market rate units is equivalent to a requirement of 33% of total units in the project). The affordable units must be built in the same Community Plan Area as the market rate units. After the program was enacted, housing development activity slowed. The policy was enacted just prior to the "Great Recession" and foreclosure crisis, which likely contributed to the slow down, as it did in many communities. Between 2006 and 2014, only one project executed a Workforce Housing Agreement, resulting in three affordable housing units built and sold⁵. To encourage more housing development overall, Maui lowered the requirement to 25% of market rate units (this equates to 20% of total units) in 2014. Since the requirement was lowered, over 1,000 affordable units have been built under this program, 100 are under construction and an additional 700 affordable units are pending.⁶

The chart below shows overall permitting of residential units in Maui County. The chart illustrates the steep decline in permitting that occurred from 2007 through 2011, followed by a gradual recovery, but still below the level of production prior to adoption of the policy and the Great Recession.

⁵ SMS, County of Maui Affordable Housing Policy Plan Final Report, August 2018.

⁶ Data provided by County of Maui Department of Housing.



Source: The University of Hawaii Economic Research Organization.

* Effective percentage of total units in the project required to be affordable, equivalent to the 50% and 25% of market rate units in the original and revised policy, respectively.

Maui County’s Residential Workforce Housing Policy allows use of excess credits to meet affordable housing requirements. Maui County does not control the price or sale of credits between developers. The credits do not expire and are not tied to the income levels of the units produced. Data provided by the County indicate that since 2018, one completed project satisfied its inclusionary obligation of 17 affordable units via credits and one project that is under construction will use credits to satisfy its obligation for four affordable units. One additional pending project proposes to use 16 credits to satisfy its obligation.

While the Residential Workforce Housing Policy includes an in-lieu fee option for developers, County staff indicated that this option is not being used.

The County’s policy allows developers to provide affordable units equal to 20% of market rate units (instead of 25%) if the affordable units remain affordable in perpetuity. While maintaining affordability in perpetuity may sound desirable, Maui staff cited practical concerns with this concept due to a lack of financial resources or economic incentive for the property owner to maintain affordable units in good condition in perpetuity. Maui County staff indicated a 20- to 30-year deed restriction with a County right of first refusal when the deed restriction expires is preferable.

Maui County’s Affordable Housing Incentive Policy

In addition to the Inclusionary Housing policy, Maui County also established an incentive policy for developers of 100% residential workforce housing projects, codified in Chapter 2.97 of the County Code. The incentives include fast-track processing, exemptions from certain

requirements, and fee waivers. The County's Affordable Housing Fund can be used to compensate various County departments and enterprise funds for fee waivers.

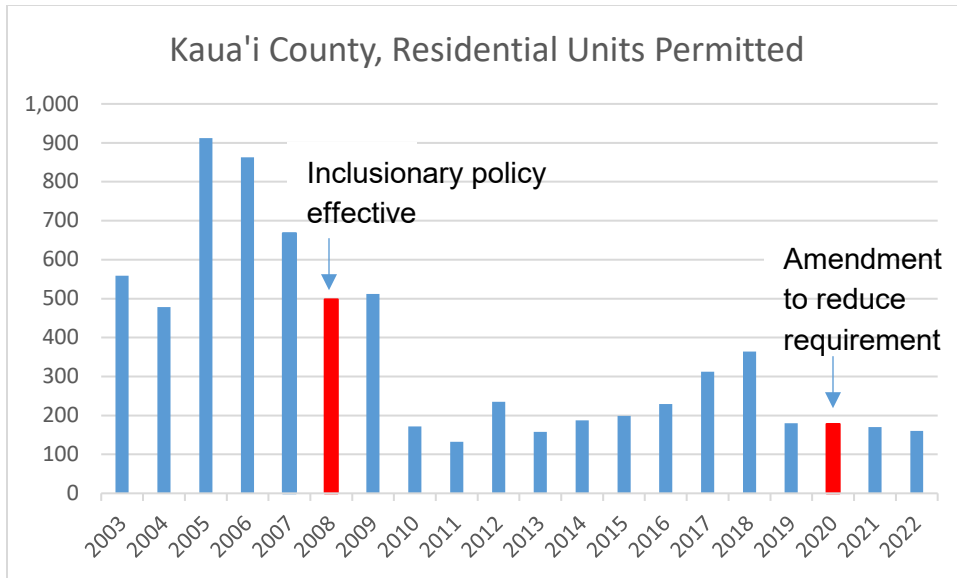
The first project to seek exemptions under this policy was in 2020, and several more projects have used the program since then. In total, about 650 affordable units are pending or under construction in projects that have utilized Chapter 2.97. The program is similar to the state-wide 201H exemption program, which has been used extensively on Maui. Recently, the County has been receiving more projects applying under its Chapter 2.97 program than under the state-wide program. County staff indicated that this may be due to the types of projects being built in Maui, or due to developers feeling that the County's program is easier to navigate.

3.2 Kaua'i County

The County of Kaua'i adopted an affordable housing ordinance that went into effect in 2008, which required developers to designate 30% of new housing units as affordable. According to the Kauai County General Plan, no affordable housing units were produced by the policy during the decade that followed adoption. Based on concerns that the requirement was too onerous and served to deter housing development, the County lowered its inclusionary requirement to 20% of new housing units in October 2020 and expanded options to reduce the inclusionary percentage if certain conditions are met.

Kaua'i County's updated requirements apply to market rate residential projects with 10 or more units; no projects exceeding this threshold have occurred since the program was revised. As shown in the chart below, there continues to be limited market rate residential development following the update to the policy. Development in Kaua'i is subject to constraints similar to Hawaii County, including availability of infrastructure and high costs. The most active housing developers are the County of Kaua'i and Habitat for Humanity. The market rate development that does occur has tended to be in small or single-unit projects.

The County exempts projects from the inclusionary housing program in certain Town Core areas that build to the maximum allowable density. County staff noted that even in areas exempt from the inclusionary housing requirements, market rate housing development has not occurred.



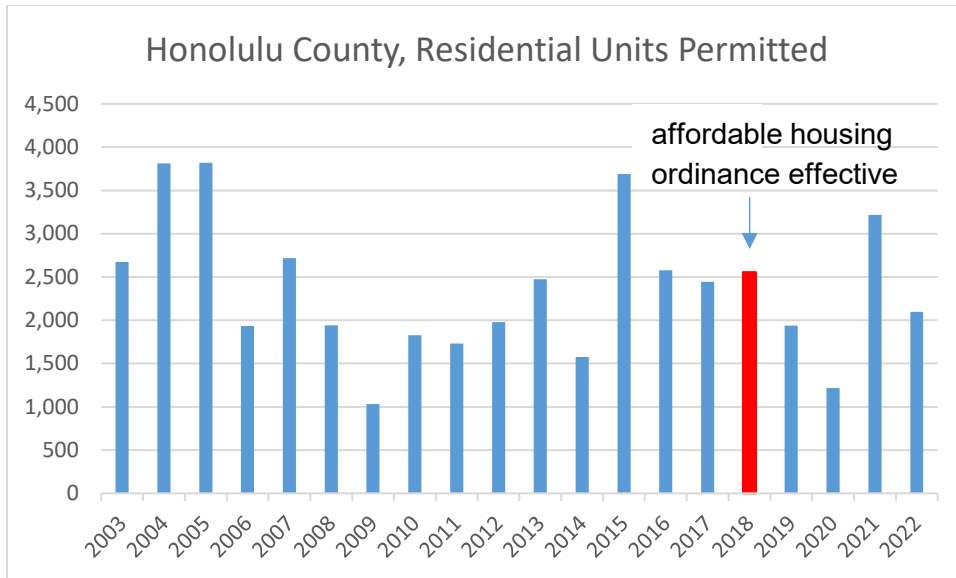
Source: The University of Hawaii Economic Research Organization.

The affordable housing ordinance also applies to resort developments in visitor destination areas on Kaua'i. Resort developments in visitor destination areas that have the density to accommodate more than 10 dwelling units or 20 hotel rooms are required to provide workforce housing equal to 50% of units, or they may conduct an independent analysis of affordable housing needs and provide 35% of units according to those needs. Two resort projects have been processed under the new requirements. One project paid an in-lieu fee instead of providing units onsite and the second project agreed to provide rental units at 60% AMI or below. The project providing units onsite conducted an analysis of the resort's job creation and chose to provide units at 60% AMI, which resulted in an onsite obligation of 50% x 35% of the job creation, or 18 units.

3.3 Honolulu City and County

Honolulu adopted a City-wide affordable housing ordinance that went into effect in 2018. Prior to that, the affordable housing requirements were part of Unilateral Agreements that were imposed by the City when land was rezoned. Ordinance 18-10 broadened the affordable housing requirement to apply to all projects with 10 or more units. The ordinance categorizes developments as either Special Projects, located in transit-oriented areas, or projects in all other areas. The inclusionary requirements for Special Projects are double the requirements for projects in all other areas of the City.

The chart below shows residential permitting activity in Honolulu, before and after the ordinance went into effect.



Source: The University of Hawaii Economic Research Organization.

Since the ordinance went into effect, three transit-oriented projects have been built or are under review and subject to the inclusionary requirements. The two projects that are completed both chose to provide 10% of units affordable for 30 years. In addition, both projects include additional affordable units as “Community Benefit Units.” These additional units account for between 5% and 10% of the units and were negotiated as part of the development approval process. The additional affordable units have shorter affordability terms, varying from 10 to 30 years.

The projects started marketing the units in the summer of 2022, but have had difficulty selling their affordable units. City staff attribute part of the difficulty to strict underwriting rules contained in the City’s Administrative Rules for the Ordinance, setting a more stringent limit on debt relative to income than most lenders require, and which few prospective affordable unit purchasers were able to meet. The City is in the process of revising these rules. Developers also expressed concern with the 30-year deed restriction for the for-sale affordable units. One of the projects is considering converting unsold affordable units to rental units, at least temporarily.

The project that is under review is proposing to provide off-site rental units in two separate locations. A portion of the units will be provided as Community Benefit units. Units that are affordable at 80% AMI will remain affordable for 30 years, as required by the City’s program, while units provided at 100% AMI will remain affordable for 15 years.

Honolulu’s 201H Entitlement Program

Honolulu has a local version of the state’s Chapter 201H program, which provides fast-track processing for projects that includes over 50% of units at affordable rents or prices. The state program allows units to be affordable up to 140% AMI, with rental units affordable for 30 or

more years and ownership units restricted for 10 years. The City's program requires 20% of units to be affordable at 80% AMI and at least 31% to be affordable up to 120% AMI. All units must remain affordable for 30 years. The local development community has expressed concern with the deeper affordability and longer terms required by the City's program. The City's most recent Housing Plan recommends that the City consider aligning its program with the state's program.⁷

3.4 Lessons Learned From Other Counties

- Inclusionary programs produce affordable units when market rate residential construction is occurring. Housing development in much of the state is constrained by several factors, including significant infrastructure costs. Inclusionary requirements must avoid constraining project feasibility to serve as an effective tool for creation of affordable housing. Housing production declined sharply after adoption of high inclusionary requirements in Kauai and Maui of 30% and 33%, respectively. Post-adoption periods in Kauai and Maui coincided with the Great Recession in which housing production nation-wide dropped by approximately 75%⁸. While market factors were significant drivers of production trends, high inclusionary requirements appear to have contributed to a decline in market rate housing production and/or more muted recovery from the Great Recession.
- The length of deed restrictions is an important consideration, and jurisdictions must balance maintaining affordability with the marketability of units and the incentive for long-term property maintenance and investment. Maui cited concerns regarding an option for affordable units to be restricted in perpetuity, which can be problematic when significant capital needs arise and there isn't adequate incentive to reinvest due to the term of the deed restriction.
- Program guidelines, including the pricing of units, must be crafted carefully to ensure the marketability of units. For example, for-sale inclusionary units in Honolulu have had difficulty identifying qualified buyers who can meet the 33% debt to income ratio set in administrative regulations, which is more stringent than standard mortgage underwriting criteria.
- Local fast-tracking and incentive programs for projects with affordable units offer a valuable incentive for projects, as demonstrated by the approximately 650 affordable units being produced under Maui's affordable housing incentive policy.

⁷ 2023 Housing Plan, City and County of Honolulu, October 2023.

⁸ U.S. Department of Housing and Urban Development, data on new privately-owned housing unit starts.

4.0 DEVELOPER STAKEHOLDER INTERVIEWS

To inform the analysis and provide context, KMA conducted one-on-one interviews with developers and industry professionals active in the local market. Outreach encompassed professionals from the following organizations that have been active in residential development on Hawai'i Island:

- DR Horton⁹
- EAH Housing
- Hawai'i Island Community Development Corporation (HICDC)
- HPM Homes
- Hunt Companies
- Mirein Development
- Stanford Carr Development, LLC
- Tinguely Development, Inc.

Interviewees encompassed both market rate and affordable developers. KMA also reached out to approximately six additional development professionals who either declined or did not respond to one or more requests to schedule an interview.

The following key themes emerged from these discussions:

- *Development Costs* – Development costs are high and have been increasing. One individual cited a 10% premium over Oahu based on additional freight / logistics costs and a more limited local subcontractor pool. Another referenced recent sharp increases in subcontractor bids. Several provided information on costs for recent or current projects and / or indicative cost ranges in the market.
- *Infrastructure, Water, Sewer* – Access to infrastructure, particularly water and sewer was cited as a key consideration for a project. Lack of infrastructure was cited as a key constraint to development.
- *Off-site improvement costs* – Significant off-site improvement costs were cited as impacting project feasibility. One developer stated off-site improvements that were agreed to during the entitlement process contributed significantly to the project's infeasibility and remaining on hold for a long period.
- *Approaches to Enhancing Affordability* – Approaches offered for encouraging projects to provide affordable units and / or to reduce overall development costs include:
 - *Modify Building Code Standards* – Initiate a robust evaluation of building code standards to explore opportunities to reduce construction costs or allow exceptions where standards are not well adapted to Hawai'i County or where the

⁹ In the case of DR Horton, insights were provided by a former DR Horton executive via email.

need to improve affordability is an overriding consideration. Consider a separate set of standards for affordable projects. Examples cited by stakeholders included energy code standards that are the same whether air conditioning is installed or not, which tends to raise costs for more modest homes without air conditioning. Another example relates to soil conditions in Hamakua that typically require a costly soil engineering study and over-excavation and modification of subsurface soils to prevent settlement, standards existing homes in the area would generally not meet.

- Subdivision Standards – Consider modifications that provide opportunities to reduce costs, such as by reducing minimum standards for streets.
 - Create a more streamlined and predictable entitlement and permitting process.
 - Establish a building inspection process appropriate to modular or manufactured housing that avoids creating a barrier to this type of housing.
 - Give preferential treatment and added flexibility on zoning or other regulations for projects that include affordable housing to save cost and time.
 - Fee Waivers – Provide fee waivers to projects that include affordable units.
- *Overall Feasibility Conditions* – Developers indicated that, in general, higher-end market rate housing pencils financially while more modest priced housing does not. Feasibility for market rate development is more challenging in Hilo and Puna and what market rate development does occur tends to be smaller scale. One home builder indicated they ceased operations on the Big Island due to real estate values consistently below replacement costs, the costs and risks of land development, and the scarcity of finished lots.
 - *Chapter 11* – The stakeholders were familiar with Chapter 11 and some had experience with complying with its requirements. None of the stakeholders indicated that Chapter 11 was a significant constraint on project feasibility, and most cited other challenges as more significant concerns. Maui was cited as an example of a program that increased requirements beyond a feasible level for a period and stopped construction, but none suggested this condition is present in Hawai'i County. Some stakeholders encouraged changes that might incentivize projects to provide affordable units. Several expressed a negative view of the affordable credit option, as discussed further below.

One affordable developer expressed a favorable view of the land dedication option, referencing the fact that site control is necessary to apply for financing. Another suggested a land dedication option would not be attractive based on the RFP process the County would use to select an affordable developer.

- *Affordable Housing Credits* – Feedback regarding the affordable housing credit system included the following:

- Affordable developers say they have not relied on the ability to sell excess credits to finance the affordable projects they have worked on. Excess credits are generally not part of the capital stack when financing these projects. One affordable developer noted anecdotally that they were aware of another project on Maui that included a sale of credits as a source of funding, but that the excess credits were not timely sold and the developer then needed to identify an alternative source.
- Affordable developers indicated the ability to sell excess credits does not provide a significant incentive for building affordable units and is generally not a significant factor for them in moving forward with a project. One affordable developer indicated a sale of excess credits had contributed to funding general overhead of their organization in one instance, but that it represented a comparatively minor amount of funding.
- Some market rate and affordable developers expressed a negative view of the excess credit system as creating a “cottage industry” or opportunities for “double dipping” for projects that receive public financing.
- Some affordable developers stated that they have elected not to claim excess credits they may have been eligible for in some cases. Others indicated the projects they have worked on had not been eligible for excess credits.
- Two of the market rate developers had experience using purchased credits to meet a Chapter 11 requirement.
- *In-Lieu Fee* – Affordable developers indicated an in-lieu fee may be a beneficial tool for financing affordable projects, compared to the current excess credit system, in that it would provide a source of funds that the County could use to assist projects more directly by contributing to the upfront cost of development.

5.0 EFFECTIVENESS OF EXCESS CREDIT SYSTEM

Chapter 11 allows projects that produce extra affordable units beyond the level required by Chapter 11 to earn “excess credits” that may be used on another project. Purchase of excess credits has become a typical method for satisfying the requirements of Chapter 11, effectively emerging as the default compliance option that most projects use.

The concept of the excess credit system is that some projects would be encouraged to provide more affordable housing than required, knowing they can offset the cost by selling excess credits to another developer. Affordable developers might also be able to help finance affordable projects through “equity” created by selling excess credits to market rate developers. This section evaluates whether, in practice, the system is working as intended.

5.1 Excess Credit Balance

Approximately 1,354 excess credits are in existence according to an audit completed in February 2023 by the Office of the County Auditor, as summarized in Table 5-1. Credits were primarily earned by 100% affordable projects during the 2000 to 2010 period. The audit indicates a total of 1,811 credits were issued, of which 336 credits were applied toward affordable housing obligations of market rate projects and a net reduction of 121 credits occurred due to dissolution of pre-awarded credits, leaving an outstanding balance of 1,354 credits at the time the audit was conducted.

Credits Earned	1,811
Less: Credits Applied to Projects	(335.8)
Less: Other Balance Adjustments ⁽¹⁾	(121)
Credits Remaining	1,354.2

Source: County of Hawaii, Office of the County Auditor, Office of Housing and Community Development Affordable Housing Credits. Report No. 2023- 01 February 1, 2023.

(1) Adjustments were the result of dissolution or seizure of credits that were pre-awarded but affordable units were not built and a commitment to purchase credits that had not yet occurred.

5.2 Pricing of credits

While sales prices are not required to be disclosed, based on transactions where sale prices have been reported, summarized in Table 5-2, excess credits have sold for an average of approximately \$50,000 per credit. It should be noted that the excess credit transactions summarized in Table 5-2 occurred between 2005 and 2015. More recent pricing data was not available or not disclosed. The County is not notified of pricing associated with credit transactions; however, anecdotally, staff indicate hearing of recent prices closer to \$30,000 to \$35,000 per credit.

Table 5-2. Excess Credit Pricing			
<u>No. of Credits</u>	<u>Sale Price</u>	<u>Price Per Credit</u>	<u>Year</u>
12	\$900,000	\$75,000	2005
12	\$600,000	\$50,000	n/a
5	\$150,000	\$30,000	2015
4	\$200,000	\$50,000	2015
7	\$420,000	\$60,000	2008
22	\$1,210,000	\$55,000	2015
8	\$62,000	\$7,750*	2007
Average:		\$50,600	

* Credits applied to Volcano Fairways Project and may have had a lower value due to geographic location.

5.3 Geographic Area Restriction

Excess credits are required to be used within 15 miles of the project that generated the credits; however, credits awarded to Department of Hawai’ian Homelands (DHHL) are not subject to this geographic area restriction. At the time of review, there were no credits available in the Hilo or Puna areas other than those with no geographic area restriction. In effect, this means projects in Hilo and Puna must compete for credits with projects in West Hawai’i where market values are much higher.

5.4 Effectiveness of Excess Credit System

The excess credit system is not serving as an effective tool for producing affordable housing in Hawai’i County based on the following:

1. **Affordable developers are not able to use credits to finance projects** – Affordable developers who participated in the stakeholder interviews indicated that they have not relied on the ability to sell excess credits to finance their affordable projects. Projects are generally built with low income housing tax credits and other subsidy sources such as funds from the State’s Rental Housing Revolving Fund program. KMA reviewed funding sources for several recent affordable projects proposed on the Big Island and found that none had identified proceeds from sale of excess credits as a source of funding for upfront construction, permanent financing, or operating. The Lokahi Kau project, which generated a large share of the existing credits, is reported to have attempted to use excess credits as a financing source, but was ultimately unable to do so, and the resulting financing gap had to be made up through additional State subsidy sources.
2. **Weak link between purchase of credits and production of affordable housing.** In the typical case, excess credits were earned over a decade prior to their use. The large separation of time between generation and use suggests a weak causal link between the purchase of credits by market rate projects and inducement of the construction of the affordable units, which often occurred over a decade earlier. A large supply of excess credits has built up in advance of a need by market rate projects to use the credits. This

is one indication that affordable projects earning the credits would likely have moved forward regardless of the ability to sell credits, as they are typically financed through affordable housing tax credits and other public subsidy sources.

- 3. Large excess credit balance undercuts effectiveness of Chapter 11** – with over 1,300 excess credits built up over a decade ago, there are enough existing credits to construct 6,500 market rate units in developments subject to Chapter 11 without building any additional affordable units¹⁰. Chapter 11 will likely have limited effectiveness while the credit system remains in place.

- 4. Credits function as a de-facto in-lieu fee that must be negotiated with private parties** – Developers are using the option to purchase excess credits as a de-facto in-lieu fee they expect to pay to satisfy the requirements of Chapter 11. The difference from an in-lieu fee is that the amount is opaque and must be negotiated with private parties, which may add uncertainty for the developer as to how much the Chapter 11 obligation may cost. There are indications that the market for credits is not functioning in an efficient or transparent manner as one developer identified a significant brokerage fee equal to approximately 27% of the purchase price of the credits. Another difference from an in-lieu fee is that proceeds accrue to private parties who are not required to use the monies to construct additional affordable housing or to use proceeds locally, as an in-lieu fee collected by a public agency would be.

In summary, the excess credit system is not serving as an effective mechanism for producing affordable housing and is likely to constrain the ability of Chapter 11 to produce additional affordable housing going forward if it remains in its current form.

¹⁰ It is possible that geographic restrictions applicable to many of the credits, requiring use within 15 miles of the affordable project that created the credits, would constrain the ability of market rate projects to fully use all of the existing excess credits.

6.0 FINANCIAL FEASIBILITY ANALYSIS

For the Affordable Housing Policy to be an effective tool for creating affordable housing, it must not burden new development to such a degree that it renders development financially infeasible. The financial feasibility analysis evaluates whether residential development projects in Hawai'i County "pencil" financially with and without affordable housing obligations in place. The purpose is to help inform potential updates to requirements at an economically sustainable level.

6.1 Context and Limitations of Feasibility Analysis

Before describing the feasibility analysis, it can be helpful to put the analysis into perspective by summarizing how it can be useful and where limitations exist in its ability to inform longer-term policy decisions:

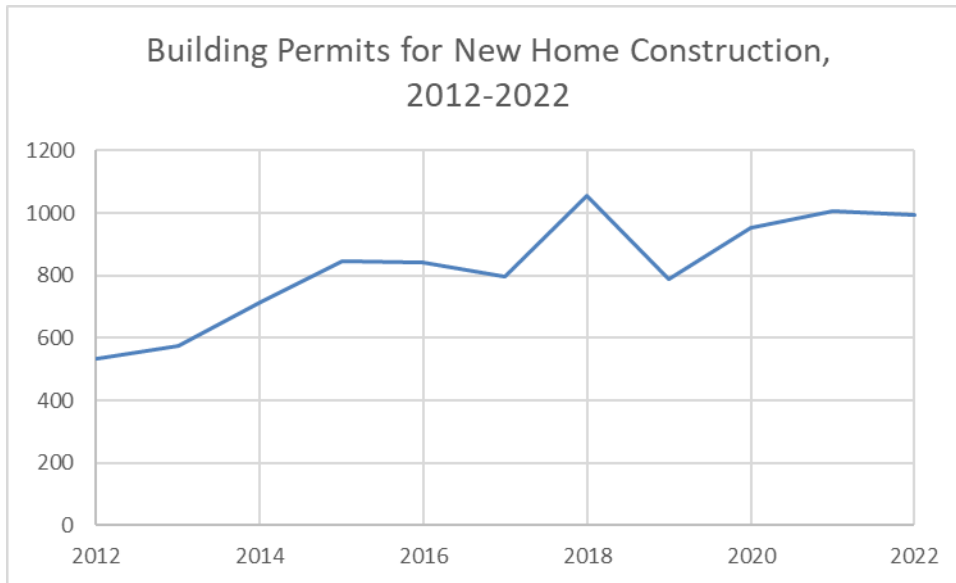
- a) *Prototypical Nature of Analysis* – This financial feasibility analysis by its nature can only provide an overview-level assessment of development economics generally because it is based on prototypical rather than specific projects. Every project has unique characteristics that will dictate sale prices or rents supported by the market as well as development costs and developer return requirements. Each developer will assess the project's risk and return and assemble project financing differently. This feasibility analysis is intended to reflect prototypical projects on Hawai'i Island but it is recognized that the economics of some projects may look better and some may look worse than those of the prototypes analyzed.
- b) *Near Term Time Horizon* – This feasibility analysis is a snapshot of real estate market conditions as of summer / fall 2022. Real estate development economics are fluid and are impacted by constantly changing conditions with regard to rent potential and sales prices, construction costs, land costs, and costs of financing, and can be expected to continue to evolve from the market conditions that prevailed during preparation of this analysis.
- c) *Adjustments to Land Costs over Time* – Developers purchase development sites at values that will allow for financially feasible projects. When a workforce housing requirement is in place, developers "price in" the requirement when evaluating a project's economics and negotiating the purchase price for development sites. When requirements are increased, it is possible that downward pressure on land costs could result as developers adjust what they can afford to pay for land. This downward pressure on land prices can to some degree bring costs back into better balance with the overall economics supported by projects. The potential for adjustments to land costs are more of a factor in urbanized markets with high demand for scarce development sites. Unimproved land on Hawai'i Island is transacting at relatively low prices, which suggests

that land cost adjustments are unlikely to absorb the cost of affordable housing requirements in most circumstances.

6.2 Residential Market Overview

Building Permit Trends

Over the ten years from 2012 to 2022, an average of approximately 800 new units per year were issued. The chart below shows the trend by year.



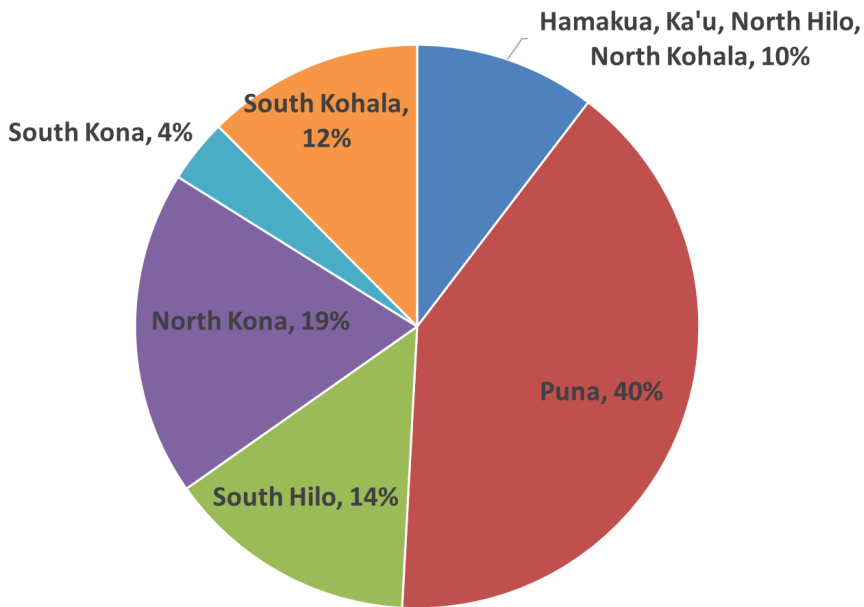
Source: UHERO summary of data from the Hawai'i Dept. of Business, Economic Development, and Tourism

Approximately 55% of new units permitted over the past decade are in either Puna or South Hilo, while 35% were in Kona or South Kohala. The remaining 10% were distributed amongst North Hilo, Ka'u, North Kohala, and Hamakua, as shown in Table 6-1 and the chart below.

Table 6-1. Percent of New Units Permitted by Location, 2012-2021	
South Hilo	14%
Puna	40%
subtotal	55%
South Kohala	12%
North Kona	19%
South Kona	4%
subtotal	35%
North Hilo	1%
Ka'u	4%
Hamakua	2%
North Kohala	3%
subtotal	10%
Total	100%

Source: KMA analysis of Hawai'i County building permit data

Building Permits by Location, 2012-2021



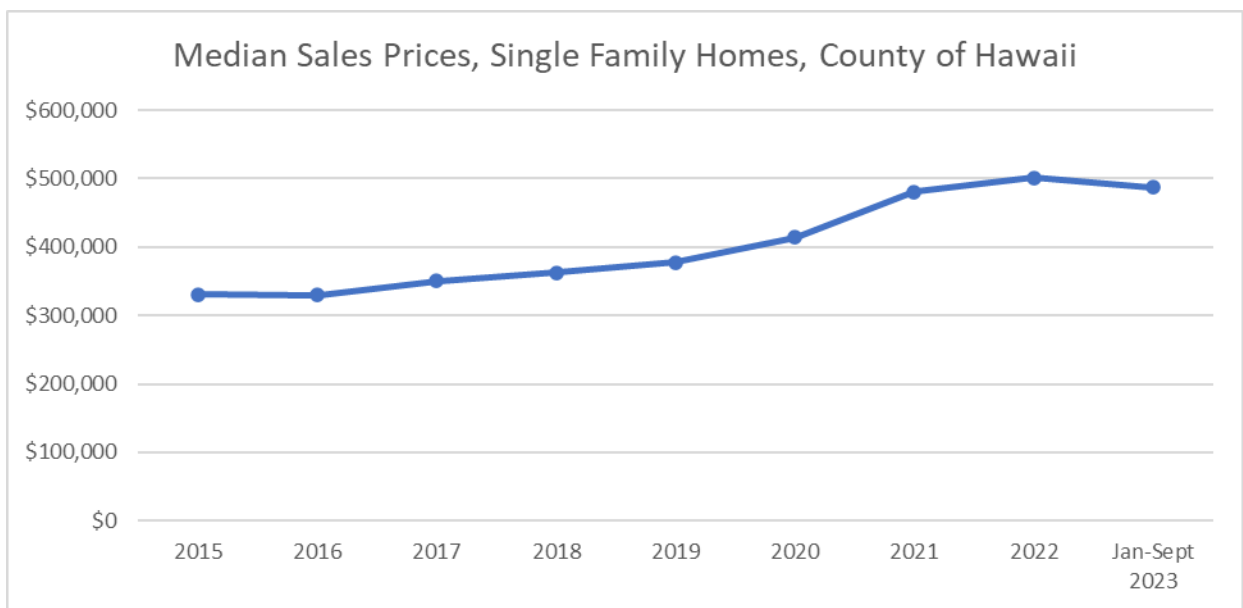
Home Prices

The table and chart below show trends in single family home prices since 2015. Median prices have increased by an annualized rate of approximately 5% over the period but dropped by approximately 3% from 2022 to 2023 as interest rates rose.

Table 6-2. Median Single Family Home Prices

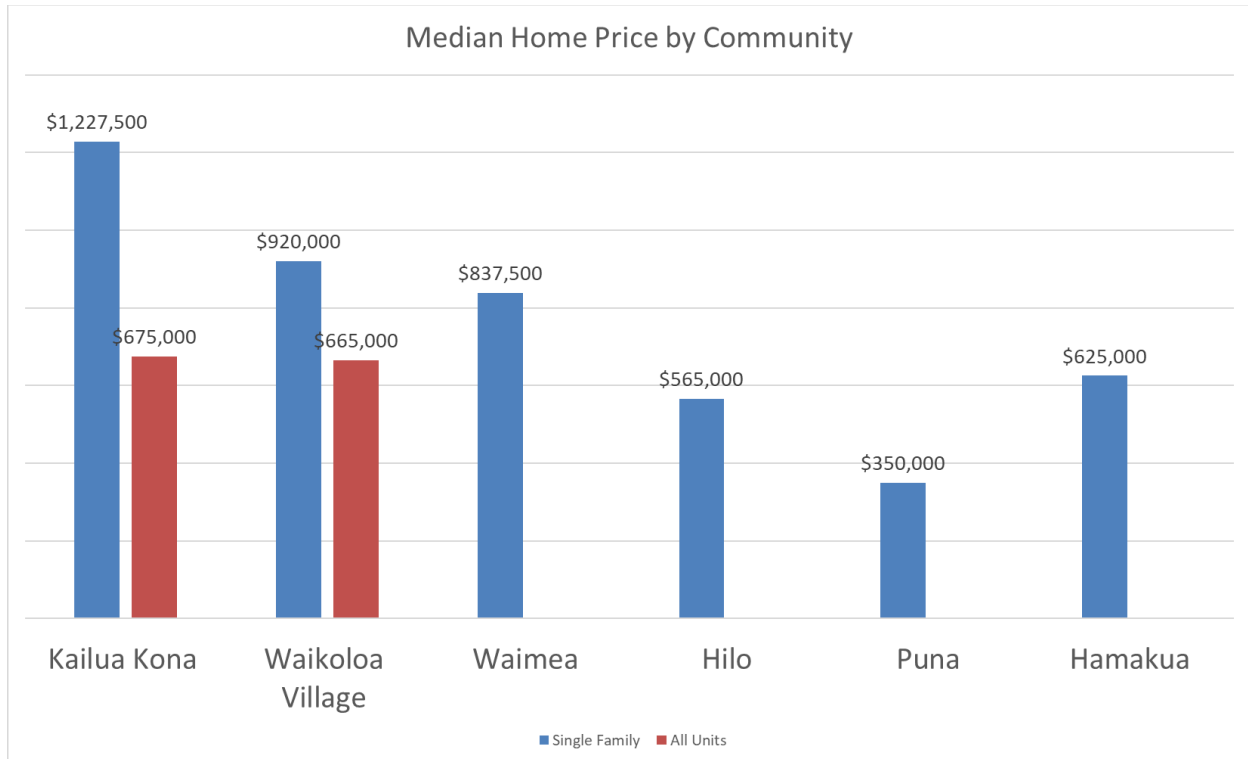
	<u>Median Price</u>	<u>% Change</u>
2015	\$330,400	
2016	\$330,100	-0.1%
2017	\$350,100	6.1%
2018	\$362,900	3.7%
2019	\$377,900	4.1%
2020	\$413,700	9.5%
2021	\$480,400	16.1%
2022	\$501,000	4.3%
Jan-Sept 2023	\$487,000	-2.8%

Source: UHERO, Construction & Housing: Home Resale and Prices Table.



Source: UHERO, Construction & Housing: Home Resale and Prices Table.

Home prices vary significantly by community, with median prices in the East Hawai'i communities of Hilo, Puna and Hamakua significantly less than prices in Kailua Kona, Waikoloa Village and Waimea. Prices in resorts on the Kohala coast far exceed medians.



Source: median home price reported by Redfin as of December 2023.

6.3 Residential Development Prototypes

KMA identified representative residential development prototypes based on recent and pipeline development projects in Hawai'i County. Prototypes are designed to be representative of residential units likely to be built on the Big Island.

The residential market on the Big Island reflects a broad range from ultra-luxury resort homes to far more moderately priced homes. To capture the wide range in conditions, the analysis reflects analysis of the following seven distinct submarkets:

1. Kailua Kona
2. Kohala Oceanfront
3. Waikoloa Village
4. Waimea
5. Hilo
6. Puna
7. Hamakua

Prototypes representative of units likely to develop in each submarket were identified based on pipeline projects by location, summarized in Table 6-3.

Table 6-3. Market Rate Prototypes

<u>No.</u>	<u>Description</u>	<u>Avg. Unit Size</u> sq. ft.	<u>Net Density</u> units / acre	<u>Avg. Bedrooms</u>	<u>Parking</u>
<u>Kailua Kona / South Kona</u>					
W1	Larger Single Family	2,300	2.2	3.5	Attached garage
W2	Smaller Single Family	1,500	8	3	Attached garage
W3	Attached Condo	1,200	17	2	Surface Lot
<u>Kohala / Oceanfront Resorts</u>					
W4	Single Family & Duplex	2,400	3.8	4	Attached garage
W5	Attached Condo	1,400	12	2.25	Surface Lot
W6	Waikoloa Village SFD	1,700	3.6	3	Attached garage
W7	Waimea Single Family	1,750	4.4	3.5	Attached garage
E1	Hilo Single Family	1,700	2	3.25	garage or carport
E2	Puna Single Family	1,200	3.6	3	garage or carport
E3	Hamakua Single Family	1,500	3.6	3	garage or carport
Wa	Apartment - West Hawai'i	700	20	1.5	Surface Lot
Ea	Apartment - East Hawai'i	700	20	1.5	Surface Lot

Source: *Prototype densities and unit sizes based on pipeline development projects in Hawai'i County.*

The residential development prototypes were defined based on a review of programmatic information for projects listed in Table 6-4, which encompasses projects that are proposed, under construction, approved, or built. A summary of programmatic details for the listed projects is presented in Appendix B-1.

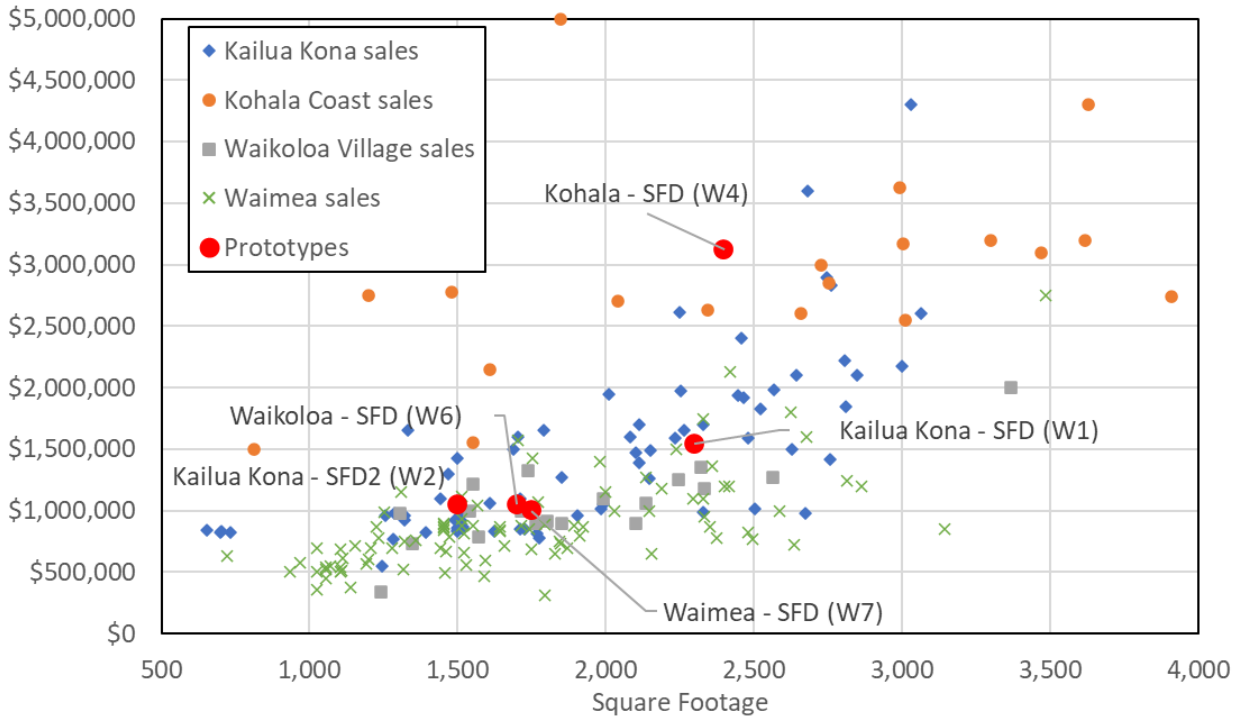
Table 6-4. Market Rate Projects Reviewed

<u>Project Name</u>	<u>Project Type</u>	<u>Location</u>
Cottages on Ali'i Drive	Single Family	Kailua Kona
Holua Kai at Keauhou	Single Family	Kailua Kona
New Wainani Estates	Single Family	Kailua Kona
Kahaolino	Single Family	Kailua Kona
Alii Drive	Condominiums	Kailua Kona
Hale Alani, the Shores at Kohanaiki	Resort Single Family	Kailua Kona
Pualani Makai	Multi-family	Kailua Kona
Palamanui - Phase 1 of 4	SF and MF	Kailua Kona
Kala at Villages at Aina Lea	Resort Single Family	Kohala Coast
Kupu at Villages at Aina Lea	Resort Townhome & Condos	Kohala Coast
Ainamalu at Waikoloa Beach Resort	Resort Single Family	Kohala Coast
Ainamalu Condos at Waikoloa Beach Resort	Resort Condo	Kohala Coast
Laule'a at Mauna Lani	Resort Single Family and attached	Kohala Coast
Ka Milo at Mauna Lani	Resort Single Family and duplex	Kohala Coast
Hapuna Estates Homesites	Resort Single Family	Kohala Coast
Hapuna Estates Development Pads	Resort Home Sites	Kohala Coast
KeOlalani	Single Family	Waikoloa Village
Sunset Ridge	Single Family	Waikoloa Village
Kumu Hou	Single Family, Timeshare, Multi-family	Waikoloa Village
Lofts at Waikoloa	Apartments	Waikoloa Village
Waikoloa Heights	Apartments	Waikoloa Village
Hanuala Village	Single Family	Hawi
Waimea Parkside	Single Family	Waimea
Keaau Village Extension	Single Family	Hilo / Puna / Keaau
Ainaloa Estates Subdivision	Single Family	Hilo / Puna / Keaau
Hilo Hillside	Single Family	Hilo / Puna / Keaau
Puainako Heights	Single Family	Hilo / Puna / Keaau

6.4 Estimated Market Rate Home Prices

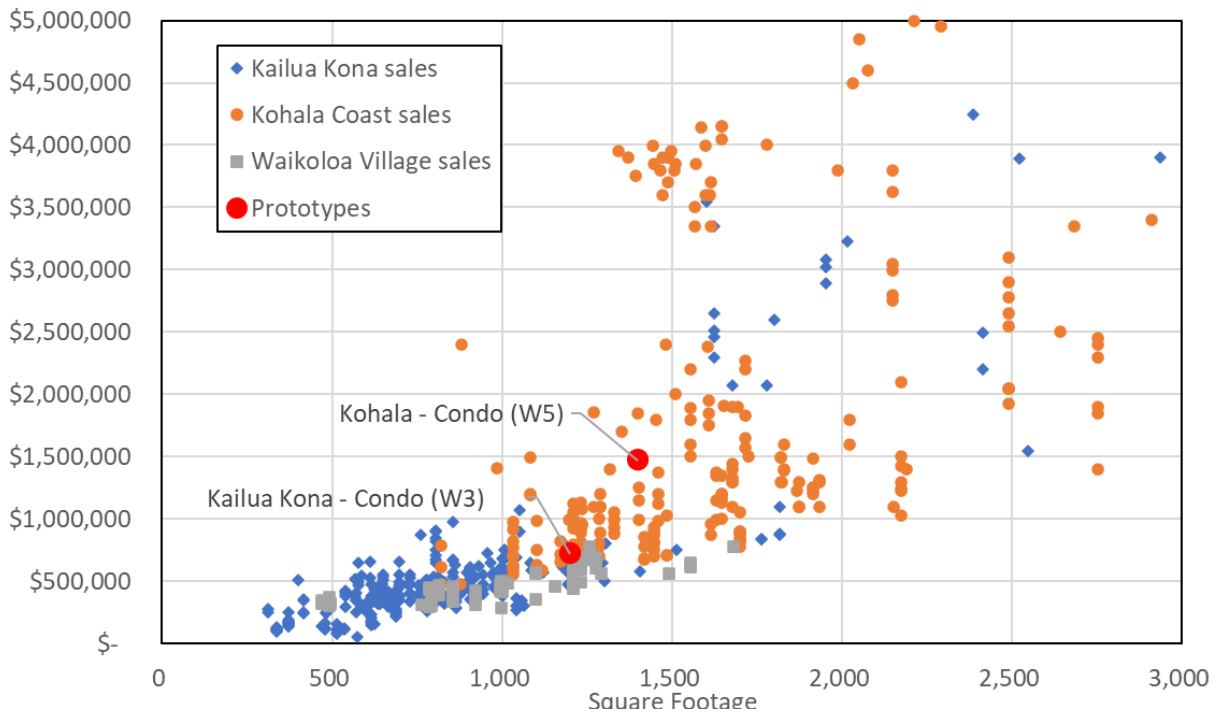
To estimate market pricing for prototype for-sale units, KMA reviewed data on home sales occurring from July 2021 to June 2022. In addition, KMA reviewed asking prices for new units being marketed for-sale. The sales data and the estimated market prices for the prototype projects is presented in Chart 1, 2 and 3. Chart 1 presents sales data for single family homes in Kailua-Kona, Kohala, Waikoloa Village and Waimea. Chart 2 presents sales data for units with condominium ownership in the same communities. Chart 3 presents the sales data for Hilo, Puna and Hamakua.

Chart 1 - West Hawai'i Single Family Home Sales by Location and Estimated Pricing of Market Rate Prototype Units



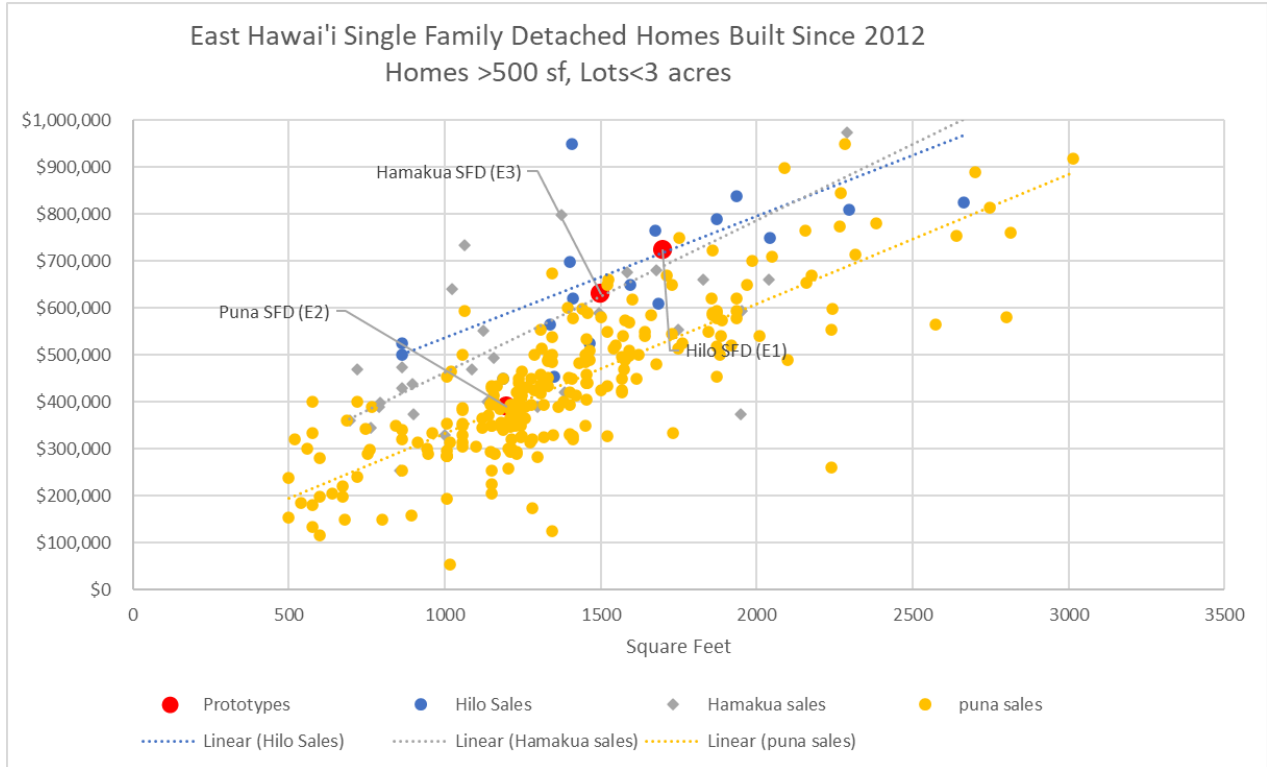
Sources: Redfin sales for July 2021 to June 2022

Chart 2 - West Hawai'i Condominium / Attached Unit Sales by Location and Estimated Pricing of Market Rate Prototype Units



Sources: Redfin sales for July 2021 to June 2022

Chart 3 – Hilo, Puna and Hamakua Newer Home Sales and Estimated Pricing of Market Rate Prototype Units



Sources: Redfin sales from July 2021 through June 2022 for homes built since 2012 on lots less than three acres

The sales data formed the basis for KMA’s price estimates. Table 6-5 summarizes the estimated for-sale prototype pricing based on the market data.

Table 6-5. For-Sale Prototype Price Estimates				
No.	Description	Avg. Unit Sq. Ft.	Market Pricing	\$/SF
<u>Kailua Kona / South Kona</u>				
W1	Larger Single Family	2,300	\$1,541,000	\$670
W2	Smaller Single Family	1,500	\$1,050,000	\$700
W3	Attached Condo	1,200	\$720,000	\$600
<u>Kohala / Oceanfront Resorts</u>				
W4	Single Family & Duplex	2,400	\$3,120,000	\$1,300
W5	Attached Condo	1,400	\$1,470,000	\$1,050
W6	Waikoloa Village SFD	1,700	\$1,050,000	\$618
W7	Waimea Single Family	1,750	\$1,000,000	\$571
E1	Hilo Single Family	1,700	\$725,000	\$425
E2	Puna Single Family	1,200	\$390,000	\$325
E3	Hamakua Single Family	1,500	\$630,000	\$420

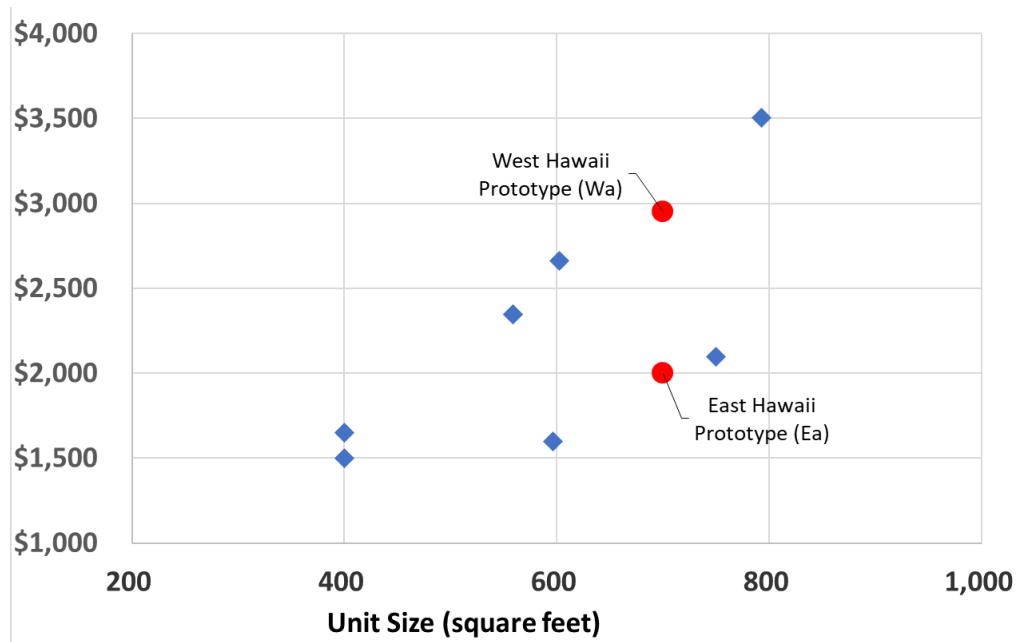
6.5 Estimated Market Rate Rents

KMA estimated market rents for newer and recently renovated rental properties based on data available through CoStar, Apartments.com and Zillow. Data for only three market rate rental communities either built or renovated since 2015 was available, including:

- Lofts at Waikoloa, 108 units, built in 2021, Waikoloa Village;
- Hale Kaloko, 120 units, built in 1994 and renovated 2015, Kailua Kona; and
- 75-5749 Alahou St, 25 units, Building 1 built 2012, Building 2 built 2018, Kailua Kona.

The three properties are in Waikoloa Village and Kailua Kona. Rents are identified in Chart 4, with each point representing the average rent for a particular project and bedroom size.

**Chart 4 – Monthly Asking Rents for Apartment Properties
Built or Renovated Since 2015**



Source: CoStar, Apartments.com

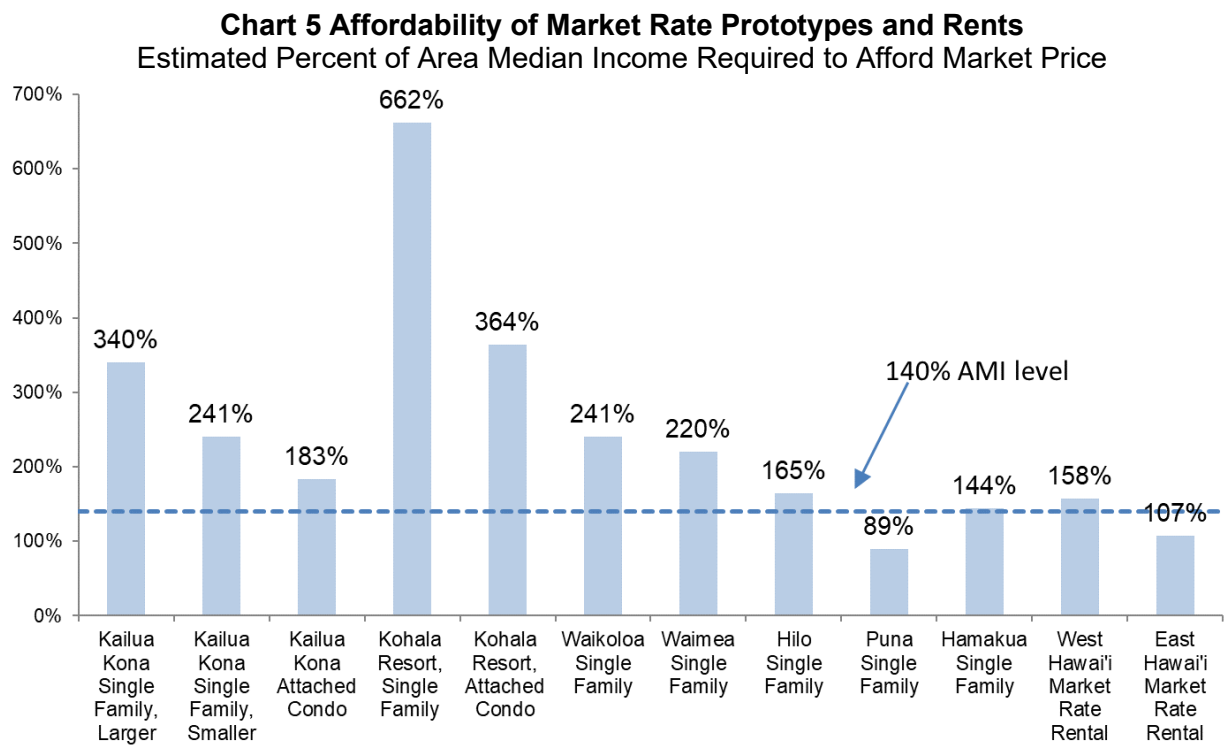
No new market rate apartments were identified in the Hilo and Puna areas. Therefore KMA drew on listings for older existing units, as summarized in Appendix Table B-6.

Based on these rent comparables, KMA estimates the average monthly rent for the West Hawai'i apartment prototypes to be in the range of \$2,950 per month or approximately \$4.21 per square foot per month and the East Hawai'i prototype apartment to be in the range of \$2,000 per month or \$2.86 per square foot per month. Rental market data supporting these estimates are presented in Appendix Table B-6. Rent estimates are summarized in Table 6-6.

Table 6-6. Prototype Rent Estimates			
	Average Unit Size	Market Rate Monthly Rent	Market Rate Rent \$/SF
West Hawai'i Apartment	700 sq. ft.	\$2,950	\$4.21 /SF/Mo
East Hawai'i Apartment	700 sq. ft.	\$2,000	\$2.86 /SF/Mo

6.6 Affordability of Market Rate Prototypes

Chart 5 shows the estimated percentage of area median income a household would need to afford market prices and rents for the prototypical market rate units. All prototypes in West Hawai'i require an income over 140% of AMI to afford. Prototype market rate units in Hilo, Puna, and Hamakua are affordable to households with incomes from 89% to 165% of AMI depending on the prototype. Estimates are based on 2023 affordable pricing published by the County.



6.7 Financial Feasibility Analysis Approach

The financial feasibility analysis estimates the cost to develop a new market rate residential project and the sales revenues or rental income generated upon completion. If the sales revenues or rental income are sufficient to support the development costs and a return to the developer, the prototype is considered feasible. This approach to financial feasibility, known as a pro forma approach or income approach, is standard practice in the real estate industry and is utilized in one form or another by virtually all developers when analyzing new construction projects.

This analysis organizes the pro forma as a “residual land value analysis”, meaning the pro forma solves for what the project can afford to pay for a development site based on the sales/income projections and the non-land acquisition costs of the project. It then compares the residual land values with land costs in the current market to test whether developers can afford to buy land and develop projects.

The analysis evaluates feasibility both with and without compliance with Chapter 11 affordable housing requirements and potential alternative affordable housing requirements.

Pro forma tables identifying the revenues, costs, and supported land values for each prototypical residential development project analyzed are included in Appendix Tables A-1 to A-7. The following sections describe the assumptions utilized in the analysis and the conclusions drawn therefrom.

6.8 Development Cost Estimates

The direct costs of development include all contractor labor and material costs to construct the project including general requirements, contractor fees, and contingencies. Direct construction costs for the for-sale prototypes range widely depending on the size, type of unit and market. At the low end, smaller single family homes in Hilo and Puna are estimated to have a direct construction cost of \$306,000 (\$255/SF for a 1,200 sf unit). At the high end, resort homes on the Kohala coast are estimated to have a direct construction cost of \$1.3 million (\$560/SF for a 2,400 sf unit). For the apartment, direct construction costs are estimated at \$220,000 per unit (\$315/sf for a 700sf average unit size). These amounts represent direct vertical construction costs only, not including land, site improvements, permits and fees, financing, design and engineering, or other indirect costs. Homes in resort areas and higher-priced submarkets such as Kailua Kona are assumed to have higher quality materials, finishes and appliances. Wood frame construction is assumed for all prototypes. Estimates reflect local cost information provided by developers and industry professionals active in the market, cost data reported in 201H applications, and third-party construction data sources such as Marshall and Swift.

Indirect costs of development include architecture and engineering (A&E) costs, fees and permits costs, taxes, insurance, overhead, debt financing costs, etc. Fees and permit cost estimates include fair share fees, bonding, water and electric connection charges, inspection, and subdivision fees. Total indirect costs are estimated to range from roughly \$84,000/unit to \$268,000/unit depending on the prototype.

The analysis evaluates development of raw or partially improved land requiring internal street and utility improvements prior to home construction. Accordingly, site and in-tract improvement costs are included at an estimated cost ranging from approximately \$60,000 per unit for the apartment prototype to \$390,000 for luxury resort homes on the Kohala coast.

See the tables in Appendix A for additional details on development cost estimates.

6.9 Sales Revenue and Supported Rental Unit Values

Pricing and rent estimates are summarized in Table 6-5 and 6-6 and reflect the market data summarized above and in Appendix B. For the apartment prototypes, rental income is translated into an estimate of supported developer investment. Rents are estimated at \$2,950/unit/month (\$4.21/sf/mo.) and \$2,000/unit/month (\$2.86/sf/mo.) for the apartment prototypes in West and East Hawai'i, respectively, each with an average unit size of 700 square feet. As shown on Appendix A Table 4A, after a vacancy factor, operating expenses, and property taxes, the net operating income (NOI) for market rate apartments units is estimated at \$23,900 /unit/year in West Hawai'i and \$13,070 in East Hawai'i. A threshold developer return on cost requirement of 5.6% is assumed based on capitalization rates for recent multi-family sale transactions in Hawai'i, the pro forma capitalization rate identified for a proposed apartment project, plus a spread to account for developer profit. Dividing NOI by the required return on cost yields the warranted private investment in the project estimated at \$427,000 per unit in West Hawai'i and \$233,000 per unit in East Hawai'i.

6.10 Residential Land Sales

KMA reviewed residential land sales using data from Costar, a third party vendor of market data, listings for development sites, and lot sales accessed through Redfin. Redfin lots sales are presented in a series of charts in Appendix B-7, the CoStar land sales are presented in Appendix B-8. The data indicates that land in a raw or partially improved condition typically trades for \$5 per square foot or less and generally under \$1 per square foot for larger parcels in raw condition.

Buildable lots typically sell in the range of \$300,000 to \$500,000 in Kailua Kona, \$150,000 to \$400,000 in Waimea and Waikoloa Village, under \$300,000 in Hilo, under \$200,000 in Hamakua, and under \$100,000 in Puna. High quality or large-acreage lots can sell for a premium over these ranges. Lots with ocean frontage and access to resort amenities can sell for well over \$1 million.

Since, the feasibility analysis assumes that residential development sites are acquired in a raw or partially improved condition, residential prototypes are considered feasible if the supported land value falls in the range of raw or partially improved residential land. The following land cost assumptions for an unimproved site are used in evaluating feasibility of the prototype projects based on the market data presented in Appendix B. The resort land cost assumes a development site with no ocean frontage in an established resort that requires in-tract improvements.

Kailua-Kona	~\$5 PSF of Land
Kohola Resort	~\$15 PSF of Land
Waikalua Village and Waimea	~\$2 PSF of Land
Hilo, Puna, Hamakua	~\$1 PSF of Land

6.11 Feasibility Conclusions

The financial feasibility analysis is based on the relationship between the project's revenue potential, the estimated development costs, and a developer profit commensurate with the development risk. The residual land value approach, described earlier in this section, produces a residual value that each prototype can afford to pay to acquire a site. If the residual value exceeds the cost to acquire a site for development, the prototype is generally determined to be feasible. If the residual value is less than the cost to acquire and prepare the site, feasibility conditions will need to improve before the project can become feasible, for example through higher sales prices. As mentioned previously, some projects can be expected to have economics that are somewhat better or somewhat worse than the "typical" prototype projects analyzed.

The residual land values are derived by subtracting the development costs before land acquisition from the net sales revenues (with for-sale prototypes) or net project value/ supported investment (for the rental prototypes).

(1) Base Case Feasibility Findings, Compliance with Chapter 11 Using Purchased Credits

Table 6-7 summarizes the feasibility analysis findings including the sales price, development cost, residual land value, and feasibility conclusions for each prototype.

Residential projects in Kailua Kona, Kohala, Waikoloa, and Waimea were found to be feasible based on supported land values that are generally adequate to support the estimated cost of a development site. Attached condominium units in Kailua Kona are an exception where feasibility is more challenged. This finding is consistent with the development pipeline information summarized in Table 6-4, which includes just one small six-unit condo project in Kailua Kona.

Residential projects in Hilo, Puna and Hamakua were found to be infeasible or have more challenging feasibility based on estimated development costs that exceed sales prices and supported private investment, resulting in a negative supported land value. This indicates that developers are not likely to be able to attract investment capital for projects in these locations, especially for projects requiring significant infrastructure or intract street improvements. However, individual owners and small builders may still pursue projects, especially when building on an existing buildable lot or in locations within the submarket able to support higher pricing.

Table 6-7 Feasibility Analysis Summary, Base Case with Existing Chapter 11 and Use of Purchased Credits						
Prototype Residential Project	Average Living Area (sq.ft.)	Sale Price or Supported Investment	Total Development Cost⁽¹⁾	Supported Land Value Per Unit⁽²⁾	Supported Land Value Per SF Land⁽²⁾	Feasibility Conclusion
W1 Kailua Kona Single Family, Larger	2,300	\$1,541,000	(\$1,369,600)	\$171,400	\$7	Feasible
W2 Kailua Kona Single Family, Smaller	1,500	\$1,050,000	(\$996,600)	\$53,400	\$8	Feasible
W3 Kailua Kona Attached Condo	1,200	\$720,000	(\$727,200)	(\$7,200)	(\$2)	Infeasible
W4 Kohala Resort Single Family	2,400	\$3,120,000	(\$2,775,500)	\$344,500	\$24	Feasible
W5 Kohala Resort Attached Condo	1,400	\$1,470,000	(\$1,332,700)	\$137,300	\$30	Feasible
W6 Waikoloa Single Family	1,700	\$1,050,000	(\$980,700)	\$69,300	\$5	Feasible
W7 Waimea Single Family	1,750	\$1,000,000	(\$971,000)	\$29,000	\$2	Feasible
E1 Hilo Single Family	1,700	\$725,000	(\$775,400)	(\$50,400)	(\$2)	Infeasible
E2 Puna Single Family	1,200	\$390,000	(\$602,800)	(\$212,800)	(\$14)	Infeasible
E3 Hamakua Single Family	1,500	\$630,000	(\$752,700)	(\$122,700)	(\$10)	Infeasible
Wa West Hawai'i Market Rate Rental	700	\$427,000	(\$376,500)	\$50,500	\$19	Feasible
Ea East Hawai'i Market Rate Rental	700	\$233,000	(\$376,300)	(\$143,300)	(\$55)	Infeasible

(1) Average development cost per unit including site / in-tract streets. With for-sale projects, development costs are inclusive of developer profit and cost of sale.

(2) Reflects residual land value for unimproved or partially improved sites that require grading, utilities, and in-tract streets for development to occur.

Feasible / More Likely to Develop

Marginal / Weaker Feasibility

Infeasible / Less Likely to Develop

(2) Testing of Alternative Requirements

The pro forma analysis was used to test a series of alternatives regarding affordable housing requirements, including:

Table 6-8. Scenarios Evaluated	
Scenario	Description
1 Credits (base case)	Purchase excess credits to satisfy Chapter 11, a typical compliance approach.
2 No Requirement	If Chapter 11 does not apply
3a On-Site Affordable, Mix A	13.5% affordable units with mix of units from 80% to 140% AMI in for-sale projects and 60% to 120% in rental projects. Mixed income assumed, not a stand-alone LIHTC project. This mix is sufficient to earn the 20% credits required to comply with the existing Chapter 11.
3b On-Site Affordable, Mix B	10% affordable units FS units at 80% AMI; R units at 60% AMI. Mixed income assumed, rather than a stand-alone LIHTC project. This mix is sufficient to earn the 20% credits required to comply with the existing Chapter 11.
4a In-lieu Fee of \$5/SF	Analysis evaluates feasibility with a potential in-lieu fee, which is not currently an option under Chapter 11. The fee is assumed to be calculated based on square feet of habitable space in the entire project. See also Appendix A Tables 3D and 4D for analysis of additional in-lieu fee alternatives.
4b In-lieu Fee of \$10/SF	
4c In-lieu Fee of \$15/SF	
4d In-lieu Fee of \$20/SF	

In addition to the above scenarios, KMA evaluated the option to dedicate a site for an affordable project or to provide a site within the development for a stand-alone LIHTC development. Costs were estimated to be approximately the same as the option to purchase credits, resulting in similar feasibility findings to Scenario 1. See Appendix A Table 7.

Table 6-9 presents the results of the feasibility testing for the above scenarios.

Table 6-9. Summary of Feasibility Scenario Testing								
Scenario	Residual Land Value Supported (\$PSF of land) ^{(1) (2)}							
	1	2	3a	3b	4a	4b	4c	4d
	Credits	No Rqrm't	On-Site Units ⁽³⁾		In-Lieu Fee (\$/NSF in Project)			
Mix A, 13.5% affordable			Mix B, 10% affordable	\$5	\$10	\$15	\$20	
Prototype Project								
W1 Kailua Kona Single Family, Larger	\$7	\$7	\$2	\$3	\$7	\$6	\$6	\$5
W2 Kailua Kona Single Family, Smaller	\$8	\$9	(\$1)	\$1	\$8	\$7	\$6	\$5
W3 Kailua Kona Attached Condo	(\$2)	\$1	(\$11)	(\$10)	(\$1)	(\$3)	(\$5)	(\$7)
W4 Kohala Resort Single Family ⁽⁴⁾	\$24	\$24	\$19	\$19	\$24	\$23	\$22	\$21
W5 Kohala Resort Attached Condo ⁽⁴⁾	\$30	\$33	\$22	\$23	\$31	\$29	\$28	\$26
W6 Waikoloa Single Family	\$5	\$5	\$1	\$1	\$5	\$4	\$4	\$3
W7 Waimea Single Family	\$2	\$3	(\$2)	(\$1)	\$2	\$2	\$1	\$0
E1 Hilo Single Family	(\$2)	(\$1)	(\$3)	(\$3)	(\$2)	(\$2)	(\$2)	(\$3)
E2 Puna Single Family	(\$14)	(\$14)	(\$14)	(\$14)	(\$14)	(\$14)	(\$15)	(\$15)
E3 Hamakua Single Family	(\$10)	(\$9)	(\$11)	(\$11)	(\$10)	(\$10)	(\$11)	(\$11)
Wa West Hawai'i Market Rate Rental ⁽⁴⁾	\$19	\$22	\$9	\$9	\$21	\$20	\$18	\$17
Ea East Hawai'i Market Rate Rental	(\$53)	(\$49)	(\$53)	(\$55)	(\$50)	(\$51)	(\$53)	(\$54)

(1) Reflects residual land value prior to improvements such as grading, utilities, and in-tract streets.

(2) See Appendix A for supporting analysis.

(3) Analysis based on on-site units in mixed income project without outside subsidies such as LIHTC.

(4) For resort projects, off-site for-sale units are assumed in the case of Scenarios 3a and 3b.

(5) With on-site units, supported land value for the apartment prototype still exceeds the identified thresholds; however, due to the significant decrease in supported land value, the feasibility finding is still classified as marginal.

Feasible / More Likely to Develop

Marginal / Weaker Feasibility

Infeasible / Less Likely to Develop

Key Findings Are:

- (1) Chapter 11 is not a major driver of feasibility challenges.** Comparing scenarios 1 and 2 shows that feasibility conditions would not be altered by a repeal of Chapter 11 for any project type or submarket. While there is evidence of feasibility challenges to residential development on the Big Island, Chapter 11 is not the driver of these challenges. This is because the Chapter 11 requirement, in its current form, can be satisfied for an estimated cost of approximately \$10,000 per unit through purchase of Excess Credits, which represents a relatively minor component of total development costs that equates to approximately 1% of total development costs for West Hawai'i

residential prototypes, 2% for East Hawai'i and 2.7% for the apartment prototypes. Fundamentally, feasibility challenges are driven by an imbalance between high development costs and home values and the housing costs local buyers can afford. This is consistent with feedback received during the developer stakeholder interviews, which did not implicate Chapter 11 as the major impediment to feasibility.

- (2) **Feasibility in Hilo, Puna and Hamakua is challenging.** The market rate prototype projects do not “pencil” in this area. Although building permit data shows that development activity is still occurring, anecdotally it appears to be driven primarily by smaller projects on existing lots without a need for construction of internal streets and utilities, in contrast to the prototypical project addressed in the feasibility analysis, which assumes a subdivision requiring rezoning (thus triggering Chapter 11).
- (3) **New market rate units in Hilo, Puna, and Hamakua** are either within or near to the income ranges Chapter 11 serves (140% of AMI and below). This suggests encouraging more market rate production in these areas would help meet the affordability goals reflected in the program.
- (4) **Mandating affordable unit production would impact feasibility.** Comparing Scenario 1 (excess credits) to Scenarios 3a and 3b (on-site units), indicates projects that are currently feasible assuming compliance through purchase of excess credits could be downgraded to marginally feasible or infeasible if on-site affordable units were required in a mixed-income inclusionary format. Resort projects on the Kohala coast were an exception for which an affordable unit production requirement was found to be supported. This suggests that if the excess credit system were to be modified to limit the availability of this compliance option, then the on-site requirement would need to be reduced or an alternative compliance option such as an in-lieu fee would need to be put in place to avoid constraints on feasibility.
- (5) **Supportable In-Lieu Fees** – The analysis indicates that projects in Kailua Kona, Kohala, and Waikoloa Village could sustain an in-lieu fee of up to \$20 per livable square foot in the entire project (i.e. all units, not just the affordable). Projects in Waimea are estimated to sustain an in-lieu fee of up to \$10 per square foot. Projects in Hilo, Puna, and Hamakua would not support an in-lieu fee based on feasibility challenges even with no requirement.

6.12 Cost to Comply With Affordable Housing Requirements Under Each Scenario

KMA estimated the cost for each residential project type to comply with the alternative affordable housing requirements on a per unit and per square foot basis. The analysis uses the pro forma analysis described in the preceding sections to estimate the net impact of affordable housing requirements on project economics. Estimates are summarized in Table 6-10. Figures

represent the cost of affordable housing obligations spread across all units in the project (not just affordable units).

As shown, the option to purchase credits represents a cost of approximately \$10,000 per unit or between \$4.33 and \$14.43 per square foot depending on the project type. Including affordable units on-site represents a much greater cost than purchasing excess credits, which explains why recent projects have been electing to purchase credits.

Table 6-10. Net Cost of Compliance with Affordable Housing Requirements ⁽¹⁾							
Scenario	1	3a	3b	4a	4b	4c	4d
	Purchased Credits	On-Site Units ⁽²⁾		In-Lieu Fee (\$/NSF in Project)			
		Mix A, 13.5% affordable	Mix B, 10% affordable	\$5	\$10	\$15	\$20
A. Compliance Cost Per Unit in Project							
W1 Kailua Kona Single Family, Larger	\$10,260	\$126,260	\$101,360	\$11,880	\$23,760	\$35,640	\$47,520
W2 Kailua Kona Single Family, Smaller	\$10,300	\$71,300	\$60,300	\$7,730	\$15,480	\$23,230	\$30,980
W3 Kailua Kona Attached Condo	\$10,400	\$38,000	\$34,900	\$6,220	\$12,420	\$18,620	\$24,820
W4 Kohala Resort Single Family	\$10,400	\$85,700	\$72,500	\$12,450	\$24,850	\$37,250	\$49,640
W5 Kohala Resort Attached	\$10,300	\$45,700	\$42,000	\$7,250	\$14,480	\$21,710	\$28,940
W6 Waikoloa Single Family	\$10,400	\$71,300	\$60,300	\$8,820	\$17,610	\$26,390	\$35,170
W7 Waimea Single Family	\$10,300	\$63,400	\$54,800	\$9,040	\$18,080	\$27,120	\$36,160
E1 Hilo Single Family	\$10,300	\$33,000	\$32,100	\$8,800	\$17,580	\$26,360	\$35,140
E2 Puna Single Family	\$10,300	\$2,000	\$4,000	\$6,180	\$12,380	\$18,580	\$24,780
E3 Hamakua Single Family	\$10,400	\$22,500	\$24,200	\$7,790	\$15,540	\$23,280	\$31,030
Wa West Hawai'i Market Rate Rental	\$10,000	\$37,000	\$36,000	\$3,830	\$7,450	\$11,060	\$14,680
Ea East Hawai'i Market Rate Rental	\$10,100	\$11,100	\$16,100	\$3,660	\$7,280	\$10,890	\$14,510
<i>(figures below are above the nominal fee amount due to addition of construction loan interest)</i>							
B. Compliance Cost Per Square Foot in Project							
W1 Kailua Kona Single Family, Larger	\$4.46	\$54.90	\$44.07	\$5.17	\$10.33	\$15.50	\$20.66
W2 Kailua Kona Single Family, Smaller	\$6.87	\$47.53	\$40.20	\$5.15	\$10.32	\$15.49	\$20.65
W3 Kailua Kona Attached Condo	\$8.67	\$31.67	\$29.08	\$5.18	\$10.35	\$15.52	\$20.68
W4 Kohala Resort Single Family	\$4.33	\$35.71	\$30.21	\$5.19	\$10.35	\$15.52	\$20.68
W5 Kohala Resort Attached Condo	\$7.36	\$32.64	\$30.00	\$5.18	\$10.34	\$15.51	\$20.67
W6 Waikoloa Single Family	\$6.12	\$41.94	\$35.47	\$5.19	\$10.36	\$15.52	\$20.69
W7 Waimea Single Family	\$5.89	\$36.23	\$31.31	\$5.17	\$10.33	\$15.50	\$20.66
E1 Hilo Single Family	\$6.06	\$19.41	\$18.88	\$5.18	\$10.34	\$15.51	\$20.67
E2 Puna Single Family	\$8.58	\$1.67	\$3.33	\$5.15	\$10.32	\$15.48	\$20.65
E3 Hamakua Single Family	\$6.93	\$15.00	\$16.13	\$5.19	\$10.36	\$15.52	\$20.69
Wa West Hawai'i Market Rate Rental	\$14.29	\$52.86	\$51.43	\$5.47	\$10.64	\$15.80	\$20.97
Ea East Hawai'i Market Rate Rental	\$14.43	\$15.86	\$23.00	\$5.23	\$10.40	\$15.56	\$20.73

Notes:

(1) Reflects the effective net cost of complying with Chapter 11 expressed as an amount per unit or per square foot in the entire project. Figures reflect an average across *all* units in the project (market rate + affordable). Amounts are computed based on the pro forma analysis and reflect the net impact on the pro forma of the identified requirement as compared to no requirement.

(2) Resort prototypes are assumed to provide affordable for-sale units in an off-site location.

Table 6-11. provides an estimate of the net cost per provided affordable unit, assuming affordable units are provided in a mixed income inclusionary format without tax credits or other subsidy sources to offset the cost, and affordable units are of comparable size, bedroom count, and unit type as market rate units, except resort projects which are assumed to provide units off-site. The cost varies depending on the affordability level of the unit in the project. Figures are calculated based on the net impact on the pro forma per affordable unit that is provided. Costs are greater for prototype projects where market rate unit prices and rents are higher because the gap between market rate and affordable prices and rents is higher.

Table 6-11. Net Cost Per On-Site Affordable Unit					
<i>forgone sales price / project value with affordable units in mixed income project without LIHTC or other subsidies</i>					
	60% AMI	80% AMI	100% AMI	120% AMI	140% AMI
W1 Kailua Kona Single Family, Larger	not tested	\$1,014,000	\$936,000	\$858,000	\$780,000
W2 Kailua Kona Single Family, Smaller	not tested	\$603,000	\$528,000	\$453,000	\$378,000
W3 Attached Condo	not tested	\$349,000	\$281,000	\$214,000	\$146,000
W4 Kohala Resort Single Family ⁽¹⁾	not tested	\$725,000	\$635,000	\$545,000	\$455,000
W5 Kohala Resort Attached Condo ⁽¹⁾	not tested	\$420,000	\$338,000	\$257,000	\$176,000
W6 Waikoloa Single Family	not tested	\$603,000	\$528,000	\$453,000	\$378,000
W7 Waimea Single Family	not tested	\$548,000	\$470,000	\$392,000	\$314,000
E1 Hilo Single Family	not tested	\$321,000	\$245,000	\$169,000	\$93,000
E2 Puna Single Family ⁽²⁾	not tested	\$40,000	\$0	\$0	\$0
E3 Hamakua Single Family	not tested	\$242,000	\$167,000	\$92,000	\$17,000
Wa West Hawai'i Market Rate Rental	\$360,000	\$280,000	\$190,000	\$110,000	not tested
Ea East Hawai'i Market Rate Rental ⁽²⁾	\$161,000	\$81,000	\$0	\$0	not tested

(1) Resort prototypes are assumed to provide affordable for-sale units in an off-site location.

(2) Cost of on-site units calculates as zero where market prices are rents are less than or equal to affordable sales prices and rents.

If affordable units were instead provided in a standalone affordable project that receives tax credits and other subsidy sources, the net subsidy required of the developer would be less than estimated in Table 6-11; however, not all projects will have the scale to deliver affordable units in a standalone LIHTC affordable project.

Table 6-12 identifies the on-site affordable unit percentages that are estimated to be equivalent in cost to recommended in-lieu fee ranges identified in Table 1-1. Calculations assume units are dispersed throughout the development, except resort projects are assumed to provide off-site for-sale units. Based on this analysis, most projects would likely elect to pay an in-lieu fee to the extent that option is made available, unless other incentives are included to induce projects to provide units on-site.

Table 6-12. On-Site Affordability Percentages Equivalent in Cost to Recommended In-Lieu Fee Ranges										
AMI Level of Unit lower or upper end of fee range	60% AMI		80% AMI		100% AMI		120% AMI		140% AMI	
	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper
Kailua Kona Single Family, Larger			1.1%	2.3%	1.2%	2.5%	1.3%	2.7%	1.5%	3.0%
Kailua Kona Single Family, Smaller			1.2%	2.5%	1.4%	2.8%	1.7%	3.3%	2.0%	4.0%
Kailua Kona Attached Condo			1.7%	3.4%	2.1%	4.3%	2.8%	5.6%		
Kohala Resort, Single Family			5.0%	8.3%	5.7%	9.4%	6.6%	11.0%	7.9%	13.2%
Kohala Resort, Attached Condo			5.0%	8.3%	6.2%	10.4%	8.2%	13.6%		
Waikoloa Single Family			1.4%	2.8%	1.6%	3.2%	1.9%	3.8%		
Waimea Single Family			1.6%	3.2%	1.9%	3.7%	2.2%	4.5%		
West Hawai'i Market Rate Rental	1.0%	1.9%	1.3%	2.5%	1.8%	3.7%	3.2%	6.4%		

See also Appendix Table A-2, which expresses compliance costs as a percentage of the total development cost in the Project.

6.13 Economics of Increased Density

Allowing additional residential density or reducing minimum lot sizes can be a beneficial way to improve project feasibility, help offset the cost of affordable housing requirements, or incentivize projects to include affordable units rather than use another compliance alternative. Chapter 11 currently allows a modest 10% density bonus for projects that include affordable units within the project or that provide buildable lots at an affordable price.

Increasing density can result in savings on land, infrastructure, and site improvement costs on a per unit basis. Appendix A Table 3F tests the pro forma with an illustrative 20% increase in prototype density to assist in evaluating whether added density could improve feasibility. The test indicates a positive effect on feasibility across all project types, based on the simplifying assumption that projects are able to take advantage of increased density to spread horizontal costs across a larger number of residential units, decreasing costs on a per unit basis. The reality is that the tradeoffs of adding density can be more complex than assumed in this simple illustration and can vary from project to project. For example, vertical construction costs may increase if there is a change in construction type and pricing that is achievable may be reduced somewhat on account of reduced lot sizes. The feasibility analysis indicates that attached units in Kailua Kona have more challenging feasibility than single family detached units, an indicator that there are limits to feasibility benefits of allowing additional density.

In reviewing the County’s zoning map, residential zoning categories requiring minimum building site sizes of 7,500 or 10,000 square feet are prevalent, equivalent to approximately four to six dwelling units per acre. These minimum building site sizes would not permit higher density single family detached and attached formats, which can easily exceed these common maximum allowable densities. Two of the Kailua Kona market rate prototypes have densities exceeding the typical allowable lot sizes, at 5,400 and 2,500 square feet. We understand the County is currently engaged in a process of updating the code sections that establish these minimums.

While high construction costs and availability of water are likely more influential, minimum building site sizes may contribute to feasibility challenges in some instances or lead to higher costs per unit in other instances. Reducing minimum building site sizes in appropriate locations would likely be helpful in encouraging market rate housing production.

7.0 INCENTIVE-BASED APPROACHES

Housing development incentives are a tool that local jurisdictions can use to encourage the development of affordable housing by helping to offset the cost of providing affordable units. Regulatory incentives modify land use regulations or development standards in a manner that provides value to a development, usually by increasing the number of units that can be built, or by reducing the costs of construction, or both. Financial incentives directly or indirectly fund or reduce development or operating costs. Examples include:

- *Density Bonuses* allow more units than would otherwise be permitted in conjunction with the provision of affordable units or other community benefits.
- *Flexible Development Standards*, such as setbacks, can allow more units to be built on a site and can enable projects to move forward on otherwise undevelopable sites.
- *Reduced Parking Requirements* can reduce costs and increase the number of housing units that can be accommodated on a site.
- *Accelerated Approvals* move projects through key regulatory phases more quickly, decreasing costs and risk.
- *By-Right Development* allows eligible housing developments that comply with existing development regulations to be built without discretionary approval.
- *Fee Waivers* exempt projects from a variety of fees, such as development impact fees.
- *Property tax abatements* allow developers to reduce on-going expenses, which frees up cash flow and improves returns.

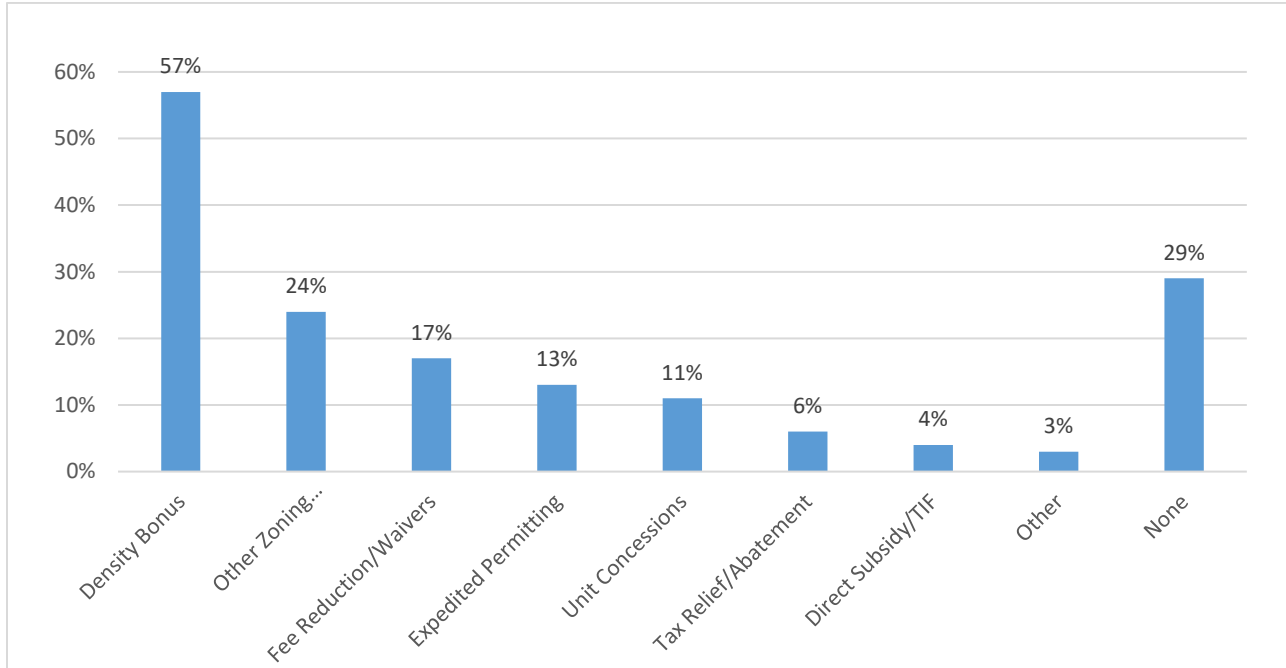
The State's 201H-38 program provides several of the incentives listed above to projects that include more than 50% affordability.

7.1 Incentives Provided Through Inclusionary Programs

A 2021 survey by Grounded Solutions Network covering 681 inclusionary programs in the U.S found that over half offered a density bonus. Other common incentives included zoning, development and design standard modifications, and parking requirement reductions. Less common incentives included fee waivers and reductions, expedited processing, property tax abatements, and direct public subsidy. Approximately 35% of programs offer multiple types of incentives while 29% of programs do not offer any incentives. The chart below summarizes the report's findings.

Percent of Inclusionary Programs Offering Incentives of Various Types

Source: Grounded Solutions Network, *Inclusionary Housing in the United States, 2021*



An understanding of local constraints on development is important for identifying which incentives will be most useful. For example, if development in a jurisdiction is not constrained by allowable density, a density bonus program would not tend to provide an incentive. The following sections provide a discussion of incentive-based approaches primarily drawn from third party sources such as the Housing Affordability Toolkit.¹¹

7.2 Density Bonus

A density bonus program allows more units of housing to be built on a site than would be allowed under existing zoning, in exchange for a developer's provision of affordable units (or other community benefits). The concept is that the additional value created through the bonus helps offset the cost of providing the affordable housing. An ability to modify other development standards, such as setbacks or height limits, may be necessary for the additional density to actually be achievable.

Hawaii County's Chapter 11 provides a 10% density bonus to projects that fulfill affordable housing requirements on or off-site. Our understanding is that this provision has not been frequently utilized. This may be driven by a variety of factors such as availability of less costly alternatives under Chapter 11 like affordable housing credits, because a 10% density bonus may not be significant enough to offset the cost of providing affordable units, because density

¹¹ Incentive details and example programs drawn from *The Housing Affordability Toolkit* (National Multifamily Housing Council) and Local Housing Solutions, 2023.

limits are not a primary constraint for most projects, or because only projects undergoing a rezoning are subject to Chapter 11, and therefore are able to achieve the desired density through the zoning change, with no need for a density bonus.

A. Examples

California Density Bonus Law

California’s state density bonus law provides a package of incentives for projects that provide affordable units onsite including a density bonus, reduced parking requirements, and an ability to request concessions and waivers to modify other regulatory requirements.¹²

- Projects must include one of the following to qualify for the density bonus:
 - 5% or more very low-income units.
 - 10% or more lower income units.
 - 10% or more moderate for-sale attached units.
 - Additional options to qualify include transitional housing, student housing, senior housing, mobile home park restricted seniors, and land dedication.

- The density bonus is on a sliding scale depending on the percentage and income level of the affordable units, as summarized in the table below, which shows selected examples rather than a comprehensive presentation of all options under the program.

Table 7-1. Density Bonus Scale, California Density Bonus Law, Selected Levels			
Affordable% ⁽¹⁾	Density Bonus Eligibility		
	For Very Low Units (up to 50% AMI)	For Low Income Units (up to 80% AMI)	For Moderate Income Units
5%	20%	none	none
10%	32.5%	20%	5%
20%	50%	35%	15%
40%	50%	50%	35%
100%	80%	80%	80%

(1) Calculated without including bonus units, which are allowed to be all market rate.

Source: Meyers Nave, *Guide to the California Density Bonus Law, 2023*.

Affordability percentages are calculated without inclusion of the bonus units, which may be all market rate.

- Qualifying projects are also eligible for one or more “incentives” or “concessions”. The number of incentives or concessions is based on the percentage of affordable units. Concession or incentives can include a modification of development standards like setbacks or other modifications to regulations that reduce project costs.

¹² Meyers Nave, *Guide to the California Density Bonus Law, 2023*.

- If a development standard would prevent the project from being built with the density bonus or prevent use of the concessions and incentives, the developer can request a waiver or reduction in the standard.
- Maximum parking requirements apply and are further reduced to no parking required, or 0.5 space required per unit for projects within ½ mile of a major transit stop for projects meeting on-site affordable minimums.
- 100% Affordable Projects are eligible for an 80% density bonus. If located within a half mile of a major transit stop, maximum density limits don't apply to the project and the project may receive a height increase of up to 3 additional stories or 33 feet.

San Diego, CA, 100% Affordable Density Bonus

San Diego offers two affordable housing density bonus incentives for 100% affordable projects similar to those available under California state law.

- 100% Affordable Other than Bonus Units – To be eligible under this program, a development must set aside 100% of the pre-density bonus units as affordable to very low-, low-, and moderate-income households (with no more than 20% moderate). Additional affordability requirements apply to bonus units. Eligible projects receive the following:
 - Within Transit Priority Areas:
 - Unlimited density,
 - An additional 3 stores or 33 feet in height, and
 - Five incentives.
 - Outside Transit Priority Areas:
 - 80% density bonus, and
 - Five incentives.
- 100% Affordable (Total Project) – To be eligible under this program, a development must be located within a Transit Priority Area and must set aside 100% of the total dwelling units in the development as affordable to very low-, low-, and/or moderate-income households in any combination. In exchange, developments opting into this density bonus program receive the following:
 - Unlimited density,
 - An additional 3 stories or 33 feet in height, and
 - Five incentives.

Montgomery County, Maryland

Montgomery County's inclusionary housing program requires 12.5% of all new residential units be affordable. Projects that set aside 15% of units are eligible for the County's density bonus program. Under this program, developers can build up to 20% more floor area than would otherwise be allowed under local zoning.

B. Considerations

Density bonuses are not always valuable nor do they automatically offset the cost of providing affordable housing. The value depends on location, building type, local development economics, requirements that apply without the density bonus, the amount of density provided, and whether additional regulatory flexibility is built in to ensure the additional density can actually be utilized. While higher densities can make projects more feasible, if adding density results in a transition to a higher cost building type, added costs can offset some or all of the value of the density bonus. Circumstances where density bonuses can be most beneficial to project feasibility include:

- 1) Where infrastructure costs are high, and the bonus allows them to be spread among more units.
- 2) Where land values are high, a density bonus can reduce per unit land costs.
- 3) Where use of the bonus will not trigger a higher cost construction type.

For Hawaii County, a density bonus may be valuable to help offset substantial infrastructure costs for some projects.

7.3 Flexible Development Standards

Flexible development standards can increase the development potential of sites and may allow projects to move forward on land where projects may not otherwise be possible. Examples include:

- Reduced setbacks.
- Flexible lot configurations.
- Reduced minimum lot sizes.

A. Examples

Tallahassee, FL – Tallahassee provides flexibility in development standards including reduced setbacks and minimum lot sizes and a 25% density bonus to projects that include 10% affordable units.

San Luis Obispo, CA – The City offers flexibility in density limitations in its downtown core to encourage smaller units and exempts them from inclusionary requirements. The program also eliminates density standards for studio and one-bedroom units under 600 square feet.

Pleasanton, CA – Pleasanton’s inclusionary housing ordinance provides a menu of incentives to reduce costs and encourage onsite construction of inclusionary units. The City’s inclusionary ordinance requires 15% to 20% of units as affordable depending on project type. Incentives for on-site inclusionary units include:

- Fee waiver or deferral.
- Priority processing.
- Reduced setbacks.
- Reduced infrastructure requirements.
- Reduced open space requirements.
- Reduced landscaping requirements.
- Interior or exterior amenities.
- Reduced parking requirements.
- Height restriction waivers.

B. Considerations

Providing flexibility in development standards can reduce development costs and help improve project feasibility. This can in turn help to offset the cost of providing affordable units. Projects in Hawaii County that submit applications under the State’s Section 201H program have requested a variety of modifications to development standards, an indicator that projects see value in this type of flexibility.

7.4 Reduced Parking Requirements

Reduced parking requirements can improve feasibility, and if the reduction is linked to inclusion of affordable units, it can help incentivize projects to do so. A one-size-fits-all parking requirement may result in an excess parking in some situations. The flexibility to provide only the parking the developer determines is necessary can help reduce costs and make projects more feasible, since surface parking is land-intensive and structured parking is costly to construct. A reduction in parking requirements can be beneficial where residents have few vehicles and other modes of transportation are available. Approaches can include:

- Reduced parking requirements for all projects.
- Elimination of parking requirements, or even setting maximum parking limits.
- Case-by-case review to determine appropriate parking levels.
- Linking a reduction in parking requirements to on-site affordability.

A. Examples

Seattle, WA – Seattle reduced parking requirements for affordable housing, requiring one space per 6 units instead of one per 3 units. No parking is required for residential units near a frequent transit stop.

Evanston, IL – Parking is not required for inclusionary units in projects with 5% affordable units on-site, or 10% for developments receiving public financing. Additional parking reductions are available within transit-oriented development areas.

Alexandria, VA – Alexandria's parking requirements vary by development type and neighborhood and are lower near Metro stations. Additional parking reductions apply to projects near multiple active bus routes, with a high walkability index, with a large share of studios, and for multifamily buildings that include affordable housing.

B. Considerations

When projects are required to provide more parking than necessary, development costs are increased unnecessarily, which can affect feasibility. Reducing parking requirements can improve feasibility and help offset the cost of affordable units in some situations. The incentive associated with reduced parking is greatest where land values are high and projects are providing parking in a structure, which is not the case for most projects in Hawaii County.

7.5 Expedited Approvals

An expedited approval process can be established for projects that include an affordable component. Faster processing reduces risk and financing costs and allows developers to bring projects to market faster. This can entail expedited processing of land use and zoning approvals during the entitlement phase as well as expediting building permit and inspection processes during the construction phase.

A. Examples

Santa Fe, NM – Santa Fe accelerates the permitting process for projects that include at least 25% affordable housing in addition to other provisions to help to offset the cost of affordable units, including permit fee waivers, impact fee waivers, and a reduced utility expansion charge.

San Diego, CA – San Diego expedites processing of projects with at least 10% affordable units, in-fill, or sustainable development features. Eligible projects receive access to specialized staff, shorter review times, and priority for scheduling of hearings.

Pinellas County, FL – Pinellas County expedites processing of affordable housing by providing access to a development review administrator that serves as a central point of contact as the project proceeds through the development review and permitting process.

B. Considerations

Expedited processing can save time and reduce at-risk entitlement costs, market risks, and financing costs to the extent there is a meaningful acceleration in the process. Expedited processing is most effective as a tool for encouraging projects to provide affordable housing in markets where developers view entitlement risks as elevated or the process as lengthy and there is a meaningful approach to expediting the process for eligible projects. Some communities have expressed reservations with the idea of creating a two-track system of approvals and instead aspire toward expediting the approval process for all projects.

7.6 By-Right Development

By-right development is an approach of allowing housing to be built without discretionary approval if it complies with objective zoning and development standards. Discretionary approval processes create uncertainty for developers and can add significant time and expense to the process. Broadening the range of development projects eligible for approval administratively “by right” if they meet all objective zoning and development regulations can reduce risk and costs for the developer.

A. Examples

Connecticut and California have both established by-right development policies. In Connecticut, land zoned for single-family housing generally does not require a public hearing before approval, but almost all projects involving more than three units must undergo public hearings. California recently established by-right development for affordable housing in areas zoned for parking, retail, or office. Projects are exempt from environmental reviews but require that units be affordable and comply with prevailing wage standards. California also established a process that prevents a reduction in density to housing projects that meet all objective standards in place at the time of application and allows projects to lock in the existing fees and land use regulations at the time a preliminary application is submitted.

B. Considerations

A by-right approval process enhances certainty for projects, reducing cost and risk to the developer. To the extent there are opportunities to expand the set of projects eligible to be processed and approved administratively, it may be helpful in inducing additional housing development.

7.7 Development Fee Waivers

Reduction, waiver, or deferral of development-related fees for projects that include affordable housing reduce costs and are typically a positive factor in securing competitive financing.

A. Examples

Austin, TX – Projects that set aside affordable units are eligible for full or partial waivers. Fee reductions range from 25% to 100% depending on the percentage of affordable units. The maximum reduction in fees is available to projects with 40% or more affordable units.

Folsom, CA allows developers of qualified residential projects to pay impact fees on a deferred basis (up to 15 months from issuance of a building permit). Projects must have 10% of units affordable to very low-income households or 30% affordable to low-income households to be eligible. Processing fees may also be waived, subject to an annual dollar maximum.

Sacramento, CA – Affordable units are eligible for a zero dollar rate for certain categories of development impact fees administered by the city.

B. Considerations

Fee waivers can be helpful in securing competitive funding sources for 100% affordable projects. Some jurisdictions use affordable housing fee revenues to reimburse relevant city or county funds for reduced or waived fees, and some provide a General Fund appropriation to offset the cost of the fee waivers or reductions. Projects qualifying for the State of Hawaii 201H program are already able to request fee waivers through that process.

7.8 Property Tax Abatements or Exemptions

Property tax abatements and exemptions reduce operating costs for rental units, which directly improves project feasibility. Property tax abatements reduce the amount of taxes owed for a specific period. Property tax exemptions reduce the property's assessed value or rate of taxation, thereby resulting in a lower tax bill indefinitely.

A. Examples

Washington, DC implemented a property tax abatement equivalent to 75 percent of the incremental property tax resulting from the development. The property tax abatement is for ten years. Projects must have at least 15% affordable units to qualify.

Provincetown, MA provides a property tax exemption for affordable units. The exemption is determined in proportion to the floor area occupied by the affordable units. The exemption is granted on a year-to-year basis and does not require a long-term affordability covenant.

B. Considerations

Property tax exemptions and abatements directly improve feasibility by reducing operating costs of rental units. Hawaii County has a form of a property tax abatement in the form of a reduced property tax rate that applies to affordable units, which represents approximately half the standard rate for apartments.

APPENDIX A: PRO FORMA ANALYSIS TABLES

**APPENDIX A TABLE 1
SUMMARY OF FEASIBILITY FINDINGS
FEASIBILITY ANALYSIS
HAWAII COUNTY**

Summary of Feasibility Scenario Testing								
Scenario	Residual Land Value Supported (\$PSF of land) ⁽¹⁾							
	1	2	3a	3b	4a	4b	4c	4d
	Purchased Credits	No Requirement	On-Site Units ⁽²⁾⁽³⁾		In-Lieu Fee (\$/NSF in Project)			
			Mix A, 13.5% affordable	Mix B, 10% affordable	\$5	\$10	\$15	\$20
Prototype Project			<i>13.5% on-site aff.</i>	<i>10% on-site aff.</i>				
W1 Kailua Kona Single Family, Larger	\$7	\$7	\$2	\$3	\$7	\$6	\$6	\$5
W2 Kailua Kona Single Family, Smaller	\$8	\$9	(\$1)	\$1	\$8	\$7	\$6	\$5
W3 Kailua Kona Attached Condo	(\$2)	\$1	(\$11)	(\$10)	(\$1)	(\$3)	(\$5)	(\$7)
W4 Kohala Resort Single Family	\$24	\$24	\$19	\$19	\$24	\$23	\$22	\$21
W5 Kohala Resort Attached Condo	\$30	\$33	\$22	\$23	\$31	\$29	\$28	\$26
W6 Waikoloa Single Family	\$5	\$5	\$1	\$1	\$5	\$4	\$4	\$3
W7 Waimea Single Family	\$2	\$3	(\$2)	(\$1)	\$2	\$2	\$1	\$0
E1 Hilo Single Family	(\$2)	(\$1)	(\$3)	(\$3)	(\$2)	(\$2)	(\$2)	(\$3)
E2 Puna Single Family	(\$14)	(\$14)	(\$14)	(\$14)	(\$14)	(\$14)	(\$15)	(\$15)
E3 Hamakua Single Family	(\$10)	(\$9)	(\$11)	(\$11)	(\$10)	(\$10)	(\$11)	(\$11)
Wa West Hawai'i Market Rate Rental	\$19	\$22	\$9	\$9	\$21	\$20	\$18	\$17
Ea East Hawai'i Market Rate Rental	(\$53)	(\$49)	(\$53)	(\$55)	(\$50)	(\$51)	(\$53)	(\$54)

- (1) Reflects residual land value prior to improvements such as grading, utilities, and intract streets.
(2) See Appendix A Table 5 for details regarding affordability mix.
(3) Analysis based on on-site units in mixed income project without outside subsidies such as LIHTC.

Feasible / More Likely to Develop
Marginal / Weaker Feasibility
Infeasible / Less Likely to Develop

**APPENDIX A TABLE 2
NET COST OF CHAPTER 11 COMPLIANCE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

Net Cost of Compliance with Affordable Housing Requirements ⁽¹⁾							
Prototype Project	Existing Chapter 11 Requirements			In-Lieu Fee (\$/NSF in Project)			
	1	3a	3b	4a	4b	4c	4d
	Purchased Credits	On-Site Units ⁽²⁾		In-Lieu Fee (\$/NSF in Project)			
Mix A, 13.5% affordable		Mix B, 10% affordable	\$5	\$10	\$15	\$20	
A. Compliance Cost Per Unit in Project		13.5% on-site affordable	10% on-site affordable				
W1 Kailua Kona Single Family, Larger	\$10,260	\$126,260	\$101,360	\$11,880	\$23,760	\$35,640	\$47,520
W2 Kailua Kona Single Family, Smaller	\$10,300	\$71,300	\$60,300	\$7,730	\$15,480	\$23,230	\$30,980
W3 Kailua Kona Attached Condo	\$10,400	\$38,000	\$34,900	\$6,220	\$12,420	\$18,620	\$24,820
W4 Kohala Resort Single Family	\$10,400	\$85,700	\$72,500	\$12,450	\$24,850	\$37,250	\$49,640
W5 Kohala Resort Attached Condo	\$10,300	\$45,700	\$42,000	\$7,250	\$14,480	\$21,710	\$28,940
W6 Waikoloa Single Family	\$10,400	\$71,300	\$60,300	\$8,820	\$17,610	\$26,390	\$35,170
W7 Waimea Single Family	\$10,300	\$63,400	\$54,800	\$9,040	\$18,080	\$27,120	\$36,160
E1 Hilo Single Family	\$10,300	\$33,000	\$32,100	\$8,800	\$17,580	\$26,360	\$35,140
E2 Puna Single Family (3)	\$10,300	\$2,000	\$4,000	\$6,180	\$12,380	\$18,580	\$24,780
E3 Hamakua Single Family	\$10,400	\$22,500	\$24,200	\$7,790	\$15,540	\$23,280	\$31,030
Wa West Hawai'i Market Rate Rental	\$10,000	\$37,000	\$36,000	\$3,830	\$7,450	\$11,060	\$14,680
Ea East Hawai'i Market Rate Rental	\$10,100	\$11,100	\$16,100	\$3,660	\$7,280	\$10,890	\$14,510
B. Compliance Cost Per Square Foot in Project				<i>(adds est. construction loan interest carry for fee)</i>			
W1 Kailua Kona Single Family, Larger	\$4.46	\$54.90	\$44.07	\$5.17	\$10.33	\$15.50	\$20.66
W2 Kailua Kona Single Family, Smaller	\$6.87	\$47.53	\$40.20	\$5.15	\$10.32	\$15.49	\$20.65
W3 Kailua Kona Attached Condo	\$8.67	\$31.67	\$29.08	\$5.18	\$10.35	\$15.52	\$20.68
W4 Kohala Resort Single Family	\$4.33	\$35.71	\$30.21	\$5.19	\$10.35	\$15.52	\$20.68
W5 Kohala Resort Attached Condo	\$7.36	\$32.64	\$30.00	\$5.18	\$10.34	\$15.51	\$20.67
W6 Waikoloa Single Family	\$6.12	\$41.94	\$35.47	\$5.19	\$10.36	\$15.52	\$20.69
W7 Waimea Single Family	\$5.89	\$36.23	\$31.31	\$5.17	\$10.33	\$15.50	\$20.66
E1 Hilo Single Family	\$6.06	\$19.41	\$18.88	\$5.18	\$10.34	\$15.51	\$20.67
E2 Puna Single Family (3)	\$8.58	\$1.67	\$3.33	\$5.15	\$10.32	\$15.48	\$20.65
E3 Hamakua Single Family	\$6.93	\$15.00	\$16.13	\$5.19	\$10.36	\$15.52	\$20.69
Wa West Hawai'i Market Rate Rental	\$14.29	\$52.86	\$51.43	\$5.47	\$10.64	\$15.80	\$20.97
Ea East Hawai'i Market Rate Rental	\$14.43	\$15.86	\$23.00	\$5.23	\$10.40	\$15.56	\$20.73

Net Cost of Compliance with Affordable Housing Requirements ⁽¹⁾							
Prototype Project	Existing Chapter 11 Requirements			In-Lieu Fee (\$/NSF in Project)			
	1	3a	3b	4a	4b	4c	4d
	Purchased Credits	On-Site Units ⁽²⁾		In-Lieu Fee (\$/NSF in Project)			
Mix A, 13.5% affordable		Mix B, 10% affordable	\$5	\$10	\$15	\$20	
C. Compliance Cost as Percent of Total Development Cost excl. land							
W1 Kailua Kona Single Family, Larger	0.9%	11.0%	8.9%	1.0%	2.1%	3.1%	4.2%
W2 Kailua Kona Single Family, Smaller	1.2%	8.5%	7.2%	0.9%	1.8%	2.8%	3.7%
W3 Kailua Kona Attached Condo	1.7%	6.2%	5.7%	1.0%	2.0%	3.0%	4.0%
W4 Kohala Resort Single Family	0.5%	4.1%	3.5%	0.6%	1.2%	1.8%	2.4%
W5 Kohala Resort Attached Condo	1.0%	4.6%	4.2%	0.7%	1.4%	2.2%	2.9%
W6 Waikoloa Single Family	1.3%	8.7%	7.3%	1.1%	2.1%	3.2%	4.3%
W7 Waimea Single Family	1.3%	7.7%	6.7%	1.1%	2.2%	3.3%	4.4%
E1 Hilo Single Family	1.6%	5.0%	4.8%	1.3%	2.6%	4.0%	5.3%
E2 Puna Single Family (3)	1.9%	0.4%	0.7%	1.1%	2.3%	3.5%	4.6%
E3 Hamakua Single Family	1.6%	3.4%	3.7%	1.2%	2.4%	3.6%	4.7%
Wa West Hawai'i Market Rate Rental	2.7%	9.8%	9.6%	1.0%	2.0%	2.9%	3.9%
Ea East Hawai'i Market Rate Rental	2.7%	2.9%	4.3%	1.0%	1.9%	2.9%	3.9%
D. Net Cost Per On-Site Affordable Unit (<i>forgone sales price / project value with affordable units in mixed-income project / no LIHTC or other subsidy</i>)							
W1 Kailua Kona Single Family, Larger		\$935,000	\$1,014,000				
W2 Kailua Kona Single Family, Smaller		\$528,000	\$603,000				
W3 Kailua Kona Attached Condo		\$281,000	\$349,000				
W4 Kohala Resort Single Family		\$635,000	\$725,000				
W5 Kohala Resort Attached Condo		\$339,000	\$420,000				
W6 Waikoloa Single Family		\$528,000	\$603,000				
W7 Waimea Single Family		\$470,000	\$548,000				
E1 Hilo Single Family		\$244,000	\$321,000				
E2 Puna Single Family (3)		\$15,000	\$40,000				
E3 Hamakua Single Family		\$167,000	\$242,000				
Wa West Hawai'i Market Rate Rental		\$274,000	\$360,000				
Ea East Hawai'i Market Rate Rental		\$82,000	\$161,000				

Notes:

(1) Reflects the effective net cost of complying with Chapter 11 expressed as an amount per unit or per square foot in the entire project. Figures under sections A., B. and C. reflect an average across *all* units in the project (market rate + affordable), while amounts in Section D reflect a cost per affordable unit. Amounts are computed based on the pro forma analysis and reflect the net impact on the pro forma of the identified requirement as compared to no requirement.

(2) Resort prototypes are assumed to provide affordable for-sale units in an off-site location.

(3) Cost of on-site units calculates as zero because market prices are below calculated affordable sales prices.

**APPENDIX A TABLE 3A
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

WITH USE OF CREDITS

	Kailua Kona / South Kona						
	W1 - Larger Single Family		W2 - Smaller Single Family		W3 - Attached Condo		
Living Area Net SF	2,300 sf		1,500 sf		1,200 sf		
Garage/Carport SF	420 sf		420 sf		0 sf		
Lanai/Porch	120 sf		60 sf		60 sf		
Average Number of Bedrooms	3.50 bedrooms		3.0 bedrooms		2.0 bedrooms		
Gross Density	1.7 du/acre		6.4 du/acre		13.6 du/acre		
Avg Lot Size	20,000 sf		5,445 sf		2,562 sf		
Parking Ratio/ Type	2.0 garage		2.0 garage		1.5 surface		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	100.0%	\$670	\$1,541,000	\$700	\$1,050,000	\$600	\$720,000
<Less> Sales Expense		(\$27)	(\$61,600)	(\$28)	(\$42,000)	(\$24)	(\$28,800)
Sales Net of Sales Expenses		\$643	\$1,479,400	\$672	\$1,008,000	\$576	\$691,200
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site / Intract Costs		\$109	\$250,000	\$100	\$150,000	\$58	\$70,000
Direct Home Construction		\$305	\$701,500	\$360	\$540,000	\$355	\$426,000
Fees & Permits		\$11	\$25,000	\$16	\$24,000	\$19	\$23,000
Affordable Housing Credits		\$4	\$10,000	\$7	\$10,000	\$8	\$10,000
Other Indirect Costs		\$55	\$126,300	\$65	\$97,200	\$64	\$76,700
Financing		\$18	\$41,100	\$19	\$28,400	\$17	\$20,700
Total Devel. Costs (excl. land)		\$502	\$1,153,900	\$566	\$849,600	\$522	\$626,400
Residual Land Value							
Net Sales Revenue		\$643	\$1,479,400	\$672	\$1,008,000	\$576	\$691,200
<Less> Development Costs		(\$502)	(\$1,153,900)	(\$566)	(\$849,600)	(\$522)	(\$626,400)
<Less> Builder Profit Margin*			(\$154,100)		(\$105,000)		(\$72,000)
Residual Land Value (Per Unit)			\$171,400		\$53,400		(\$7,200)
Per Acre			\$298,600		\$341,800		(\$97,900)
Per Sq. Ft. of Land Area (Gross)			\$7		\$8		(\$2)

*net of sales costs and builder overhead

**APPENDIX A TABLE 3A
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

WITH USE OF CREDITS

	Kohala / Oceanfront Resorts				Waikoloa Village		Waimea		
	W4 - Single Family & Duplex		W5 - Attached Condo		W6 - Single Family		W7 - Single Family		
Living Area Net SF	2,400 sf		1,400 sf		1,700 sf		1,750 sf		
Garage/Carport SF	420 sf		0 sf		420 sf		420 sf		
Lanai/Porch	550 sf		180 sf		80 sf		80 sf		
Average Number of Bedrooms	4 bedrooms		2.25 bedrooms		3 bedrooms		4 bedrooms		
Gross Density	3.0 du/acre		9.6 du/acre		2.9 du/acre		3.5 du/acre		
Avg Lot Size	11,616 sf		3,630 sf		12,000 sf		10,000 sf		
Parking Ratio/ Type	2.0 garage		1.5 surface		2.0 surface		2.0 garage		
Revenue	<u>Percent</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>
Market Rate Units	100.0%	\$1,300	\$3,120,000	\$1,050	\$1,470,000	\$618	\$1,050,000	\$571	\$1,000,000
<Less> Sales Expense		(\$130)	(\$312,000)	(\$105)	(\$147,000)	(\$25)	(\$42,000)	(\$23)	(\$40,000)
Sales Net of Sales Expenses		\$1,170	\$2,808,000	\$945	\$1,323,000	\$593	\$1,008,000	\$549	\$960,000
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site / Intract Costs		\$163	\$392,000	\$88	\$123,000	\$88	\$150,000	\$86	\$150,000
Direct Home Construction		\$560	\$1,344,000	\$495	\$693,000	\$310	\$527,000	\$300	\$525,000
Fees & Permits		\$11	\$27,000	\$17	\$24,000	\$14	\$24,000	\$14	\$24,000
Affordable Housing Credits		\$4	\$10,000	\$7	\$10,000	\$6	\$10,000	\$6	\$10,000
Other Indirect Costs		\$101	\$241,900	\$89	\$124,700	\$56	\$94,900	\$54	\$94,500
Financing		\$31	\$74,200	\$25	\$34,600	\$16	\$27,800	\$16	\$27,500
Total Devel. Costs (excl. land)		\$870	\$2,089,100	\$721	\$1,009,300	\$490	\$833,700	\$475	\$831,000
Residual Land Value									
Net Sales Revenue		\$1,170	\$2,808,000	\$945	\$1,323,000	\$593	\$1,008,000	\$549	\$960,000
<Less> Development Costs		(\$870)	(\$2,089,100)	(\$721)	(\$1,009,300)	(\$490)	(\$833,700)	(\$475)	(\$831,000)
<Less> Builder Profit Margin*			(\$374,400)		(\$176,400)		(\$105,000)		(\$100,000)
Residual Land Value (Per Unit)			\$344,500 *		\$137,300 *		\$69,300		\$29,000
Per Acre			\$1,033,500 *		\$1,318,100 *		\$201,200		\$101,100
Per Sq. Ft. of Land Area (Gross)			\$24		\$30		\$5		\$2

* reflective of pad sale in existing resort with established amenities, would be less for ground-up resort, higher for ocean-front lots.

*net of sales costs and builder overhead

**APPENDIX A TABLE 3A
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

WITH USE OF CREDITS

	Hilo		Puna		Hamakua		
	E1 - Single Family		E2 - Single Family		E3 - Single Family		
Living Area Net SF	1,700 sf		1,200 sf		1,500 sf		
Garage/Carport SF	420 sf		420 sf		420 sf		
Lanai/Porch	80 sf		60 sf		60 sf		
Average Number of Bedrooms	3.25 bedrooms		3.0 bedrooms		3.0 bedrooms		
Gross Density	1.6 du/acre		2.9 du/acre		3.5 du/acre		
Avg Lot Size	21,780 sf		12,000 sf		10,000 sf		
Parking Ratio/ Type	2.0 garage		2.0 garage		2.0 garage		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	100.0%	\$426	\$725,000	\$325	\$390,000	\$420	\$630,000
<Less> Sales Expense		(\$17)	(\$29,000)	(\$13)	(\$15,600)	(\$17)	(\$25,200)
Sales Net of Sales Expenses		\$409	\$696,000	\$312	\$374,400	\$403	\$604,800
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site / Intract Costs		\$80	\$136,000	\$113	\$135,000	\$117	\$175,000
Direct Home Construction		\$240	\$408,000	\$255	\$306,000	\$245	\$367,500
Fees & Permits		\$14	\$24,000	\$20	\$24,000	\$16	\$24,000
Affordable Housing Credits		\$6	\$10,000	\$8	\$10,000	\$7	\$10,000
Other Indirect Costs		\$43	\$73,400	\$46	\$55,100	\$44	\$66,200
Financing		\$13	\$22,500	\$15	\$18,100	\$15	\$21,800
Total Devel. Costs (excl. land)		\$396	\$673,900	\$457	\$548,200	\$443	\$664,500
Residual Land Value							
Net Sales Revenue		\$409	\$696,000	\$312	\$374,400	\$403	\$604,800
<Less> Development Costs		(\$396)	(\$673,900)	(\$457)	(\$548,200)	(\$443)	(\$664,500)
<Less> Builder Profit Margin*			(\$72,500)		(\$39,000)		(\$63,000)
Residual Land Value (Per Unit)			(\$50,400)		(\$212,800)		(\$122,700)
Per Acre			(\$80,600)		(\$618,000)		(\$427,600)
Per Sq. Ft. of Land Area (Gross)			(\$2)		(\$14)		(\$10)

*net of sales costs and builder overhead

**APPENDIX A TABLE 3B
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

EXISTING REQ. & ON-SITE UNITS - HIGHEST AMI LEVEL ALLOWED

		Kailua Kona / South Kona					
		W1 - Larger Single Family		W2 - Smaller Single Family		W3 - Attached Condo	
Living Area Net SF		2,300 sf		1,500 sf		1,200 sf	
Garage/Carport SF		420 sf		420 sf		0 sf	
Lanai/Porch		120 sf		60 sf		60 sf	
Average Number of Bedrooms		3.50 bedrooms		3.0 bedrooms		2.0 bedrooms	
Gross Density		1.7 du/acre		6.4 du/acre		13.6 du/acre	
Avg Lot Size		20,000 sf		5,445 sf		2,562 sf	
Parking Ratio/ Type		2.0 garage		2.0 garage		1.5 surface	
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	86.5%	\$670	\$1,541,000	\$700	\$1,050,000	\$600	\$720,000
80% AMI Units	5.4%	\$158	\$362,850	\$233	\$348,800	\$262	\$314,200
100% AMI Units	4.1%	\$197	\$453,550	\$291	\$436,000	\$327	\$392,800
120% AMI Units	2.7%	\$237	\$544,250	\$349	\$523,200	\$393	\$471,300
140% AMI Units	1.4%	<u>\$276</u>	<u>\$635,000</u>	<u>\$407</u>	<u>\$610,500</u>	<u>\$458</u>	<u>\$549,900</u>
Average Gross Sales Price		\$606	\$1,394,195	\$645	\$967,111	\$563	\$675,824
<Less> Sales Expense		<u>(\$24)</u>	<u>(\$55,768)</u>	<u>(\$26)</u>	<u>(\$38,684)</u>	<u>(\$23)</u>	<u>(\$27,033)</u>
Sales Net of Sales Expenses		\$582	\$1,338,427	\$619	\$928,427	\$541	\$648,791
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site Improvements		\$109	\$250,000	\$100	\$150,000	\$58	\$70,000
Direct Home Construction		\$305	\$701,500	\$360	\$540,000	\$355	\$426,000
Fees & Permits		\$11	\$25,000	\$16	\$24,000	\$19	\$23,000
Subsidy for Off-Site Aff Units**		\$0	\$0	\$0	\$0	\$0	\$0
Other Indirect Costs		\$55	\$126,300	\$65	\$97,200	\$64	\$76,700
Financing		\$18	\$40,800	\$19	\$28,100	\$17	\$20,300
Total Devel. Costs (excl. land)		\$497	\$1,143,600	\$560	\$839,300	\$513	\$616,000
Residual Land Value							
Net Sales Revenue		\$582	\$1,338,427	\$619	\$928,427	\$541	\$648,791
<Less> Development Costs		(\$497)	(\$1,143,600)	(\$560)	(\$839,300)	(\$513)	(\$616,000)
<Less> Builder Profit Margin*			(\$139,419)		(\$96,711)		(\$67,582)
Residual Land Value (Per Unit)			\$55,400		(\$7,600)		(\$34,800)
Per Acre			\$96,500		(\$48,600)		(\$473,300)
Per Sq. Ft. of Land Area (Gross)			\$2		(\$1)		(\$11)

*net of sales costs and builder overhead

**APPENDIX A TABLE 3B
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

EXISTING REQ. & ON-SITE UNITS - HIGHEST AMI LEVEL ALLOWED

	Kohala / Oceanfront Resorts				Waikoloa Village		Waimea		
	W4 - Single Family & Duplex		W5 - Attached Condo		W6 - Single Family		W7 - Single Family		
Living Area Net SF	2,400 sf		1,400 sf		1,700 sf		1,750 sf		
Garage/Carport SF	420 sf		0 sf		420 sf		420 sf		
Lanai/Porch	550 sf		180 sf		80 sf		80 sf		
Average Number of Bedrooms	4 bedrooms		2.25 bedrooms		3 bedrooms		4 bedrooms		
Gross Density	3.0 du/acre		9.6 du/acre		2.9 du/acre		3.5 du/acre		
Avg Lot Size	11,616 sf		3,630 sf		12,000 sf		10,000 sf		
Parking Ratio/ Type	2.0 garage		1.5 surface		2.0 surface		2.0 garage		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	86.5%	\$1,300	\$3,120,000	\$1,050	\$1,470,000	\$618	\$1,050,000	\$571	\$1,000,000
80% AMI Units	5.4%	(100% market rate, with for-sale aff units provided off-site)		(100% market rate, with aff units provided off-site)		\$205	\$348,800	\$207	\$362,850
100% AMI Units	4.1%					\$256	\$436,000	\$259	\$453,550
120% AMI Units	2.7%					\$308	\$523,200	\$311	\$544,250
140% AMI Units	1.4%					<u>\$359</u>	<u>\$610,500</u>	<u>\$363</u>	<u>\$635,000</u>
Average Gross Sales Price		\$1,300	\$3,120,000	\$1,050	\$1,470,000	\$569	\$967,111	\$529	\$926,230
<Less> Sales Expense		<u>(\$130)</u>	<u>(\$312,000)</u>	<u>(\$105)</u>	<u>(\$147,000)</u>	<u>(\$23)</u>	<u>(\$38,684)</u>	<u>(\$21)</u>	<u>(\$37,049)</u>
Sales Net of Sales Expenses		\$1,170	\$2,808,000	\$945	\$1,323,000	\$546	\$928,427	\$508	\$889,181
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site Improvements		\$163	\$392,000	\$88	\$123,000	\$88	\$150,000	\$86	\$150,000
Direct Home Construction		\$560	\$1,344,000	\$495	\$693,000	\$310	\$527,000	\$300	\$525,000
Fees & Permits		\$11	\$27,000	\$17	\$24,000	\$14	\$24,000	\$14	\$24,000
Subsidy for Off-Site Aff Units**		\$35	\$82,900	\$32	\$44,200	\$0	\$0	\$0	\$0
Other Indirect Costs		\$101	\$241,900	\$89	\$124,700	\$56	\$94,900	\$54	\$94,500
Financing		\$32	\$76,600	\$26	\$35,800	\$16	\$27,400	\$16	\$27,200
Total Devel. Costs (excl. land)		\$902	\$2,164,400	\$746	\$1,044,700	\$484	\$823,300	\$469	\$820,700
Residual Land Value									
Net Sales Revenue		\$1,170	\$2,808,000	\$945	\$1,323,000	\$546	\$928,427	\$508	\$889,181
<Less> Development Costs		<u>(\$902)</u>	<u>(\$2,164,400)</u>	<u>(\$746)</u>	<u>(\$1,044,700)</u>	<u>(\$484)</u>	<u>(\$823,300)</u>	<u>(\$469)</u>	<u>(\$820,700)</u>
<Less> Builder Profit Margin*			<u>(\$374,400)</u>		<u>(\$176,400)</u>		<u>(\$96,711)</u>		<u>(\$92,623)</u>
Residual Land Value (Per Unit)			\$269,200 *		\$101,900 *		\$8,400		(\$24,100)
Per Acre			\$807,600 *		\$978,200 *		\$24,400		(\$84,000)
Per Sq. Ft. of Land Area (Gross)			\$19		\$22		\$1		(\$2)

* reflective of pad sale in existing resort with established amenities, would be less for ground-up resort, higher for ocean-front lots.

*net of sales costs and builder overhead

**Due to high price-point, assume resorts would provide affordable for-sale units off-site. Net cost is based on cost to provide prototype W2 / W3 at an affordable price.

**APPENDIX A TABLE 3B
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

EXISTING REQ. & ON-SITE UNITS - HIGHEST AMI LEVEL ALLOWED

	Hilo		Puna		Hamakua		
	E1 - Single Family		E2 - Single Family		E3 - Single Family		
Living Area Net SF	1,700 sf		1,200 sf		1,500 sf		
Garage/Carport SF	420 sf		420 sf		420 sf		
Lanai/Porch	80 sf		60 sf		60 sf		
Average Number of Bedrooms	3.25 bedrooms		3.0 bedrooms		3.0 bedrooms		
Gross Density	1.6 du/acre		2.9 du/acre		3.5 du/acre		
Avg Lot Size	21,780 sf		12,000 sf		10,000 sf		
Parking Ratio/ Type	2.0 garage		2.0 garage		2.0 garage		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	86.5%	\$426	\$725,000	\$325	\$390,000	\$420	\$630,000
80% AMI Units	5.4%	\$207	\$352,313	\$291	\$348,800	\$233	\$348,800
100% AMI Units	4.1%	\$259	\$440,388	\$325	\$390,000	\$291	\$436,000
120% AMI Units	2.7%	\$311	\$528,463	\$325	\$390,000	\$349	\$523,200
140% AMI Units	1.4%	<u>\$363</u>	<u>\$616,625</u>	<u>\$325</u>	<u>\$390,000</u>	<u>\$407</u>	<u>\$610,500</u>
Average Gross Sales Price		\$404	\$686,578	\$323	\$387,775	\$403	\$603,811
<Less> Sales Expense		<u>(\$16)</u>	<u>(\$27,463)</u>	<u>(\$13)</u>	<u>(\$15,511)</u>	<u>(\$16)</u>	<u>(\$24,152)</u>
Sales Net of Sales Expenses		\$388	\$659,115	\$310	\$372,264	\$386	\$579,659
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site Improvements		\$80	\$136,000	\$113	\$135,000	\$117	\$175,000
Direct Home Construction		\$240	\$408,000	\$255	\$306,000	\$245	\$367,500
Fees & Permits		\$14	\$24,000	\$20	\$24,000	\$16	\$24,000
Subsidy for Off-Site Aff Units**		\$0	\$0	\$0	\$0	\$0	\$0
Other Indirect Costs		\$43	\$73,400	\$46	\$55,100	\$44	\$66,200
Financing		\$13	\$22,200	\$15	\$17,800	\$14	\$21,400
Total Devel. Costs (excl. land)		\$390	\$663,600	\$448	\$537,900	\$436	\$654,100
Residual Land Value							
Net Sales Revenue		\$388	\$659,115	\$310	\$372,264	\$386	\$579,659
<Less> Development Costs		(\$390)	(\$663,600)	(\$448)	(\$537,900)	(\$436)	(\$654,100)
<Less> Builder Profit Margin*			(\$68,658)		(\$38,778)		(\$60,381)
Residual Land Value (Per Unit)			(\$73,100)		(\$204,400)		(\$134,800)
Per Acre			(\$117,000)		(\$593,600)		(\$469,800)
Per Sq. Ft. of Land Area (Gross)			(\$3)		(\$14)		(\$11)

*net of sales costs and builder overhead

**APPENDIX A TABLE 3C
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

EXISTING REQ. & ON-SITE UNITS - AT AMI ELIGIBLE FOR MAX CREDIT

		Kailua Kona / South Kona					
		W1 - Larger Single Family		W2 - Smaller Single Family		W3 - Attached Condo	
Living Area Net SF		2,300 sf		1,500 sf		1,200 sf	
Garage/Carport SF		420 sf		420 sf		0 sf	
Lanai/Porch		120 sf		60 sf		60 sf	
Average Number of Bedrooms		3.50 bedrooms		3.0 bedrooms		2.0 bedrooms	
Gross Density		1.7 du/acre		6.4 du/acre		13.6 du/acre	
Avg Lot Size		20,000 sf		5,445 sf		2,562 sf	
Parking Ratio/ Type		2.0 garage		2.0 garage		1.5 surface	
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	90.0%	\$670	\$1,541,000	\$700	\$1,050,000	\$600	\$720,000
80% AMI Units	10.0%	\$158	\$362,850	\$233	\$348,800	\$262	\$314,200
100% AMI Units	0.0%	\$197	\$453,550	\$291	\$436,000	\$327	\$392,800
120% AMI Units	0.0%	\$237	\$544,250	\$349	\$523,200	\$393	\$471,300
140% AMI Units	0.0%	<u>\$276</u>	<u>\$635,000</u>	<u>\$407</u>	<u>\$610,500</u>	<u>\$458</u>	<u>\$549,900</u>
Average Gross Sales Price		\$619	\$1,423,185	\$653	\$979,880	\$566	\$679,420
<Less> Sales Expense		<u>(\$25)</u>	<u>(\$56,927)</u>	<u>(\$26)</u>	<u>(\$39,195)</u>	<u>(\$23)</u>	<u>(\$27,177)</u>
Sales Net of Sales Expenses		\$594	\$1,366,258	\$627	\$940,685	\$544	\$652,243
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site Improvements		\$109	\$250,000	\$100	\$150,000	\$58	\$70,000
Direct Home Construction		\$305	\$701,500	\$360	\$540,000	\$355	\$426,000
Fees & Permits		\$11	\$25,000	\$16	\$24,000	\$19	\$23,000
Subsidy for Off-Site Aff Units**		\$0	\$0	\$0	\$0	\$0	\$0
Other Indirect Costs		\$55	\$126,300	\$65	\$97,200	\$64	\$76,700
Financing		\$18	\$40,800	\$19	\$28,100	\$17	\$20,300
Total Devel. Costs (excl. land)		\$497	\$1,143,600	\$560	\$839,300	\$513	\$616,000
Residual Land Value							
Net Sales Revenue		\$594	\$1,366,258	\$627	\$940,685	\$544	\$652,243
<Less> Development Costs		(\$497)	(\$1,143,600)	(\$560)	(\$839,300)	(\$513)	(\$616,000)
<Less> Builder Profit Margin*			(\$142,319)		(\$97,988)		(\$67,942)
Residual Land Value (Per Unit)			\$80,300		\$3,400		(\$31,700)
Per Acre			\$139,900		\$21,800		(\$431,100)
Per Sq. Ft. of Land Area (Gross)			\$3		\$1		(\$10)

*net of sales costs and builder overhead

**APPENDIX A TABLE 3C
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

EXISTING REQ. & ON-SITE UNITS - AT AMI ELIGIBLE FOR MAX CREDIT

	Kohala / Oceanfront Resorts				Waikoloa Village		Waimea		
	W4 - Single Family & Duplex		W5 - Attached Condo		W6 - Single Family		W7 - Single Family		
Living Area Net SF	2,400 sf		1,400 sf		1,700 sf		1,750 sf		
Garage/Carport SF	420 sf		0 sf		420 sf		420 sf		
Lanai/Porch	550 sf		180 sf		80 sf		80 sf		
Average Number of Bedrooms	4 bedrooms		2.25 bedrooms		3 bedrooms		4 bedrooms		
Gross Density	3.0 du/acre		9.6 du/acre		2.9 du/acre		3.5 du/acre		
Avg Lot Size	11,616 sf		3,630 sf		12,000 sf		10,000 sf		
Parking Ratio/ Type	2.0 garage		1.5 surface		2.0 surface		2.0 garage		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per Unit	
Market Rate Units	90.0%	\$1,300	\$3,120,000	\$1,050	\$1,470,000	\$618	\$1,050,000	\$571	\$1,000,000
80% AMI Units	10.0%	(100% market rate, with for-sale aff units provided off-site)		(100% market rate, with aff units provided off-site)		\$205	\$348,800	\$207	\$362,850
100% AMI Units	0.0%					\$256	\$436,000	\$259	\$453,550
120% AMI Units	0.0%					\$308	\$523,200	\$311	\$544,250
140% AMI Units	0.0%					<u>\$359</u>	<u>\$610,500</u>	<u>\$363</u>	<u>\$635,000</u>
Average Gross Sales Price		\$1,300	\$3,120,000	\$1,050	\$1,470,000	\$576	\$979,880	\$535	\$936,285
<Less> Sales Expense		<u>(\$130)</u>	<u>(\$312,000)</u>	<u>(\$105)</u>	<u>(\$147,000)</u>	<u>(\$23)</u>	<u>(\$39,195)</u>	<u>(\$21)</u>	<u>(\$37,451)</u>
Sales Net of Sales Expenses		\$1,170	\$2,808,000	\$945	\$1,323,000	\$553	\$940,685	\$514	\$898,834
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site Improvements		\$163	\$392,000	\$88	\$123,000	\$88	\$150,000	\$86	\$150,000
Direct Home Construction		\$560	\$1,344,000	\$495	\$693,000	\$310	\$527,000	\$300	\$525,000
Fees & Permits		\$11	\$27,000	\$17	\$24,000	\$14	\$24,000	\$14	\$24,000
Subsidy for Off-Site Aff Units**		\$29	\$70,100	\$29	\$40,600	\$0	\$0	\$0	\$0
Other Indirect Costs		\$101	\$241,900	\$89	\$124,700	\$56	\$94,900	\$54	\$94,500
Financing		\$32	\$76,200	\$26	\$35,700	\$16	\$27,400	\$16	\$27,200
Total Devel. Costs (excl. land)		\$896	\$2,151,200	\$744	\$1,041,000	\$484	\$823,300	\$469	\$820,700
Residual Land Value									
Net Sales Revenue		\$1,170	\$2,808,000	\$945	\$1,323,000	\$553	\$940,685	\$514	\$898,834
<Less> Development Costs		<u>(\$896)</u>	<u>(\$2,151,200)</u>	<u>(\$744)</u>	<u>(\$1,041,000)</u>	<u>(\$484)</u>	<u>(\$823,300)</u>	<u>(\$469)</u>	<u>(\$820,700)</u>
<Less> Builder Profit Margin*			<u>(\$374,400)</u>		<u>(\$176,400)</u>		<u>(\$97,988)</u>		<u>(\$93,629)</u>
Residual Land Value (Per Unit)			\$282,400 *		\$105,600 *		\$19,400		(\$15,500)
Per Acre			\$847,200 *		\$1,013,800 *		\$56,300		(\$54,000)
Per Sq. Ft. of Land Area (Gross)			\$19		\$23		\$1		(\$1)

* reflective of pad sale in existing resort with established amenities, would be less for ground-up resort, higher for ocean-front lots.

*net of sales costs and builder overhead

**Due to high price-point, assume resorts would provide affordable for-sale units off-site. Net cost is based on cost to provide prototype W2 / W3 at an affordable price.

**APPENDIX A TABLE 3C
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

EXISTING REQ. & ON-SITE UNITS - AT AMI ELIGIBLE FOR MAX CREDIT

	Hilo		Puna		Hamakua		
	E1 - Single Family		E2 - Single Family		E3 - Single Family		
Living Area Net SF	1,700 sf		1,200 sf		1,500 sf		
Garage/Carport SF	420 sf		420 sf		420 sf		
Lanai/Porch	80 sf		60 sf		60 sf		
Average Number of Bedrooms	3.25 bedrooms		3.0 bedrooms		3.0 bedrooms		
Gross Density	1.6 du/acre		2.9 du/acre		3.5 du/acre		
Avg Lot Size	21,780 sf		12,000 sf		10,000 sf		
Parking Ratio/ Type	2.0 garage		2.0 garage		2.0 garage		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	90.0%	\$426	\$725,000	\$325	\$390,000	\$420	\$630,000
80% AMI Units	10.0%	\$207	\$352,313	\$291	\$348,800	\$233	\$348,800
100% AMI Units	0.0%	\$259	\$440,388	\$325	\$390,000	\$291	\$436,000
120% AMI Units	0.0%	\$311	\$528,463	\$325	\$390,000	\$349	\$523,200
140% AMI Units	0.0%	<u>\$363</u>	<u>\$616,625</u>	<u>\$325</u>	<u>\$390,000</u>	<u>\$407</u>	<u>\$610,500</u>
Average Gross Sales Price		\$405	\$687,731	\$322	\$385,880	\$401	\$601,880
<Less> Sales Expense		<u>(\$16)</u>	<u>(\$27,509)</u>	<u>(\$13)</u>	<u>(\$15,435)</u>	<u>(\$16)</u>	<u>(\$24,075)</u>
Sales Net of Sales Expenses		\$388	\$660,222	\$309	\$370,445	\$385	\$577,805
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site Improvements		\$80	\$136,000	\$113	\$135,000	\$117	\$175,000
Direct Home Construction		\$240	\$408,000	\$255	\$306,000	\$245	\$367,500
Fees & Permits		\$14	\$24,000	\$20	\$24,000	\$16	\$24,000
Subsidy for Off-Site Aff Units**		\$0	\$0	\$0	\$0	\$0	\$0
Other Indirect Costs		\$43	\$73,400	\$46	\$55,100	\$44	\$66,200
Financing		\$13	\$22,200	\$15	\$17,800	\$14	\$21,400
Total Devel. Costs (excl. land)		\$390	\$663,600	\$448	\$537,900	\$436	\$654,100
Residual Land Value							
Net Sales Revenue		\$388	\$660,222	\$309	\$370,445	\$385	\$577,805
<Less> Development Costs		(\$390)	(\$663,600)	(\$448)	(\$537,900)	(\$436)	(\$654,100)
<Less> Builder Profit Margin*			(\$68,773)		(\$38,588)		(\$60,188)
Residual Land Value (Per Unit)			(\$72,200)		(\$206,000)		(\$136,500)
Per Acre			(\$115,500)		(\$598,200)		(\$475,700)
Per Sq. Ft. of Land Area (Gross)			(\$3)		(\$14)		(\$11)

*net of sales costs and builder overhead

**APPENDIX A TABLE 3D
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

WITH POTENTIAL IN-LIEU FEE

Kailua Kona / South Kona								
		W1 - Larger Single Family		W2 - Smaller Single Family		W3 - Attached Condo		
Living Area Net SF		2,300 sf		1,500 sf		1,200 sf		
Garage/Carport SF		420 sf		420 sf		0 sf		
Lanai/Porch		120 sf		60 sf		60 sf		
Average Number of Bedrooms		3.50 bedrooms		3.0 bedrooms		2.0 bedrooms		
Gross Density		1.7 du/acre		6.4 du/acre		13.6 du/acre		
Avg Lot Size		20,000 sf		5,445 sf		2,562 sf		
Parking Ratio/ Type		2.0 garage		2.0 garage		1.5 surface		
Revenue	<u>Percent</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	
Market Rate Units	100.0%	\$670	\$1,541,000	\$700	\$1,050,000	\$600	\$720,000	
<Less> Sales Expense		<u>(\$27)</u>	<u>(\$61,640)</u>	<u>(\$28)</u>	<u>(\$42,000)</u>	<u>(\$24)</u>	<u>(\$28,800)</u>	
Sales Net of Sales Expenses		\$643	\$1,479,360	\$672	\$1,008,000	\$576	\$691,200	
Development Costs		<u>Per NSF</u>	<u>Per Unit</u>	<u>Per NSF</u>	<u>Per Unit</u>	<u>Per NSF</u>	<u>Per Unit</u>	
Site Improvements		\$109	\$250,000	\$100	\$150,000	\$58	\$70,000	
Direct Home Construction		\$305	\$701,500	\$360	\$540,000	\$355	\$426,000	
Fees & Permits		\$11	\$25,000	\$16	\$24,000	\$19	\$23,000	
Potential In-Lieu Fee@10/SF		\$10	\$23,000	\$10	\$15,000	\$10	\$12,000	
Other Indirect Costs		\$55	\$126,300	\$65	\$97,200	\$64	\$76,700	
Financing		\$18	\$41,560	\$19	\$28,580	\$17	\$20,720	
Total Devel. Costs (excl. land)		\$508	\$1,167,360	\$570	\$854,780	\$524	\$628,420	
Residual Land Value								
Net Sales Revenue		\$643	\$1,479,360	\$672	\$1,008,000	\$576	\$691,200	
<Less> Development Costs		<u>(\$508)</u>	<u>(\$1,167,360)</u>	<u>(\$570)</u>	<u>(\$854,780)</u>	<u>(\$524)</u>	<u>(\$628,420)</u>	
<Less> Builder Profit Margin*			<u>(\$154,100)</u>		<u>(\$105,000)</u>		<u>(\$72,000)</u>	
		<u>PSF Lnd</u>	<u>\$/Unit</u>					
Residual LV @ In-Lieu Fee of:								
\$3 \$/SF		\$7	\$174,540	\$9	\$59,070	(\$0)	(\$540)	
\$5 \$/SF		\$7	\$169,780	\$8	\$55,970	(\$1)	(\$3,020)	
\$10 \$/SF		\$6	\$157,900	\$7	\$48,220	(\$3)	(\$9,220)	
\$15 \$/SF		\$6	\$146,020	\$6	\$40,470	(\$5)	(\$15,420)	
\$20 \$/SF		\$5	\$134,140	\$5	\$32,720	(\$7)	(\$21,620)	
\$25 \$/SF		\$5	\$122,260	\$4	\$24,970	(\$9)	(\$27,820)	
\$50 \$/SF		\$3	\$62,850	(\$2)	(\$13,770)	(\$18)	(\$58,820)	

*net of sales costs and builder overhead

**APPENDIX A TABLE 3D
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

WITH POTENTIAL IN-LIEU FEE

	Kohala / Oceanfront Resorts				Waikoloa Village		Waimea		
	W4 - Single Family & Duplex		W5 - Attached Condo		W6 - Single Family		W7 - Single Family		
Living Area Net SF	2,400 sf		1,400 sf		1,700 sf		1,750 sf		
Garage/Carport SF	420 sf		0 sf		420 sf		420 sf		
Lanai/Porch	550 sf		180 sf		80 sf		80 sf		
Average Number of Bedrooms	4 bedrooms		2.25 bedrooms		3 bedrooms		4 bedrooms		
Gross Density	3.0 du/acre		9.6 du/acre		2.9 du/acre		3.5 du/acre		
Avg Lot Size	11,616 sf		3,630 sf		12,000 sf		10,000 sf		
Parking Ratio/ Type	2.0 garage		1.5 surface		2.0 surface		2.0 garage		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	100.0%	\$1,300	\$3,120,000	\$1,050	\$1,470,000	\$618	\$1,050,000	\$571	\$1,000,000
<Less> Sales Expense		(\$130)	(\$312,000)	(\$105)	(\$147,000)	(\$25)	(\$42,000)	(\$23)	(\$40,000)
Sales Net of Sales Expenses		\$1,170	\$2,808,000	\$945	\$1,323,000	\$593	\$1,008,000	\$549	\$960,000
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site Improvements		\$163	\$392,000	\$88	\$123,000	\$88	\$150,000	\$86	\$150,000
Direct Home Construction		\$560	\$1,344,000	\$495	\$693,000	\$310	\$527,000	\$300	\$525,000
Fees & Permits		\$11	\$27,000	\$17	\$24,000	\$14	\$24,000	\$14	\$24,000
Potential In-Lieu Fee@10\$/SF		\$10	\$24,000	\$10	\$14,000	\$10	\$17,000	\$10	\$17,500
Other Indirect Costs		\$101	\$241,900	\$89	\$124,700	\$56	\$94,900	\$54	\$94,500
Financing		\$31	\$74,650	\$25	\$34,780	\$16	\$28,010	\$16	\$27,780
Total Devel. Costs (excl. land)		\$876	\$2,103,550	\$724	\$1,013,480	\$495	\$840,910	\$479	\$838,780
Residual Land Value									
Net Sales Revenue		\$1,170	\$2,808,000	\$945	\$1,323,000	\$593	\$1,008,000	\$549	\$960,000
<Less> Development Costs		(\$876)	(\$2,103,550)	(\$724)	(\$1,013,480)	(\$495)	(\$840,910)	(\$479)	(\$838,780)
<Less> Builder Profit Margin*			(\$374,400)		(\$176,400)		(\$105,000)		(\$100,000)
Residual LV @ In-Lieu Fee of:									
\$3 \$/SF		\$24	\$347,410	\$32	\$143,250	\$5	\$74,390	\$3	\$33,880
\$5 \$/SF		\$24	\$342,450	\$31	\$140,350	\$5	\$70,880	\$2	\$30,260
\$10 \$/SF		\$23	\$330,050	\$29	\$133,120	\$4	\$62,090	\$2	\$21,220
\$15 \$/SF		\$22	\$317,650	\$28	\$125,890	\$4	\$53,310	\$1	\$12,180
\$20 \$/SF		\$21	\$305,260	\$26	\$118,660	\$3	\$44,530	\$0	\$3,140
\$25 \$/SF		\$20	\$292,860	\$25	\$111,420	\$2	\$35,750	(\$0)	(\$5,900)
\$50 \$/SF		\$16	\$230,860	\$17	\$75,260	(\$1)	(\$8,160)	(\$4)	(\$51,100)

* reflective of pad sale in existing resort with established amenities, would be less for ground-up resort, higher for ocean-front lots.

*net of sales costs and builder overhead

**APPENDIX A TABLE 3D
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

WITH POTENTIAL IN-LIEU FEE

	Hilo		Puna		Hamakua		
	E1 - Single Family		E2 - Single Family		E3 - Single Family		
Living Area Net SF	1,700 sf		1,200 sf		1,500 sf		
Garage/Carport SF	420 sf		420 sf		420 sf		
Lanai/Porch	80 sf		60 sf		60 sf		
Average Number of Bedrooms	3.25 bedrooms		3.0 bedrooms		3.0 bedrooms		
Gross Density	1.6 du/acre		2.9 du/acre		3.5 du/acre		
Avg Lot Size	21,780 sf		12,000 sf		10,000 sf		
Parking Ratio/ Type	2.0 garage		2.0 garage		2.0 garage		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	100.0%	\$426	\$725,000	\$325	\$390,000	\$420	\$630,000
<Less> Sales Expense		(\$17)	(\$29,000)	(\$13)	(\$15,600)	(\$17)	(\$25,200)
Sales Net of Sales Expenses		\$409	\$696,000	\$312	\$374,400	\$403	\$604,800
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site Improvements		\$80	\$136,000	\$113	\$135,000	\$117	\$175,000
Direct Home Construction		\$240	\$408,000	\$255	\$306,000	\$245	\$367,500
Fees & Permits		\$14	\$24,000	\$20	\$24,000	\$16	\$24,000
Potential In-Lieu Fee@10\$/SF		\$10	\$17,000	\$10	\$12,000	\$10	\$15,000
Other Indirect Costs		\$43	\$73,400	\$46	\$55,100	\$44	\$66,200
Financing		\$13	\$22,780	\$15	\$18,180	\$15	\$21,940
Total Devel. Costs (excl. land)		\$401	\$681,180	\$459	\$550,280	\$446	\$669,640
Residual Land Value							
Net Sales Revenue		\$409	\$696,000	\$312	\$374,400	\$403	\$604,800
<Less> Development Costs		(\$401)	(\$681,180)	(\$459)	(\$550,280)	(\$446)	(\$669,640)
<Less> Builder Profit Margin*			(\$72,500)		(\$39,000)		(\$63,000)
Residual LV @ In-Lieu Fee of:							
\$3 \$/SF		(\$2)	(\$45,380)	(\$14)	(\$206,200)	(\$9)	(\$116,990)
\$5 \$/SF		(\$2)	(\$48,900)	(\$14)	(\$208,680)	(\$10)	(\$120,090)
\$10 \$/SF		(\$2)	(\$57,680)	(\$14)	(\$214,880)	(\$10)	(\$127,840)
\$15 \$/SF		(\$2)	(\$66,460)	(\$15)	(\$221,080)	(\$11)	(\$135,580)
\$20 \$/SF		(\$3)	(\$75,240)	(\$15)	(\$227,280)	(\$11)	(\$143,330)
\$25 \$/SF		(\$3)	(\$84,030)	(\$16)	(\$233,480)	(\$12)	(\$151,080)
\$50 \$/SF		(\$5)	(\$127,940)	(\$18)	(\$264,470)	(\$15)	(\$189,830)

*net of sales costs and builder overhead

**APPENDIX A TABLE 3E
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

NO REQUIREMENT

		Kailua Kona / South Kona					
		W1 - Larger Single Family		W2 - Smaller Single Family		W3 - Attached Condo	
Living Area Net SF		2,300 sf		1,500 sf		1,200 sf	
Garage/Carport SF		420 sf		420 sf		0 sf	
Lanai/Porch		120 sf		60 sf		60 sf	
Average Number of Bedrooms		3.50 bedrooms		3.0 bedrooms		2.0 bedrooms	
Gross Density		1.7 du/acre		6.4 du/acre		13.6 du/acre	
Avg Lot Size		20,000 sf		5,445 sf		2,562 sf	
Parking Ratio/ Type		2.0 garage		2.0 garage		1.5 surface	
Revenue	<u>Percent</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>
Market Rate Units	100.0%	\$670	\$1,541,000	\$700	\$1,050,000	\$600	\$720,000
<Less> Sales Expense		(\$27)	(\$61,640)	(\$28)	(\$42,000)	(\$24)	(\$28,800)
Sales Net of Sales Expenses		\$643	\$1,479,360	\$672	\$1,008,000	\$576	\$691,200
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site Improvements		\$109	\$250,000	\$100	\$150,000	\$58	\$70,000
Direct Home Construction		\$305	\$701,500	\$360	\$540,000	\$355	\$426,000
Fees & Permits		\$11	\$25,000	\$16	\$24,000	\$19	\$23,000
Affordable Housing Credits		\$0	\$0	\$0	\$0	\$0	\$0
Other Indirect Costs		\$55	\$126,300	\$65	\$97,200	\$64	\$76,700
Financing		\$18	\$40,800	\$19	\$28,100	\$17	\$20,300
Total Devel. Costs (excl. land)		\$497	\$1,143,600	\$560	\$839,300	\$513	\$616,000
Residual Land Value							
Net Sales Revenue		\$643	\$1,479,360	\$672	\$1,008,000	\$576	\$691,200
<Less> Development Costs		(\$497)	(\$1,143,600)	(\$560)	(\$839,300)	(\$513)	(\$616,000)
<Less> Builder Profit Margin*			(\$154,100)		(\$105,000)		(\$72,000)
Residual Land Value (Per Unit)			\$181,660		\$63,700		\$3,200
Per Acre			\$316,500		\$407,700		\$43,500
Per Sq. Ft. of Land Area (Gross)			\$7		\$9		\$1

*net of sales costs and builder overhead

**APPENDIX A TABLE 3E
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

NO REQUIREMENT

	Kohala / Oceanfront Resorts				Waikoloa Village		Waimea		
	W4 - Single Family & Duplex		W5 - Attached Condo		W6 - Single Family		W7 - Single Family		
Living Area Net SF	2,400 sf		1,400 sf		1,700 sf		1,750 sf		
Garage/Carport SF	420 sf		0 sf		420 sf		420 sf		
Lanai/Porch	550 sf		180 sf		80 sf		80 sf		
Average Number of Bedrooms	4 bedrooms		2.25 bedrooms		3 bedrooms		4 bedrooms		
Gross Density	3.0 du/acre		9.6 du/acre		2.9 du/acre		3.5 du/acre		
Avg Lot Size	11,616 sf		3,630 sf		12,000 sf		10,000 sf		
Parking Ratio/ Type	2.0 garage		1.5 surface		2.0 surface		2.0 garage		
Revenue	<u>Percent</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>
Market Rate Units	100.0%	\$1,300	\$3,120,000	\$1,050	\$1,470,000	\$618	\$1,050,000	\$571	\$1,000,000
<Less> Sales Expense		<u>(\$130)</u>	<u>(\$312,000)</u>	<u>(\$105)</u>	<u>(\$147,000)</u>	<u>(\$25)</u>	<u>(\$42,000)</u>	<u>(\$23)</u>	<u>(\$40,000)</u>
Sales Net of Sales Expenses		\$1,170	\$2,808,000	\$945	\$1,323,000	\$593	\$1,008,000	\$549	\$960,000
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site Improvements		\$163	\$392,000	\$88	\$123,000	\$88	\$150,000	\$86	\$150,000
Direct Home Construction		\$560	\$1,344,000	\$495	\$693,000	\$310	\$527,000	\$300	\$525,000
Fees & Permits		\$11	\$27,000	\$17	\$24,000	\$14	\$24,000	\$14	\$24,000
Affordable Housing Credits		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Indirect Costs		\$101	\$241,900	\$89	\$124,700	\$56	\$94,900	\$54	\$94,500
Financing		\$31	\$73,800	\$25	\$34,300	\$16	\$27,400	\$16	\$27,200
Total Devel. Costs (excl. land)		\$866	\$2,078,700	\$714	\$999,000	\$484	\$823,300	\$469	\$820,700
Residual Land Value									
Net Sales Revenue		\$1,170	\$2,808,000	\$945	\$1,323,000	\$593	\$1,008,000	\$549	\$960,000
<Less> Development Costs		(\$866)	(\$2,078,700)	(\$714)	(\$999,000)	(\$484)	(\$823,300)	(\$469)	(\$820,700)
<Less> Builder Profit Margin*			(\$374,400)		(\$176,400)		(\$105,000)		(\$100,000)
Residual Land Value (Per Unit)			\$354,900 *		\$147,600 *		\$79,700		\$39,300
Per Acre			\$1,064,700 *		\$1,417,000 *		\$231,400		\$137,000
Per Sq. Ft. of Land Area (Gross)			\$24		\$33		\$5		\$3

* reflective of pad sale in existing resort with established amenities, would be less for ground-up resort, higher for ocean-front lots.

*net of sales costs and builder overhead

**APPENDIX A TABLE 3E
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

NO REQUIREMENT

	Hilo		Puna		Hamakua		
	E1 - Single Family		E2 - Single Family		E3 - Single Family		
Living Area Net SF	1,700 sf		1,200 sf		1,500 sf		
Garage/Carport SF	420 sf		420 sf		420 sf		
Lanai/Porch	80 sf		60 sf		60 sf		
Average Number of Bedrooms	3.25 bedrooms		3.0 bedrooms		3.0 bedrooms		
Gross Density	1.6 du/acre		2.9 du/acre		3.5 du/acre		
Avg Lot Size	21,780 sf		12,000 sf		10,000 sf		
Parking Ratio/ Type	2.0 garage		2.0 garage		2.0 garage		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	100.0%	\$426	\$725,000	\$325	\$390,000	\$420	\$630,000
<Less> Sales Expense		(\$17)	(\$29,000)	(\$13)	(\$15,600)	(\$17)	(\$25,200)
Sales Net of Sales Expenses		\$409	\$696,000	\$312	\$374,400	\$403	\$604,800
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site Improvements		\$80	\$136,000	\$113	\$135,000	\$117	\$175,000
Direct Home Construction		\$240	\$408,000	\$255	\$306,000	\$245	\$367,500
Fees & Permits		\$14	\$24,000	\$20	\$24,000	\$16	\$24,000
Affordable Housing Credits		\$0	\$0	\$0	\$0	\$0	\$0
Other Indirect Costs		\$43	\$73,400	\$46	\$55,100	\$44	\$66,200
Financing		\$13	\$22,200	\$15	\$17,800	\$14	\$21,400
Total Devel. Costs (excl. land)		\$390	\$663,600	\$448	\$537,900	\$436	\$654,100
Residual Land Value							
Net Sales Revenue		\$409	\$696,000	\$312	\$374,400	\$403	\$604,800
<Less> Development Costs		(\$390)	(\$663,600)	(\$448)	(\$537,900)	(\$436)	(\$654,100)
<Less> Builder Profit Margin*			(\$72,500)		(\$39,000)		(\$63,000)
Residual Land Value (Per Unit)			(\$40,100)		(\$202,500)		(\$112,300)
Per Acre			(\$64,200)		(\$588,100)		(\$391,300)
Per Sq. Ft. of Land Area (Gross)			(\$1)		(\$14)		(\$9)

*net of sales costs and builder overhead

**APPENDIX A TABLE 3F
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

WITH USE OF CREDITS AND 20% INCREASE IN DENSITY

	Kailua Kona / South Kona						
	W1 - Larger Single Family		W2 - Smaller Single Family		W3 - Attached Condo		
Living Area Net SF	2,300 sf		1,500 sf		1,200 sf		
Garage/Carport SF	420 sf		420 sf		0 sf		
Lanai/Porch	120 sf		60 sf		60 sf		
Average Number of Bedrooms	3.50 bedrooms		3.0 bedrooms		2.0 bedrooms		
Gross Density (20% bonus)	2.1 du/acre		7.7 du/acre		16.3 du/acre		
Avg Lot Size	20,000 sf		5,445 sf		2,562 sf		
Parking Ratio/ Type	2.0 garage		2.0 garage		1.5 surface		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	100.0%	\$670	\$1,541,000	\$700	\$1,050,000	\$600	\$720,000
<Less> Sales Expense		(\$27)	(\$61,600)	(\$28)	(\$42,000)	(\$24)	(\$28,800)
Sales Net of Sales Expenses		\$643	\$1,479,400	\$672	\$1,008,000	\$576	\$691,200
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site / Intract Costs		\$90	\$208,000	\$83	\$125,000	\$49	\$59,000
Direct Home Construction		\$305	\$701,500	\$360	\$540,000	\$355	\$426,000
Fees & Permits		\$11	\$25,000	\$16	\$24,000	\$19	\$23,000
Affordable Housing Credits		\$4	\$10,000	\$7	\$10,000	\$8	\$10,000
Other Indirect Costs		\$55	\$126,300	\$65	\$97,200	\$64	\$76,700
Financing		\$17	\$39,000	\$18	\$27,400	\$17	\$20,200
Total Devel. Costs (excl. land)		\$483	\$1,109,800	\$549	\$823,600	\$512	\$614,900
Residual Land Value							
Net Sales Revenue		\$643	\$1,479,400	\$672	\$1,008,000	\$576	\$691,200
<Less> Development Costs		(\$483)	(\$1,109,800)	(\$549)	(\$823,600)	(\$512)	(\$614,900)
<Less> Builder Profit Margin*			(\$154,100)		(\$105,000)		(\$72,000)
Residual Land Value (Per Unit)			\$215,500		\$79,400		\$4,300
Per Acre			\$450,600		\$609,800		\$70,200
Per Sq. Ft. of Land Area (Gross)			\$10		\$14		\$2

*net of sales costs and builder overhead

**APPENDIX A TABLE 3F
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

WITH USE OF CREDITS AND 20% INCREASE IN DENSITY

	Kohala / Oceanfront Resorts				Waikoloa Village		Waimea		
	W4 - Single Family & Duplex		W5 - Attached Condo		W6 - Single Family		W7 - Single Family		
Living Area Net SF	2,400 sf		1,400 sf		1,700 sf		1,750 sf		
Garage/Carport SF	420 sf		0 sf		420 sf		420 sf		
Lanai/Porch	550 sf		180 sf		80 sf		80 sf		
Average Number of Bedrooms	4 bedrooms		2.25 bedrooms		3 bedrooms		4 bedrooms		
Gross Density (20% bonus)	3.6 du/acre		11.5 du/acre		3.5 du/acre		4.2 du/acre		
Avg Lot Size	11,616 sf		3,630 sf		12,000 sf		10,000 sf		
Parking Ratio/ Type	2.0 garage		1.5 surface		2.0 surface		2.0 garage		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per Unit	
Market Rate Units	100.0%	\$1,300	\$3,120,000	\$1,050	\$1,470,000	\$618	\$1,050,000	\$571	\$1,000,000
<Less> Sales Expense		(\$130)	(\$312,000)	(\$105)	(\$147,000)	(\$25)	(\$42,000)	(\$23)	(\$40,000)
Sales Net of Sales Expenses		\$1,170	\$2,808,000	\$945	\$1,323,000	\$593	\$1,008,000	\$549	\$960,000
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site / Intract Costs		\$136	\$327,000	\$73	\$102,000	\$74	\$125,000	\$71	\$125,000
Direct Home Construction		\$560	\$1,344,000	\$495	\$693,000	\$310	\$527,000	\$300	\$525,000
Fees & Permits		\$11	\$27,000	\$17	\$24,000	\$14	\$24,000	\$14	\$24,000
Affordable Housing Credits		\$4	\$10,000	\$7	\$10,000	\$6	\$10,000	\$6	\$10,000
Other Indirect Costs		\$101	\$241,900	\$89	\$124,700	\$56	\$94,900	\$54	\$94,500
Financing		\$30	\$70,800	\$24	\$33,600	\$16	\$26,800	\$15	\$26,600
Total Devel. Costs (excl. land)		\$842	\$2,020,700	\$705	\$987,300	\$475	\$807,700	\$460	\$805,100
Residual Land Value									
Net Sales Revenue		\$1,170	\$2,808,000	\$945	\$1,323,000	\$593	\$1,008,000	\$549	\$960,000
<Less> Development Costs		(\$842)	(\$2,020,700)	(\$705)	(\$987,300)	(\$475)	(\$807,700)	(\$460)	(\$805,100)
<Less> Builder Profit Margin*			(\$374,400)		(\$176,400)		(\$105,000)		(\$100,000)
Residual Land Value (Per Unit)			\$412,900 *		\$159,300 *		\$95,300		\$54,900
Per Acre			\$1,486,400 *		\$1,835,100 *		\$332,100		\$229,600
Per Sq. Ft. of Land Area (Gross)			\$34		\$42		\$8		\$5

* reflective of pad sale in existing resort with established amenities, would be less for ground-up resort, higher for ocean-front lots.

*net of sales costs and builder overhead

**APPENDIX A TABLE 3F
PRO FORMA: FOR-SALE
FEASIBILITY ANALYSIS
HAWAII COUNTY**

WITH USE OF CREDITS AND 20% INCREASE IN DENSITY

	Hilo		Puna		Hamakua		
	E1 - Single Family		E2 - Single Family		E3 - Single Family		
Living Area Net SF	1,700 sf		1,200 sf		1,500 sf		
Garage/Carport SF	420 sf		420 sf		420 sf		
Lanai/Porch	80 sf		60 sf		60 sf		
Average Number of Bedrooms	3.25 bedrooms		3.0 bedrooms		3.0 bedrooms		
Gross Density (20% bonus)	1.9 du/acre		3.5 du/acre		4.2 du/acre		
Avg Lot Size	21,780 sf		12,000 sf		10,000 sf		
Parking Ratio/ Type	2.0 garage		2.0 garage		2.0 garage		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	100.0%	\$426	\$725,000	\$325	\$390,000	\$420	\$630,000
<Less> Sales Expense		(\$17)	(\$29,000)	(\$13)	(\$15,600)	(\$17)	(\$25,200)
Sales Net of Sales Expenses		\$409	\$696,000	\$312	\$374,400	\$403	\$604,800
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit	Per NSF	Per Unit
Site / Intract Costs		\$66	\$113,000	\$94	\$113,000	\$97	\$146,000
Direct Home Construction		\$240	\$408,000	\$255	\$306,000	\$245	\$367,500
Fees & Permits		\$14	\$24,000	\$20	\$24,000	\$16	\$24,000
Affordable Housing Credits		\$6	\$10,000	\$8	\$10,000	\$7	\$10,000
Other Indirect Costs		\$43	\$73,400	\$46	\$55,100	\$44	\$66,200
Financing		\$13	\$21,600	\$14	\$17,300	\$14	\$20,700
Total Devel. Costs (excl. land)		\$382	\$650,000	\$438	\$525,400	\$423	\$634,400
Residual Land Value							
Net Sales Revenue		\$409	\$696,000	\$312	\$374,400	\$403	\$604,800
<Less> Development Costs		(\$382)	(\$650,000)	(\$438)	(\$525,400)	(\$423)	(\$634,400)
<Less> Builder Profit Margin*			(\$72,500)		(\$39,000)		(\$63,000)
Residual Land Value (Per Unit)			(\$26,500)		(\$190,000)		(\$92,600)
Per Acre			(\$50,900)		(\$662,100)		(\$387,200)
Per Sq. Ft. of Land Area (Gross)			(\$1)		(\$15)		(\$9)

*net of sales costs and builder overhead

**APPENDIX A TABLE 4A
PRO FORMA: APARTMENT
FEASIBILITY ANALYSIS
HAWAII COUNTY**

WITH USE OF CREDITS

	West Hawai'i		East Hawai'i		
Average Unit Size	700 sf		700 sf		
Average Number of Bedrooms	1.5 bedrooms		1.5 bedrooms		
Gross Density	16 du/acre		16 du/acre		
Stories/ Construction Type	3 stories/ wood		3 stories/ wood		
Parking Ratio/ Type	1.5 spaces/ surface		1.5 spaces/ surface		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit
Market Rent Per Mo.	100.0%	\$4.21	\$2,950	\$2.86	\$2,000
Annual Rent			\$35,400		\$24,000
Other Income			\$600		\$600
Less: Vacancy/Credit Loss			(\$1,800)		(\$1,230)
Effective Gross Income			\$34,200		\$23,370
Operating Exp and Prop tax			(\$10,300)		(\$10,300)
Net Operating Income			\$23,900		\$13,070
<i>Return on Cost</i>			5.60%		5.60%
Investment Supported		\$610	\$427,000	\$333	\$233,000
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit
Sitework		\$86	\$60,000	\$86	\$60,000
Direct Costs		\$315	\$220,500	\$315	\$220,500
Fees & Permits		\$33	\$23,000	\$33	\$23,000
Affordable Housing Credits		\$14	\$10,000	\$14	\$10,000
Other Indirect Costs		\$72	\$50,500	\$72	\$50,500
Financing		\$18	\$12,500	\$18	\$12,300
Total Development Cost (excl. land)		\$538	\$376,500	\$538	\$376,300
Residual Land Value					
Supported Investment			\$427,000		\$233,000
<Less> Development Costs			(\$376,500)		(\$376,300)
Residual Land Value (Per Unit)			\$51,000		(\$143,000)
Per Acre			\$816,000		(\$2,288,000)
Per Square Foot of Land Area			\$19		(\$53)

* Net of utility allowance

**APPENDIX A TABLE 4B
PRO FORMA: APARTMENT
FEASIBILITY ANALYSIS
HAWAII COUNTY**

EXISTING REQ. & ON-SITE UNITS - HIGHEST AMI LEVEL ALLOWED

	West Hawai'i		East Hawai'i		
Average Unit Size	700 sf		700 sf		
Average Number of Bedrooms	1.5 bedrooms		1.5 bedrooms		
Gross Density	16 du/acre		16 du/acre		
Stories/ Construction Type	3 stories/ wood		3 stories/ wood		
Parking Ratio/ Type	1.5 spaces/ surface		1.5 spaces/ surface		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit
Market Rent Per Mo.	86.5%	\$4.21	\$2,950	\$2.86	\$2,000
Rent 60% AMI Units*	5.4%	\$1.48	\$1,038	\$1.48	\$1,038
Rent 80% AMI Units*	4.1%	\$2.08	\$1,454	\$2.08	\$1,454
Rent 100% AMI Units*	2.7%	\$2.67	\$1,870	\$2.67	\$1,870
Rent 120% AMI Units*	1.4%	<u>\$3.27</u>	<u>\$2,286</u>	<u>\$2.86</u>	<u>\$2,000</u>
Average Monthly Rent		\$3.93	\$2,748	\$2.75	\$1,922
Annual Rent			\$32,976		\$23,069
Other Income			\$600		\$600
Less: Vacancy/Credit Loss			<u>(\$1,679)</u>		<u>(\$1,183)</u>
Effective Gross Income			\$31,897		\$22,485
Operating Exp and Prop tax			<u>(\$10,077)</u>		<u>(\$10,077)</u>
Net Operating Income			\$21,821		\$12,409
<i>Return on Cost</i>			<i>5.60%</i>		<i>5.60%</i>
Investment Supported		\$557	\$390,000	\$317	\$222,000
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit
Sitework		\$86	\$60,000	\$86	\$60,000
Direct Costs		\$315	\$220,500	\$315	\$220,500
Fees & Permits		\$33	\$23,000	\$33	\$23,000
Affordable Housing Credits		\$0	\$0	\$0	\$0
Other Indirect Costs		\$72	\$50,500	\$72	\$50,500
Financing		\$17	\$12,200	\$17	\$11,900
Total Development Cost (excl. land)		<u>\$523</u>	<u>\$366,200</u>	<u>\$523</u>	<u>\$365,900</u>
Residual Land Value					
Supported Investment			\$390,000		\$222,000
<Less> Development Costs			<u>(\$366,200)</u>		<u>(\$365,900)</u>
Residual Land Value (Per Unit)			\$24,000		(\$144,000)
<i>Per Acre</i>			<i>\$384,000</i>		<i>(\$2,304,000)</i>
<i>Per Square Foot of Land Area</i>			<i>\$9</i>		<i>(\$53)</i>

* Net of utility allowance

**APPENDIX A TABLE 4C
PRO FORMA: APARTMENT
FEASIBILITY ANALYSIS
HAWAII COUNTY**

EXISTING REQ. & ON-SITE UNITS - AT AMI ELIGIBLE FOR MAX CREDIT

	West Hawai'i		East Hawai'i		
Average Unit Size	700 sf		700 sf		
Average Number of Bedrooms	1.5 bedrooms		1.5 bedrooms		
Gross Density	16 du/acre		16 du/acre		
Stories/ Construction Type	3 stories/ wood		3 stories/ wood		
Parking Ratio/ Type	1.5 spaces/ surface		1.5 spaces/ surface		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit
Market Rent Per Mo.	90.0%	\$4.21	\$2,950	\$2.86	\$2,000
Rent 60% AMI Units*	10.0%	<u>\$1.48</u>	<u>\$1,038</u>	<u>\$1.48</u>	<u>\$1,038</u>
Average Monthly Rent		\$3.94	\$2,759	\$2.72	\$1,904
Annual Rent			\$33,105		\$22,845
Other Income			\$600		\$600
Less: Vacancy/Credit Loss			<u>(\$1,685)</u>		<u>(\$1,172)</u>
Effective Gross Income			\$32,020		\$22,273
Operating Exp and Prop tax			<u>(\$10,135)</u>		<u>(\$10,135)</u>
Net Operating Income			\$21,885		\$12,138
<i>Return on Cost</i>			5.60%		5.60%
Investment Supported		\$559	\$391,000	\$310	\$217,000
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit
Sitework		\$86	\$60,000	\$86	\$60,000
Direct Costs		\$315	\$220,500	\$315	\$220,500
Fees & Permits		\$33	\$23,000	\$33	\$23,000
Affordable Housing Credits		\$0	\$0	\$0	\$0
Other Indirect Costs		\$72	\$50,500	\$72	\$50,500
Financing		\$17	\$12,200	\$17	\$11,900
Total Development Cost (excl. land)		<u>\$523</u>	<u>\$366,200</u>	<u>\$523</u>	<u>\$365,900</u>
Residual Land Value					
Supported Investment			\$391,000		\$217,000
<Less> Development Costs			<u>(\$366,200)</u>		<u>(\$365,900)</u>
Residual Land Value (Per Unit)			\$25,000		(\$149,000)
Per Acre			\$400,000		(\$2,384,000)
Per Square Foot of Land Area			\$9		(\$55)

* Net of utility allowance

**APPENDIX A TABLE 4D
PRO FORMA: APARTMENT
FEASIBILITY ANALYSIS
HAWAII COUNTY**

WITH POTENTIAL IN-LIEU FEE

	West Hawai'i		East Hawai'i		
Average Unit Size	700 sf		700 sf		
Average Number of Bedrooms	1.5 bedrooms		1.5 bedrooms		
Gross Density	16 du/acre		16 du/acre		
Stories/ Construction Type	3 stories/ wood		3 stories/ wood		
Parking Ratio/ Type	1.5 spaces/ surface		1.5 spaces/ surface		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit
Market Rent Per Mo.	100.0%	\$4.21	\$2,950	\$2.86	\$2,000
Annual Rent			\$35,400		\$24,000
Other Income			\$600		\$600
Less: Vacancy/Credit Loss			(\$1,800)		(\$1,230)
Effective Gross Income			\$34,200		\$23,370
Operating Exp and Prop tax			(\$10,300)		(\$10,300)
Net Operating Income			\$23,900		\$13,070
<i>Return on Cost</i>			5.60%		5.60%
Investment Supported		\$610	\$427,000	\$333	\$233,000
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit
Sitework		\$86	\$60,000	\$86	\$60,000
Direct Costs		\$315	\$220,500	\$315	\$220,500
Fees & Permits		\$33	\$23,000	\$33	\$23,000
In-Lieu Fee		\$5	\$3,500	\$5	\$3,500
Other Indirect Costs		\$72	\$50,500	\$72	\$50,500
Financing		\$18	\$12,330	\$17	\$12,060
Total Development Cost (excl. land)		\$528	\$369,830	\$528	\$369,560
Residual Land Value					
Supported Investment			\$427,000		\$233,000
<Less> Development Costs			(\$369,830)		(\$369,560)
Residual Land Value			\$57,000		(\$137,000)
Residual LV @ In-Lieu Fee of:		<u>PSF Lnd</u>	<u>\$/Unit</u>	<u>PSF Lnd</u>	<u>\$/Unit</u>
\$3 \$/SF		\$22	\$58,620	(\$50)	(\$135,110)
\$5 \$/SF		\$21	\$57,170	(\$50)	(\$136,560)
\$10 \$/SF		\$20	\$53,550	(\$51)	(\$140,180)
\$15 \$/SF		\$18	\$49,940	(\$53)	(\$143,790)
\$20 \$/SF		\$17	\$46,320	(\$54)	(\$147,410)
\$25 \$/SF		\$16	\$42,700	(\$55)	(\$151,020)
\$30 \$/SF		\$14	\$39,090	(\$57)	(\$154,640)

* Net of utility allowance

**APPENDIX A TABLE 4E
PRO FORMA: APARTMENT
FEASIBILITY ANALYSIS
HAWAII COUNTY**

NO REQUIREMENT

	West Hawai'i		East Hawai'i		
Average Unit Size	700 sf		700 sf		
Average Number of Bedrooms	1.5 bedrooms		1.5 bedrooms		
Gross Density	16 du/acre		16 du/acre		
Stories/ Construction Type	3 stories/ wood		3 stories/ wood		
Parking Ratio/ Type	1.5 spaces/ surface		1.5 spaces/ surface		
Revenue	Percent	Per SF	Per Unit	Per SF	Per Unit
Market Rent Per Mo.	100.0%	\$4.21	\$2,950	\$2.86	\$2,000
Annual Rent			\$35,400		\$24,000
Other Income			\$600		\$600
Less: Vacancy/Credit Loss			<u>(\$1,800)</u>		<u>(\$1,230)</u>
Effective Gross Income			\$34,200		\$23,370
Operating Exp and Prop tax			<u>(\$10,300)</u>		<u>(\$10,300)</u>
Net Operating Income			\$23,900		\$13,070
<i>Return on Cost</i>			<i>5.60%</i>		<i>5.60%</i>
Investment Supported		\$610	\$427,000	\$333	\$233,000
Development Costs		Per NSF	Per Unit	Per NSF	Per Unit
Sitework		\$86	\$60,000	\$86	\$60,000
Direct Costs		\$315	\$220,500	\$315	\$220,500
Fees & Permits		\$33	\$23,000	\$33	\$23,000
Affordable Housing Credits		\$0	\$0	\$0	\$0
Other Indirect Costs		\$72	\$50,500	\$72	\$50,500
Financing		\$17	\$12,200	\$17	\$11,900
Total Development Cost (excl. land)		\$523	\$366,200	\$523	\$365,900
Residual Land Value					
Supported Investment			\$427,000		\$233,000
<Less> Development Costs			<u>(\$366,200)</u>		<u>(\$365,900)</u>
Residual Land Value (Per Unit)			\$60,800		(\$132,900)
Per Acre			\$973,000		(\$2,126,000)
Per Square Foot of Land Area			\$22		(\$49)

* Net of utility allowance

**APPENDIX A TABLE 5
 CREDITS BY UNIT TYPE AND EFFECTIVE AFFORDABLE UNIT PERCENTAGES
 FEASIBILITY ANALYSIS
 HAWAII COUNTY**

Credit Schedule - Chapter 11			
	<u>For Sale</u>	<u>Rental</u>	<u>Finished Lots</u>
AMI Level of Units			
<60% AMI	2	2	1
60% to 80%	2	1.5	1
80 to 100%	1.5	1	0.5
100 to 120%	1	0.5	N/A
120% to 140%	0.5	N/A	N/A
Minimum Credits by Type			
Credit Level 1 or Greater	20%	20%	20%
Credit Level 1.5 or Greater	30%	30%	
Credit Level 2	40%	40%	
Affordable Units Required at Minimum Affordability Levels			
Percent of Affordable Units Required by Income			
<60% AMI	0%	40%	0%
60% to 80%	40%	30%	20%
80 to 100%	30%	20%	80%
100 to 120%	20%	10%	0%
120% to 140%	<u>10%</u>	<u>0%</u>	<u>0%</u>
Subtotal	100%	100%	100%
Effective Percent of Project That Must Be Affordable			
Average credit per Aff Unit, at Minimums	1.50	1.50	0.60
Example of a 100-Unit Project			
Credits Required	20	20	20
Aff. Units Needed @1.5 credits per unit on average	13.50	13.50	33.50
Effective Affordability % Req. at Min. Credit Levels	13.5%	13.5%	33.5%
Percent of Units in Project			
Market Rate	86.5%	86.5%	66.5%
60% AMI Units	0.0%	5.4%	0.0%
80% AMI Units	5.4%	4.1%	6.7%
100% AMI Units	4.1%	2.7%	26.8%
120% AMI Units	2.7%	1.4%	0.0%
140% AMI Units	<u>1.4%</u>	<u>0.0%</u>	<u>0.0%</u>
	100.0%	100.0%	100.0%
Percent Affordable Units Required at Maximum Credit Level			
Percent Affordable at Max Credit Levels	10%	10%	20%
Credit per unit or lot provided:	<i>2 credits per unit</i>		<i>1 credit per lot</i>

**APPENDIX A TABLE 7
 ESTIMATED COST TO DEDICATE SITE FOR LIHTC PROJECT
 FEASIBILITY ANALYSIS
 HAWAII COUNTY**

A	Credits Required:		20%
B	Assumed Gross Density of LIHTC Project		16 du/acre
C	Site area required per Market Rate unit	=1/B x A	0.0125 acres
D	Estimated value of improved site dedicated by market rate developer		\$20 /SF of land
E	Estimated Cost Per Market Rate Unit	= C x 43,560 x D.	\$10,890

Estimate results in similar cost to purchased credits (\$10,000 per unit) based on the assumptions noted above.

APPENDIX B: RESIDENTIAL MARKET DATA

Appendix B-1
Recent & Pipeline Projects
Update to Chapter 11
County of Hawaii, HI

Kailua Kona				
Unit Type	Single Family	Single Family	Single Family	Single Family
Project Name	Cottages on Ali'i Drive	Holua Kai at Keauhou	New Wainani Estates	Kahaolino
Location	Kailua Kona	Kailua Kona	Kailua Kona	Hualalai, Kailua Kona
Developer	Stanford Carr	Brookfield	DR Horton	Tinguely
Status	selling	Built and Sold	Sold out	
Lot Sizes (sf)	4,000 - 11,361	5,278 - 9,479 sf (10 recent sales)	10,000 - 20,000+	20,000
Density (du/ac)	7.9 dua			
No. of Units notes	56 units	40 units	50 units	
Unit Size Range	3 BR/2BA: 1,430 sf 3 BR/2.5 BA: 1,767 sf 3BR/2.5BA: 1,839 sf 3BR/3BA: 1,551 sf 4BR/2.5BA: 2,092 sf 4BR/2.5BA: 2,192 sf	1,653 to 2,489 sf	3BR/2BA 1,366 sf 3-4BR/2BA 1,512-1594 sf 3BR/2BA 1,618 sf	
Average Unit Size	1,815 sf		1,500 sf (sales data)	
Bedroom Mix	1-Bedrooms 2-Bedrooms 3-Bedrooms 4-Bedrooms	3 and 4 BRs	Mostly 3BRs some 4 BRs	
Avg No. Bedrooms	66% 34%		3.1 BR (sales data)	
Building Type	single family detached, one and two-story w/attached garages	one and two-story homes	one-story	
Sales Price / Rent Levels	Starting Prices: \$825k, \$845k, \$859k, \$920k, \$935k, \$979k.	\$800,000 - \$1.8 million. See sales data.	\$600,000 - \$1.1 million. See sales data.	Sold Apr 2022: \$336,000 for 20,000 sf lot Sold June 2021: \$329,000 for 22,000 sf lot 2018: Homes \$800,000 - \$1,000,000

Appendix B-1
Recent & Pipeline Projects
Update to Chapter 11
County of Hawaii, HI

Kailua Kona				
Unit Type	Condominiums	Resort Single Family	Multi-family	SF and MF
Project Name	Alii Drive	Hale Alani The Shores at Kohonaiki	Pualani Makai	Palamanui - Phase 1 of 4
Location	Kailua-Kona	Alani Loop and Lemi Pl	Kailua-Kona	nr Hawaii Com. Col., Kona
Developer	Landowner - Jekaterina Mysin		Pua'a Development/Suffolk	Hunt Development
Status	Proposed May 2021	Built	For Sale on Loopnet. Approved 12/2020	
Lot Sizes (sf)				
Density (du/ac)	26.3 dua	2.6 dua	6.3 dua	
No. of Units notes	6 units	48 units	386 units 160 market rate	250 units mixed income
Unit Size Range		2,173 - 2,269 sf per unit with ~1,100 sf lanai.		
Average Unit Size		2,219 sf		
Bedroom Mix				
1-Bedrooms				
2-Bedrooms	67%			
3-Bedrooms	33%	100%		
4-Bedrooms				
Avg No. Bedrooms	2.4 BRs	3.0 BRs		
Building Type	Four-stories over parking podium (five total)	One-story single family homes with a mix of detached and attached 2-car garages.		Total Project: 1,116 homes. Long Delayed. 2018: completing zoning and entitlement.
Sales Price / Rent Levels		Recently sold: \$2.3 million - \$4.57 million.	Land for sale for \$8.5 million. Includes water credits, entitlements, plans, predevelopment work. Zoning allows up to 490 MF units. (386 units includes larger retail component)	

Appendix B-1
Recent & Pipeline Projects
Update to Chapter 11
County of Hawaii, HI

	Kohala Coast			
Unit Type	Resort Single Family	Resort Townhome & Condos	Resort Single Family	Resort Condo
Project Name	Kala at Villages at Aina Lea	Kupu at Villages at Aina Lea	Ainamalu at Waikoloa Beach Resort	Ainamalu Condos at Waikoloa Beach Resort
Location	Kohala Coast	Kohala Coast	Kohala Coast	Kohala Coast
Developer				
Status	2022: not fully approved, long history, bankruptcy, etc.	2022: not fully approved long history, bankruptcy, etc.	2022: 272 units left	Approved. Some pads complete
Lot Sizes (sf)				
Density (du/ac)	1.5 dua	7.6 dua	1.4 dua	12.1 dua
No. of Units notes	620 units (SF + Luxury Villas)	1,630 units TH and condo	350 units of 420 total w condos	60 units
Unit Size Range				
Average Unit Size				974 sf
Bedroom Mix	1-Bedrooms 2-Bedrooms 3-Bedrooms 4-Bedrooms			40% 60%
Avg No. Bedrooms			3.3 BRs	1.6 BRs
Building Type	Single Family Homes within Aina Le'a - a master planned comnty, 1,000 acres and 2250 homes	Three-story buildings within Aina Le'a - a master planned comnty, 1,000 acres and 2500 homes	2018 first homes went into escrow. Expected 10-year buildout.	
Sales Price / Rent Levels	Also "Lehua" 62 luxury villas on 139 acres	Unit count might include affordable units.	4BD/4BA, 2727 sf, \$3 million, 12/2021 4BD/4BA 2752 sf, \$2.85 million, 9/2021 5BD/5BA 3012 sf, \$2.55 million, 8/2021 3BD/3BA 2040 sf, \$2.7 million, 4/2022 Four other units sold \$1 - \$1.4 million	

Appendix B-1
Recent & Pipeline Projects
Update to Chapter 11
County of Hawaii, HI

Kohala Coast				
Unit Type	Resort, mix of detached and attached	Resort Single Family and Duplex	Resort Single Family	Resort Home Sites
Project Name	Laule'a at Mauna Lani	Ka Milo at Mauna Lani	Hapuna Estates Homesites	Hapuna Estates Development Pads
Location	68-1210 S Kaniku Dr, Kamuela	68-1122 N Kaniku Dr, Kamuela	Mauna Kea Resort	Mauna Kea Resort
Developer				
Status	Sold Out			Sold/In Escrow/For Sale
Lot Sizes (sf)			19,000 sf to 1 ac+	
Density (du/ac)	3.3 dua	4.5 dua		2 to 7 dua
No. of Units notes	17 units	137 units	33 lots in three phases	133 lots Parcels D-2, D-3, D-5, F
Unit Size Range	2,195 gsf, 2,770 gsf, 2,887 gsf	3 and 4 BRs, 1,653 - 2,491 sf		n/a
Average Unit Size				n/a
Bedroom Mix 1-Bedrooms 2-Bedrooms 3-Bedrooms 4-Bedrooms				n/a
Avg No. Bedrooms		2.0 BRs		
Building Type	6 4BR detached units and 11 3- and 4-BR attached. With garages, pools, lanais. Ocean or mountain views.	37 Single family and 100 paired homes w/2-car garages		
Sales Price / Rent Levels	Unit 11B1 sold for \$3.4 million in 2021.		Phase I includes three home/lot packages. One is listed for \$6.9 million and one at \$5.9 million. Lot 23; \$1.5 million (22k sf). Lot 24: \$1.5 mm, 23k sf.	Fully entitled, infrastructure. Development pad sales in golf resort from \$562k per acre to \$1.75 M per acre.

Appendix B-1
Recent & Pipeline Projects
Update to Chapter 11
County of Hawaii, HI

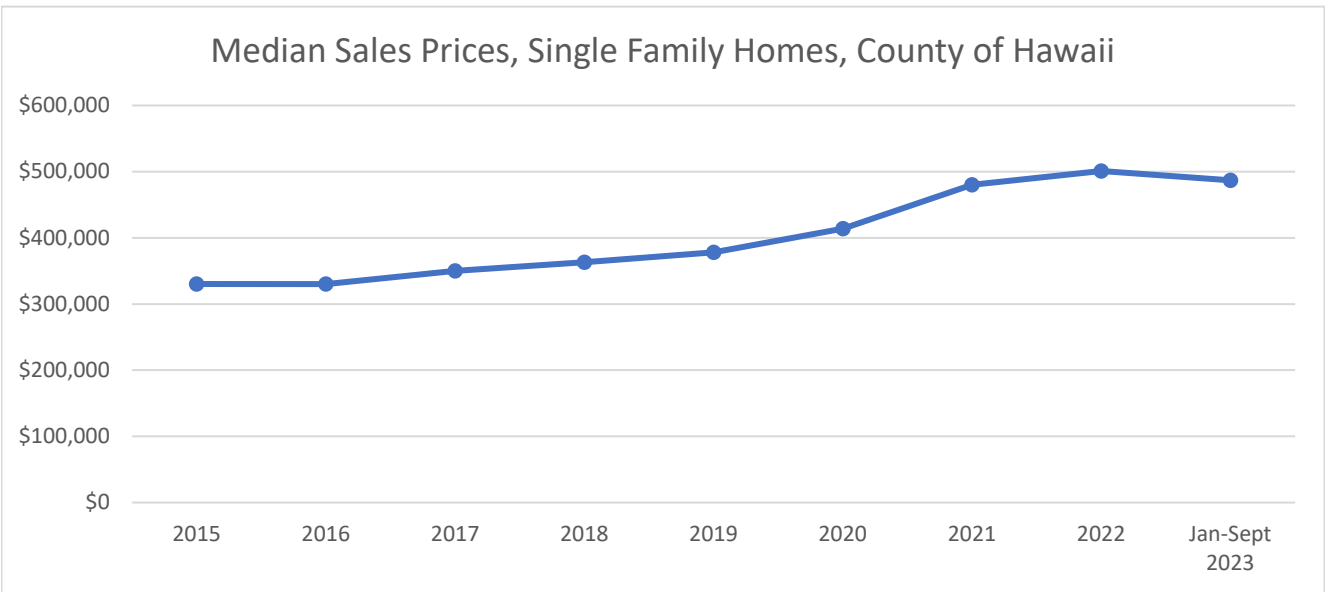
	Waikoloa Village					Hawi	Waimea
Unit Type	Single Family	Single Family	Single Family, Timeshare, Multi-family	Apartments	Apartments	Single Family	Single Family
Project Name	KeOlalani	Sunset Ridge	Kumu Hou	Lofts at Waikoloa	Waikoloa Heights	Hanuala Village	Waimea Parkside
Location	nr Waikoloa Vil skate park	near Hulu St. Waikoloa Village		Waikoloa Plaza		North Kohala / Hawi	Waimea
Developer		Towne	Waikoloa Land Company	Meridian Pacific	John Bertsch	Tinguely	Tinguely
Status	12/2021 grading roads Phase 1A			Under Cxn. Open June 2022.		partially built, available lots	four lots left
Lot Sizes (sf)	Min Lot 10,000 sf					10,000 sf	
Density (du/ac)	Ph 1: 1.9 gross dua						
No. of Units notes	2,400 units 10 years, Ph 1: 276 units 87 units under cxn.	16 units	900 timeshares, 264 multifamily (project website says timeshare), 25 single	33 units		34 units (lots)	39 units (40 lots - one park)
Unit Size Range		3BR: 1,572 - 1,798 sf		2BR/1BA: 602 sf	Studio, 1BR and 2BR		3BR/2BA: 1,733 sf 4BR/3BA: 2,392 sf 4BR/3.5BA: 2,667 sf 3BR/2.5BA: 2,105 sf 3BR/2.5BA: 2,218 sf 4BR/3.5BA: 2,975 sf 3BR/2.5BA: 2,256 sf
Average Unit Size				602 sf			2,271 sf
Bedroom Mix	1-Bedrooms 2-Bedrooms 3-Bedrooms 4-Bedrooms						
Avg No. Bedrooms	3.0 BRs	3.0 BRs		2.0 BRs			54% 46% 3.5 BRs
Building Type				11 3-story buildings with surface parking.			one and two-story homes
Sales Price / Rent Levels		Likely to sell in the low \$1 millions (1/2022 article). Lot for sale: 11,000 sf \$299,000 incl. building permits, water		2BR/602 sf: \$2,450/mo Additional phases planned		lots for sale	Two units sold recently. One built in 2016, sold in 2021 for \$1.5 m. One built in 2008, 1700 sf, sold for \$1.575 m in 2021.

Appendix B-1
Recent & Pipeline Projects
Update to Chapter 11
County of Hawaii, HI

	Hilo / Puna / Keaau			
Unit Type	Single Family	Single Family	Single Family	Single Family
Project Name	Keaau Village Extension	Ainaloa Estates Subdivision	Hilo Hillside	Puainako Heights
Location	Keaau	Puna District	Hilo	Kukuau, South Hilo
Developer	W. H. Shipman			Puainako Heights Land Investment
Status	2021: preparing application; needs rezoning, subdiv., permitting		2019: Phase 2 selling	
Lot Sizes (sf)			1 acre lots	
Density (du/ac)				2.1 du
No. of Units notes	940 units in two phases with comm'l		60 lots Phase 2	337 units 159 acres
Unit Size Range				Phase 1, 49 SFD: 4BD/2BA 1,769 sf 3BR/2.5BA 1,924 sf 4BD/3BA 2,785 sf 4BR/3BA 2,399 sf
Average Unit Size				2219sf est
Bedroom Mix 1-Bedrooms 2-Bedrooms 3-Bedrooms 4-Bedrooms				
Avg No. Bedrooms				
Building Type				318 single fam (one and two-story), 19 townhomes
Sales Price / Rent Levels		Lot for sale: .275 acres, \$45,000 New home for sale: 3BD/2BA 1212 sf, .28 acre lot, \$408,000, catchment water. See sales data table.		

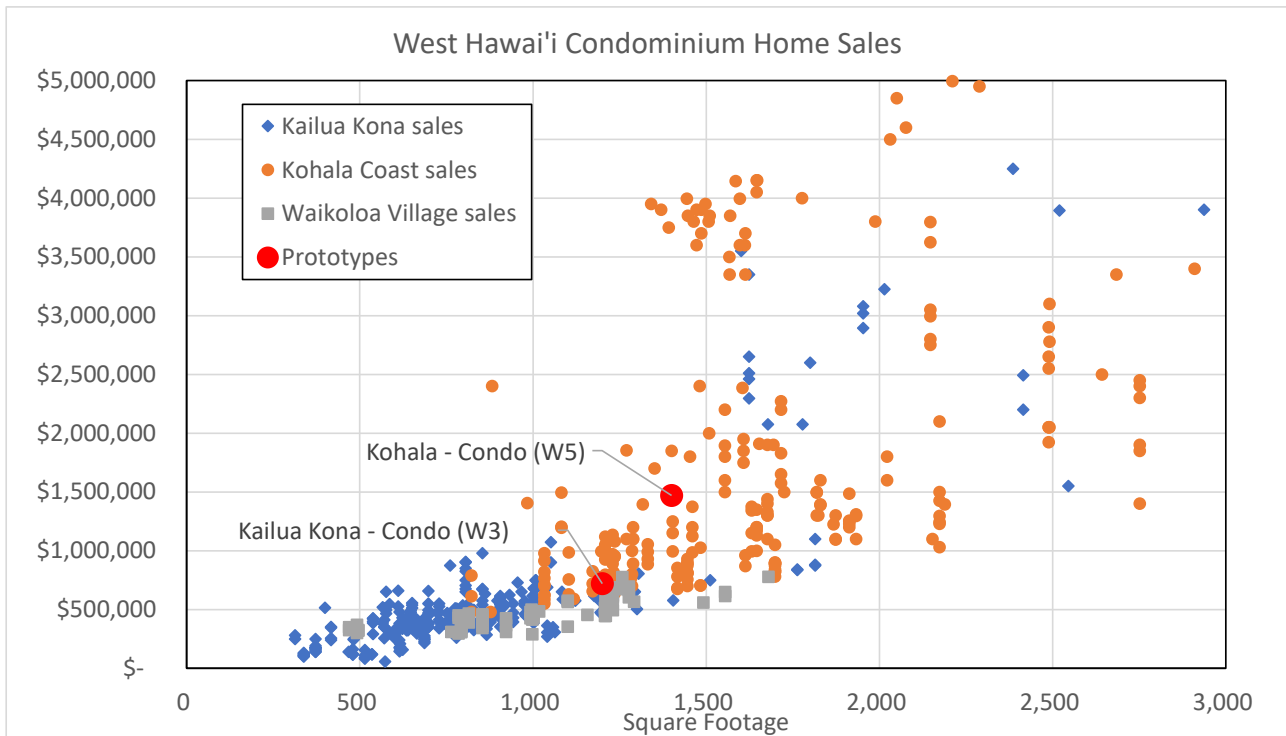
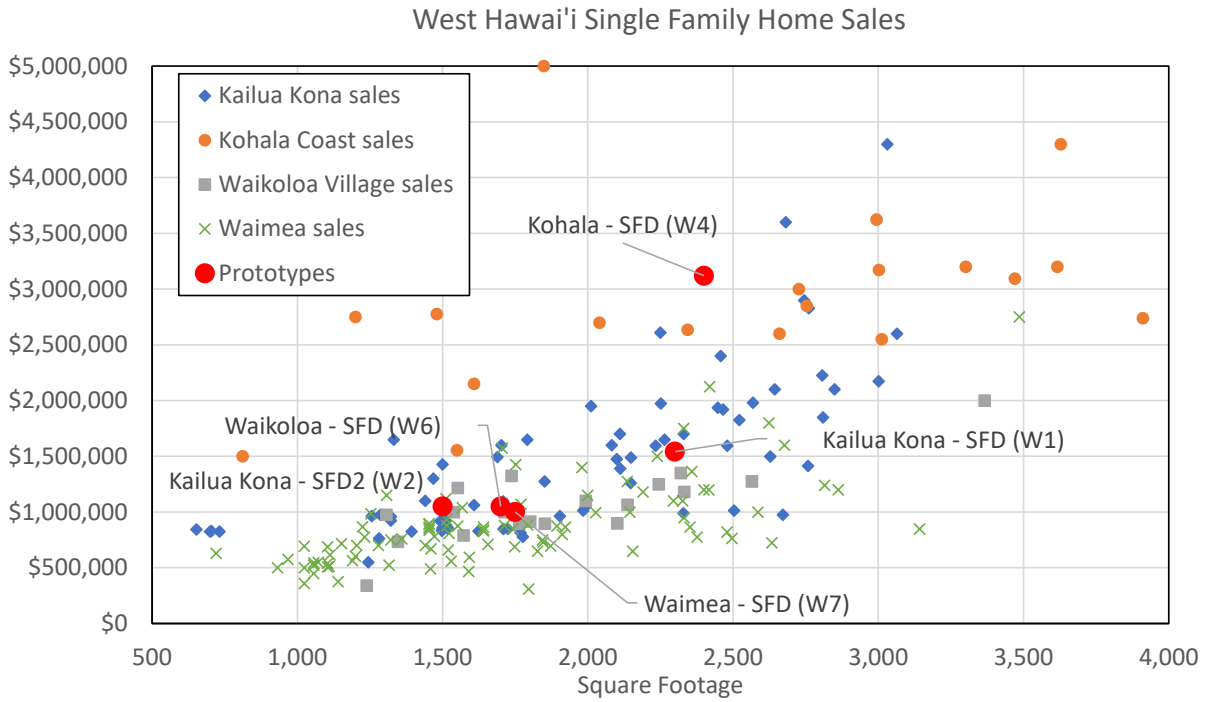
**Appendix B-2
Median Sales Prices
Update to Chapter 11
County of Hawaii, HI**

	Single Family Homes		Condominiums	
	Median Price	% Change	Median Price	% Change
2015	\$330,400		\$285,400	
2016	\$330,100	-0.1%	\$302,600	6.0%
2017	\$350,100	6.1%	\$318,300	5.2%
2018	\$362,900	3.7%	\$347,900	9.3%
2019	\$377,900	4.1%	\$362,900	4.3%
2020	\$413,700	9.5%	\$392,800	8.2%
2021	\$480,400	16.1%	\$483,500	23.1%
2022	\$501,000	4.3%	\$570,000	17.9%
Jan-Sept 2023	\$487,000	-2.8%	\$577,400	1.3%
Annualized		5.1%		9.5% not upd



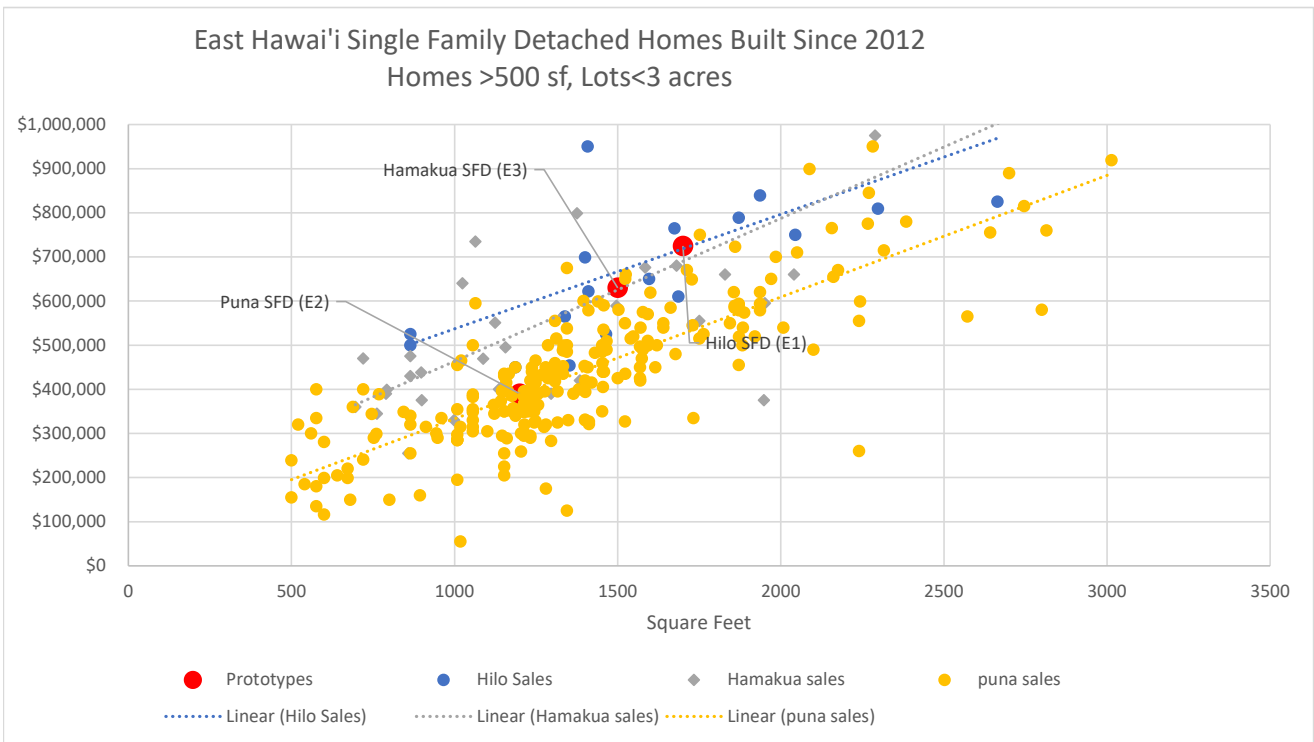
Source: UHERO, Construction & Housing: Home Resale and Prices Table.

Appendix B-3
West Hawai'i Home Sales: June 2021 - June 2022
Update to Chapter 11
County of Hawaii, HI



Source: Redfin, June 2022

Appendix B-4
East Hawai'i Home Sales: June 2021 - June 2022
Update to Chapter 11
County of Hawaii, HI



Source: Redfin, June 2022

**Appendix B-5
Newer Single Family Detached Units for Sale
Update to Chapter 11
County of Hawaii, HI**

CITY	LOCATION	ADDRESS	BEDS	BATHS	SQUARE FEET	LOT SIZE	ASKING PRICE	\$/SF	YEAR BUILT
Kailua Kona									
Holualoa	Kona Uplands	75-5411 Uluwehi Pl	4	3.5	2,646	222,504	\$2,250,000	\$850	2019
Kailua Kona	Kailua Kona	75-5944 Kakalina Rd	3	3	1,400	48,221	\$1,049,000	\$749	2022
Kailua Kona	Kona View Estates	74-4763 Waiha Loop	4	4	3,053	43,560	\$2,695,000	\$883	2022
Kailua Kona	Kona View Estates	74-4730 Waiha Loop	3	3	2,484	43,996	\$2,099,000	\$845	2021
Kailua Kona	Kona Vistas Subdivision	76-4306 Liholiho Pl	4	3	2,610	19,923	\$2,100,000	\$805	2022
Kailua Kona	Kahaolino Subdivision	73-4268 Kiekie St	3	2	2,102	32,335	\$1,400,000	\$666	2022
Kailua Kona	Kailua View Estates Subdivision	75-5853 Lulu Pl	4	3	1,616	16,789	\$1,450,000	\$897	2019
Kailua Kona	Kokua Loa Subdivision	6 Kokua Loa	4	3	2,296	10,071	\$1,150,000	\$501	2021
Kailua Kona	Kona Hills Estates Subdivision	73-4449 Hane St	4	3	2,608	43,560	\$1,795,000	\$688	2021
Kailua Kona	Kona Palisades	73-4342 Koikoi St	4	4	2,802	10,125	\$1,580,000	\$564	2021
Kailua Kona	Kuakini Heights Subdivision	77-6621 Kuakini Hwy	5	4	2,280	9,656	\$1,450,000	\$636	2019
Kailua Kona	Kukio/kaupulehu Lot 4 - A Incr 1 Ph 1	72-1019 Kekahawaiole Dr	4	4.5	4,489	34,412	\$8,500,000	\$1,894	2022
Under Construction / Future Development									
Kailua Kona	Kamoalii, The Cottages on Ali'i Drive		3	2	2,186		\$825,000	\$377	2022
Kailua Kona	Kamoalii, The Cottages on Ali'i Drive		3	2.5	2,256		\$920,000	\$408	2022
Kailua Kona	Kamoalii, The Cottages on Ali'i Drive		3	3	2,186		\$845,000	\$387	2022
Kailua Kona	Kamoalii, The Cottages on Ali'i Drive		3	3	1,968		\$859,000	\$436	2022
Kailua Kona	Onealii, The Cottages on Ali'i Drive		4	3	2,506		\$935,000	\$373	2022
Kailua Kona	Kealii, The Cottages on Ali'i Drive		4	3	2,619		\$979,000	\$374	2022
Kohala Coast									
Kamuela	Hapuna Estates At Mauna Kea Resort	62-3768 Amaui Dr	5	5.5	4,334	49,049	\$7,000,000	\$1,615	2021
Kamuela	Hapuna Estates At Mauna Kea Resort	62-3760 Amaui Dr	5	5.5	4,969	48,439	\$6,900,000	\$1,389	2022
Kamuela	Kaunaoa Subdivision	62-3762 Kaunaoa Nui Rd	5	6	4,288	26,785	\$7,995,000	\$1,865	2022
Kamuela	Kohala Waterfront	59-121 Kihikihi Pl	4	4	3,102	19,585	\$5,950,000	\$1,918	2022
Kealahou	Hokulia Phase 1	81-6575 Hiaaiono Pl	4	4.5	4,774	50,094	\$7,995,000	\$1,675	2019
Kohala Coast	Kaunaoa Subdivision	62-3922 Kaunaoa Iki Rd	4	4.5	3,405	43,808	\$7,195,000	\$2,113	2021
Waimea	Kamuela Lakeland	64-424 Leleaka Loop	3	2.5	1,424	8,873	\$685,000	\$481	2020
East Hawai'i									
Keaau	Ainaloa	16-2113 Ohia Dr/mauna Kea Unii	12	8	4,848	48,000	\$1,528,000	\$315	2022
Keaau	Hawaiian Paradise Park	15-1449 7th Ave (hinahina)	3	2	1,308	43,560	\$459,000	\$351	2022
Keaau	Hawaiian Paradise Park	15-1792 20th Ave (melia)	3	3	1,286	43,560	\$545,000	\$424	2022
Keaau	Hawaiian Paradise Park	15-1710 19th Ave (manako)	3	3	1,332	43,560	\$509,000	\$382	2022
Keaau	Hawaiian Paradise Park	15-1714 19th Ave (manako)	3	2	1,455	43,560	\$549,000	\$377	2022
Keaau	Hawaiian Paradise Park	15-1795 26th Ave (olena)	3	2	1,568	43,560	\$595,000	\$379	2022
Keaau	Hawaiian Paradise Park	15-2046 33rd Ave (uluhe)	3	2	1,328	43,560	\$495,000	\$373	2022
Keaau	Hawaiian Paradise Park	15-1621 18th Ave (maia)	3	2	1,344	43,560	\$515,000	\$383	2022
Keaau	Hawaiian Paradise Park	15-1759 26th Ave (olena)	4	2.5	2,012	43,560	\$699,000	\$347	2021
Keaau	Orchid Land Estates	16-1618 Keaau-pahoa Rd	4	3.5	1,960	41,077	\$775,000	\$395	2020
Kurtistown	Orchid Land Estates	16-354 Aulii St	1	1	576	87,120	\$265,000	\$460	2021
Kurtistown	Orchid Land Estates	16-1580 39th Ave	2	1.5	1,020	130,680	\$445,000	\$436	2020
Kurtistown	Orchid Land Estates	38th Ave	2	1	1,152	130,680	\$349,000	\$303	2022
Kurtistown	Orchid Land Estates	16-294 Ainaloa Blvd	4	3	1,568	43,560	\$599,000	\$382	2022
Kurtistown	Orchid Land Estates	16-1844 34th Ave	3	2	1,400	43,560	\$499,900	\$357	2022

Appendix B-5
Newer Single Family Detached Units for Sale
Update to Chapter 11
County of Hawaii, HI

CITY	LOCATION	ADDRESS	BEDS	BATHS	SQUARE FEET	LOT SIZE	ASKING PRICE	\$/SF	YEAR BUILT
Mountain View	Hawaii Island Paradise Acres Subdivision	18-1277 Kona St	3	2	2,560	16,728	\$310,000	\$121	2020
Mountain View	Hawaiian Acres	16-1817 Io Kea Rd (road 4)	0	1	384	130,680	\$260,000	\$677	2021
Mountain View	Hawaiian Acres	16-1636 Uhini Ana Rd (road 1)	2	1	960	81,370	\$298,000	\$310	2021
Mountain View	Hawaiian Acres	16-1047 Kea Rd	1	1.5	720	130,680	\$378,800	\$526	2021
Mountain View	Hawaii's Eden Roc Estates	11-1849 Noio St	3	2	1,040	43,560	\$399,000	\$384	2022
Mountain View	Pacific Paradise Gardens Aka Olaa Scenic L	18-7849 Ewalina Rd	3	3	1,234	7,700	\$429,000	\$348	2022
Hilo	Kaumana Gardens Subdivision	341 Kaumana Dr	3	2.5	1,786	13,175	\$739,000	\$414	2022
Hilo	Waiakea Homestead Houselots	2302 Nohona St	3	2	1,586	12,289	\$799,000	\$504	2022
Hilo	Waiakea Homesteads 1st Series	19 Makalani St	3	2	1,680	15,300	\$719,000	\$428	2022
Hilo	Waiakea House Lots 1st Series	740 Laukapu St	4	3	1,871	22,500	\$839,000	\$448	2022
Pahoa	Ainaloa	16-2063 Pearl Dr	3	2	1,212	12,000	\$439,900	\$363	2021
Pahoa	Ainaloa	16-2121 Uilani Dr	3	2	1,214	12,000	\$349,000	\$287	2022
Pahoa	Ainaloa	16-2157 Emerald Dr	3	2	1,232	12,000	\$445,000	\$361	2021
Pahoa	Ainaloa	16-2166 Uilani Dr	3	2	1,212	12,000	\$420,000	\$347	2019
Pahoa	Ainaloa	16-2046 Coconut Dr	3	2	1,620	12,000	\$429,900	\$265	2022
Pahoa	Ainaloa	16-2045 King Kamehameha Blvd	2	1	480	11,515	\$271,000	\$565	2019
Pahoa	Ainaloa	16-2387 Ainaloa Dr	3	2.5	1,248	12,000	\$379,000	\$304	2022
Pahoa	Ainaloa	16-2063 Puhala Dr	3	2	1,212	12,000	\$399,000	\$329	2021
Pahoa	Ainaloa	16-2055 Silveroak Dr	3	2	1,244	12,000	\$430,000	\$346	2022
Pahoa	Ainaloa	16-2072 Mauna Kea Dr	3	2	1,219	12,000	\$399,000	\$327	2022
Pahoa	Ainaloa	16-2084 Pearl Dr	3	2	1,320	12,000	\$425,000	\$322	2022
Pahoa	Ainaloa	16-2116 Paradise Dr	3	2	1,244	12,000	\$410,000	\$330	2022
Pahoa	Ainaloa	16-2045 Lauhala Dr	3	2	1,242	12,000	\$399,000	\$321	2022
Pahoa	Ainaloa	16-2146 Ohia Dr	3	2	1,056	12,071	\$385,000	\$365	2022
Pahoa	Ainaloa	16-2033 Tree Fern Dr	3	2	1,158	9,000	\$370,000	\$320	2022
Pahoa	Ainaloa	16-2070 Tree Fern Dr	3	2	1,219	12,000	\$399,000	\$327	2022
Pahoa	Ainaloa	16-2098 Pikake Dr	3	2	1,160	12,000	\$395,000	\$341	2022
Pahoa	Ainaloa	16-2036 Hilonani Dr	3	2	1,056	12,000	\$325,000	\$308	2019
Pahoa	Ainaloa	16-2045 Pikake Dr	4	2.5	1,412	12,000	\$399,000	\$283	2022
Pahoa	Ainaloa	16-2094 Silversword Dr	4	3	1,412	12,000	\$399,000	\$283	2022
Pahoa	Ainaloa	16-2082 Sandalwood Dr	2	1	782	12,000	\$329,900	\$422	2022
Pahoa	Ainaloa	16-2090 Pearl Dr	3	2	1,345	12,000	\$450,000	\$335	2022
Pahoa	Ainaloa	16-2160 Aloha Dr	3	2	1,214	12,000	\$379,000	\$312	2022
Pahoa	Ainaloa	16-2113 Ohia Dr	3	2	1,212	12,000	\$389,000	\$321	2022
Pahoa	Ainaloa	16-2115 Ohia Dr	3	2	1,212	12,000	\$389,000	\$321	2022
Pahoa	Ainaloa	16-2041 Tangerine Dr	3	2	1,152	12,000	\$377,000	\$327	2022
Pahoa	Ainaloa	16-2105 Hibiscus Dr	3	2	1,196	12,000	\$410,000	\$343	2020
Volcano	Aloha Estates Subdivision	18-1977 Road 8	2	1	864	12,005	\$305,000	\$353	2022
Volcano	Fern Forest Vacation Estates	11-2094 Makoa Rd	4	1	928	130,680	\$250,000	\$269	2019
Volcano	Glenwood Gardens Aka Orchid Isle Estates	Road 9	1	1	320	12,005	\$165,000	\$516	2020
Volcano	Mauna Loa Estates	11-3799 3rd St	3	2	1,256	20,000	\$588,000	\$468	2022
Volcano	Olaa Summer Lots	19-5114 Nanea Pl	2	2	1,160	21,200	\$850,000	\$733	2021
Volcano	Royal Hawaiian Estates	11-3302 Alaula St	1	1	356	10,000	\$179,000	\$503	2019
Volcano	Royal Hawaiian Estates	11-3227 Mokuna St	3	2	1,104	10,000	\$350,000	\$317	2021
Volcano	Royal Hawaiian Estates	11-3227-A Mokuna St	3	2.5	1,248	21,500	\$375,000	\$300	2021
Volcano	Royal Hawaiian Estates	11-3199 Pa Alii St	3	2	1,104	10,000	\$350,000	\$317	2022
Volcano	Royal Hawaiian Estates	11-3258 Pa Alii St	1	1	600	9,357	\$213,000	\$355	2020

**Appendix B-6
Asking Rents for Apartments
Update to Chapter 11
County of Hawaii, HI**

	<u>Sq. Ft.</u>	<u>Monthly Rent</u>	<u>\$/SF</u>	<u>Notes</u>	
WEST HAWAII'					
Lofts at Waikoloa					
1 BD / 1 BA	52	559	\$2,344	\$4.19	68-1865 Pua Melia St, Waikoloa Built 2021
1 BD / 1 BA	1	559	\$2,344	\$4.19	108 Units
2 BD / 1 BA	52	793	\$3,504	\$4.42	3 stories
2 BD / 1 BA	<u>3</u>	<u>602</u>	<u>\$2,660</u>	<u>\$4.42</u>	
	108	673	\$2,911	\$4.31	
Hale Kaloko					
Studio / 1 BA	60	400	\$1,650	\$4.13	73-1311 Onaona Dr, Kailua Kona Built in 1994, renovated in 2015
Studio / 1 BA	<u>60</u>	<u>400</u>	<u>\$1,500</u>	<u>\$3.75</u>	120 units, 3 stories
	120	400	\$1,575	\$3.94	<i>Unit mix unknown.</i>
75-5749 Alahou St					
Studio / 1 BA	15	596	\$1,600	\$2.68	Kailua Kona Building 1 - 2012. Building 2 - 2018
1 BD / 1 BA	8				Building 1 - 8 units. Building 2 - 17 units
2 BD / 1 BA	<u>2</u>	<u>750</u>	<u>\$2,095</u>	<u>\$2.79</u>	<i>Studio rents from 2018.</i>
	25				
81-6229 Hind Rd					
2 BD / 2 BA	12	1,020	\$1,650	\$1.62	Captain Cook Built 2008
75-346 Hualalai Rd.					
2 BD / 2 BA		862	\$2,500	\$2.90	Kailua Kona Built 2002
EAST HAWAII'					
189 Kukuau St					
Studio / 1 BA		400	\$700	\$1.75	Hilo Built 2002
556 Alenaio Ln					
2 BD / 1 BA			\$1,125	NA	Hilo Built 2008 Rent listing from 2021.

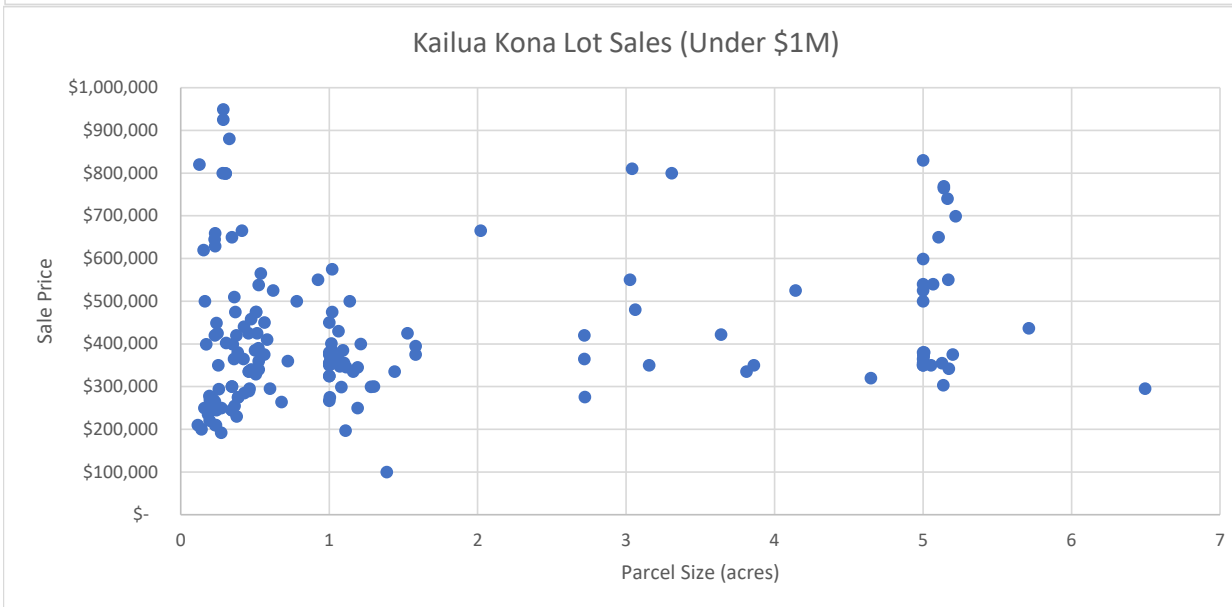
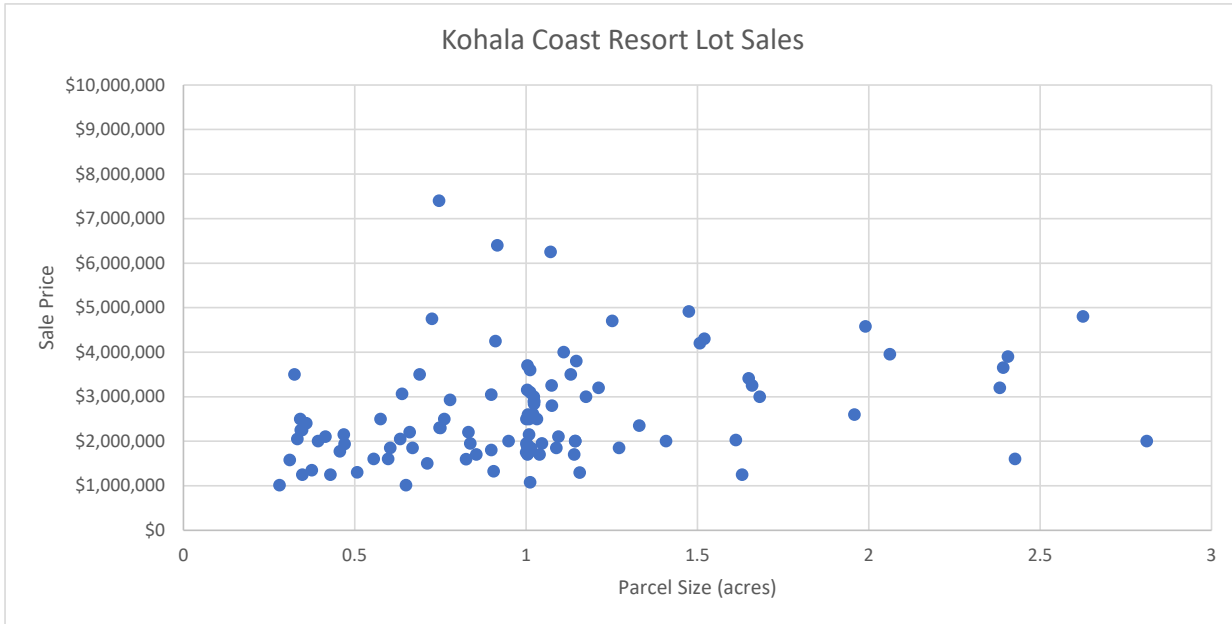
Source: Costar, Apartments.com

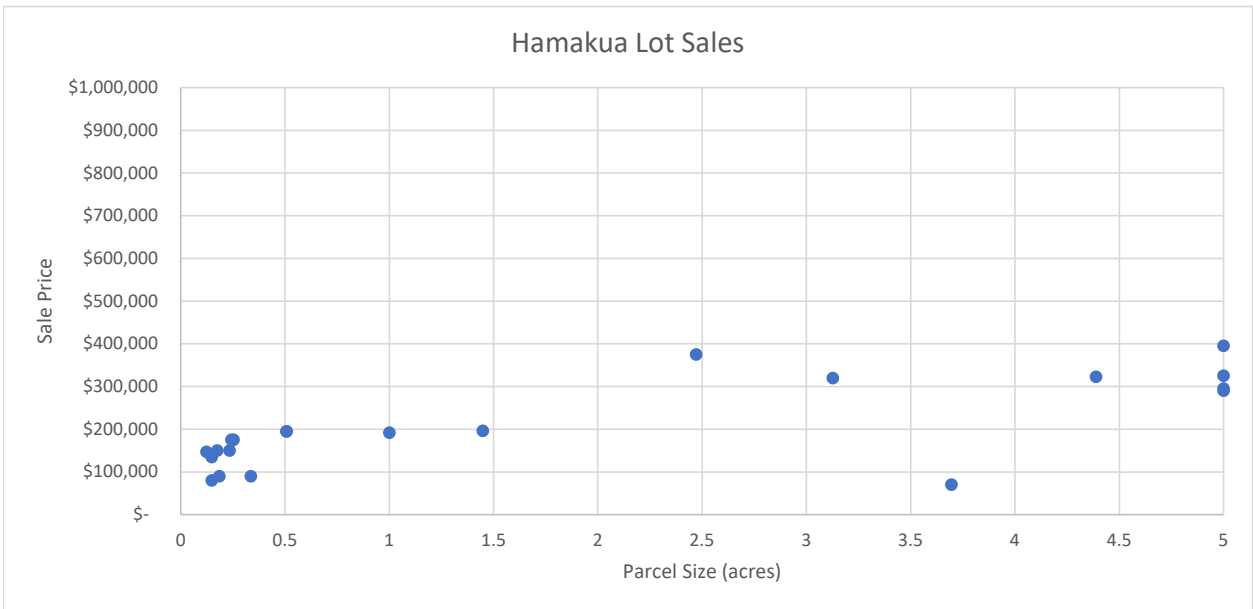
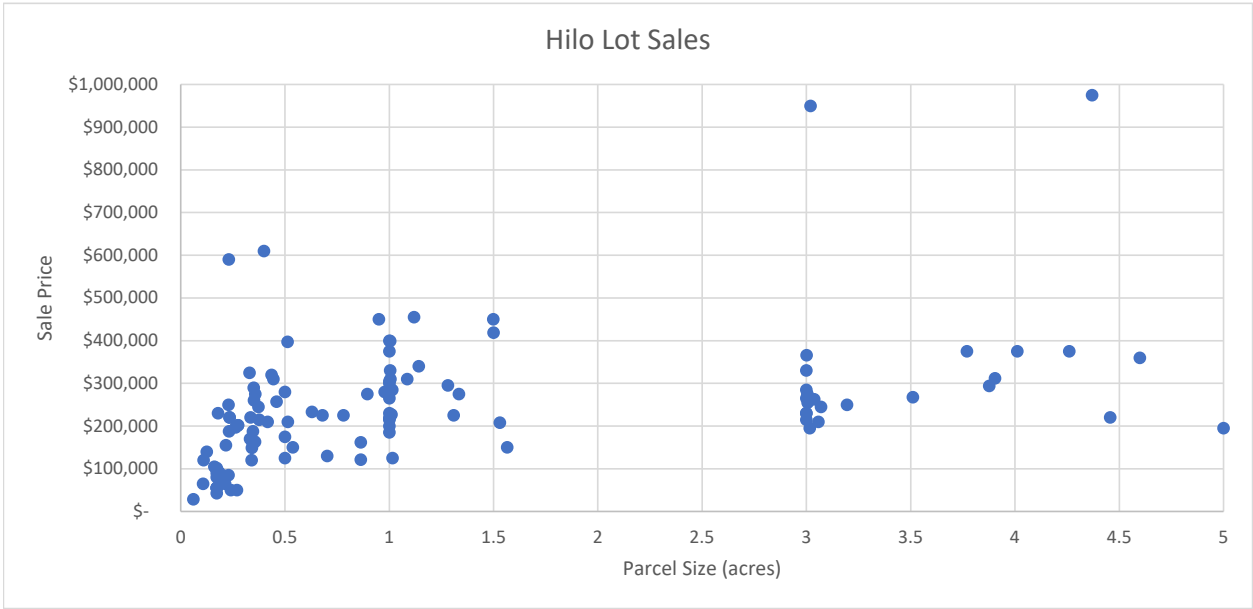
Additional Listings in Hilo

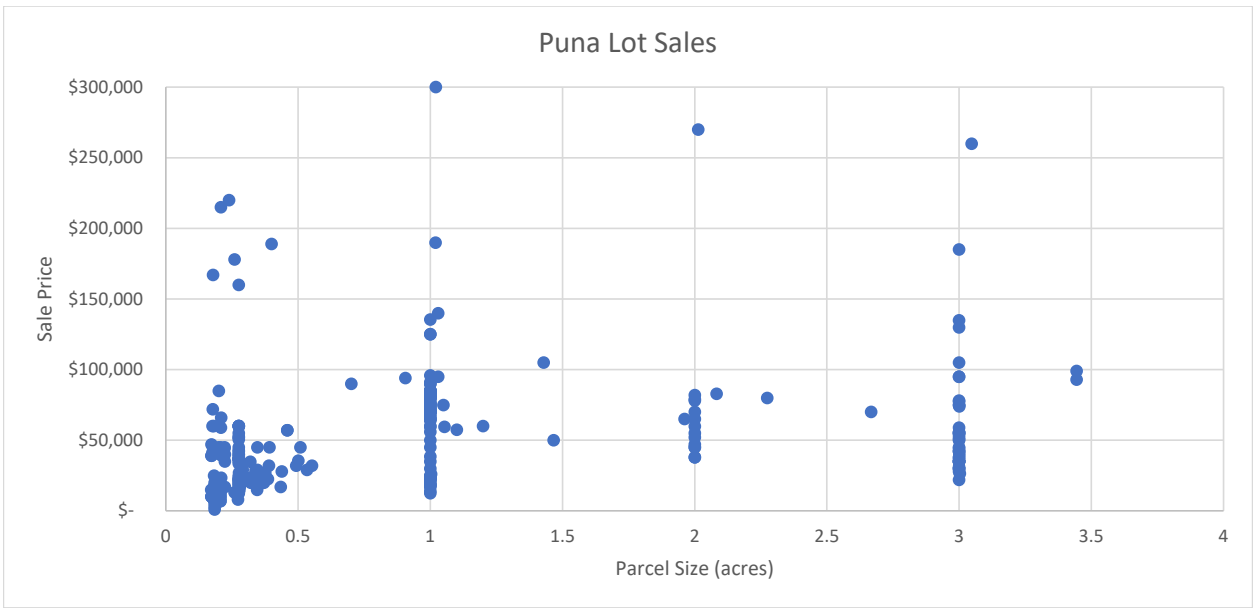
3 BD / 1 BA	814	\$1,623	\$1.99
2 BD / 2 BA	830	\$2,000	\$2.41
4 BD / 2.5 BA	1,400	\$2,500	\$1.79
3 BD / 1.5 BA	1,055	\$1,623	\$1.54
Studio / 1 BA	470	\$1,100	\$2.34

Source: Zillow

Appendix B-7
Lot Sales Since 2020
Update to Chapter 11
County of Hawaii, HI







Source: Redfin sales data for 2020 to 2022

**Appendix B-8
Land Sales
Update to Chapter 11
County of Hawaii, HI**

<u>Property Address</u>	<u>Property City</u>	<u>Year sold</u>	<u>Size (acres)</u>	<u>Sale Price</u>	<u>Price PSF gross</u>	<u>Note</u>
<u>Large Acreage</u>						
Waikoloa Rd	Waikoloa	2021	2,153.4	\$6,000,000		\$0.06 Raw, unentitled
Palamanui property	Kailua Kona	2022	720.0	\$15,000,000		\$0.48 Entitled for over 1,000 units, business park, hotel, retail requires significant infrastructure
Waikaumalo O-Maulua Homesteads	Papaaloa	n/a	41.6	\$625,000		\$0.35
Kaalualu Rd & Poko St	Naalehu	n/a	198.6	\$159,000		\$0.02 short sale
77-6217 Mamalahoa Hwy	Holualoa	n/a	56.0	\$815,000		\$0.33
<u>Under 20 Acres</u>						
245 Wainaku St	Hilo	n/a	4.4	\$975,000		\$5.12
1 Laaloa Ave	Kailua Kona	2021	19.6	\$1,200,000		\$1.41 ocean view, residential zoning
74-4972 Kiwi St	Kailua Kona	2021	7.1	\$950,000		\$3.05
44-2851 Kalaniai Rd	Honokaa	n/a	5.2	\$315,000		\$1.38 single ocean view lot
Kia Manu Rd	Honokaa	n/a	2.5	\$192,000		\$1.78 single lot
<u>Oceanfront</u>						
75-6066-75-6076 Alii Dr	Kailua Kona	2020	8.4	\$4,167,240		\$11.33 Three oceanfront lots on Alii drive
Queen Kaahumanu Hwy	Kailua Kona	2019	21.9	\$14,000,000		\$14.69 Four ocean-front lots, no utilities to site.
Amaui Dr	Kamuela	2020	6.0	\$6,100,000		\$23.34 Entitled Hapuna estates pad sale approved for 15 lots

Source: CoStar residential land sales since 2019