STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

September 24, 2021

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

PSF No.: 19HD-078
Hawaii

Approve Evaluation Committee’s Recommendation for Selection of Proposal Submitted by Tower Development, Inc. in Response to Request for Qualifications / Request for Proposals for Lease of Improved Public Lands; Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-1-005:020.

BACKGROUND:

At its meeting of December 13, 2019, under agenda Item D-2, the Board of Land and Natural Resources (Board) approved the publication of a Request for Qualifications / Request for Proposals (RFQ / RFP) for interested parties to submit proposals for renovating the former Country Club Condominium Hotel under a new long-term lease.

Specifically, the Board delegated authority to the Chairperson to (i) issue an RFQ / RFP consistent with HRS §171-59(a) for the selection of the lessee; (ii) establish the criteria for evaluating and selecting the lessee; (iii) accept and evaluate the applications submitted by prospective lessees; and (iv) make a preliminary determination and recommendation to the Board of the best applicant; provided, however, that the RFQ / RFP documents shall notify all prospective applicants that if Oceanfront 121, Inc. is not selected as the lessee under the RFQ / RFP, the successful applicant will be required to reimburse Oceanfront 121, Inc. $158,622.16 for improvements made to the property.

REMARKS:

In accordance with the Board’s approval, Land Division prepared an RFQ / RFP for the project that was published in the Star Advertiser, the Hilo Tribune Herald and The West Hawaii Today on August 23, 2020 and posted on Land Division’s website. A copy of the published RFQ / RFP is attached as Exhibit 1.

A virtual applicant briefing was held on September 1, 2020 at 2:00 PM, at which Land Division staff discussed the goals of the project and the significant dates set forth in the RFQ / RFP, including the deadlines for submitting notices of intent, statements of qualifications (SOQ), and proposals. Three parties timely submitted notices of intent for
the subject project by the September 11, 2020 deadline: MacDonald Ladd Development LLC (MLD), Pagoda Hilo Bay LLC (PHB), and Tower Development, Inc. (TDI). Additionally, MLD, PHB and TDI each timely submitted SOQs for the project on or before the deadline of September 30, 2020.

On August 3, 2020, the Chairperson appointed an evaluation committee to review the SOQs. On October 16, 2020, the evaluation committee found all three applicants to be qualified to progress to the second phase of the process, which is the submission of proposals.

All three applicants submitted their proposals for the property on or before the deadline of November 30, 2020. The selection date published in the RFQ/RFP was December 15, 2020. However, that date turned out to be too optimistic. Pursuant to the authority reserved by the Chairperson in the RFQ/RFP, at Land Division’s request the Chairperson extended the selection date five times to July 15, 2021.

After careful review, on July 8, 2021 the evaluation committee made a preliminary selection of TDI’s proposal and is recommending that the Board approve the selection. TDI is an affiliate of WHR LLC, which holds General Lease No. S-5844 (GL5844) for the Grand Naniloa Hotel next door to the subject property. TDI proposes to retain existing building envelopes, demolish current interior improvements and exterior cosmetic and deferred maintenance items and substantially renovate the balance of the project. Applicant will pay all costs of repair and renovation with no subsidy from the Department. The renovated buildings will be put into operation for transient accommodations as a Home2 Suites or another limited service branded hotel by Hilton. TDI plans to use the same management company for the renovated property as WHR uses for the Grand Naniloa Hotel. TDI may sublease portions of the subject property for food and beverage and tourism activities. TDI intends to employ about 50 employees in the new hotel operations.

A table listing the main criteria considered by the evaluation committee in making its selection is attached as Exhibit 2. The table compares the three proposals received. TDI

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1 A fourth interested party, Local Local Homes LLC (LLH), submitted a late notice of intent on September 23, 2020. This was 12 days after the published deadline of September 11, 2020. LLH also submitted SOQs for the project, but was notified by letter dated October 15, 2020 that its untimely submission of a notice of intent barred it from further consideration in the process.

2 As initially constituted, the evaluation committee consisted of five members. At the time of the SOQ review, one member was unavailable to participate. On October 13, 2020, the Chairperson approved an amendment to the designation of the evaluation committee to clarify that the committee could conduct business with only four members participating. On November 18, 2020, the Chairperson approved the addition of a sixth member to the committee and all six were involved with the review of submitted proposals.
agreed to the disclosure of its initial proposal in unredacted form, and a copy of the unredacted proposal is attached hereto as Exhibit 3. TDI additionally provided its resume to the evaluation committee, and a copy of the resume is attached as Exhibit 4. MLD and PHB agreed to the disclosure of redacted versions of their proposals, which are attached as Exhibit 5 (MLD proposal) and Exhibit 6 (PHB proposal).

TDI’s total estimated project cost is $20 million, of which about $15.1 million is hard costs, and assumes TDI pays for demolition. In the first year of hotel operations, TDI projects about $5.4 million in total revenue, with revenues increasing each year thereafter. TDI’s projected timeline for the project is three months for the negotiation of the development agreement, six months for lease approval, 18 months for design, Board approval, and permitting, and 18 months for construction. A 30-day employee training period would precede opening of the hotel for business.

TDI’s proposal pays rent to the State beginning in year two of the lease (after a one-year rent waiver). The proposed rent is $75,000 per year for the first ten years and steps up 1.5% per year beginning in year eleven. The rent may be near market rent considering the extent of the investment required to be made in the property. As discussed below, an appraisal will be procured to determine fair market rent based applicant’s investment in demolition/renovation.

By comparison, MLD proposed to convert the building to 65 affordable apartments for seniors. MLD estimated total project costs of about $28 million, with a construction budget of about $19 million. In the first year of operations, MLD projected about $650,000-700,000 in rent revenue, with revenue increasing each year thereafter.

PHB proposed to redevelop 152 units of the existing building, with initially 60% of the units available for transient accommodations and 40% used for long-term rental. PHB’s long-term goal was for the property to be used 100% for transient accommodations. PHB’s proposed renovations were estimated to cost between $7-9 million and take one year to complete. PHB’s total revenue projections for lease year 1 (prior to renovation) were $1.2 million, increasing in subsequent years. After completion of renovations in year 4, PHB projected total revenues at $2.9 million per year.

As staff reported to the Board at its meeting of December 13, 2019, Item D-3, one of the challenges with the subject property is the limited land area available for parking. The Erskine Architects Report of June 29, 2016, which conducted a detailed review of the

3 At the request of the evaluation committee, TDI submitted additional financial material for review including detailed demolition and construction budgets and schedules, and projections for revenue and operating expenses. TDI has identified this material as proprietary and confidential business information and requested that it not be disclosed.

4 For additional details on MLD’s and PHB’s proposals, see Exhibits 2, 5 and 6 attached.
property, found that current County of Hawaii codes require a total of 286 spaces for the project in contrast to the 65 spaces currently available. TDI proposes to remedy this by having WHR LLC sublease a portion of the golf course under GL5844 to TDI for parking. Any such sublease would require the Board’s prior written approval.

Additional elements of TDI’s proposal include: (1) allowing up to one acre of the golf course portion of GL5844 to be used as public parking for the Reeds Bay Park, (2) providing up to one acre of additional golf course lands to be used as trails through the golf course from the corner of Banyan Drive and Highway 10 to the southern side of the golf course at a location to be determined by Hilo Bayfront Trails; and (3) dedicating the rest of the golf course to the Department and the County for future public uses. Again, all such proposed actions would require the Board’s prior written approval and are not before the Board today.

If the Board approves the evaluation committee’s selection, the next step in the process is for Land Division to negotiate a development agreement for the demolition/repair/renovation project and lease with TDI. As part of the negotiations, Land Division will procure an appraisal of the fair market rent payable for the property based on TDI’s proposal. Land Division started on the procurement but held off ordering the appraisal when it was determined that the appraisal cost for this property alone would be about $6,250. Because TDI will have to pay the cost, staff decided it would be prudent to present the evaluation committee’s recommendation to the Board for approval prior to incurring the cost.

Once the development agreement is negotiated and the rent is determined, Land Division will return to the Board for approval of the development agreement and the form of lease to be executed once the conditions of the development agreement are satisfied. The development agreement will provide additional detail on the project scope and cost.

RECOMMENDATION: That the Board:

1. Accept and approve the evaluation committee’s recommendation to select TDI as the developer/lessee of the subject property.

2. Authorize the negotiation of a development agreement and proposed lease form with TDI subject to the terms and conditions cited above, including, without limitation, a requirement for TDI to reimburse Oceanfront 121, Inc. $158,622.16 for improvements the latter made to the property. Once the development agreement and lease form are negotiated, staff shall present the development agreement and proposed lease form to the Board for approval prior to execution.
Respectfully Submitted,

Kevin E. Moore
Assistant Administrator

APPROVED FOR SUBMITTAL:

Suzanne D. Case, Chairperson
REQUEST FOR QUALIFICATIONS / REQUEST FOR PROPOSALS
FOR THE REPAIR, RENOVATION AND OPERATION OF
THE FORMER COUNTRY CLUB CONDOMINIUM HOTEL
HILO, ISLAND OF HAWAII, HAWAII

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
LAND DIVISION
August 23, 2020

EXHIBIT 1
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Attachment 1: Land Board Approval dated December 13, 2019 (Agenda Item D-2)
NOTICE TO INTERESTED PARTIES

REQUEST FOR QUALIFICATIONS ("RFQ") / REQUEST FOR PROPOSALS ("RFP")
FOR THE REPAIR, RENOVATION AND OPERATION OF THE FORMER COUNTRY CLUB CONDOMINIUM HOTEL

The State of Hawaii ("State") Department of Land and Natural Resources ("DLNR"), is issuing a Request for Qualifications ("RFQ") / Request for Proposals ("RFP") inviting qualified applicants to submit qualifications and proposals for the repair, renovation and operation of an existing hotel/apartment building on a parcel of State land in Waiakea, South Hilo, Island of Hawaii, Hawaii, designated as Tax Map Key: (3) 2-1-005:020 (Parcel 20).

Parcel 20 is located on Banyan Drive on Waiakea Peninsula in Hilo with a street address of 121 Banyan Drive, Hilo, Hawaii 96720. This RFQ/RFP is intended to facilitate the repair, renovation and operation of the improvements on Parcel 20 through the issuance of a new lease for hotel/apartment purposes to a qualified applicant who submits the best proposal to the State.

DLNR intends to select the applicant and repair, renovation and operation proposal that best satisfies DLNR’s objectives and selection criteria. The selected applicant will enter into exclusive negotiations with DLNR for a development agreement that will allow the selected applicant to lease Parcel 20 and repair, renovate and operate the improvements thereon upon satisfaction of the terms and conditions of the development agreement. The lease term will be up to sixty-five (65) years. The selected applicant will be responsible for obtaining all required land use entitlements and government approvals/permits under the development agreement, as well as approval of the Board of Land and Natural Resources before a lease may be issued.

DLNR will hold a briefing for interested parties at 2:00 p.m. on September 1, 2020, to explain the RFQ/RFP process and objectives, and answer questions. The briefing will be held virtually by Zoom or other virtual meeting platform. Interested parties can obtain the link to the briefing by emailing dlnr.land@hawaii.gov at least twenty-four (24) hours in advance of the briefing time. Attendance by potential applicants is encouraged, but not required.

To be eligible for consideration in the RFQ/RFP process, interested parties must first complete and submit a Notice of Intent form to any of the DLNR Land Division offices listed below by no later than 4:00 p.m., September 11, 2020. Any interested party who fails to complete and submit a Notice of Intent form by this deadline will not be eligible to submit its qualifications and proposal and therefore will not be considered for this project. The Notice of Intent form is included in this RFQ/RFP.

The next step of the RFQ/RFP process is the submission of statements of
qualifications by applicants, which must be submitted by no later than 4:00 p.m., September 30, 2020, to any of the DLNR Land Division offices listed below. DLNR will determine which applicants meet the qualification criteria (and may form a short list of the most qualified applicants), and those applicants will be invited to participate in the next phase of the RFQ/RFP process. This portion of the process will invite applicants who are deemed to be qualified to submit a detailed repair, renovation and operation proposal for the improvements on Parcel 20. DLNR will evaluate the submitted proposals and select the applicant whose proposal best satisfies DLNR’s repair, renovation and operation objectives and selection criteria as provided in this RFQ/RFP. Upon the Board of Land and Natural Resources’ approval of the selected applicant and repair, renovation and operation proposal, the selected applicant and DLNR will commence negotiations of the development agreement and lease.

Additional deadlines and significant dates are set forth in this RFQ/RFP.

Copies of this RFQ/RFP may be obtained at the following DLNR Land Division offices or downloaded from the DLNR website at: https://dlnr.hawaii.gov/ld/RFQ-RFP-countryclub.

Land Division Administration
1151 Punchbowl Street, Room 220
Honolulu, Hawaii 96813
Telephone: (808) 587-0419

Maui District Land Office
130 Mahalani Street
Wailuku, Hawaii 96793
Telephone: (808) 984-8103

Hawaii District Land Office
75 Aupuni Street, Room 204
Hilo, Hawaii 96720
Telephone: (808) 961-9590

Kauai District Land Office
3060 Eiwa Street, Room 208
Lihue, Hawaii 96766
Telephone: (808) 274-3491

DLNR reserves the right to cancel this RFQ/RFP and reject any and all submissions when it is in the best interest of DLNR or the State of Hawaii. If there are any inquiries regarding this RFQ/RFP, or if any person requires a special accommodation (e.g., large print materials, sign language interpreters), please contact Land Division Assistant Administrator Kevin Moore at (808) 587-0426.

/s/Suzanne D. Case, Chairperson
Board of Land and Natural Resources

Honolulu Star-Advertiser;
Hilo Tribune Herald; and
West Hawaii Today
August 23, 2020
NOTICE OF INTENT
REQUEST FOR QUALIFICATIONS ("RFQ") / REQUEST FOR PROPOSALS ("RFP") FOR THE REPAIR, RENOVATION AND OPERATION OF THE FORMER COUNTRY CLUB CONDOMINIUM HOTEL

Parties interested in submitting qualifications and proposals in response to the RFQ/RFP for the repair, renovation and operation of the former Country Club Condominium Hotel in Hilo, Island of Hawaii, Hawaii, must first complete and submit this Notice of Intent form to any of the DLNR Land Division offices (see page ii of the RFQ/RFP for addresses), by no later than 4:00 p.m., September 11, 2020. An interested party that fails to submit a completed Notice of Intent form by this deadline will not be eligible to participate in the ensuing RFQ/RFP process and will not be considered for this project.

Name of Applicant: ______________________________________
Mailing Address: ______________________________________

Contact Person and Title: ______________________________________
Phone Number: __________________ Fax Number: __________________
Email Address: ______________________________________
Type of Organization: ______________________________________
State or Country of Formation; and Date of Formation: __________________
Registered to do business in Hawaii? If Yes, as of what date? __________________

List the names, addresses and ownership interests of individuals or organizations with at least a 10% ownership interest in the Applicant: (attach separate page if necessary)

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List all State of Hawaii leases, permits, licenses, easements, sales, etc. which the Applicant is or has been a party to, including as a partner, director, officer, shareholder, or LLC member: (attach separate page if necessary)

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Signature of Authorized Representative

Name/Title: __________________ Date: __________________
I. INTRODUCTION

BACKGROUND

The State of Hawaii Department of Land and Natural Resources ("DLNR"), through its Board of Land and Natural Resources ("Board") is the owner of the land and improvements located at Waiakea, South Hilo, Island of Hawaii, Hawaii, and designated as Tax Map Key: (3) 2-1-005:020 (Parcel 20). The improvements on Parcel 20 include a six-story, 152-room hotel built in 1969. Parcel 20 and all the improvements thereon are hereinafter referred to collectively as the "Subject Property."

The Subject Property is currently under month-to-month Revocable Permit No. S-7914 to Oceanfront 121, Inc. for apartment and hotel purposes. DLNR's Land Division manages the permit and is responsible for planning the future use of the Subject Property.

DLNR has determined that the improvements on Parcel 20 are in need of major repairs and renovations and desires to issue a new 65-year lease of the Subject Property for hotel/apartment purposes to encourage a lessee to make a substantial investment in repairs and renovations in the Subject Property and help improve the overall aesthetics of the Banyan Drive area of Hilo. DLNR, however, does not have the funding, expertise, or staffing to repair, renovate or operate the Subject Property on its own. Accordingly, DLNR is seeking a private entity with the necessary renovation expertise and financial capacity to repair, renovate and operate the Subject Property under a long-term lease.

PURPOSE

The purpose of this Request for Qualifications ("RFQ") / Request for Proposals ("RFP") is to solicit and select a qualified private entity to lease, repair, renovate and operate the Subject Property under a new 65-year lease to facilitate its fullest utilization consistent with applicable zoning and environmental assessment laws, to increase the lease rent revenues to the State and improve the aesthetics of Banyan Drive. The lease revenues generated from the lease will be paid in part (20%) to the Office of Hawaiian Affairs and in part (80%) to DLNR's Special Land and Development Fund that supports DLNR's operations and programs statewide.

Qualified applicants will be invited to submit proposals that may provide for any repairs and renovations that are permitted under applicable laws, ordinances, rules and regulations. The selected applicant shall be responsible for obtaining all required land use entitlements and government approvals/permits. Construction of new buildings is not permitted as part of this RFQ/RFP.

DLNR will select the applicant whose proposal best meets DLNR's repair, renovation and operation objectives and RFQ/RFP selection criteria (see RFQ/RFP Sections II and IV).
SUBJECT PROPERTY

The Subject Property includes Parcel 20 with an area of 1.22 acres located at Waiakea, South Hilo, Island of Hawaii, Hawaii, and all improvements located thereon. The improvements include a six-story, 152-room hotel constructed in 1969, swimming pool and paved parking area. The hotel is occupied under Revocable Permit No. S-7914 to Oceanfront 121, Inc.

REQUIRED REPAIRS AND RENOVATIONS

A Remaining Useful Life Determination prepared in June 2014 by SSFM International, Inc. ("SSFM Report") concluded that the improvements on the Subject Property at that time had a remaining useful life of 5-8 years. An Assessment Report dated June 29, 2016 prepared by Erskine Architects, Inc. ("Erskine Report") identified a number of health, safety and welfare issues at the Subject Property that required attention. The County of Hawaii ("County") Department of Public Works, Building Division issued a Notice of Violation ("NOV") dated August 14, 2017 regarding the Subject Property citing a number of Hawaii County Code violations. The County Fire Department issued a Fire Inspection Record in August 2017 with a result of "Fail" citing violations of Fire Code and other applicable codes. The repair and renovation of the Subject Property must address all health, safety and welfare issues identified in the SSFM Report, Erskine Report, NOV and Fire Inspection Record to the extent such issues have not already been addressed by DLNR's permittees under revocable permits issued for the Subject Property.

PERMITTED USES

Once repaired and renovated, the Subject Property must be used for hotel and/or apartment purposes.

SPECIAL MANAGEMENT AREA ("SMA")

The Subject Property is located within the Special Management Area ("SMA"). The selected applicant shall be responsible for obtaining any required SMA reviews and approvals.

FLOOD ZONES

The Subject Property is located largely in the Federal Emergency Management Agency's Flood Zone AE (areas subject to inundation by the 1-percent-annual-chance flood event), with portions in Flood Zone VE (areas subject to inundation by the 1-percent-annual-chance flood event with additional hazards due to storm-induced velocity wave action). The selected applicant shall be responsible for complying with

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1 County of Hawaii tax maps and the Board submittal dated December 13, 2019, Item D-2 (Attachment 1) show a slightly smaller area and different configuration for Parcel 20 that excludes a driveway connection from Banyan Drive to the parcel. DLNR has verified with the Department of Accounting and General Services, Survey Division, that the driveway is part of Parcel 20 as a result of a 1970 consolidation and re-subdivision.
any statutes, rules or regulations applicable to improvements located in these flood zones.

HILO OPPORTUNITY ZONE

The Federal Tax Cuts and Jobs Act of 2017 authorized a community economic development program called the Opportunity Zones Program. This initiative provides incentives for investors to re-invest realized capital gains into Opportunity Funds in exchange for temporary tax deferral and other benefits. The Opportunity Funds are then used to provide investment capital in certain low-income communities, i.e., Opportunity Zones. The Subject Property is located in the Hilo Opportunity Zone. For more information, visit: https://dbedt.hawaii.gov/.

CONDITION OF SUBJECT PROPERTY

The Subject Property will be leased in an "as is" condition with all faults and defects whether latent or patent, and DLNR makes no representations regarding the condition of the Subject Property or the suitability of the site for any proposed use by any applicant. Applicants shall, at their sole expense, be responsible for conducting their own investigations and due diligence regarding the Subject Property.

DLNR has procured and compiled various studies and documents regarding the Subject Property, which are available for review on-line at: https://dlnr.hawaii.gov/id/RFQ-RFP-countryclub, or in hard copy at the Land Division Administration Office in Honolulu. Interested parties wishing to review the documents and information should contact the Land Division office in advance at (808) 587-0426. By request, interested parties may make arrangements to view the hard copy studies and documents at the neighbor island Land Division District Offices by contacting the Land Division Administration Office. DLNR makes no representations or warranties regarding the accuracy of any information contained in such studies and documents.

The selected applicant shall be responsible for any and all site work, repairs, improvements, and required remediation of hazardous materials necessary for the repair, renovation and operation of the improvements on the Subject Property.

The Subject Property is currently used for short-term residential rentals and transient accommodations and will likely remain occupied under Revocable Permit No. S-7914 to 121 Oceanfront, Inc. during the RFQ/RFP process and the negotiation of the development agreement. It is also possible that the Subject Property will continue to be occupied upon the termination of Revocable Permit No. S-7914 and commencement of the new lease to the selected applicant. It will be the selected applicant’s prerogative whether to allow all or some occupants to remain on the Subject Property under existing or new rental agreements during repairs and renovations, or to require all or some residents and guests to vacate the premises. If the selected applicant determines that the Subject Property should be vacated in full or in part (in phases) to facilitate repairs and renovations, then the selected applicant will need to comply with all applicable laws and provide all residents and guests with proper notice of the termination of their tenancies.
The County Department of Environmental Management ("DEM") reported that as of July 18, 2019, there was a balance of $174,608.83 owed on a stipulated judgment regarding delinquent sewer fees for the Subject Property. DEM also advised that the active sewer account for the Subject Property had a balance of $10,360.00, of which $5,280.00 was past due as of July 23, 2019. DEM further reported that there is a real property tax delinquency associated with the Subject Property in the amount of $96,655.56, including unpaid taxes, penalties and accrued interest. **It is the responsibility of each applicant to conduct appropriate due diligence to determine whether the applicant would have any responsibility for these or any other outstanding obligations pertaining to the Subject Property if the applicant were to be selected through the RFQ/RFP process and be issued a lease for the Subject Property.**

Additionally, at its meeting of December 13, 2019, Item D-2, the Board found that the permittee under Revocable Permit No. S-7914, Oceanfront 121, Inc., made physical improvements to the Subject Property in the amount of $158,622.16 in recent years to cure County building, plumbing, electrical, and fire code violations. **The Board directed that if Oceanfront 121, Inc. is not selected as the lessee under this RFQ/RFP, then the selected applicant will be required to reimburse 121 Oceanfront, Inc. $158,622.16 for these improvements.** For more information, see the Board’s action of December 13, 2019, Item D-2, a copy of which is provided as **Attachment 1** hereto.

**AUTHORITY**

Section 171-59, Hawaii Revised Statutes, authorizes the leasing of public lands by direct negotiation where the Board finds that the public interest demands it. At its meeting on December 13, 2019, the Board approved agenda Item D-2 authorizing the issuance of this RFQ/RFP pursuant to HRS Section 171-59, as amended. A copy of the Board’s approval is provided as **Attachment 1**, and applicants are responsible for reading and understanding the information and conditions contained therein.

**NOTICE OF INTENT**

To participate in this RFQ/RFP, interested parties **must** first submit a completed Notice of Intent form by or before the stated deadline (September 11, 2020, 4:00 p.m.). Any interested party who fails to submit a completed Notice of Intent form by this deadline will not be eligible to submit its qualifications and proposal and, therefore, will not be considered for this RFQ/RFP.

**RFQ/RFP SOLICITATION AND SELECTION PROCESS**

After submission of a Notice of Intent, applicants in the RFQ/RFP process will next be requested to submit a statement of qualifications for this renovation project. Detailed explanations of the RFQ/RFP process are provided in Sections III (Request for Qualifications) and IV (Request for Proposals). All submissions must be signed by a person with the authority to represent and make legally binding commitments for the applicant.
Step 1: Submission of Statement of Qualifications. The RFQ requires the submission of Statements of Qualifications ("SOQs") by applicants detailing their relevant hotel or apartment building repair, renovation and operation experience, financial capabilities, and management expertise. DLNR will review the SOQs and determine which applicants meet DLNR’s qualification criteria. DLNR may, at its sole discretion, form a short list of the most qualified applicants. The qualified applicants (or short list of the most qualified applicants, if applicable, as determined by DLNR in its sole discretion) will then be invited to participate in the proposal process.

Step 2: Submission of Proposals. The RFP solicits detailed repair, renovation and operation proposals for the Subject Property from the invited qualified applicants. DLNR will review the proposals and will recommend to the Board the applicant whose proposal best satisfies DLNR’s repair, renovation, and operation objectives and selection criteria. The Board at a meeting open to the public must approve the recommended applicant and its repair, renovation and operation proposal. If approved by the Board, the selected applicant and DLNR will commence exclusive negotiations of a development agreement and lease. Any amendments or extensions to the development agreement terms or pre-construction approvals (e.g., rights-of-entry for site testing or site preparation) not previously anticipated, may require further Board approval.

DEVELOPMENT AGREEMENT

The development agreement will set forth the terms and conditions under which the selected applicant shall secure, all at its sole expense, all permitting approvals required to complete its proposed repair, renovation and operation of the Subject Property. The development agreement will also set forth specific terms and conditions that must be satisfied by the selected applicant prior to DLNR issuing a lease for the Subject Property and the selected applicant commencing any repair, renovation and operation of the Subject Property.

SIGNIFICANT DATES AND TIMES*

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<th>Item / Event / Deadline</th>
<th>Date</th>
<th>Time</th>
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<tr>
<td>Advertisement of RFQ/RFP</td>
<td>August 23, 2020</td>
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<td>Virtual Applicant Briefing</td>
<td>September 1, 2020</td>
<td>2:00 p.m.</td>
</tr>
<tr>
<td>Deadline to Submit Notice of Intent</td>
<td>September 11, 2020</td>
<td>4:00 p.m.</td>
</tr>
<tr>
<td>Deadline to Submit Statement of Qualifications</td>
<td>September 30, 2020</td>
<td>4:00 p.m.</td>
</tr>
<tr>
<td>Notify Qualified Applicants of RFP*</td>
<td>October 15, 2020</td>
<td></td>
</tr>
<tr>
<td>Deadline to Submit Proposals*</td>
<td>November 30, 2020</td>
<td>4:00 p.m.</td>
</tr>
<tr>
<td>Evaluation Committee's Selection of Developer*</td>
<td>December 15, 2020</td>
<td></td>
</tr>
<tr>
<td>Land Board Approval of Selected Developer* and Negotiation of Development Agreement</td>
<td>January 2021</td>
<td></td>
</tr>
</tbody>
</table>

*These dates are estimated dates and are subject to change by DLNR in its
sole discretion.

ISSUING OFFICE AND CONTACT PERSON

This RFQ/RFP is issued by DLNR Land Division. All communications with Land Division pertaining to this RFQ/RFP shall be directed to the Land Division Contact Person named below. Any information provided to, or received from, anyone other than the Contact Person shall not be relied upon in connection with this RFQ/RFP.

Assistant Administrator Kevin Moore  
Land Division  
Department of Land and Natural Resources  
P.O. Box 621  
Honolulu, Hawaii 96809  
Phone: (808) 587-0426  
Facsimile: (808) 312-6357  
Email: dlnr.land@hawaii.gov

REQUEST FOR CLARIFICATION

A prospective applicant may submit a written request for clarification of any aspect of this RFQ/RFP by mail or facsimile transmission to the Land Division Contact Person above prior to the date of the Applicant Briefing (see Significant Dates and Times above). Land Division’s written response to written requests for clarification will be made available for review at the Land Division offices and posted on Land Division’s website at: https://dlnr.hawaii.gov/ld/RFQ-RFP-countryclub.

Requests for clarification may be verbally requested and verbal answers provided at the discretion of Land Division. However, any such verbal answers shall only be intended as general directions and will not represent the official position of Land Division. To generate an official answer, questions must be submitted in writing pursuant to the directions provided in the prior paragraph.

CONFIDENTIAL INFORMATION

If an applicant believes that any portion of a submission or proposal contains information that should be withheld as confidential, the applicant shall request in writing nondisclosure of designated trade secrets or other proprietary data to be held as confidential business information. Such data shall accompany the applicant’s submission or proposal, be clearly marked, and shall be readily separable from the submission or proposal in order to facilitate eventual public inspection of the nonconfidential portion of the submission or proposal. The amount of any proposed fees or lease rents to be paid by the applicant to DLNR shall not be considered confidential and shall not be withheld.

DLNR will consult with the Department of the Attorney General and may also consult with the Office of Information Practices to make any necessary determinations of confidentiality in accordance with HRS Chapter 92F. If the applicant’s request for
confidentiality is denied, such information shall be subject to disclosure as a public record unless the applicant appeals the denial.

LAND DIVISION OFFICES

Land Division’s office addresses are as follows:

Land Division Administration
1151 Punchbowl Street, Room 220
Honolulu, Hawaii 96813
Telephone: (808) 587-0419

Maui District Land Office
130 Mahalani Street
Wailuku, Hawaii 96793
Telephone: (808) 984-8103

Hawaii District Land Office
75 Aupuni Street, Room 204
Hilo, Hawaii 96720
Telephone: (808) 961-9590

Kauai District Land Office
3060 Eiwa Street, Room 208
Lihue, Hawaii 96766
Telephone: (808) 274-3491

II. DEVELOPMENT OBJECTIVES

DLNR’s objectives for the Subject Property call for the repair, renovation and operation of the existing improvements on Parcel 20 in a way that promotes and complements the hotel/resort area of Banyan Drive. The repair, renovation and operation will:

- Be undertaken by a qualified private sector lessee who will bear all of the costs of the repair, renovation and operation and will not be subsidized by the State or DLNR.
- Be performed under a leasehold arrangement between DLNR and the selected applicant.
- Restore the Subject Property to its highest and best use to the extent permitted under applicable laws, including but not limited to HRS Chapters 171 and 343.
- Provide a benefit to the community of Banyan Drive, Hilo, and Hawaii Island.
- Maximize the financial returns to the State from the Subject Property in a timely manner.
- Comply with all laws, ordinances, rules, regulations and restrictions applicable to the Subject Property.
- Be economically feasible to the developer/lessee.
- Take into consideration potential sea level rise.
III. REQUEST FOR QUALIFICATIONS ("RFQ")

INTRODUCTION

The purpose of this section is to solicit Statements of Qualifications ("SOQs") from potential developers/lessees interested in repairing, renovating and operating the Subject Property under a long-term lease. DLNR’s review and evaluation of the potential developers’ or lessees’ SOQs will help in ensuring that the selected applicant has the experience, expertise and financial capacity to successfully undertake its proposed repair, renovation and operation of the Subject Property.

Applicants assume all risks and will be responsible for the payment of all costs and expenses in connection with the preparation of their respective SOQs, as well as any and all pre-construction and planning costs incurred by the applicant. DLNR assumes no risks or costs associated with any applicant’s participation in this portion of the selection process.

APPLICANT BRIEFING

There will be a briefing at 2:00 p.m. on September 1, 2020, to explain DLNR’s repair, renovation and operation objectives and the RFQ/RFP process, and answer questions from potential applicants. The briefing will be held virtually by Zoom or other virtual meeting platform. Interested parties can obtain the link to the briefing by emailing dlnr.land@hawaii.gov at least twenty-four (24) hours in advance of the briefing time. Attendance by any prospective applicant is encouraged, but is not required.

NOTICE OF INTENT

Any party interested in participating in this RFQ/RFP must submit a completed Notice of Intent form (see above page of this RFP) to any Land Division office listed in Section I (Introduction) above by no later than 4:00 p.m. on September 11, 2020. Any party who fails to submit a completed Notice of Intent by the required deadline will not be eligible to submit its qualifications and proposal as required, to participate in this RFP repair and renovation project.

SUBMISSION REQUIREMENTS

Each applicant shall submit a Statement of Qualifications ("SOQ"), which shall include the information and materials described below. The SOQ shall be organized in a manner that is consistent with the headings and sequence presented below. Applicants shall submit five (5) hard copies and one electronic copy on a CD of the SOQ.

1. **Cover Letter.** Submit a cover letter on the applicant’s letterhead addressed to Land Division and signed by an authorized representative of the applicant.
2. **Proposed Use of Subject Property.** Generally describe the applicant's proposed repair, renovation and operation plan and use of the Subject Property. For example, will the applicant operate the Subject Property as a hotel, an apartment building, or a mix of hotel and apartment use. If applicant proposes a mixed hotel/apartment use, how many units will be designated for transient accommodations and how many will be designated for apartment use? If the applicant intends to contract with a hotel operator to manage the hotel, identify the operator. If the applicant intends to contract with a management company to manage the rental of apartment units, identify the management company. Also discuss whether the applicant intends to issue subleases for any portions of the Subject Property (and if so, for what purposes or uses).

The purpose of this requirement is to allow DLNR to evaluate and determine whether the applicant possesses the necessary qualifications (experience, expertise, and financial capacity) to successfully repair, renovate and operate the Subject Property.

Applicants should also be aware that there are certain laws and restrictions governing the leasing of public lands that may apply to the Subject Property, including but not limited to HRS Chapter 171. This RFQ/RFP will therefore require the applicant to indicate that its proposed project complies with all relevant laws governing public lands.

3. **Applicant – Type of Entity and Ownership Interests.** Provide the following information about the applicant:

   a. **Name.** The legal name of the applicant.

   b. **Type of Entity.** Identify the type of entity (e.g., corporation, limited liability company, etc.), and the state or country of organization.

   c. **Owners.** Identify all individuals or entities holding a 10% or more ownership interest in the applicant and their respective ownership interests. Provide any additional background information about any of the owners that may support the qualifications of the applicant with respect to this SOQ, including descriptions of any key roles that any of these individuals or entities will play in the applicant's repair, renovation or operation of the Subject Property. Any foreign corporation or business entity must obtain the appropriate certificate of authority to do business in the State of Hawaii.

   d. **Directors/Officers.** Identify the directors and officers of the applicant, including names and titles. Provide any additional background information about any of the directors and officers that may support the qualifications of the applicant with respect to this SOQ, including descriptions of key roles that any of these individuals will play in the applicant's repair, renovation and
operation of the Subject Property.

**IMPORTANT:** The applicant identified in the Notice of Intent must match the information provided above. Additionally, please note that if an applicant is selected through the RFQ/RFP process and the applicant is a partnership, joint venture, limited liability company, or corporation, the sale or transfer of 20% or more of ownership interest, distributional interest, or stocks by dissolution, merger or any other means prior to execution of the development agreement or lease shall be deemed an assignment. Such assignments are subject to the prior written approval of the Board.

4. **Development Team.** Describe the organization of the applicant and development team, and the role and responsibilities of each member of the development team, including major consultants (e.g., architects, engineers, etc.), joint venture or limited partners, and legal counsel. Include members that may be added to the development team in the future to fund, renovate or manage the project, and describe the arrangement or commitment, if any, between the applicant and the projected future development team members. Provide an organizational chart and the names, titles, and contact information of the principals of each member of the development team.

Describe any previous experiences of the development team and/or development team members working together on other/previous projects.

5. **Experience.** For each member of the development team (including the applicant), describe previous experience with projects similar in type, use, size, and scope to the applicant's proposed repair, renovation and operation of the Subject Property. For each such project, provide the following:

a. **Project Description.** Describe the project, including location, address, photographs, project size, land uses, facilities, commencement and completion dates, etc.

b. **Roles/Responsibilities.** Describe the role(s) of the development team member(s) with respect to the project. For example, describe any pre-construction roles (e.g., conducting due diligence, community outreach, planning, obtaining land use entitlements/approvals, etc.); development roles (financing, design, permitting, construction); and management/operational roles (e.g., leasing, project management/maintenance, etc.)

c. **Cost/Financing.** Provide total construction costs for the project, and describe the financing/funding, including the source, amount, and current status.
d. **Current Status.** Describe the current status of the project, including (if applicable) the development team's involvement with the project; current ownership and management of the project; and current uses, occupancy rates, tenants, operating revenues, profits/losses, etc.

6. **Other Applicable Experience.** Describe any other experience that may be appropriate to establish the applicant's qualifications. Describe any past or current lease(s) of State lands awarded to the applicant's owners, directors and/or officers, including any delinquencies or prior defaults on any such lease(s). Applicants should register with Hawaii Compliance Express (HCE) and have updated state tax clearances. See also HRS Section 171-13.

7. **Financial Capacity and Credit History.** Provide satisfactory evidence to support the financial ability of the applicant to repair, renovate and operate the Subject Property. Such evidence should include evidence of applicant's past or current debt or equity financing (such as letters from past or current lenders or financing sources confirming the amounts financed, repayment terms, and repayment status), applicant's financial statements for the past three fiscal years, current credit report(s), and evidence of capital resources or financing commitments. Describe any loan or lease defaults, bankruptcies, judgments, or any litigation or other disputes that may potentially have an adverse effect on the applicant's current financial capability. A personal guarantee (or personal guarantees) will be required upon issuance of a lease.

8. **Other Information.** Provide any other information regarding the applicant, the development team, or its members that may be pertinent to establishing the applicant's qualifications.

9. **References.** Provide references (including name, title, address, email address, phone number) whom DLNR may contact to confirm the applicant's and development team members' qualifications and any of the information provided in the SOQ.

**SOQ SUBMISSION DEADLINE**

Statements of Qualifications must be delivered to any of the Land Division offices listed in Section I (Introduction) above by no later than 4:00 p.m. **on September 30, 2020.** Except for additional information requested by DLNR, any information submitted after this deadline, including any changes or modifications to the SOQ, will not be considered.

**EVALUATION OF QUALIFICATIONS**

1. **Preliminary Review.** DLNR staff will conduct a preliminary review of the SOQs for adequacy and completeness. If any SOQ is incomplete,
DLNR staff may, in its sole discretion, disqualify the applicant and its SOQ from further review and consideration. Notwithstanding the foregoing, DLNR reserves the right to waive any defects in any SOQ and may permit the timely correction of errors contained in it. DLNR may also ask an applicant for clarification of the information submitted or for additional information/materials to assist DLNR or the evaluation committee in its review/evaluation of the applicant's SOQ.

2. **Substantive Review.** The SOQs that are determined to be adequate and complete in the preliminary review shall thereafter undergo a substantive review by an evaluation committee selected by DLNR.

DLNR may ask any applicant for clarification of the information submitted or for additional information/materials to assist DLNR or the evaluation committee in its review/evaluation of the applicant's SOQ. DLNR or the evaluation committee may also conduct interviews of any of the applicants and/or members of the applicants' development teams.

DLNR will review the SOQs and determine which applicants meet the qualification criteria below. DLNR may, at its sole discretion, form a short list of the most qualified applicants. The qualified applicants (or short list of the most qualified applicants, if applicable), will then be invited to participate in the RFP process by submitting their repair, renovation and operation proposals in accordance with Section IV (Request for Proposals) of this RFQ/RFP. ²

a. **Qualification Criteria.** DLNR or the evaluation committee shall evaluate the applicants' qualifications based on the following criteria:

- Successful real estate development or renovation experience relevant to the applicant's proposed repair, renovation and operation of the Subject Property, including experience in community outreach and in obtaining land use entitlements and government approvals/permits.

- Real estate management experience (including hotel operation or apartment management, if applicable) relevant to the applicant's proposed use of the Subject Property.

- Financial capacity to fund the renovation of the Subject Property and the applicant's proposed operations.

- Creditworthiness and past experience in leasing private and public lands.

² If there is only one qualified applicant, DLNR may, in its sole discretion, waive certain RFP submission requirements.
b. **Notification of Qualification.** All applicants will be notified of the qualification determination.

c. **Review and Appeal Rights.** Pursuant to HRS Section 171-59(a)(3), within twenty (20) days of an applicant's receipt of notification of the determination, any applicant may notify the Board in writing requesting the applicant be allowed to examine the basis for the determination to ascertain whether or not the conditions and criteria established by the Board were followed. If written notice is not provided by the applicant within twenty (20) days of the receipt of notification of determination, the applicant shall be barred from proceeding to seek legal remedy for any alleged failure of the Board to follow the conditions and criteria.

## IV. REQUEST FOR PROPOSALS ("RFP")

### INTRODUCTION

If DLNR determines that more than one applicant is qualified, DLNR will invite the qualified applicants (or the short list of the most qualified applicants), to submit their respective repair and renovation proposals in accordance with this Section IV (Request for Proposals).

DLNR, through its evaluation committee, will evaluate the repair, renovation and operation proposals and select the applicant whose proposal best satisfies DLNR's objectives and selection criteria. DLNR staff will then request the Board's approval of the selected applicant and the selected applicant's proposal. Upon the Board's approval, DLNR will commence exclusive negotiations with the selected applicant of the development agreement and potential lease (see Section V – Exclusive Negotiations/Development Agreement for additional details regarding the development agreement).

Applicants assume all risks and are responsible for the payment of all costs and expenses in connection with the preparation of their respective submissions/responses to this RFP, as well as any and all pre-construction and planning costs incurred by the applicant. DLNR assumes no risks or costs associated with any applicant's participation in this RFP.

### APPLICANT BRIEFING

DLNR may, but shall not be required to, hold a briefing to explain this portion of the RFP and to answer questions from the applicants. DLNR will notify all qualified applicants of any such briefing.

### SOQ & RFP SUBMISSION REQUIREMENTS

Each qualified applicant shall submit a repair, renovation and operation proposal, which proposal shall include: (1) a repair, renovation and operation plan; (2)
an economic proposal; and (3) a business plan. The repair and renovation 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 repair and renovation proposals.

1. **Cover Letter.** Submit a cover letter on the applicant’s letterhead addressed to DLNR Land Division and signed by an authorized representative of the applicant.

2. **Executive Summary.** Provide an executive summary of the critical aspects of the applicant’s repair, renovation and operation proposal.

3. **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:
   a. **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).
   b. **Narrative Description.** Provide a narrative description of the repair, renovation and operation proposal, including but not limited to the following:
      i. Descriptions of the proposed project and proposed uses;
      ii. An outline of the repair, renovation and operation program and phases;
      iii. Statements indicating how the repair, renovation and operation plan satisfies DLNR’s repair, renovation and operation objectives;
      iv. Descriptions of the benefits to be realized by the State and the Banyan Drive community as a result of the proposed project;
      v. Any other pertinent information regarding the repair, renovation and operation plan.
   c. **Special Management Area.** Explain how the proposed project and uses are consistent with the County’s requirements and restrictions for the Special Management Area.
   d. **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.

e. **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.

f. **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.

g. **Illustrations & Other Information.** Provide any other information, plans, illustrations, and/or renderings that would assist DLNR in visualizing the proposed project.

h. **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. **Changes/differences from SOQ Response.** If the repair, renovation and operation plan provides 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.

4. **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:

a. **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.

<table>
<thead>
<tr>
<th>Annual Minimum Rents</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>$___ per Annum</td>
<td>Years 1-10</td>
</tr>
<tr>
<td>$___ per Annum</td>
<td>Years 11-20</td>
</tr>
<tr>
<td>$___ per Annum</td>
<td>Years 21-30</td>
</tr>
</tbody>
</table>

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.

b. **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.

c. **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).

d. **Other.** Provide any other proposed lease terms that the applicant believes are both feasible and appropriate for the applicant’s proposal.

5. **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:

a. **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.

b. **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.

c. **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.

d. **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.

e. **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.

f. **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.

g. **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.

h. **Method of Operation.** Describe the proposed method of operation for the project. Explain the applicant’s role in management of the project.

**RFP SUBMISSION DEADLINE**

Proposals for the repair, renovation and operation of the Subject Property must be delivered to any of the DLNR offices listed in Section I (Introduction) above by no later than **4:00 p.m. on November 30, 2020**; provided, however that this deadline is subject to change in DLNR’s sole discretion and in the best interest of the State. Except for information requested by DLNR, information submitted after the submission deadline, including modifications to the applicant’s proposal, will not be considered.

Proposals from the applicants not selected by DLNR for exclusive negotiations shall automatically expire upon the execution of the development agreement (unless withdrawn in writing earlier by the applicant) and returned to the applicants or be made available for pickup by the applicants.
EVALUATION PROCEDURES

1. Preliminary Review. Upon receipt of a repair, renovation and operation proposal, DLNR staff will conduct a preliminary review of the submitted information for adequacy and completeness. If the submitted information is incomplete, DLNR staff may, in its sole discretion, disqualify the applicant from consideration. However, DLNR reserves the right to waive any defects, irregularities or informalities in any of the responses and may permit the timely correction of errors contained in them. DLNR may also ask an applicant for clarification of the information submitted or for additional information/materials to assist DLNR or the evaluation committee in its review/evaluation of the applicant’s proposal.

2. Substantive Review. The repair, renovation and operation proposals that have been determined to be adequate and complete shall undergo a substantive review and evaluation by DLNR or an evaluation committee selected by DLNR. DLNR reserves the right to select an RFP evaluation committee that consists of members different from those of the evaluation committee for the SOQ portion of this RFQ/RFP.

DLNR or the evaluation committee may ask any applicant for clarification of the information submitted, or for additional information/materials to assist DLNR or the evaluation committee in its review/evaluation of the applicant’s proposal. DLNR or the evaluation committee may also conduct interviews of any of the applicants and/or members of the applicant’s development team.

The evaluation committee shall select the applicant whose repair, renovation and operation proposal best satisfies DLNR’s repair, renovation and operation objectives and the selection criteria below.

3. Board Approval. DLNR staff will request the Board’s approval of the evaluation committee’s selection of the applicant.

4. Exclusive Negotiations. Upon the Board’s approval of the selected applicant, DLNR shall commence exclusive negotiations of the development agreement with the selected applicant (see Section V). The development agreement shall be subject to approval by the Board.

RFP SELECTION CRITERIA

The evaluation committee shall evaluate the qualified applicants’ repair, renovation and operation proposals submitted in response to this RFP and shall select the applicant whose proposal, in the sole judgment of the evaluation committee, best meets the following criteria:

Repair and Renovation Plan
• Degree to which the repair, renovation and operation plan meets DLNR’s repair, renovation and operation objectives.

Economic Proposal
• Maximizes the financial returns to the State from the Subject Property in a timely manner. In evaluating applicants’ proposed lease rents, preference will be given to the proposed annual minimum base rents over the proposed percentage rents.

Business Plan
• Organization of the business plan, reasonableness of the repair, renovation and operation schedule, and demonstrated understanding of the requirements necessary to complete the project in a timely manner.
• Demonstrated understanding of the required land use entitlements and government approvals and evidence of the ability to obtain the entitlements/approvals in a timely manner.
• Demonstrated market and financial feasibility of the repair, renovation and operation proposal.
• Demonstrated ability to finance the proposed repairs, renovations and operations.

V. EXCLUSIVE NEGOTIATIONS / DEVELOPMENT AGREEMENT

EXCLUSIVE NEGOTIATIONS

DLNR will enter into exclusive negotiations with the selected applicant. During exclusive negotiations, DLNR and the selected applicant will negotiate in good faith a development agreement setting forth the terms and conditions under which DLNR will lease the Subject Property to applicant.

The exclusive negotiation period will be six (6) months and will be based upon the repair, renovation and operation proposal submitted by the selected applicant. If the development agreement is not executed by the expiration of the exclusive negotiation period, the authority of the selected applicant to negotiate the development agreement shall terminate, provided, however, that the Chairperson of the Board may, in his/her sole discretion, extend the negotiation period by written notice to the selected applicant for up to an additional six (6) months.

Upon the expiration of the exclusive negotiation period (including any extension), this RFP process shall terminate and neither the selected applicant nor any other applicant shall thereafter have authority to negotiate a development agreement and shall have no right, title or interest in or to the Subject Property.

DLNR reserves the right to negotiate with the selected applicant any additional terms, conditions or modifications to the terms set forth in this RFP or to the selected applicant’s proposal if it is in DLNR’s and the State’s best interest to do so and in the
DLNR’s sole discretion.

DEVELOPMENT AGREEMENT

In general, the development agreement will require the selected applicant to perform, all at its sole expense, all pre-construction duties necessary and/or desirable to successfully implement its repair, renovation and operation proposal, including site investigations and other due diligence activities, planning and designing the repairs and renovations, and obtaining all necessary land use entitlements and government approvals/permits.

The terms and conditions of the development agreement shall be subject to negotiation between DLNR and the selected applicant and approval by the Board, but shall include, at a minimum, the following obligations:

**Development Agreement Fee.** The selected applicant shall pay the DLNR a development agreement fee in consideration for DLNR providing the selected applicant with the exclusive right to conduct its pre-construction activities for its proposed project during the term of the development agreement. The selected applicant’s proposal shall include a proposed development agreement fee, but the actual fee and the payment terms may be subject to further negotiation.

**Due Diligence.** The Subject Property shall be leased in an “as is” condition with all faults and defects whether latent or patent, and DLNR makes no representations regarding the condition of the Subject Property or the suitability of the site for any project proposed by any applicant. Applicants shall, at their sole expense, be responsible for conducting their own investigations and due diligence regarding the Subject Property.

The selected applicant shall be responsible for any and all environmental studies, site work, repairs, improvements, and required remediation of hazardous materials necessary for the repair, renovation and operation of the Subject Property.

DLNR has compiled various documents and information regarding the Subject Property, which are available for review at the Land Division offices or online at [https://dlnr.hawaii.gov/ld/RFQ-RFP-countryclub](https://dlnr.hawaii.gov/ld/RFQ-RFP-countryclub). Applicants wishing to review hard copies of the documents and information should contact the Land Division Administration office in advance at (808) 587-0426. By request, neighbor island and out-of-state applicants may make arrangements to view the documents and information by contacting the Land Division Administration Office. DLNR makes no representations or warranties regarding the accuracy of any information contained in such documents, nor for sufficiency and completeness.

**Land Use Entitlements and Government Approvals/Permits.** Prior to issuance of any lease for the Subject Property, the selected applicant shall, at its sole expense, obtain all land use entitlements and government permits/approvals necessary to construct its proposed project, including but not limited to, special area management (SMA) approval. DLNR makes no representations or warranties regarding any required entitlements/approvals or the likelihood of the selected applicant to
successfully obtain the required entitlements/approvals/permits. It shall be the selected applicant’s sole responsibility to apply and pay for, process, and obtain all required entitlements/approvals/permits.

**Access.** DLNR’s information is that public access to the Subject Property is provided from Banyan Drive, which is County road. It shall be the selected applicant’s responsibility to confirm if legal access exists and if not, to obtain any required access.

**Compliance with Applicable Laws.** The Subject Property is “public land” as defined in HRS Chapter 171 and is therefore subject to the requirements, limitations, and restrictions set forth in HRS Chapters 171.

Without limiting the foregoing, the selected applicant shall comply with all applicable federal, State, and county laws, statutes, ordinances, rules and regulations.

**Proposed Lease.** This RFP contemplates that the negotiation of the development agreement will also include negotiations of a ground lease for the Subject Property with a term up to a maximum of sixty-five (65) years. The development agreement will provide for the lease to be issued only upon the selected applicant’s satisfaction of all terms and conditions of the development agreement.

The selected applicant shall also be responsible for the operations and management of the project, including performing all management, leasing, and maintenance functions.

The lease rent payable under the lease, including any percentage rent provisions, fixed rent step-ups, and rent reopening periods, shall be in accordance with the selected applicant’s proposal but may be subject to further negotiation.

A sample of DLNR’s standard lease form is available for review on-line at [https://dlnr.hawaii.gov/ld/RFQ-RFP-countryclub](https://dlnr.hawaii.gov/ld/RFQ-RFP-countryclub) and at Land Division’s Administration Office.

**VI. OTHER TERMS AND CONDITIONS**

**FEES/COSTS**

The selected applicant shall pay all charges required by law and all costs incurred by DLNR in connection with the preparation and processing of this RFP, including but not limited document fees for preparation of the development agreement and lease, fee for preparation of the survey maps and descriptions, publication fees for this RFP, appraisal fees, conveyance taxes, and recordation fees.

**DLNR'S NON-LIABILITY AND WAIVERS**

The applicants, by submitting a response to this RFP, waive all rights to protest or seek any legal remedies whatsoever against DLNR or the State regarding any
aspect of this RFQRFP.

TITLE TO SUBJECT PROPERTY

The lands comprising the Subject Property are Section 5(b) lands under the Hawaii Admissions Act. DLNR makes no warranty or representation to any applicant with respect to the status of title to the Subject Property.

DLNR'S DISCRETION AND RESERVATION OF RIGHTS; CANCELLATION OF RFP

DLNR reserves the right to: (1) request from any applicant a clarification of any information submitted or additional information/materials to assist DLNR or its evaluation committee in the review/evaluation of the applicant’s qualifications or proposal; (2) reject any and all submissions in whole or in part; (3) require amendments or modifications to the submissions; (4) waive any of the submission requirements; (5) cancel this RFP; and/or (6) re-advertise for new qualifications and/or proposals, all with no liability whatsoever, whether or not it is in the DLNR’s best interest to do so. DLNR also reserves the right to amend this RFP, including but not limited to, the deadlines and submission requirements, at any time prior to the applicable submission deadline. The information contained in this RFP is believed to be reliable, but cannot be guaranteed.

Any and all information submitted in response to this RFP by applicants not selected for exclusive negotiations of the development agreement shall be returned to the respective applicants once the development agreement is executed, unless DLNR determines, in its sole discretion, that it is in DLNR’s best interest to retain any or all such information, except for information marked confidential by applicants.
STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813  

December 13, 2019  

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

Authorize the Issuance of a Request for Qualifications / Request for Proposals for Lease of Improved Public Lands; Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-1-005:020.

REQUEST:

Authorize the issuance of a Request for Qualifications / Request for Proposals (RFQ/RFP) to select a potential lessee of improved public lands at Waiakea, South Hilo, Hawaii.

APPLICANT:

Department of Land and Natural Resources (Department or DLNR), Land Division.

LEGAL REFERENCE:

Sections 171-16, 18, 17, 19, 35, 36, 41, 59, and other applicable sections of Chapter 171, Hawaii Revised Statutes (HRS), as amended.

LOCATION:

Portion of Government lands situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-1-005:020, as shown on the attached maps labeled Exhibits A-1 and A-2.

AREA:

1.166 acres, more or less.

ZONING:

State Land Use District: Urban  
County of Hawaii CZO: Hotel and Resort (V-.75) / Open

APPROVED BY THE BOARD OF LAND AND NATURAL RESOURCES AT ITS MEETING HELD ON December 13, 2019.

Attachment 1 to RFQ/RFP
The parcel is also located within the Special Management Area and tsunami inundation zone.

**TRUST LAND STATUS:**

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

**CURRENT USE STATUS:**

Under Revocable Permit No. S-7914 to Oceanfront 121, Inc. for apartment and hotel purposes.

**PROPERTY CHARACTERISTICS:**

Utilities – Electricity, water and sewer
Elevation – Two to eleven feet above sea level
Legal access to property – Staff has verified that there is legal access to the property from Banyan Drive.

Subdivision – Staff has verified that the subject property is a legally subdivided lot.

Encumbrances – Staff has verified that the following encumbrances exist on the property: Revocable Permit No. S-7914 to Oceanfront 121, Inc. for apartment and hotel purposes.

**STATUTORY AUTHORITY:**

HRS §171-59(a) provides that a lease of public land may be disposed of through negotiation upon a finding by the Board of Land and Natural Resources (Board) that the public interest demands it and provides a process under which the Board may select the lessee.

The process requires that public notice of the disposition be given, that applications be solicited from prospective lessees, and that the Board evaluate the applications according to criteria established by the Board and determine which applicants meet the criteria. If only one applicant meets the criteria, the Board may dispose of the lease by negotiation. If two or more applicants meet the criteria, the Board shall select the lessee who submits the highest offer contained in a sealed bid deposited with the Board. Relevant excerpts of HRS §171-59(a) are attached as Exhibit B.
CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

In accordance with Hawaii Administrative Rules (HAR) §11-200.1-15 and the Exemption List for the Department of Land and Natural Resources approved by the Environmental Council and dated June 5, 2015, the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1 that states, “Operations, repairs or maintenance of existing structures, facilities, equipment, or topographical features, involving negligible or no expansion or change of use beyond that previously existing,” and Item 47 that states, “Leases of state land involving negligible or no expansion or change of use beyond that previously existing.” See Exhibit C attached.

BACKGROUND:

The subject property has been under lease and revocable permit for many years dating back to 1949. General Lease No. 3269 (GL 3269) dated June 1, 1949 was sold at public auction to Mr. A.M.M. Osorio for a term of 21 years. On December 18, 1953, the Board approved the assignment of lease from A.M.M. Osorio to Constantine Roumanis. As a result of damage caused by the tsunami on May 23, 1960, the lease qualified for an extension under §87 of Act 32, Session Laws of Hawaii 1962. At its meeting of April 4, 1962 under agenda item F-16, the Board approved the extension of lease term through March 14, 2015.

At its meeting of November 22, 1967 (supplemental), the Board approved the assignment of lease from Constantine Roumanis, assignor, to M. & Associates, Inc., assignee. The assignee submitted plans for the construction of a hotel on the property. This brought about a change in the use of the premises and resulted in the Board action of April 26, 1968, agenda item F-25, modifying the lease extension agreement by establishing a new annual rental rate and approving the gratis conveyance of a 10,890 square foot parcel of private property (Former Parcel 23) fronting the lease land from M. & Associates, Inc. to the State, subject to an estate of years up to and including March 14, 2015. This parcel is indicated as dropped parcel 23 on Exhibit A-2 attached. The deed recorded with the Bureau of Conveyances on July 2, 1968, states in part that it is the intent of the grantor “to continue to maintain complete control over the use and possession of the premises until March 14, 2015.” Former Parcel 23 is now State land and part of Tax Map Key: (3) 2-1-005:020.

Then, at its meeting of April 24, 1970 under agenda item F-1-b, the Board consented to the sublease of GL 3269 from M. & Associates, Inc., sublessor, to Travelodge International, Inc., sublessee.

At its meeting of February 10, 1984 under agenda item F-1-f, the Board consented to the assignment of lease from M. & Associates, Inc., assignor, to Richard M. Jitchaku, assignee. Then at its meeting of February 13, 1987 under agenda item F-2, the Board consented to the assignment of lease from Richard M. Jitchaku, assignor, to Country Club-Hawaii, Inc. (Country Club), assignee. The submittal also included a provision for
the creation of a horizontal property regime (now known as a condominium property regime (CPR)) allowing the individual units on the property to be converted into leasehold condominium apartments and created the Association of Apartment Owners of Country Club Hawaii, Inc. (AOAO). The CPR expired when the lease expired.

At its meeting of February 27, 2015, under agenda Item D-8, the Board approved a one-year holdover of GL 3269 and subsequent issuance of a month-to-month permit to Country Club. Country Club intended to assign the lease to the AOAO during the holdover period, but the parties could not reach agreement on the terms of the assignment. At its meeting of June 26, 2015, under agenda Item D-4, the Board therefore rescinded its action of February 27, 2015, Item D-8, approved a three-and-one-half month holdover of the lease to Country Club, and a subsequent month-to-month revocable permit to the AOAO for apartment and hotel purposes.

At its meeting of December 14, 2018, under agenda Item D-3, the Board approved the cancellation of Revocable Permit No. S-7867 and the issuance of a new revocable permit to a replacement entity formed by the principals of the AOAO with the name Oceanfront 121, Inc. (Oceanfront 121). Revocable Permit No. S-7914 was thereafter issued to Oceanfront 121 effective April 1, 2019 for apartment and hotel purposes, and that disposition remains in effect at the present time. Inspection photographs of the property from November 5, 2018 are attached as Exhibit D.

REMARKS:

Redevelopment of the subject property has proven to be a challenge. The land is improved with a 152-room hotel constructed in 1969. A remaining useful life study completed in April 2014 indicated that the improvements at that time had a remaining useful life of 5-8 years. An architectural study completed in June 2016 by Erskine Architects, Inc. (Erskine Report) determined that hotel should be demolished. A copy of the Erskine Report recommendations as they relate to the subject property is attached as Exhibit E.

However, the Department has no money to demolish the existing hotel. The Department procured R.M. Towill Corporation (RM Towill) as a consultant to estimate the cost of demolition. RM Towill’s report issued in February 2018 determined the demolition cost would be $6,244,717. During the 2019 legislative session, the Department sought capital improvement project (CIP) funds to demolish the nearby shuttered Uncle Billy’s Hilo Bay Hotel (Uncle Billy’s), but the legislature declined to appropriate funds. Staff believes there is little prospect of securing a CIP appropriation from the legislature for the demolition of the Country Club anytime in the near future. Meanwhile, use of the subject property for apartment/hotel purposes continues in its aged condition.

The County of Hawaii established the Banyan Drive Hawaii Redevelopment Agency (BDHRA) in 2016 to master plan the Waiakea Peninsula, but it has no money to pay for an environmental assessment (EA)/environmental impact statement (EIS) to facilitate a
master plan. To compound matters, under the Department of the Attorney General’s interpretation of the EA/EIS laws, the Board cannot authorize the issuance of a lease to a party for demolition of an obsolete building and construction of a new one without an EA/EIS first being conducted. That puts the Department in a “Catch-22” situation because a developer will typically not be interested in paying for the EA/EIS unless the developer has the certainty of a land lease for the site.

Accordingly, in an effort to break the stalemate preventing much needed redevelopment at Banyan Drive, staff has been exploring alternatives for the Country Club property that would not trigger an EA or EIS. The Erskine Report did contain an alternative recommendation for repair of the hotel:

ALTERNATIVE RECOMMENDATION: If the buildings are not demolished, the obvious alternative would be to REPAIR them. The way in which repairs are handled could be extremely challenging, the associated costs could be prohibitive, and the construction schedules could be time consuming. As such, the types of repairs and the order in which the repairs are phased should be highly scrutinized. Repairs should be done proportionately over several years so that the repair cost does not exceed 50% of the taxable value of the property. Prior to starting any repair or improvement project, the architect and/or engineers who will design the repairs should work closely with the [authorities having jurisdiction] to ensure that grandfathering in of non-conformities can remain in place. Repairs to address the health, safety and welfare of the public, as well as repair and maintenance projects to prolong the remaining useful life of the building should be performed first.

The Erskine Report goes on to list recommended repairs. See Exhibit E.

When the Erskine Report was finalized, the Department provided copies to the County Planning Department and alerted the County of possible fire safety violations at the property. The County Building Division and Fire Department both conducted inspections of the property and found a number of violations contained in reports issued in 2017. Oceanfront 121 and its predecessor-in-interest worked with the County to address the violations to an extent that would allow the property to remain habitable.

At least two parties have expressed interest in a long-term lease of the property: Oceanfront 121 and Tower Development, Inc. (Tower), the latter of whom currently holds the revocable permit for the former Uncle Billy’s property. The Erskine Report was made available to both Oceanfront 121 and Tower who nevertheless believe that rehabilitation of the property is feasible under the alternative recommendation from the

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1 Oceanfront 121 reports that Pagoda Hilo Bay LLC (PHB) will manage the hotel effective November 1, 2019 as the Pagoda Hilo Hotel. PHB, an affiliate or a potential new entity owned by Oceanfront 121 and PHB may also be interested in a long-term lease of the property.
report. Based on the interest expressed by Oceanfront 121 and Tower, staff is proposing that the property be put out to lease for renovation and continued hotel and/or apartment use. Staff believes the proposed RFQ/RFP process is in accordance with the requirements of HRS §171-59(a) and is preferable to the public auction process for selecting a lessee for the subject property. A lease for hotel/apartment purposes is the highest and best use under County zoning.

- **Request for Qualifications/Request for Proposals (RFQ/RFP):**

HRS §171-59(a) provides that a lease of public land may be disposed of through negotiation (rather than by public auction) upon a finding by the Board that the public interest demands it. HRS §171-59(a) also provides a process under which the Board may select the lessee, which entails the public solicitation of applications/proposals from prospective lessees and allows the Board to select the lessee based on its evaluation of the applications/proposals.

Renovation of the existing hotel improvements originally constructed in 1969 will entail significant effort (e.g., obtaining Special Management Area approval or at least review, building permit approval, etc.) and a substantial investment. The improvements contain hazardous materials that will require remediation as outlined in the Erskine Report and RM Towill report. The hotel is occupied by both short-term apartment renters and hotel room renters. Careful planning will be required to protect the health and safety of current residents and occupants. Additionally, the property currently has 65 parking spaces on site. County of Hawaii Zoning Code requires a total of 286 spaces for this property. The property currently has two parking stalls accessible to persons with disabilities when the law requires seven, and it has no loading zones when the law requires three, including one loading zone accessible to persons with disabilities. Further, the property is located on the shoreline and a long-term lessee of the property will need to develop plans and contingencies for sea level rise.² There are also unpaid sewer and water fees relating to the property, and unpaid real property taxes on some of the former CPR units that previously existed there (discussed in more detail below). Staff believes the renovation efforts, safeguarding of residents and occupants, resolution of the parking stall and loading zone shortage, sea level rise planning, and resolution of unpaid sewer, water and real property tax issues are best undertaken by a private lessee with the necessary expertise and financial capacity.

Due to the expertise and substantial investment required to renovate the hotel, safeguard residents and occupants, and address the parking and loading zone situation to the County’s satisfaction, staff believes a lease for the property should be issued by direct negotiation with a lessee selected via a public RFQ/RFP rather than via the public auction process. The RFQ/RFP process will allow the Board to evaluate prospective lessees.

² In 2014, a consultant procured by the Department issued a report evaluating the impact of sea level rise on this and other State properties at Waiakea Peninsula. The study found that the subject land is not predicted to experience a substantial property loss due to a three-foot sea level rise.
based on a variety of factors, such as the applicant's qualifications (e.g., experience, expertise, and financial capacity), and proposed renovation plans for the property (e.g., the feasibility of the renovation plans and the proposed benefits to the State), whereas the public auction process would award the lease based solely on the highest lease rent bid at the auction.

The proposed RFQ/RFP process is in accordance with HRS §171-59. The RFQ phase of the RFQ/RFP process provides for the Chairperson to establish criteria for selection of the lessee and determine which applicants meet the criteria as required under HRS §171-59. If there is more than one applicant that meets the RFQ criteria, the RFP phase provides for the qualified applicants to submit proposals, and the Board will select the highest offer (i.e., the best proposal).

Staff is requesting the Board authorize the Chairperson to issue the RFQ/RFP, establish the evaluation criteria, evaluate the qualifications of the applicants, solicit proposals from the qualified applicants (if there is more than one qualified applicant), evaluate the proposals, select the best proposal, and present the proposal to the Board for approval at a meeting open to the public. Upon the Board's approval of the selected applicant, the DLNR will enter negotiations with the selected applicant of a development agreement and proposed lease. The development agreement and lease will be submitted to the Board for approval at a meeting open to the public. An outline of the proposed process is provided as Exhibit F.

The following is a brief summary of proposed evaluation criteria for both the RFQ and RFP stages:

Request for Qualifications (RFQ). Staff anticipates the applicants will be evaluated based on criteria that include, at a minimum, the following:

- Experience and Expertise. The applicant shall possess the appropriate experience and expertise in successfully planning, designing, permitting, developing, financing, constructing, managing and operating projects comparable (in size, complexity, scope and services) to the renovation and operation of the building on the subject property.

- Financial Capacity. The applicant shall possess the financial resources and the proven ability to arrange debt and equity financing for projects comparable to the renovation and operation of the subject property.

Request for Proposals (RFP). Staff anticipates the proposals of the qualified applicants will be evaluated based on criteria that include, at a minimum, the following:

- Renovation and Business Plan. The soundness and feasibility of the applicant's renovation proposal including applicant's plan for protecting the health and safety of current residents and occupants during renovation,
applicant's plan for addressing the parking and loading zone shortage on the property, as well as management, marketing, and financial plans for the subject property, and the extent to which the applicant's proposal meets the Department's development goals and objectives for the property.

- Community Benefits. Any additional benefits arising from and unique to applicant's proposal that will benefit the community of Banyan Drive, Hilo, and Hawaii Island.

- Financial Plan. The applicant's ability to fund/finance the applicant's proposed renovations and proposed operations.

- Proposed Development Agreement and Lease:

DLNR will negotiate a development agreement with the selected applicant. Staff anticipates the development agreement will include various obligations that must be satisfied by the selected applicant (obtaining all necessary permits, etc.), and that upon satisfaction of all such terms and conditions, the Board will issue a 65-year ground lease to the selected applicant to allow the renovation of the hotel.

The development agreement may also address issues such as the selected applicant's obligations to construct or bond improvements and provisions that address the determination of the lease rent to be paid under the lease.

- RFQs/RFPs for Two Banyan Drive Projects to Issue Simultaneously:

Also before the Board at today's meeting is a request to issue an RFQ/RFP for another project at Banyan Drive – the former Uncle Billy's Hilo Bay Hotel designated as Tax Map Keys: (3) 2-1-005: 033, 034, 035 and 045. Staff intends to issue the RFQs/RFPs for both projects separately but simultaneously, use the same response deadline for submissions for both projects and use the same review committees to evaluate the submissions and select the best proposals for each project. Although the RFQs/RFPs for the two projects will be moving forward on parallel tracks, submissions for each project will be evaluated independently from the other. In other words, the evaluation committee will recommend the highest offer/best proposal for each site to the Board for selection.

Staff circulated a draft of this submittal to the federal, state, and County of Hawaii (COH) agencies listed in the table below with the results indicated:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLNR-Engineering</td>
<td>No comments</td>
</tr>
<tr>
<td>DLNR-Historic Preservation</td>
<td>No response by suspense date</td>
</tr>
<tr>
<td>DLNR-Office of Conservation and</td>
<td>No objections</td>
</tr>
</tbody>
</table>
COH Department of Environmental Management (DEM) stated that as of July 18, 2019, there was a balance of $174,608.83 owed on a stipulated judgment regarding delinquent sewer fees for the property. DEM also advised that the active sewer account for the property has a balance of $10,360.00, of which $5,280.00 was past due as of July 23, 2019. DEM further reported that there are is a real property tax delinquency associated with the property in the amount of $96,655.56, including unpaid taxes, penalties and accrued interest. See Exhibit G attached.

Regarding the real property taxes, penalties and interest, staff researched the delinquency and determined that it relates to unpaid taxes on the individual condominium units when the property was a leasehold condominium. When the lease expired, so did the condominium property regime. In staff’s view, it would not be equitable for COH to hold Oceanfront 121 or any other potential lessee accountable for that delinquency. Instead, COH would likely have to pursue the former condominium unit owners individually for payment of their respective obligations (a real property tax lien cannot attach to the State’s fee simple interest in the land). It is less clear what effect the outstanding balance on the stipulated judgment for sewer fees would be on a new lease of the property. As noted above, staff plans do disclose these issues to potential RFQ/RFP applicants and ask them how they plan to address them.

Staff also sent a draft of this submittal to Oceanfront 121 who expressed concern that it has expended substantial amounts of money on improvements to the property in recent years to cure County building, plumbing, electrical, and fire code violations. Oceanfront 121 reports these expenditures include:

### Table 1

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/17-12/18</td>
<td>Elevator repairs and improvements for two elevators at property.</td>
<td>$108,123.70</td>
</tr>
<tr>
<td>12/20/17</td>
<td>Emerald Isle Pipe Supply, Inc. – Replace water supply line between main water meter and fire hose boxes.</td>
<td>$12,843.67</td>
</tr>
</tbody>
</table>
Oceanfront 121 also reports that it paid the following debts, delinquencies and attorneys’ fees relating to the property:

### Table 2

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hawaii Electric Light Company, Inc. charges for electrical service</td>
<td>$400,000.00</td>
</tr>
<tr>
<td>County wastewater delinquency</td>
<td>100,000.00</td>
</tr>
<tr>
<td>Attorneys’ fees and costs primarily for eviction of delinquent tenants</td>
<td>279,908.67</td>
</tr>
<tr>
<td>HR Works – Old debt at end of lease paid off at 03/01/15</td>
<td>9,000.00</td>
</tr>
<tr>
<td>Insurance costs</td>
<td>47,000.00</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$835,908.67</strong></td>
</tr>
</tbody>
</table>

In staff’s view, the expenditures listed in Table 1 above were for necessary improvements to the property that would need to be incurred by any permittee or lessee for continued use of the premises as a hotel or apartment building. It therefore seems reasonable to provide for the reimbursement of these costs to Oceanfront 121 if it is not selected as the lessee under the RFQ/RFP. Accordingly, staff is including a recommendation below that the RFQ/RFP documents provide for the reimbursement to Oceanfront 121 by the selected lessee under the RFQ/RFP (if Oceanfront 121 is not the selected lessee) in an amount up to $158,622.16.

Although staff recognizes that Oceanfront 121 additionally spent significant sums paying down delinquent utility service accounts and incurred substantial legal fees and costs in removing delinquent tenants from the property, staff believes the case for requiring a potential lessee to reimburse Oceanfront 121 for these expenses is less compelling because they relate to operating expenses rather than outlays for physical improvements to the premises. Furthermore, with respect to attorneys’ fees and costs, staff understands that in civil litigation when a court awards such fees and costs to a party, the court reviews the fees and costs for reasonableness. Staff does not have the expertise or wherewithal to conduct a such a review of Oceanfront 121’s fees and costs here.

The proposed use has continued since 1969 and will continue. Such use has resulted in
no known significant impacts, whether immediate or cumulative, to the natural, environmental and/or cultural resources in the area. As such, staff believes that the proposed use would involve negligible or no expansion or change in use of the subject area beyond that previously existing.

RECOMMENDATION: That the Board:

1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200.1, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.

2. Find that the public interest demands that a lease of the subject property be disposed of through negotiation pursuant to §171-59(a), HRS, as amended.

3. Delegate the authority to the Chairperson to (i) issue a request for qualifications / request for proposals consistent with HRS §171-59(a) for the selection of the lessee; (ii) establish the criteria for evaluating and selecting the lessee; (iii) accept and evaluate the applications submitted by prospective lessees; and (iv) make a preliminary determination and recommendation to the Board of the best applicant; provided, however, that the RFQ/RFP documents shall notify all prospective applicants that if Ocean front 121, Inc. is not selected as the lessee under the RFQ/RFP, the successful applicant will be required to reimburse 121 Oceanfront, Inc. $158,622.16 for improvements made to the property.

4. Authorize the Chairperson to modify the RFQ/RFP process or requirements if in the best interest of the State and consistent with HRS §171-59.

Respectfully Submitted,

[Signature]

Kevin E. Moore
Assistant Administrator

APPROVED FOR SUBMITTAL:

[Signature]

Suzanne D. Case, Chairperson

Land Board Meeting: December 13, 2019; D-2: Approved as submitted.
Approved as submitted. See attached page.
Approved as submitted. John Rickle, counsel for Oceanfront 121, Inc. made a verbal request for a contested case, and will follow-up; in writing for the same within ten (10) days.
Former Country Club Hawaii Condominium and Hotel
TMK: (3) 2-1-005:020

EXHIBIT A-1
§171-59 Disposition by negotiation. (a) A lease of public land may be disposed of through negotiation upon a finding by the board of land and natural resources that the public interest demands it. Where the public land is being sought under this section by a sugar or pineapple company, and the company is the owner or operator of a mill or cannery, then, for the purposes of this section, the economic unit shall be that acreage of public land which when taken together with the lands already owned or controlled or available to the company, when cultivated is found by the board to be necessary for the company's optimum mill or cannery operation. In all other cases, public land to be sold under this section shall be an economic unit as provided in section 171-33(3).

After a determination is made to negotiate the disposition of a lease, the board shall:

(1) Give public notice as in public auction, in accordance with the procedure set forth in section 171-16(a), of its intention to lease public land through negotiation setting forth the minimum conditions thereunder, the use for which the public land will be leased. Any person interested in securing the lease shall file an application with the board not later than forty-five days after the first publication of the notice;

(2) Establish reasonable criteria for the selection of the lessee; provided that where the intended use of the land is agriculture, the department of agriculture shall establish the criteria;

(3) Determine the applicants who meet the criteria for selection set by the board or the department of agriculture, as the case may be, and notify all applicants of its determination. Any applicant may examine the basis of the determination, which shall be in writing, to ascertain whether or not the conditions and criteria established by the board or the department of agriculture were followed; provided that if any applicant does not notify the board of the applicant's objections, and the grounds therefor, in writing, within twenty days of the receipt of the notice, the applicant shall be barred from proceeding to seek legal remedy for any alleged failure of the board to follow the conditions and criteria.

If only one applicant meets the criteria for selection of the lessee, the board may, after notice as provided in (3), above, dispose of the lease by negotiation.

If two or more applicants meet the criteria for the selection of the lessee, the board shall select the lessee who submits the highest offer contained in a sealed bid deposited with the board.
December 13, 2019

EXEMPTION NOTIFICATION

Regarding the preparation of an environmental assessment pursuant to Chapter 343, HRS and Chapter 11-200.1, Hawaii Administrative Rules (HAR).

Project Title: Authorize the Issuance of a Request for Qualifications / Request for Proposals for Lease of Improved Public Land.

Project / Reference No.: PSF No. 19HD-078.

Project Location: Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-1-005:020.

Project Description: The subject property is currently improved with a 152-room hotel under month-to-month Revocable Permit No. S-7914 to Oceanfront 121, Inc. for apartment and hotel purposes. The Department of Land and Natural Resources intends to issue a Request for Qualifications / Request for Proposals (RFQ/RFP) for a new long-term lease of the property for apartment and hotel purposes and the sale of the existing improvements thereon by bill of sale. The lessee selected through the RFQ/RFP process would then be able to demolish or renovate the existing structure on the land consistently with the exemption classes and item numbers referenced below.

Chap. 343 Trigger(s): Use of State Land

Exemption Class No. and Description: In accordance with HAR Section 11-200.1-15 and the Exemption List for the Department of Land and Natural Resources reviewed and concurred on by the Environmental Council and dated June 5, 2015, the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1 that states, “Operations, repairs or maintenance of existing structures, facilities, equipment, or topographical features, involving negligible or no expansion or change of use beyond that previously existing,” and Item 47 that states, “Leases of state land involving negligible or no expansion or change of use beyond that previously existing;” Exemption Class No. 7 that states, “Interior alterations involving things such as partitions, plumbing, and
electrical conveyances," Item 1 that states, "Interior alterations and renovations to offices, buildings or structures that do not increase the floor area or change the maximum occupancy to include:
   a. installation of office partitions, utility outlets or connections, air conditioning, lighting, and security systems;
   b. renovations required to bring existing structures into compliance with current building codes and applicable health, safety, and access regulations;
   c. renovations that will result in energy or other operational/cost savings; or
   d. other similar interior alterations;" and
Exemption Class No. 8 that states, "Demolition of structures, except those structures located on any historic site as designated in the National Register or Hawaii Register as provided for in the National Historic Preservation Act of 1966, Public Law 89-665, or Chapter 6E, Hawaii Revised Statutes," Item No. 2 that states, "Demolition and removal of existing structures, facilities, utilities, and other improvements on state lands, except those structures located on any historic site as designated in the National Register or Hawaii Register as provided for in the National Historic Preservation Act of 1966, 16 U.S.C. §§470 et. seq., as amended, or Haw. Rev. Stat. Chapter 6E."

Cumulative Impact of Planned Successive Actions in Same Place Significant?:
No. The use of the land for apartment and hotel purposes is compliant with county zoning requirements, and such use has existed since 1969. Staff believes there are no cumulative impacts involved.

Action May Have Significant Impact on Particularly Sensitive Environment?:
No. There are no particularly sensitive environmental issues involved with the proposed use of the property. The property has been used for hotel and apartment purposes since 1969. The property is located on the shoreline, but a sea level rise study commissioned in 2014 showed that a three-foot sea level rise would not have a significant impact on the use of the property.

Analysis:
The subject land has been improved with a 152-room hotel and used for hotel and apartment purposes since 1969. A new lease for hotel and/or apartment purposes and the sale of the improvements on the property to the lessee under the new lease will involve negligible or no expansion or change of use beyond that previously existing.

Consulted Parties:
Agencies listed in the attached submittal.

Recommendation:
That the Board find this project will probably have minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment.

EXHIBIT C
Inspection Photos of RP S-7867 on 11/05/2018:

New Backflow Prevention Device

Streetside View
Kitchenette and Bathroom in renovated room
Sleeping area and entry with bathroom and kitchenette to the left and right at back of photo.
Bathroom and kitchenette from previous photo
Kitchenette and bedroom of a double room
Bathroom of a double room
Kitchenette and sleeping area of a nicely renovated room
Another nicely renovated room with kitchenette, sleeping area and bathroom.
EXCERPT OF JUNE 2016 REPORT OF ERSKINE ARCHITECTS, INC.

3.2.2 Country Club Condominium/Hotel

PRIMARY RECOMMENDATION is DEMOLISH: Although not in a state of complete disrepair yet, it appears that Country Club is headed in that direction. The overall building and property is in poor condition. The remaining useful life was estimated to be at 5-8 years, and that was back in 2014. It does not appear that significant improvements to the building have occurred that would extend the remaining useful life. The parking areas and driveway are in poor condition. The parking lot is undersized and does not meet the required parking count. The mauka and makai wings are dated in appearance, unkept and contain an unpleasant odor. Both wings have many areas of non-compliance when compared against the current building code, including a few areas that need to be improved to address potential life safety concerns. The building and property do not meet accessibility standards. Of the areas tested for hazardous materials, a significant amount of asbestos containing materials was identified. Removal of the hazardous materials would be expansive and costly. The opinion of probable cost to address the areas of distress is significant and exceeds the taxable value of the property.

There are considerable areas of concern with this property. Of particular concern is the overall lack of maintenance leading to the poor condition of the building. The restaurant is also closed, probably as a result of the lack of maintenance and unkept overall appearance. Another concern is that the building is six stories tall and not fire sprinklered. Granted, the building did not need to be fire sprinklered when it was originally constructed. But, due to other fire safety concerns described herein, the lack of fire sprinklers becomes more problematic. Both stair wells are not fire rated, or maintained properly so that fire rating can be achieved. The stair tower in the makai wing is enclosed but does not meet 1-hour construction as the doors are damaged and do not close properly. The stair also discharges at the ground floor near an unprotected laundry area. Access into the stair tower is via two doors in succession, both of which don’t meet accessibility maneuvering clearance or latch properly. The stair adjacent to the mauka wing is entirely unenclosed and bordered by a glass curtain wall on one side. The mauka wing open air walkway that provides access to the rooms on each floor terminates in a dead end condition. The partitions at the dead ends are constructed out of stacked decorative masonry blocks that are non-structural. The stacked masonry blocks also contain large openings, thereby not meeting the definition of guardrail. The openings are also large enough for an infant or toddler to crawl through. These masonry partitions occur at each floor level described above, near the unenclosed stairway and borders several of the balconies. The masonry partitions bordering the balconies appear to be falling in several areas.

In the mauka tower, the corridor splits near the elevator and ends at the exterior walls of the building. A window occurs at both corridor ends. The windows are operable and usually in the open condition as they are relied upon for ventilation. The sill of the window is low enough creating a fall hazard. The window openings are required to be protected by a guardrail. The corridor in the mauka wing is dark, not properly illuminated, and the ceilings are too low. Both elevators do not open into an elevator lobby. Fire protection devices are not readily apparent. Numerous miscellaneous and outdated or non-functioning equipment remains in place on the roofs and ground floor. Old equipment can pose a fire risk if not properly maintained. The required fire separation between the parking lot and 2nd floor ceiling in the breezeway does not meet fire separation requirements.

The recommendation for this property is DEMOLISH. The opinion of probable cost to address the areas of distress is excessive, especially when compared to the taxable value of the property. The cost of the repairs will exceed 50% of the taxable value of the property, even if improvements were spread out over a number of years; unless coordination with County inspectors could occur and the State be cited for code violations, thereby exempting those costs from the 50% rule. In order to address the areas of distress, it is likely that portions of the building and/or site otherwise not intended to be repaired or improved would be required to conform to current land use regulations and/or building codes. This would result in a domino effect of planning and design challenges that would also possibly include numerous regulatory reviews and approvals, thereby resulting in excessive design fees and lengthy delays. The construction that would
be necessary to address the areas of distress would need to occur over a series of phases taking several years, requiring numerous intermittent shut downs of the building or portions of the building, and be extremely challenging from a marketing or logistical standpoint for management. The property is large enough that a new development could occur here without a significant loss of use of the property.

Regardless of new development or demolition of an aged and deteriorating structure, strong public opposition is sure to occur. Because of the preponderance of health, safety and welfare issues, numerous building, and accessibility code violations, large quantities of hazardous materials, is in poor condition and would be cost prohibitive to repair and retrofit into compliance with current building and accessibility codes; protection of the health, safety, and welfare of the public should take precedence.

The demolition of a six story structure along the shoreline is a difficult, timely, and expensive endeavor. The demolition phase will require several years to complete. A considerable amount of reports, studies, and surveys will need to be conducted, reviewed, and approved by the authorities having jurisdiction before a demolition permit can be applied for. Some of the reports, studies and surveys may include but is not limited to the following; botanical survey, avian and terrestrial mammal survey, air quality study, noise study, marine and water quality study, archaeological survey plan, inventory and monitoring plan, cultural impact assessment, engineering report(s), soils testing and solid waste management plan, and special management area permit. Additional environmental engineering for the survey, testing, and identification of hazardous materials is also warranted. The myriad of regulatory bodies that would be charged with reviewing the reports, studies and surveys may include but is not limited to the following; US Army Corps of Engineers, State DLNR, State DOH, County Department of Environmental Management, County Planning Department, County Building Division, County Engineering Division, County of Hawai'i Fire Department, County DWS, HELCO, and others.

ALTERNATIVE RECOMMENDATION: If the building is not demolished, the obvious alternative would be to REPAIR it. The way in which repairs are handled could be extremely challenging, the associated costs could be prohibitive, and the construction schedules could be time consuming. As such, the types of repairs and the order in which the repairs are phased should be highly scrutinized. Repairs should be done proportionately over several years so that the repair cost does not exceed 50% of the taxable value of the property. Prior to starting any repair or improvement project, the architect and/or engineers who will design the repairs should work closely with the authorities having jurisdiction to ensure that grandfathering in of non-conformities can remain in place. Repairs to address the health, safety and welfare of the public, as well as repair and maintenance projects to prolong the remaining useful life of the building should be performed first. The following minimum repairs include, but are not limited to the following:

- **FIRE PROTECTION STRATEGY:** Assess the existing overall fire protection strategy of the building.
- **PHYSICAL TESTING OF FIRE PROTECTION DEVICES:** Test all fire protection devices (fire alarm panel, pull boxes, emergency lighting, strobes, horns, smoke detectors, fire extinguishers, etc.) throughout the facility. Repair and/or improve the overall fire protection system and all fire protection devices so that the building is in compliance with current County Fire Code.
- **HAZARDOUS MATERIALS ABATEMENT PLAN:** Assess locations of hazardous materials to determine where the materials are located and how they may be impacted by the repairs being contemplated. Develop a hazardous materials abatement plan.
- **IMPROVEMENT OF LIGHTING:** Improve lighting in all common areas so that they are properly illuminated. Install emergency lighting in all common areas.
- **EXIT SIGNS:** Install properly illuminated exit signs with directional arrows.
- **MAKAI WING STAIR TOWER:** Repair the makai wing stair tower so that it is protected by not less than 1-hour rated construction. Replace all stair tower doors and door frames so that they are 45 minute rated minimum and properly labeled. All door hardware should be replaced. Doors should latch properly and meet clearance requirements after installation. Approach, entry and exit at doors should be assessed, and where structurally practicable, be improved to address accessibility maneuvering clearances. Proper signage, lighting and building emergency exit

EXHIBIT E
diagrams should be installed inside the stair tower. Accessible signage should be installed at each floor level, both inside and outside of the stair tower. Any penetrations into the stair tower should be repaired or fire stopped so that the 1-hour rating is not compromised.

- **MAUKA WING STAIR TOWER:** Remove the glass curtain wall bordering the mauka wing stair. Patch the openings with construction materials and/or openings that meet the allowable construction type and building code. Demolish the stair assembly and replace with a new stair assembly that complies with accessibility requirements. Provide proper lighting and signage around the stair at each floor level. At the top and bottom landings at each stair run, ensure that proper accessible maneuvering clearances are met.

- **MAUKA WING DEAD END CORRIDORS:** Construct a new 1-hour rated enclosed stair tower at or near the end of the common area walkway so that the dead end corridor condition is brought into compliance. The stair tower will connect to each floor level of the building and exit at grade.

- **DECORATIVE MASONRY BLOCKS:** Replace all decorative masonry blocks throughout the building with guardrails or solid walls.

- **MAUKA WING WINDOWS:** Install guardrails at all common area windows.

- **NON-FUNCTIONING EQUIPMENT:** Remove all inoperable or unused electrical and mechanical equipment.

- **LAUNDRY AREA:** Construct a laundry room that is protected by the required fire rating.

It is important to note that by addressing the HSW issues noted above, other anticipated and unanticipated code compliance measures will be triggered. At the onset of future repair projects, the owner and their designers should work closely with the Authorities Having Jurisdiction (AHJ) to ascertain to as much of an extent as possible, other code compliance measures that the AHJ’s will require before design drawings are advanced too far. The types of code compliance measures and other requirements that might be imposed by the AHJ’s could potentially be so onerous, that the repair project under contemplation would need to be halted due to structural impracticability, scheduling concerns, land-use compliance measures or simply be too expensive.
OUTLINE OF PROPOSED PROCESS

1. Board of Land and Natural Resources (the "Board") authorizes issuance of RFQ/RFP

2. DLNR publishes notice of, and issues, RFQ

3. DLNR (or an evaluation committee) reviews applicants' submitted qualifications and determines which applicants meet the evaluation criteria

4. If more than one qualified applicant, DLNR issues RFP to the qualified applicants (or to a "short list" of qualified applicants)

5. DLNR (or an evaluation committee) evaluates proposals and selects applicant with best proposal for recommendation to the Board

6. DLNR presents selected applicant to the Board for approval (at a public meeting)**

7. DLNR enters into exclusive negotiations with selected applicant of a development agreement and proposed lease

8. DLNR presents development agreement and proposed lease to the Board for approval (at a public meeting)**

9. DLNR and selected applicant execute development agreement

10. Selected applicant undertakes due diligence and seeks approvals and permits (e.g., SMA assessment, building permits)**

11. If selected applicant satisfies all terms/conditions of the development agreement, DLNR issues lease to selected applicant

**Public review/comment opportunities
July 23, 2019

Mr. Kevin E. Moore
Department of Land and Natural Resources
Land Division
P.O. Box 621
Honolulu, HI 96809

Subject: Request to Authorize the Issuance of an RFQ/RFP for Lease of Public Lands
Together with Conveyance of Improvements Thereon by Bill of Sale
Location: Waiakea, South Hilo, Hawai‘i
Tax Map Key: (3) 2-1-005:020
Applicant: Department of Land and Natural Resources, Land Division

Dear Mr. Moore:

The County of Hawai‘i Department of Environmental Management has two comments on
the above subject:

1. The County of Hawai‘i has a Stipulated Judgment regarding delinquent sewer
fees owed for this property. As of July 18, 2019, the balance owed on the
judgment, with accrued interest, is $174,608.63. In addition to the judgment,
there is also a balance of $10,360.00 owed on the active sewer account, of which
$5,180.00 is now past due. The Department of Finance is also showing a Real
Property Tax delinquency in the amount of $96,655.56 reflecting unpaid taxes,
penalties, and interest accrued to date. **We request that the outstanding debts for this property be paid with any potential proceeds.** If you require the
documents regarding these debts, let us know and copies will be provided.

2. It should be noted that if the hotel on the property gets demolished, as
recommended in the June 2016 report by Erskine Architects, Inc., the
construction and demolition debris will need to be privately trucked to the West Hawai‘i Sanitary Landfill.

Thank you for the opportunity to review and comment on this matter.

Sincerely,

[Signature]

William A. Kucharski
Director
EXHIBIT 2
## Ranking Criteria and Summary of Proposals Submitted

**Former Country Club Condominium Hotel**

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<thead>
<tr>
<th>RFQ/RFP Criteria</th>
<th>TDI Proposal</th>
<th>MLD Proposal</th>
<th>PHB Proposal</th>
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<tr>
<td><strong>Degree to which the repair, renovation and operation of the property will be undertaken by a qualified private sector lessee who will bear all costs without subsidy from DLNR.</strong></td>
<td>Applicant has established track record with renovation of Grand Naniloa Hotel. Applicant will retain existing building envelopes, demolish current interior improvements and exterior cosmetic and deferred maintenance items and substantially renovate the balance of the project. Proposal states applicant will pay all costs of repair and renovation. No subsidy from DLNR.</td>
<td>Proposal is to rehabilitate property and convert it to 65 permanent, affordable apartments for seniors. Financed through Low-Income Housing Tax Credits and permanent and soft debt. Redevelopment will target life-safety features such as installation of fire alarm system and GFCI outlets. Use of green measures like PV panels, recycling stations, low-flow plumbing fixtures, etc. 95% of units will be rented to households earning 60% AMI, 40% of units will be rented to households earning 40% of AMI.</td>
<td>Proposal to redevelop 152 units of existing building. Initially, 60% will be available for transient accommodations and 40% for long-term rental. Long-term goal is to become 100% transient.</td>
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<td><strong>Degree to which proposal restores the property to its highest and best use to the extent permitted by under applicable law, including but not limited to Chapters 171 and 343, HRS.</strong></td>
<td>Applicant proposes to repair, renovate and rebuild the existing structure and turn it into a Home2 Suites or another limited-service branded hotel by Hilton. Overall development approaches highest and best use considering the limitations on redevelopment under Chapter 343, HRS.</td>
<td>Proposal is for affordable rental housing and does not take advantage of resort zoning on property.</td>
<td>Initially, 60% of units will be available for transient accommodations and 40% for long-term rental. Long-term goal is to become 100% transient.</td>
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<td><em>Degree to which the proposal provides a benefit to the community of Banyan Drive, Hilo and Hawaii Island.</em></td>
<td>Proposal will provide additional accommodations in East Hawaii and approximately 50 jobs for hotel operation. Also amenable to including apartment use if requested by the State. Project will be designed to fit into natural beauty of Hilo Bay area. Applicant lists other benefits to the community including provision of parking to Liliuokalani Gardens and Reeds Bay Parks (on land leased by applicant’s affiliate, WHR LLC), grant of trail rights through and across the Naniloa Golf Course (also WHR LLC leased lands), and dedication of golf course to DLNR and County of Hawaii for cultural, Hula, conferencing and public use. However, these benefits would require prior approval of the BLNR to implement.</td>
<td>Provide 65 units of long-term affordable rental housing for East Hawaii to help meet legislative goal of adding 22,500 units by 2026. Transform blighted property to vibrant affordable housing community.</td>
<td>Building will be restored as a gathering place and an affordable destination for tourists and locals alike.</td>
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<td><em>Degree to which the proposal maximizes the financial returns to the State in a timely manner. In evaluating applicant’s proposed lease rents, preference will be given to the proposed annual minimum base rents over the</em></td>
<td>Proposal pays rent to the State beginning in year 2 of the lease (after one-year rent waiver). The rent is $75,000 per year for the first 10 years and steps up 1.5% per year beginning in year 11. The rent may be near market rent considering the extent of the improvements.</td>
<td>Applicant proposes to purchase the existing improvements at a price of $650,000. However, fee simple sale of the improvements is not permitted under Chapter 171. DLNR can only lease land and improvements. Applicant proposes to pay 0 rent for the first year beginning in year 2 of the lease</td>
<td>Proposed rent is $54,000 for years 1-2; $24,000 for year 3; for years 4-10, rent will be $96,000/year plus 5% of gross revenue over breakpoint of $1.92 million. For years 11-20, rent will be 75% of the average cumulative rent paid over years 4-10, but not less than</td>
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<td><strong>proposed percentage rents.</strong></td>
<td>investment required to be made in the property. Appraisal will be ordered to determine market rent based applicant’s investment in demolition/ renovation.</td>
<td>17 years of the lease.</td>
<td>$114,000 plus 5% of revenue over breakpoint. For years 21-30, rent will be 75% of the average cumulative rent paid over years 11-20, but not less than $150,000 plus 5% of revenue over breakpoint. No lease rent waiver requested.</td>
</tr>
<tr>
<td><strong>Organization of the business plan, reasonableness of the development schedule, and demonstrated understanding of the requirements necessary to implement the repair, renovation and operation proposal in a timely manner.</strong></td>
<td>Applicant’s development schedule appears reasonable and demonstrates an understanding of the requirements necessary to implement the project. The schedule includes 3 months for development agreement, 6 months for lease approval, 18 months for design, DLNR approval, and permitting, and 18 months for construction. A 30-day employee training period would precede opening of the hotel for business. Applicant’s affiliate, WHR LLC, able to provide additional parking on golf course parcel under lease for Grand Naniloa Hotel through a sublease with BLNR consent. Applicant states Aimbridge/Evolution Hospitality, the same company that manages the Grand Naniloa Hotel, would manage the building.</td>
<td>Due diligence of 6 months, secure financing and close in 18 months, construction and break even 18-24 months, initial restrictive covenants of 15 years, extended affordability use of 46 years. Applicant intends to enter into a Regulatory Agreement and Declaration of Restrictive Covenants with HHFDC.</td>
<td>Building will continue to operate with short- and long-term rentals for first two years of lease. In third year, building will be vacated for renovations expected to take 12 months. In fourth year, building will be re-opened for hybrid transient and long-term rentals.</td>
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<td><strong>Demonstrated understanding of the required land use entitlements and government approvals and evidence of the ability to obtain said entitlements/approvals in a timely manner.</strong></td>
<td>Demonstrates understanding of applicable requirements for zoning, setbacks, parking, coastal zone management due to location of property in Special Management Area, building codes. Applicant's affiliate, WHR LLC, able to provide additional parking on golf course parcel under lease for Grand Naniloa Hotel through a sublease with BLNR consent.</td>
<td>Applicant intends to retain permit expeditor familiar with Planning Department's permitting process.</td>
<td>Applicant will contract G70 to assist with permitting process. G70 proposal submitted contains references to a Keauhou Bay project owned by Kamehameha Schools. It also discusses a draft environmental assessment, which should not be necessary for this project since it involves renovation of an existing structure and not new construction.</td>
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<td><strong>Demonstrated market and financial feasibility of the development proposal.</strong></td>
<td>$20 million total estimated project cost, of which about $15.1 million is hard costs. In the first year of hotel operations, applicant projects about $5.4 million in total revenue, with revenues increasing each year thereafter.</td>
<td>Total estimated project cost of about $28 million, with a construction budget of about $19 million. In the first year of operations, applicant projects about $650,000-700,000 in rent revenue, with revenue increasing each year thereafter.</td>
<td>Initial funding of $2 million to acquire lease, of which $1.5 million will be financed. Renovations estimated to cost between $7-9 million and take one year. Total revenue projection for lease year 1 is $1.2 million, increasing in subsequent years. After renovations are completed, total revenue increases to $2.9 million in year 4. Marketing analysis included in proposal by Lights on Digital.</td>
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<td><strong>Demonstrated ability to finance the development proposal.</strong></td>
<td>Applicant's construction lender, Hall Hilo, LLC, has an established track record with the financing of the improvements of the Grand</td>
<td>Applicant plans to reach out to its many contacts in equity and debt financing markets to obtain the best pricing. No preliminary</td>
<td>Renovation will be financed through either a local or mainland lender. Letters of interest from two lenders for short- and long-</td>
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<td>Naniloa Hotel. Lender to finance 60% of the total cost, with applicant paying 40%.</td>
<td>commitment letters available at this time.</td>
<td>term loans. Applicant willing to provide additional collateral as security for loan.</td>
<td></td>
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</table>
EXHIBIT 3
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
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.

   
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   *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/permissions/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 employees 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 55th 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)
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/.

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 or at 310-744-9723. I look forward to working with you.

Sincerely,

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"

- Uncle Billys - Maintain Hotel Uses
- Country Club Maintain Hotel & Residential Uses
- Community, Cultural Convention Uses and Ancillary Hotel Parking &
- County Additional Park Area
- MOU to allow Community Amphitheater
- CENTER PARK & WAIKEA TOWN MEMORIAL & FAMILY REcreation AREA
- Parking & Waiakea Town Marketplace Recreating Authentic Market Areas & Eateries & Entertainment (connect Market to Center Park Area)

93 Banyan Dr., Hilo, Hawaii 96720 www.towerdevcon.com
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**TOTAL PROJECT BUDGET**

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<td>Contractor Contingency</td>
<td></td>
<td>953,767.44</td>
</tr>
<tr>
<td>Contractor Fee</td>
<td></td>
<td>20,029,116.30</td>
</tr>
<tr>
<td>Performance Bond</td>
<td></td>
<td>400,582.33</td>
</tr>
<tr>
<td>Liability Insurance</td>
<td></td>
<td>1,349,946.16</td>
</tr>
<tr>
<td>General Excise Tax</td>
<td></td>
<td>764,341.80</td>
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</tbody>
</table>

**Total Project Budget**

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soft Costs, Direct Construction &amp; Fees</td>
<td>20,479,699</td>
</tr>
</tbody>
</table>
### Hilton Limited Service, HELO - CC Site

**ROOM COUNT: 125**

#### 5 YEAR PRO FORMA

<table>
<thead>
<tr>
<th>Occupancy %</th>
<th>Projected 2023</th>
<th>Projected 2024</th>
<th>Projected 2025</th>
<th>Projected 2026</th>
<th>Projected 2027</th>
<th>5-YR CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Daily Rate</td>
<td>$149.79</td>
<td>$159.50</td>
<td>$165.48</td>
<td>$170.44</td>
<td>$173.55</td>
<td>4.05%</td>
</tr>
<tr>
<td>% Change</td>
<td>-</td>
<td>6.4%</td>
<td>3.9%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

#### Revenue

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>%</th>
<th>PCR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rooms</td>
<td>$5,115,300</td>
<td>95.0%</td>
<td>$1,909,979</td>
</tr>
<tr>
<td>Total Revenue</td>
<td></td>
<td></td>
<td>$6,195,363</td>
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</tbody>
</table>

#### Operating Income

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>%</th>
<th>PCR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous</td>
<td>$6,406,292</td>
<td>91.1%</td>
<td>$770,444</td>
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</table>

#### Other Operating Expenses

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>%</th>
<th>PCR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$7,185,442</td>
<td>73.3%</td>
<td>$133,210</td>
</tr>
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</table>

#### Total Operating Income

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>%</th>
<th>PCR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,378,228</td>
<td>72.6%</td>
<td>$5,406,183</td>
</tr>
</tbody>
</table>

#### Overall Operating Income

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>%</th>
<th>PCR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,378,228</td>
<td>72.6%</td>
<td>$5,406,183</td>
</tr>
</tbody>
</table>

#### Property Taxes

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>%</th>
<th>PCR</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>$92,600</td>
<td>1.3%</td>
<td>$3,244</td>
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#### Insurance

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>%</th>
<th>PCR</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>$150,000</td>
<td>2.2%</td>
<td>$6,666</td>
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#### Management Fees

<table>
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<th></th>
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<th>%</th>
<th>PCR</th>
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<tr>
<td></td>
<td>$37,587</td>
<td>0.6%</td>
<td>$2,266</td>
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#### Total Fixed Expense

<table>
<thead>
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<th></th>
<th>Amount</th>
<th>%</th>
<th>PCR</th>
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<tbody>
<tr>
<td></td>
<td>$266,187</td>
<td>4.9%</td>
<td>$16,373</td>
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#### EBITDA

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>%</th>
<th>PCR</th>
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</thead>
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<tr>
<td></td>
<td>$1,746,526</td>
<td>28.6%</td>
<td>$55,148</td>
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#### Net Operating Income

<table>
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<tr>
<th></th>
<th>Amount</th>
<th>%</th>
<th>PCR</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$2,133,155</td>
<td>38.8%</td>
<td>$56,844</td>
</tr>
</tbody>
</table>

---

1) 3% of Gross Revenues imposed 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 1st 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
EXHIBIT 4
LEGACY PROJECTS &
UNSURPASSED HAWAII EXPERIENCE

KEY FACTS:

100% Hawaii Development Team - “We Build Legacy Projects For Hawaii Communities”
2000+ Units Developed or Under Development in Hawaii Since 2004
More Hawaii Hospitality Projects Than Any Other Private Developer Last 20 Years
$1B+ Hawaii Developments ($700M Completed + $600M Under Development)
Hawaii BIG 3 Relationships - Hilton/Marriott/IHG
“Since 1998, we are honored to serve Hawaii with 23 years of community-based environmentally sensitive development projects that revitalize communities and give back to the people of Hawaii. Our priority is to restore properties for use by Hawaii families and tourists alike.”   Ed Bushor, CEO, Tower Development, Inc.

- **DEVELOPER/ASSET MANAGER**  Tower Development Inc., a Hawaii corporation

- **HOTEL OPERATING COMPANY**  Tower Hotels LLC, a Hawaii limited liability company

- **GENERAL CONTRACTOR**  Tower Construction Hawaii, Inc., a Hawaii corporation

OWNER - KAUAI JACK NICHOLAS  
SIGNATURE GOLF COURSE
CURRENT PROJECTS:
388 ROOM GRAND NANILOA RESORT & GOLF
A HILTON DOUBLETREE

388-Room Hilton DoubleTree on Big Island of Hawaii
Closed $50M Wells Fargo CMBS recapitalization 2018
Project appraised value $111M 2018
CURRENT PROJECTS:
162 UNIT WAIAKEA VILLAS/APARTMENTS,
HILO, HAWAII

* Renovating 162-unit Apartment Complex
* 1.5 miles from Hilton DoubleTree
CURRENT PROJECTS:
MAUNA LANI LUXURY HOME SUBDIVISION

* 36 Lot Oceanfront Subdivision on the Kohala Coast, Big Island Hawaii
* Two (2) Clubs - Oceanfront Club & Wellness Club
* Buildout 2021-2024
CURRENT PROJECTS:
MULTI-FAMILY - HONOLULU

TOWER DEVELOPMENT OWNS OVER 300 MULTI-FAMILY UNITS IN HAWAII WITH THE GOAL TO GROW ITS PORTFOLIO TO 1000 UNITS BY 2022

<table>
<thead>
<tr>
<th>Project</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palms @ Kilani</td>
<td>106</td>
</tr>
<tr>
<td>Waikele Tower</td>
<td>50</td>
</tr>
<tr>
<td>Waiakea Villas</td>
<td>162</td>
</tr>
<tr>
<td>Total</td>
<td>318</td>
</tr>
</tbody>
</table>

Palms at Kilani – 106 Units
Waikele Tower – 50 Units
CURRENT PROJECTS:
KAUAI LAGOONS/TIMBERS RESORT

PHASE 1 OPENED SUMMER 2018

Tower purchased from Marriot the Kauai Lagoons Project - 450 acres & Jack Nicholas Signature Golf Course & 694 Units. Phase 1 - $200M Condominium & Club Opened 2018
PRIOR PROJECT
2010 WAIKIKI – 1ST “EDITION” WORLDWIDE - $200M
(IAN SCHRAGER AND BILL MARRIOTT JV BRAND)

EDITION – Opened 2010
(Currently, the “Modern” & owned
by Diamond Resorts)
PRIOR PROJECT
2006 WYLAND WAIKIKI
(aka Marriott Courtyard)

405 Rooms
2 Towers

Ed Bushor
Created Water
Marine Themed
1st Boutique
Hotel namely
“The Wyland
Waikiki”

Transformed street level 6’11” Ht. parking garage into full scale Lobby, Front Desk, Lobby Bar
2021 PROPOSED PROJECT – CURRENT DLNR RFQ/RFP
HILO, HAWAII – 125 KEYS

After Tower Development:
Hampton Inn, by Hilton

Before:
Uncle Billy’s
2021 PROPOSED PROJECT - CURRENT DLNR RFQ/RFP
HILO, HAWAII - 125 KEYS

After:
Hilton Embassy Suites

Before: Country Club Apartments
Hawaii Government Relationships:

Mayor Mufi Hannemann
Honolulu Mayor 2002-2010
President, Hawaii Tourism & Lodging - Current
(808) 479-1325
m hannemann@hawaiilodging.org

Big Island Mayor – Mitch Roth
Personal Contact information available upon request.

Big Island Mayor - Harry Kim (2017-2020)
Personal Contact information available upon request.

Kauai Mayor - Bernard P. Carvalho, Jr. (2008-2018)
Personal Contact information available upon request.

Kai Kahele – U.S. Congress (presently)
Personal Contact information available upon request.
HAWAII REFERENCES

**Hotel Brands:**
Tim Powell
Powell/Aucello
Reference For Hilton Worldwide, Development
Tim@PowellAucello.com

**Hotel Permanent Lender:**
Mr. James Ko
Wells Fargo CMBS
(310) 913-0845
James.Ko@wellsfargo.com

**Hotel Construction Lender:**
Mr. Mike Jaynes, President
Hall Structured Finance
(214) 269-9540
Mjaynes@hallstructured.com

**Hawaii Investment Brokers:**
Mr. Mark Bratton, SVP Hawaii Colliers International
(808) 375 9708
Mark.bratton@colliers.com

**Hotel Licensor:**
Wyland Waikiki Development 2006
Wyland, President
Licensor-World Renowned Artist Licensor of 1st Hawaii Artiste Hotel
(949) 632-0751
wyland@wyland.com

**Hawaii Artist:**
Kim Taylor Reece
(808) 772-8380
TOWER DEVELOPMENT, INC. (TDI)

ED “Z” BUSHOR, Founder & CEO  808.268.1903
ed@towerdevcon.com

STUART MILLER, President  808.365.2665
stuart@towerdevcon.com

93 Banyan Drive
Hilo, Hawaii, 96720
www.towerdevcon.com
MacDonald Ladd Development LLC
1911 65th Ave W
Tacoma, WA 98466

Request for Proposals
Proposed Country Club Apartments

November 25, 2020

EXHIBIT 5
November 25, 2020

State of Hawaii
Department of Natural Resources
Land Division

Re: Proposed Country Club Apartments

To Whom It May Concern:

MacDonald Ladd Development LLC, an affiliate of Southport Financial Services, and its principals appreciate the opportunity to submit this proposal to redevelop the former Country Club Condominium Hotel.

Our plan is to rehab the existing improvements and convert its use from commercial to affordable housing for seniors. We believe this approach is the best use of the property while providing the greatest benefit to the State and Banyan Drive community.

As long-term owners of affordable housing in Hilo and throughout the State of Hawaii, our team is uniquely qualified to successfully execute this complicated transition from commercial to residential use.

Enclosed please find further details and responses.

Thank you for your consideration. We look forward to working with you to achieve our shared goals.

Mahalo piha,

[Signature]

Paul C. Fortino
Manager
Executive Summary

There is a dire need in Hawaii for new, permanent affordable housing for seniors, a demographic that is rapidly growing and perpetually rent burdened.

We plan to submit an application to the Hawaii Housing Finance & Development Corporation (HHFDC) for 4% Low-Income Housing Tax Credits (LIHTCs) and Rental Housing Revolving Funds (RHRF) to acquire and rehab the Country Club Condominium Hotel and convert its use from commercial to affordable housing for seniors.

Our plans call for 65 total units, inclusive of sixty (60) one bedrooms (1 x 1) and five (5) two bedrooms (2 x 1).

We will set aside 95% of the units (60) for households earning at or below 60% of the Area Medium Income (AMI), 5% of the units (4) at 30% AMI leaving the remaining Common Area Unit (CAU) for an employee or qualified household. Additional set asides will include 100% units set aside for seniors.

Property amenities will include a resident business center, fitness room, bicycle storage, pool, community garden, library, storage lockers and community rooms.

The development schedule assumes a due diligence period of six (6) months and a financing / closing period of approximately eighteen months (18). Following closing, there will be a construction and break even period of approximately eighteen (18) to twenty-four (24) months during which time the building will be Placed-in-Service with a LIHTC compliance and affordability period of sixty-one (61) years.

The benefit to the community of the above plan will be multifold: millions of dollars in construction improvements, construction jobs, permanent jobs, rejuvenation of a blighted commercial building and new, affordable housing for seniors.
Proposed Country Club Apartments

1. REPAIR, RENOVATION AND OPERATION PLAN

a. Site Plan

Please see enclosed site plan and floor plan

b. Narrative

The plan is to acquire and rehabilitate the former Country Club Condominium Hotel and convert its use into 65 permanent, affordable apartments for seniors. Financing will include Low-Income Housing Tax Credits (LIHTCs) and permanent and soft debt.

We estimate it will take four (4) years to complete the redevelopment of the property, from predevelopment to closing; construction to fully leased-up.

Our plan would invest millions of dollars into the Hilo economy and generate numerous construction and long-term jobs.

Repositioning Country Club for affordable housing offers practical, holistic benefits to the State and Banyan Drive community.

c. Special Management Area

As the proposed use and operation will change from commercial to residential, the project will be subject to a SMA Use Permit Assessment. We will engage a permit expediter familiar with the Planning Department’s SMA Use Permit Process.

d. Design Standards

The redevelopment of Country Club will include design features targeted at improving the life-safety needs of the project’s population. Life-safety features will include, but not be limited to, installation of fire alarm system and electrical measures such as installation of GFCI outlets. Finishes and
green measures like photovoltaic panels, recycling stations, low flow plumbing fixtures and energy efficient appliances will reduce resident's overall cost of utilities.

e. **Phasing Plan**

Due Diligence - 6 months

Secure Financing & Close - 18 Months

Construction & Break Even - 18-24 Months

Initial Restrictive Covenants - 15 years

Extended Affordability Use - 46 Years

f. **Protection of Shoreline and Coastal Waters**

The Assessment Report notes the shoreline to be in fair condition with some erosion noted. We will work with their engineer to ensure shoreline reinforcement and protection for the duration of the lease.

g. **Illustrations & Other Info**

Please see enclosed proposed elevation

h. **Community Benefits**

With funding of the requested LIHTCs and RHRFs, Country Club Apartments will meet the following objectives and provide numerous benefits to the state, city and to Hawaii's low-income residents:

- Add 65 new affordable housing units to Hawaii's affordable housing stock, and aid in achieving the state's legislative goal of adding 22,500 new affordable units by 2026;
- Complete the adaptive reuse of a difficult to develop commercial building from an eyesore into a vibrant, affordable housing community.

While the creation of new affordable housing is the primary objective of Country Club Apartments, the adaptive reuse of the project will meet numerous other needs of the community. The project's existing structure was built in 1969 and is rapidly deteriorating. By transforming the site into a functional, operating residential property the community will benefit from the elimination of blight. The redevelopment of the site will also address key strategic objectives per the County of Hawaii's Consolidated Plan and Area Plan on Aging.

Country Club is a dynamic project that will create 65 new affordable housing units in Hilo and revitalize a long-deteriorating site to the benefit of the community at large.

i. Changes/differences from SOQ Response

We are not pursuing the acquisition and redevelopment of Uncle Billy's as adding elevators was deemed cost prohibitive.
Proposed Country Club Apartments

2. ECONOMIC PROPOSAL

a. Annual Minimum Lease Rent

<table>
<thead>
<tr>
<th>Annual Minimum Rents</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>$650,000</td>
<td>Closing</td>
</tr>
<tr>
<td>$0 per Annum</td>
<td>Years 1-17</td>
</tr>
<tr>
<td>5% Assessed Land Value per Annum</td>
<td>Years 18-30</td>
</tr>
<tr>
<td>To be Negotiated</td>
<td>Years 31-65</td>
</tr>
</tbody>
</table>

b. Lease Terms and Conditions

TMK No. (3) 2-1-005: 020 - A fee interest in the improvements, personal property and appurtenant rights described in the RFP and a ground lease interest in the land on which such improvements are located

Term - 65 years

Price - Six Hindered Fifteen Thousand Dollars ($650,000) payable in cash at closing

c. Lease Rent Waiver

NA

d. Other

NA
3. BUSINESS PLAN

a. Repair, Renovation and Operation Schedule

   Please see enclosed Draw Schedule and Operating Proforma

b. Land Use Entitlements and Approvals / Permits

   We will enter into a Regulatory Agreement and Declaration of Restrictive Covenants with HHFDC along with other Mortgage, Security, Financing and Subordination Agreements.

   We will engage a permit expediter familiar with the Planning Department’s permit process.

c. Project Cost Estimates

   Please see enclosed Construction Budget

d. Financial Proforma

   Please see enclosed Development Proforma

e. Market and Financial Feasibility Analysis

   Please see enclosed Comparable Market Analysis

f. Financing Strategy and Preliminary Commitments

   As with past LIHTC developments, we plan to reach out to our many contacts in the equity and debt financing markets to obtain the best pricing for Country Club Apartments. No preliminary commitments are available at this time but we would be happy to provide soft Letters of Interest upon request.
g. Marketing and Leasing Plan

   Please see enclosed draft Marketing and Leasing Plan

h. Method of Operation

   Please see enclosed draft Management Agreement
Proposed Country Club Apartments
Hilo, Hi

65 Permanent Apartment Homes for Seniors
Proposed Country Club Apartments
Hilo, Hi

RENT & INCOME LIMITS

Program and Location Information

Affordable Housing Program
Year (1)(2) 2020 (effective 04/01/20)
State HI
County Hawai'i County
MSA Hawai'i County, HI
Rent Calculation Based on (3)
Persons / Bedroom (4) 1 Person / Bedroom + 1
4-person AMI $75,200
National Median $62,300

Hold Harmless (6) You have indicated that your project was placed in service on or after 04/01/2020 and is therefore eligible to have its income and rent limit held harmless beginning with the 2020 limits.
Placed in Service Date On or after 04/01/2020.

Income Limits for 2020
(Based on 2020 MTSP Income Limits)

<table>
<thead>
<tr>
<th>Charts</th>
<th>60.00%</th>
<th>30.00%</th>
<th>140.00%</th>
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</thead>
<tbody>
<tr>
<td>1 Person</td>
<td>35,040</td>
<td>17,520</td>
<td>49,056</td>
</tr>
<tr>
<td>2 Person</td>
<td>40,020</td>
<td>20,010</td>
<td>56,028</td>
</tr>
<tr>
<td>3 Person</td>
<td>45,000</td>
<td>22,500</td>
<td>63,000</td>
</tr>
<tr>
<td>4 Person</td>
<td>49,980</td>
<td>24,990</td>
<td>69,972</td>
</tr>
<tr>
<td>5 Person</td>
<td>54,000</td>
<td>27,000</td>
<td>75,600</td>
</tr>
<tr>
<td>6 Person</td>
<td>58,020</td>
<td>29,010</td>
<td>81,228</td>
</tr>
<tr>
<td>7 Person</td>
<td>61,980</td>
<td>30,990</td>
<td>86,772</td>
</tr>
<tr>
<td>8 Person</td>
<td>66,000</td>
<td>33,000</td>
<td>92,400</td>
</tr>
<tr>
<td>9 Person</td>
<td>69,960</td>
<td>34,980</td>
<td>97,944</td>
</tr>
<tr>
<td>10 Person</td>
<td>73,880</td>
<td>36,990</td>
<td>103,572</td>
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<tr>
<td>11 Person</td>
<td>77,940</td>
<td>38,970</td>
<td>109,116</td>
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<tr>
<td>12 Person</td>
<td>81,960</td>
<td>40,980</td>
<td>114,744</td>
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</table>

Rent Limits for 2020
(Based on 2020 MTSP Income Limits)

<table>
<thead>
<tr>
<th>Bedrooms (People)</th>
<th>Charts</th>
<th>60.00%</th>
<th>30.00%</th>
<th>FMRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom (2.0)</td>
<td>1.000</td>
<td>500</td>
<td>1.085</td>
<td></td>
</tr>
<tr>
<td>2 Bedrooms (3.0)</td>
<td>1.125</td>
<td>562</td>
<td>1.143</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>60%</th>
<th>30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1,000</td>
<td>$500</td>
</tr>
<tr>
<td>2</td>
<td>$1,125</td>
<td>$562</td>
</tr>
</tbody>
</table>
Proposed Country Club Apartments
Hilo, Hi

UTILITY ALLOWANCES

<table>
<thead>
<tr>
<th>Utility or Service</th>
<th>Fuel Type</th>
<th>0 BR</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3 BR</th>
<th>4 BR</th>
<th>5 BR</th>
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<tbody>
<tr>
<td>Heating</td>
<td>Natural Gas</td>
<td>15</td>
<td>17</td>
<td>21</td>
<td>25</td>
<td>30</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Bottled Gas</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Electric</td>
<td>26</td>
<td>28</td>
<td>37</td>
<td>46</td>
<td>55</td>
<td>63</td>
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<td></td>
<td>Other</td>
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<td></td>
</tr>
<tr>
<td>Cooking</td>
<td>Natural Gas</td>
<td>54</td>
<td>63</td>
<td>88</td>
<td>114</td>
<td>141</td>
<td>168</td>
</tr>
<tr>
<td></td>
<td>Bottled Gas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
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<td>Other</td>
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<td>Trash Collection</td>
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<td>Other - specify</td>
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</tr>
<tr>
<td></td>
<td>Range/Microwave</td>
<td>25</td>
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<td>25</td>
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</tr>
<tr>
<td></td>
<td>Refrigerator</td>
<td>25</td>
<td>25</td>
<td>25</td>
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</table>

Actual Family Allowances – May be used by the family to compute allowance while searching for a unit.

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<th>Utility/Service/Appliance</th>
<th>Allowance</th>
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<td>Other Electric</td>
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<td>Air Conditioning</td>
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<td>Water Heating</td>
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<td>Sewer</td>
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<tr>
<td>Trash Collection</td>
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<tr>
<td>Other - specify</td>
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<td>Range/Microwave</td>
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<td>Refrigerator</td>
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Total Allowance: $130 / $177
### UNIT MIX SUMMARY

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<tr>
<th>Unit Type</th>
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<th>Total Units</th>
<th>% Units by AMI</th>
<th>% AMI</th>
<th>MAX TC</th>
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<td>1 x 1</td>
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<td>30%</td>
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<td>60%</td>
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<td>Subtotals / Avgs</td>
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<td>$132</td>
<td>$832</td>
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<td>$54,070, $54,070</td>
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### OPERATING ASSUMPTIONS

- **Total Revenues**: $628,671
- **Advertising & Marketing**: $25,067
- **Insurance**: $50,000
- **Mgt Fee**: $4,000
- **Professional Fees**: $15,000
- **Maintenance**: $45,000
- **Administrative**: $17,000
- **Taxes**: $200
- **Utilities**: $130,500
- **LIHTC / Loan Fees**: $8,900
- **Replacement Reserves**: $22,750
- **Operating Reserves**: $0
- **Services**: $0
- **Total Expenses**: $423,317
- **NOI after RR & Services**: $203,354

### LOAN CALC - LTV

- **NOI**: $203,354
- **Yr 0 CAP Rate**: 5%
- **Value**: $2,497,840
- **LTV**: 30%
- **Allowable Loan**: $750,000

### PERM LOAN CALCULATION

- **NOI**: $203,354
- **DCR**: 1.15
- **Permitted DS**: $176,830
- **Interest Rate**: 3.50%
- **Term**: 35
- **Amortization Period**: 35
- **Permitted Debt**: $3,560,486
- **Cash Flow**: $26,524
- **Proposed Loan Amount**: $3,560,000
- **Annual Payment**: $176,508
- **Cash Flow**: $26,797

### CONSTRUCTION LOAN

- **Interest Rate**: 3.50%
- **Term**: 15
- **Loan Amount**: $15,000,000
- **Annual Payment**: $525,000

### USES & CREDIT CALCULATION

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<th>Total Cost</th>
<th>Acq Basis</th>
<th>Eligible Basis</th>
<th>Per Unit</th>
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| Total Development Costs | $29,014,673 | $27,329,423 | $446,380 |

### TAX CREDITS & LEASE UP

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<th>Units Placed</th>
<th>In-Service</th>
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<th>First Year Credits</th>
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</table>
## Project Costs

### As of 11/24/2020

<table>
<thead>
<tr>
<th>No. Units</th>
<th>Total SF</th>
<th>As of 11/24/2020</th>
<th>% of Total Cost</th>
<th>Acquisition Basis</th>
<th>Rehab / New Construction Costs</th>
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<tbody>
<tr>
<td>Closing Budget</td>
<td>$650,000.00</td>
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<td>$7.27</td>
<td>$650,000.00</td>
<td>$650,000.00</td>
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</table>

### Project Costs

**01 Land**
- 01 Land Budget: $650,000.00
- 01 Land Cost: $10,000.00
- 01 Land Percent of Total Cost: 2.24%
- 01 Land Acquisition Basis: $590,000.00

**02 Building / Improvements**
- 02 Building / Improvements Budget: $453,600.00
- 02 Building / Improvements Cost: $10,000.00
- 02 Building / Improvements Percent of Total Cost: 2.24%
- 02 Building / Improvements Acquisition Basis: $453,600.00

**Subtotal Acquisition**
- Subtotal Acquisition Total: $1,103,600.00
- Subtotal Acquisition Percent of Total Cost: 4.58%

**Construction / Rehabilitation Work**

**03 Site Work - Off Site**
- Off Site Budget: $333,045.32
- Off Site Cost: $5,123.77
- Off Site Percent of Total Cost: 0.37%
- Off Site Acquisition Basis: $333,045.32

**04 Site Work - On Site**
- On Site Budget: $333,045.32
- On Site Cost: $5,123.77
- On Site Percent of Total Cost: 0.37%
- On Site Acquisition Basis: $333,045.32

**05 Rehabilitation (Exhibit Bravo-1)**
- Rehabilitation Budget: $16,852,266.21
- Rehabilitation Cost: $256,188.71
- Rehabilitation Percent of Total Cost: 1.51%
- Rehabilitation Acquisition Basis: $16,852,266.21

**06 New Construction - Residential**
- New Construction - Residential: $16,852,266.21
- Percent of Total Cost: 65.43%
- New Construction - Residential Acquisition Basis: $16,852,266.21

**07 New Construction - Commercial**
- New Construction - Commercial: $16,852,266.21
- Percent of Total Cost: 65.43%
- New Construction - Commercial Acquisition Basis: $16,852,266.21

**08 New Construction - Community Svc Facility**
- New Construction - Community Svc Facility: $16,852,266.21
- Percent of Total Cost: 65.43%
- New Construction - Community Svc Facility Acquisition Basis: $16,852,266.21

**09 Parking**
- Parking: $999,135.97
- Parking Percent of Total Cost: 3.82%
- Parking Acquisition Basis: $999,135.97

**10 Contractor Profit**
- Contractor Profit: $333,045.32
- Contractor Profit Percent of Total Cost: 1.31%
- Contractor Profit Acquisition Basis: $333,045.32

**11 Contractor Overhead**
- Contractor Overhead: $999,135.97
- Contractor Overhead Percent of Total Cost: 3.82%
- Contractor Overhead Acquisition Basis: $999,135.97

**12 Contractor General Requirements**
- Contractor General Requirements: $999,135.97
- Contractor General Requirements Percent of Total Cost: 3.82%
- Contractor General Requirements Acquisition Basis: $999,135.97

**Subtotal Construction / Rehabilitation**
- Subtotal Construction / Rehabilitation Total: $18,983,583.48
- Subtotal Construction / Rehabilitation Percent of Total Cost: 75.65%

**Contingency**

**02 Contingency**
- Contingency: $2,497,839.93
- Contingency Percent of Total Cost: 9.61%
- Contingency Acquisition Basis: $2,497,839.93

**Subtotal Contingency**
- Subtotal Contingency Total: $2,497,839.93
- Subtotal Contingency Percent of Total Cost: 9.61%

**Interim and Soft Costs**

**13 Accounting / Cost Certification**
- Accounting / Cost Certification: $15,000.00
- Accounting / Cost Certification Percent of Total Cost: 0.05%
- Accounting / Cost Certification Acquisition Basis: $15,000.00

**14 Advertising / Marketing**
- Advertising / Marketing: $32,500.00
- Advertising / Marketing Percent of Total Cost: 0.12%
- Advertising / Marketing Acquisition Basis: $32,500.00

**15 Appraisal**
- Appraisal: $15,000.00
- Appraisal Percent of Total Cost: 0.06%
- Appraisal Acquisition Basis: $15,000.00

**16 Architect Fee - Design**
- Architect Fee - Design: $300,000.00
- Architect Fee - Design Percent of Total Cost: 1.20%
- Architect Fee - Design Acquisition Basis: $300,000.00

**17 Architect Fee - Supervision**
- Architect Fee - Supervision: $100,000.00
- Architect Fee - Supervision Percent of Total Cost: 0.41%
- Architect Fee - Supervision Acquisition Basis: $100,000.00

**18 Engineering**
- Engineering: $100,000.00
- Engineering Percent of Total Cost: 0.41%
- Engineering Acquisition Basis: $100,000.00

**19 Environmental Report**
- Environmental Report: $25,000.00
- Environmental Report Percent of Total Cost: 0.10%
- Environmental Report Acquisition Basis: $25,000.00

**20 Legal Fee**
- Legal Fee: $50,000.00
- Legal Fee Percent of Total Cost: 0.21%
- Legal Fee Acquisition Basis: $50,000.00

**21 Market Study**
- Market Study: $10,000.00
- Market Study Percent of Total Cost: 0.04%
- Market Study Acquisition Basis: $10,000.00

**22 Taxes - Other**
- Taxes - Other: $10,000.00
- Taxes - Other Percent of Total Cost: 0.04%
- Taxes - Other Acquisition Basis: $10,000.00

**23 Permanent Loan - Enhancement Fee**
- Permanent Loan - Enhancement Fee: $100,000.00
- Permanent Loan - Enhancement Fee Percent of Total Cost: 0.39%
- Permanent Loan - Enhancement Fee Acquisition Basis: $100,000.00

**Subtotal Interim & Soft Costs**
- Subtotal Interim & Soft Costs Total: $1,257,500.00
- Subtotal Interim & Soft Costs Percent of Total Cost: 4.85%

**Financing and Syndication Costs**

**31 Bond Financing Costs (Exhibit Bravo-2)**
- Bond Financing Costs (Exhibit Bravo-2): $349,000.00
- Bond Financing Costs (Exhibit Bravo-2) Percent of Total Cost: 1.17%
- Bond Financing Costs (Exhibit Bravo-2) Acquisition Basis: $349,000.00

**32 Construction Loan - Fees**
- Construction Loan - Fees: $75,000.00
- Construction Loan - Fees Percent of Total Cost: 0.29%
- Construction Loan - Fees Acquisition Basis: $75,000.00

**33 Construction Loan - Interest**
- Construction Loan - Interest: $790,000.00
- Construction Loan - Interest Percent of Total Cost: 3.17%
- Construction Loan - Interest Acquisition Basis: $790,000.00

**34 Credit Report**
- Credit Report: $100,000.00
- Credit Report Percent of Total Cost: 0.40%
- Credit Report Acquisition Basis: $100,000.00

**35 HHFDC LIHTC Fee**
- HHFDC LIHTC Fee: $100,000.00
- HHFDC LIHTC Fee Percent of Total Cost: 0.40%
- HHFDC LIHTC Fee Acquisition Basis: $100,000.00

**36 Legal Fee - Financing**
- Legal Fee - Financing: $100,000.00
- Legal Fee - Financing Percent of Total Cost: 0.40%
- Legal Fee - Financing Acquisition Basis: $100,000.00

**37 Lender / Investor Inspection Fee**
- Lender / Investor Inspection Fee: $25,000.00
- Lender / Investor Inspection Fee Percent of Total Cost: 0.10%
- Lender / Investor Inspection Fee Acquisition Basis: $25,000.00

**38 Permanent Loan - Enhancement Fee**
- Permanent Loan - Enhancement Fee: $25,000.00
- Permanent Loan - Enhancement Fee Percent of Total Cost: 0.10%
- Permanent Loan - Enhancement Fee Acquisition Basis: $25,000.00

**39 Permanent Loan - Fee**
<table>
<thead>
<tr>
<th>Item Description</th>
<th>As of 11/24/2020</th>
<th>No. Units</th>
<th>Total SF</th>
<th>As of 11/24/2020</th>
<th>% of Total Cost</th>
<th>Acquisition Basis</th>
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<td>44 Developer - Fee</td>
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<td>46 Developer - Overhead</td>
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</tr>
<tr>
<td>49 Operating Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50 Rent-Up Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51 Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Subtotal Reserves</td>
<td>$387,750.00</td>
<td></td>
<td></td>
<td>$387,750.00</td>
<td>1.34%</td>
<td>$0.00</td>
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<tr>
<td>Total</td>
<td>$29,014,673.41</td>
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<td>$446,379.59</td>
<td>$29,014,673.41</td>
<td>100.00%</td>
<td>$27,329,423.41</td>
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<table>
<thead>
<tr>
<th>ITEM DESCRIPTION</th>
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<tbody>
<tr>
<td>44 Developer - Fee</td>
<td>$300</td>
</tr>
<tr>
<td>45 Development - Fee</td>
<td>$300</td>
</tr>
<tr>
<td>46 Developer - Overhead</td>
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<tr>
<td>47 Developer - Management Fee</td>
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<td>48 Replacement / Capital Reserve</td>
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<tr>
<td>49 Operating Reserve</td>
<td>$300</td>
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<tr>
<td>50 Rent-Up Reserve</td>
<td>$300</td>
</tr>
<tr>
<td>51 Other:</td>
<td>$300</td>
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<tr>
<td>Subtotal Reserves</td>
<td>$300</td>
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</table>

11/24/2020 DRAFT
# Proposed Country Club Apartments

## Financial Schedule

<table>
<thead>
<tr>
<th>Item</th>
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<tbody>
<tr>
<td><strong>Fiscal Period</strong></td>
</tr>
<tr>
<td><strong>Proposed Period</strong></td>
</tr>
<tr>
<td><strong>Construction Period</strong></td>
</tr>
<tr>
<td><strong>Date Recorded</strong></td>
</tr>
<tr>
<td><strong>Proposed Period</strong> (in $)</td>
</tr>
<tr>
<td><strong>Construction Period</strong> (in $)</td>
</tr>
<tr>
<td><strong>Proposed Period</strong> (in $)</td>
</tr>
<tr>
<td><strong>Construction Period</strong> (in $)</td>
</tr>
</tbody>
</table>

## Financial Statements

<table>
<thead>
<tr>
<th>Item</th>
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<tr>
<td><strong>Proposed Period</strong></td>
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<tr>
<td><strong>Proposed Period</strong> (in $)</td>
</tr>
<tr>
<td><strong>Construction Period</strong> (in $)</td>
</tr>
<tr>
<td><strong>Proposed Period</strong> (in $)</td>
</tr>
<tr>
<td><strong>Construction Period</strong> (in $)</td>
</tr>
</tbody>
</table>

## Notes

- **Construction Period:** Includes all expenses incurred during the construction phase of the project.
- **Proposed Period:** Includes all expenses estimated for the proposed development phase.
- **Date Recorded:** Indicates the date when the financial records were updated.

## Financial Details

- **Fiscal Period:** 1 year
- **Proposed Period:** 24 months
- **Construction Period:** 12 months

## Financial Ratios

- **Return on Investment (ROI):** Calculated as (Net Income / Total Investment) x 100.
- **Debt Service Coverage Ratio (DSCR):** Calculated as (Net Operating Income / Debt Service) x 100.

## Financial Assumptions

- **Inflation:** 3% per year
- **Interest Rates:** 5% for short-term, 7% for long-term

## Financial Analysis

- **Cash Flow:** Analyzes the inflows and outflows of cash over time.
- **Break-even Analysis:** Determines the point at which total revenue equals total cost.

## Financial Tables

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td>Costs</td>
<td>Includes all expenses related to the project.</td>
</tr>
<tr>
<td>Income</td>
<td>Includes all revenue generated from the project.</td>
</tr>
<tr>
<td>Variance</td>
<td>Calculated as (Actual - Budget) / Budget x 100.</td>
</tr>
</tbody>
</table>

## Financial Graphs

- **Bar Graph:** Illustrates the budget versus actual costs for each category.
- **Line Graph:** Shows the trend of financial performance over time.

## Financial Appendices

- **Notes:** Detailed explanations and additional information.
- **References:** Citations for sources used in the financial analysis.
### OPERATING PROFORMA

#### Financial History

<table>
<thead>
<tr>
<th>Revenues</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
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#### Income Inflation Factor 3.50%

<table>
<thead>
<tr>
<th>Rent Income - Tenant</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
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</table>

#### Rent Income - Local Hsg. Assi.

<table>
<thead>
<tr>
<th>Rent - Section 8 Addit.</th>
<th>Amo</th>
<th>Pmt</th>
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</thead>
<tbody>
<tr>
<td>L00,000,000</td>
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#### Gain (Loss) to Leases

<table>
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<th>Total Rent Potential</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
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</table>

#### Other Income: W/D Rental / Laundry & Vending

<table>
<thead>
<tr>
<th>Total Residential Income</th>
<th>Loss Vacancy</th>
<th>Loss Concessions</th>
<th>Loss Bad Debt</th>
<th>Effective Gross Income</th>
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</table>

#### FUPA

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<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
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#### Expense Inflation Factor 3.50%

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<th>$1.00</th>
<th>$2.00</th>
<th>$3.00</th>
<th>$4.00</th>
<th>$5.00</th>
<th>$6.00</th>
<th>$7.00</th>
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</table>

#### Expenses

<table>
<thead>
<tr>
<th>Advertising &amp; Marketing</th>
<th>$0.00</th>
<th>$1.00</th>
<th>$2.00</th>
<th>$3.00</th>
<th>$4.00</th>
<th>$5.00</th>
<th>$6.00</th>
<th>$7.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ground Lease Rent</td>
<td>$0.00</td>
<td>$1.00</td>
<td>$2.00</td>
<td>$3.00</td>
<td>$4.00</td>
<td>$5.00</td>
<td>$6.00</td>
<td>$7.00</td>
</tr>
<tr>
<td>Insurance</td>
<td>$0.00</td>
<td>$1.00</td>
<td>$2.00</td>
<td>$3.00</td>
<td>$4.00</td>
<td>$5.00</td>
<td>$6.00</td>
<td>$7.00</td>
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</table>

#### Ground Lease Rent

<table>
<thead>
<tr>
<th>Management Fees</th>
<th>$0.00</th>
<th>$1.00</th>
<th>$2.00</th>
<th>$3.00</th>
<th>$4.00</th>
<th>$5.00</th>
<th>$6.00</th>
<th>$7.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>$0.00</td>
<td>$1.00</td>
<td>$2.00</td>
<td>$3.00</td>
<td>$4.00</td>
<td>$5.00</td>
<td>$6.00</td>
<td>$7.00</td>
</tr>
</tbody>
</table>

#### Payroll

| Professional Fees - Accounting | $0.00 | $1.00 | $2.00 | $3.00 | $4.00 | $5.00 | $6.00 | $7.00 |
| Professional Fees - Legal | $0.00 | $1.00 | $2.00 | $3.00 | $4.00 | $5.00 | $6.00 | $7.00 |

#### Professional Fees - Legal

| Repairs & Maintenance - Staff | $0.00 | $1.00 | $2.00 | $3.00 | $4.00 | $5.00 | $6.00 | $7.00 |
| Repairs & Maintenance - Supplies | $0.00 | $1.00 | $2.00 | $3.00 | $4.00 | $5.00 | $6.00 | $7.00 |

#### Repairs & Maintenance - Supplies

| Security | $0.00 | $1.00 | $2.00 | $3.00 | $4.00 | $5.00 | $6.00 | $7.00 |
| Supplies - Office | $0.00 | $1.00 | $2.00 | $3.00 | $4.00 | $5.00 | $6.00 | $7.00 |

#### Supplies - Office

| Taxes - Income | $0.00 | $1.00 | $2.00 | $3.00 | $4.00 | $5.00 | $6.00 | $7.00 |
| Taxes - Real Property | $0.00 | $1.00 | $2.00 | $3.00 | $4.00 | $5.00 | $6.00 | $7.00 |

#### Taxes - Real Property

| Utilities - Electric | $0.00 | $1.00 | $2.00 | $3.00 | $4.00 | $5.00 | $6.00 | $7.00 |
| Utilities - Water & Sewer | $0.00 | $1.00 | $2.00 | $3.00 | $4.00 | $5.00 | $6.00 | $7.00 |

#### Utilities - Water & Sewer

| Other Administrative | $0.00 | $1.00 | $2.00 | $3.00 | $4.00 | $5.00 | $6.00 | $7.00 |

#### Other Administrative

| Subtotal Operating Expenses | $4,098 | $4,098 | $4,098 | $4,098 | $4,098 | $4,098 | $4,098 | $4,098 |

#### Subtotal Operating Expenses

<table>
<thead>
<tr>
<th>$0.00</th>
<th>$1.00</th>
<th>$2.00</th>
<th>$3.00</th>
<th>$4.00</th>
<th>$5.00</th>
<th>$6.00</th>
<th>$7.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenses</td>
<td>$9,355</td>
<td>$9,355</td>
<td>$9,355</td>
<td>$9,355</td>
<td>$9,355</td>
<td>$9,355</td>
<td>$9,355</td>
</tr>
</tbody>
</table>

#### Total Expenses

| NOI after RR | $2,034,354 | $2,024,205 | $2,014,925 | $2,005,571 | $198,926 | $197,383 | $195,850 | $194,328 |

#### NOI after RR

<table>
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<tr>
<th>Debt Service</th>
<th>$176,558</th>
<th>$176,558</th>
<th>$176,558</th>
<th>$176,558</th>
<th>$176,558</th>
<th>$176,558</th>
<th>$176,558</th>
<th>$176,558</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Net Cash Flow</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Debt Coverage Ratio (BCR) with Deferred Fee</td>
<td>1.17</td>
<td>1.17</td>
<td>1.17</td>
<td>1.17</td>
<td>1.17</td>
<td>1.17</td>
<td>1.17</td>
<td>1.17</td>
</tr>
<tr>
<td>Debt Coverage Ratio (BCR) without Deferred Fee</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
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<tr>
<td>Balance of Debt Service</td>
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<td>$45,995</td>
<td>$17,279</td>
<td>$0</td>
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<td>$0</td>
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<td>$0</td>
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<tr>
<td>Other</td>
<td>$12,500,000</td>
<td>$12,500,000</td>
<td>$12,500,000</td>
<td>$12,494,132</td>
<td>$12,497,408</td>
<td>$12,494,082</td>
<td>$12,494,780</td>
<td>$12,494,180</td>
</tr>
</tbody>
</table>
### Operating Proforma

#### No. Units: 85

#### Year 9 | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16
---|---|---|---|---|---|---|---
2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027
---|---|---|---|---|---|---|---

#### Year 9 | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16
---|---|---|---|---|---|---|---

#### Revenues
- **Rent Income - Tenant**
  - $1,112,111
- **Rent Income - Local Hig. Assit.**
  - $120,120
- **Rent - Section 8 Addl.**
  - $0
- **Gain (Loss) to Lease**
  - $0
- **Total Rent Potential**
  - $1,232,232

#### Other Income: W/D Rental / Laundry & Vending
  - **$18,776**
  - **$19,777**
  - **$20,778**
  - **$21,779**

#### Total Residential Income
  - **$1,251,008**
  - **$191,909**
  - **$212,910**
  - **$233,911**

#### Subtotal Operating Expenses
- **Less Vacancy**
  - -$57,471
- **Less Concessions**
  - $0
- **Less Bad Debt**
  - $0
- **Effective Gross Income**
  - **$765,536**
  - **$785,625**
  - **$805,725**
  - **$826,825**

#### Expenses
- **Advertising & Marketing**
  - **$1,317**
- **Ground Lease Rent**
  - **$132**
- **Insurance**
  - **$65,849**
- **Management Fee**
  - **$33,068**
- **Payroll**
  - **$72,424**
- **Payroll - Taxes**
  - **$9,876**
- **Professional Fees - Accounting**
  - **$13,166**
- **Repairs & Maintenance - Staff**
  - **$59,256**
- **Repairs & Maintenance - Supplies**
  - **$59,256**
- **Security**
  - **$3,790**
- **Taxes - Income**
  - **$6,584**
- **Taxes - Real Property**
  - **$0**
- **Taxes - Other**
  - **$0**
- **Utilities - Electric**
  - **$86,909**
- **Utilities - Water & Sewer**
  - **$88,791**
- **Utilities - Other**
  - **$15,143**
- **Other: Administrative**
  - **$13,166**
- **Subtotal Operating Expenses**
  - **$515,750**
  - **$533,022**
  - **$552,851**
  - **$571,625**

#### Asset Management Fee
  - **$6,584**

#### Compliance Fee - HFDC
  - **$3,149**

#### HMF Admin. Fee - HFDC
  - **$2,956**

#### Reserves - Cap Ex/Replacement
  - **$29,053**

#### Reserves - Other
  - **$0**

#### Other: Operating
  - **$0**

#### Subtotal Other Expenses
  - **$41,677**
  - **$43,156**
  - **$44,642**
  - **$46,168**

#### Total Expenses
  - **$557,427**
  - **$576,178**
  - **$595,929**
  - **$615,682**

#### NOI after RR
  - **$206,111**
  - **$205,689**
  - **$205,062**
  - **$204,217**

#### Projected Net Cash Flow
- **$14,778**
- **$14,566**
- **$14,354**
- **$14,142**

#### Debt Coverage Ratio (DCR) with Deferred Fee
- **1.11**
- **1.16**
- **1.16**
- **1.16**

#### Balance of Deferred Fee
  - **$0**
  - **$12,434,780**
  - **$12,429,214**
  - **$12,424,652**

---

**Note:** The table contains financial data for the years 2020 to 2027, detailing revenues, expenses, and NOI after real estate taxes (RR). The data includes various expense categories such as rent, management fees, utilities, and operating expenses. The table also calculates NOI after real estate taxes and provides projections for future years.
# Construction Budget

**Proposed Country Club Apartments**  
Hilo, HI

<table>
<thead>
<tr>
<th>CSI Code</th>
<th>Division</th>
<th>Description</th>
<th>Cost</th>
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<tbody>
<tr>
<td>1000</td>
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<td>General Requirements</td>
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<td>Selective Site Demolition</td>
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<td>Concrete and Masonry Repair</td>
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<td>4000</td>
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<td>MASONRY</td>
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<td>WOODS AND PLASTICS</td>
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<td>THERMAL / MOISTURE</td>
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<td>Flashing and Sheet Metal</td>
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<td>Firestopping</td>
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<td>8000</td>
<td>DIVISION 08</td>
<td>OPENINGS</td>
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<td>Door Finish Hardware</td>
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<td>FINISHES</td>
<td>$3,179,838</td>
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<td>Gypsum Board Assemblies and EIFS</td>
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11/24/2020 DRAFT Page 9 of 10
## Proposed Country Club Apartments

**Hilo, Hi**

### Construction Budget

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<thead>
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<th>Division</th>
<th>Description</th>
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**Total Hard Costs**

$16,652,266

**Total Profit, Overhead and General Requirements**

14%  

$2,331,317

**Exempt General Excise and Use Tax**

$0

**Total Construction Budget**

$18,983,583
## Hale Hoaloha Rental Market Survey

**Date:** 10/25/2020

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<tr>
<th>Property Name</th>
<th>Location</th>
<th>Phone Number</th>
<th>Property Type</th>
<th>Total Units</th>
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<td>935-9101</td>
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<td>Hale Hinano</td>
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Page 1 of 2
## Hale Hoaloha
### Rental Market Survey

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<tr>
<th></th>
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<td><strong>Special Over</strong></td>
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MARKETING AND MANAGEMENT PLAN
COUNTRY CLUB APARTMENTS
HILO, HI

INTRODUCTION: A management plan provides the basis for successful leasing and operations of a multi-family housing community. The following is a management plan designed specifically for Country Club Apartments in Hilo, HI (THE COMMUNITY). The Community has been developed under the regulations of Hawaii Housing Finance and Development Corporation and received low income housing tax credits. This plan will describe and analyze the following characteristics that affect the operational success of The Community.

A. The relationship existing between CAMBRIDGE MANAGEMENT, INC. the management agent (MANAGING AGENT) DPSP COUNTRY CLUB LLC the owner (OWNER).

B. Personnel policy and staffing requirements for THE COMMUNITY.

C. The procedures to be followed to assure publicizing and achievement of continued occupancy in accordance with all applicable Fair Housing Policies and Laws.

D. Procedures to be followed relative to RESIDENT eligibility and certifying and recertifying incomes.

E. Procedures to be followed to assure maximum maintenance and repair of the improvements.

F. Rent Collection policies and procedures to be utilized.

G. The procedures to be followed to assure proper accounting and reporting information.

H. Plan for RESIDENT management relations.

PROPOSAL: The introduction of a management plan for this project will provide the basis for successful management and marketing for the OWNER and RESIDENTS.

OBJECTIVES: Any intelligent management effort has at its roots a series of objectives that must be understood conceptually and ultimately implemented through a staff of personnel capable of achieving those objectives. The objectives that the MANAGING AGENT will consider relevant are the following:

A. Sound management principles will be established to provide services related to marketing, finance, accounting, personnel and administration of the above.

B. Implement and maintain an atmosphere of understanding and participation with all RESIDENTS.

C. Create goodwill within THE COMMUNITY by intelligent screening of applicants, maintaining the grounds in a workmanlike manner and maintaining interior and exterior of buildings to assure the highest standards of excellence.

D. The management plan will provide for the highest levels of occupancy possible and a low turnover rate to assure a strong financial base.

IMPLEMENTATION: In order to properly satisfy the mentioned objectives the MANAGING AGENT, through consultation with the OWNER, has evaluated THE COMMUNITY to determine the interrelationships existing between the objectives. Those interrelationships include the adequacy and reasonableness of the site, physical structure, unit composition and rent roll, estimated operating expenses, market demand, on and off-site facilities, security arrangements,
debt services requirements, tenant eligibility criteria, sponsorship, facilities for tenants, services, physical hardware and demographic composition of THE COMMUNITY. The site is well located with respect to its proximity to forms of transportation. THE COMMUNITY has easy access to nearby city streets and state highways. Shopping of a neighborhood and community nature are within a moderate distance from THE COMMUNITY. There is ample open space and the developer has done a credible job of planning and design.

ROLE OF OWNER AND MANAGING AGENT: The successful operation of this project has at its roots specific relationships existing between the OWNER and AGENT. This relationship is an understanding of the two functions with respect to the extent of authority the MANAGING AGENT will have over the operations. The MANAGING AGENT will have the authority to handle day-to-day operations and report to the OWNER on a weekly and monthly basis. The MANAGING AGENT will carry out the following functions.

A. Rent available apartment units to satisfactory RESIDENTS, after completion of credit checks and all LIHTC required forms.

B. Collect monies from the RESIDENTS according to the stated rent schedule provided by the OWNER and deposit in the partnership account those monies. Collect security deposits and deposit in a separate interest bearing trust account. Negotiate and collect funds from laundry and concession income sources.

C. Maintain the interior and exterior of THE COMMUNITY in a workmanlike manner including the grounds, parking areas, garbage enclosures, etc.

D. Distribute a set of rules and regulations to all tenants that have been supplied and/or approved by OWNER.

E. Create a hierarchy of management staff that may include but is not limited to the following:
   a. The President of the Company
   b. A Director of Property Management for the West Coast
   c. A Director of Property Management for the East Coast
   d. Regional Managers (REGIONAL MANAGER) who serve under the Directors to provide direction, instruction and support to the COMMUNITY MANAGERS
   e. COMMUNITY MANAGERS, who work in the offices at THE COMMUNITY to perform and supervise the leasing of the units, collection of the rents, and completion of the compliance paperwork and maintenance of THE COMMUNITY
   f. MAINTENANCE SUPERINTENDENTS, who work on site at THE COMMUNITY to perform and supervise the maintenance of THE COMMUNITY

F. Hire on-site personnel which will be paid by THE COMMUNITY from allowable expenses and MANAGING AGENT will direct those employees.

G. Inspect and report to the OWNER general conditions of THE COMMUNITY and if any defects exist, the MANAGING AGENT will establish liaison with a general contractor to repair any defects.

H. Move-in and move-out RESIDENTS with a minimum of inconvenience to RESIDENTS.

I. Receive, record and respond to RESIDENTS’ complaints within a 24-hour period from the receipt of the complaint.
J. Contract for the use of water, electricity, gas, fuel, oil, telephone and other services subject to approval by OWNER.

K. Obtain prices from at least two insurance companies and place and keep enforced all forms of insurance needed to protect the OWNER as provided by law.

L. Prepare an annual operating budget for approval by the OWNER at least 60-days prior to the beginning of the fiscal year.

M. Make all deposits and disbursements and will report to the OWNER the extent and type of income and disbursements on a monthly basis measured against the budget.

N. Keep a comprehensive system of accounts consistent with GAAP and provide the OWNER a trial balance, profit and loss statement, balance sheet, bank reconciliation, and a list of accounts receivable and payable on a monthly basis.

O. Report to OWNER on a monthly basis any budget deviations and will respond to the OWNER directions.

P. Use its best efforts to ensure that RESIDENTS comply with the lease and RESIDENTS will be informed at the time of their rental of the rules and regulations governing THE COMMUNITY.

Q. Submit to the OWNER each week a report which documents the occupancy, rental moves, move-outs and traffic.

R. Secure OWNER approval for all repairs or contractual obligations in excess of $1,000.00.

S. Effect emergency repairs which may endanger life or property, irrespective of the cost limitation imposed by this statement after making a good faith effort to receive OWNER approval.

PERSONNEL POLICY AND BENEFITS: MANAGING AGENT's hiring will be consistent with the Equal Opportunity provisions and compensate employees not less than the provisions of the Fair Labor Standards Act.

THE COMMUNITY staffing needs for this housing complex is to hire two (2) employees whose time will be divided between the maintenance and managerial duties. At least one (1) employee will reside on the premises in order to insure proper services to the RESIDENTS.

One full-time employee, acting as COMMUNITY MANAGER, will perform the managerial duties, such as rental promotion, screening and processing, rent collection and working closely with the RESIDENTS to assist them.

One full-time employee acting as the MAINTENANCE SUPERINTENDENT for this project, and will perform and/or oversee all required maintenance functions, including public area clean-up, grounds maintenance, unit repairs, decoration, maintenance repair trouble calls, and quarterly preventative maintenance inspections.

Other Full time and Part time employees may be employed in accordance with the needs of THE COMMUNITY.

Compensation payable to THE COMMUNITY employees will be paid from the Operating Account, and will be treated as project expenses. Such expenses will not exceed that, which normally is paid for the service performed. All bookkeeping, clerical, and other managerial personnel, plus all local, state and federal taxes incident to the employment of such personnel will be borne
solely by the MANAGING AGENT, and will not be paid out of the OWNER's funds, or treated as project expenses.

All personnel will receive annual training in Fair Housing Laws and Policies and are required to comply with the policies of the MANAGING AGENT. A copy of Fair Housing policy and instructions are attached.

The ability of the management company to compensate its employees are dependent solely on the generation of a management fee. The management fee for this project includes administrative operations, supervision, accounting and over-all supervision from the MANAGING AGENT. All project employees are paid from THE COMMUNITY rental income. Employees working on THE COMMUNITY on a full-time and part-time basis are expenses of THE COMMUNITY.

The following Affirmative Marketing Plan is to be implemented and followed.

Objectives:

A. THE COMMUNITY will be operated, maintained and rented in a manner, which is consistent with federal housing policy governing nondiscrimination and accessibility, as determined under the Americans with Disabilities Act; the Fair Housing Amendments Act of 1988; the Architectural Barriers Act of 1968; Housing and Community Development Act of 1974; Civil Rights Act of 1964; Civil Rights Act of 1968; and Age Discrimination Act of 1975.

The Low-Income Housing Units and the Market Rate Housing Units in THE COMMUNITY, plus the Housing Units included in any Special-Needs Housing Set-Aside(s), will be rented to eligible RESIDENTS.

THE COMMUNITY will, as amended, comply with the Housing and Urban Development Fair Housing Act of 1968; the Uniform Relocation and Real Property Acquisition Act of 1970; and the Stewart B. McKinney Homeless Assistance Act.

THE COMMUNITY will be operated, maintained and rented in a manner which does not discriminate in making Housing Units in The Community available for occupancy on the basis of race, creed, color, sex, national origin, familial status, religion, marital status, age or disability.

THE COMMUNITY will be operated, maintained and rented in a manner, which does not discriminate against any RESIDENT or potential RESIDENT on the basis of that RESIDENT's or potential RESIDENT's sources of income provided such sources of income are not in contravention of any federal, state or local law.

THE COMMUNITY will seek to obtain a RESIDENTS population, which represents the diversity of the community where each Building(s) in THE COMMUNITY is located.

B. Generate traffic to produce lease levels necessary to meet production flow.

C. Produce desired lease levels at the most economical possible Marketing and Operational expenses.

Create a continuing positive image for the OWNER and the AGENT.

D. Follow-up on results and adjust marketing resources as necessary.

General Description: THE COMMUNITY consists of 62-units in one (1) apartment building **including a common area unit.** The units are well designed and constructed with large
kitchens and baths, dishwashers, microwaves, self-cleaning ovens and private patios or decks with storage.

Pricing: Units are priced to attract eligible applicants with incomes at or below 60% of median income adjusted for family size. Additionally, 6% of the units will be set aside at 30% AMI.

Target Market: The target market is limited in that income restrictions are imposed. Income targeting will be as shown above under Pricing.

Product Positioning
The primary benefits of a THE COMMUNITY are:
* Convenience of location - close to neighborhood shopping and employment centers.
* Quality construction.
* Attractive design.
* Large kitchens.
* Washer/dryer hook-ups in all units.
* Frost free refrigerator.
* Self-cleaning oven.
* Dishwasher and garbage disposal.
* Quality management.
* Community building with kitchen for private use
* On Site Play Area

Advertising Plan
The concept for developing the advertisement program takes into account some key issues.
* Families
* Income restrictions
* Primary benefits listed under "Product Positioning"
* Value for the Quality
* Special Needs Housing Set-Aside

All the advertising will include the Fair Housing logo and Fair Housing posters in English and Spanish will be posted at the rental office. Interpreters and bilingual leases are available to applicants.

On an on-going basis the rental program will be as follows:

A. Rentals on turnover will be accomplished through classified advertising and contact with community contacts, or names from a waiting list.

B. THE COMMUNITY staff will include those positions previously described.

C. All RESIDENTS will be instructed as to the use of the household equipment. The MANAGING AGENT will supply the RESIDENTS with written information regarding the proper use of refrigerators, ranges, disposals and fans, if necessary. Each type of equipment will be explained verbally by the COMMUNITY MANAGER to the RESIDENTS at the time of move-in.

D. The MANAGING AGENT will establish and implement final and complete accounting records and procedures for invoice, purchase order, supply control and equipment utilization.

E. The COMMUNITY MANAGER will submit to each new RESIDENT a work order form that they will fill out and return which will indicate any defects that have arisen since their move-in.
The COMMUNITY MANAGER will contact immediately the involved sub-contractors in order to satisfy any defect problems.

F. Thirty-days after each RESIDENT has moved into the apartment the COMMUNITY MANAGER will contact each RESIDENT individually to determine that he/she is fully aware of the proper operation of equipment and is implementing good housekeeping habits.

G. The on-site office will be open Monday through Saturday from 9:00 a.m. to 6:00 p.m. and Sundays as needed. An emergency number will be posted on the office door in the manager's absence.

RESIDENT ELIGIBILITY AND CERTIFICATION: The importance of selecting the proper RESIDENT within eligibility guidelines cannot be overemphasized. The REGIONAL MANAGER works alongside the COMMUNITY MANAGER to assure screening for responsible RESIDENTS through the interview process taking place during the applicant's appointment to rent. All applicants fill out an application which the COMMUNITY MANAGER verifies for its veracity. Credit checks and contacting the former landlord is done for all prospective RESIDENT prior to initial acceptance.

The COMMUNITY MANAGER must complete all required certification documents required by the applicable monitoring agencies for all RESIDENTS, which indicates income, dependents, etc. The income information is verified prior to occupancy by mailing income verification to the applicable sources. A re-certification must be completed annually to determine whether continued eligibility is appropriate. All managers are aware of family size and composition as it relates to unit size.

MAINTENANCE AND REPAIR PROCEDURES: Recognizing a long term mortgage obligation exists, the necessity for excellent maintenance standards at The Community is apparent. The image of THE COMMUNITY and comfort of the RESIDENT, guests and visitors makes it mandatory that management implements a thorough maintenance program including repairs, decorating, landscape maintenance and capital improvement programs, when necessary. The maintenance program is supervised by the REGIONAL MANAGER. Supplies and inventories are purchased and maintained through the REGIONAL MANAGER except for petty cash items and emergency repairs. Spot audits are conducted quarterly to verify inventory balances.

As previously mentioned in the rent-up section of this management plan, units are thoroughly inspected prior to move-in. During move-out the COMMUNITY MANAGER inspects the unit and calculates the cost, if any of the necessary repairs which are the responsibility of the vacating RESIDENT. A deposit refund report is generated and submitted to the REGIONAL MANAGER for approval detailing the repair cost as well as any credits or charges for rent or other fees still pending. This report is then submitted to the main where it is mailed, along with a check for the return the security deposit, if applicable, to the RESIDENT no more than 14 days after unit has been vacated.

The program for maintenance and repair will include but not be limited to the following:

A. All public lights and clocks are to be operational at all times.

B. All walks, drives, steps or outside areas are to be kept clean at all times. Pick-up of common areas is to be done daily.

C. All recreation rooms, laundry rooms, lobbies, halls or interior public or private areas are to be kept clean at all times.

D. All landscaping is to be kept in a healthy condition at all times.
E. All vacant apartments are to be vented regularly - preferable weekly. Flushing of toilets and running tap faucets is accomplished every two weeks.

F. Cleaning.
   1. Immediately upon vacating by a RESIDENT each apartment is to be thoroughly cleaned, including but not limited to, all floors, walls, drawers, cabinets, closets, sinks, shower stalls, toilets, counter tops, appliances, windows and drapes.
   2. All electrical appliances, bulbs and mechanical devices are to be tested for proper operation and malfunctions corrected immediately.
   3. Vinyl and tile floors are to be cleaned and polished and carpets are to be cleaned or vacuumed depending on need.
   4. Painting must be approved by the maintenance coordinator. Complete or touch-up painting will be done as needed.

G. Landscaping will be mowed and trimmed, fertilized and watered as needed.

H. Signs, mail box names, displays, etc. are to be maintained regularly.

I. Periodic inspections of vacant and occupied units will be done annually unless poor housekeeping habits are suspected. The latter will be checked as needed.

J. Major repairs excluding appliances will be contracted. The COMMUNITY MANAGER will check the sub-contractor/vendor list provided by office and contact the REGIONAL MANAGER for direction.

K. Prior to occupancy of a new RESIDENT, the COMMUNITY MANAGER will enter and walk through the renovated unit with the new RESIDENT and after inspection the COMMUNITY MANAGER will require the RESIDENT to sign the move-in form indicating the apartment is satisfactory in all respects and any defects are noted.

L. Garbage removal is contracted on twice a week pick up basis; however, project maintenance must pick up all debris daily and clean garbage enclosures weekly.

M. RESIDENTS are encouraged at move-in to report maintenance problems immediately.

Quarterly inspections reveal latent maintenance problems and they are corrected.

RENT COLLECTION POLICIES AND PROCEDURES: All RESIDENTS will pay rent to the MANAGING AGENT by the first day of each month and the rent is considered delinquent by the second day of each month. Late fees will be charged to the RESIDENTS who have not paid their rent in full by close of business (6:00 pm) on the fifth of each month. If the RESIDENT has not paid by the sixth of the month, the MANAGING AGENT will issue a three-day pay or vacate notice. If the RESIDENT does not pay within the specified period, he/she must vacate by midnight of the third day following the notice. If a RESIDENT fails to vacate, the MANAGING AGENT institutes an unlawful detainer action. Normally this takes approximately 30-45 days to successfully accomplish; however it is rare that this type of legal action is necessary.

If the RESIDENT is abusing property or causing undue noise or nuisance to neighbors, the MANAGING AGENT issues a 10 day notice to vacate for nuisance. If the RESIDENT fails to vacate within that time, an unlawful detainer action is issued. Normally, after the complaint regarding nuisance has been brought to the attention of the COMMUNITY MANAGER, he/she will discuss the complaint with the particular RESIDENT and resolve the issue. Again, it is rare to resort to unlawful detainer action. The pay or vacate and important notice forms are delivered personally and mailed to the tenant by the COMMUNITY MANAGER. The unlawful detainer action, if necessary, is served by the Sheriff with the COMMUNITY MANAGER in attendance, normally.
A system of collection recording has been established. THE COMMUNITY MANAGER deposits all monies on a daily basis or uses a night depository bag and for each payment activity renders each RESIDENT a receipt. The receipt is tendered to the RESIDENT, at which time it is simultaneously recorded on the RESIDENT ledger card and the daily cash received sheet. Along with the bank deposit receipt the daily cash received sheet, which total must equal the total of the bank deposit, are transmitted to the MANAGING AGENT'S office daily. THE COMMUNITY MANAGER deposits rent in the operating bank account and security deposits in a separate bank trust account. The COMMUNITY MANAGER prepares and submits a report at the end of each month on all monies received, which must balance to all deposits made during the month. Daily cash sheets and month end reports are closely reviewed. Cash is not accepted.

ACCOUNTING RECORDS: To properly project the future success of this project, the MANAGING AGENT will keep a comprehensive system of forms and accounts. One cannot project where "he is going" until he determines where "he has been." The accounting serves the purpose of recording the past successes of THE COMMUNITY, which reflect the management capability that has been exerted. The accounting responsibilities are well understood by the MANAGING AGENT and the timing of report submissions. The following is our approach in order to assure the best possible accounting information:

A. A rental budget is developed yearly and actual results are measured against the budget.

B. Prior to acceptance of a tenant lease, a verification of income will be completed. Annually, a recertification of income from all RESIDENTS will be completed.

C. The MANAGING AGENT will deposit all appropriate payroll taxes, including the employees share, by the required due dates.

D. On or before January 31 of each year the MANAGING AGENT will prepare a Federal Unemployment Tax Return, a W-2 form and a reconciliation of previous year’s withholding taxes.

E. Within 15 days after the end of each month the MANAGING AGENT will furnish a statement of rental operations on a cash basis. The statement will be accompanied by a rental income analysis, rental expense report, aged accounts receivable and a list of accounts payable.

F. The MANAGING AGENT will pro-rate move-ins and move-outs on a thirty-day base period and all rents are pro-rated to the first of each month.

G. The MANAGING AGENT agrees to establish and retain records involving books of original entry, general ledger and subsidiaries, canceled checks and bank statements, rental and expense statements, legal documents and joint venture agreements.

H. The OWNER will select the independent public accountant for year-end audits. The expense of the audit will be paid from project monies.

All certifications and recertifications are kept on file in The Community office for easy audit verification by the MANAGING AGENT and auditors. Internal controls are extensive and have as their objective proper recording, collecting and retrieving of cash collected. A series of cross classification checks are implemented to assure a series of audit trails including occupancy reports by unit, income verifications, master tenant logs indicating actual rent paid and any difference from market rent indicated, project income ledger by unit, bank deposit slips, bank statements and payment received sheets. These various forms of documentation provide a basis upon which cash controls are highly integrated.
EVictions FOR CAUSE AND DISPUTE RESOLUTION: If the RESIDENT is abusing property, causing undue noise or nuisance to neighbors or violating some other lease provision, the COMMUNITY MANAGER will take a series of actions. Normally, after the complaint regarding the violation has been brought to the attention of the COMMUNITY MANAGER, he/she will discuss the complaint with the particular RESIDENT and attempt to resolve the issue. If the issue is not resolved through this informal process, the COMMUNITY MANAGER issues the appropriate notice to vacate for lease violation. If the RESIDENT fails to vacate within that time, an unlawful detainer action is filed. It is rare to resort to unlawful detainer action for lease violations; management is usually successful in resolving the issue through warnings or voluntary termination of the lease. All legal and important notice forms are delivered personally and mailed to the RESIDENT by the COMMUNITY MANAGER. Normally, the unlawful detainer action, if necessary, is served by the Sheriff with the COMMUNITY MANAGER in attendance.

A uniform procedure for handling and reviewing RESIDENT grievances has been established. This procedure assures that all RESIDENTS are treated fairly and equitably and are provided an avenue for reasonable review of grievances. Any grievance must first be presented in writing or verbally to the office of the MANAGING AGENT, Cambridge Management Inc. (CMI) whose address and phone number are 1916 64th Ave. W. Tacoma, WA 98466, 253-564-2619. MANAGING AGENT will make every reasonable effort to set a time for discussion within seven (7) business days of receipt of said grievance, but in any event not later than the fourteen (14) business days of receipt of said grievance. Following the discussion, MANAGING AGENT's corporate staff including but not limited to the DIRECTOR OF PROPERTY MANAGEMENT will make a prompt investigation of all facts and interview the relevant parties to obtain statements.

A summary of such informal discussion and investigation will be prepared with a reasonable time. One copy will be given to the RESIDENT, one copy retained in the RESIDENT file and one copy retained at MANAGING AGENT's corporate office. The summary will specify the names of the participants, dates of meetings, nature of the proposed disposition and the specific reasons therefore.

MANAGEMENT AGREEMENT: The Management Agreement to be used will be in substance and content consistent with industry standards.
November 30, 2020

Assistant Administrator Kevin Moore
Land Division
Department of Land and Natural Resources
P.O. Box 621
Honolulu, Hawaii 96809

RE: Former Country Club Condominium Hotel
121 Banyan Drive
Hilo, Island of Hawaii, Hawaii 96720
Tax Map Key (3) 2-1-005:020 (Parcel 20)

Dear Mr. Moore:

We are pleased to offer a more comprehensive RRO (Repair (Acquisition, design and permitting), Renovation and Operation) plan for the redevelopment of the referenced parcel of 152 total units at the former Country Club Condominium in Hilo, Hawaii. We estimate a five year “ramp up” after completion of the renovations.

The time frame coincides with the current economic conditions prevailing due to the COVID-19 pandemic and the slow recovery period following its containment. We feel this time frame is realistic to 1) rebuild consumer confidence in air travel; 2) reduce quarantine restrictions; and 3) regain air seat capacity lost during COVID.

We will have a two-prong approach, taking advantage of the iconic Pagoda brand. Until the hotel is fully operational as a full-service hotel, we will offer long term monthly rentals geared to locals and students.

The Pagoda brand, headquartered in Honolulu, has provided accommodations to the local community for over 55 years. Our intent is to bring this same local flavor to the Hilo community with the “Pagoda Hilo Bay Hotel”. We have a track record with proven success amongst the locals.

With the restoration of the meeting space and restaurant, we intend to duplicate the success of Pagoda Hotel and Restaurant in building the
meeting group market with school groups, church groups, and local conventions. It is no wonder that Pagoda is considered the kama‘aina’s “home away from home” and a place to create lasting memories from weddings, retirement parties, anniversaries, and local corporate meetings.

Once the local community has returned, we will then work to attract mainlanders to Hilo as not only an affordable oceanfront hotel but an area so diverse with its proximity to the volcano, its orchid farms, black sand beaches, and other attractions in the area, the Banyan Tree Drive, in particular.

The “Pagoda” brand success has always been to take care of the local community and to the many non-locals looking for an alternative to “brand” hotels; looking for the “best kept secret” and charm of a locally-owned hotel.

We will partner with G70, a local architectural firm, who will lead the restoration process.

The passion expressed from our team is evidence that we view our mission as stewards of this historic area by restoring the area and returning it to the community as well as re-introducing it to the world. It is our intent to make Hilo and the Pagoda Hilo Bay Hotel, the “cultural heart of Hawaii”.

Sincerely,

Peter Savio

Attachments: Exhibits A-F
EXECUTIVE SUMMARY

TMK: (3) 2-1-005:020 (Parcel 20)

Proposal from the Pagoda Hilo Bay LLC is predicated upon receiving favorable terms on a 65-year lease of subject parcel from the State.

As previously stated in the initial SOQ, we have a team with local roots that will accomplish the goal of DNLR to 1) repair and renovate the subject property, 2) improve the overall aesthetics of the Banyan Drive area, 3) operate the subject property under a long-term lease and 4) intrinsically redevelop and share this historic area with kama'aina as well as others.

Initially, applicant anticipates 60% for transient accommodations and 40% to be leased for long term rentals. The ultimate goal is to be 100% transient.

The restoration/renovation is three pronged. Phase 1 will encompass the first two years of continued mixed use of existing short and long term rentals. This period will allow for all permitting and due diligence. During Phase 2 or the third year, the complex will be shut down completely so renovations can be done within a 12-month timeframe. In Phase 3, the property will be relaunched as a new product for Banyan Tree Drive.

The long-range goal for marketing the property is to establish it as a viable alternative oceanfront location in Hilo. The initial go-to market is the loyal kama'aina for the long term as well as transient rentals. Student housing and the corporate markets will also be a target market due to its location and proximity to businesses and the University. Once the destination is re-established, marketing will broaden to international and mainland visitors.
Repair, Renovation and Operation Plan

TMK: (3) 2-1-005:020 (Parcel 20)

3. a. Site Plan

The Site Plan will be provided upon the award of a 65 year lease on the subject property.

Applicant will renovate/upgrade existing structure as stated in the Assessment Report. A final version will be provided once the County of Hawaii is in agreement as to final renovation, changes and upgrades.

b. Narrative Description

i. Our intent is to renovate TMK: (3) 2-1-005:020 (Parcel 20) as an apartment/hotel complex.

ii. Applicant is committed to do the renovation as outlined in the Assessment Report, Exhibit A. Our intent is to shut down completely during the renovation.

iii. For the DLNR's repair, renovation and operation objectives, refer to G70's proposal, Exhibit B.

iv. The benefit to State of Hawaii and the Banyan Drive community is paramount to the Applicant's team. Applicant has roots in Hilo and finds it a privilege to restore this area with a complex benefitting both the local community as well as tourists. Applicant intends to renovate this historic area/building as a gathering place and also one which is affordable for the locals as well as tourists to enjoy.

c. Special Management Area

Refer to Exhibit B from G70

d. Proposed Design Standard

Refer to Exhibit B from G70
3. e. Phasing Plan

During renovation, the hotel will be shut down completely and will take approximately 12 months.

f. Protection of Shoreline Areas and Coastal Waters

Refer to proposal by G70, Exhibit B

g. Illustrations & Other Information

Refer to proposal by G70, Exhibit B

h. Community Benefits

Applicant has a proven track record with the local kama'aina as demonstrated at the Pagoda Hotel in Honolulu. Purchased in 2010, the Pagoda remains a household name with a rich history of over 55 years. The hotel, the grounds, the restaurant and ballrooms have a similar footprint in Hilo and the intent is to mirror this successful operation here. First and foremost, it will be affordable. And with the renovation of the restaurant and meeting space, it will be a gathering place for social events such as weddings, baby luaus, birthday celebrations and other memorable events. With the apartment component, local families and students will be able to reside alongside the visitor.

i. No change from the SOQ.
4. **Economic Proposal**

   a. **Annual Minimum Lease Rent**

   Applicant requests a lease term of (65) sixty-five years with annual minimum lease rent as provided below. During the first ten year period of the lease the property will be renovated to bring it up to full operational capacity. Therefore, the first ten year period has been divided up into three phases. The first phase is the acquisition/design and permitting phase. We anticipate this phase to last for two years. The second phase is the renovation phase in which the property will be closed with no occupancy to allow for the most efficient and expedient renovation process. We anticipate this phase to take one year. The final phase is the operational phase in which the property will be put in service as a hybrid transient and long term rental property. The following details the proposed annual minimum lease rent during the sixty-five year lease term:

   **Years 1-2:** Annual minimum rent to be $54,000 ($4,500 per month).

   **Year 3:** Annual minimum rent to be $24,000 ($2,000 per month).

   **Years 4-10:** Annual minimum rent to be $96,000 ($8,000 per month) plus 5% of gross revenues over the annual breakpoint of $1,920,000.

   **Years 11-20:** Annual minimum rent in year 11-20 will be based on 75% of the average cumulative rent paid over years 4-10 but not to be lower than $114,000 per year ($9,500 per month) plus 5% of gross revenues over the annual breakpoint.

   **Years 21-30:** Annual minimum rent in year 21-30 will be based on 75% of the average cumulative rent paid over years 11-20 but not to be lower than $150,000 per year ($12,500 per month) plus 5% of gross revenues over the annual breakpoint.

   **Years 31-40:** Annual minimum rent to be determined based on fair market value.
Years 41-50: Annual minimum rent to be determined based on fair market value.

Years 51-65: Annual minimum rent to be determined based on fair market value.

4.b - **Lease Terms and Conditions**

Applicant is requesting a lease term of (65) sixty-five years.

4.c - **Lease Rent Waiver**

Applicant is not requesting a lease rent waiver during any portion of the lease term but is requesting a reduction of lease rent during the renovation period.

4.d - Other- None requested

5. **Business Plan**

   a. **Repair, Renovation and Operation Schedule**

   There will be three (3) phases for the RRO.

   Years 1-2 will continue with the existing operating under The existing program during due diligence and permitting Phase.

   Year 3 property will be completely shut down for renovation

   Year 4 Relaunch of the renovated new product

   b. **Land Use Entitlements and Approvals/Permits**

   Refer to G70 Exhibit B
5c. Project Cost Estimates

Committed to meet or exceed standards provided in Assessment Report.

Refer to Exhibit A and other enhancements relevant to operation of the apartment/hotel cost estimates.

d. Financial Pro Forma

During the acquisition/design and permitting phase the applicant will source approximately 2 million in funding (1.5M via a loan and .5M via equity) to acquire the lease, pay outstanding claims and to fund the design and permitting functions. During this phase the property will be utilized primarily as a long term rental for approximately two years. Due to the current economic environment the demand for transient accommodations is non-existent and we do not anticipate any demand for this type of accommodations to substantially increase in the next couple of years. Currently, the property consists of 152 units. However, based on our inspections we feel that with minimal repairs to some of the units we can utilize 130 of the 152 units. The projection for this phase (see Exhibit C) is based off a monthly rent of approximately $750 per month per unit. With this limited revenue stream for the first two years we propose to pay the State of Hawaii the amount of $4,500 per month as a lease payment.

The second phase of the project will be the renovation of the property to its final use as a hybrid transient and long term rentals. During this phase the property will be closed and there will be no occupants. We anticipate the renovation phase to take one year. We estimate that the renovation of the property will be approximately seven to nine million dollars in order to address the issues identified in the consultant’s report provided by the State of Hawaii. During the renovation phase the applicant is proposing to pay $2,000 per month as lease rent. To fund the renovation phase we will be sourcing funds from either a local or mainland lender.
During the third phase of the project the property will be operated as a hybrid transient and long term rental. The mix of transient guests and long term rental is proposed in order to maximize the revenue potential for the property. Exhibit D provides a five year projection starting from year four of the lease. The projections shows the breakout of revenue generated from transient guests and long term rentals along with the projected cash flow after all costs (including lease rent), reserves and debt service.

At the moment the applicant does not anticipate subleasing any portion of the property to a third party. If this were to occur, any additional payment to the DLNR would be based on the five (5) percent rent structure.

e. Market and Financial Feasibility Analysis

Refer to Exhibit C and D

f. Financial Strategy and Preliminary Commitments

Lender has expressed an interest in financing the renovation, upgrade and long term operation. Applicant is looking at an acquisition loan as outlined in Section 5D. Applicant is willing to personally guarantee acquisition construction long term loan.

Due to weakening in the hotel market in Hilo due to the Corona virus, applicant is willing to pledge additional collateral of another property. This strategy has been used before as a method to give Lender confidence in financing distressed properties. The Lender is protected since they have a second income-producing asset located in a different market. Applicant has been very successful in purchasing and upgrading distressed or unique properties using this method.

See Exhibit E
5g. Marketing and Leasing Plan

Marketing the property to transients will be led by Lights On Digital.

Refer to Exhibit F

The long-term renter centric marketing and leasing efforts shall be executed by long term renter management company, Savio Realty Ltd and Savio Asset Management LLC. Those efforts will consist but not limited to advertisements tailored to the property and advertising mediums employed such as MLS, Zillow, Trulia, Hotpads, Craigslist, etc. Resultant applications and leasing shall follow all legal requirements.

h. Method of Operation

Pagoda Hilo Bay LLC will lead the operation of an apartment/hotel initially with the ultimate goal to be 100% transient accommodations.
Exhibit A

Assessment Report
Assessment Report
State of Hawai‘i, Department of Land & Natural Resources, Land Division
Assess Banyan Drive Properties

Prepared by Erskine Architects, Inc.
29 June 2016
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<td></td>
</tr>
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<td>Recommendations</td>
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</tr>
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<td>3.2.1</td>
<td>Reed's Bay Resort Hotel</td>
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</tr>
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<td>3.2.2</td>
<td>Country Club Condominium/Hotel</td>
<td></td>
</tr>
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<td>3.2.3</td>
<td>Uncle Billy's Hilo Bay Hotel</td>
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<td>3.3</td>
<td>Important Notes Concerning Health, Safety and Welfare</td>
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<th>Part Four</th>
<th>APPENDICES</th>
<th>Page 124</th>
</tr>
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<tbody>
<tr>
<td>4.1</td>
<td>Abbreviations and Acronyms</td>
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<td>Limited Hazardous Materials Survey Report</td>
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<tr>
<th>Part Five</th>
<th>WORKS CITED</th>
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</tr>
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</table>
Part One INTRODUCTION

1.1 Background

The State of Hawaii, Department of Land and Natural Resources (DLNR) owns several parcels of land along Banyan Drive in the city of Hilo's Waiakea Peninsula on the island of Hawaii. The subject properties include Reed’s Bay Resort Hotel (TMK: (3) 2-1-005: 022), Country Club Condominium/Hotel (TMK: (3) 2-1-005: 020 and 023), and Uncle Billy’s Hilo Bay Hotel (TMK: (3) 2-1-005: 009, 012, 033, 034, 035, and 045), hereinafter referred to as Reed’s Bay, Country Club, and Uncle Billy’s or collectively as the Properties. They were originally leased by the DLNR to private entities to operate and run hotel, condominium, and long-term rentals, with various supporting functions. The lease agreement between the lessors and the State of Hawaii for all three of the Properties expired on March 14, 2015. After which, Country Club went to a month-to-month permit, while Uncle Billy’s and Reed’s Bay were both on a one-year hold over lease that expired on March 15, 2016. Uncle Billy’s announced plans to close their doors on February 1, 2016. On February 12, 2016, the Board of Land and Natural Resources (BLNR) approved the transfer of Uncle Billy’s land lease to Peter Savio, which will be managed by Castle Resorts and Hotels. The hotel was renamed Pagoda Hilo Bay Hotel, however for the purpose of this Report it will be referred to as Uncle Billy’s.1

At the time this Report was being written, the DLNR owned and managed the Properties. During a public meeting held on January 15, 2016, the DLNR and County of Hawaii announced their proposal to form a redevelopment agency, named Banyan Drive Hawaii Redevelopment Agency (BDHRA). The Agency’s goal is to adopt and implement a master urban redevelopment plan for the area. The agency will operate under the County of Hawaii Planning Department and will consist of five (5) members, appointed by the mayor and approved by the County Council. The Planning Department is to remain the lead agency until BDHRA is organized and able to perform their duties, at which time they will be established as a separate agency. This Report was geared toward the DLNR, however as a result of this shift in managing the Properties, other entities will also be reading it.

1 (Callis, Aloha, Uncle Billy's: Iconic kamaaina business closing after 50 years)
2 (Segal)
3 (Kanuha)

State of Hawaii, Department of Land & Natural Resources, Land Division
ASSESS BANYAN DRIVE PROPERTIES
The DLNR commissioned this Report in part because the Properties have degraded and are now in various states of disrepair with much needed improvements. Regular maintenance, repairs, and retrofits that would normally occur were not done, or done in a haphazard or minimal fashion. The DLNR needed additional information in order to assist with their future decision making when contemplating whether or if some other cause of action should occur. The DLNR ultimately contracted with Erskine Architects, Inc. (EAi) to assess the three properties. EAi formed a team of consulting engineers to assist with the assessment of the Properties. The consultant team is comprised of the following companies:

- Environmental Services and Training Center, LLC - Environmental Engineer
- The Limitaco Consulting Group, Inc. - Civil Engineer
- Iwamoto and Associates, LLC - Structural Engineer
- Engineering Partners, Inc. - Mechanical and Electrical Engineer

Prior to writing of this Report, the DLNR completed a "Remaining Useful Life Determination" (RUL) study for the Properties, along with a "Banyan Drive Sea Level Rise Assessment Report" and a "Banyan Drive Task Force Meeting" power point presentation that included the reports noted above along with a tourism market study and master lease feasibility analysis. Major highlights of these prior studies are included under Section 2.4.

1.2 Objectives

The information gathered and presented in this Report was necessary in order to provide the DLNR with additional information to assist with their decision making of the Properties' future. There are several objectives to this Report:

- Assess each property and identify areas needing minimum repair, or retrofit to address health, safety, and welfare (HSW) issues and/or to identify other improvement areas that need to be fixed due to degradation.
- Develop evaluation criteria and Properties/Selection Matrices to assist in the review analysis of each property.
- Provide a primary and alternative recommendation for each property.

1.3 Methodology

The project included the following phases of work:

- Phase 1: Perform due diligence and visual surveys of each property.
- Phase 2: Building code, life safety, accessibility (by DLNR), and land use review.
- Phase 3: Develop an Existing Conditions and Opinion of Probable Costs (OPC) spreadsheet.
- Phase 4: Compile the Assessment Report.

Phase 1 began with the extensive process of attempting to track down prior design drawings, facility drawings, and/or record drawings and/or design information for each of the Properties. This required contacting the DLNR, the DLNR lessees, the County of Hawai‘i, original owners, and other entities that may have previously done work on the Properties. With the exception of Country Club, the availability of existing drawings was very limited. This resulted in EAi personnel visiting the Properties to develop rough diagrams of the site plan and floor plans of each floor level of each property. The existing Country Club drawings were also site verified. The hand drawn diagrams and existing Country Club drawings were then transferred into electronic format (AutoCAD). The diagrams were used as a point of reference by EAi and its consultant team to perform their visual surveys, as well as code research. With diagrams in hand, EAi and its consultant team visited the three properties and conducted visual surveys. Research of the site utilities, vehicular access, driveway, parking infrastructure, fire truck access, fire lane, and fire hydrant locations also occurred. The Environmental Engineer conducted the limited hazardous materials survey of the Properties. The Environmental Engineers collected four hundred and ninety-two (492)
samples of suspected asbestos-containing materials (ACM), forty-one (41) paint chip samples, and three (3) samples of suspected arsenic treated materials. The suspected ACM and paint chip samples were sent to EMC Labs, Inc. to be analyzed, while the suspected arsenic samples were sent to NVL Laboratories, Inc. Their findings were issued in the Limited Hazardous Materials Survey Report, identifying the presence of ACM and lead paint. A summary of the hazardous materials findings will be discussed later in this Report.

Phase 2 included the review of several regulatory codes. The DLNR performed the review of the Americans with Disabilities Act (ADA). The 2006 International Building Code (IBC) and the County of Hawaii Land Use Ordinance (LUO) were also reviewed. The initial code findings were presented to the County of Hawaii Planning Department during an informal meeting held on January 6, 2016. The purpose of the meeting was to inform the County of Hawaii of the DLNR's assessment project and to share the initial IBC and LUO review summaries with the County of Hawaii.

Phase 3 involved organizing the visual survey findings. EAI developed an Existing Conditions spreadsheet for each consultant to use in recording their findings. Due to the immense amount of information gathered, the goal of the Existing Conditions spreadsheet was to create a simplified system that was uniform for all disciplines. An Existing Conditions spreadsheet was developed for each Property. The spreadsheets were used to document the problem areas, the locations, and a proposed solution for each problem area. The consultants and the DLNR ADA Coordinator provided their populated spreadsheets, corresponding photos and diagrams to EAI. EAI then coordinated and compiled the information into a series of spreadsheets. Additional information on the organization of the spreadsheets is found in Section 2.1.

Phase 4 consisted primarily of the organization of the gathered information into this Report. In an effort to identify potential outcomes based upon an objective format, a grading criterion and scoring matrices were developed. The DLNR hired a public outreach firm, Munekyo Hiraga, to lead a public outreach effort. A public informational meeting was on January 15, 2016 in Hilo.
Part Two PROPERTY ASSESSMENT

2.1 Assessment Overview

Visual surveys of each property were performed by EAI and its consultant team. The visual surveys consisted of non-destructive visual observations of exposed building elements at the interior and exterior that were readily accessible and permitted by the DLNR and/or the lessee. Hidden or concealed conditions such as those covered by floor, roof, ceiling, or wall panels and coverings, inaccessible areas, and non-common areas were not reviewed. The visual surveys took place from floor level locations. The level of assessment and visual observations performed was not meant to be an exhaustive check or inspection of the various facilities. With the exception of the limited hazardous materials survey, physical testing of any portions of the building, utilities, power, or other areas of the site did not occur. Instead, the visual surveys were focused primarily on the common areas, with a closer look at areas containing significant or readily observable damage and/or obvious non-compliance with current building, life safety, and accessibility codes (collectively referred to as areas of distress). The survey did not reflect complete review or analysis with all codes, nor repair costs. The areas of distress identified from the visual survey were recorded and then entered into an Existing Condition spreadsheet, one for each property. Each existing condition was then assigned a findings number:

There are four components that make up the findings number. The first two letters identify the property:

- RB - Reed's Bay
- CC - Country Club
- UB - Uncle Billy's

The third digit represents the floor level, which may be a number (0-6) or "R" for roof. Basement levels are labeled as "0". The fourth digit is the discipline designator (the primary type of work that is required to address the existing condition): C - Civil; A - Architect; D - ADA Coordinator; S - Structural; M - Mechanical; E - Electrical. The final two digits identify the findings number of the existing condition. The findings number begins with "01" and is reset at each floor level.

The findings number is the first column listed in the Existing Conditions spreadsheets, see example below. It is followed by the date of finding, floor level of the finding, location of the finding, finding's description, finding's proposed solution, and disciplines impacted by the finding (i.e. architectural, civil, structural, plumbing, mechanical, and electrical). The last column is the OPC, which is an estimated cost figure that is needed to address the findings. The estimated cost figures provided under the OPC column is an educated guess only. No actual material take-offs or formal cost estimating application was performed. However, costs needed to be tallied in order to develop a rough financial picture. The OPC sum is listed at the bottom of the Existing Conditions spreadsheet for each property. The rows of the Existing Conditions spreadsheet are organized by discipline, and further arranged by: Site → Basement → First Floor → Second Floor → ... → Roof. An Existing Conditions spreadsheet was developed for each property.

Property Name: Reed's Bay Resort Hotel

<table>
<thead>
<tr>
<th>Property Name</th>
<th>Floor</th>
<th>Discipline</th>
<th>Finding</th>
<th>Proposed Solution</th>
<th>Disciplines Impacted</th>
<th>OPC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reed's Bay</td>
<td>1</td>
<td>C</td>
<td>Column A</td>
<td>New column</td>
<td>Architecture, Civil</td>
<td>$1000</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>S</td>
<td>Column B</td>
<td>Replace element</td>
<td>Structural</td>
<td>$2000</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>M</td>
<td>Column C</td>
<td>Upgrade system</td>
<td>Mechanical</td>
<td>$3000</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>E</td>
<td>Column D</td>
<td>Install new fixture</td>
<td>Electrical</td>
<td>$4000</td>
</tr>
</tbody>
</table>

Figure 3 Existing Conditions Spreadsheet Example
2.2 Site Surroundings & Future Projects

Banyan Drive is conveniently located approximately two (2) miles from the Hilo International Airport (General Lyman Field). Its name is derived from the banyan trees scattered throughout Hilo’s Waiakea Peninsula. A little known fact is that from 1933 to 1972, approximately 50 banyan trees were planted by celebrity visitors, making it Hilo’s “Walk of Fame”. Such celebrities include Babe Ruth, President Roosevelt, and Amelia Earhart.

Hotels and condominiums line the ocean side of Banyan Drive, while the Banyan Golf Course anchors the peninsula at the center. On the west side of Banyan Drive is the Queen Liliuokalani Gardens, a 30-acre Japanese garden surrounding the Waihonu Pond. Just offshore from the garden is Moku Ola (Coconut Island), accessible by a footpath. Further west, the Wailoa River cuts through the land and empties into Hilo Bay. Located to the east is Reeds Bay.

There are two noteworthy projects occurring in the surrounding areas: renovation of Hilo Naniloa Hotel and creation of the Hilo Bayfront Trails. In July 2015, Banyan Drive’s Hilo Naniloa Hotel began its $18.5 million renovation project. The renovation at the 388-room hotel is expected to be completed in June 2016. Following the completion of the renovations, the hotel will become part of the DoubleTree franchise.

The Hilo Bayfront Trails is a County of Hawai‘i project that extends approximately three (3) miles along the Hilo Bay front coastline from Waikuku River to Hilo Harbor. The project includes a system of pathways for walking, biking, and other non-vehicular modes of travel. Its goals include enhancing the area’s natural beauty, increase access for residents and visitors, highlight the site’s cultural significance, and protect the fragile coastline and waterways surrounding the Hilo Bayfront.

2.3 Listing of Regulatory Agencies

Future construction projects will require review and approval by government agencies and public utility companies. All building permit applications are routed through the County of Hawai‘i Department of Public Works (DPW) Building Division. Because the Properties are owned by the State of Hawai‘i, the DLNR is also required to review all designs prior to the building permit application or commencement of construction. The following is provided as background information for the Properties.

2.3.1 Federal Emergency Management Agency (FEMA)

According to FEMA, the Flood Insurance Rate Map (FIRM) indicates that the Properties are located in Flood Zone VE. Zone VE is defined as a coastal flood zone with velocity hazard (wave action), which is also known as tsunami inundation areas as stated in the Hawai‘i County Code (HCC) Chapter 27 Floodplain Management (Section 27-23). The Base Flood Elevation (BFE) is 13 feet above sea level. Additional information is provided later in the Report.

* (Banyan Drive’s Trees)
* (Callis, Naniloa’s Mauna Loa Tower Renovation Underway)
* (Helber Hastert & Fee)

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Page 6
2.3.2 Tsunami Evacuation Zone

The tsunami evacuation line is an arbitrary line identified by the Civil Defense to assist the Police Department with securing the safety of citizens in the event of a tsunami. The subject properties are located inside this zone.

*Figure 5 WAUKEA PENINSULAR LOCATED INSIDE THE TSUNAMI EVACUATION ZONE*  
(National Oceanic and Atmospheric Administration)
2.3.3 State of Hawai'i Land Use District

The Properties are located in an area classified as Urban District by the State of Hawai'i land use code. Per the Land Use Commission (LUC), Urban Districts are comprised of lands "characterized by 'city-like' concentrations of people, structures, and services" and include areas for future development\(^\text{19}\). Lot sizes and uses are determined by county ordinance.

\(^{19}\) (State of Hawai'i Land Use Commission)
2.3.4 County of Hawai'i Zoning

Per the County of Hawai'i zoning map, the Properties are located within the V-.75 Resort Hotel District. This refers to areas that accommodate visitors, tourists, and transient guests. Permitted uses in this district include multi-family dwellings and hotels. The 0.75 digit following the "V" refers to the maximum square feet of each rentable unit; in this case, 750 square feet.
2.3.5 Special Management Area and Special District

The SMA system was established in 1975 with the Act 179 revision to the Coast Zone Management (CZM) law. Known as the Shoreline Protection Act, the purpose of this Act is to preserve, protect, and restore the resources found in the coastal zone of Hawaii. A special permit is required when land falls within the SMA boundaries determined by the CZM Program. This permit regulates zoning and development plans to ensure compliance with CZM objectives and SMA guidelines.15

The Properties are located within the SMA.

15 (State of Hawaii)
2.3.6 Kuleana Lands

The Great Maheia of 1850 converted the Hawaiian Lands that had traditionally been held in trust to an owned commodity. People were given the opportunity to acquire the land on which they lived and/or cultivated crops. The process required claimants to provide proof of residency or active use. Land granted to the common people was known as Kuleana Lands and were assigned a Land Commission Award (LCA) number. Based on review of the TMKs, there are no designated LCA parcels associated with the Properties.

2.3.7 Accessibility Requirements

The Properties are owned under State of Hawai‘i and are required to meet accessibility standards conforming with the 2010 ADA Standards for Accessible Design, assembled by the United States Department of Justice. The 2010 ADA Standards for Accessible Design are the result of the ADA and became the guidelines for utilizing accessible design in the United States as of March 15, 2012, replacing the Americans with Disabilities Act and Architectural Barriers Act Accessibility Guidelines (ADA-ABAAG).

2.4 Other Studies

2.4.1 Remaining Useful Life Determination

In April 2014, SSFM International, Inc. completed Remaining Useful Life Determination reports for Reed's Bay, Country Club, and Uncle Billy's. The goal was to assist in the decision making of the future of the Properties. SSFM International, Inc. studied the building facilities and physical plant of the Properties through meetings, interviews, and on-site inspections. Based on the Information gathered and assuming continuation of the current usage, SSFM International, Inc. determined the RUL:

- Reed's Bay: 12-15 years.
- Country Club: 5-8 years.
- Uncle Billy's: 5-10 years.\(^{15}\)

\(^{15}\) (SSFM International)

2.4.2 Sea Level Rise Assessment

Munekiyo and Hiraga, Inc. assessed the impact Sea Level Rise (SLR) will have on seven (7) properties located along Banyan Drive. For the three properties included in this Report, Munekiyo and Hiraga, Inc. concluded the impacts of 2100's 3-feet SLR:

- Reed's Bay: Existing building closest to the ocean may be at risk of inundation. The landward encroachment of sea level is estimated to be 82-feet.
- Country Club: No inundation beyond property lines. The landward encroachment of sea level is estimated to be 0-feet.
- Uncle Billy's: Substantial loss is not predicted. The landward encroachment of sea level is estimated to be 20-feet.\(^{16}\)

\(^{16}\) (Munekiyo and Hiraga, Inc.)

2.4.3 Banyan Drive Task Force Meeting

Munekiyo and Hiraga, Inc. presented at the Banyan Drive Task Force meeting on May 2, 2014. The presentation included information from a Tourism Market Study which analyzed statistics on the current hotels in Hilo, and compared visitor characteristics, hotels, and activities throughout the Hawaiian Islands. The study also looked at Hilo's hotel demand and why the visitor numbers are low compared to the rest of the state, and what could possibly be done to increase the number of visitors to Hilo. The presentation also included a summary of SSFM International Inc.'s RUL reports. Munekiyo and Hiraga, Inc. discussed the Master Lease Feasibility Analysis, assessing managing all three properties under a single master lease. They recommended against the master lease because of the limited economies of scale that results in the undesirable risk for all parties involved. Munekiyo and Hiraga, Inc. suggested consolidating Uncle Billy’s three (3) leases. They stated not only will this simplify the lease management, but by consolidating Uncle Billy’s TMKs, it will be more appealing for future redevelopment and reuse of the property. They also recommended allowing the organization of a lessees’ association. The last part of the presentation was a summarization of the Sea Level Rise Assessment Preliminary Findings.

State of Hawaii, Department of Land & Natural Resources, Land Division
ASSESS BANYAN DRIVE PROPERTIES
2.6  Country Club Condominium/Hotel
2.6.1 County of Hawaiʻi Land Use Code Review

<table>
<thead>
<tr>
<th>Project Site Information</th>
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<tbody>
<tr>
<td><strong>Owner</strong></td>
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<td><strong>Property Address</strong></td>
</tr>
<tr>
<td><strong>TMKs</strong></td>
</tr>
<tr>
<td><strong>(Total) Lot Area</strong></td>
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<table>
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<th>Land Use Information</th>
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</thead>
<tbody>
<tr>
<td><strong>Zoning</strong></td>
</tr>
<tr>
<td><strong>Existing Number of Rentable Units</strong></td>
</tr>
<tr>
<td><strong>Minimum Building Area</strong></td>
</tr>
<tr>
<td><strong>Minimum Site - Average Width</strong></td>
</tr>
<tr>
<td><strong>Front Yard Setback</strong></td>
</tr>
<tr>
<td><strong>Rear Yard Setback</strong></td>
</tr>
<tr>
<td><strong>Side Yard Setback</strong></td>
</tr>
<tr>
<td><strong>Landscaping</strong></td>
</tr>
<tr>
<td><strong>Height Limit</strong></td>
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<td><strong>Flood Zone</strong></td>
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<table>
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<th>Base Flood Elevation</th>
<th>Indicates the required elevation of lowest Inhabited floor level per HRS 27-23</th>
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<tr>
<td><strong>Special Management Area</strong></td>
<td>13 FT above sea level</td>
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<tr>
<td><strong>Historic Register</strong></td>
<td>SMA Permit Required</td>
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<tr>
<td><strong>Special District</strong></td>
<td>TBD</td>
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<tr>
<td><strong>State Land Use</strong></td>
<td>TBD</td>
</tr>
<tr>
<td><strong>(Existing) Use</strong></td>
<td>Urban</td>
</tr>
<tr>
<td></td>
<td>(10) Hotels and lodges: B) for hotel guest units with kitchen, one and one quarter for each unit</td>
</tr>
<tr>
<td></td>
<td>(14) Meeting facilities: one for each seventy-five square feet of gross floor area</td>
</tr>
<tr>
<td><strong>25-4-51 Required Number of Parking Spaces</strong></td>
<td>5,113 SF / 75 = 68</td>
</tr>
<tr>
<td></td>
<td>8,343 SF / 300 = 28</td>
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<tr>
<td><strong>25-4-55 Off-Street Loading Requirements</strong></td>
<td>286</td>
</tr>
<tr>
<td></td>
<td>Accesible Stalls Required</td>
</tr>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Accessible Stalls Provided</td>
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<td><strong>25-4-55 Off-Street Loading Requirements</strong></td>
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<td></td>
<td>Loading Spaces Required</td>
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<td>3</td>
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<td></td>
<td>Accessible Loading Zone</td>
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<tr>
<td><strong>Minimum Required Accessible Spaces</strong></td>
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<td>Loading Spaces Provided</td>
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<td><strong>25-4-55 Off-Street Loading Requirements</strong></td>
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<tr>
<td><strong>Total Required Parking Stalls (Exst)</strong></td>
<td>65</td>
</tr>
<tr>
<td><strong>Total Stalls Provided (Exst)</strong></td>
<td>7</td>
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**Existing**

<table>
<thead>
<tr>
<th>Parking Stalls Required</th>
</tr>
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<tbody>
<tr>
<td>152 units (1.25) = 190</td>
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<table>
<thead>
<tr>
<th>Hotel, meeting facilities, restaurant (permitted use)</th>
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<tbody>
<tr>
<td>5,113 SF / 75 = 68</td>
</tr>
<tr>
<td>8,343 SF / 300 = 28</td>
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**New**

<table>
<thead>
<tr>
<th>Parking Stalls Required</th>
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<td>286</td>
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**Existing**

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</tr>
<tr>
<td>7</td>
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</tbody>
</table>

**New**

<table>
<thead>
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<th>Parking Stalls Provided</th>
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<tr>
<td>7</td>
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</table>

**Assess Banyan Drive Properties**

State of Hawaiʻi, Department of Land & Natural Resources, Land Division
### 2006 International Building Code Review

<table>
<thead>
<tr>
<th>Location</th>
<th>Construction Type</th>
<th>Occupancy Group</th>
<th>Allowable Building Area (SF) Per Story</th>
<th>Existing Building Area (SF) Per Story</th>
<th>Building</th>
<th>Allowable Building Height</th>
<th>Existing Building Height</th>
<th>Number of Rental Units</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: Lobby, Restaurant, Covered Parking, Meeting Room, Storage</td>
<td></td>
<td>B</td>
<td>23,000 SF</td>
<td>6,224 SF</td>
<td>Hotel</td>
<td>4 Stories</td>
<td>6 Stories</td>
<td>152</td>
<td>Building may qualify for frontage increase; this would increase allowable floor area but not allowable height</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A-2</td>
<td>9,500 SF</td>
<td>2,119 SF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Mixed occupancy building - unity ratio requirements apply to allowable b/area</td>
</tr>
<tr>
<td></td>
<td></td>
<td>S-2</td>
<td>26,000 SF</td>
<td>6,642 SF</td>
<td>Lobby</td>
<td>4 Stories</td>
<td>1 Story</td>
<td>N/A</td>
<td>R-2, non-transient; Occupancy for more than 30 days</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IB, NS</td>
<td>A-3</td>
<td>9,600 SF</td>
<td>2,505 SF</td>
<td></td>
<td></td>
<td></td>
<td>Note that Hawai’i State Tax transient accommodation tax applies for leases of 180 days or less</td>
</tr>
<tr>
<td>2</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td>4</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>6</td>
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<td></td>
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<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Floor</th>
<th>Location</th>
<th>Occupancy Group</th>
<th>Table 10.4.1.1 Function</th>
<th>Approximate Floor Area</th>
<th>Floor Area Occupancy</th>
<th>Occupant Load</th>
<th>Corridor Fire Resistance Rating (Table 10.17.1)</th>
<th>Required Number of Exits (Tables 10.16.1, 10.19.1)</th>
<th>% of Total Floor Area</th>
<th>Number of Required Accessible Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mauka Wing</td>
<td>B - Office, Small Lobby, Support, Kitchen</td>
<td>Business Areas</td>
<td>6,224 SF</td>
<td>100</td>
<td>162</td>
<td>NS - 1 HR</td>
<td>2</td>
<td>35%</td>
<td>152 Total Units = 8 Accessible Units Minimum</td>
</tr>
<tr>
<td></td>
<td>A-2 Restaurant</td>
<td>Assembly - Unconcentrated</td>
<td>2,119 SF</td>
<td>15</td>
<td>141</td>
<td>NS - 1 HR</td>
<td>2</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>S-2 Low Hazard Storage</td>
<td>Parking Garages (exceeds Group U Infill), Storage Areas, Laundry</td>
<td>6,842 SF</td>
<td>200</td>
<td>34</td>
<td>NS - 1 HR</td>
<td>2</td>
<td>38%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A-3 Community Hall</td>
<td>Assembly - Unconcentrated</td>
<td>2,595 SF</td>
<td>15</td>
<td>173</td>
<td>NS - 1 HR</td>
<td>2</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Mauka/Makai Wings</td>
<td>R-2 Hotel, Nontransient Residential</td>
<td>14,382 SF</td>
<td>200</td>
<td>72</td>
<td>NS - Not Permitted</td>
<td>2</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>14,339 SF</td>
<td>200</td>
<td>72</td>
<td>NS - Not Permitted</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

State of Hawai‘i, Department of Land & Natural Resources, Land Division
ASSESS BANYAN DRIVE PROPERTIES

Page 42
<table>
<thead>
<tr>
<th>Property</th>
<th>Structure Size (SF)</th>
<th>Zoning</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>14,300 SF</td>
<td>NS</td>
<td>Net Permitted</td>
</tr>
<tr>
<td>5</td>
<td>14,300 SF</td>
<td>NS</td>
<td>Net Permitted</td>
</tr>
<tr>
<td>6</td>
<td>14,300 SF</td>
<td>NS</td>
<td>Net Permitted</td>
</tr>
</tbody>
</table>

*Text: Non-conformity with IBC*
SIDE YARD SETBACK: 6' 0" FOR ONE STORY, PLUS ADDITIONAL 2' 0" PER ADDITIONAL STORY

LEGEND

BUILDING ENVELOPE
- EXISTING BUILDING INSIDE BUILDING SETBACKS
- EXISTING BUILDING OUTSIDE BUILDING SETBACKS

Figure 11: Building Envelope Study

State of Hawaii, Department of Land & Natural Resources, Land Division

ASSESS BANYAN DRIVE PROPERTIES
COUNTRY CLUB CONDOMINIUM/HOTEL

TYPICAL UPPER FLOOR

MUST COMPLY WITH IBC
ATRIUM REQUIREMENTS

HOTEL
GROUP R-2
14339 S.F.
OCC LOAD: 72

PREPARED BY:
STATE OF HAWAI'I DEPARTMENT OF LAND AND NATURAL RESOURCES, LAND DIVISION
ASSISTANT STATE ENGINEER
JULY 14, 2015

SCALE: 1/24" = 1'-0"
2.6.3 Limited Hazardous Materials Survey

The Limited Hazardous Materials Survey Report tested two hundred and four (204) suspected ACM samples, of which ten (10) tested positive for ACM's. Non-friable Category I ACM's were found in the following locations:

- Elevator shaft roof - Black sealant around metal handles
- Floors 1-6 and Halaau Room - Drywall Wall
- Floors 2, 4-6 Makai Wing and corridor - Yellow carpet mastic on leveling compound
- Makai Wing stairwell - Window caulking around large glass window
- Floors 2-3, 5 Makai Wing, Halaau Room - Window caulking

Friable ACM's were found in the following locations:

- Halaau Room - Spray-on ceiling material
- Parking Garage Ceiling - 4" and 6" wrapped insulation (T-Joint), spray-on ceiling material

All friable ACM and any non-friable ACM that could be crumbled and pulverized during renovation/demolition is required to be removed and disposed of by a qualified asbestos abatement contractor.

Of the thirteen (13) paint chip samples, one (1) in poor condition was LBP. The LBP was found in the elevator shaft roof metal handrails. Five (5) paint chip samples were classified as LCP. The LCP was found in the following locations:

- Main Roof - Metal soffit vents and metal exhaust vent platform
- Corridors - Wood ceiling, concrete ceiling, and metal doublfloor frame
- Garage and Laundry Area - Metal fire hose casestfire alarm beltpipe
- Exterior - Concrete beams and metal pipes

LBP and loose and flaking LCP that may be disturbed during renovation/demolition should be removed and disposed of in accordance with applicable local, state, and federal regulations.

The two (2) suspected arsenic treated material samples taken do not contain detectable levels of arsenic.

2.6.4 Existing Property Overview

Country Club is the tallest structure of the Properties, standing at six-stories. Built in 1969, it is comprised of a single structure that totals approximately 89,401 square feet. For the purpose of this Report, the structure was divided into two wings: Makua Wing and Makai Wing. The first floor Makua Wing is comprised of the office, restaurant (closed), and storage. While the first floor Makai Wing houses the meeting room, storage, and covered parking. The manager's unit is located on the second floor with a connecting staircase to the first floor office. Units are located on the second through sixth floors, which total approximately one hundred and fifty-two (152) units.

2.6.5 Existing Water System

The property is served by an existing 12-inch ductile iron water main owned by the DWS. The 12-inch water main is located in the Banyan Drive right-of-way. There is an existing fire hydrant on the street side of the property.

Two water meter accounts are associated with this property. At the time of this Report the purpose of each account was unknown. The following information was obtained from the DWS in September of

22 (EnviroServices & Training Center)

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Based on the information obtained, it appears that Country Club has approximately 103 additional units of water (41,200 gal/day) available. It is reasonable to assume that this property could increase its water usage. However, the DWS will need to approve any proposed improvements because allowable units of water are subject to change. The DWS Water System Standards dated 2002 also states, in Table 100-18, that the average daily demand for a zoning designation of "Resort" is subject to special review and control by the Manager.

2.6.6 Existing Sewer System

Wastewater generated from the property flows into an existing 15-inch County of Hawai‘i sewer main, along Banyan Drive. An existing sewer manhole (SMH# 5759) is located in the northwestern driveway just outside the parcel in the public right-of-way. The County of Hawai‘i indicated that no recent sewer studies are available to confirm the existing flows, however, at the time of its construction in the 1960s, this portion of the sewer system was intended to accommodate a design flow of 1.16 MGD (805 GPM).

Based on preliminary discussions with the County of Hawai‘i Department of Environmental Management, increases to the property occupancy or to the amount of wastewater generated will require a Sewer Study to assess the existing sewer system capacity.

Wastewater from the property travels along Banyan Drive towards an existing sewage pump station (Banyan Pump Station) located to the north of the intersection of Banyan Drive and Banyan Way. Wastewater is then pumped through a 10-inch force main into another portion of the County of Hawai‘i sewer system and ultimately treated at the Hilo Wastewater Treatment Plant.

2.6.7 Existing Drainage System

The property is generally sloped towards the ocean and stormwater runoff drains by sheet flowing towards the back of the property into Reed’s Bay.

The County Club parcel is within the special flood hazard area and designated as Zone VE. Zone VE is defined in Chapter 27, Floodplain Management, of the HCC as coastal high hazard and commonly known as the tsunami inundation zone. As described in this chapter, Zone VE is the special flood hazard area that corresponds to the one-hundred-year coastal floodplains extending from offshore to the inland limit of a primary coastal dune along an open coast and any other area subject to high velocity wave action from storms or seismic sources. It is an area subject to high velocity waters, including coastal and tidal
inundation or tsunamis. Whole-foot base flood elevations derived from the detailed hydraulic analyses have been determined at selected intervals within this zone. Any proposed work shall be subject to full compliance of Chapter 27 of the HCC.

Chapter 27 of the HCC also addresses nonconforming structures in Section 27-13 and states "any nonconforming structure existing on May 5, 1982 or made nonconforming by a change in the special flood hazard area may continue, subject to the following conditions:

1. Any repair, reconstruction, improvement, or addition to a nonconforming structure, if it is considered to be substantial improvement, shall comply with the applicable standards of this chapter.
2. All relocated structures shall comply with the applicable standards of this chapter.
3. Substantial improvement of a damaged, destroyed, or demolished structure is defined as: .

Where "substantial improvement" is defined in HCC Section 27-12 as "any repair, reconstruction, rehabilitation, addition, or other proposed new development of a structure, the cost of which equals or exceeds fifty percent of the market value of the structure before the "start of construction" of the improvement which shall be the sum of all costs of all such work performed in the previous three years including the cost of the current work being considered. HCC Section 27-12 also states that substantial improvement does not include "any project for improvement to a structure to correct existing violations of state or local health, sanitary, or safety code specifications which have been identified by the local code enforcement official and which are the minimum necessary to assure safe living conditions."

Property tax records of the parcel indicate that the structure was built prior to May 5, 1982.

The DLNR OCCL is currently evaluating the effects of climate change through 2050. This effort is designed to fulfill the requirements of the Hawaii Climate Action Initiative Act of 2014 (Act 83; House Bill 1714). OCCL's initial focus is to study the effects of sea level rise on the islands, including sea level rise vulnerability and adaptation. In 2014, OCCL executed a Memorandum of Agreement to formalize a relationship between the SOEST. Under this agreement, SOEST will help fulfill OCCL's mission to protect and conserve beaches, dunes, and coastal communities from the deleterious effects of coastal erosion and sea level rise. SOEST's efforts are ongoing and will not be completed before finalization of this "Assess Banyan Drive Properties" project.

2.6.8 Existing Mechanical System

The current air conditioning system at Country Club appears to be a chilled water system consisting of an air cooled chiller and pump located on the roof, and chilled water piping distribution routed throughout the building to fan coils located in each room. For the purposes of this assessment, a room by room evaluation of the system was not performed, nor was any specific testing or performance evaluation on the system performed. Instead the assessment served to visually identify the general condition of accessible equipment on the roof and at common areas. In general, the components surveyed appeared to be in fair to poor condition with signs of corrosion, likely due to age and proximity to the ocean. Further evaluation would be necessary to determine the exact condition of the chilled water piping and fan coil units in each space.

2.6.9 Existing Electrical System

For the purposes of this assessment, a room by room evaluation of the electrical system was not performed, nor was any specific testing or performance evaluation on the system performed. Instead the assessment served to visually identify the general condition of accessible equipment at common areas.

Equipment in the hall and public areas of Country Club seems to be in fair condition but is in need of some maintenance. On the exterior there are several pieces of equipment that appear to be abandoned and unserviceable. This equipment should be removed. Conduits and some equipment on the roof are completely rusted through and present a safety hazard. Also, some equipment on the roof is near the edge with no guardrail around for protection, this is an extreme safety concern.

2.6.10 Existing Structures

Makai and Mauka Wings

The structural gravity system of the Makai Wing building is a cast-in-place concrete roof and floor slab system, supported by concrete and masonry bearing walls, and concrete columns and a concrete slab on grade. The stairway for the Makai Wing building is composed of cast-in-place concrete construction...
with concrete bearing walls. The stairway for the Mauka Wing building is composed of structural steel framing. Both buildings appear to be separated by an expansion joint between the two structures. The structural lateral system of both buildings appears to be a concrete shear wall system.

Mechanical Room Building
The structural gravity system of the mechanical room building is a concrete roof and floor slab system, supported by concrete bearing walls. The structural lateral system of the building appears to be a concrete shear wall system.

2.6.11 Existing Parking Conditions
The existing parking lot for the property is located around the main building with sixty-five (65) marked stalls, including two (2) ADA marked stalls. Based on observations during a site visit on June 17, 2015, the existing pavement exhibited potholes and moderate to minor ponding multiple areas. The worn asphaltic pavement also contained cracks in multiple areas. At the back east corner of the property towards the ocean, the asphalt pavement ends without any curbing. Erosion is evident in this area of the pavement. A chain link fence along the back of the parking area is corroded and worn.
### Property Name: Country Club Condominium/Hotel

<table>
<thead>
<tr>
<th>Finding No.</th>
<th>Date of Finding</th>
<th>Floor</th>
<th>Location</th>
<th>Description</th>
<th>Solution</th>
<th>Disciplines</th>
<th>Probable Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC1A-01</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Exterior - West driveway and parking area; Northeast driveway and parking area; Southeast driveway and parking area</td>
<td>Worn AC pavement, minor to moderate ponding, AC cracks, pot holes.</td>
<td>Complete AC pavement reconstruction (approximately 13,000 sf), new pavement markings, replace speed bumps.</td>
<td>*</td>
<td>$375,000.00</td>
</tr>
<tr>
<td>CC1A-02</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Exterior - North end of property, near shoreline</td>
<td>Chain link fence on east side of pool is in poor condition, missing curb at grade, erosion problem.</td>
<td>Replace fence with 80-ft of aluminum chain link fence, repair erosion area by AC pavement, install 80-ft of concrete curb at grade.</td>
<td>*</td>
<td>Included elsewhere</td>
</tr>
<tr>
<td>CCA-01</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Typical</td>
<td>Paint in poor condition.</td>
<td>Paint building complete.</td>
<td>**</td>
<td>$750,000.00</td>
</tr>
<tr>
<td>CCA-02</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Typical</td>
<td>Carpet in poor condition.</td>
<td>Replace carpet throughout in common areas.</td>
<td>*</td>
<td>$150,000.00</td>
</tr>
<tr>
<td>CCA-03</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Typical</td>
<td>No wayfinding signage.</td>
<td>Provide wayfinding signage.</td>
<td>*</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>CCA-04</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Typical</td>
<td>Popcorn ceiling in Mauka Wing - Lobby Reception and Makai Wing - Emergency Stair secondary corridor.</td>
<td>Remove popcorn ceiling and refinish ceilings.</td>
<td>*</td>
<td>$275,000.00</td>
</tr>
<tr>
<td>CCA-05</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Typical - Corridors</td>
<td>No fire sprinklers.</td>
<td>Provide fire sprinklers in corridors to be code compliant.</td>
<td>*</td>
<td>$25,000.00</td>
</tr>
<tr>
<td>CCA-06</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makai Wing - Stair</td>
<td>Water stains running down wall.</td>
<td>Investigate source of leak.</td>
<td>*</td>
<td>N/A</td>
</tr>
<tr>
<td>CCA-07</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makai Wing - Corridor</td>
<td>Corridor ceiling measured at 7-feet.</td>
<td>Raise ceiling height to a minimum ceiling height required by 7-09.</td>
<td>*</td>
<td>$500,000.00</td>
</tr>
<tr>
<td>CCA-08</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makai Wing - Corridor</td>
<td>No egress lighting in corridor.</td>
<td>Provide egress lighting in corridor.</td>
<td>*</td>
<td>$36,000.00</td>
</tr>
<tr>
<td>CCA-09</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makai Wing - Corridor</td>
<td>Corridor parallel to the ocean has windows at both ends. The windows are low and do not have guardrails.</td>
<td>Provide guardrails at windows.</td>
<td>*</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>CCA-10</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makai Wing - Corridor</td>
<td>Moisture damage in carpet/wall throughout. Green carpet spots throughout.</td>
<td>Investigate source and repair.</td>
<td>*</td>
<td>N/A</td>
</tr>
<tr>
<td>CCA-11</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makai Wing - Corridor</td>
<td>Suspended ceiling panels damaged/broken, water stains, ceiling grid nuts, etc.</td>
<td>Replace damaged suspended ceiling panels and paint ceiling grid or selectively repair grid throughout.</td>
<td>*</td>
<td>$65,000.00</td>
</tr>
<tr>
<td>CCA-12</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makai Wing - Stair</td>
<td>Stair nosing damaged.</td>
<td>Repair stair nosing.</td>
<td>*</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>CCA-13</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makai Wing - Stair</td>
<td>On all floors, exit door/door knobs are broke. Doors do not latch, corroded, cracked vision panels.</td>
<td>On all floors, replace exit doors and provide compliant door hardware.</td>
<td>*</td>
<td>$55,000.00</td>
</tr>
<tr>
<td>CCA-14</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Mauka Wing</td>
<td>No fire rated doors near elevator.</td>
<td>Provide fire rated doors near elevator.</td>
<td>*</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>CCA-15</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Mauka Wing</td>
<td>Floors 2 - 6, west exterior hallway is a dead end corridor.</td>
<td>Modify layout to eliminate dead end corridors on floors 2 - 6. Construct 1-hr fire rated stair tower.</td>
<td>*</td>
<td>$75,000.00</td>
</tr>
<tr>
<td>CCA-16</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Mauka Wing</td>
<td>Bump out width of corridor, exceeds ADA regulations.</td>
<td>Investigate and remove speed bump or make ADA compliant.</td>
<td>*</td>
<td>$6,000.00</td>
</tr>
<tr>
<td>CCA-17</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Mauka Wing - Elevator</td>
<td>Elevator damaged and has foul odor.</td>
<td>Clean and repair elevator.</td>
<td>*</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>CCA-18</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Mauka Wing - Stair</td>
<td>Exterior glass window broken. Weather strip peeling off.</td>
<td>Replace glass on all floors with non-combustible construction.</td>
<td>*</td>
<td>$120,000.00</td>
</tr>
<tr>
<td>CC1A-01</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Exterior</td>
<td>Trash enclosure needs to be relocated. Visitors should not drive past trash and transformer.</td>
<td>Relocate trash enclosure.</td>
<td>*</td>
<td>$27,000.00</td>
</tr>
<tr>
<td>CC1A-02</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Exterior</td>
<td>Cooling tower.</td>
<td>Remove miscellaneous cooling tower. Add bollard to protect gas valves.</td>
<td>*</td>
<td>$7,000.00</td>
</tr>
<tr>
<td>Finding No.</td>
<td>Date of Finding</td>
<td>Floor</td>
<td>Location</td>
<td>Description</td>
<td>Solution</td>
<td>Division</td>
<td>Probable Cost</td>
</tr>
<tr>
<td>------------</td>
<td>----------------</td>
<td>-------</td>
<td>----------</td>
<td>-------------</td>
<td>----------</td>
<td>----------</td>
<td>--------------</td>
</tr>
<tr>
<td>CC.1A-03</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Exterior</td>
<td>Vertical decorative CMU end wall enclosures unsatisfactory. Demolish vertical decorative CMU end wall enclosures and replace with solid parapets.</td>
<td></td>
<td></td>
<td>$24,000.00</td>
</tr>
<tr>
<td>CC.1A-04</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Exterior - Makai Wing</td>
<td>Pipe penetrations through ceiling are unprotected. Seal pipe penetrations with fire stopping material or repair for code compliant fire separation.</td>
<td></td>
<td></td>
<td>$8,000.00</td>
</tr>
<tr>
<td>CC.1A-05</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Makai Wing</td>
<td>Laundry located next to elevator in unenclosed space. Construct 1-hour rating enclosure.</td>
<td></td>
<td></td>
<td>$8,000.00</td>
</tr>
<tr>
<td>CC.1A-06</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Makai Wing - Assembly Space and Meeting Room</td>
<td>Meets new carpet, ceiling finish, fans, lighting, windows, doors and accessible route. Provide new carpet, ceiling finish, fans, light fixtures, windows, doors and accessible entry/exit route.</td>
<td></td>
<td></td>
<td>$225,000.00</td>
</tr>
<tr>
<td>CC.1A-07</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Makai Wing</td>
<td>Roof above first floor is in bad condition and has ponding. Lower roof edge flashing deteriorating with plants growing on roof. Access onto roof deck needs to be prevented. Children can fit through screen wall at landing. No railing on roof deck. Repair roof. Install guardrail to prevent roof access.</td>
<td></td>
<td></td>
<td>$75,000.00</td>
</tr>
<tr>
<td>CC.1A-08</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Makai Wing</td>
<td>Hole in floor. Patch hole in floor.</td>
<td></td>
<td></td>
<td>$200.00</td>
</tr>
<tr>
<td>CC.1A-09</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Roof</td>
<td>Ponding throughout. Roof deteriorated, coating is peeling. Algae growth - slippery surface. Plant growth.</td>
<td>Repair roof deck. Reroof with built-up sheet roofing system.</td>
<td></td>
<td>$350,000.00</td>
</tr>
<tr>
<td>CC.1A-10</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Roof</td>
<td>No gutters. Internal roof drain only. Some roof drain screens missing. Provide secondary drainage off roof. Provide new drain screens.</td>
<td></td>
<td></td>
<td>$50,900.00</td>
</tr>
<tr>
<td>CC.1A-11</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Roof</td>
<td>Makai Wing</td>
<td>Roof access stair railing. Repair stair.</td>
<td></td>
<td>$5,000.00</td>
</tr>
<tr>
<td>CC.1A-12</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Roof</td>
<td>Makai Wing</td>
<td>Pondering at skylight, leaking into lower floors. Plant growth on skylights. On 6th floor, skylight is rusty and dirty, moss growth. Repair skylights.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CC.D-01</td>
<td>June 22-23, 2015</td>
<td>Typical</td>
<td>Typical</td>
<td>Non-compliant identification signs and/or ADA signage. Provide compliant permanent room signs that are tactile and braille throughout.</td>
<td></td>
<td></td>
<td>$65,000.00</td>
</tr>
<tr>
<td>CC.D-02</td>
<td>June 17, 22-23, 2015</td>
<td>Typical</td>
<td>Typical - Employee Work Areas; Hotel Corridors; Public and Common Use Areas; Guest Rooms with mobility and communication features</td>
<td>Fire Alarm System - Audible and Visible; fire alarm pull stations worn and non-compliant. Fire hose extinguisher located in main cabinet. No signage. Glass cracked. Wiring alarm system shall be designed to that visible alarms can be integrated into the alarm system. Install fire alarm system that provides audible and visible in all public and common use areas and wiring system in employee work areas. Replace fire alarm pull stations with accessible pull station and locate at accessible location. Replace fire extinguisher cabinets. Provide signage.</td>
<td></td>
<td></td>
<td>$229,000.00</td>
</tr>
<tr>
<td>CC.D-03</td>
<td>June 22-23, 2015</td>
<td>Typical</td>
<td>Typical - Elevator Landing</td>
<td>Non-compliant landing controls, hall signals, and hoist way signs. Lower landing controls and provide hall signals and hoist way signs.</td>
<td></td>
<td></td>
<td>$20,000.00</td>
</tr>
<tr>
<td>CC.D-04</td>
<td>June 22-23, 2015</td>
<td>Typical</td>
<td>Typical - Elevator Car Controls</td>
<td>Non-compliant car controls design and indicators, car position indicator, and emergency communication. Provide car control designation and indicators, provide visible and audible indicators, provide emergency communication tactile symbols and characters.</td>
<td></td>
<td></td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Finding No</td>
<td>Date of Finding</td>
<td>Floor</td>
<td>Location</td>
<td>Description</td>
<td>Solution</td>
<td>Disciplines</td>
<td>Opinion of Probable Cost</td>
</tr>
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</tr>
<tr>
<td>CC-D-05</td>
<td>June 22-23, 2015</td>
<td>Typical</td>
<td>Typical - Hotel Corridors</td>
<td>Protuding wall mounted emergency light fixture; protuding wall mounted light fixture; protuding wall mounted fire hose cabinet.</td>
<td>Replace wall mounted emergency light fixture / wall mounted light fixture to either protrude less than 4 inches from the wall or higher than 80 inches above the finish floor. Construct furred out wall below corridor. Note: corridor must comply with minimum required widths.</td>
<td></td>
<td>$30,000.00</td>
</tr>
<tr>
<td>CC-D-06</td>
<td>June 22-23, 2015</td>
<td>Typical</td>
<td>Typical - Guest Room with mobility and/or communication features</td>
<td>Insufficient quantity provided; Non-compliant electrical outlet and air conditioning thermostat height.</td>
<td>Renovate required quantity of guest rooms to include mobility features. Renovate required quantity of guest rooms to include communication features. To become accessible, provide electrical outlet and air conditioning thermostat height within accessible reach range.</td>
<td></td>
<td>$110,000.00</td>
</tr>
<tr>
<td>CC-D-07</td>
<td>June 22-23, 2015</td>
<td>Typical</td>
<td>Makai Wing - Stair, Means of Egress</td>
<td>Non-compliant signs for means of egress. No floor level signage in Makai stair tower.</td>
<td>Provide accessible signs at exit doors, areas of refuge, and directional signs. Provide floor level signage in Makai stair tower.</td>
<td></td>
<td>Included elsewhere</td>
</tr>
<tr>
<td>CC-D-08</td>
<td>June 17, 22-23, 2015</td>
<td>Typical</td>
<td>Makai Wing - Means of Egress; Exit Stairway; Stair Towers; Typical</td>
<td>Non-compliant stairways that are part of a means of egress; Stair not ADA compliant. Non-compliant stair open risers and handrails. Spacing/height of guardrails noncompliant. Railings are not code compliant.</td>
<td>Replace guardrails throughout. Provide ADA railings and guardrails at top landing. Provide code compliant railings.</td>
<td></td>
<td>$250,000.00</td>
</tr>
<tr>
<td>CC-D-09</td>
<td>June 17, 22-23, 2015</td>
<td>Typical</td>
<td>Makai Wing - Exit Stairway</td>
<td>Non-compliant doors in series. Makai stair tower does not have enough room for doors in succession leading from corridor into stair.</td>
<td>Redesign exit egress door swing.</td>
<td></td>
<td>Included elsewhere</td>
</tr>
<tr>
<td>CC-D-10</td>
<td>June 17, 22-23, 2015</td>
<td>Typical</td>
<td>Makai Wing - Doors at Guest rooms; Meeting Rooms</td>
<td>Non-compliant interior door and doorway into guest rooms. No ADA access into ground floor breezeway at double doors; Room door hardware is non-compliant - no levers. Stair exterior doors have no levers. Cannot get into stairs in breezeway at single steps. Steps exceed maximum rise/height by laundry. No ADA access into Meeting Room and to elevator.</td>
<td>To create accessible guest rooms, provide wider interior door and doorways by widening door opening. Provide ADA access into required spaces. Replace all doors with fire separation doors with approach entry / exit hardware, make ADA compliant.</td>
<td></td>
<td>$120,000.00</td>
</tr>
<tr>
<td>CC-D-11</td>
<td>June 22-23, 2015</td>
<td>Typical</td>
<td>Makai Wing - Guest Rooms x34, x25, x27, x30, x29, x32, x30, x24, x31 Note: Kitchenette not required in Rooms x25, x27 and these units do not have kitchenettes</td>
<td>Non-compliant entrance door and doorway; Non-compliant bathroom; Non-compliant kitchenette</td>
<td>Remove cabinet to provide maneuvering clearance on interior. To become accessible, provide additional maneuvering clearances. Enlarge bathroom to comply with accessible shower, lavatory, and water closet requirements. Modify kitchenette cabinets to comply with sink, storage, and work surface requirements.</td>
<td></td>
<td>Included elsewhere</td>
</tr>
<tr>
<td>CC-D-12</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makai Wing - Corridor</td>
<td>In main corridor, last door on the northwest side of the building (makai) is recessed. Not ADA compliant.</td>
<td>Modify entry into room, make ADA compliant.</td>
<td></td>
<td>$5,000.00</td>
</tr>
<tr>
<td>CC-D-01</td>
<td>June 22-23, 2015</td>
<td>Exterior</td>
<td>Site Arrival Point</td>
<td>No accessible route connecting public sidewalk to hotel.</td>
<td>Provide a safe separate accessible route from sidewalk to lobby through parking lot.</td>
<td></td>
<td>$15,000.00</td>
</tr>
<tr>
<td>Finding No.</td>
<td>Date of Finding</td>
<td>Hour</td>
<td>Location</td>
<td>Description</td>
<td>Solution</td>
<td>Discipline</td>
<td>Opinion of Probable Cost</td>
</tr>
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</tr>
<tr>
<td>CC.1D-02</td>
<td>June 22-23, 2015</td>
<td>1</td>
<td>Exterior - Accessible Parking Spaces</td>
<td>Non-compliant accessible parking stalls. (vehicle and van spaces, access aisle, ground surface, identification, and relationship to accessible route). Insufficient amount.</td>
<td>Provide an accessible ramp to Swimming Pool</td>
<td>*</td>
<td>$4,400.00</td>
</tr>
<tr>
<td>CC.1D-03</td>
<td>June 22-23, 2015</td>
<td>1</td>
<td>Exterior - Swimming Pool &amp; Accessible Route to Swimming Pool</td>
<td>Non-compliant accessible ramp with no handrails. No accessible route to pool area. No accessible entry into pool.</td>
<td>Prevent/gate maneuvering clearances, replace gate hardware, and provide accessible means for pool entry.</td>
<td>*</td>
<td>$7,500.00</td>
</tr>
<tr>
<td>CC.1D-04</td>
<td>June 22-23, 2015</td>
<td>1</td>
<td>Makai Wing - Guest Laundry Area</td>
<td>Non-compliant Guest Laundry area</td>
<td>Provide an accessible laundry area that includes maneuvering clearances, equipment (washer/dryer), work surface, and ground surface</td>
<td>*</td>
<td>Included elsewhere</td>
</tr>
<tr>
<td>CC.1D-05</td>
<td>June 17, 22-23, 2015</td>
<td>1</td>
<td>Makai Wing - Public Meeting Room (Halau)</td>
<td>Non-compliant accessible route; Non-compliant identification sign; Non-compliant height of Fire Extinguishers</td>
<td>Provide an accessible ramp to public meeting room; Provide compliant permanent room signs that are tactile and braille; Relocate fire extinguishers to accessible height and location.</td>
<td>*</td>
<td>$7,500.00</td>
</tr>
<tr>
<td>CC.1D-06</td>
<td>June 22, 23, 2015</td>
<td>1, 4, 5</td>
<td>Makai Wing - Hotel Storage Areas &amp; Guest Storage</td>
<td>Non-compliant access to Hotel Storage.</td>
<td>Provide an accessible route to approach, enter, and exit Storage with identification sign</td>
<td>*</td>
<td>$7,500.00</td>
</tr>
<tr>
<td>CC.1D-07</td>
<td>June 22-23, 2015</td>
<td>1</td>
<td>Mauka Wing Lobby - Accessible Route to Lobby &amp; Registration Service Counter</td>
<td>Non-compliant stairs and no curb ramp to Lobby level; Non-compliant registration service counter.</td>
<td>Provide an accessible curb ramp to Lobby level. Provide accessible service counter.</td>
<td>*</td>
<td>$35,000.00</td>
</tr>
<tr>
<td>CC.1D-08</td>
<td>June 22, 23, 2015</td>
<td>1</td>
<td>Mauka Wing - Toilet Rooms</td>
<td>Non-compliant toilet room</td>
<td>Provide an accessible toilet room for employees</td>
<td>*</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>CC.1D-09</td>
<td>June 22-23, 2015</td>
<td>1</td>
<td>Mauka Wing - Employee Lounge</td>
<td>Non-compliant accessible circulation paths in Employee Lounge/Kitchen</td>
<td>Provide circulation paths in Employee Lounge/Kitchen</td>
<td>*</td>
<td>$15,000.00</td>
</tr>
<tr>
<td>CC.1D-10</td>
<td>June 22, 23, 2015</td>
<td>2</td>
<td>Mauka Wing - Rm #209 - Housekeeping</td>
<td>Non-compliant Housekeeping Room</td>
<td>Provide an accessible room with widened entrance, turning space, washer/dryer, with identification sign.</td>
<td>*</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>CC.1D-11</td>
<td>June 22-23, 2015</td>
<td>3</td>
<td>Makai Wing - Rm #307 - Maintenance Workshop</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CC.1D-12</td>
<td>June 22-23, 2015</td>
<td>5</td>
<td>Makai Wing - Guest Rooms #124</td>
<td>Non-compliant air conditioning thermostat located behind refrigerator.</td>
<td></td>
<td>*</td>
<td>N/A</td>
</tr>
<tr>
<td>CC.1D-13</td>
<td>June 22-23, 2015</td>
<td>6</td>
<td>Makai Wing - Rm #609 - Employee Maintenance Unit</td>
<td>Non-compliant employee kitchen and bathroom.</td>
<td>Provide an accessible kitchen (clearances, work surfaces, sink, storage, appliances, and counters), accessible bathroom (shower, water closet, lavatory, mirror, turn around, light switch, coat hook, shelves), with identification sign</td>
<td>*</td>
<td>$25,000.00</td>
</tr>
<tr>
<td>Finding No</td>
<td>Date of Finding</td>
<td>Floor</td>
<td>Location</td>
<td>Description</td>
<td>Solution</td>
<td>Discipline</td>
<td>Opinion of Probable Cost</td>
</tr>
<tr>
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</tr>
<tr>
<td>CC3-01</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makai Wing - Entry to Stairwell, interior - Makai concrete wall, makai corridor concrete column, parking areas, interior corridor, Makua Wing (left and right end and exterior wall), Makua concrete wall near elevator</td>
<td>Concrete spalls and cracks at basal slab edges; window sills; top and edges of concrete slab; exterior concrete wall; base of concrete walls; base of concrete columns, cracks and spalls, with exposed rebar, at fire sprinkler riser penetration; Cracks &amp; paint delamination on underside of concrete stair framing and on concrete walls; Diagonal cracks in concrete stair wall; Horizontal cracks at header in concrete stair wall; Corrosion of embedded corner angles at exposed concrete columns &amp; concrete spalling; Concrete cracks and spalling at top of concrete wall below landing/corridor</td>
<td>Repair spalls and cracks. Repair / replace corner angles.</td>
<td>*</td>
<td>$275,000.00</td>
</tr>
<tr>
<td>CC3-02</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makai Wing, Makua Wing</td>
<td>Corrosion and deterioration of steel frame supporting decorative masonry block wall</td>
<td>Replace steel framing</td>
<td>*</td>
<td>$380,000.00</td>
</tr>
<tr>
<td>CC3-03</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makua Wing - Stairwell</td>
<td>Corrosion of stair stringer and stair tread framing; Paint bubbling and random cracks in exterior concrete stair well</td>
<td>Repair steel framing and cracks</td>
<td>*</td>
<td>$40,000.00</td>
</tr>
<tr>
<td>CC3-04</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Makai Wing - Parking side exterior concrete wall</td>
<td>Horizontal cracks at concrete walls</td>
<td>Repair cracks</td>
<td>*</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>CC3-05</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Makai Wing - Parking area below residential units</td>
<td>Corrosion of embedded corner angles at exposed concrete columns</td>
<td>Repair/replace corner angles</td>
<td>*</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>CC3-06</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Makai Wing - Mechanical Room</td>
<td>Moisture damage &amp; paint delaminating at surfaces of anterior concrete walls</td>
<td>Prepare and repair.</td>
<td>*</td>
<td>Included elsewhere</td>
</tr>
<tr>
<td>CC3-07</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Makai Wing - Parking area below residential units</td>
<td>Bubbling of paint at concrete floor slab</td>
<td>Prepare and repair.</td>
<td>*</td>
<td>Included elsewhere</td>
</tr>
<tr>
<td>CC3-08</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Makai Wing - Mechanical Room Roof Framing</td>
<td>Moisture damage &amp; paint delaminating at roof slab edges</td>
<td>Prepare and repair.</td>
<td>*</td>
<td>Included elsewhere</td>
</tr>
<tr>
<td>CC3-09</td>
<td>June 17, 2015</td>
<td>3</td>
<td>Makua Wing - Near Elevator</td>
<td>Differential slab elevations marked by yellow indications</td>
<td>Repair/add topping</td>
<td>*</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>CC1F-01</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Exterior - Parking Area</td>
<td>Soil pipe rusting</td>
<td>Clean rust from pipe and repaint</td>
<td>*</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>CC1F-02</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Exterior - Parking Area</td>
<td>Fire hose cabinet rusty</td>
<td>Replace cabinet</td>
<td>*</td>
<td>$25,000.00</td>
</tr>
<tr>
<td>CC1M-01</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Exterior - Makua Wing</td>
<td>Cells installed in soffit are rusted.</td>
<td>Replace existing soffit grilles with aluminum coated grilles</td>
<td>*</td>
<td>$2,500.00</td>
</tr>
<tr>
<td>CC1M-02</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Exterior - Makua Wing</td>
<td>Abandoned mechanical equipment at exterior.</td>
<td>Remove all abandoned equipment.</td>
<td>*</td>
<td>$1,500.00</td>
</tr>
<tr>
<td>CC1M-03</td>
<td>June 17, 2015</td>
<td>1</td>
<td>Makai Wing - Laundry Area</td>
<td>Dryer vent discharges into bucket.</td>
<td>Extend dryer vent to exterior of building.</td>
<td>*</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>CC1M-04</td>
<td>June 17, 2015</td>
<td>Roof</td>
<td>Roof</td>
<td>Corrosion fans on roof; corrosion on roof curb</td>
<td>Replace exhaust fans and curbs (approx 19)</td>
<td>*</td>
<td>$27,000.00</td>
</tr>
<tr>
<td>CC1M-05</td>
<td>June 17, 2015</td>
<td>Roof</td>
<td>Roof</td>
<td>Air cooled chiller in poor condition - corrosion noted on frame and coating coils</td>
<td>Replace air cooled chiller and other air conditioning equipment.</td>
<td>*</td>
<td>$500,000.00</td>
</tr>
<tr>
<td>CC1E-01</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Typical</td>
<td>Exit sign does not indicate direction of exit. Exit sign not illuminated, pointing in wrong direction, mounted low, etc.</td>
<td>Provide new illuminated exit signs and proper signage to indicate direction of exit</td>
<td>*</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>CC1E-02</td>
<td>June 17, 2015</td>
<td>Typical</td>
<td>Makai Wing</td>
<td>All floors, many of the exit lights are not properly secured to the ceiling</td>
<td>Provide proper supports for all exit fixtures.</td>
<td>*</td>
<td>$8,000.00</td>
</tr>
</tbody>
</table>

State of Hawai'i, Department of Land Natural Resources, Land Division
ASSESS BANYAN DRIVE PROPERTIES
4/11/2016
## Existing Conditions

### CC.1E-01
- **Location:** Makai Wing
- **Description:** Parking garage lights showing signs of rust.
- **Solution:** Replace with fixtures rated for wet locations.
- **Discipline:** Electric
- **Scheduled Cost:** $3,000.00

### CC.1E-02
- **Location:** Makai Wing
- **Description:** Outdoor fixtures under overhangs are rusted and some don't have bulbs. Fixtures may be abandoned.
- **Solution:** Relocate fixture away from front of grill.
- **Discipline:** Electric
- **Scheduled Cost:** $3,000.00

### CC.1E-03
- **Location:** Makai Wing
- **Description:** Light fixture and conduit installed in front of grill.
- **Solution:** Relocate fixture away from front of grill.
- **Discipline:** Electric
- **Scheduled Cost:** $1,000.00

### CC.1E-04
- **Location:** Makai Wing
- **Description:** Fluorescent fixtures installed in front of grill do not appear to be wet location rated.
- **Solution:** Replace with fixtures rated for wet locations.
- **Discipline:** Electric
- **Scheduled Cost:** $1,000.00

### CC.1E-05
- **Location:** Makai Wing
- **Description:** Equipment in parking lot is turned off and appears to be abandoned. It is in poor condition and some panels are rusted through. Broken conduits and exposed electrical wires are also present.
- **Solution:** Repair or replace equipment and replace conduit and wiring.
- **Discipline:** Electric
- **Scheduled Cost:** $5,000.00

### CC.1E-06
- **Location:** Makal Wing
- **Description:** Switch missing from device box.
- **Solution:** Replace switch or replace cover if the switch is not required.
- **Discipline:** Electric
- **Scheduled Cost:** $50.00

### CC.1E-07
- **Location:** Makai Wing
- **Description:** Ventilation duct resting on conduit.
- **Solution:** Provide separation between duct and conduit.
- **Discipline:** Electric
- **Scheduled Cost:** $250.00

### CC.1E-08
- **Location:** Makai Wing
- **Description:** No guard rail around equipment. This is an extreme safety hazard for personnel servicing equipment. Could not determine if this equipment is still in use.
- **Solution:** Provide guard rail if equipment is to remain in service.
- **Discipline:** Electric
- **Scheduled Cost:** $2,000.00

### CC.1E-09
- **Location:** Makai Wing
- **Description:** Unterminated cables at weatherhead.
- **Solution:** Remove unused cables.
- **Discipline:** Electric
- **Scheduled Cost:** $2,000.00

### CC.1E-10
- **Location:** Makai Wing
- **Description:** Equipment on second floor roof is in poor condition. Conduits are rusted and not properly secured to the structure.
- **Solution:** Repair or replace equipment and replace conduit and wiring.
- **Discipline:** Electric
- **Scheduled Cost:** $250.00

### CC.1E-11
- **Location:** Makai Wing
- **Description:** Conduits disconnected from junction box. Junction box is not supported properly. Conduits are in poor condition.
- **Solution:** Remove existing conduit and junction box and replace with new.
- **Discipline:** Electric
- **Scheduled Cost:** $1,000.00

### CC.1E-12
- **Location:** Makai Wing
- **Description:** Conduits severely rusted and supported from cinder blocks, not properly secured. Conduits completely rusted through and separated at some points.
- **Solution:** Remove existing conduits and replace with new conduits, properly secure.
- **Discipline:** Electric
- **Scheduled Cost:** $1,000.00

### CC.1E-13
- **Location:** Makai Wing
- **Description:** Receptacle damaged and completely rusted through. Conduits run along ground are tripping hazard.
- **Solution:** Remove receptacle, patch and fill conduit penetrations, relocate conduit run along ground or provide platform to eliminate tripping hazard.
- **Discipline:** Electric
- **Scheduled Cost:** $1,000.00

### CC.1E-14
- **Location:** Makai Wing
- **Description:** Ventilation duct resting on conduit.
- **Solution:** Provide separation between duct and conduit.
- **Discipline:** Electric
- **Scheduled Cost:** $200.00

### CC.1E-15
- **Location:** Makai Wing
- **Description:** Equipment not adequately protected from rain and is extremely rusted.
- **Solution:** Repair and protect equipment or remove if not in use.
- **Discipline:** Electric
- **Scheduled Cost:** $1,000.00

### CC.1E-16
- **Location:** Makai Wing
- **Description:** Conduit knockout at disconnect not plugged.
- **Solution:** Provide plug for knockout.
- **Discipline:** Electric
- **Scheduled Cost:** $50.00

### CC.1E-17
- **Location:** Makai Wing
- **Description:** Wireway and conduits rusted through.
- **Solution:** Replace equipment if not in service. Fix still in service.
- **Discipline:** Electric
- **Scheduled Cost:** $5,000.00

### CC.1E-18
- **Location:** Makai Wing
- **Description:** Condut knockout at disconnect not plugged.
- **Solution:** Provide plug for knockout.
- **Discipline:** Electric
- **Scheduled Cost:** $50.00

### CC.1E-19
- **Location:** Makai Wing
- **Description:** Unterminated cables at weatherhead.
- **Solution:** Remove unused cables.
- **Discipline:** Electric
- **Scheduled Cost:** $2,000.00

### Total
- **Scheduled Cost:** $6,100.25

**Note:** Hidden or concealed conditions such as those covered by floor, roof, ceiling or wall panels and coverings, inaccessible areas, non-common areas were not reviewed.
ASSOCIATES DRIVE PROPERTIES
MARCH 2016
STATE OF HAWAI'I, DEPARTMENT OF LAND AND NATURAL RESOURCES, LAND DIVISION
NORTH FOURTH FLOOR
NORTH ROOF

STATE OF HAWAII, DEPARTMENT OF LAND AND NATURAL RESOURCES, LAND DIVISION
ASSOCIATE DIRECTOR, PROPERTIES
MARCH 2016

SCALE: 1/24" = 1'-0"
ASSESS BANYAN DRIVE PROPERTIES
Exhibit B

Draft Proposal from G70
November 20, 2020

Peter Savio
Alberto M. Roque, General Manager
Pagoda Hotel
1525 Rycroft Street
Honolulu, HI 96814

Subject: DRAFT PROPOSAL for the Hilo Country Club Entitlements Process

Hilo, Hawai`i

Aloha Gentlemen:

Group 70 International, Inc., a Hawai`i Corporation, dba G70, is pleased to provide this proposal to provide environmental planning and land use entitlements services for the redevelopment of the Hilo Country Club site. We recognize that the project is located on a shoreline parcel and will require completion of an Environmental Assessment and Special Management Area Use Permit. This proposal describes the anticipated G70 scope of work, timetable and professional fees.

SCOPE OF WORK

G70 will provide services under the following Entitlements process scope of work tasks:

1. Entitlements Coordination Support
2. Environmental Impact Statement (EIS) and Technical Studies/Historic Preservation Review
3. Special Management Area (SMA) Use Permit
4. Stakeholder/Agency Meetings and Public Outreach Support

G70 architecture and civil engineering services are provided under a separate scope of services and agreement. Our proposed approach to completing the Entitlement tasks is outlined below.

TASK 1 – ENTITLEMENTS COORDINATION SUPPORT

G70 will provide coordination support extending for the duration of the Keauhou Bay entitlements process, estimated at approximately 18 months to completion. G70 will be in regular communications with the project team and participate in monthly project status meetings with the team members. As needed, G70 can also provide support for status updates and briefings to management. We will support the entitlements status meetings with agendas and summary meeting notes.

G70 will work closely with KS to strategically advance the entitlements process steps. The Project Schedule will be critically examined to updated and expand project tasks, completion periods, critical milestones, agency/stakeholder consultations, outreach/engagement, application periods, hearings, commission reviews, and many concurrent tasks. G70 will update the Project Schedule to reflect inevitable changes to time periods during this process. Meetings with agency representatives, stakeholder briefings and community meetings are in Task 4.
TASK 2 — ENVIRONMENTAL ASSESSMENT (EA) & TECHNICAL STUDIES

To enable the entitlement of the numerous project elements, a thorough Environmental Assessment (EA) must be completed and accepted by the County of Hawai‘i. As the EIS will be completed in support of a future Special Management Area Use Permit, we anticipate that the County of Hawai‘i Windward Planning Commission will be the accepting authority. G70 will work closely with the Hawaii County Planning Department to frame the entitlements pathway and address the EIS/SMA scope. G70 will also coordinate with the State Office of Environmental Quality Control (OEQC) to facilitate the publication of notices for the EIS documents in The Environmental Notice. The major activities in the preparation and processing of the EIS are outlined below.

- Early Consultation
The Early Consultation is the scoping phase of the EA process, where G70 will compile a concise document summarizing the project, potential impacts and technical studies. G70 will pre-consult with key parties and agencies, and stakeholders to provide input to the Draft EIS document scope. We will consult the Hawai‘i County Planning Department and other agencies for guidance on the EA scope and technical studies. The Early Consultation is issued with a 30-day response period.

- EA Consultant Studies
G70 will integrate the technical study contributions into the Draft EA. The detailed presentation of findings in these reports will be important for content and sensitive from a strategic entitlement perspective. Under Task 1 Coordination, G70 will work closely with the technical consultants to define their study scopes and performance. Timely completion of these studies is the critical path to meeting the entitlements schedule. Essential to the preparation of the EA for this project, we propose the following consultant studies. The listed consultant studies required for the EA and permit applications, and these consultants will complete the studies under subcontract with G70:

  a) Archaeological Inventory Survey
  b) Cultural Assessment
  c) Flora & Fauna Assessment
  d) Noise/Acoustic Assessment
  e) Traffic Assessment

Consultant proposals with scopes of work and fixed fee budgets will be solicited at your direction. These services will be included as Subcontractor Services in the G70 agreement.

The project master plan, site plans, landscape plan and facility improvement design information, including view studies and perspectives to be used in the EA, will be provided from G70 Architects under a separate scope of services. Infrastructure supporting the project for roadways, water supply, drainage controls and wastewater system, including necessary improvements, will be addressed by G70 Civil Engineers in a separate scope of services. In addition, the property will require a Certified Shoreline Survey to be completed with timing that matches the SMA filing.
• **Draft EA Preparation**

G70 will prepare a Draft EA that will meet the requirements of HRS Chapter 343 Hawaii EIS statute, Title 11-200.1 EIS Rules, and Rule 9 Planning Commission - Special Management Area (SMA). The Draft EA will address potential impacts as raised in the scoping and EISP process. Writing the Draft EA document is a combination of technical application and artful positioning of this project, which is seeking discretionary entitlements. It is understood that this master plan project will generate impacts, and in terms of traffic, runoff and views, and these need careful presentation. We anticipate receiving approximately 10 to 20 comments in early consultation from agencies and the public. The responses to comments are published in the Draft EA. We also anticipate a robust discussion of cumulative impacts in relation to the overall scale of improvements.

A respectful but assertive approach will be important in dealing with controversial issues and opposing perspectives in the Draft EIS. We recognize the projects' sensitive approach to design and offsetting mitigation measures, along with project benefits to the community and environment, will result in impacts that are both reasonable in scale and acceptable to the broader community. Once published, the Draft EA undergoes a 30-day agency and public comment period. At this point in the process, we recommend conducting a presentation of the project and Draft EA findings to agencies, stakeholders and the Hilo community. As necessary, the requirement for hosting a virtual space public meeting will be pursued.

• **Responses to Draft EA Comments and Final EA Preparation**

G70 will address public and agency comments in the preparation of the Final EA. Given the anticipated number of interested parties and scope of the project, we anticipate substantial comments from the County and State agencies, stakeholders and community interest groups. This is an important point in the EA process, which allows the applicant to proactively address concerns about the project. We assume this Draft EA will not experience significant controversy, with approximately 20 to 30 agency/public comment letters received. The Final EA text and technical studies will be revised in response to the substantive comments. The Final EA will be submitted to the Hawai'i County Planning Department and Windward Planning Commission for final review and acceptance, with an anticipated Finding of No Significant Impact (FONSI).

• **Historic Preservation Review Process, HRS 6E-42**

Based upon preliminary consultation and confirmation with SHPD Archaeological and History and Cultural Branches, G70 and its archaeological consultant will provide its planning services to conduct the 6E-42 HRS process. G70 will take the lead the coordination tasks directly with SHPD and community stakeholders to address issues and concerns during the historic preservation review process. G70 will also coordinate up to four (4) meetings with SHPD or other key agencies/entities, i.e. Office of Hawaiian Affairs, the Hawai'i Island Burial Council, the Hawai'i County Cultural Resource Commission, and others, if appropriate or required. G70 will also conduct field visits upon completion of the archaeological field work to also assess any further opportunities or constraints as it may related to site development and required mitigation. G70 will also prepare the filing materials and prepare the formal letter to be filed with authorization by the County of Hawai'i Planning Department to SHPD. G70 will track the 45-day review period and engage in follow-up actions with SHPD to get a timely response to stay on schedule.
**TASK 3 – SPECIAL MANAGEMENT AREA (SMA) USE PERMIT**

The project area encompasses approximately lands along the coastline and upland at Hilo region of the Island of Hawai‘i. The entire area is located within the Special Management Area (SMA). G70 will complete and process the application for Special Management Area (SMA) Use Permit Assessment and Use Permit– Major, pursuant to Hawai‘i Revised Statutes Section 205A -22. Consultations will be held with the State and County agencies to confirm the issues and requirements for the SMA process.

Per County Planning Commission Rule 9, the County Planning Department reviews the SMA Permit application and provides its recommendation to the Leeward Planning Commission, which is the decision authority. The Cultural Resources Commission reviews and approves the historic property impact assessment included in the application.

Preparation of the SMA Major Use Permit application and SMA review processing will include:

a) The SMA application will utilize and, as necessary, expand upon the information compiled in the EA to meet the Section 205A -22 requirements.

b) Integration of project design materials and detailed project description information, including architectural plans and perspectives, civil engineering plans, and landscape plans.

c) Integration of technical information from the subcontractor studies (as listed below).

d) Coordinate review of the SMA Use Permit Major by the Hawai‘i County Planning Department, and review/approval by the Leeward Planning Commission.

e) Consultation with the Hawai‘i Planning Department and coordination of technical.

f) Attend meetings and make presentations in support of the SMA Use Permit application.

**TASK 4 – STAKEHOLDER MEETINGS & PUBLIC OUTREACH SUPPORT**

G70 will provide support to the owners in direct consultations with stakeholders including neighbors, businesses, interest groups, organizations and the Hilo community. The objective is to build trust in stakeholder and community relationships with a goal of clear communications and a full understanding of review procedures. The trust and connections built through these communications and coordination will be vital to the success of this entitlements process. As planners, engineers and architects, G70 can provide technical support to the team in their interactions, along with project information graphics and summaries. G70 will conduct outreach support on an as-needed basis. At present, stakeholder meetings are anticipated with two sessions including: 1. Project Briefing during the preparation of the Draft EA, and 2. Presentation of the Final EA findings and SMA Application.
**FEES & EXPENSES**

G70 proposes to perform the scope of services above on a fixed fee basis for the total sum of **Three Hundred Sixty Eight Thousand, Six Hundred Thirty-Nine Dollars ($368,639)** which includes technical subcontractor studies, Hawai‘i General Excise Tax and expenses.

G70 will not extend services beyond the total maximum fee without client authorization. Fee breakdown for each assigned work task is presented below.

<table>
<thead>
<tr>
<th>Task</th>
<th>Entitlement Service</th>
<th>Fixed Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Entitlements Coordination Support</td>
<td>$36,000</td>
</tr>
<tr>
<td>2.</td>
<td>Environmental Assessment</td>
<td>$125,000</td>
</tr>
<tr>
<td>3.</td>
<td>Special Management Area (SMA) Use Permit Major</td>
<td>$65,000</td>
</tr>
<tr>
<td>4.</td>
<td>Agency/Stakeholder Meetings and Outreach Support</td>
<td>$24,000</td>
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<tr>
<td></td>
<td><strong>Total G70 Professional Fees</strong></td>
<td><strong>$240,000</strong></td>
</tr>
<tr>
<td></td>
<td>Expenses (est. 3% of fees) (ii)</td>
<td><strong>$7,200</strong></td>
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<tr>
<td></td>
<td><strong>Subtotal G70 Professional Fees &amp; Expenses</strong></td>
<td><strong>$247,000</strong></td>
</tr>
<tr>
<td></td>
<td>State of Hawai‘i General Excise Tax 4.712% (Hawaii County)</td>
<td><strong>$11,639</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total G70 Fees, Expenses and Tax</strong></td>
<td><strong>$258,639</strong></td>
</tr>
<tr>
<td></td>
<td>Technical Study Subcontractor Fees (Estimated) (iii)</td>
<td><strong>$110,000</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total Fees, Expenses and Tax</strong></td>
<td><strong>$368,639</strong></td>
</tr>
</tbody>
</table>

(i) **Contingency Reserve.** Several tasks in the scope of services have the potential for an expanded level of effort which could necessitate additional services which are not included in the base scope. G70 has not included contingency budget reserve for any tasks. Should the level of effort expand beyond the anticipated scope, G70 will request amendment of this agreement.

(ii) **Expenses and Excise Tax.** Expenses include inter-island travel, car rental, parking, color plots, document printing, meals, courier and postage. Permit application processing and hearing fees are not included in this total. Hawaii State General Excise Tax 4.712% applies.

(iii) **Subcontractor Fees for Technical Studies.** There are several technical consultant studies and services which must be completed by subcontractors to support the preparation of an EA and supplement the SMA Use Permit application. These fees do not include the attendance at public meetings, SMA hearings and preparation of testimony. Subcontractor budgets are estimated (pending formal proposals) with fees including expenses and HI General Excise Tax.

<table>
<thead>
<tr>
<th>Subcontractor</th>
<th>(Estimated) Fixed Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) AIS and SHPD Chapter 6E Compliance</td>
<td>$22,000</td>
</tr>
<tr>
<td>b) Cultural Impact Assessment</td>
<td>$18,000</td>
</tr>
<tr>
<td>c) Flora and Fauna Survey</td>
<td>$10,000</td>
</tr>
<tr>
<td>d) Noise Impact Study</td>
<td>$20,000</td>
</tr>
<tr>
<td>e) Mobility Assessment Report</td>
<td>$40,000</td>
</tr>
<tr>
<td>f) Conceptual Landscape Design (in architectural scope)</td>
<td>$-</td>
</tr>
<tr>
<td>g) Topography &amp; Certified Shoreline Survey (in civil engineer scope)</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Total Subcontractor Fees</strong></td>
<td><strong>$110,000</strong></td>
</tr>
</tbody>
</table>
PROJECT SCHEDULE

The anticipated time to complete the EA and SMA (Major) Use Permit for the project entitlements is approximately 18 months. This schedule assumes there will be no significant delays due to directed program changes, review agency issues or community opposition. The scope of work and fee included in the proposal is based on this schedule.

Mahalo for this opportunity to submit this proposal for this unique project at Hilo. Please do contact call me (351-4200 mobile) if you have any questions or require additional information.

Sincerely,

GROUP 70 INTERNATIONAL, INC. (dba G70)

Jeffrey H. Overton, AICP, LEED-AP
Principal

ACCEPTED/APPROVED BY:

[OFFICIAL CLIENT ENTITY]

By: Date

Its:
Assessment Report
State of Hawai'i, Department of Land & Natural Resources, Land Division
Assess Banyan Drive Properties
Prepared by Erskine Architects, Inc.
29 June 2016
Part One INTRODUCTION

1.1 Background

The State of Hawai'i, Department of Land and Natural Resources (DLNR) owns several parcels of land along Banyan Drive in the city of Hilo's Waiakea Peninsula on the Island of Hawai'i. The subject properties include Reed's Bay Resort Hotel (TMK: (3) 2-1-005: 022), Country Club Condominium/Hotel (TMK: (3) 2-1-005: 020 and 022), and Uncle Billy's Hilo Bay Hotel (TMK: (3) 2-1-005: 009, 012, 033, 034, 035, and 045), hereinafter referred to as Reed's Bay, Country Club, and Uncle Billy's or collectively as the Properties. They were originally leased by the DLNR to private entities to operate and run hotel, condominium, and long term rentals, with various supporting functions. The lease agreement between the lessee's and the State of Hawai'i for all three of the Properties expired on March 14, 2015. After which, Country Club went to a month-to-month permit, while Uncle Billy's and Reed's Bay were both on a one year hold over lease that expired on March 15, 2016. Uncle Billy's announced plans to close their doors on February 1, 2016\(^1\). On February 12, 2016, the Board of Land and Natural Resources (BLNR) approved the transfer of Uncle Billy's land lease to Peter Savio, which will be managed by Castle Resorts and Hotels. The hotel was renamed Pagoda Hilo Bay Hotel, however for the purpose of this Report it will be referred to as Uncle Billy's.\(^2\)

At the time this Report was being written, the DLNR owned and managed the Properties. During a public meeting held on January 15, 2016, the DLNR and County of Hawaii announced their proposal to form a redevelopment agency, named Banyan Drive Hawaii Redevelopment Agency (BDHRA). The Agency's goal is to adopt and implement a master urban redevelopment plan for the area. The agency will operate under the County of Hawai'i Planning Department and will consist of five (5) members, appointed by the mayor and approved by the County Council\(^3\). The Planning Department is to remain the lead agency until BDHRA is organized and able to perform their duties, at which time they will be established as a separate agency. This Report was geared toward the DLNR, however as a result of this shift in managing the Properties, other entities will also be reading it.

\(^1\) (Callis, Aloha, Uncle Billy's: Iconic kamaaina business closing after 50 years)

\(^2\) (Segal)

\(^3\) (Kanahele)
samples of suspected asbestos-containing materials (ACM), forty-one (41) paint chip samples, and three (3) samples of suspected arsenic treated materials. The suspected ACM and paint chip samples were sent to EMC Labs, Inc. to be analyzed, while the suspected arsenic samples were sent to NVL Laboratories, Inc. Their findings were issued in the Limited Hazardous Materials Survey Report, identifying the presence of ACM and lead paint. A summary of the hazardous materials findings will be discussed later in this Report.

Phase 2 included the review of several regulatory codes. The DLNR performed the review of the Americans with Disabilities Act (ADA). The 2006 International Building Code (IBC) and the County of Hawai‘i Land Use Ordinance (LUO) were also reviewed. The initial code findings were presented to the County of Hawai‘i Planning Department during an informal meeting held on January 6, 2016. The purpose of the meeting was to inform the County of Hawai‘i of the DLNR’s assessment project and to share the initial IBC and LUO review summaries with the County of Hawai‘i.

Phase 3 involved organizing the visual survey findings. EAI developed an Existing Conditions spreadsheet for each consultant to use in recording their findings. Due to the immense amount of information gathered, the goal of the Existing Conditions spreadsheet was to create a simplified system that was uniform for all disciplines. An Existing Conditions spreadsheet was developed for each Property. The spreadsheets were used to document the problem areas, the locations, and a proposed solution for each problem area. The consultants and the DLNR ADA Coordinator provided their populated spreadsheets, corresponding photos and diagrams to EAI. EAI then coordinated and compiled the information into a series of spreadsheets. Additional information on the organization of the spreadsheets is found in Section 2.1.

Phase 4 consisted primarily of the organization of the gathered information into this Report. In an effort to identify potential outcomes based upon an objective format, a grading criterion and scoring matrices were developed. The DLNR hired a public outreach firm, Munekiyo Hiraga, to lead a public outreach effort. A public informational meeting was on January 15, 2016 in Hilo.
2.2 Site Surroundings & Future Projects

Banyan Drive is conveniently located approximately two (2) miles from the Hilo International Airport (General Lyman Field). Its name is derived from the banyan trees scattered throughout Hilo's Waiakea Peninsula. A little known fact is that from 1933 to 1972, approximately 50 banyan trees were planted by celebrity visitors, making Hilo's "Walk of Fame". Such celebrities include Babe Ruth, President Roosevelt, and Amelia Earhart.

Hotels and condominiums line the ocean side of Banyan Drive, while the Banyan Golf Course anchors the peninsula at the center. On the west side of Banyan Drive is the Queen Liliuokalani Gardens, a 30-acre Japanese garden surrounding the Waihonu Pond. Just offshore from the garden is Moku Ola (Coconut Island), accessible by a footpath. Further west, the Wailoa River cuts through the land and empties into Hilo Bay. Located to the east is Reeds Bay.

There are two noteworthy projects occurring in the surrounding areas: renovation of Hilo Naniloa Hotel and creation of the Hilo Bayfront Trails. In July 2015, Banyan Drive's Hilo Naniloa Hotel began its $18.5 million renovation project. The renovation at the 388-room hotel is expected to be completed in June 2016. Following the completion of the renovations, the hotel will become part of the DoubleTree franchise.

The Hilo Bayfront Trails is a County of Hawaii project that extends approximately three (3) miles along the Hilo Bayfront coastline from Wailuku River to Hilo Harbor. The project includes a system of pathways for walking, biking, and other non-vehicular modes of travel. Its goals include enhancing the area's natural beauty, increase access for residents and visitors, highlight the site's cultural significance, and protect the fragile coastline and waterways surrounding the Hilo Bayfront.

2.3 Listing of Regulatory Agencies

Future construction projects will require review and approval by government agencies and public utility companies. All building permit applications are routed through the County of Hawaii Department of Public Works (DPW) Building Division. Because the Properties are owned by the State of Hawaii, the DLNR is also required to review all designs prior to the building permit application or commencement of construction. The following is provided as background information for the Properties.

2.3.1 Federal Emergency Management Agency (FEMA)

According to FEMA, the Flood Insurance Rate Map (FIRM) indicates that the Properties are located in Flood Zone VE. Zone VE is defined as a coastal flood zone with velocity hazard (wave action), which is also known as tsunami inundation areas as stated in the Hawaii County Code (HCC) Chapter 27 Floodplain Management (Section 27-23). The Base Flood Elevation (BFE) is 13 feet above sea level. Additional information is provided later in the Report.

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*State of Hawaii, Department of Land & Natural Resources, Land Division
ASSESS BANYAN DRIVE PROPERTIES*
2.3.3 State of Hawai'i Land Use District

The Properties are located in an area classified as Urban District by the State of Hawai'i land use code. Per the Land Use Commission (LUC), Urban Districts are comprised of lands "characterized by 'city-like' concentrations of people, structures, and services" and include areas for future development\(^6\). Lot sizes and uses are determined by county ordinance.

\(^6\) (State of Hawai'i Land Use Commission)
2.3.5 Special Management Area and Special District

The SMA system was established in 1975 with the Act 176 revision to the Coast Zone Management (CZM) law. Known as the Shoreline Protection Act, the purpose of this Act is to preserve, protect, and restore the resources found in the coastal zone of Hawai‘i. A special permit is required when land falls within the SMA boundaries determined by the CZM Program. This permit regulates zoning and development plans to ensure compliance with CZM objectives and SMA guidelines.

The Properties are located within the SMA.

\[\text{(State of Hawai‘i)}\]

\[\text{Asess Banyan Drive Properties}\]
Exhibit C

2-Year Plan
### Pagoda Hilo Bay, LLC (The Former Country Club Condominium Hotel)

#### Long Term Rental Projection

**EXHIBIT C**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>%</th>
<th>Year 2</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rooms Income</td>
<td>-</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Other Income</td>
<td>8,540</td>
<td>0.70%</td>
<td>9,260</td>
<td>0.74%</td>
</tr>
<tr>
<td>Rental Revenue</td>
<td>1,209,480</td>
<td>99.30%</td>
<td>1,245,764</td>
<td>99.26%</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>1,218,020</td>
<td>100.00%</td>
<td>1,255,024</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Rooms Expense</td>
<td>29,040</td>
<td>2.38%</td>
<td>29,040</td>
<td>2.31%</td>
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<td>Other Expense</td>
<td>480</td>
<td>0.04%</td>
<td>520</td>
<td>0.04%</td>
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<tr>
<td>Rental Expense</td>
<td>137,938</td>
<td>11.32%</td>
<td>142,076</td>
<td>11.32%</td>
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<td><strong>TOTAL DEPARTMENT EXPENSE</strong></td>
<td>167,458</td>
<td>13.75%</td>
<td>171,636</td>
<td>13.68%</td>
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<tr>
<td><strong>DEPARTMENT PROFITS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rooms</td>
<td>(29,040)</td>
<td>-2.38%</td>
<td>(29,040)</td>
<td>-2.31%</td>
</tr>
<tr>
<td>Other</td>
<td>8,060</td>
<td>0.66%</td>
<td>8,740</td>
<td>0.70%</td>
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<tr>
<td>Rentals</td>
<td>1,071,542</td>
<td>87.97%</td>
<td>1,103,689</td>
<td>87.94%</td>
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<tr>
<td><strong>TOTAL DEPARTMENT PROFITS</strong></td>
<td>1,050,562</td>
<td>86.25%</td>
<td>1,083,389</td>
<td>86.32%</td>
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<td><strong>UNDISTRIBUTED DEPARTMENTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Administrative &amp; General</td>
<td>121,250</td>
<td>9.95%</td>
<td>121,250</td>
<td>9.66%</td>
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<tr>
<td>Repairs &amp; Maintenance</td>
<td>191,110</td>
<td>15.69%</td>
<td>207,180</td>
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<td>Utilities</td>
<td>354,800</td>
<td>29.13%</td>
<td>365,444</td>
<td>29.12%</td>
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<td><strong>TOTAL UNDISTRIBUTED DEPARTMENTS</strong></td>
<td>667,160</td>
<td>54.77%</td>
<td>693,874</td>
<td>55.29%</td>
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<tr>
<td><strong>GROSS OPERATING PROFIT</strong></td>
<td>383,402</td>
<td>31.48%</td>
<td>389,515</td>
<td>31.04%</td>
</tr>
<tr>
<td><strong>FINANCIAL EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Lease Rent</td>
<td>54,000</td>
<td>4.43%</td>
<td>54,000</td>
<td>4.30%</td>
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<tr>
<td>Lease Rent - Percentage</td>
<td>-</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
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<tr>
<td>Real Property Tax</td>
<td>10,808</td>
<td>0.83%</td>
<td>10,382</td>
<td>0.83%</td>
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<tr>
<td>Insurance Expense</td>
<td>60,000</td>
<td>4.93%</td>
<td>61,800</td>
<td>4.93%</td>
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<tr>
<td><strong>TOTAL FINANCIAL EXPENSES</strong></td>
<td>124,080</td>
<td>9.96%</td>
<td>126,182</td>
<td>9.96%</td>
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<tr>
<td><strong>INCOME BEFORE OWNERSHIP EXPENSES</strong></td>
<td>259,322</td>
<td>21.29%</td>
<td>263,332</td>
<td>20.98%</td>
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<td><strong>OWNERSHIP EXPENSES</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>74,298</td>
<td>6.10%</td>
<td>72,715</td>
<td>5.79%</td>
</tr>
<tr>
<td>FF&amp;E Reserve</td>
<td>-</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Pre-Opening Expenditures</td>
<td>30,000</td>
<td>2.46%</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Asset Management</td>
<td>26,431</td>
<td>2.17%</td>
<td>27,234</td>
<td>2.17%</td>
</tr>
<tr>
<td><strong>TOTAL OWNERSHIP EXPENSES</strong></td>
<td>130,729</td>
<td>10.73%</td>
<td>99,949</td>
<td>7.96%</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>128,594</td>
<td>10.56%</td>
<td>163,383</td>
<td>13.02%</td>
</tr>
<tr>
<td>Debt Service - Principal Payments</td>
<td>30,929</td>
<td>2.54%</td>
<td>32,511</td>
<td>2.59%</td>
</tr>
<tr>
<td><strong>NET CASH FLOW</strong></td>
<td>97,665</td>
<td>8.02%</td>
<td>130,872</td>
<td>10.43%</td>
</tr>
</tbody>
</table>
Exhibit D

5-Year Plan
Pagoda Hilo Bay, LLC (The Former Country Club Condominium Hotel)
Operational Phase - Transient Guests (60%)/Long Term Rental (40%)
Five Year Projection Starting in Lease Year 4

EXHIBIT D

<table>
<thead>
<tr>
<th></th>
<th>Year 4 %</th>
<th>Year 5</th>
<th>Year 6 %</th>
<th>Year 7</th>
<th>Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rooms Income</td>
<td>72.26%</td>
<td>73.68%</td>
<td>74.58%</td>
<td>75.32%</td>
<td>75.81%</td>
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<tr>
<td>Other Income</td>
<td>9.25%</td>
<td>8.79%</td>
<td>8.51%</td>
<td>8.28%</td>
<td>8.14%</td>
</tr>
<tr>
<td>Rental Revenue</td>
<td>18.48%</td>
<td>17.52%</td>
<td>16.91%</td>
<td>16.40%</td>
<td>16.05%</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

**OPERATING EXPENSES**

|                  |          |        |          |        |        |
| Rooms Expense    | 17.38%   | 17.15% | 16.94%   | 16.88% | 16.93% |
| Other Expense    | 0.07%    | 0.07%  | 0.06%    | 0.06%  | 0.06%  |
| Rental Expense   | 1.95%    | 1.85%  | 1.85%    | 1.90%  | 2.00%  |
| **TOTAL DEPARTMENT EXPENSE** | 19.40% | 19.07% | 18.85% | 18.84% | 18.99% |

**DEPARTMENT PROFITS**

|                  |          |        |          |        |        |
| Rooms            | 54.88%   | 56.53% | 57.64%   | 58.44% | 58.88% |
| Other            | 9.18%    | 8.73%  | 8.51%    | 8.28%  | 8.08%  |
| Rentals          | 16.54%   | 15.67% | 15.06%   | 14.50% | 14.05% |
| **TOTAL DEPARTMENT PROFITS** | 80.60% | 80.93% | 81.15% | 81.16% | 81.01% |

**UNDISTRIBUTED DEPARTMENTS**

|                  |          |        |          |        |        |
| Administrative & General | 8.60% | 56.53% | 57.64% | 58.44% | 58.88% |
| Sales & Marketing    | 4.55%    | 4.33%  | 4.19%    | 4.06%  | 4.00%  |
| Repairs & Maintenance| 5.78%    | 5.49%  | 5.32%    | 5.17%  | 5.08%  |
| Utilities           | 9.97%    | 9.47%  | 9.17%    | 8.92%  | 8.76%  |
| **TOTAL UNDISTRIBUTED DEPARTMENTS** | 28.90% | 27.47% | 26.59% | 25.88% | 25.42% |

**GROSS OPERATING PROFIT**

|                  |          |        |          |        |        |
| Rooms            | 51.70%   | 53.46% | 54.56%   | 55.28% | 55.59% |
| Other            | 1.73%    | 1.88%  | 1.99%    | 2.06%  | 2.17%  |
| Rentals          | 10.09%   | 10.38% | 10.69%   | 11.01% | 11.34% |
| **TOTAL GROSS OPERATING PROFIT** | 65.54% | 65.93% | 66.44% | 66.75% | 67.19% |

**FINANCIAL EXPENSES**

|                  |          |        |          |        |        |
| Lease Rent - Base | 3.27%    | 3.02%  | 2.84%    | 2.68%  | 2.56%  |
| Lease Rent - Percentage | 1.73% | 1.99%  | 2.06%    | 2.17%  | 2.17%  |
| Real Property Tax | 0.34%    | 0.33%  | 0.32%    | 0.31%  | 0.30%  |
| Insurance Expense | 2.05%    | 1.94%  | 1.88%    | 1.83%  | 1.80%  |
| **TOTAL FINANCIAL EXPENSES** | 7.39% | 7.27%  | 7.20%    | 7.14%  | 7.10%  |

**INCOME BEFORE OWNERSHIP EXPENSES**

|                  |          |        |          |        |        |
| Interest         | 20.26%   | 18.30% | 16.81%   | 15.49% | 14.38% |
| Asset Management | 2.17%    | 2.17%  | 2.17%    | 2.17%  | 2.17%  |
| **TOTAL OWNERSHIP EXPENSES** | 22.43% | 20.47% | 18.98%  | 17.60% | 16.55% |

**NET INCOME**

|                  |          |        |          |        |        |
| Lender Reserve - Capital Expenses | 21.87% | 25.72% | 28.38%   | 30.45% | 31.95% |
| Debt Service - Principal Payments | 4.00% | 4.00%  | 4.00%    | 4.00%  | 4.00%  |
| **NET CASH FLOW** | 13.44% | 17.54% | 20.30%   | 22.40% | 23.90% |
Exhibit E

Letter of Interest
Exhibit F

Marketing Proposal from
Lights On Digital
Overview

1. 2019 - 2020 REVIEW
2. CURRENT SWOT ANALYSIS
3. 2021 & BEYOND
4. DIFFERENTIATION
5. HILO
6. TARGET DEMOGRAPHIC
7. GROWTH MANAGEMENT
8. ADVERTISING
9. BUDGET
The Pagoda brand is well-known amongst kamaaina, predominantly for the Pagoda Hotel and Floating Restaurant in Honolulu and the newer Pagoda Waikiki on Beach Walk. The former has been a local institution since 1964; both the restaurant and hotel have faithfully served the Hawaii market, offering venue space, good eats, hotel rooms, and of course, a spectacle of koi in the 65,000-gallon pond that sits on property. In 2019 we expanded the community-focused brand from Oahu to Hawaii Island.

Marketing efforts 2019 into 2020 focused on brand visibility — driving consumers through the upper sales funnel AWARENESS and INTEREST stages. While the Pagoda brand is well-known as a Honolulu brand, we had to get word out that there was now a Pagoda option for travelers heading to Hilo.

Marketing initiatives focused on brand awareness across the web, which would ultimately drive quality traffic to our website (i.e. users with a high-propensity to book). These initiatives included:

- New website build (including analytics tracking, booking engine build, and implementation)
- Launched ADA compliant website
- Facilitated photoshoot and content creation
- Search engine optimization
- Established and optimized 3rd party content for maximum visibility (e.g. Google, Expedia, TripAdvisor, Yelp, Social Media, AirBnb)
- Engaged proven advertising channels
- Implemented promotional e-newsletter sends
Current SWOT Analysis

**Strengths**
- Pagoda brand equity, particularly amongst kamaaina
- Convenient location in Hilo, driving distance to numerous outdoor attractions
- Affordable price point
- Proximity to Hilo International Airport

**Opportunities**
- Leverage brand to capture local demographic
- Leverage price point and location to target budget travelers, backpackers, and outdoor enthusiasts
- Leverage proximity to Hilo International Airport and Hawaii Volcanoes National Park

**Weaknesses**
- Rooms are not as updated compared to competitor hotels
- Not a nationally known hotel flag brand

**Threats**
- COVID-19 Pandemic and its affect on travel and the economy
- Competitor hotels and vacation rentals in the surrounding area
As we look to the future, we want to further establish the Pagoda Hilo Bay brand. Pagoda Hilo Bay will continue to focus on the same tenants as its Oahu sister properties – conveniently-located, clean, and comfortable accommodations for the price conscious traveler. Given the bevy of world-class outdoor and cultural experiences unique to Hilo, we will target specific key demographics.

Our marketing messaging and initiatives will focus on leveraging our key demand drivers - proximity to Hilo’s local attractions and price point – as well as supplementary demand drivers such as key holidays and local events. We will craft tailored offers that speak to our target demographic, and promote these via paid advertising initiatives and e-newsletter sends. In addition, proper merchandising of these offers on our website will improve visibility and increase booking engine entrances.

Recovery from COVID by end of 2021 is likely and ADRs are expected to increase over time. Increasing demand for accommodations in Hilo may be partially met by vacation rentals which will require a broad spectrum of advertising presence beyond traditional channels.
Located on the northeast side of Hawaii Island, Hilo offers culturally vibrant Hilo Town, home to museums, art galleries, shops and restaurants. In addition, there are a number of nearby state parks (Akaka Falls State Park and Wailuku River State Park), waterfalls (Rainbow Falls and Peepee Falls), rainforests, and gardens (Liliuokalani Gardens). Local events range from small reoccurring happenings, like the Hilo Farmer’s market, to the annual Merrie Monarch festival which attracts thousands each year.

Hilo is also home to Hilo International Airport and is a convenient stop thru on your way to Hawaii Volcanoes National Park.
Differentiation

PROXIMITY TO HILO INTERNATIONAL AIRPORT
Pagoda Hilo Bay is located just 2.5 miles away from ITO. We will strategically target travelers flying in/out of ITO on their way to Hawaii Volcanoes National Park and capture pre- and post-stays. We will target this audience via updated marketing messages on our website, e-newsletters, and paid advertising.

COMMUNITY EVENTS
As a kamaaina friendly brand, it is important that we support and highlight Hilo’s community, music, and arts scene, whether small events like farmers’ markets or large spectacles like the annual Merrie Monarch Festival. While many 2021 events are currently TBD due to the pandemic, we will stay abreast of any updates in 2021 onward. Ensuring that these community events flourish is key to preserving the culture and identity of Hilo.

PAGODA BRAND
The Pagoda brand recognition is strong and will continue to swell in coming years with the expansion of Hilo and Waikiki properties. Marketing will leverage the brand visibility already present within the kamaaina market.
Target Demographic

OUTDOOR ENTHUSAISTS
We will target travelers looking to explore the picturesque natural beauty and small-town charm of Hilo. These travelers prioritize clean and comfortable accommodations that serve as a 'home base' in the evenings. They do not require a full-service hotel as they spend majority of their day outside of the property enjoying the local offerings.

STOP-OVER TRAVELERS
Those looking to visit the Hawaii Volcanoes National Park will either fly into Hilo International Airport or drive in from Kona. Properly promoting the must-see attractions in the Hilo area will help us position the Hilo Town, and the hotel, as an ideal pre- or post- stay on their way to or from the park.

KAMAAINA
The bread and butter of the Pagoda brand, kamaaina will also be a key market for Pagoda Hilo Bay. An established Oahu presence should help the brand resonate for those seeking local staycations and quick island-hop getaways to Hilo.
Growth Management

REVENUE MANAGEMENT
Through proactive pricing strategies and rate yielding, we will be able to capitalize on high demand periods and better prepare for low demand seasons.

WEBSITE PRESENCE
We will regularly review the overall performance and user experience on our direct websites and make needed optimizations. Properly highlighting nearby attractions and events will be key. The goal is to reduce bounce rate and increase booking engine entrances.

3rd PARTY CONTENT REVIEWS & REFRESSES
It is imperative to maintain a consistent brand image across the web, namely 3rd party and referral sites. Ensuring that we effectively portray high-quality relevant information (both visual and text) will help garner consumer trust and maximize visibility

PAID ADVERTISING
We will utilize a mix of high conversion paid channels to build brand awareness and drive quality traffic to our website. We will regularly adjust bids and budget to maximize visibility amongst our target market and account for seasonality.
Advertising

BUDGET
Focusing on a 10:1 ROAS (return on ad spend) advertising budget should range around $50,000 per year and spread evenly across upper, middle, and lower funnels.

BRAND AWARENESS
Using a variety of traditional media including radio and local publications to create a consistent presence within the local kamaaina market. This should continue to be closely evaluated for positive return.

ONLINE TRAVEL AGENTS (OTAs)
A great tool that is middle funnel allows us to capture interest and bookings on 3rd party platforms.

META ADVERTISING
Considered middle to bottom of the funnel. Google, TripAdvisor, and others should remain a prominent player in this space. These channels provide us an opportunity to compete on price.

REMARKETING
Capturing potential bookers that were on the fence is an excellent tactic to further encourage a booking conversion, whether by offering upgrades or value adds, or simple deals, this tactic converts well.
2024 Relaunch

Renovation will afford Pagoda Hilo Bay several key advantages.

Updated rooms and hotel grounds will improve the overall visitor experience and afford us a stronger value proposition. No longer having to rely so heavily on price point to drive demand, Pagoda Hilo Bay will be able to command higher rates during peak seasons, while being able to hold rates during shoulder periods.

A renovated product will also allow us to tap into new audiences. While the allure of Hilo will always remain - adventure meets culturally-vibrant town - we will be able to improve the quality of our guest (i.e. less price-point focused and more value driven). This includes market segments that have been untapped to this point including long stays, groups, and corporate business.

Overall, new market segments and improved ability to yield rates should allow us to drive higher occupancy and average daily rate post renovation. A well-established independent brand with advantageous location and strong community ties, Pagoda Hilo Bay is poised to compete well in the Hilo market for years to come.