

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Division of Boating and Ocean Recreation  
Honolulu, Hawaii 96819

January 27, 2017

Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

Hawaii

**Continuation of Revocable Permits on Honokohau Small Boat Harbor, North Kona, Island of Hawaii, Hawaii, Tax Map Key: (3) 7-4-008: 003 Portion (see attached Exhibit A)**

APPLICANTS:

GKM, Inc.; Hawaii Big Game Fishing Club, Inc.; Hawaii Island Paddle Sports Association; Keahole Point Fish, LLC.; Kona Sailing Club; Ocean Wings Hawaii, Inc.; and U.S. Department of the Interior.

LEGAL REFERENCE:

Sections 171-13 and -55, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Honokohau Small Boat Harbor, situated at North Kona, Island of Hawaii, Hawaii, identified by Tax Map Key: (3) 7-4-008:003 Portion, as shown on the attached map labeled Exhibit B.

AREA:

Various parcels. Total 724,003 square feet, more or less, as listed in Exhibit A.

ZONING:

State Land Use District: Urban  
County of Hawaii CZO: Open

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act: YES X NO \_\_\_

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: YES\_\_ NO X

CURRENT USE STATUS:

Encumbered by Revocable Permits (“RPs”), issued on a month-to-month basis for various small boat harbor and facilities related purposes.

CHARACTER OF USE:

Various small boat harbor and facility related purposes.

COMMENCEMENT DATE:

Retroactively from January 1, 2017 to June 30, 2017.

MONTHLY RENTAL:

Monthly rental based on independently appraised market value as determined by CBRE, Inc. report, dated October 31, 2016; attached as Exhibit B.

Rent charged is fair under the circumstances based upon said appraisal, current use, proposed use, market demand and prevailing economic conditions. Rent subject to review and approval by the Chairperson.

COLLATERAL SECURITY DEPOSIT:

Twice the monthly rental.

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

In accordance with the Comprehensive Exemption List approved by the Environmental Council on June 5, 2015, the subject request qualifies under Exemption Class 1, “Operation, repairs and maintenance of existing structures, facilities, equipment or topographical features, involving negligible or no expansion or change of use beyond that previously existing”. Staff did not solicit comments from other agencies as other consents to sublease were previously obtained at the subject property.

DCCA VERIFICATION:

Place of business registration confirmed: YES X NO \_\_\_

Registered business name confirmed: YES X NO \_\_\_  
Applicant in good standing confirmed: YES X NO \_\_\_

REMARKS:

On August 12, 2016, under Agenda Item J-1, the Board of Land and Natural Resources ("Board") approved the continuation of the RPs managed by the Division of Boating and Ocean Recreation ("DOBOR"), on a month-to-month basis for up to one (1) additional year, retroactively from July 1, 2016 to June 30, 2017. However, the Board only approved the continuation of the RPs for Hawaii Island's Honokohau Small Boat Harbor for up to an additional six (6) months, retroactively from July 1, 2016 to December 31, 2016.

The exception was made upon recommendation of the Board to allow for market rent data from independent appraisal to be incorporated into RPs going forward. The anticipated appraisal was in progress and not available at the time of the Board meeting. Now that the results have been received, DOBOR is requesting a six (6) month continuation of the RPs, for the period retroactively from January 1, 2017 to June 30, 2017, new rent set at the appraised market value for the permittees listed in Exhibit A starting February 1, 2017.

RECOMMENDATION:

That the Board:

1. Approve the continuation of eight (8) Revocable Permits covering the subject areas, to the Applicants listed in Exhibit A, for an additional six (6) month period (retroactively from January 1, 2017 to June 30, 2017), under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
  - a. The standard terms and conditions of the most current revocable permit form, as may be amended from time to time;
  - b. Review and approval by the Department of the Attorney General;
  - c. The Applicant may also occupy and use the Premises for any other uses permitted under applicable county zoning, subject to the prior approval of the Chairperson of the Board and the Permittee's compliance with Chapter 343, Hawaii Revised Statutes; and
  - d. Subject to the prior approval of the Chairperson of the Board to best serve the interests of the State.

Respectfully Submitted,



Edward R. Underwood  
Administrator

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson

Attachments: “Exhibit A” – List of Honokohau Small Boat Harbor Permittees  
“Exhibit B” – CBRE 2016 Honokohau Small Boat Harbor Appraisal

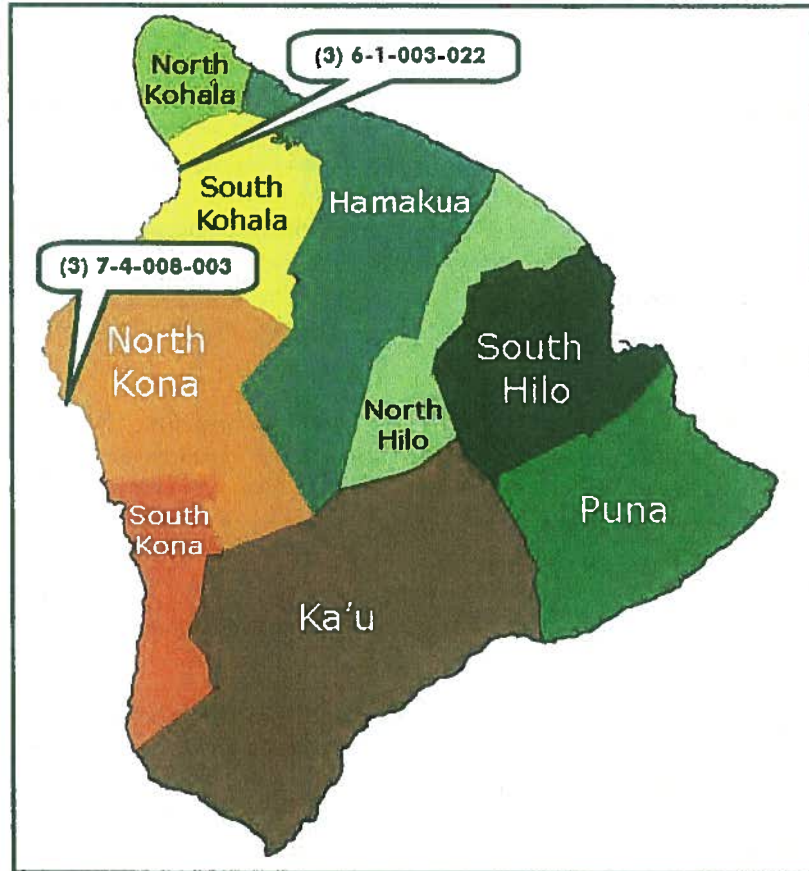
## DIVISION OF BOATING AND OCEAN RECREATION

Continuation of Revocable Permits on Honokohau Small Boat Harbor, North Kona, Island of Hawaii, Hawaii  
Retroactively from 7/1/16 - 6/30/17

RP No.	Permittee Name	RP Effective Date	Fast	Total	Annual	Monthly	New		% Character of Use
							Appraised Rent	Rent	
RP 7	Hawaii Island Paddlesport Association	9/1/2010	6,000	6,000	\$ 3,357.48	\$ 279.79	\$ 673.33		Hawaii Style Halau for meeting, storage of canoes, kayaks, general equipment and staging area for race events.
RP 14	Keahole Point Fish, LLC	7/1/2010	20,000	20,000	\$ 15,444.36	\$ 1,287.03	\$ 2,046.67		Land-based operations supporting ocean-based aquaculture project. DOBOR considering issuing a lease.
RP 15	Kona Sailing Club	10/1/1997	14,196	14,196	\$ 11,549.64	\$ 962.47	\$ 1,493.33		Trailered boat storage, sailing related equipment, ocean safety education/training.
RP 24	Ocean Wings Hawaii, Inc.	4/1/2013	300	300	\$ 6,193.56	\$ 516.13	\$ -	5%	Sale of ocean activity photographs and ad videos from a parked vehicle removed each evening. DOBOR identifying an alternative disposition vehicle.
RP 32	US Dept. of the Interior	9/1/1991	273,992	273,992	\$ -	\$ -	\$ -	-	Management of existing archaeological features and anchialine ponds. Government Gratis.
RP 2	DLNR Aquatic Resources	2/1/2005	7,500	7,500	\$ -	\$ -	\$ -	-	Office trailers, and parking. Government gratis.
RP 5	GKM, Inc.	10/1/2012	392,040	392,040	\$ 87,737.40	\$ 7,311.45	\$ -	5%	Boat/trailer storage facility, employee parking, DOBOR consolidating into Permittee's existing lease of adjacent lands.
RP 6	Hawaii Big Game Fishing Club, Inc.	7/1/2012	9,975	9,975	\$ 2,536.92	211.41	\$ 1,080.00		Fishing/boating activities, public meetings, tournaments, harbor meetings and youth groups.

## Island of Hawaii

As shown on the following map and table there are six subject DOBOR properties situated within two tax map parcels located in the districts of South Kohala and North Kona on the island of Hawaii.



**SUMMARY OF SUBJECT PROPERTIES**  
Island of Hawaii

Revocable Permit No.	Tax Map Key	Tenant	Location	Zoning	RP Land Area (Sq Ft)			
					Fast	Subm.	Bldg.	Total
B-97-02	(3) 7-4-008:003 (por)	Kona Sailing Club	Honokohau	Open	14,196	0	N/A	14,196
BH-010-06	(3) 7-4-008:003 (por)	Hawaii Island Paddlesport Assn.	Honokohau	Open	6,000	0	N/A	6,000
BH-1202	(3) 7-4-008:003 (por)	Hawaii Big Game Fishing Club, Inc.	Honokohau	Open	9,975	0	N/A	9,975
BH-00-05	(3) 7-4-008:003 (por)	Keahole Point Fish, LLC	Honokohau	Open	20,000	0	N/A	20,000
BH-13082	(3) 6-1-003:022 (por)	Island Of Hawaii YMCA	Kawaihae South Kohala	MG-1A	6,098	0	N/A	6,098
BH-13081	(3) 6-1-003:022 (por)	Na Kalai Waa	Kawaihae South Kohala	MG-1A	22,216	0	N/A	22,216

## ISLAND OF HAWAII ENVIRONS

### Island of Hawaii Overview

The Island of Hawaii ("the Big Island") is the southernmost island in the Hawaiian archipelago. It is by far the largest in the chain, more than twice the size of all the other islands combined, with a land area of about 4,028 square miles; a figure which grows with the frequent eruptions of its active volcanoes.

Hawaii County, which is coterminous with the Big Island, is the second most populous of the five counties comprising the State of Hawaii, with an estimated resident population of circa 196,000, representing about 14 percent of the total state population as of the 2015 census. The island is characterized by numerous small villages along its shoreline and inland belt highway system, with the two major towns of Hilo and Kailua-Kona located near the central area of the East and West sides of the island, respectively. The County is divided into nine districts--Puna District, the North and South Hilo Districts, Hamakua District, North and South Kohala Districts, North and South Kona Districts, and Ka'u District.

Two volcanic mountain peaks, the 13,796-foot Mauna Kea and the 13,679-foot Mauna Loa, dominate the central portion of the island. Three other major volcanic emergences combine with Mauna Kea and Mauna Loa to form the island of Hawaii. They are the Kohala Volcano, which is more commonly referred to as the Kohala Mountains, the oldest volcanic landmass on the island that forms the extreme northern portion of Hawaii; Hualalai, in the west, located northeast of Kailua-Kona; and Kilauea, in the southeastern area of the island. Kilauea is among the most active volcanoes in the world and has been in constant eruption since 1983. It is the focal point of the Hawaii Volcanoes National Park.

Hilo, the County seat, and the predominant center of commerce and economic activity on the island until the 1970s, is the principal population, administrative, and civic center on the island. During the past four decades, the rapid expansion of tourism, specialized agriculture (notably coffee), and in-migration has resulted in Kailua-Kona now effectively being on par with Hilo in regards to economic and population importance. The third largest population center is Waimea situated inland within the northern saddle between Mauna Kea and the Kohala Mountain.

West Hawaii, the primary market region in which the subject competes, is comprised of four districts: North and South Kona, and North and South Kohala. The subject properties are located in South Kohala and North Kona. West Hawaii has become the fast growing area on the island with a current resident population of about 78,000; nearly three-times that of the 1980 total. The average daily visitor population has more than quadrupled during the same period, and now stands at approximately 22,500. The majority of lodging accommodations and tourist-oriented development on the island is found in West Hawaii.

## Honokohau Small Boat Harbor Assets



Source: Bing Maps Aerial View of Honokohau Harbor

### COMMUNITY OF KAILUA-KONA– NORTH KONA DISTRICT

There are four subject properties located in the North Kona District, more specifically in Honokohau Harbor in Kailua-Kona. Kailua-Kona is located along the west coastline of the Island of Hawaii and is the population center of West Hawaii. Kailua-Kona is developed with hotels, condominiums, and extensive commercial services.

While the historic base of North Kona was ranching, fishing, and diversified agriculture, over the past several decades the socioeconomic character of the region has transitioned from an agrarian lifestyle to a resort and residentially oriented community designed to meet the increasingly urbanized employment need in the tourism-spurred Kailua-Kona to Keauhou and South Kohala development corridors. Yet, as tourism is generally oriented toward the warm seacoast area, away from upland residential/agricultural neighborhoods, a continued harmony between agricultural and urban/resort development is anticipated. The attractions of North Kona for residents and visitors are its exceptional climate, extensive shoreline, central location, significant business activity, and comprehensive supporting facilities.

At present, there are some 25,000 full-time residents in the five-mile radius surrounding the subject, housed in an estimated 11,000 units. Many residents work for community-serving businesses or within the coastal destination resorts that extend towards Kawaihae. Kailua-Kona has traditionally been the primary commercial, economic and residential hub of West Hawaii and is planned to continue in that role into the long-term by providing a centralized housing location for workers throughout the island.

Kona International Airport is located approximately seven miles north of Kailua-Kona and has been handling direct mainland flights since July 1983. Expanded boat anchorage is available at the Honokohau Small Boat Harbor where the subject properties are located. Adjacent to the airport is the Natural Energy Laboratory of Hawaii Authority (NELHA). This project, funded by the



state, is an ocean science and technology park that offers private enterprise the opportunity to exploit the potentials of the North Kona coastal waters.

Tourism is the primary business activity in the area and the major economic stimulus for the entire district. According to the Hawaii Tourism Authority's Visitor Plant Inventory there are approximately 4,900 transient dwelling units available in Kona, comprising approximately 39.8 percent of the island's total inventory. Kailua-Kona's transient vacation inventory is only exceeded by the Kohala/Waimea/Kawaihae district which encompass the major resorts along the west side of the island.

Greater Kailua-Kona was among the more negatively impacted areas in the State during the last economic downturn. However, following past off-cycles, West Hawaii has demonstrated the ability to rebound on par with most neighbor island sectors, a function of its large working-class resident population, economic prominence, and a significant and diverse tourism infrastructure.

## HONOKOHAU SMALL BOAT HARBOR ASSETS

### LOCATION

The subject premises are located in the Honokohau Small Boat Harbor in the community of Kailua-Kona, North Kona District, Island of Hawaii.

### IDENTIFICATION

There are four subject properties located in the Honokohau Small Boat Harbor all within a large site identified on Hawaii Tax Map Key as Third Division 7-4-008, Portion of Parcel 3.

### PROPERTY DATA

#### TMK Total Land Area

The larger subject parcel contains a total land area of 117.987 acres. The area of each of the subject premises within the larger parcel is described as follows:

Tenant Name	Revocable Permit No.	Land Area (Sq. Ft)
Kona Sailing Club	B-97-02	14,196
Hawaii Island Paddlesport Association	BH-010-06	6,000
Hawaii Big Game Fishing Club	BH-12020	9,975
Keahole Point Fish, LLC.	BH-010-05	20,000

#### State Land Use

The subject properties are SLU classified as "Urban".

#### Development Plan (DP)

The subject properties are within the "Kona Community" Development Plan in an area designated as "Urban".

#### Zoning

The subject properties are classified as Open. Current uses are grandfathered.

#### Flood Zone

According to the National Flood Insurance Boundary Map Community Panel Number 1551660692C, revised September 16, 1988 the subject's land are within zone AE.

#### Special Management Area

The subject properties are located within the boundaries of the SMA.

#### Utilities

County water, wastewater, electricity and telephone services are available in the area.

2016 Taxes and Assessed Values

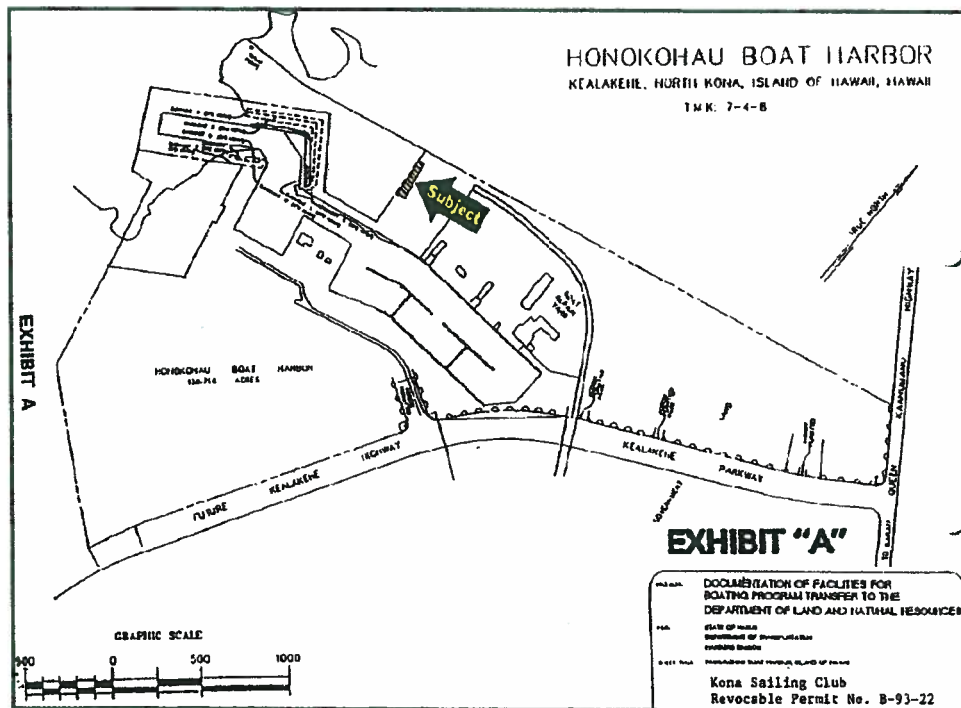
<b>2016 TAX INFORMATION</b>				
Assessor's Market Value	Land	Improvements	Total Exemptions	Net Taxable Value
(3) 7-4-8-3	\$2,077,700	\$638,000	(\$2,715,700)	\$0
General Tax Rate	(per \$1,000 A.V.)			10.050000
<b>Total Taxes</b>				<b>\$300 (Minimum Tax)</b>
Source: Tax Assessor's Office				

**REVOCABLE PERMIT SUMMARIES**

**Kona Sailing Club – Revocable Permit No. B-97-02**

<b>REVOCABLE PERMIT SUMMARY</b>	
Grantor	State of Hawaii, Board of Land and Natural Resources
Permittee	Kona Sailing Club
Revocable Permit No.	B-97-02
Commencement Date	October 1, 1997
Term	Month-to-Month
Tax Map Key	(3) 7-4-08-03 (portion)
Location	Honokohau Boat Harbor, Island of Hawaii
Premises (SF)	
Fast Land	14,196
Specified Use Condition	Occupy and use of the premises for the following specified purposes only: a) Trailered boat storage, sailing related equipment, storage and boating and ocean safety education and training activities.  b) Clear and grade additional portion of the premises.
Current Monthly Rent	\$962.47
Free Rent	The division will waive the first two months of rent in lieu of improvements to the premises.
Delinquency Charges	1% per Month + \$50 per delinquent payment
Security Deposit	2 x monthly rent
Source: Revocable Permit No. B-97-02	

**Property Location Map**



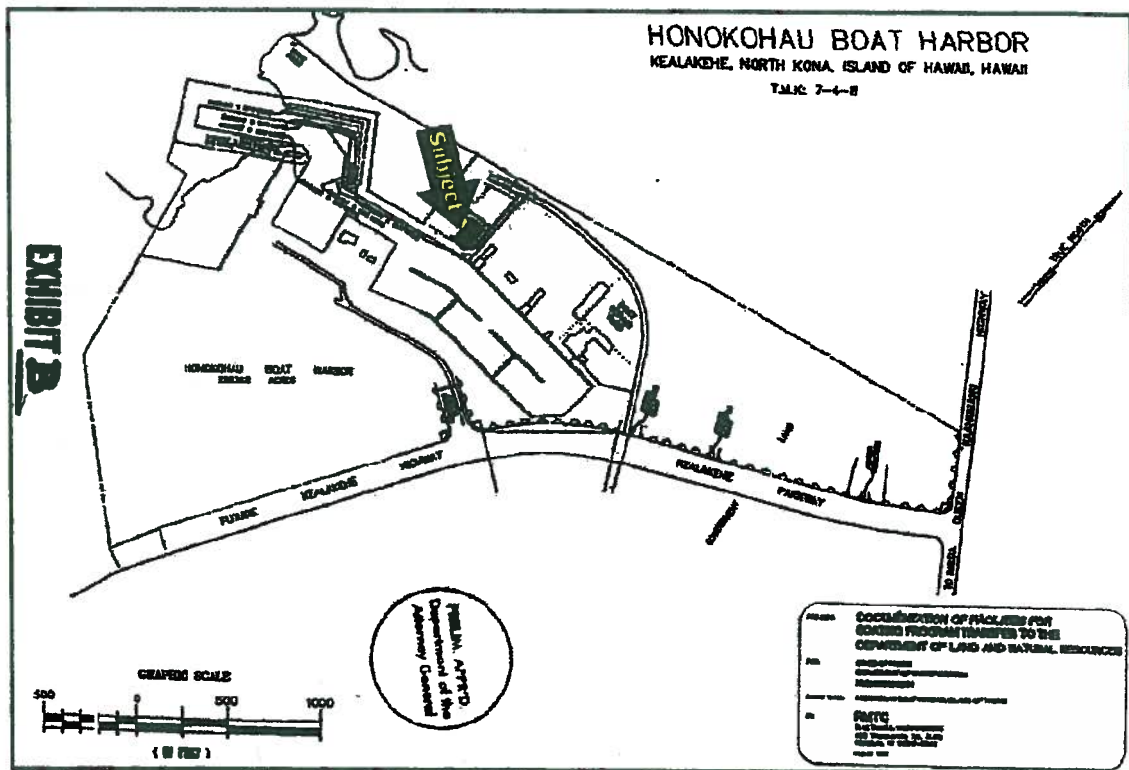
Annotated to show approximate location of the subject premises.

Source: Exhibit A of Revocable Permit No. B-97-02

Hawaii Island Paddlesport Association – Revocable Permit No. BH-010-06

<b>REVOCABLE PERMIT SUMMARY</b>	
Grantor	State of Hawaii, Board of Land and Natural Resources
Permittee	Hawaii Island Paddlesports Association
Revocable Permit No.	BH-010-06
Commencement Date	September 1, 2010
Term	Month-to-Month
Tax Map Key	(3) 7-4-008: Por. 003
Location	Honokohau Small Boat Harbor, Island of Hawaii
Premises (SF)	
Fast Land	6,000
Specified Use Condition	Occupy and use the Premises for the following specified purposes only: To operate and maintain a Hawaiian style Halau for Permittee's meetings, storage of solo or duo canoes, kayaks, general equipment and staging area for preparation of race events.
Current Monthly Rent	\$279.79
Delinquency Charges	1% per Month + \$50 per delinquent payment.
Security Deposit	2 x Monthly Rent
Source: Revocable Permit No. BH-010-06	

Property Location Map

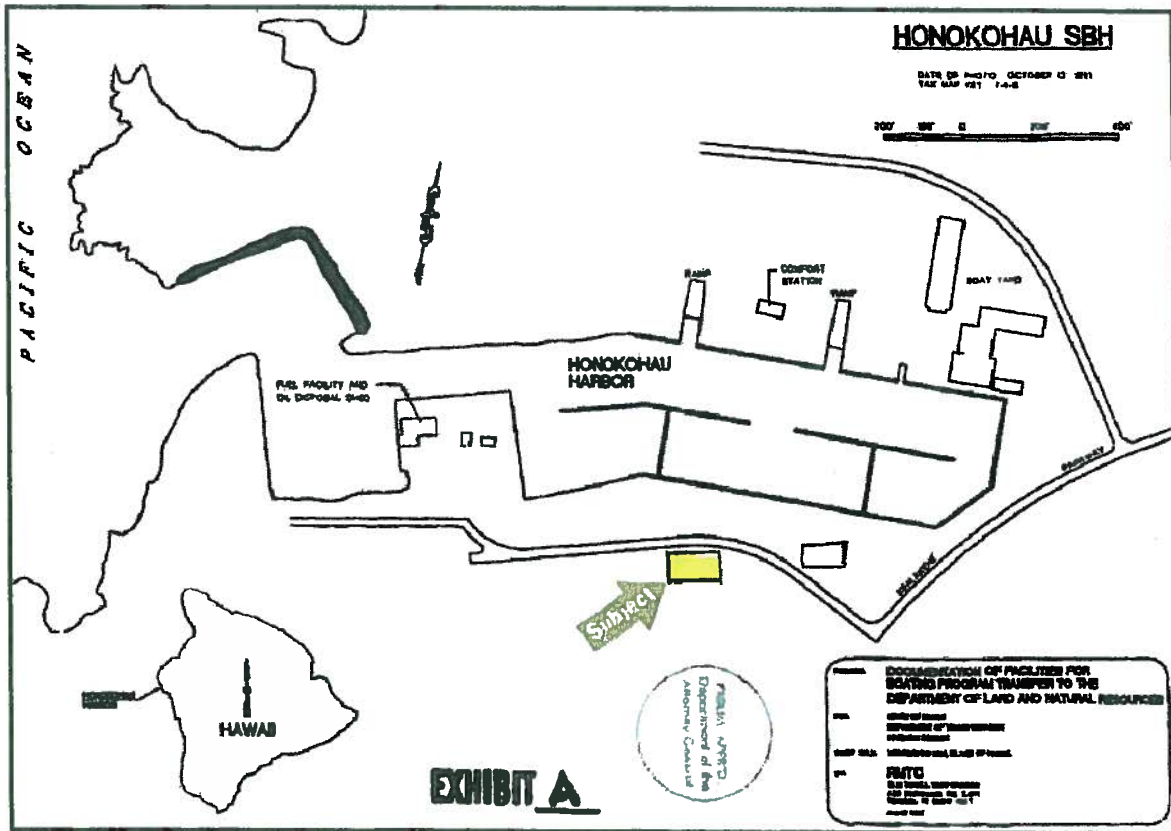


Annotated to show approximate location of the subject premises.  
Source Exhibit B of Revocable Permit No. BH-010-06

Hawaii Big Game Fishing Club – Revocable Permit No. BH-12020

<b>REVOCABLE PERMIT SUMMARY</b>	
Grantor	State of Hawaii, Board of Land and Natural Resources
Permittee	Hawaii Big Game Fishing Club, Inc.
Revocable Permit No.	BH-12020
Commencement Date	July 1, 2012
Term	Month-to-Month
Tax Map Key	(3) 7-4-008: Portion of 003
Location	Honokohau Small Boat Harbor, Island of Hawaii
Premises (SF)	9,975
Specified Use Condition	Occupy and use a portion of open unpaved land in support of fishing and boating activities, public meetings, tournaments, harbor meetings and contained support of youth groups.
Current Monthly Rent	\$211.41
Delinquency Charges	1% per Month + \$50 per delinquent payment
Security Deposit	2 x monthly rent
Source: Revocable Permit No. BH-12020	

Property Location Map



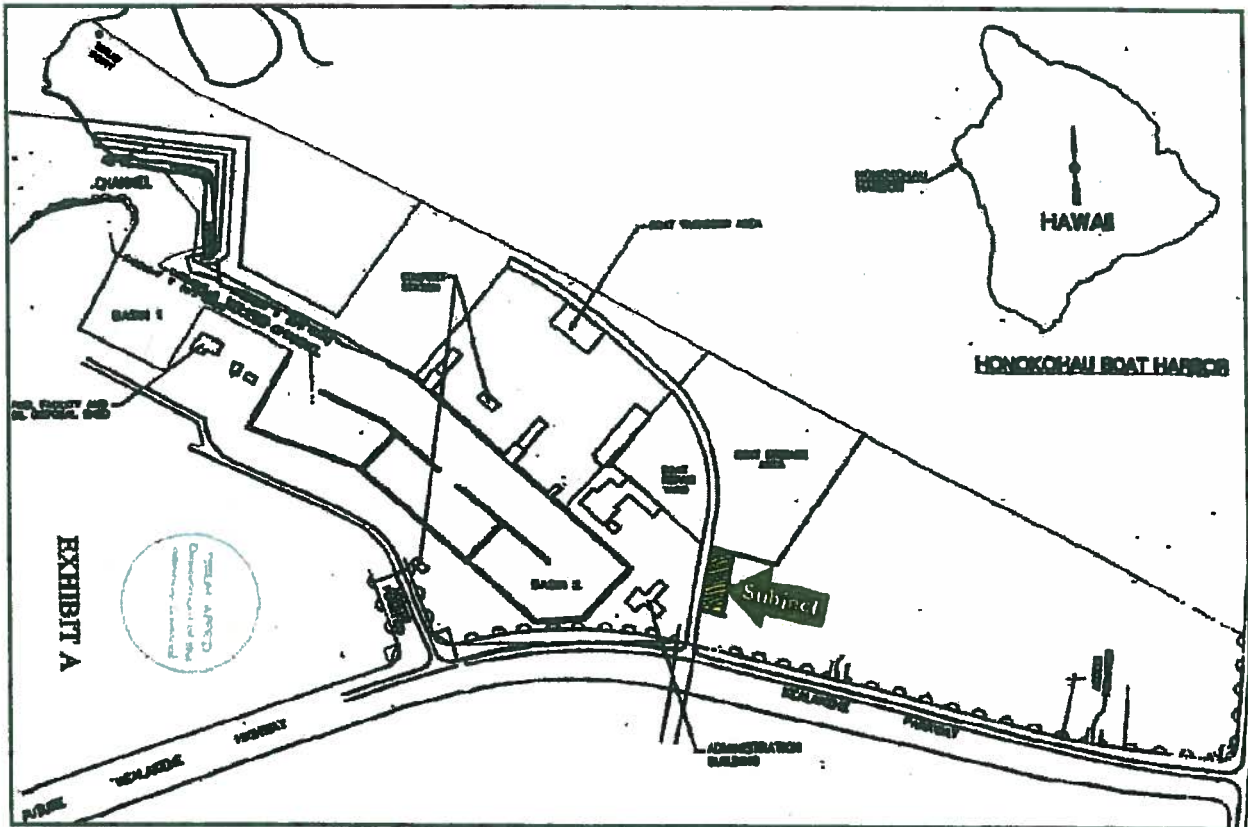
Annotated to show approximate location of the subject premises.  
Source Exhibit A of Revocable Permit No. BH-12020

Keahole Point Fish

**REVOCABLE PERMIT SUMMARY**

Grantor	State of Hawaii, Board of Land and Natural Resources	
Permittee	Keahole Point Fish LLC	
Revocable Permit No.	BH-010-05	
Commencement Date	July 1, 2010	
Term	Month-to-Month	
Tax Map Key	(3) 7-4-008: Por. 003	
Location	Honokohau Small Boat Harbor, Island of Hawaii	
Premises (SF)	20,000	
Fast Land		
Specified Use Condition	Occupy and use the Premises for the following specified purposes only: To provide an area for land-based operations in support of an ocean-based aquaculture project.	
Current Monthly Rent	\$1,287.03	
Delinquency Charges	1% per Month + \$50 per delinquent payment	
Security Deposit	2 x monthly rent	
Source: Revocable Permit No. BH-010-05		

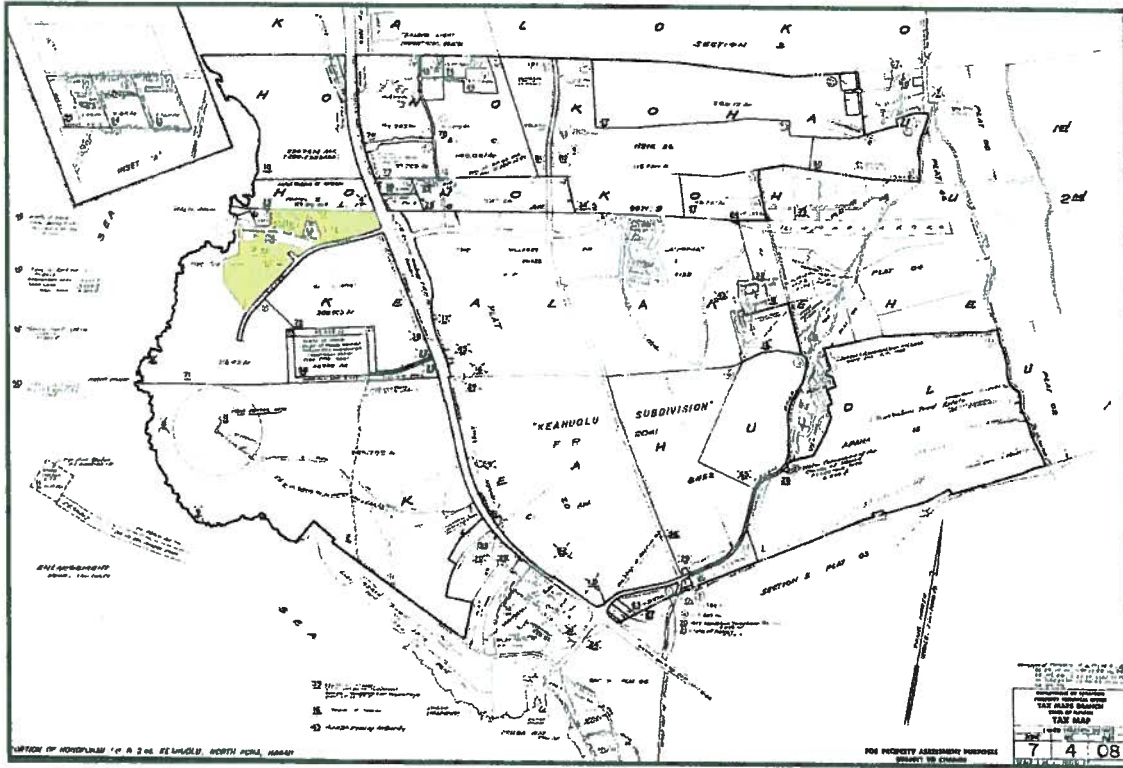
Property Location Map



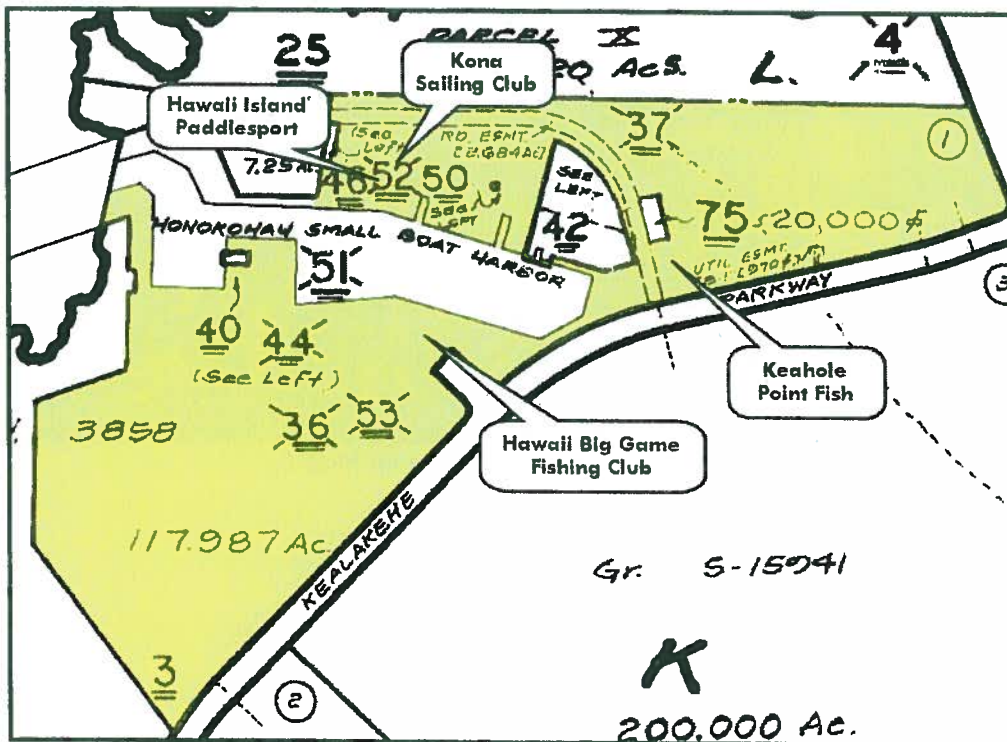
Annotated to show approximate location of the subject premises.  
Source Exhibit A of Revocable Permit No. BH-010-05



Property Description



Tax Map Key (3)-7-4-8, Parcel 3



Zoomed in Tax Map Annotated to show general area of the subject properties.



**LAND**

The subject properties are located at the Honokohau Small Boat Harbor in Kailua-Kona, North Kona District, Island of Hawaii. Comprised of varying portions of Third Division Tax Map Key 7-4-8, Parcel 3, the irregularly shaped and generally level parcel is situated between the airport and Kailua Town. The harbor area improvements include an asphalt paved entry road (the extension of Kealakehe Parkway) from the Queen Kaahumanu Highway circumventing Honokohau Harbor, street lights, overhead utilities, various parking areas and boat slips. Compared to other neighbor island harbors, the area is quite improved, with developed commercial and industrial uses oriented toward harbor, fishing, boating and ocean recreation oriented activities.



Source: Google Earth Aerial Map

## IMPROVEMENTS

### Kona Sailing Club

The Kona Sailing Club premises are used for the operation of ocean safety education and training activities and for storing trailered boats and other sailing related equipment. The area is comprised of 14,196 square feet of land that has been lessee improved with a 320-square-foot wood frame clubhouse constructed in 2004. The remainder of the premises is used as storage yard for trailered vessels.



Exterior view of the subject as seen from its southeast corner on Kealakehe Parkway.



View of the subject's trailered vessel storage yard as seen from Kealakehe Parkway looking south.



### Hawaii Island Paddlesport Association

The premises leased to Hawaii Island Paddlesport Association is comprised of 6,000 square feet of land and is located just south adjacent to the Kona Sailing Club premises. The property has been lessee improved with a pitched roof pavilion of wood construction built on a concrete slab. The remainder of the premises consists of a storage yard with a multi-level, tarp covered storage rack for canoes and kayaks.



Interior View of the subject premises.



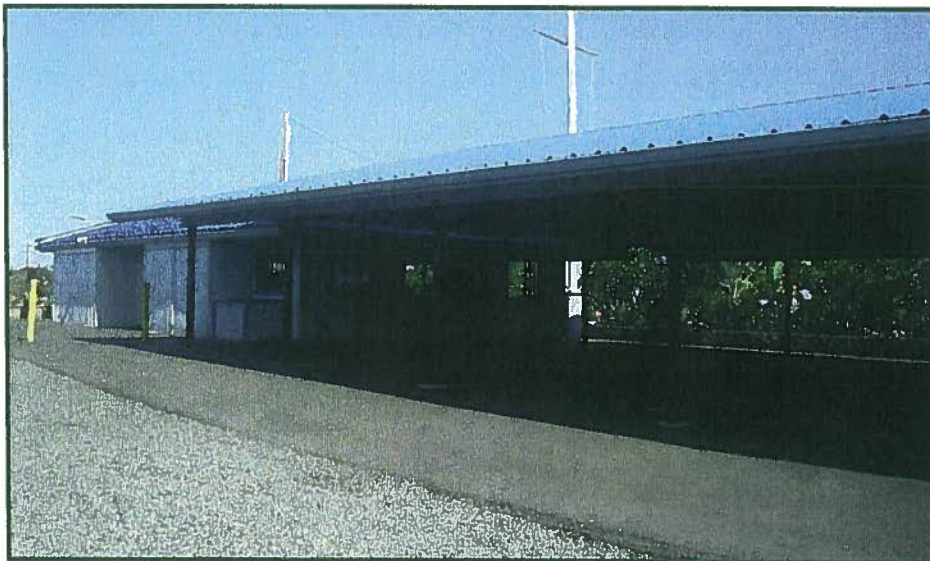
Exterior view of the subject's western boundary.

### Hawaii Big Game Fishing Club

The Hawaii Big Game Fishing Club premises supports fishing and boating activities, public meetings, tournaments, harbor meetings and youth groups. The area is comprised of 9,975 square feet of land and is lessee improved with a 1,040-square-foot wood frame clubhouse attached to an open air roofed pavilion built in 1995.



View of the subject area looking in an easterly direction toward Kaahumanu Highway.



Interior view of the subject premises.



### Keahole Point Fish

The premises leased to Keahole Point Fish LLC is comprised of 20,000 square feet of land that is lessee improved with a semicircle tension fabric structure and a steel frame storage shed with a metal roof all within a fenced perimeter. The parcel is situated near the entrance to the harbor with frontage along Kealakehe Parkway.



Exterior of the subject area as seen from Kealakehe Parkway looking in a north westerly direction.



Interior of the subject area looking in a north westerly direction.

## Honokohau Small Boat Harbor Market Rent Analyses

### RIGHTS APPRAISED

Market rent

### HIGHEST AND BEST USE

Highest and best use of the Honokohau Harbor properties was judged to be maritime related development in accordance with the prevailing uses in the area.

### FEE SIMPLE LAND VALUE – KONA SAILING CLUB

The fee simple market value of the Kona Sailing Club site was estimated using direct market comparison with four industrial land sales all located in the proximate Kaloko Business Park and Kaloko Commercial Center. There are no transitions at the Honokohau Harbor other than some ground lease negotiations that were also based on industrial area land sale prices.

#### Honokohau Harbor Land Value Indicators

##### TRANSACTION H-1 – TMK (3) 7-3-51-68

This transaction is located at 73-5601 Olowalu Street in the Kaloko Business Park located to the northeast. The parcel has additional frontage, but no access, on Hina Lani Street. Containing 43,749 square feet, this site is zoned MCX-1 Industrial Commercial Mixed Use District. The property sold on April 7, 2015 for \$800,000, or \$18.29 per square foot.

##### TRANSACTION H-2 – TMK (3) 7-3-51-85

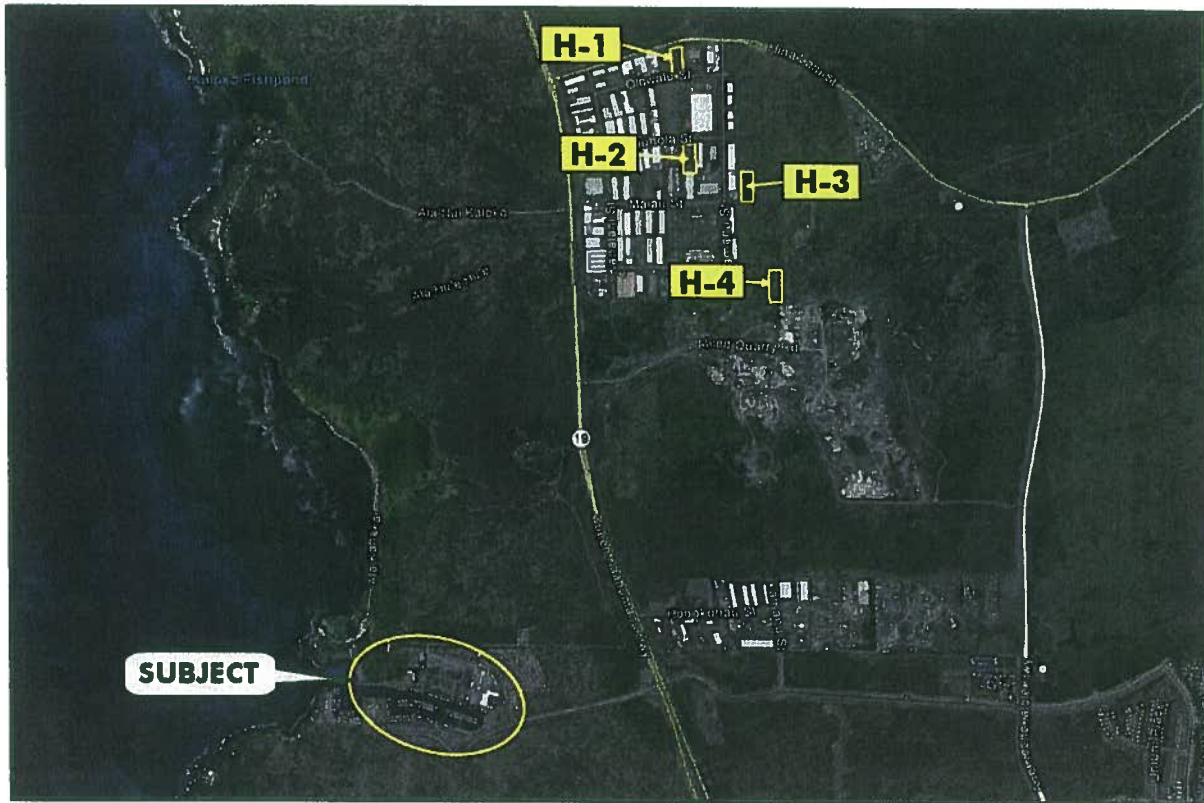
This parcel is located on Kauhola Street in the Kaloko Business Park. Containing 50,879 square feet, this ML-1a Light Industrial District zoned site sold on May 8, 2015 for \$830,000, or \$16.31 per square foot.

##### TRANSACTION H-3 – TMK (3) 7-3-51-114

Located in the Kaloko Commercial Center adjacent to the east of the Business Park, this sale consists of a 52,490-square-foot parcel zoned MCX-1a Industrial Commercial Mixed Use District. The property sold on June 30, 2015 for \$787,347, or \$15.00 per square foot.

##### TRANSACTION H-4 – TMK (3) 7-3-51-127

Also located in the Kaloko Commercial Center, this sale consists of a 51,836-square-foot parcel zoned MCX-1a Industrial Commercial Mixed Use. The property sold on July 31, 2015 for \$731,808, or \$14.12 per square foot.



**Adjustments**

Market Conditions -- Sales and resales of other commercial and industrial land parcels that cover the same timeframe as the comparables and the date of value are typically considered the best indicators of market trends. Our researched uncovered the following sales and resales in the Kailua-Kona area.

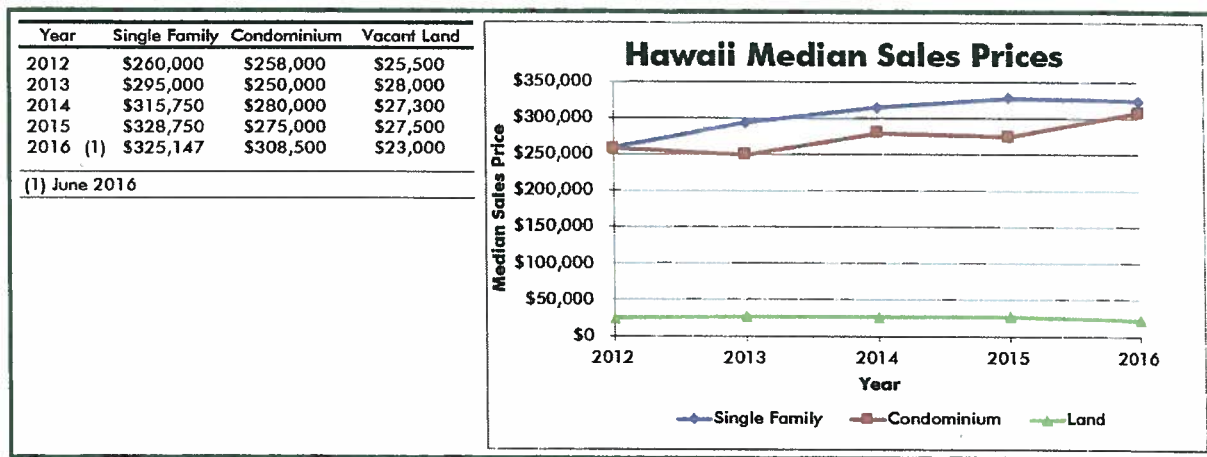
PAIRED SALES ANALYSIS								
Island of Hawaii, Hawaii								
Tax Map Key	Instrument	Parcel Size (Sq. Ft.)	Sale Date	Sale Price	Years	Percent Change	Annual Compound Rate of Change	
(3) 7-3-51-61	DEED	87,120	8/27/2012	\$5,160,000	1.65	1.74%	1.05%	
(3) 7-3-51-61	DEED	87,120	4/23/2014	\$5,250,000				
(3) 7-3-51-68	DEED	43,749	7/21/2011	\$630,000	3.73	26.98%	6.61%	
(3) 7-3-51-68	DEED	43,749	4/13/2015	\$800,000				
(3) 7-3-51-99,100	DEED	167,227	2/8/2012	\$3,010,100	4.33	7.41%	1.66%	
(3) 7-3-51-99,100	DEED	167,227	6/8/2016	\$3,233,032				
(3) 7-3-51-114	DEED	52,490	2/8/2012	\$944,800	3.39	-16.67%	-5.23%	
(3) 7-3-51-114	DEED	52,490	6/30/2015	\$787,347				
(3) 7-3-51-127	DEED	51,836	2/8/2012	\$933,000	3.48	-21.56%	-6.75%	
(3) 7-3-51-127	DEED	51,836	7/31/2015	\$731,808				
Mean Percent Change						4.87%	1.02%	
Median Percent Change						4.58%	1.36%	

Source: Hawaii Information Service and The Hallstrom Group/CBRE, Inc., July 2016.

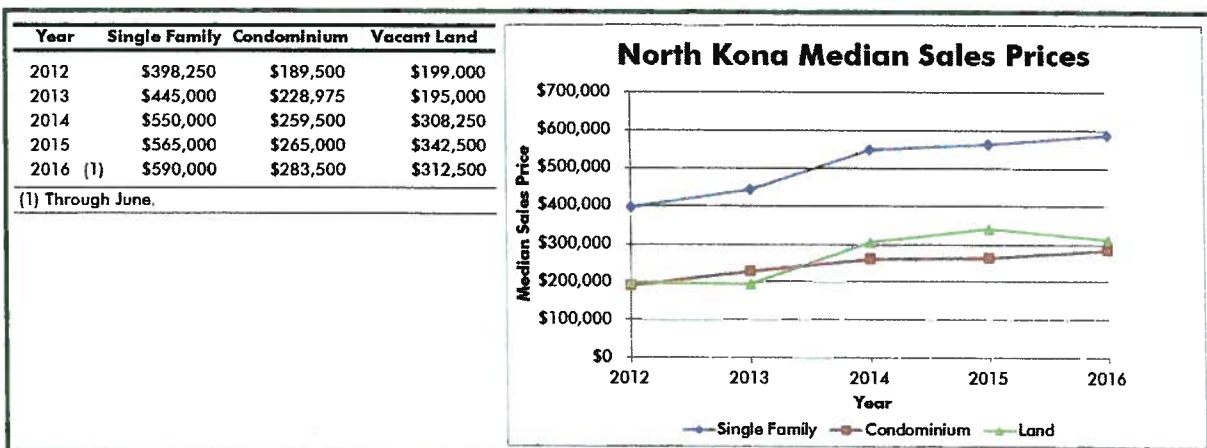


The annual compound rate of change indicated by these transactions range between negative 6.75 and positive 6.61 percent, averaging 1.02 percent. While some of these pairings are improved and others vacant industrial lots, the most recent sale dates parallel the dates of the cited comparable land transactions being used to value the subject, so the appreciation trend indications precede the relevant time needed to equate the comparables to the subject. Hence, we also researched general trends in the marketplace.

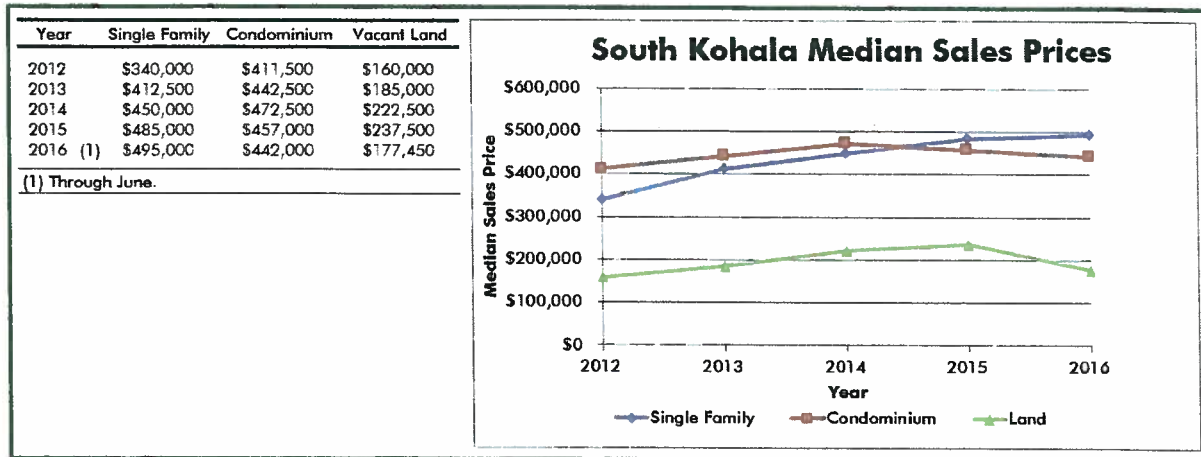
The Multiple Listing Service median sales price data for single family, multifamily, and land are presented below as an alternative general indicator. The Hawaii County graph below demonstrates that while median sales prices for the single family product type increased gradually between 2012 and 2015, a decrease occurred in 2016 to date for the single family product. Median prices are mixed for condominiums and land through June 2016 indicating some price resistance might be occurring in the marketplace.



For the North Kona and South Kohala areas, the trends follow a similar pattern to the Hawaii market in general.







The most recent year-over-year MLS comparison through June for the South Kohala district indicates median sales prices for the island of Hawaii, North Kona, and South Kohala for single family and condominiums is shown below.

ISLAND OF HAWAII MEDIAN SALES PRICE		
Year	Single Family	Condominium
2015 (1)	\$326,500	\$267,210
2016 (1)	\$325,147	\$308,500
Percent Change	-0.41%	15.45%

NORTH KONA MEDIAN SALES PRICE		
Year	Single Family	Condominium
2015 (1)	\$555,000	\$258,900
2016 (1)	\$590,000	\$283,500
Percent Change	6.31%	9.50%

SOUTH KOHALA MEDIAN SALES PRICE		
Year	Single Family	Condominium
2015 (1)	\$479,500	\$470,000
2016 (1)	\$495,000	\$442,000
Percent Change	3.23%	-5.96%

(1) Through June

This year-over-year comparison of Hawaii, North Kona and South Kohala is very mixed with no consistent discernable trends.

The data presented above indicates mixed indications over the period encompassed by our comparables. Based on the data presented herein, observed general market trends, and discussions with brokers active in the Big Island market, we employed a market conditions adjustment allowance for commercial/industrial land of three percent per annum.

Location -- The location adjustment has treated the Kaloko location of the comparables equal to the Honokohau Harbor area. While the attributes of each are different, they are in relatively close proximity and historically the unique attributes of each have been considered offsetting.

Frontage/Corner -- Transaction H-1 has frontages on two roadways and was deemed superior to the subject. All other transactions were considered comparable for this criteria.

Zoning/SMA -- All comparables are zoned either MCX-1a or ML-1a Industrial and were deemed superior to the MG-1a zoning of the subject that does not allow retail commercial uses. The subject is also situated in the SMA zone which was deemed inferior to all comparable transactions.

Physical Characteristics -- No adjustment was necessary for this criteria as the subject and all comparables are rectangular in shape.

Size -- The size adjustment was applied using an exponential curve analysis.

Concluded Fee Simple Value -- After the size adjustment was applied, the concluded fee simple value effective July 1, 2016 was \$15.80 per square foot, or a total rounded fee simple value for the 14,196-square-foot Kona Sailing Club site of \$224,000.

LAND TRANSACTIONS ADJUSTMENT ANALYSIS					
Kona Sailing Club					
Honokohau, Island of Hawaii, Hawaii					
	Subject	H-1	H-2	H-3	H-4
Tax Map Key	(3) 7-4-08-3 (por.)	(3) 7-3-51-68	(3) 7-3-51-85	(3) 7-3-51-114	(3) 7-3-51-127
Zoning	MG-1a (1)	MCX-1a	ML-1a	MCX-1a	MCX-1a
Total Land Area in Sq. Ft.	14,196	43,749	50,879	52,490	51,836
Height Limit in Feet	50	45	45	45	45
Instrument		Deed	Deed	Deed	Deed
Effective Date		7-Apr-15	8-May-15	30-Jun-15	31-Jul-15
Indicated Total Price		\$800,000	\$830,000	\$787,347	\$731,808
Price Per Sq. Ft.		\$18.29	\$16.31	\$15.00	\$14.12
Composite Market Conditions Adjustment		1.04	1.03	1.03	1.03
Market Conditions Adjtd. Price Per Sq. Ft.		\$19.02	\$16.80	\$15.45	\$14.54
<b>ADJUSTMENTS</b>					
Location	Honokohau	Kaloko Industrial Subdivision Comparable	Kaloko Industrial Subdivision Comparable	Kaloko Commercial Center Comparable	Kaloko Commercial Center Comparable
		0%	0%	0%	0%
Frontage/Corner	Honokohau Boat Harbor Interior Road	Olowalu Street and Hina Lani Street Superior	Kauhola Street Comparable	Maiiau Street Comparable	Unnamed Street Comparable
		-5%	0%	0%	0%
Zoning / Height Limit / SMA	MG-1a / 50 Feet / Yes (1)	MCX-1a / 45 Feet / No Superior	ML-1a / 45 Feet / No Superior	MCX-1a / 45 Feet / No Superior	MCX-1a / 45 Feet / No Superior
		-10%	-10%	-10%	-10%
Physical Characteristics	Rectangular Shaped, Level	Rectangular Shape, Level Comparable	Rectangular Shape, Level Comparable	Rectangular Shape, Level Comparable	Rectangular Shape, Level Comparable
		0%	0%	0%	0%
<b>NET ADJUSTMENTS</b>		<b>-15%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>
Adjusted Price Per Sq. Ft.		\$16.16	\$15.12	\$13.90	\$13.09
Size Adjustment		1.09	1.10	1.10	1.10
Size Adjusted Price Per Sq. Ft.		\$17.61	\$16.63	\$15.29	\$14.40
Proportionate Weighting Factor		0.20	0.20	0.30	0.30
Product		\$3.52	\$3.33	\$4.59	\$4.32
Mean Value Per Sq. Ft.	\$15.98				
Weighted Value Per Sq. Ft.	\$15.76				
Concluded Value Per Sq. Ft.	\$15.80				
Total Fee Simple Land Value	\$224,300				
Rounded	\$224,000				
(1) Actual zoning is Open; analysis assumes MG-1a zoning consistent with its use.					
Source: The Hallstrom Group/CBRE, Inc., as of July 1, 2016.					

### FEE SIMPLE LAND VALUE – HAWAII ISLAND PADDLESPORT ASSOCIATION

As shown in the following table, the 6,000-square foot Hawaii Island Paddlesport Association parcel employed the same transactions and adjustment rationale as the nearly adjacent Kona Sailing Club site. All adjustments are the same except for size. Island Paddlesport site is a corner parcel within the Honokohau Boat Harbor. The size adjustment employed an exponential curve analysis. After the size adjustment was applied, the indicated unit value was concluded at \$16.80 per square foot for the 6,000-square-foot Hawaii Island Paddlesport Association site, effective July 1, 2016, or a total fee simple land value of \$101,000.

LAND TRANSACTIONS ADJUSTMENT ANALYSIS					
Hawaii Island Paddlesport Association					
Honokohau, Island of Hawaii, Hawaii					
	Subject	H-1	H-2	H-3	H-4
Tax Map Key	(3) 7-4-08-3 (por.)	(3) 7-3-51-68	(3) 7-3-51-85	(3) 7-3-51-114	(3) 7-3-51-127
Zoning	MG-1a (1)	MCX-1a	ML-1a	MCX-1a	MCX-1a
Total Land Area in Sq. Ft.	6,000	43,749	50,879	52,490	51,836
Height Limit in Feet	50	45	45	45	45
Instrument		Deed	Deed	Deed	Deed
Effective Date		7-Apr-15	8-May-15	30-Jun-15	31-Jul-15
Indicated Total Price		\$800,000	\$830,000	\$787,347	\$731,808
Price Per Sq. Ft.		\$18.29	\$16.31	\$15.00	\$14.12
Composite Market Conditions Adjustment		1.04	1.03	1.03	1.03
Market Conditions Adjtd. Price Per Sq. Ft.		\$19.02	\$16.80	\$15.45	\$14.54
<b>ADJUSTMENTS</b>					
Location	Honokohau	Kaloko Industrial Subdivision Comparable 0%	Kaloko Industrial Subdivision Comparable 0%	Kaloko Commercial Center Comparable 0%	Kaloko Commercial Center Comparable 0%
Frontage/Corner	Honokohau Boat Harbor Interior Road	Olowalu Street and Hina Lani Street Superior -5%	Kauhola Street Comparable 0%	Maiiau Street Comparable 0%	Unnamed Street Comparable 0%
Zoning / Height Limit / SMA	MG-1a / 50 Feet / (1	MCX-1a / 45 Feet / No Superior -10%	ML-1a / 45 Feet / No Superior -10%	MCX-1a / 45 Feet / No Superior -10%	MCX-1a / 45 Feet / No Superior -10%
Physical Characteristics	Rectangular Shaped,	Rectangular Shape, Level Comparable 0%	Rectangular Shape, Level Comparable 0%	Rectangular Shape, Level Comparable 0%	Rectangular Shape, Level Comparable 0%
<b>NET ADJUSTMENTS</b>		<b>-15%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>
Adjusted Price Per Sq. Ft.		\$16.16	\$15.12	\$13.90	\$13.09
Size Adjustment		1.16	1.17	1.17	1.17
Size Adjusted Price Per Sq. Ft.		\$18.75	\$17.69	\$16.26	\$15.32
Proportionate Weighting Factor		0.20	0.20	0.30	0.30
Product		\$3.75	\$3.54	\$4.88	\$4.60
Mean Value Per Sq. Ft.	\$17.01				
Weighted Value Per Sq. Ft.	\$16.77				
Concluded Value Per Sq. Ft.	\$16.80				
Total Fee Simple Land Value	\$100,800				
Rounded	\$101,000				
(1) Actual zoning is Open; analysis assumes MG-1a zoning consistent with its use.					
Source: The Hallstrom Group/CBRE, Inc., as of July 1, 2016.					

**FEE SIMPLE LAND VALUE – HAWAII BIG GAME FISHING CLUB**

The valuation of the Hawaii Big Game Fishing site containing 9,975 square feet is presented next. The same land transactions and adjustment rationale as the Kona Sailing Club was employed and all adjustments remain the same except for size. The size adjustment employed an exponential curve analysis. After the size adjustment was applied, the indicated unit value was concluded at \$16.20 per square foot for the 9,975-square-foot Hawaii Big Game Fishing Club site, effective July 1, 2016, or a total fee simple land value of \$162,000.

LAND TRANSACTIONS ADJUSTMENT ANALYSIS					
Hawaii Big Game Fishing Club					
Honokohau, Island of Hawaii, Hawaii					
	Subject	H-1	H-2	H-3	H-4
Tax Map Key	(3) 7-4-08-3 (por.)	(3) 7-3-51-68	(3) 7-3-51-85	(3) 7-3-51-114	(3) 7-3-51-127
Zoning	MG-1a (1)	MCX-1a	ML-1a	MCX-1a	MCX-1a
Total Land Area in Sq. Ft.	9,975	43,749	50,879	52,490	51,836
Height Limit in Feet	50	45	45	45	45
Instrument		Deed	Deed	Deed	Deed
Effective Date		7-Apr-15	8-May-15	30-Jun-15	31-Jul-15
Indicated Total Price		\$800,000	\$830,000	\$787,347	\$731,808
Price Per Sq. Ft.		\$18.29	\$16.31	\$15.00	\$14.12
Composite Market Conditions Adjustment		1.04	1.03	1.03	1.03
Market Conditions Adjtd. Price Per Sq. Ft.		\$19.02	\$16.80	\$15.45	\$14.54
<b>ADJUSTMENTS</b>					
Location	Honokohau	Kaloko Industrial Subdivision Comparable	Kaloko Industrial Subdivision Comparable	Kaloko Commercial Center Comparable	Kaloko Commercial Center Comparable
		0%	0%	0%	0%
Frontage/Corner	Honokohau Boat Harbor Interior Road	Olowalu Street and Hina Lani Street Superior	Kauhola Street Comparable	Maiiau Street Comparable	Unnamed Street Comparable
		-5%	0%	0%	0%
Zoning / Height Limit / SMA	MG-1a / 50 Feet / (1)	MCX-1a / 45 Feet / No Superior	ML-1a / 45 Feet / No Superior	MCX-1a / 45 Feet / No Superior	MCX-1a / 45 Feet / No Superior
		-10%	-10%	-10%	-10%
Physical Characteristics	Rectangular Shaped, Level	Rectangular Shape, Level Comparable	Rectangular Shape, Level Comparable	Rectangular Shape, Level Comparable	Rectangular Shape, Level Comparable
		0%	0%	0%	0%
<b>NET ADJUSTMENTS</b>		<b>-15%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>
Adjusted Price Per Sq. Ft.		\$16.16	\$15.12	\$13.90	\$13.09
Size Adjustment		1.12	1.13	1.13	1.13
Size Adjusted Price Per Sq. Ft.		\$18.10	\$17.09	\$15.71	\$14.79
Proportionate Weighting Factor		0.20	0.20	0.30	0.30
Product		\$3.62	\$3.42	\$4.71	\$4.44
Mean Value Per Sq. Ft.	\$16.42				
Weighted Value Per Sq. Ft.	\$16.19				
Concluded Value Per Sq. Ft.	\$16.20				
Total Fee Simple Land Value	\$161,600				
Rounded	\$162,000				
(1) Actual zoning is Open; analysis assumes MG-1a zoning consistent with its use.					
Source: The Hallstrom Group/CBRE, Inc., as of July 1, 2016.					

### FEE SIMPLE LAND VALUE – KEAHOLE POINT FISH

The Keahole Point Fish LLC site is located on an interior Honokohau Harbor roadway. As shown in the following table, the value of this 20,000-square foot site was based on the same transactions and adjustment rationale as the previous Hawaii Big Game Fishing Club site. All adjustments remain the same except for size. The size adjustment employed an exponential curve analysis.

After the size adjustment was applied, the indicated unit value was concluded at \$15.35 per square foot for the 20,000-square-foot Keahole Point Fish site, effective July 1, 2016, or a total fee simple land value of \$307,000.

LAND TRANSACTIONS ADJUSTMENT ANALYSIS					
Keahole Point Fish LLC					
Honokohau, Island of Hawaii, Hawaii					
	Subject	H-1	H-2	H-3	H-4
Tax Map Key	(3) 7-4-08-3 (por.)	(3) 7-3-51-68	(3) 7-3-51-85	(3) 7-3-51-114	(3) 7-3-51-127
Zoning	MG-1a (1)	MCX-1a	ML-1a	MCX-1a	MCX-1a
Total Land Area in Sq. Ft.	20,000	43,749	50,879	52,490	51,836
Height Limit in Feet	50	45	45	45	45
Instrument		Deed	Deed	Deed	Deed
Effective Date		7-Apr-15	8-May-15	30-Jun-15	31-Jul-15
Indicated Total Price		\$800,000	\$830,000	\$787,347	\$731,808
Price Per Sq. Ft.		\$18.29	\$16.31	\$15.00	\$14.12
Composite Market Conditions Adjustment		1.04	1.03	1.03	1.03
Market Conditions Adjtd. Price Per Sq. Ft.		\$19.02	\$16.80	\$15.45	\$14.54
<b>ADJUSTMENTS</b>					
Location	Honokohau	Kaloko Industrial Subdivision Comparable	Kaloko Industrial Subdivision Comparable	Kaloko Commercial Center Comparable	Kaloko Commercial Center Comparable
		0%	0%	0%	0%
Frontage/Corner	Honokohau Boat Harbor Interior Road	Olowalu Street and Hina Lani Street Superior	Kauhola Street Comparable	Maiiau Street Comparable	Unnamed Street Comparable
		-5%	0%	0%	0%
Zoning / Height Limit /SMA	MG-1a / 50 Feet / Yes (1)	MCX-1a / 45 Feet / No Superior	ML-1a / 45 Feet / No Superior	MCX-1a / 45 Feet / No Superior	MCX-1a / 45 Feet / No Superior
		-10%	-10%	-10%	-10%
Physical Characteristics	Rectangular Shaped, Level	Rectangular Shape, Level Comparable	Rectangular Shape, Level Comparable	Rectangular Shape, Level Comparable	Rectangular Shape, Level Comparable
		0%	0%	0%	0%
<b>NET ADJUSTMENTS</b>		<b>-15%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>
Adjusted Price Per Sq. Ft.		\$16.16	\$15.12	\$13.90	\$13.09
Size Adjustment		1.06	1.07	1.07	1.07
Size Adjusted Price Per Sq. Ft.		\$17.13	\$16.18	\$14.87	\$14.01
Proportionate Weighting Factor		0.20	0.20	0.30	0.30
Product		\$3.43	\$3.24	\$4.46	\$4.20
Mean Value Per Sq. Ft.	\$15.55				
Weighted Value Per Sq. Ft.	\$15.33				
Concluded Value Per Sq. Ft.	\$15.35				
Total Fee Simple Land Value	\$307,000				
Rounded	\$307,000				
(1) Actual zoning is Open; analysis assumes MG-1a zoning consistent with its use.					
Source: The Hallstrom Group/CBRE, Inc., as of July 1, 2016.					

## LAND RATE OF RETURN

Data presented earlier supports a land rate of return of eight percent for commercial and industrial property.

## CONCLUDED MARKET RENTS

The annual market rent for the Honokohau Harbor DOBOR Revocable Permits, effective July 1, 2016, are shown below:

**MARKET LAND RENT CONCLUSION**

Tenant Name	Interest Appraised	Square Feet	Total Annual Rent
Kona Sailing Club	Market Rent	14,196	\$17,920
Hawaii Island Paddlesport Assn.	Market Rent	6,000	\$8,080
Hawaii Big Game Fishing Club	Market Rent	9,975	\$12,960
Keahole Point Fish	Market Rent	20,000	\$24,560

Compiled by CBRE