



2020 NOV 30 P 4: 04

RECEIVED  
LAND DIVISION  
HILO, HAWAII

November 30, 2020

Suzanne Case, Chairperson  
Department of Land and Natural Resources, Land Division  
1151 Punchbowl Street, Room 220  
Honolulu, Hawaii 96813  
808.587.0419

Gordon C. Heit, Compliance Officer  
Hawaii District Land Office  
75 Aupuni Street, Room 204  
Hilo, Hawaii 96720  
808.961.9590

**Re: Country Club Condominium Hotel - 121 Banyan Drive, Hilo, Hawaii ("Country Club") - Tax Map Keys: (3) 2-1-005:020 - Request for Proposal ("RFP")**

Aloha Chair Case, Mr. Heit, and Board Members:

This letter is submitted on behalf of Tower Development, Inc., a Hawaii corporation ("Tower"), which is the developer of the current Lessee for the Grand Naniloa Resort, a DoubleTree by Hilton ("Naniloa Hilton"), which is located at 93 Banyan Drive, Hilo, Hawaii 96720. Tower is honored to respond to the RFP and offer our expertise to further assist DLNR in the redevelopment of Country Club and the Banyan Drive corridor, which should beautify Hilo and stimulate economic growth. Tower's proposal ("Proposal") is attached hereto as Exhibit "A".

We look forward to this opportunity to further the beautification of Banyan Drive, Hilo and Island of Hawaii.

Edward L. Bushor  
Chief Executive Officer  
Tower Development, Inc.

Stuart L. Miller  
President  
Tower Development, Inc.

cc: Kevin E. Moore, Department of Land and Natural Resources

## **Request for Proposal**

**PROJECT: Country Club Condominium Hotel**

**ADDRESS: 121 Banyan Drive, Hilo, Hawaii ("Country Club" or "Property")**

**TAX MAP KEYS: (3) 2-1-005:020**

### **Introduction:**

On behalf of Tower Development, Inc. ("Tower"), the current lessee for the Grand Naniloa Resort a DoubleTree by Hilton ("Hilton"), Tower has already commenced the redevelopment of Banyan Drive with its good faith efforts to invest and fully renovate the Naniloa into the Hilton.

Tower is committed to continue the Banyan Drive redevelopment with the next phase being redevelopment of both the Uncle Billy's and Country Club sites. We appreciate you issuing the RFP, and are confident that Tower is the appropriate, and qualified developer to complete the redevelopment of both Uncle Billy's and Country Club. Through its extensive experience in demolition, renovation, environmental remediation, construction, development, financing, its relationship with DLNR and its experience working on the Island of Hawaii, and specifically Banyan Drive makes this project and Tower a unique and rare match.

We have been planning the redevelopment of Country Club since February 2016 when we first submitted our proposal to DLNR and have procured a qualified team to complete the project for the benefit of the County, State, Hilo and the surrounding community.

## **Request for Proposal: Country Club**

### **Submission Requirements:**

Each qualified applicant shall submit a renovation / operation proposal, which proposal shall include: (1) a demolition / partial demolition and/or repair / renovation plan; (2) an economic proposal; and (3) a business plan. The renovation / operation proposal shall include the information and materials requested below and shall be organized in a manner that is consistent with the

headings and sequence presented below. Applicants shall each submit five (5) hard copies and one electronic copy on a CD of their renovation / operation proposals.

- i. **Cover Letter**. Above
- ii. **Executive Summary**. Provide an executive summary of the critical aspects of the applicant's repair, renovation and operation proposal.



Tower's development and operation plan for the Property includes: (1) Developing a Home2 Suites, or another limited service branded hotel by Hilton in compliance with all relevant laws governing public lands (see attached letter of support from Hilton); (2) Tower will substantially renovate, repair, and rebuild where necessary, to the first-class standards of the Naniloa or better. Based on Tower's experience at the Naniloa, Tower is uniquely qualified to minimize demolition and maximize the utility of existing structures; (3) Tower will operate the entire Property as a Hotel and as a second option, if DLNR requests or considers need for apartment units, Tower is more than happy to equally improve the Project to implement as many apartment units as sought by DLNR; (4) Tower will have its existing management company that currently operates the Naniloa Property, which is Aimbridge/Evolution Hospitality, manage the Property; (5) subleases for the property could be implemented for food and beverage and tourism activities; and



(6) Tower intends to employ approximately 50 employees in the new Hotel operations.

- iii. **Repair, Renovation and Operation Plan**. Provide the applicant's repair, renovation and operation plan for the Subject Property. The repair, renovation and operation plan **must** address all health, safety and welfare issues identified in the SSFM Report, Erskine Report, County Department of Public Works, Building Division NOV, and County Fire Inspection Record. The repair and renovation plan must also include the following plans, information, and details:
  - g. **Site Plan**. Provide a conceptual site plan showing the building elevations and floor plan of each as renovated, and the uses provided for (provide three full size copies, 1"= 20' scale; and 5 half-size copies).
    - i. The Site Plan shall consist of the exact same building envelopes. Although no planned changes are included for the site plan, extensive and full interior and exterior renovations will be performed.
    - ii. See Attached Exhibit "A"
  - h. **Narrative Description**. Provide a narrative description of the repair, renovation and operation proposal, including but not limited to the following:

**Descriptions of the proposed project and proposed uses;**

**1. Proposed Project and Proposed Use – Home2 Suites or similar by Hilton (see attached letter of support from Hilton):**

Tower will operate the entire Property as a Hotel and as a second option, if DLNR requests or considers a need for apartment units, Tower is more than happy to equally improve the Project to implement as many apartment units as sought by DLNR.

**2. Parking: A key element of the development that Tower can provide is a sublease of a portion of Tower's golf course parking to the Property, if Tower**



is selected. The requirement of 286 parking spaces cannot be satisfied without the use of the golf course. There is not adequate parking on the subject site for complying with current requirements of entitlements for a hotel. Thus, Tower is uniquely capable to guaranty parking requirements to provide unlimited parking on Tower's golf course parking areas. Tower will enter into a long-term sublease agreement with the Grand Naniloa at the golf course for parking and valet services to comply with current building codes, and hotel customer expectations to allow for a minimum to meet building code, guest, and employee requirements.

3. **Building Height; Setbacks; Floor Areas:** Tower shall meet current governmental requirements based on maintaining substantially similar building configuration. Tower is an expert in renovating and using current structures, similar to Tower's development at the Naniloa.
4. **Restaurant lease:** 1 Food and Beverage venue is likely needed.
5. **Retail Lease:** 1 sundries shop and tourism activities leases are likely needed.
6. **Swimming Pool:** The existing pool will be fully renovated and left in its current location.
7. **Project Design & Aesthetics:** The Project will be designed to fit into the natural beauty of the Hilo Bay, Waiakea peninsula, Banyan Drive, the greater Hilo area, and Hamakua Coast. Tower prides itself on being a sustainable developer, and to embody, and incorporate the elements of the existing structures and surrounding areas. We will implement design ideas, elements such as recycled and repurposed elements from the community the same way we used abandoned wood on the site of the Naniloa for all of the lobby tables. This project is no different than the Naniloa, where we sought to implement design aesthetics from the culture and history of Hilo (using Hula as the theme for the Naniloa). Tower has a strong emphasis on cultural sensitivity, and the historical significance for each of its developments as they relate to the community and specific site.

#### **An outline of the renovation / operation program and phases;**

1. **Renovation Program and Phases:** The renovation program will include:

- a. Single phase of development. Tower will demolish the current interior improvements, and exterior cosmetic and deferred maintenance items and substantially renovate the balance of the Project to the standards of the Naniloa.
  - b. Renovation Program.
    - i. 100-125 rooms (according to Hilton standards, which can be supplied in supplemental package)
    - ii. 286 parking spaces (sublease with sister property and Naniloa golf course)
    - iii. Lobby (according to Hilton standards, which can be supplied in supplemental package)
    - iv. Restaurant (according to Hilton standards, which can be supplied in supplemental package)
    - v. Marketplace (according to Hilton standards, which can be supplied in supplemental package)
    - vi. Pool. Use existing pool area and enhance to modern standards.
    - vii. Sea level enhancements. Tower will enhance the makai side of the Property at the pool area with applicable sea level enhancements to ensure naturally designed protections (designed as park benches and seating area).
    - viii. Exterior/Elevation. See attached elevation which will include Hilton first class standards.
2. **Operation:** Tower will operate the entire Property as a Hotel and as a second option, if DLNR requests or considers need for apartment units, Tower is more than happy to equally improve the Project to implement as many apartment units as sought by DLNR; (4) Tower will have its existing management company that currently operates the Naniloa Property, which is Aimbridge/Evolution Hospitality, manage the Property; (5) subleases for the property could be implemented for food and beverage and tourism activities; and (6) Tower intends to employ approximately 50 employees in the new Hotel operations.

**Statements indicating how the renovation / operation plan satisfies DLNR's demolition / partial demolition and/or repair / renovation and operation objectives;**

1. **Maximize Existing Improvements.** Maintaining the existing site plan and room count (to the extent possible) satisfies DLNR's objectives by maximizing the number of rooms that currently exist. Heavy demolition and maximum renovation of interior and exterior improvements to return the building to a like new condition.

**Descriptions of the benefits to be realized by the State and the Banyan Drive community as a result of the proposed project;**

2. **Grant of parking lot from Naniloa to Reed's Bay Park.** Tower is prepared to provide 1 acre for additional parking for the park.
3. **Grant of trail rights through and across the Naniloa golf course for the Hilo Bayfront Trails.** Tower is prepared to provide 1 acre of additional trails through and across the golf course from the corner of Banyan Drive and HWY 19 to the southern side of the golf course at a location determined by Hilo Bayfront trails (at their discretion).
4. **Dedicate golf course to DLNR and County for cultural, Hula, conferencing, and public use.** Tower is prepared to negotiate in the Development Agreement on how best to use the existing golf course for the public benefit.

**Any other pertinent information regarding the renovation / operation plan.**

5. **Dual Development Agreement Plan.** Tower proposes to negotiate a dual development plan for Uncle Billy's and Country Club to allow for Tower to absorb the entire cost of the demolition related to Uncle Billy's in order to save such costs for the State of Hawaii.
6. **Tower is the only proven Hilo entity.** Tower is willing to commit the resources to complete "full renovations" as compared to "Band-Aid" renovations of our competitors. We are aware of other projects owned by competitors in Hilo, that for years remain unrenovated. Tower believes that if you're willing to own real estate there is a moral obligation to improve it at the highest level for the community of Hilo. Tower recently acquired the dilapidated Waiakea Villas in Hilo and is completing a full renovation of the exterior and interior units to allow renters to experience brand new apartment units at current market rents. As you are aware, the commercial area of Waiakea Villas is not owned by Tower and has remained unrenovated for numerous years



and is an eyesore. DLNR can be assured by retaining Tower that it will not allow eyesores to continue along Banyan Drive or anyplace Tower becomes the owner.

- i. **Special Management Area.** Explain how the proposed project and uses are consistent with the County's requirements and restrictions for the Special Management Area.
  - i. Tower will maintain the existing boundaries and aesthetics consistent with the current SMA requirements. Any further SMA entitlement requirements will be satisfied by Tower.
- j. **Proposed Design Standards.** Provide the proposed design standards for the project, describing the character of the project, and other design features such as lighting, landscaping, signage, etc. If applicable, describe how the project will incorporate smart growth and green development principles.
  - i. Hilton brand standards (consistent with the Naniloa).
- k. **Phasing Plan.** If the proposed project will be implemented in phases, provide renderings of the proposed development phases and estimated time periods for each phase.
  - i. Phases. Tower estimates 3 months for development agreement, 6 months for lease approval, and 12 months for design, DLNR approval, and permitting, and 18 months for construction.
- l. **Protection of Shoreline Areas and Coastal Waters.** Describe how the repair, renovation and operation proposal will preserve and protect the shoreline areas (including protecting public access to the shoreline) and coastal waters.
  - i. Tower will preserve the shoreline in its existing condition without any planned construction or impacts.
  - ii. Tower will work with DLNR to implement any sea level enhancements as determined by DLNR.
  - iii. Tower will allow shoreline access as determined by DLNR.

- m. **Illustrations & Other Information**. Provide any other information, plans, illustrations, and/or renderings that would assist DLNR in visualizing the proposed project.
- i. See attached Exhibit B for Elevation of Building.
- n. **Community Benefits**. Describe any additional benefits arising from and unique to applicant's proposed use of the Subject Property that will benefit the community of Banyan Drive, Hilo, and Hawaii Island.
- i. **Grant of parking lot from Naniloa to Liliuokalani Park**. Tower is prepared to provide 1 acre for additional parking for the park.
  - ii. **Grant of parking lot from Naniloa to Reed's Bay Park**. Tower is prepared to provide 1 acre for additional parking for the park.
  - iii. **Grant of trail rights through and across the Naniloa golf course for the Hilo Bayfront Trails**. Tower is prepared to provide 1 acre of additional trails through and across the golf course from the corner of Banyan Drive and HWY 19 to the southern side of the golf course at a location determined by Hilo Bayfront trails (at their discretion).
  - iv. **Dedicate golf course to DLNR and County for cultural, Hula, conferencing, and public use**. Tower is prepared to negotiate in the Development Agreement on how best to use the existing golf course for the public benefit.
- o. **Changes/differences from SOQ Response**. If the repair, renovation and operation plan provide for repairs, renovations or operations that differ from those described in response to the SOQ portion of this RFQ/RFP, the applicant must explain the reason for the differences. The applicant shall also provide additional information to evidence the applicant's qualifications (e.g., experience and expertise) regarding the revised repair, renovation and operation plan. The information to be provided shall be similar to the type and level of detail provided in the SOQ response.

If the evaluation committee, in its sole discretion and in the best interest of the State, determines that the applicant does not possess the necessary experience with respect to such revised repair,

renovation and operation plan, DLNR may deem the applicant unqualified to participate in the RFP process or may take such factors into consideration in evaluating the applicant's proposal.

- iv. **Economic Proposal**. Provide applicant's economic proposal, which shall detail the fees and lease rents the applicant proposes to pay to DLNR, and shall include, at a minimum, the following:

- g. **Annual Minimum Lease Rent**. Provide the annual minimum lease rent the applicant proposes to pay for the Subject Property for the first thirty (30) years of the lease (see step-up format below), including any proposed percentage lease rents or other revenue sharing proposal. Lease rents for any selected proposal shall be no less than fair market value.

<u>Annual Minimum Rents Period</u>	
\$75,000 per Annum	Years 1-10
1.5% increase per Annum	Years 11-20
1.5% increase per Annum	Years 21-30

**\*THIS RENT STRUCTURE ASSUMES TOWER COVERS ALL COSTS OF ENVIRONMENTAL REMEDIATION, DEMOLITION, SMA, AND DEVELOPMENT COSTS TO COMPLETE THE CONSTRUCTION OF THE NEW PROJECT.**

- b. Credit for demolition. The maximum amount permitted by law shall be given as a credit toward annual rent for 1 year.
- c. The annual minimum lease rents will be reopened after the first 30 years and every ten (10) years thereafter. DLNR will procure an independent appraiser to review the proposed annual minimum lease rent and other information submitted by applicants in response to the RFP to determine whether the applicants' proposed annual minimum lease rent qualifies as fair market rent. If any applicant's proposed annual minimum lease rent is determined to be lower than



fair market rent, DLNR will ask the applicant to increase its proposed annual minimum lease rent to fair market rent in order to be further considered under the RFP review process. Any applicant who declines to include fair market rent as determined by DLNR's independent appraiser for applicant's proposal shall be disqualified from further consideration under the RFP.

- d. **Lease Terms and Conditions**. Describe the proposed commencement of the lease in relation to the applicant's proposed repair, renovation and operation schedule. Identify which events must occur prior to commencement of the lease and which events must be preceded by the execution of the lease. Describe any other critical lease terms and conditions, and the applicant's rationale for such terms and conditions.
  - i. Proposed commencement – Upon opening for business.
  - ii. Events to occur prior to commencement of Lease Term
    - 1. Mutual approval of the building plans
    - 2. SMA/Amendments approval
    - 3. Submittal of building permit
    - 4. Issuance of building permit
    - 5. Construction
    - 6. FF&E installation
    - 7. 30-day employee training period
    - 8. Open for business
  - iii. Events to be preceded by the execution of the lease
    - 1. Development Agreement mutually executed
- e. **Lease Rent Waiver**. Describe any proposed lease rent waiver requested, bearing in mind that the statutory maximum allowed under Chapter 171, HRS, is one year's rent. See HRS Section 171-6(7).
  - i. One year, subject to Dual Development Agreement for both Uncle Billy's and Country Club developments.
- f. **Other**. Provide any other proposed lease terms that the applicant believes are both feasible and appropriate for the applicant's proposal.

- v. **Business Plan**. Provide the applicant's business plan for the proposed repair, renovation and operation of the Subject Property. The business plan must specify all of the major elements necessary to implement the applicant's repair, renovation and operation plan and should be described to a level of detail appropriate for preliminary funding commitments.

The business plan should include, at a minimum, the following:

- g. **Repair, Renovation and Operation Schedule**. Provide an outline of the proposed repair, renovation and operation schedule and project phasing (including a timeline with realistic start and completion dates) and highlight any events (including government land use entitlements/approvals/permits) that are critical to the timely completion of the project.

The project schedule should include a separate timetable for the pre-renovation / operation activities (i.e., the activities that must occur prior to issuance of the lease, such as due diligence, obtaining land use entitlements/permits/approvals, etc.), and a timetable for the project activities. If the project is to be completed in phases, provide estimated timetables for each phase.

1. 3 months – Development Agreement
2. 6 months – Lease Approval
3. 12 months – Design and DLNR approval of Design and Permitting
4. 18 months – Development and Construction.
5. 30-day employee training period
6. Open for business

- h. **Land Use Entitlements and Approvals/Permits**. Provide a comprehensive list of all land use entitlements and government approvals and permits required to complete the project and a projected timeline for obtaining all such entitlements/approvals/permits. Indicate which entitlements/approvals/permits must be obtained prior to the applicant commencing any repair and renovation work of the Subject Property.

- Tower intends to do a renovation plan consistent with the Naniloa and comply with all current land use entitlement and government approval requirements based on Tower's renovation plan.

- i. **Project Cost Estimates**. Provide cost estimates for the entire project and also broken down for each phase of the project. Construction cost estimates should include all hard and soft costs, and account for cost escalations. The cost estimates should be itemized by categories such as but not limited to, building repairs and renovations, consultant fees, design fees, entitlement and permitting fees, landscaping, financing costs, marketing and sales costs, operating costs, profits, insurance, bonds, etc.

See attached Exhibit "E"

- j. **Financial Pro Forma**. Provide pro forma financial projections for the entire project and also broken down for each phase of the project components, including cash flow and operating income/expense projections for the pre-construction stage and for the construction stage (until completion of all repairs and renovations). The pro forma projections should also clearly show gross revenues, operating expenses, vacancies, reserves, debt service, net operating income, profits, and total projected lease payments (base and percentage) to DLNR.

Where subleases are anticipated, provide estimates of subtenant rentals and master lessee operating expenses. The projections should also show projected lease rent payments to DLNR and any proposed rental waivers.

See attached Exhibit "F"

- k. **Market and Financial Feasibility Analysis**. Provide a market and financial feasibility analysis for the proposed project. Analyses of market support for the repair, renovation and operation of the Subject Property, proposed handling of sublessee lease rents,



absorption/occupancy timetable, and key assumptions used in financial projections and pro formas should be included.

- i. Tower's market experience and financial feasibility analysis is proprietary and can be disclosed upon a mutually executed confidentiality agreement.

- I. **Financing Strategy and Preliminary Commitments.** Describe the applicant's proposed financing plan for the project. Describe, to the extent possible, the applicant's estimates of equity requirements and construction and takeout financing, and the applicant's proposed source of funds.

Provide examples of financial approaches and lenders used for other projects renovated or developed by the applicant.

Provide letters from previous or current lenders and/or equity partners describing their prior or existing financing arrangements with the applicant.

If applicant is an entity, its principal(s) will be required to provide personal guarantee(s) for the project.

- i. Tower's lender that financed the Naniloa will be used again for the financing in the approximate amount of 60% loan to cost. The lender and the financing terms are proprietary information and can be disclosed upon a mutually executed confidentiality agreement.
- ii. The equity requirement shall be 40% and shall be comprised of Tower's existing partners.
- iii. Ed Bushor and Stuart Miller will provide all guaranty requirements.
- iv. The development Pro Forma for costs is proprietary information and can be disclosed upon a mutually executed confidentiality agreement.

- m. **Marketing and Leasing Plan.** Provide a marketing and leasing plan that shows how the applicant intends to implement the proposed project. Provide evidence of other projects renovated or developed

by the applicant that successfully utilized a similar marketing and leasing plan.

- i. Grand Naniloa Hotel – The Naniloa elected to stay open during Covid to continue to employ the many Hilo residents. It also is one of a handful of hotel operators who was willing to do what was right for the community and remain open. TDI, through its affiliate, WHR, LLC successfully completed the demolition, hazardous materials abatement, renovation, repositioning, branding, and successfully operates the hotel, collectively defined as the Redevelopment of the Naniloa. TDI, employed over 250 construction workers, of which 235 were Hawaii residents in the redevelopment, and the hotel currently employs in excess of 220 full time employees. We have made a meaningful impact on Hilo, and the surrounding communities by creating hundreds of jobs and millions of dollars financial impact for the island and the State. The hotel was performing very well at record levels prior to Covid-19 and was a sponsor of the 55<sup>th</sup> annual Merrie Monarch Festival and sponsored the return of the Hokule'a to the Naniloa. TDI has invested approximately \$50,000,000 into the Naniloa, has a long-term vision for Banyan Drive. TDI has deep vested interest in the community and is committed to see through the entire Banyan Drive redevelopment parcel by parcel. Upon the return of tourism to the Big Island, which will occur when the state fully opens up tourism in a safe environment, we expect healthy levels to return (subject to a vaccine being adopted in 2021) to the Naniloa in the second half of 2021 and back to normal by 2022.
- ii. Waiakea Villas – 162 apartment project renovation. Full interior apartment unit renovations as well as a full exterior and grounds renovation. All notices of violation and substandard building conditions have been cured or are currently in the process with an estimated completion date of December 2021. Upon completion of the full renovation, approximately \$4,000,000 will have been spent. Unlike our neighbor at Wailoa Plaza, we will have spent \$4,000,000 in 24 months compared to what we believe is less than \$500,000

over 5+ years at Wailoa Plaza. As illustration, we present this difference due to the fact that many of our competitors do not renovate to the extent of Tower. Tower believes in improving communities by full renovation programs rather than Band-Aid approaches.

- n. **Method of Operation**. Describe the proposed method of operation for the project. Explain the applicant's role in management of the project.
  - i. Tower will have its existing management company that currently operates the Naniloa Property, which is Aimbridge/Evolution Hospitality, manage the Subject Property as a hotel, or if apartment units are sought by DLNR, then Tower Commercial, LLC, will renovate and create a top tier apartment project and manage all apartment units, similar to Tower's development of the 162-Unit Waiakea Villas project in Hilo, which are also being managed by Tower Commercial, LLC.



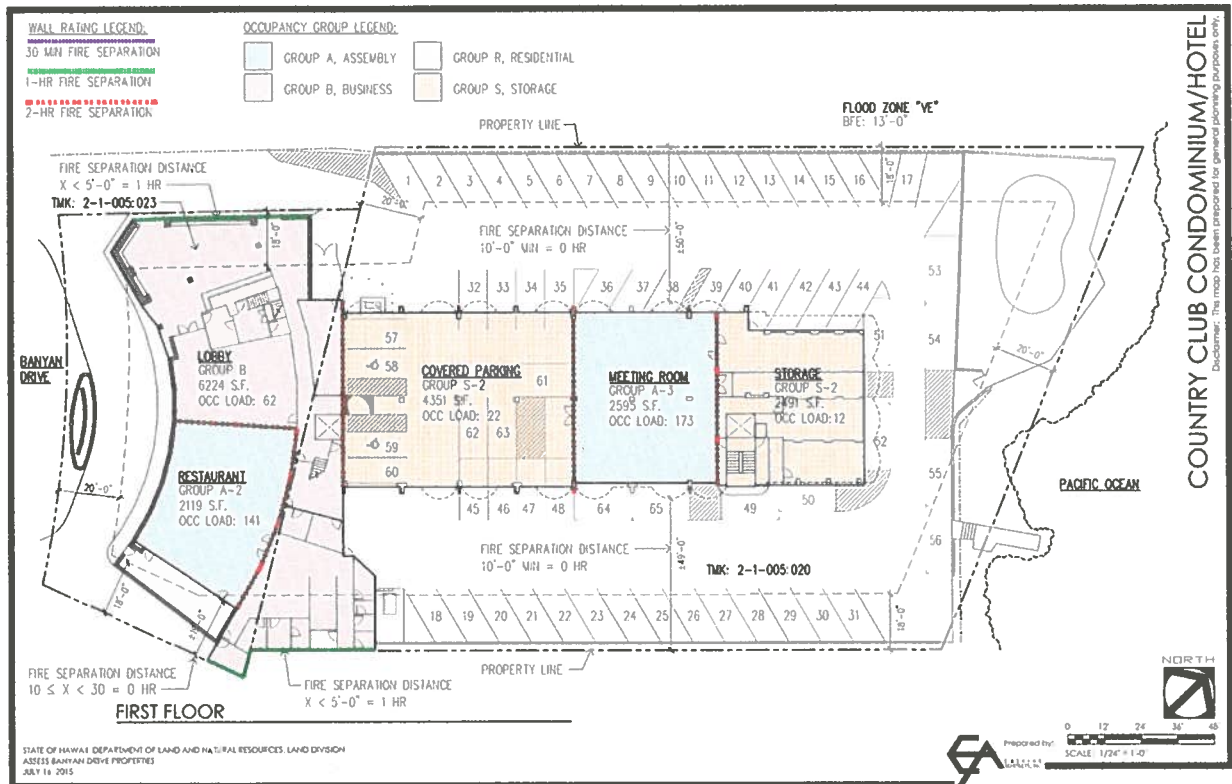
### **Exhibit List:**

- Exhibit A: Site Plan (will maintain consistent site plan based on our development plan)
- Exhibit B: Country Club Elevation Example
- Exhibit C: Hilton Letter
- Exhibit D: Golf Course Proposal for parking areas for Reeds Bay and Liliuokalani Park and Proposed Community Cultural/Convention Uses
- Exhibit E: Construction Budget
- Exhibit F: Operational Projections / Pro Forma
- Exhibit G: List of References

## EXHIBIT "A"

### Site Plan

\*The Site Plan shall consist of the exact same building envelopes. Although no planned changes are included for the site plan, extensive interior renovations will be performed.



**EXHIBIT "B"**  
**AFTER REDEVELOPMENT (TOP PICTURE)**  
**BEFORE DEVELOPMENT (BOTTOM PICTURE)**



**Exhibit "C"**  
**HILTON SUPPORT LETTER**



Tim Powell  
Vice President & Managing  
Director Development  
Southwest Region

Hilton Worldwide  
300 N. Continental, Suite 450  
El Segundo, CA 90245  
PH: 310-744-9723  
tim.powell@hilton.com

February 10, 2016

Mr. Stuart Miller  
Vice President Development  
Tower Development Inc.  
1050 Bishop Street, Suite 530  
Honolulu, HI 96813

RE: Uncle Billy's Conversion Interest

Dear Mr. Miller:

Thank you so much for exploring with me the potential of converting the 145-unit Uncle Billy's Hilo, HI, to one of Hilton Worldwide select service brands. This letter is intended to serve as confirmation of Hilton Worldwide's interest.

Our relationship with Tower Development is first and foremost the reason why we are interested in this opportunity. You have proven to be a valuable franchise partner during the renovation and repositioning of the Naniloa Hotel. Our knowledge of this market leads us to believe that there is room in the market to explore adding a Hampton Inn or Hilton Garden Inn. We understand our discussions with you are preliminary in nature, but based on the information you have shared we have a strong interest in continuing to explore this opportunity. To gain a better understanding about all the brands of Hilton Worldwide, please visit [www.HiltonWorldwide.com/portfolio/](http://www.HiltonWorldwide.com/portfolio/).

This letter is not legally binding on either party, nor is it exclusive. If within 60 days we do not have an application, this letter will be considered expired if you do not specifically request another 60 day extension. Any expenditure or obligation undertaken by either party to the execution and delivery of a franchise agreement is at the party's sole risk and expense.

Should you have any questions or concerns please feel free to contact me at [tim.powell@hilton.com](mailto:tim.powell@hilton.com) or at 310-744-9723. I look forward to working with you.

Sincerely,

A handwritten signature in black ink that reads 'Tim Powell'.

Tim Powell  
Vice President & Managing Director





## EXHIBIT "D"

### Golf Course Proposal for parking areas for Reeds Bay and Liliuokalani Park and Proposed Community Cultural/Convention Uses

#### "BANYAN DISTRICT" – "HILO'S GATHERING PLACE"



# Exhibit "E"

## Construction Budget

Project Address	121 Banyan Drive Hilo, HI 96720					Last Updated	11/30/20
Cost-Code	Item	Description	Quantity	Unit	Unit Price	Total Cost	
PROJECT SUMMARY							
1	Soft Costs	Design, Engineering, Architectural, Permit Fees, Plan Reproduction, Permit Expeditor	125	EA	14,649.43	1,831,178.34	
2	Demolition	Site Improvements; Demolition, AQM Abatement	152	EA	11,118.56	1,690,020.49	
3	Guest Room Budget	125 Unit Guest Room Renovation	125	EA	21,507.25	2,688,405.97	
4	Corridors	Corridor Renovation				410,314.81	
5	Stairwells and Railings	Interior and Exterior Stairwells and Railings				1,103,991.88	
6	Signage, Monument Signs, Landsc	Wayfinding, Monument Signs, Landscaping				181,956.63	
7	Concrete/Asphalt	Concrete, Sidewalks and Paving				288,291.54	
8	Doors & Windows	Entry and Common Area Doors, Windows/Glazing				512,404.73	
9	Lobby	Lobby, Food Service, Meeting Room				1,349,946.16	
10	Back of House	Offices, Maintenance, Maid Closets				67,594.85	
11	Public Area Restrooms	Public Area Restrooms				58,495.55	
12	Pool	Pool Deck, Coping, Fence, New Pool Pump				163,137.58	
13	Guest Laundry, Vending and Fitness	Guest Laundry and Fitness Rooms				202,029.21	
14	Security and Wireless	Site Security and Wireless				224,187.25	
15	Thermal & Moisture Protection	Roof, Exterior Painting, Concrete Spalling and Crack Repairs, CMU HVAC, Exhaust Fans, Plumbing, Fire Sprinkler, Sewer Repair, Plumbing Fixtures, Water Heaters				585,102.66	
16	Mechanical Systems	Building Electrical and Lighting Repairs, Transformers, Exterior Lighting, Life Safety/Fire Alarm, Data/Communications				3,016,114.95	
17	Electrical Systems	Systems & Controls, Modernization, Interior Improvements				893,497.00	
18	Vertical Transportation	Guest Rooms, Lobby & Public Areas, Laundry Equip, Food Equipm, Food Service Equip				764,341.80	
19	FF&E and OS&E					3,044,337.45	
	Subtotal					19,075,348.86	
	Contractor Contingency	Construction Contingency		5.00%		953,767.44	
	Contractor Fee	Fee on Direct Construction Costs only	Included Above				
	Subtotal					20,029,116.30	
	Performance Bond	Bond		2.00%		400,582.33	
	Liability Insurance	Insurance	Included Above				
	General Excise Tax	GET Tax	Included Above				
TOTAL PROJECT BUDGET    Soft Costs, Direct Construction & Fees    20,429,699							

# **EXHIBIT "F"** **Operational Projections / Pro Forma**

Hilton Limited Service, HILO - CC Site									
ROOM COUNT: 125									
5 YEAR PRO FORMA									
	Projected 2023	Projected 2024	Projected 2025	Projected 2026	Projected 2027	5-Yr CAGR			
Occupancy %	74.6%	81.3%	82.4%	82.4%	82.4%	82.4%			
Average Daily Rate	\$149.79	\$159.30	\$165.48	\$170.44	\$175.55	4.05%			
% Change	-	6.4%	3.7%	3.0%	3.0%	3.0%			
RevPAR	\$111.81	\$129.45	\$136.28	\$140.37	\$144.58	6.64%			
% Change	-	15.8%	5.3%	3.0%	3.0%	3.0%			
Total Rooms Sold	34,150	37,075	37,575	37,575	37,679				
Total Rooms Available	45,750	45,625	45,625	45,625	45,750				
DEPARTMENTAL REVENUE									
Rooms	\$5,115,300	\$5,906,102	\$6,217,759	\$6,404,292	\$6,614,677	95.1%	95.1%	95.2%	\$175.55
Rent & Other Income	\$3,818	\$9,889	\$9,216	\$6,096	\$6,387	0.9%	0.9%	0.9%	1.66
Parking	215,145	233,573	268,286	268,286	269,031	4.0%	4.0%	3.9%	7.14
Total Departmental Revenue	\$5,384,263	\$6,199,563	\$6,545,260	\$6,733,273	\$6,946,095	100.0%	100.0%	100.0%	\$184.35
DEPARTMENTAL EXPENSES									
Rooms	\$1,483,135	\$1,658,472	\$1,631,882	\$1,680,839	\$1,736,074	26.2%	26.2%	26.2%	\$46.07
Rent & Other Income	13,455	14,972	14,804	15,174	15,597	25.0%	25.0%	25.0%	0.41
Parking	86,058	93,439	107,314	107,314	107,612	40.0%	40.0%	40.0%	2.86
Total Departmental Expenses	\$1,582,647	\$1,766,873	\$1,754,000	\$1,803,327	\$1,859,283	26.8%	26.8%	26.8%	\$49.34
DEPARTMENTAL PROFIT									
Rooms	\$3,632,166	\$4,247,629	\$4,585,877	\$4,723,453	\$4,878,604	73.8%	73.8%	73.8%	\$129.48
Rent & Other Income	40,364	44,916	44,412	45,522	46,790	75.0%	75.0%	75.0%	1.24
Parking	129,087	140,144	160,971	160,971	161,419	60.0%	60.0%	60.0%	4.28
Total Departmental Profit	\$3,801,616	\$4,432,689	\$4,791,260	\$4,929,946	\$5,086,812	73.2%	73.2%	73.2%	\$135.00
OTHER OPERATING EXPENSES									
Administrative & General	\$408,296	\$437,543	\$454,822	\$468,250	\$482,579	6.9%	7.0%	6.9%	\$12.81
Info & Telecom	\$75,000	\$77,250	\$79,568	\$81,955	\$84,413	1.2%	1.2%	1.2%	\$2.24
Sales & Marketing	\$20,775	\$26,308	\$26,497	\$26,388	\$26,969	9.2%	9.2%	9.2%	16.98
Franchise Fees	\$204,612	\$295,305	\$373,066	\$384,257	\$396,881	5.7%	5.7%	5.7%	10.53
Repairs & Maintenance	\$257,904	\$265,641	\$273,610	\$281,819	\$290,273	4.2%	4.2%	4.2%	7.70
Utilities	\$21,975	\$240,988	\$247,901	\$256,578	\$266,296	3.8%	3.8%	3.8%	7.07
Total Other Operating Expenses	\$1,688,562	\$1,893,035	\$2,031,464	\$2,093,247	\$2,160,410	31.1%	31.1%	31.1%	\$57.34
GROSS OPERATING PROFIT									
Rooming	\$2,113,054	\$2,539,655	\$2,759,796	\$2,836,700	\$2,926,402	42.1%	42.1%	42.1%	\$77.67
42.1%									
FIXED EXPENSE									
Property Taxes	\$80,000	\$82,400	\$84,872	\$87,418	\$90,041	1.3%	1.3%	1.3%	\$2.39
Insurance	\$125,000	\$128,750	\$132,613	\$136,591	\$140,689	2.0%	2.0%	2.0%	3.73
Ground Lease	0	0	0	0	0	0.0%	0.0%	0.0%	0.00
Management Fee (1)	\$161,528	\$185,987	\$196,358	\$201,988	\$208,383	3.0%	3.0%	3.0%	5.53
Total Fixed Expense	\$366,528	\$407,137	\$413,842	\$426,007	\$439,112	6.3%	6.3%	6.3%	\$11.65
EBITDA									
EBITDA	\$1,746,526	\$2,132,518	\$2,345,953	\$2,410,693	\$2,487,289	35.8%	35.8%	35.8%	\$66.01
Less: FF&E Reserve (2)	\$153,155	\$153,155	\$153,155	\$153,155	\$153,155	4.0%	4.0%	4.0%	7.37
NET OPERATING INCOME									
Net Operating Income	\$1,593,371	\$1,979,363	\$2,192,798	\$2,257,538	\$2,334,134	31.8%	31.8%	31.8%	\$58.64

(1) 3.0% of Gross Revenues imputed for basic management fee  
(2) 4 % of Gross Revenues for "FF&E Reserve" for replacements



**EXHIBIT "G"**  
**TOWER DEVELOPMENT, INC. REFERENCES**

**References:**

Mayor Mitch Roth, County of Hawaii  
Mayor Harry Kim, County of Hawaii  
Zendo Kern, Planning Director  
Billy Kenoi, Retired County of Hawaii Mayor  
Mufi Hannemann, CEO of the Hawaii Lodging and Tourism Association  
Brian DeLima, Agency Chair, Banyan Drive Redevelopment Agency  
Duane Kanuha, retired Planning Director, Hawaii County  
Lincoln Ashida, former Corporation Counsel, County of Hawaii  
Senator Kaiali'i Kahele, State Senator representing 1<sup>st</sup> Senatorial District  
Governor George Ariyoshi, Governor of Hawaii 1974-1986  
Governor Neil Abercrombie, Governor of Hawaii 2010-2014  
Elwin Ahu, Senior Pastor, Metro Christian Church, Honolulu  
Hakim Ouansafi, Executive Director, State of Hawaii Housing Authority  
Rabbi Itchel, Chabad of Hawaii Synagogue  
James Hirayama, Hirayama Bros. Electric, Inc.  
Neil Erickson, Building Division County of Hawaii

**Corporate References:**

Hilton Worldwide  
Marriott International  
Bank of Hawaii  
Case Lombardi Pettit  
Torkildson Katz Hetherington Harris & Knorek  
Colliers International  
Hall Structured Finance  
Goldman Sachs  
Hawaii Pacific University  
Aimbridge/Evolution Hospitality  
HPM Building Supply  
HomeStreet Bank  
Wells Fargo