

ALAN M. ARAKAWA
Mayor



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Prosecuting Attorney

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April 20, 2017

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OFFICE OF THE
COUNTY COUNCIL

Ms. Lynn A.S. Araki-Regan
Budget Director, County of Maui
200 S. High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

Mayor Date

Honorable Alan M. Arakawa
Mayor, County of Maui
200 S. High Street
Wailuku, Hawaii 96793

Transmittal to:

Honorable Riki Hokama, Chair
Budget and Finance Committee
200 S. High Street
Wailuku, Hawaii 96793

Re: REQUESTS/QUESTIONS FROM THE APRIL 13, 2017 MEETING
(PA-1) (BF-1)

Dear Chair Hokama:

As you have requested at its meeting on April 13, 2017, the Budget and Finance Committee requested our Department's responses to the following requests/questions:

1. Provide a cost comparison of the rental and common area maintenance (CAM) cost currently paid for the Ueoka Building and the debt service if the County were to purchase the Ueoka Building;

Cost Comparison of Lease vs Debt Service expense is enclosed. See Attachment A.

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2. Is the Ueoka Building a historic building?

The Ueoka Building was built in 1970 and is not considered a historic building.

3. Provide any projected operational cost associated with the acquisition of the Ueoka Building, including renovations, furniture, equipment, sound proofing, etc.

Due to the pending acceptance of our offer with the Landlord, we are unable to do a thorough due to diligence to get an estimated cost of any electrical, roofing, air condition and building structure upgrades. If the purchase of the building goes through, we will work hand in hand with the Friends of the Children Justice Center of Maui to assist with the renovation cost of the 1st floor. We are planning to have Friends of the Children Justice Center of Maui and Dr. Kepler utilize approximately 2,000 square feet of the first floor and we will utilize the balance of approximately 1,400 square feet for our Victim Witness Counselors.

Because we will be relocating our existing employees to this building, we will move their current furniture to this new location. For any equipment cost, we would need a copier machine for our Victim Witness Counselors. We would propose to incorporate this expenses under our SNAP grant which would be approximately \$2,000 per year.

4. Provide a copy of the appraisal report for the acquisition of the Ueoka Building.

June 27, 2016 Appraisal is enclosed. See Attachment B.

5. Provide a breakdown of the current salaries being paid for each Deputy Prosecuting Attorney position.

See Attachment C.

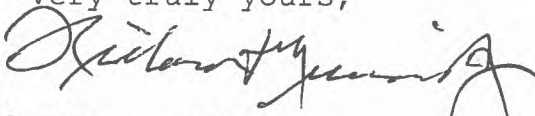
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6. Provide an explanation why there is a \$91,724 reduction in Fringes, payroll for the Special Needs Advocacy Program (Index Code 176835-6275)

The \$91,724 reduction amount in FY18 was already recognized in the FY17 Budget for our Special Needs Advocacy Supplemental Grant Revenue Funds.

If you have any questions regarding the above, please call me at 270-7632 or 270-7777.

Very truly yours,


JOHN D. KIM
Prosecuting Attorney

JDK:wyn

Attachments

**UEOKA BUILDING
PURCHASE VS LEASE ANALYSIS**

		County Suite A		Vacant Suite B	Vacant Suite C	Total Bldg	
Leased Area (SF)		3,283.00		1,500.00	1,930.00	6,713.00	
	Rate	Monthly	Annual			Monthly	Annual
FY 2018	\$2.10	\$6,894.30	\$82,731.60	\$3,150.00	\$4,053.00	\$14,097.30	\$169,167.60
FY 2019	\$2.15	\$7,058.45	\$84,701.40	\$3,225.00	\$4,149.50	\$14,432.95	\$173,195.40
FY 2020	\$2.20	\$7,222.60	\$86,671.20	\$3,300.00	\$4,246.00	\$14,768.60	\$177,223.20
FY 2021	\$2.25	\$7,386.75	\$88,641.00	\$3,375.00	\$4,342.50	\$15,104.25	\$181,251.00

Current CAM (2017)	\$0.88	\$2,889.04	\$1,320.00	\$1,698.40	\$4,209.04	\$50,508.48
Real Property Tax	2016	\$3,986.40	\$1,992.54	\$1,992.54	\$7,971.48	

	Offer Price
Purchase Price	\$1,750,000.00
Interest Rate	3.00%
Bond Term (Yrs)	20
Debt Service (Monthly)	\$9,705.13
Debt Service (Annual)	\$116,461.56
TOTAL	\$2,329,231.20
PSF (Monthly)	1.446
Pay Back Period	12.153

	2018	2019	2020	2021
Annual Debt Service	116,461.56	116,461.56	116,461.56	116,461.56
Less (Suite A)				
Base Rent	(\$82,731.60)	(\$84,701.40)	(\$86,671.20)	(\$88,641.00)
CAM	(\$34,668.48)	(\$34,668.48)	(\$34,668.48)	(\$34,668.48)
GET 4.167%	(\$4,892.06)	(\$4,974.14)	(\$5,056.22)	(\$5,138.31)
Difference	(5,830.58)	(7,882.46)	(9,934.34)	(11,986.23)

NOTES:

- 1) Base Rent for Suites B & C is based on the current lease for Suite A
- 2) CAM currently includes Real Property Tax as Landlord has not filed for a Tax Exemption.

USPAP RULE 2-2 COMPLIANT "APPRAISAL REPORT" OF THE AS IF FEE SIMPLE INTEREST

2103 Wells Street Units 1, 2, and 3
Wailuku, HI 96793
Assessor's Parcel #s 2340080480001, 0002, & 0003

Market Value as of:
June 27, 2016



Prepared For:
Guy M. Hironaka
Real Property Manager
County of Maui
Finance Department
Guy.Hironaka@co.maui.hi.us

Prepared By:
R. J. Kirchner, SRA
Paradise Appraisals, LLC
79-7266 Mamalahoa Hwy, #9
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SECTION 1 – SUMMARY OF ASSIGNMENT

Summary of Salient Facts and Conclusions

Conclusions

Aerial Photo

Appraisal Problem Defined

Scope of Work Used to Solve the Appraisal Problem

Summary of Salient Facts and Conclusions

Our File Number	M16032 (234-8-48-1, 2, and 3)
Subject Property	The properties are located at the southwest corner of Wells Street and S. Church Street at 2103 Wells Street, Units 1, 2, and 3, Wailuku, HI. The assessor's parcel numbers are: 2340080480001 2340080480002 2340080480003
Current Use	The first floor is two vacant office units with no demising wall between the units. The second floor is one large office occupied by the County of Maui.
As Valued Use	Three office condominium units.
Client	The County of Maui
Intended Users	The client is the only intended user.
Intended Use	Our client is considering acquiring these three units to be used for county office facilities and needs an unbiased professional valuation of the subject units' as if fee simple market value to support how much they should offer to acquire the units for. This report is not intended to be used for any other purpose. The appraiser is not responsible for unauthorized use of this report.
Interest Value	As if fee simple market value in the property's as is condition. The county already leases the second floor. That lease is now on a month to month basis. The county wishes to know the market value as if the county were not occupying the property.
Purpose of the Assignment	Provide the client an estimate of the market value to help the client determine the proper amount to offer to acquire the properties.

Market Value is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by any undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- The buyer and seller are typically motivated,
- Both parties are well informed or well advised, and each acting in what they consider their own best interest,
- A reasonable time is allowed for exposure in the open market,
- Payment is made in terms of cash in U. S. Dollars or in terms of

financial arrangements comparable thereto, and the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

Fee Simple Title is defined as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.²

Market Rent is defined as:

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expenses obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).³

Note: The reader will note that this definition includes the need for the rent to be established in a competitive and open market.

Leased Fee Interest is defined as:

The ownership interest that the landlord or lessor maintains in a property under a lease with the rights of use and occupancy being conveyed or granted to a tenant or lessee. The ownership interest in a leased property.⁴

Effective Date of Value	6/27/2016 (the date of the appraiser's property inspection)
Date of Report (Signed)	8/2/2016
Date of Inspection	6/27/2016
Type of Appraisal Report	A compliant "Appraisal Report" under the standards outlined in the Uniform Standards of Professional Appraisal Practice 2-2
Land Description	The subject site consists of a single parcel of land, which is located at the corner of Wells Street and S. Church Street in Wailuku. It has direct access from both streets as well as an alley along its western boundary. The parcel is somewhat irregular in shape. It contains a total of 10,718 sq. ft. of area, according to public records. The site is level and zoned B-2.
Building Description	One two-story concrete professional office building built in 1970 that has been divided into three condo units (two downstairs and one second floor unit). The building contains 3,710 sq. ft. on each floor. A more detailed description is found within this report.

¹ Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals 34.42 Definitions [f]

² Appraisal Institute's Dictionary of Real Estate Appraisal, Fifth Edition

³ Appraisal Institute's Dictionary of Real Estate Appraisal, Fifth Edition

⁴ Appraisal Institute's Dictionary of Real Estate Appraisal, Fifth Edition

Zoning

The subject is zoned B-2 by the County of Maui. This zoning is Village Commercial and requires a minimum land area of 7,500 sq. ft.

Summary of Value Conclusions	
As If Fee Simple	
Effective Date of Value	Jun 27, 2016
Cost Approach	\$1,560,000
Sales Comparison Approach	\$1,600,000
Income Capitalization Approach	\$1,515,000
Reconciled Value	\$1,560,000
Compiled by: Paradise Appraisals LLC	

Aerial Photo



Appraisal Problem Defined

The Reason for this Valuation: The client is considering purchasing the three units that make up this property and desires an unbiased valuation of the property's market value to help determine a proper offer price.

Appraisal Problem: The value being sought is the as if fee simple market value.

Hypothetical Condition: That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if:

- Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- Use of the hypothetical condition results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.⁵

To complete the assignment, the appraiser has valued the property's fee simple interest. The second floor is occupied by the county as a tenant as of the inspection date. The county has asked the appraiser to value the property as if they did not occupy the property. This hypothetical condition does impact the outcome of the valuation.

Extraordinary Assumption: An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.⁶

Extraordinary Assumptions Used:

1. The appraiser has not been provided with an environmental assessment on the property. As part of this appraisal, the appraiser assumes the site and building and surrounding sites are not contaminated by environmental hazards. The subject is located directly across the street from industrial uses. The appraiser assumes no environmental hazards exist on the subject site. Due to the proximity of a service station 1 block to the north and the fact that this building was built in 1970 when hazardous materials such as lead based paint and asbestos were often used, the appraiser recommends a level 1 environmental assessment be completed.

⁵ Uniform Standards of Professional Appraisal Practice 2015-2016.

⁶ Uniform Standards of Professional Appraisal Practice 2015-2016.

2. The appraiser assumes there is no major archeology on the site that would hinder development of the subject.
3. The appraiser has not been provided with a survey and assumes no adverse unknown easements or encroachments exist. The appraiser assumes that the roadway and utility easement depicted in public records along the western end of the subject property is a shared access road and the parking area shared with the properties to the west is all perpetual.
4. The appraiser assumes no major structural or mechanical defects exist and recommends a professional building inspection.
5. The appraiser assumes the property meets current ADA requirements.
6. The appraiser assumes the cracked concrete blocks around the concrete block storage area at the rear of the building is not indicative of a settlement issue with the main building. The appraiser recommends an inspection by an engineer.
7. The appraiser assumes the access alley at the north of the subject has a legal shared easement agreement among the properties that fronts onto this roadway.
8. The appraiser assumes there are no current association reserves and that the project would have to fund reserves to sell individual units.

If any of these assumptions are found to be false, it could impact the conclusions found in this report.

Scope of Work Used to Solve the Appraisal Problem

In preparing this report, the appraiser has:

- Visited the subject property and made an inspection of the property on 6/27/2016.
- Reviewed the lease of the property provided by the client.
- Reviewed the legal description of the subject parcel.
- Reviewed publicly available descriptions of the subject property from the County Tax Office, County Planning Office, County Building Department, and FEMA Flood Maps.
- Analyzed local market trends, demographics, market activity, surrounding uses, and proposed development.
- Researched sales and leases of similar properties in the market area.
- Formed a conclusion of the highest and best use of the subject property.
- If sufficient market data was found to arrive at credible valuation results, the appraiser completed a cost approach to market value by:
 1. First valuing the land through a direct market comparison approach,
 2. Valuing the buildings as new from a cost approach using Marshall & Swift Cost Service,
 3. Estimating the accrued depreciation evidence from market sales of existing buildings as well as through the Marshall & Swift Cost Service depreciation tables,
 4. And, reconciled the information to arrive at an estimate of market value using a cost approach to value.
- If sufficient market data was found to arrive at credible valuation results, the appraiser completed a direct sales comparison approach by:
 1. Researching similar recent sales and listings of similar properties in the market area.
 2. Attempting to make a purely qualitative analysis of the subject's market value by bracketing the subject with rents that are obviously superior and obviously inferior to narrow the market value range even before applying any adjustments.
 3. Comparing the most similar sales directly to the subject property and making adjustments to the sale prices to reflect the differences between the comparison and the subject property.
 4. Reconciling the quality and quantity of data found to determine if a credible conclusion of market value could be developed by this approach.
 5. Developing an opinion of the market value of the subject property through the use of a direct sales comparison Approach.
- If sufficient market data was found to arrive at credible valuation results, the appraiser completed an income approach to value with the direct capitalization approach to arrive at an indication of market rent by:
 1. Researching rentals of similar land in the market area to use as direct rental comparisons to estimate the market rent of the fee simple interest in the subject land.
 2. Analyzing the differences between rents to arrive at supportable adjustments for differences in characteristics in the properties.
 3. Using the most similar rentals as direct comparisons to the subject to arrive at an indication of the market rent of the fee simple land of the subject.
 4. Analyzing similar properties that had been leased in arms-length transactions to arrive at an estimate of the overall capitalization rate that can be supported in this market.
 5. Using the algebraic formula of $\text{Value} = \text{Rent} / \text{Rate}$ to arrive at a supportable conclusion of market value for the subject.
 6. Completed an income approach using a yield capitalization valuation of the subject property by a discounted cash flow analysis.

- Considered if it was possible to develop a credible opinion of market value from any other appraisal methods available to the appraiser.
- Reconciled the quality and quantity of data and analysis from the valuation methods utilized to arrive at a final value estimate for the subject.
- Completed this report which sets forth the research and analysis that shows how the appraiser arrived at the conclusions. The report meets the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) for what USPAP terms an "appraisal report." Additionally, the report meets the current requirements and standards of the Appraisal Institute. The report is subject to review by any duly authorized committee of the Appraisal Institute related to peer review.

SECTION 2 – CERTIFICATION AND LIMITING CONDITIONS

**Appraiser's Certification
General Assumptions and Limiting Conditions**

Appraiser's Certification

I certify to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, as well as the requirements of the State of Hawaii relating to review by its duly authorized representatives. This report also conforms to the requirements of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- R. J. Kirchner has completed the requirements of the continuing education program of the Appraisal Institute.
- R. J. Kirchner has made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this report.
- R. J. Kirchner has extensive experience in the appraisal/review of similar property types.
- R. J. Kirchner is currently certified in the state where the subject is located and has completed the continuing education requirements set forth with the State of HI.
- Although other appraisers may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy are maintained at all times with regard to this assignment without conflict of interest.
- R. J. Kirchner is in compliance with the Competency Provision in the USPAP as adopted in FIRREA 1989 and has sufficient education and experience to perform the appraisal of the subject property.
- R. J. Kirchner has not provided prior services on this property in the last 3 years.

R. J. Kirchner, SRA



Managing Partner, Paradise Appraisals LLC
HI CGA-275 Expiration: December 31, 2017

General Assumptions & Limiting Conditions

Information Used

No responsibility is assumed for the accuracy of information furnished by others or from others, including the client, its officers and employees, or public records. We are not liable for such information or for the work of contractors, subcontractors, and engineers. The comparable data relied upon in this appraisal has been confirmed with one or more parties familiar with the transaction unless otherwise noted; all are considered appropriate for inclusion to the best of my factual judgment and knowledge.

Certain information upon which the opinions and values are based may have been gathered by research staff working with the appraiser. Names, professional qualifications, and extent of their participation can be furnished to the client upon request.

Legal, Engineering, Financial, Structural or Mechanical Nature, Hidden Components, Soil

No responsibility is assumed for matters legal in character or nature, nor matters of survey, nor of any architectural, structural, mechanical, or engineering nature. No opinion is rendered as to the legal nature or condition of the title to the property, which is presumed to be good and marketable. The property is appraised assuming it is free and clear of all mortgages, liens, or encumbrances, unless otherwise stated in particular parts of this report.

The legal description is presumed to be correct, but I have not confirmed it by survey or otherwise. I assume no responsibility for the survey, any encroachments or overlapping, or other discrepancies that might be revealed thereby.

I have inspected, as far as possible by observation, the land and improvements thereon; however, it was not possible to personally observe conditions beneath the soil or hidden structural or other components, or any mechanical components within the improvement; as a result, no representation is made herein as to such matters unless otherwise specifically stated. The estimated market value assumes that no such conditions exist that would cause a loss of value. I do not warrant against the occurrence of problems arising from any of these conditions. It is assumed that there are no hidden or unapparent conditions to the property, soil, subsoil, or structures, which would render them more or less valuable. No responsibility is assumed for any such conditions or for any expense or engineering to discover them. All mechanical components are assumed to be in operating condition standard for the properties of the subject's type. The condition of the heating, cooling, ventilation, electric, and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements, unless otherwise stated. No judgment is made as to the adequacy of insulation, engineering, or energy efficiency of the improvements or equipment.

Information relating to the location or existence of public utilities has been obtained through verbal inquiry to the appropriate utility authority, or has been

ascertained from visual evidence. No warranty has been made regarding the exact location or capacities of public utility systems. Subsurface oil, gas, or mineral rights were not considered in this report unless otherwise stated.

Legality of Use

The appraisal is based on the premise that there is or will be full compliance with all applicable federal, state, and local environmental regulations and laws, unless otherwise stated in the report; and that all appropriate zoning, building, and use regulations and restrictions of all types have been or will be complied with and required licenses, consent, permits or other authority, whether local, state, federal, and/or private, have been or can be obtained or renewed for the use intended and considered in the value estimate.

Component Values

The distribution of the total valuation of this report between land and improvements applies only under the proposed program of utilization. The separate valuations of land and buildings must not be used in conjunction with any other appraisal, and are invalid if so used.

A report related to an estate that is less than the whole fee simple estate applies only to the fractional interest involved. The value of this fractional interest, plus the value of all other fractional interests, may or may not equal the value of the entire fee simple estate considered as a whole. A report relating to the geographic portion of a larger property applies only to such geographic portion and should not be considered as applying with equal validity to other portions of the larger property or tract. The value for such geographic portions, plus the value of all other geographic portions, may or may not equal the value of the entire property or tract considered as a single entity.

All valuations in the report are applicable only under the estimated program of the highest and best use and are not necessarily appropriate under other programs of use.

Auxiliary and Related Studies

No environmental or impact studies, special market study or analysis, highest and best use analysis study, or feasibility study has been requested or made by us unless otherwise specified in this report or in my agreement for services. I reserve the unlimited right to alter, amend, revise, or rescind any of these statements, findings, opinions, values, estimates, or conclusions upon any subsequent study or analysis or previous study or analysis that subsequently becomes available to us.

Dollar Values, Purchasing Power

The value estimates and the costs used herein are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of the United States dollar as of the date of value estimate.

Inclusions

Furnishings and equipment or business operations, except as otherwise specifically indicated, have been disregarded, with only the real estate being considered.

Proposed Improvements' Conditioned Value

For the purpose of this appraisal, on or off-site improvements proposed, if any, as well as any repairs required, are considered to be completed in a good and workmanlike manner according to information submitted and/or considered by us. In cases of proposed construction, the report is subject to change upon inspection of the property after construction is complete. The estimate of value, as proposed, is as of the date shown, as if completed and operating at levels shown and projected.

Value Change, Dynamic Market Influences

The estimated value is subject to change with market changes over time. Value is highly related to interest rates, exposure, time, promotional effort, supply and demand, terms of sale, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property both physically and economically in the marketplace.

The estimate of value in this report is not based in whole or in part upon race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

In the event this appraisal includes the capitalization of income, the estimate of value is a reflection of such benefits and my interpretation of income and yields and other factors which were derived from general and specific market information. Such estimates are made as of the date of the estimate of value. As a result, they are subject to change, as the market is dynamic and may naturally change over time. The date upon which the value estimate applies is only as of the date of valuation, as stated in the letter of transmittal. The appraisal assumes no responsibility for economic or physical factors occurring at some later date which may affect the opinion stated herein.

An appraisal is the product of a professionally trained person, but nevertheless is an opinion only, and not a provable fact. As a personal opinion, a valuation may vary between appraisers based upon the same facts. Thus, the appraiser warrants only that the value conclusions are his best estimate as of the date of valuation. There are no guaranties, either written or implied, that the property would sell for the expressed estimate of value.

Sales History

Unless otherwise stated, the appraiser has not reviewed an abstract of title relating to the subject property. No title search has been made, and the reader should consult an attorney or title company for information and data relative to the property ownership and legal description. It is assumed that the subject title is marketable, but the title should be reviewed by legal counsel. Any information given by the appraiser as to a sales history is information that the appraiser has researched; to the best of my knowledge, this information is accurate, but not warranted.

Management of the Property

It is assumed that the property which is the subject of this report will be under prudent and competent ownership and management over the entire life of the

property. If prudent and competent management and ownership are not provided, this would have an adverse effect upon the value of the property appraised.

Confidentiality

We are not entitled to divulge the material (evaluation or valuation) content of this report and analytical findings or conclusions, or give a copy of this report to anyone other than the client or his designee, as specified in writing, except as may be required by the Appraisal Institute, as they may request in confidence for ethic enforcement, or by a court of law with the power of subpoena.

All conclusions and opinions concerning the analyses as set forth herein are prepared by the appraisers whose signatures appear. No change of any item in the report shall be made by anyone other than the appraiser, and the firm shall have no responsibility if any such unauthorized change is made.

Whenever our opinion herein with respect to the existence or absence of fact is qualified by the phrase or phrases "to the best of our knowledge", "it appears", or "indicated", it is intended to indicate that, during the course of our review and investigation of the property, no information has come to our attention which would give us actual knowledge of the existence or absence of such facts.

The client shall notify the appraiser of any error, omission, or invalid data herein within 10 days of receipt and return of the report, along with all copies, to the appraiser for corrections prior to any use whatsoever. Neither our name nor this report may be used in connection with any financing plans which would be classified as a public offering under State or Federal Security Laws.

Copies, Publication, Distribution, Use of Report

Possession of this report, or any copy thereof, does not carry with it the right of publication, nor may it be used for other than its intended use. The physical report remains the property of the firm for the use of the client, with the fee being for the analytical services only. This report may not be used for any purpose by any person or corporation other than the client or the party to whom the report is addressed. Additional copies may not be made without the written consent of an officer of the firm, and then only in its entirety.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations effort, news, sales, or other media without my prior written consent and approval of the client.

It has been assumed that the client or representative thereof, if soliciting funds for his project, has furnished to the user of this report complete plans, specifications, surveys, and photographs of land and improvements, along with all other information which might be deemed necessary to correctly analyze and appraise the subject property.

Trade Secrets

This appraisal was obtained from Paradise Appraisals LLC or related companies and/or its individuals and consists of "trade secrets and commercial or financial

information" which is privileged and confidential. Notify the appraiser signing the report or an officer of Paradise Appraisals LLC of any request to reproduce this report in whole or in part.

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Any copy that does not have an original appraiser's signature is unauthorized and may have been altered and, therefore, is considered invalid.

Testimony, Consultation, Completion of Contract for Appraisal Services

A contract for appraisal, consultation, or analytical services is fulfilled and the total fee payable upon completion of the report. The appraisers or those assisting in the preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal in full or in part, nor will they be asked or required to engage in post appraisal consultation with client or third parties except under separate and special arrangement and at an additional fee.

Any subsequent copies of this appraisal report will be furnished on a cost plus expenses basis, to be negotiated at the time of request.

Limit of Liability

Liability of the firm and the associates is limited to the fee collected for preparation of the appraisal. There is no accountability or liability to any third party.

Fee

The fee for this appraisal or study is for the service rendered, and not for time spent on the physical report. The acceptance of the report by the client takes with it the agreement and acknowledgement that the client will pay the negotiated fee, whether said agreement was verbal or written. The fee is in no way contingent on the value estimated.

SECTION 3 – SUMMARY OF SUBJECT INFORMATION

Property Identification

Property Identification

The three condo units are located at the southwest corner of Wells Street and S. Church Street at 2103 Wells Street, Wailuku, HI. The assessor's parcel number for the project is 2340080480000. The owner of record of the leased fee interest is Makawao Management LLC.

Tax Map



Assessed Value and Taxes

The subject is currently improved with an existing office building. The site is assessed at \$434,100 and the building is assessed at \$773,700, for a total assessed value of \$1,207,800.

Item	Sq. Ft.	Assessed Value	2016 property tax
Unit A	3283	\$ 604,000.00	\$ 3,986.40
Unit B	1326	\$ 301,900.00	\$ 1,992.54
Unit C	1723	\$ 301,900.00	\$ 1,992.54
	6332	\$ 1,207,800.00	\$ 7,971.48

Zoning

The subject is zoned B-2, requiring a minimum land area of 6,000 sq. ft. This zoning allows retail use and office use with a land coverage ratio of less than 200%. The subject site meets the minimum site size requirement of the zoning.

Property Inspection

The property was inspected on June 27, 2016. The appraiser was accompanied by the current property manager.

Sale and Listing History of Subject Property

The subject last sold on 10/13/2014 for a total price of \$1,525,000. It has not been listed for sale in MLS since that sale.

SECTION 4 – PRESENTATION OF DATA COLLECTED

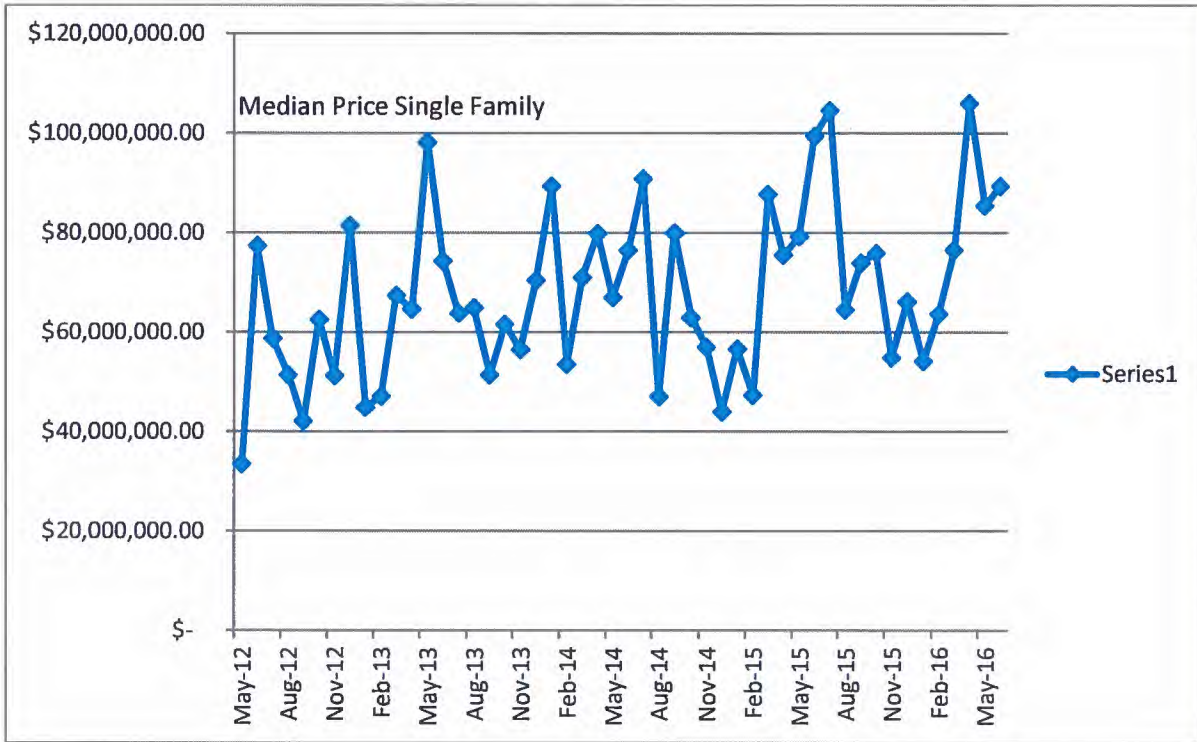
County or Regional Data
Island of Maui Map
Market Neighborhood Map
Property Description
Parcel Map
Flood Zone Map
Zoning
Improvements Description
Building Sketch
Photos

County or Regional Data

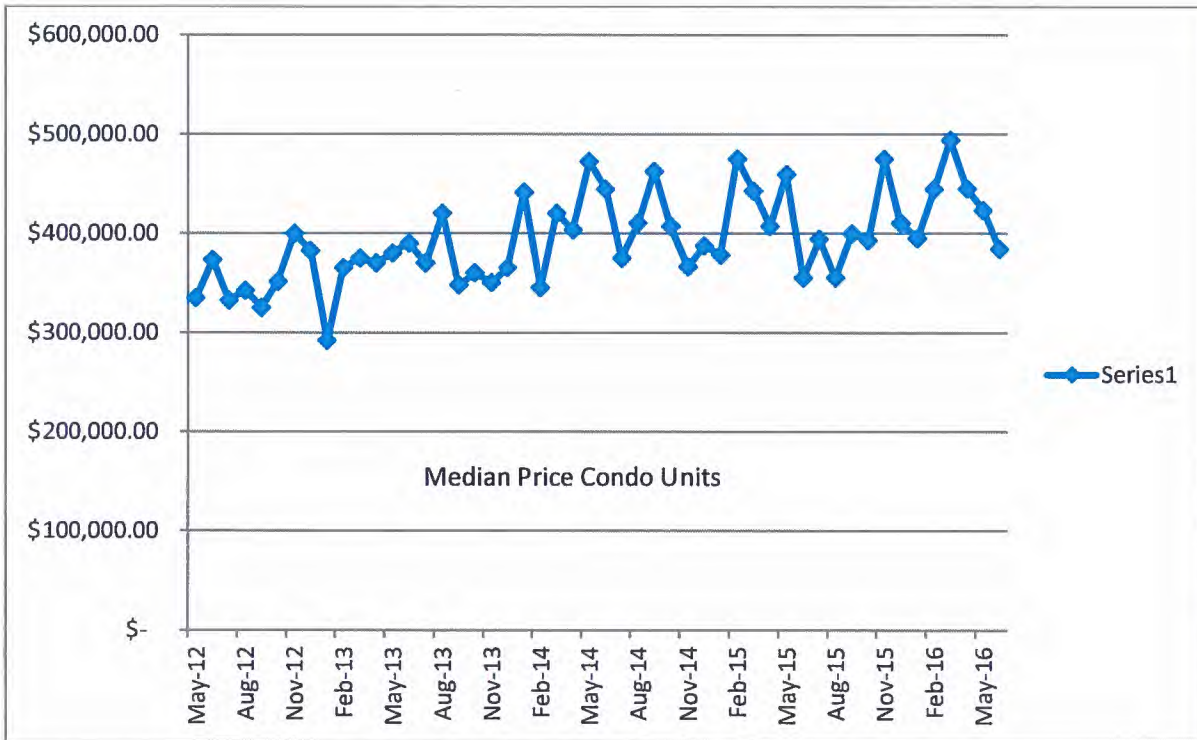
Maui County Real Estate Market

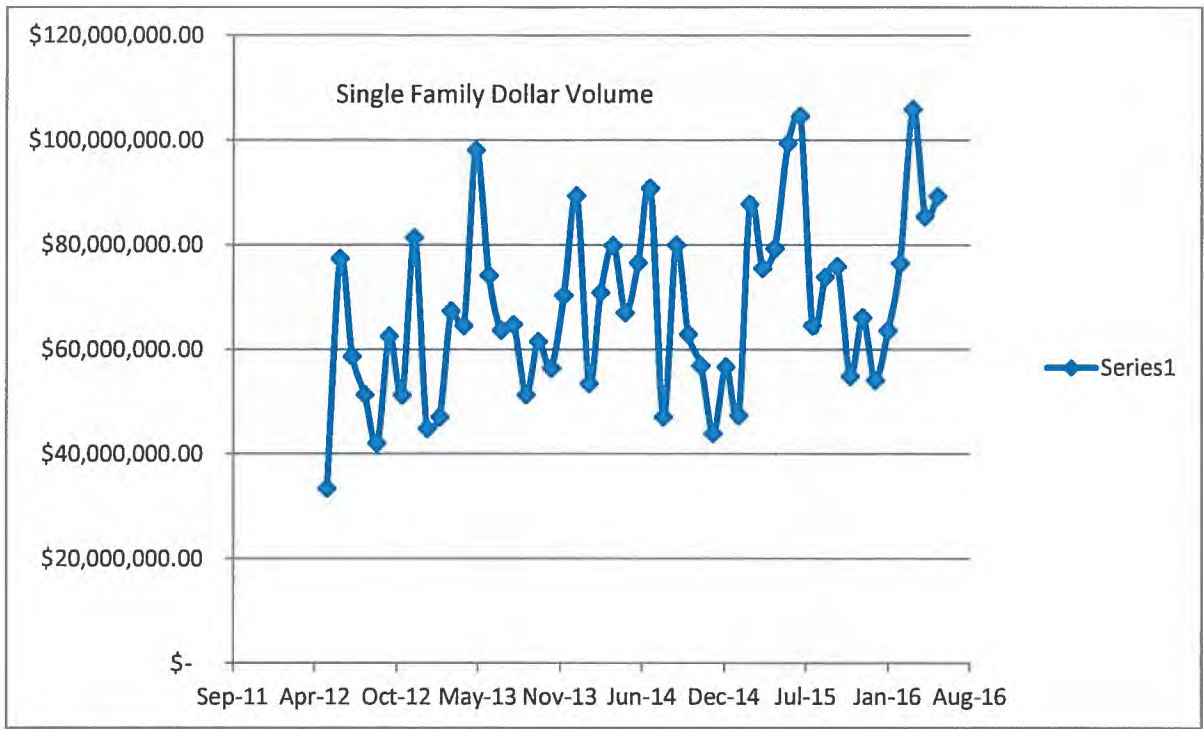
The residential market is explained best in the following graphs.

Month	Single Family Total Volume	Median Deatche Home Price	Condo Total Volume	Median Fee Simple Condo Price
May-12	\$ 33,415,849.00	\$ 382,000.00	\$ 58,209,450.00	\$ 334,500.00
Jun-12	\$ 77,311,750.00	\$ 575,500.00	\$ 55,415,328.00	\$ 372,990.00
Jul-12	\$ 58,606,444.00	\$ 488,000.00	\$ 32,165,559.00	\$ 332,000.00
Aug-12	\$ 51,365,842.00	\$ 620,000.00	\$ 41,206,475.00	\$ 342,450.00
Sep-12	\$ 42,074,906.00	\$ 437,500.00	\$ 29,447,742.00	\$ 325,000.00
Oct-12	\$ 62,521,555.00	\$ 487,000.00	\$ 37,396,535.00	\$ 351,495.00
Nov-12	\$ 51,261,155.00	\$ 467,599.00	\$ 59,993,786.00	\$ 400,000.00
Dec-12	\$ 81,342,337.00	\$ 511,750.00	\$ 69,780,428.00	\$ 382,450.00
Jan-13	\$ 44,860,175.00	\$ 550,000.00	\$ 25,487,040.00	\$ 292,000.00
Feb-13	\$ 47,089,500.00	\$ 550,000.00	\$ 50,587,457.00	\$ 364,950.00
Mar-13	\$ 67,340,383.00	\$ 509,500.00	\$ 62,948,654.00	\$ 375,000.00
Apr-13	\$ 64,569,492.00	\$ 500,000.00	\$ 76,973,491.00	\$ 370,000.00
May-13	\$ 98,101,958.00	\$ 544,500.00	\$ 75,007,354.00	\$ 380,000.00
Jun-13	\$ 74,245,993.00	\$ 615,000.00	\$ 68,122,211.00	\$ 390,000.00
Jul-13	\$ 63,702,316.00	\$ 475,000.00	\$ 65,449,499.00	\$ 370,000.00
Aug-13	\$ 64,780,342.00	\$ 585,000.00	\$ 61,990,362.00	\$ 420,000.00
Sep-13	\$ 51,393,639.00	\$ 470,000.00	\$ 64,778,595.00	\$ 347,500.00
Oct-13	\$ 61,520,387.00	\$ 545,000.00	\$ 56,343,752.00	\$ 360,000.00
Nov-13	\$ 56,462,461.00	\$ 515,000.00	\$ 81,496,687.00	\$ 350,000.00
Dec-13	\$ 70,355,553.00	\$ 512,500.00	\$ 70,605,681.00	\$ 365,000.00
Jan-14	\$ 89,363,445.00	\$ 695,000.00	\$ 58,064,091.00	\$ 441,000.00
Feb-14	\$ 53,500,137.00	\$ 560,000.00	\$ 49,549,851.00	\$ 345,000.00
Mar-14	\$ 70,871,643.00	\$ 596,000.00	\$ 84,424,747.00	\$ 420,000.00
Apr-14	\$ 79,857,915.00	\$ 583,000.00	\$ 84,075,749.00	\$ 403,500.00
May-14	\$ 66,984,425.00	\$ 540,000.00	\$ 88,662,339.00	\$ 472,000.00
Jun-14	\$ 76,497,044.00	\$ 535,000.00	\$ 59,621,244.00	\$ 444,500.00
Jul-14	\$ 90,791,926.00	\$ 570,250.00	\$ 51,082,100.00	\$ 375,000.00
Aug-14	\$ 47,079,365.00	\$ 570,000.00	\$ 75,534,400.00	\$ 410,000.00
Sep-14	\$ 79,942,353.00	\$ 570,000.00	\$ 41,967,400.00	\$ 462,500.00
Oct-14	\$ 62,884,568.00	\$ 564,000.00	\$ 56,699,040.00	\$ 407,000.00
Nov-14	\$ 56,930,810.00	\$ 585,000.00	\$ 44,319,495.00	\$ 366,250.00
Dec-14	\$ 43,993,485.00	\$ 565,000.00	\$ 62,197,022.00	\$ 387,500.00
Jan-15	\$ 56,605,365.00	\$ 577,000.00	\$ 43,424,420.00	\$ 378,000.00
Feb-15	\$ 47,340,156.00	\$ 558,625.00	\$ 68,052,940.00	\$ 475,000.00
Mar-15	\$ 87,738,194.00	\$ 630,000.00	\$ 86,539,202.00	\$ 442,500.00
Apr-15	\$ 75,455,720.00	\$ 575,000.00	\$ 71,242,135.00	\$ 407,500.00
May-15	\$ 79,237,955.00	\$ 607,098.00	\$ 84,482,640.00	\$ 459,000.00
Jun-15	\$ 99,334,727.00	\$ 650,000.00	\$ 52,062,043.00	\$ 355,000.00
Jul-15	\$ 104,529,507.00	\$ 590,000.00	\$ 53,243,300.00	\$ 394,000.00
Aug-15	\$ 64,496,019.00	\$ 550,000.00	\$ 60,100,943.00	\$ 355,000.00
Sep-15	\$ 73,837,826.00	\$ 573,300.00	\$ 57,118,040.00	\$ 399,900.00
Oct-15	\$ 75,879,642.00	\$ 585,000.00	\$ 59,427,622.00	\$ 392,900.00
Nov-15	\$ 54,876,344.00	\$ 550,000.00	\$ 47,601,004.00	\$ 475,000.00
Dec-15	\$ 66,080,302.00	\$ 545,788.00	\$ 65,355,837.00	\$ 410,000.00
Jan-16	\$ 54,099,246.00	\$ 630,000.00	\$ 45,711,559.00	\$ 395,000.00
Feb-16	\$ 63,582,865.00	\$ 595,000.00	\$ 63,554,937.00	\$ 444,450.00
Mar-16	\$ 76,436,053.00	\$ 610,750.00	\$ 69,569,844.00	\$ 494,000.00
Apr-16	\$ 105,900,599.00	\$ 680,000.00	\$ 91,157,464.00	\$ 445,000.00
May-16	\$ 85,415,239.00	\$ 622,500.00	\$ 74,116,614.00	\$ 423,500.00
Jun-16	\$ 89,304,798.00	\$ 657,000.00	\$ 65,075,951.00	\$ 384,000.00

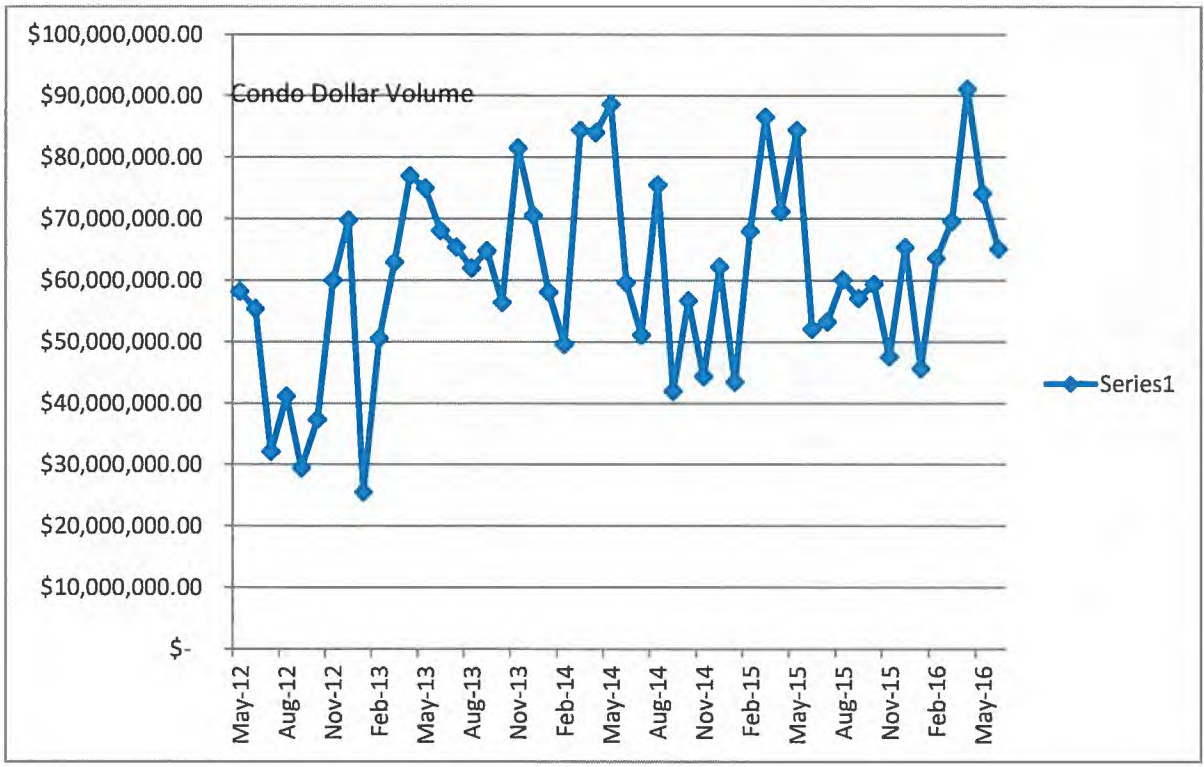


A trend of moving higher is evident with each peak being higher than the previous and each valley being higher than the previous.





Demand appears to be still growing.



Office Market

The appraiser has completed the following survey of office space in the Kahului/Wailuku market area:

Building Address	Year Built	Rentable Building Area	Total Available Space (SF)
400 Ala Makani St	2005	8000	0
427 Ala Makani St	2005	12546	7289
2261 Aupuni St	1976	3434	0
24 N Church St	1988	36907	1057
30 N Church St		3770	0
55 N Church St	1963	4000	268
140 Hoohana St	1991	30780	3829
173 Hoohana St	1993	8272	625
270 Hookahi St	1983	20109	1132
280 Hookahi St	1981	10410	1284
291 Hookahi St	1976	10360	800
450 Hookahi St	1988	10000	0
77 Hookele St	2004	14036	3521
89 Hookele St	2005	10000	0
325 Hukilike St	1987	19250	797
355 Hukilike St	1988	36948	0
210-220 Imi Kala St	1993	29993	2000
275-285 W Kaahumanu Ave	1972	14775	2155
86 W Kamehameha Ave	1972	7234	0
1852 Loke St		3989	1050
33 Lono Ave	1974	56824	12950
95 Lono Ave	1973	13200	2411
1464 Lower Main St	1979	9550	0
35 Lunalilo St	1988	19878	2379
1885 Main St	1991	65419	0
1955 Main St	1991	8593	0
1999 Main St	1938	18910	2609
2050 Main St	2000	24722	11180
2065 Main St	1936	19532	997
2200 Main St	1989	155545	15138
53 Puunene Ave	1959	16642	7756
2073 Wells St		4814	0
2115 Wells St	1978	4104	2030
2145 Wells St	1980	32472	2247
1728 Wili Pa Loop	1998	5628	2814
1977 Kaohu St		18255	3278
1931 Vineyard St	1989	5036	1496
151 E Wakea Ave	1995	8571	1029
		782508	94121
% of space available			12.03%

While vacancies are still well above what would be expected stable frictional vacancy levels of around 5%, the office market appears to have absorbed a good deal of vacancies in the last couple of years.

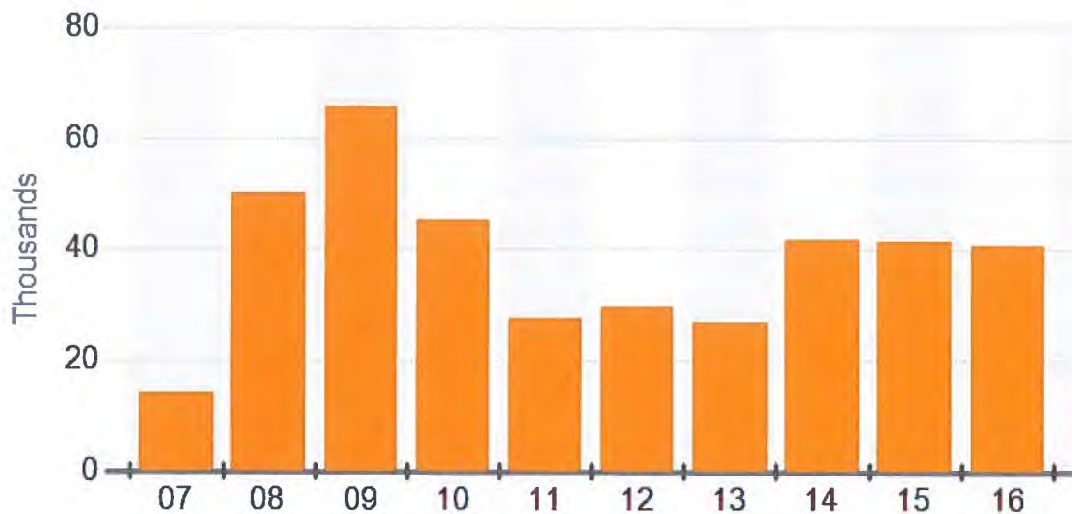
Occupancy Rate

1Y 3Y 5Y 10Y All



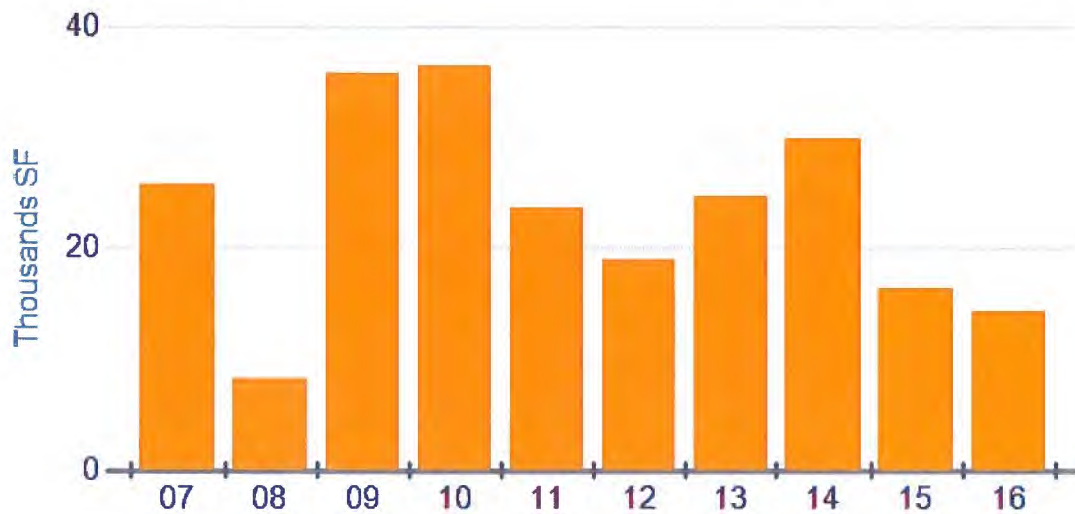
Vacant SF

1Y 3Y 5Y 10Y All



Leasing Activity

1Y 3Y 5Y 10Y All



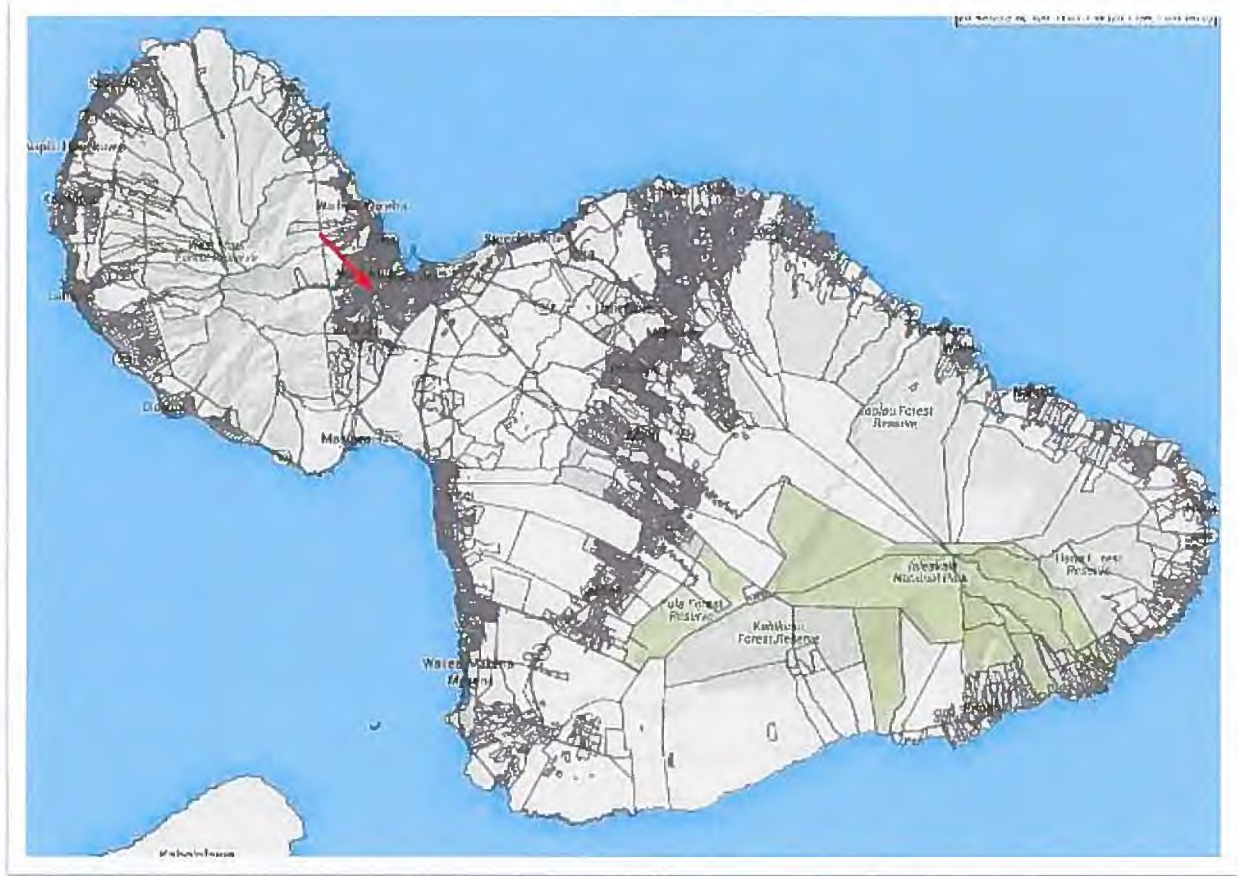
Gross Asking Rent Per SF

1Y 3Y 5Y 10Y All



While it appears there have been grudging and slow improvements in the leasing up of office space, there is still enough space available to keep rents at a level of little or new appreciation.

Island of Maui Map



Market Neighborhood Map



Property Description

Site Description

The subject is known as 2103 Wells Street, Wailuku, Hawaii, 96793. The tax map key number for this parcel is 234-8-48 and the site contains 10,718 sq. ft. It is located at the southwest corner of Wells Street and S. Church Street. It is a roughly rectangular shaped.

Wells Street is the street on which the county office facilities are located roughly 1.5 blocks to the west. Both Wells Street and S. Church Street are asphalt paved with concrete curbs and gutters and sidewalks.

The general area has overhead electrical service and streetlights. Maui Electric Light Company provides electrical utilities. Telephone service is provided by Hawaiian Telcom. County sewer is provided in this area. The subject has a public water line and meter.

The properties in the immediate area consist of a mixture of commercial office and retail buildings and older residential properties.

This site and the surrounding sites have historically shown they are capable of supporting commercial structures. The subject is a relatively level site.

As of the effective date of the appraisal, no environmental assessment has been completed on the property. No other obvious signs of an environmental hazard were noted during the appraiser's inspection; however, the reader should note that the appraiser is not an expert in this field. The appraiser assumes the property is clear of any environmental hazards.

Flood Zone

According to the State of Hawaii Dept. of Land and Natural Resources Flood Hazard Assessment tool, and FIRM Panel #1500030391E dated September 25, 2009, the subject is located in Zone X. Zone X is an area determined to be outside the 500 year flood plain.

Flood Zone Map



BASEMAP: FIRM BASEMAP



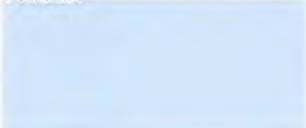
Flood Hazard Assessment Report

www.hawaii.np.org

Property Information

COUNTY: MAUI
 TMX NO: (2) 3-4-008-048
 WATERSHED: IAO
 PARCEL ADDRESS: 2103 WELLS ST
 WAILUKU, HI 96793

Notes:

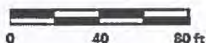


Flood Hazard Information

FIRM INDEX DATE: NOVEMBER 04, 2013
 LETTER OF MAP CHANGE(S): NONE
 FEMA FIRM PANEL: 15000303341
 PANEL EFFECTIVE DATE: SEPTEMBER 23, 2009

THIS PROPERTY IS WITHIN A TSUNAMI EVACUATION ZONE: NO
 FOR MORE INFO, VISIT: <http://www.scd.hawaii.gov/>

THIS PROPERTY IS WITHIN A DAM EVACUATION ZONE: NO
 FOR MORE INFO, VISIT: <http://dlnr.hawaii.gov/dam/>



Disclaimer: The Hawaii Department of Land and Natural Resources (DLNR) assumes no responsibility arising from the use, accuracy, completeness, and timeliness of any information contained in this report. Viewers/Users are responsible for verifying the accuracy of the information and agree to indemnify the DLNR, its officers, and employees from any liability which may arise from its use of its data or information.

If this map has been identified as "PRELIMINARY", please note that it is being provided for informational purposes only and is not to be used for flood insurance rating. Contact your county floodplain manager for flood zone determinations to be used for compliance with local floodplain management regulations.

FLOOD HAZARD ASSESSMENT TOOL LAYER LEGEND

(Note: legend does not correspond with NFHL)

SPECIAL FLOOD HAZARD AREAS (SFHAs) SUBJECT TO INUNDATION BY THE 1% ANNUAL CHANCE FLOOD - The 1% annual chance flood (100-year), also known as the base flood, is the flood that has a 1% chance of being equaled or exceeded in any given year. SFHAs include Zone A, AE, AH, AO, V, and VE. The Base Flood Elevation (BFE) is the water surface elevation of the 1% annual chance flood. Mandatory flood insurance purchase applies in these zones:

	Zone A: No BFE determined.
	Zone AE: BFE determined.
	Zone AH: Flood depths of 1 to 3 feet (usually areas of ponding); BFE determined.
	Zone AO: Flood depths of 1 to 3 feet (usually sheet flow on sloping terrain); average depths determined.
	Zone V: Coastal flood zone with velocity hazard (wave action); no BFE determined.
	Zone VE: Coastal flood zone with velocity hazard (wave action); BFE determined.
	Zone AEP: Floodway areas in Zone AE. The floodway is the channel of stream plus any adjacent floodplain areas that must be kept free of encroachment so that the 1% annual chance flood can be carried without increasing the BFE.

NON-SPECIAL FLOOD HAZARD AREA - An area in a low-to-moderate risk flood zone. No mandatory flood insurance purchase requirements apply, but coverage is available in participating communities.

	Zone XS [X shaded]: Areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood.
	Zone X: Areas determined to be outside the 0.2% annual chance floodplain.

OTHER FLOOD AREAS

	Zone D: Unstudied areas where flood hazards are undetermined, but flooding is possible. No mandatory flood insurance purchase apply, but coverage is available in participating communities.
--	--

Zoning

The zoning for this property is B-2, and is described below:

- **19.18.010 - Purpose and intent.**

A B-2 community business district is intended to provide all types of goods and services for the community, with the exception of those uses more generally associated with an industrial district, but at a lower intensity of use than in the B-3 central business district. (Ord. No. 4088, § 7, 2013)

- **19.18.020 - Permitted uses.**

Within the B-2 community business district, the following uses shall be permitted:

Permitted uses	Criteria or limitations
Amusement and recreational activities	
Animal hospitals including boarding	
Auditoriums, theaters, and gymnasiums including fitness centers, private clubs, and dance halls	
Automobile services	Provided all automobile repair operations are conducted wholly within a completely enclosed building; and provided further, that tire rebuilding or battery manufacturing shall not be permitted
Automobile upholstery shops	
Awning or canvas shops	
Baseball, football and other sports stadiums or activities	
Bed and breakfast homes, in a lawfully existing single-family dwelling	Subject to the restrictions and standards of <u>section 19.64.030</u> of this code
Buildings and premises used, owned or operated by government agencies, including community centers	
Catering establishments	
Communication equipment, antenna or towers	
Day care facilities	
Drive-in restaurants	
Eating and drinking establishments	
Education, specialized	
Educational institutions	
Entertainment establishments	
Farmers markets	
General merchandising	
General office	
Ice cream and milk manufacturing plants	
Libraries	
Marinas	

Permitted uses	Criteria or limitations
Multifamily dwellings, duplexes, and bungalow courts	
Museums	
New and used car lots	Provided all repair and maintenance is conducted wholly within a completely enclosed building
Nursing and convalescent homes	
Nurseries (flower or plants)	Provided, that all incidental equipment and supplies, including fertilizers and empty cans, are kept within enclosed buildings
Parking structures or lots, which may include solar energy facilities that are installed on overhead canopies or structures, and may provide power to other lots	
Personal and business services	
Pet shops and boarding facilities	
Recycling collection center	Conducted wholly within a completely enclosed building or within an area enclosed on all sides by a solid fence or wall at least six feet in height; and provided, that no goods, materials, or objects shall be stacked higher than the fence or walls so erected
Redemption center	
Religious, benevolent, or philanthropic societies, civil organizations, and quasi-public uses	
Sanitariums	
Sign-painting shops	Conducted wholly within a completely enclosed building
Swap meet or open air market	
Taxicab, car rental, and U-drive stations and offices	
Transient vacation rentals	Not exceeding twenty bedrooms; except on Molokai, where a special use permit shall be required
Other similar businesses or commercial enterprises or activities that are not detrimental to the welfare of the surrounding area	Provided that such uses shall be approved by the appropriate planning commission as conforming to the intent of this article

(Ord. No. 4088, § 7, 2013)

• **19.18.030 Accessory uses.**

The following uses, located on the same lot, are deemed accessory, customary, incidental, usual, and necessary to the permitted uses in the B-2 community business district.

Accessory uses	Criteria or limitations
Energy systems, small-scale	Provided there will be no detrimental or nuisance effect upon neighbors

Accessory uses	Criteria or limitations
Warehouses and yards	Conducted wholly within a completely enclosed building or within an area enclosed on all sides by a solid fence or wall at least six feet in height; and provided, that no goods, materials, or objects shall be stacked higher than the fence or walls so erected
One or more dwelling units	Located above or below the first floor of a permitted use
Other uses that are determined by the director of planning to be clearly incidental and customary to a permitted use	

(Ord. No. 4088, § 7, 2013)

- **19.18.040 - Special uses.**

The following are special uses in the B-2 community business district, and approval of the appropriate planning commission shall be obtained, upon conformance with the intent of this article and subject to such terms and conditions as may be warranted and required:

Special uses	Criteria or limitations
Mortuaries	
Transient vacation rentals	Twenty-one to fifty bedrooms; except on Molokai, where the maximum number of bedrooms and use shall be determined by the planning commission
Other uses that are similar in character to permitted and special uses and that are not detrimental to the welfare of the surrounding area	

(Ord. No. 4088, § 7, 2013)

- **19.18.050 - Development standards.**

The development standards in the B-2 community business district shall be as follows:

B-2	Notes and exceptions	
Minimum lot area (square feet)	6,000	
Minimum lot width (in feet)	60	
Maximum building height (in feet)	90	Except that vent pipes, fans, chimneys, antennae, and equipment used for small-scale energy systems on roofs shall not exceed one hundred feet
Floor area ratio	200%	
Minimum yard setback (in feet)		
Front	None	

B-2	Notes and exceptions	
Side and rear	0 or the same as the adjoining zoning category whichever is greater	
Maximum height and minimum setback for free-standing antennae or wind turbine structures	Maximum height of 50 feet; minimum setback of 1 foot for each foot in height, from all property lines	
Accessory structures within setback area	Mail boxes, trash enclosures, boundary walls, and ground signs	

(Ord. No. 4088, § 7, 2013)

- **19.18.060 - Rule making authority.**
Modified

The director of planning may adopt rules to implement this chapter. (Ord. No. 4088, § 7, 2013)

Improvements Description

The subject's site is improved with a two-story concrete block constructed office building built in 1970 that was converted into the Ueoka office complex with 3 units in 2002. The building contains 3,665 sq. ft. of gross building area on the first floor divided into two units and 3,710 sq. ft. of gross building area on the second floor.

The condo public report shows the areas per unit as:

Item	Sq. Ft.	Assessed Value	2016 Property Tax
Unit A	3283	\$ 604,000.00	\$ 3,986.40
Unit B	1326	\$ 301,900.00	\$ 1,992.54
Unit C	1723	\$ 301,900.00	\$ 1,992.54
Totals	6332	\$ 1,207,800.00	\$ 7,971.48

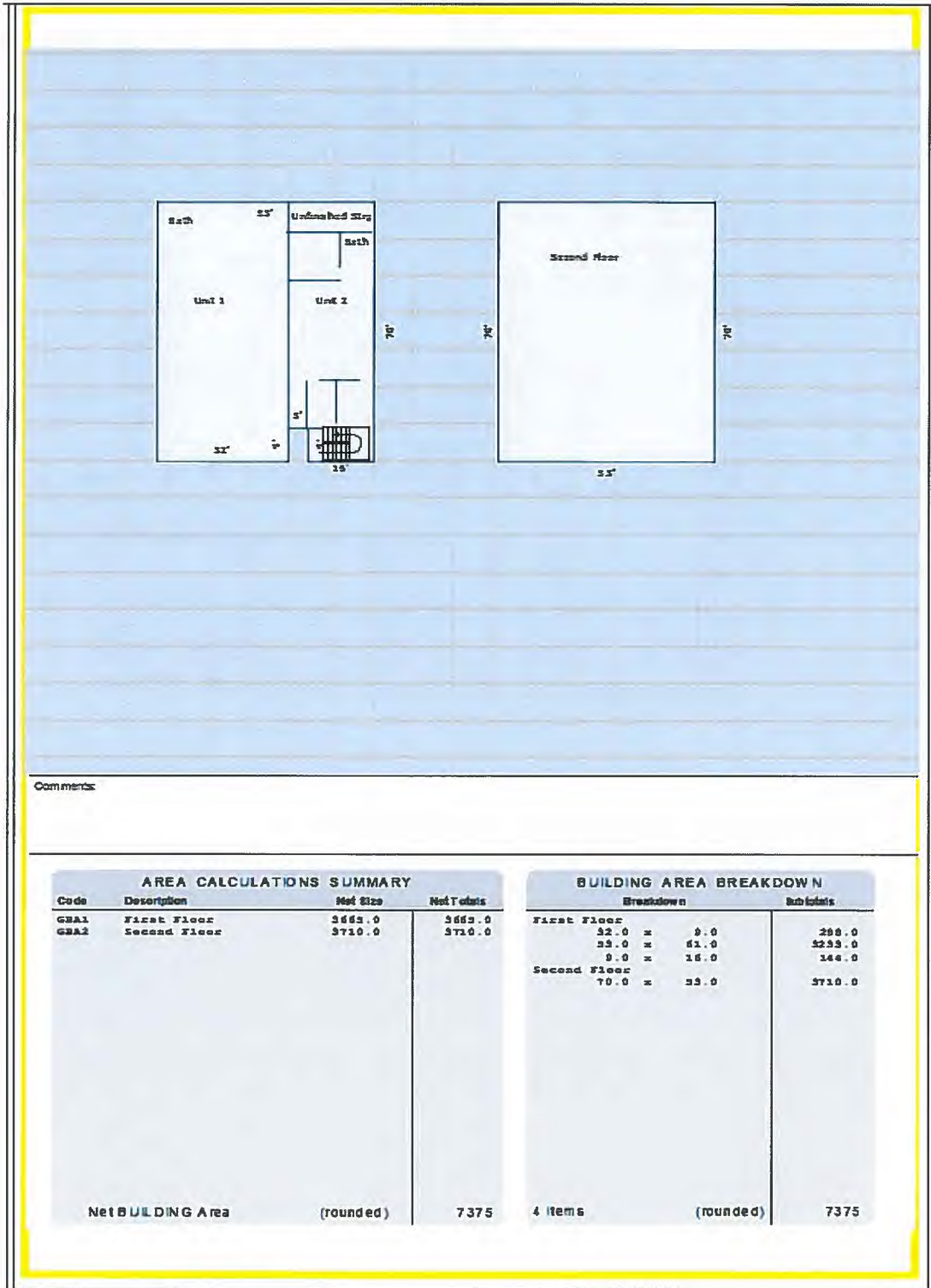
The building has a concrete slab foundation. The walls are CMU blocks. The interior partitions are 2x4 wood framed with drywall. Ceilings are suspended tile. The roof is a built up synthetic roof. Windows are fixed commercial glass. Flooring is commercial grade carpet with some vinyl and ceramic tile. The lower level has a split air conditioning system and the second floor has central air conditioning. Each unit is individually metered for electric and has its own bathroom.

The subject's mechanical plant includes a public water meter, a public sewer connection, and a public electric hook up.

This building is of average quality. The second floor has no ADA compliant access but does utilize an intercom system for handicapped patrons. The lack of an elevator will limit the appeal of this space. The first floor flooring and ceiling tiles are worn and should be replaced. The roof was recovered 1.5 years ago.

The parking lot has 3 spaces including one ADA space in the front asphalt lot, 4 spaces along Church Street, and 12 more in the rear asphalt lot. The parking lots are in need of restriping.

Building Sketch



Comments:

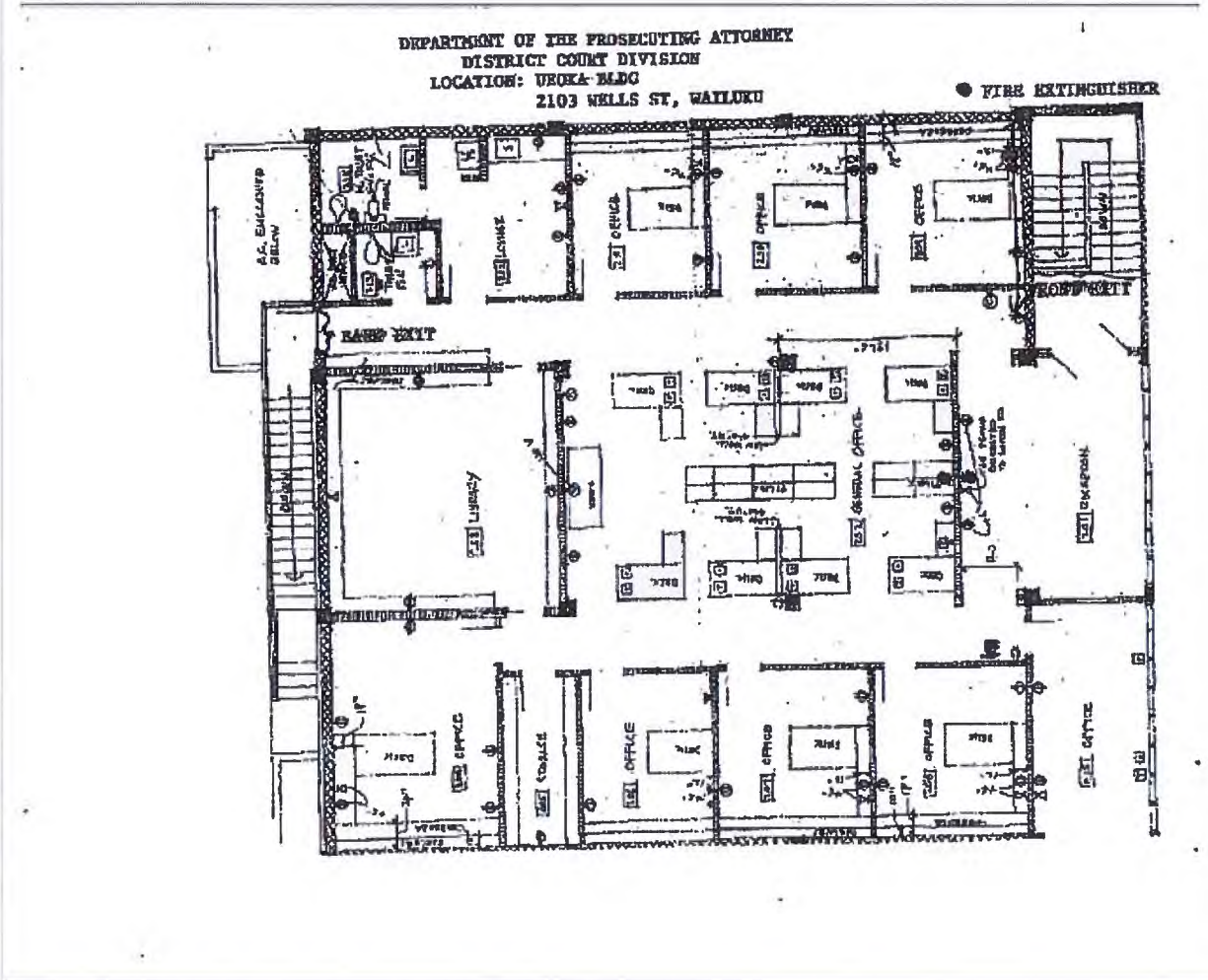
AREA CALCULATIONS SUMMARY

Code	Description	Net Size	Net Totals
GBA1	First Floor	3663.0	3663.0
GBA2	Second Floor	3710.0	3710.0
Net BUILDING Area		(rounded)	7375

BUILDING AREA BREAKDOWN

Breakdown		Subtotals
First Floor		
32.0	x	9.0
33.0	x	61.0
9.0	x	16.0
Second Floor		
70.0	x	53.0
4 Items	(rounded)	7375

Second Floor Layout



Satellite Photo





Front



Street



Parking



Alley



Side Street



Cracked Blocks



Cracked Blocks



Rear



Air Conditioning



Side Street



1st Floor Interior



1st Floor Interior



1st Floor Interior



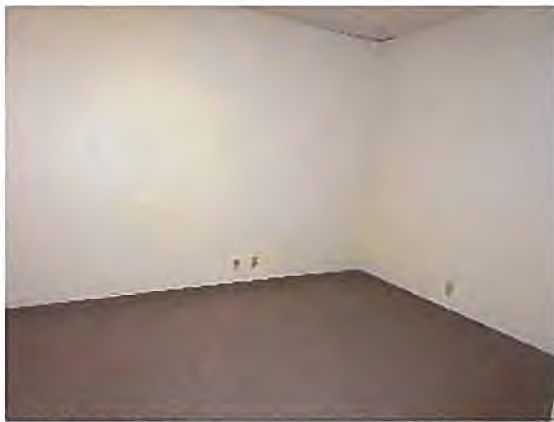
1st Floor Interior



1st Floor Interior



1st Floor Interior



1st Floor Interior



1st Floor Interior



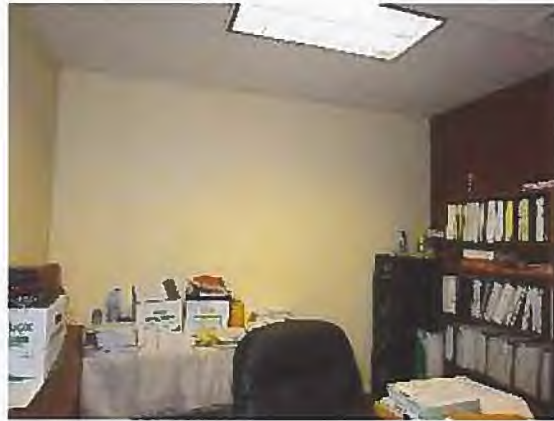
Ceiling



2nd Floor Interior



2nd Floor Interior



2nd Floor Interior



2nd Floor Interior



2nd Floor Interior



2nd Floor Interior



2nd Floor Interior



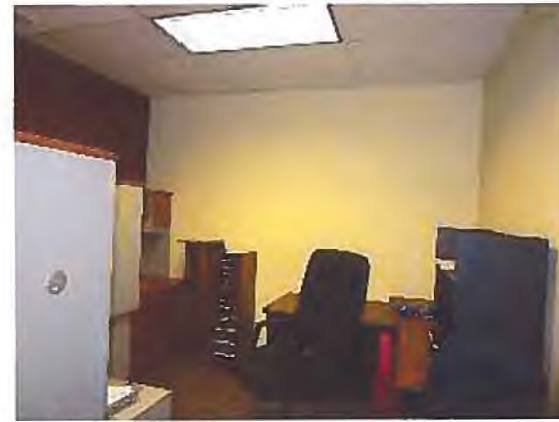
2nd Floor Interior



2nd Floor Interior



2nd Floor Interior



2nd Floor Interior



2nd Floor Interior



2nd Floor Interior

SECTION 5 – HIGHEST AND BEST USE ANALYSIS

Summary of Highest and Best Use Definition Subject's Highest and Best Use

Summary of Highest and Best Use Definition

The principal of highest and best use is defined as: That reasonably probable use and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.⁷

The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

- Permissible Use (Legal) - what uses are permitted by zoning and deed restrictions on the site in question?
- Possible Use - to what uses is it physically possible to put the site in question?
- Feasible Use - which possible and permissible uses will produce any net return to the owner of the site?
- Highest and Best Use - among the feasible uses, which use will produce the highest net return or the highest present worth?

The highest and best use may be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

Implied within these definitions is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e., that the use determined from analysis represents an opinion, not a fact, to be found.

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (market value), another appropriate term to reflect highest and best use would be most probable use. In the context of investment value, an alternative term would be most profitable use.

The highest and best use for the unimproved property may be different from the highest and best use of the improved property. This will be true when the improvement is not an appropriate use and yet makes a contribution to total property value in excess of the value of the site.

⁷ The Appraisal of Real Estate, 12th edition, The Appraisal Institute, Chicago, Illinois, (U.S. 2001), page 305.

Subject's Highest and Best Use

As If Vacant

Physically Possible Uses

The subject's soils have proven they can support commercial structures. No soil engineering study has been presented and it is assumed no soil issues exist. The site has good access from three streets. It has average to good visibility because of its proximity to country facilities. There are few physical limitations to the use of the property.

Legally Permissible Uses

The site is zoned B-2, which has many potential uses including commercial retail and office. Besides the zoning restrictions of the subject, there are very few legal restrictions on use.

Those uses that are physically possible and legally permitted that lead to a return

It is apparent that the current economic conditions make any of the legal uses problematic to create a return to the land. The local market is obviously not anticipating that there is sufficient probability of entrepreneurial profit to entice construction. This means it is unlikely that, as vacant, the property would be developed right away.

The Highest Net Return

The highest net return in today's economy is likely to hold for future development once the economy becomes stronger.

As Improved

As improved, the current improvements and their condominium configuration are legally established and do create a positive return to the land. While the subject is a three unit condo project that has been held under blanket ownership since the project was completed, the association would likely have to bring its documents and its reserves for long lived items into compliance to sell individual units. The cost of funding the reserves is likely high enough to make its continued use as a single entity office building its highest and best use.

SECTION 6 – VALUATION OF THE SUBJECT

Valuation Process
Cost Approach to Valuation
Cost Approach Conclusions
Income Approach
Income Approach Valuation Conclusions
Sales Comparison Approach
Sales Comparison Approach Conclusions

Valuation Process

Valuation process is defined as: "The systematic set of procedures an appraiser follows to provide answers to a client's questions about real property value."⁸

Valuation is a term used interchangeably with appraisal. Real estate markets are a function of the location in which they are located. The overall market environment can have a profound effect on the manner in which buyers and sellers perform the act of transferring property rights. Considerations made by the participants are generally based on certain fundamental principles. Those principles and their definitions are as follows:

Anticipation: The perception that value is created by the expectation of benefits to be derived in the future. Value is created by the anticipation of future benefits.

Change: The result of the cause and effect relationship among the forces that influence real property value.

Supply and Demand: In economic theory, the principle of supply and demand states that the price of a commodity, good, or service varies directly, but not necessarily proportionately, with demand and inversely, but not necessarily proportionately with supply. Thus, an increase in the supply of an item or decrease in the demand for an item tends to reduce the equilibrium price; the opposite conditions produce an opposite effect. The relationship between supply and demand may not be directly proportional, but the interaction of these forces is fundamental to economic theory. The interaction of suppliers and demanders, or sellers and buyers, constitutes a market.

Competition: Between purchasers or tenants, the interactive efforts of two or more potential buyers or tenants to make a sale or secure a lease; between sellers or landlords, the interactive efforts of two or more potential sellers or landlords to complete a sale or lease; among competitive properties, the level of productivity and amenities or benefits characteristic of each property considering the advantageous or disadvantageous position of the property relative to the competitors.

Substitution: The appraisal principle that states that when several similar or commensurate commodities, goods, or services are available, the one with the lowest price attracts the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based.

Balance: The principle that real property value is created and sustained when contrasting, opposing, or interacting elements are in a state of equilibrium.

Contribution: The concept that the value of a particular component is measured in terms of its contribution to the value of the whole property or as the amount that its absence would detract from the value of the whole.

Surplus Productivity: The net income that remains after the cost of various agents of production have been paid.

Conformity: The appraisal principal that real property value is created and sustained when the characteristics of a property conform to the demands of its market.

Externalities: "The principle economies outside a property have a positive effect on its value while diseconomies outside a property have a negative effect upon its value."⁹

⁸ The Appraisal of Real Estate, 12th edition, The Appraisal Institute, Chicago, Illinois (U.S., 2001), page 49

⁹ The Appraisal of Real Estate, 12th edition, The Appraisal Institute, Chicago, Illinois (U.S., 2001), p. 34-42.

The valuation of the subject property is made on the basis of the real estate, consisting of land and improvements. Both the market participants as well as the real estate appraiser take the effects of the fundamental principles listed above into consideration. In arriving at an estimate of value, the appraisal considers the three approaches normally employed in accepted real estate practice, namely:

The Cost Approach, wherein the land is appraised as if vacant and available for development to its highest and best use. To this result is added the improvements estimated cost of reproduction new less depreciation accruing from all causes.

The Income Approach, which requires a study of the earnings capacity of the real estate, and the conversion of such net income into value by means of a capitalization process.

The Sales Comparison Approach, involving an analysis of the sale of other property having similar improvements, and a comparison of such data with the property appraised, giving due consideration to the elements of dissimilarity.

Historical Background: "The appraisal procedures that are now identified as the three approaches to value were developed after the stock market crash of 1929. The economic crisis that ensued had an immediate impact on the appraisal practices of the time. The collapse of the real estate market in the 1930's seemed to discredit the notion that market price is central to value".¹⁰

All approaches provide relevant insight into the market's behavior. The income approach provides the most recent and relevant insight with the other two approaches supporting this approach. Therefore, the appraiser has relied upon the sales comparison approach, the cost approach, and the income approach.

¹⁰ The Appraisal of Real Estate, 11th Edition, The Appraisal Institute, Chicago, Illinois (U.S., 1996), p. 337.

Cost Approach to Valuation

Land or Site Valuation

The first step in completing the cost approach is to determine an estimate of the vacant site value. Most often, this is done by performing a direct market comparison approach of this vacant site. There is very little market data of similar zoned sites in this area over the last several years. Because of this, the appraiser has used a variety of comparable information to arrive at a valuation of the subject's vacant site.

The following sales and listings were considered:

TMK	Sq. ft.	Zoning	Visibility	Sale Price	Date	\$/Sq. ft.	
234-13-60	11627	B-3	Average	\$ 400,000.00	4/27/2011	\$ 34.40	
234-12-46	9539	B-2	Average	\$ 375,000.00	7/13/2012	\$ 39.31	
239-51-3	11050	B-2	Average	\$ 400,000.00	12/6/2013	\$ 36.20	
234-8-10	7136	B-2	Average	\$ 449,000.00	5/27/2014	\$ 62.92	2108sf Office Blt 1951
239-51-45	13554	B-2	Average	\$ 465,000.00	9/29/2015	\$ 34.31	
234-12-37	13260	B-2	Average	\$ 520,000.00	3/16/2016	\$ 39.22	
238-36-94	15290	B-2	Good	\$ 485,000.00	Listing	\$ 31.72	
234-18-1	16352	B-2	Average	\$ 650,000.00	Listing	\$ 39.75	

There are very few site sales available to use as comparisons. Prices appear to have reached an unsteady stability in 2011 and the appraiser is making no market conditions adjustments after this point.

Item	Subject	Comparable #1	Comparable #2	Comparable #3	Comparable #4
TMK	234-8-48	234-12-46	239-51-3	234-8-10	234-13-60
Sale Price		\$ 375,000.00	\$ 400,000.00	\$ 449,000.00	\$ 400,000.00
Date		7/13/2012	12/6/2013	5/27/2014	4/27/2011
Sq. Ft.	10718	9539	11050	7136	11627
\$/Sq. Ft.		\$ 39.31	\$ 36.20	\$ 62.92	\$ 34.40
Transaction Adjustments					
Conditions of Sale		\$ -	\$ -	\$ -	\$ -
Market Conditions		\$ -	\$ -	\$ -	\$ -
Estimated Improvement Value		\$ -	\$ 10,000.00	\$ (175,000.00)	\$ -
Estimated Current Cash Equivalent Price of land		\$ 375,000.00	\$ 410,000.00	\$ 274,000.00	\$ 400,000.00
\$/Sq. Ft.		\$ 39.31	\$ 37.10	\$ 38.40	\$ 34.40
Characteristics					
Location	Wailuku	Wailuku	Wailuku	Wailuku	Wailuku
Visibility	Avg	Avg	Avg	Avg	Avg
Zoning	B-2	B-2	B-2	B-2	B-3
Shape	Trapazoid	Rectangular	Trapazoid	Trapazoid	Trapazoid
Access	3 sides	Corner Site	Corner Site	Corner Site	Corner Site
Utilities	All	All	All	All	All
Other	None	None	None	None	None
Adjustments					
Location	Wailuku	0%	0%	0%	0%
Visibility	Avg	0%	0%	0%	0%
Zoning	B-2	0%	0%	0%	0%
Shape	Trapazoid	0%	0%	0%	0%
Access	3 sides	0%	0%	0%	0%
Utilities	All	0%	0%	0%	0%
Other	None	0%	0%	0%	0%
Total Adjustments before size		0%	0%	0%	0%
Adjusted Price Before Size		\$ 39.31	\$ 37.10	\$ 38.40	\$ 34.40
Size Adjustment		0%	0%	0%	0%
Adjusted Price/Sq. ft.		\$ 39.31	\$ 37.10	\$ 38.40	\$ 34.40
Adjusted Price		\$ 421,349.20	\$ 397,681.45	\$ 411,537.56	\$ 368,727.96
Average Adjusted	\$399,824.04				
Concluded Land Value	\$410,000.00				

The 2nd comparison has an old unused building that needs to be removed. The 3rd has a 2,108 sq. ft. office building that was built in 1951 included on the property. The value of these improvements have been extracted by comparing this sale to the other sales shown.

The Cost Approach is based upon the principle of substitution, which states that a prudent purchaser would not pay more for a property than the amount required to purchase a similar site and construct similar improvements without undue delay, producing a property of equal desirability and utility. The procedure for estimating the value via the Cost Approach begins by estimating the value of the subject site at its highest and best use, as if vacant. This value estimate is based upon a market analysis of recent comparable sales of vacant land similar to the subject. In the previous two sections we estimated the highest and best use of the site and the value of the subject site. **The subject site was valued at \$410,000.**

The next step involved is estimating the current replacement cost of the improvements, including appropriate soft costs and entrepreneurial profit, which reflects the return a developer would require for his time and equity investment. Estimated accrued depreciation is then deducted from the estimated total replacement cost new and the resulting contributory value of the improvements is added to the estimated land value to produce a value indication by the Cost Approach.

With the land value estimated by comparable land sales, the next step is to estimate the reproduction cost new of the improvements.

The process of summation takes place in order to complete the Cost Approach. First, the cost new is estimated, and then the amount of depreciation is estimated and deducted to derive a depreciated cost of the improvements. Last, the estimated value of the land, as vacant, is added to obtain a total. The total of those is the value indication by the Cost Approach.

Improvement Valuation

In order to estimate the replacement cost new, we have utilized the Marshall Valuation & Cost Service and cost comparisons, a nationally recognized cost estimating service which we have found to be reliable throughout HI. We have also used information obtained from local contractors, engineers, and construction professionals, as well as contacting many national companies involved in the design, construction, and implementation of similar improvements. The costs are considered final costs and include architect and engineering fees, contractor's overhead and profit (including job supervision), worker's compensation, fire and liability insurance, and normal interest on building funds during the period of construction. The Marshall Valuation & Cost Service and cost comparisons require adjustments to be made for time and for size and local construction costs and reflect a comparable cost new figure per square foot.

Replacement Cost Analysis

NOTE: Incorporated within the average base cost are the following:

- In the calculator cost method, the actual costs used are final costs to the owner and will include average architect and engineering fees. These, in turn, include plans and building permits, and a survey to establish building lines and grades.
- Normal interest and building funds during period of construction and processing fee or service charge is included.
- Sales taxes on materials are included.
- Normal site preparation including excavation for foundation and backfill.
- Utilities from structure to lot line figured for typical setback.
- Contractor's overhead and profit including job supervision, workman's compensation, fire and liability insurance, unemployment insurance, etc.

Next, we have added site improvements which include the parking lot, landscaping, retention areas, and lighting.

Impact Fees and Entrepreneur's Profit

In the construction of a new structure, the developer will incur certain impact fees. Last, we have added an entrepreneur's profit to the total project costs, which would compensate an owner/developer for his time and effort in coordinating the construction and development of a property such as the subject.

Accrued Depreciation

Deferred Maintenance/Building & Site Improvements - deferred maintenance includes all items of maintenance that should be accomplished on the date of valuation to maximize the profit or minimize the loss, which would result if the property were sold.

Physical Incurable Depreciation - short-lived items (also known as postponed depreciation) include the depreciation charged against those items which are major components of the structure and which have economic lives shorter than the economic life of the structure itself. These items typically include air conditioning compressors, roof covers and asphalt topping on the parking lot.

Long Lived Physical/Building & Site Improvements - long-lived items includes depreciation charged against the major structural components of the building and site.

Functional Obsolescence/Curable & Incurable - is the adverse effect on value resulting from defects in design that impair utility. It may also be caused by changes over the years that have made some aspects of the structure, materials or floor design obsolete by current standards. The defect may be curable or incurable and either classification may be caused by a deficiency or super adequacy. Functional obsolescence can be due to the subject's the inability of the facility to properly fulfill the needs of a typical user/buyer.

Economic obsolescence is caused by adverse economic and environmental factors resulting in some degree of market rejection. The extent of this item of depreciation is the extent of the loss in market value. This loss may be measured by capitalizing the rent loss attributable to the negative influence or by comparing the value indications via the sales comparison approach and the income approach to the value indication from the cost approach.

<i>Per Square Foot Cost Calculation</i>			
<i>Source: Marshall Valuation Service</i>		<i>Class D</i>	
<i>Base Costs</i>	<i>Excellent</i>	<i>V. Good</i>	
	Area #1	Area#2	
Section:		15	
Page:		17	
Building Type:	Office		
Building Class:	D		
Average Story Height (Feet):		10	
Average Ceiling Height (Feet):		9	
Base Square Foot Cost		\$154.03	
Square foot \$ refinements			
Heating , cooling, ventilation		(12.32)	
Elevator deduction		\$0.00	
Sprinkler system		\$0.00	
Other		\$0.00	
Subtotal Base Cost		\$151.71	\$0.00
Number of Stories Multiplier		0.942	
Story Height Multiplier		1	
Area/Perimeter Multiplier		0.906	
Combined height and size multiplier		0.853452	0
Adjusted Base Cost:		\$129.48	\$0.00
Current Cost Multiplier:		1.03	
Local Cost Multiplier:		1.59	
Final Base Cost:		\$212.04	\$0.00
Smart House Adjustment		1	
Plus/Minus Additional Factor 2		1	
Adjusted Replacement Cost		\$212.04	\$0.00

Cost Approach Calculations

Direct Cost

Area Type	Units	Cost per unit	No. of Units	Subtotal
Office Cost	Square Feet	\$ 212.04	7375	\$ 1,563,795.00
Total Cost of Building				\$ 1,563,795.00
Site Improvements				
Item	Unit type	Cost	Quantity	Subtotal
Grading, Landscaping	Lump Sum	\$ 20,000.00	1	\$ 20,000.00
Paving	Square Feet	\$ 10.00	3300	\$ 33,000.00
Total Cost of Site Improvements				\$ 53,000.00
Total Direct costs (Site & Bldgs)		\$ 219.23		\$ 1,616,795.00
Indirect Costs				
Item				Subtotal
Professional fees @		8%		\$ 129,343.60
Holding Costs (GE Tax, Insurance....)		12%		\$ 194,015.40
Total Soft costs				\$ 323,359.00
Total Replacement cost of Improvements			\$ 263.07	\$ 1,940,154.00

Entrepreneurial Profit	15%	\$ 291,023.10
Estimated Value new of Improvements	\$ 302.53	\$ 2,231,177.10

Less Depreciation				
Component	Cost New	Effective Age	Life	Depreciation
<i>Deferred Maintenance (short term)</i>				
Roof	\$ 37,000.00	2	25	\$ (2,960.00)
Flooring	\$ 16,388.89	12	20	\$ (9,833.33)
Painting	\$ 25,000.00	8	15	\$ (13,333.33)
Long Lived Items	\$ 2,152,788.21		25%	\$ (538,197.05)
Total Physical Depreciation				\$ (564,323.72)
Functional Curable Obsolescence		Elevator		\$ (100,000.00)
Functional Incurable Obsolescenc			0%	\$ (416,713.35)
Locational Obsolescence			0%	\$ -
Total Accrued Depreciation				\$ (1,081,037.06)

Value Conclusions	
Direct Costs	\$ 1,616,795.00
Indirect Costs	\$ 323,359.00
Plus Entrepreneurial Profit	\$ 291,023.10
Total Costs New	\$ 2,231,177.10
Minus Accrued Depreciation	\$ (1,081,037.06)
Indicated Value of Improvements	\$ 1,150,140.04
Site Value	\$ 410,000.00
Indicated Market Value	\$ 1,560,140.04

Physical depreciation of long-term items is based upon Marshall & Swift depreciation tables.

The estimated functional obsolescence reflects that the elevator access. This means that a larger segment of the potential users of this space (offices requiring a good deal of public access such as medical, dentistry, and financial services) will not be interested in this space, greatly reducing its potential rental value. The appraiser has found that the rental value lost in not having an elevator is more than offset by the rental potential increase by installing an elevator (see the income approach). The estimated cost of installing an adequate elevator is \$100,000.

Cost Approach Conclusions:

After completing the foregoing cost approach analysis, it is my opinion that the as is market value of the as if fee simple interest on June 27, 2016 was:

**ONE MILLION FIVE HUNDRED SIXTY THOUSAND DOLLARS
(\$1,560,000)**

Income Approach

The value developed by the income approach is based on the present worth of the expected future income flows. Its premise is that a prudent investor will pay no more for the property than he would for another investment of similar risk and cash flow characteristics. In the valuation of the subject, we have used the income capitalization method. This method uses an overall capitalization rate which has been extracted from similar risk investments and financing.

Steps of the Income Approach

The steps of the income approach using direct capitalization are summarized as follows:

- Estimate the Potential Gross Income (P.G.I.) of the property.
- Add any additional income from sources other than rent.
- Subtract the typical annual amount of income that will not be collected because of vacancies and collection problems.
- The result is the Effective Gross Income (E.G.I.).
- Subtract from the E.G.I., operating expenses, fixed expenses, and reserves for the replacement of short-lived items.
- The result is the Net Operating Income (N.O.I.).
- Develop a direct capitalization rate by dividing the known N.O.I.'s of properties that have sold that are comparable to the subject property by the selling price of the comparable Sale. Reconcile them into one rate appropriate for the subject property.
- Divide the N.O.I. of the property being appraised by the appropriate capitalization rate which gives an indicated value of the property via the Income Approach.

Potential Gross Income

The subject is an existing building. The property's second floor is currently leased and the first floor is vacant. The second floor space is currently occupied by the County of Maui on a month to month lease with a current base rent of \$8,732.48 per month (\$2.66 per sq. ft.) plus \$0.55 per sq. ft. CAM. This rent would appear to exceed current market rent for second floor space with no elevator access.

No historic income and expenses were provided to the appraiser.

Rental and Expense Comparisons Found in the Market

The following rental comparisons have been considered in this analysis:

Address	TMK	Sq. Ft.		Year Blt	Condition	Elevator	Base		Gross		Date
		Leased	Floor				rent/Sq. ft.	CAM/Sq. Ft.	Rent/Sq. Ft.		
2073 Wells Street	234-8-24	2920	1	2002	Good	No	\$ 3.44	\$ -	\$ 3.44		Nov-11
305 N High St.	234-7-12	1018	1	1996	Good	Yes	\$ 2.25	\$ 0.58	\$ 2.83		Oct-12
81-85 Church St.	234-13-41	950	2	1976	Avg	No	\$ 1.25	\$ 0.55	\$ 1.80		Mar-13
55 N. Church St.	234-13-78	975	1	1963	Fair	No	\$ 1.00	\$ -	\$ 1.00		Feb-14
105 N Market St., #202	234-17-27	1759	2	2004	Good	No	\$ 1.60	\$ 0.49	\$ 2.09		Feb-14
					Needs						
2145 Wells St.,#105	234-8-44	1123	1	1980	finishing	Yes	\$ 1.10	\$ 1.10	\$ 2.20		Apr-14
2145 Wells St.,#106	234-8-44	1123	1	1980	Good	Yes	\$ 1.65	\$ 1.10	\$ 2.75		Apr-14
24 N. Church St., #407	234-13-44	1373	4	1988	Good	Yes	\$ 2.25	\$ 0.80	\$ 3.05		Jul-14
24 N. Church St., #308	234-13-44	1500	3	1988	Good	Yes	\$ 1.95	\$ 0.80	\$ 2.75		Nov-15
2115 Wells Street, 2nd flr	234-8-47	2030	2	1978	Fair	No	\$ 0.90	\$ 0.39	\$ 1.29		Asking

Adjustments

There is an apparent major drop off in rent for units on upper floors which do not have elevator access.

Elevator access											
Address	TMK	Sq. Ft.		Year Blt	Condition	Elevator	Base		Gross		Date
		Leased	Floor				rent/Sq. ft.	CAM/Sq. Ft.	Rent/Sq. Ft.		
24 N. Church St., #407	234-13-44	1373	4	1988	Good	Yes	\$ 2.25	\$ 0.80	\$ 3.05		Jul-14
24 N. Church St., #308	234-13-44	1500	3	1988	Good	Yes	\$ 1.95	\$ 0.80	\$ 2.75		Nov-15
2145 Wells St.,#106	234-8-44	1123	1	1980	Good	Yes	\$ 1.65	\$ 1.10	\$ 2.75		Apr-14
No Elevator											
Address	TMK	Sq. Ft.		Year Blt	Condition	Elevator	Base		Gross		Date
		Leased	Floor				rent/Sq. ft.	CAM/Sq. Ft.	Rent/Sq. Ft.		
81-85 Church St.	234-13-41	950	2	1976	Avg	No	\$ 1.25	\$ 0.55	\$ 1.80		Mar-13
105 N Market St., #202	234-17-27	1759	2	2004	Good	No	\$ 1.60	\$ 0.49	\$ 2.09		Feb-14
2115 Wells Street, 2nd flr	234-8-47	2030	2	1978	Fair	No	\$ 0.90	\$ 0.39	\$ 1.29		Asking

The impact could be \$0.65 to \$1.00 per sq. ft. in rent. At \$0.70 per sq. ft. for the second floor, the gross potential rent lost per year would be \$25,607.40 to \$32,830 per year. Expenses come with the installation of the elevator and the elevator will likely reduce leasable area; however, even at a net impact of \$15,000 per year. If we capitalize that loss at 7%, the indicated impact on market value would be \$214,285.77 more than paying for the elevator installation. Because the lack of an elevator appears to be curable, the appraiser has chosen to value the rent as if the elevator were installed and then the cost of the installation of the elevator is deducted from the end result.

Condition

The first floor is in need if a demising wall between the two lower units, new flooring, new ceiling tiles, and new paint. At an estimated cost of roughly \$27,500, this is once again deducted from the final result of the rent as if it were renovated.

Item	Subject	Comparable #1	Comparable #2	Comparable #3	Comparable #4
Address	2103 Wells St., #A	24 N. Church St., #308	2145 Wells St., #106	105 N Market St., #202	2115 Wells Street, 2nd flr
TMK	234-8-48-1	234-13-44	234-8-44	234-17-27	234-8-47
Sq. Ft. Leased	3283	1500	1123	1759	2030
Base Rent/Sq. ft.		\$ 1.95	\$ 1.65	\$ 1.60	\$ 0.90
CAM/Sq. Ft.		\$ 0.80	\$ 1.10	\$ 0.49	\$ 0.39
Gross Rent/Sq. Ft.		\$ 2.75	\$ 2.75	\$ 2.09	\$ 1.29
Lease adjustments					
Conidtions of Lease		0	0	0	0
Market Conditions		0	0	0	0
Indicated Current Cash Equiv. Rent/Sq. ft.		\$ 2.75	\$ 2.75	\$ 2.09	\$ 1.29
Charactersitics					
Location	Wailuku	Wailuku	Wailuku	Wailuku	Wailuku
Visibility	Average	Average	Average	Average	Average
Quality	Avg/Gd	Good	Good	Good	Avg/Gd
Year Built	1970	1988	1980	2004	1978
Conditon	Good	Good	Good	Good	Fair
Sq. ft. GBA/Parking Space	492	1230	532	Limited	338
Other	None	Medical Built ou	None	No Elevator	No Elevator
Adjustments					
Location	Wailuku	0%	0%	0%	0%
Visibility	Average	0%	0%	0%	0%
Quality	Avg/Gd	-10%	-10%	-10%	0%
Year Built	1970	-5%	0%	-15%	0%
Conditon	Good	0%	0%	0%	25%
Parking	492	0%	0%	0%	0%
Other	None	-10%	0%	35%	35%
Total Adjsutments		-25%	-10%	10%	60%
Adjusted Gross Rent/Sq. ft.		\$ 2.06	\$ 2.48	\$ 2.30	\$ 2.06
Avg/ Grosos Rent/Sq. ft.	\$ 2.23				
Concluded	\$ 2.20				

Rental Comparisons

Lease Comparables

Lease Comps Report

24 N Church St - Wailuku Executive Center Wailuku, HI 96793 - Central Maui Submarket

★★★★



LEASE	
SF Leased:	1,500 SF
Sign Date:	Oct 2015
Space Use:	Office/Medical
Lease Type:	Direct
Floor:	3rd Floor
Suite:	308

RENTS	
Asking Rent:	\$23.40/NNN

CONCESSIONS AND BUILDOUT	
Buildout:	Standard Medical

PROPERTY EXPENSES	
Taxes:	\$0.77/SF (2005)

LEASE TERM	
Start Date:	Nov 2015

TIME ON MARKET	
Date On Market:	Oct 2014
Date Off Market:	Oct 2015
Months on Market:	12 Mos

TIME VACANT	
Date Occupied:	Nov 2015

LEASING REP
Commercial Properties of Maui LLC
 2145 Wells St, Suite 105
 Wailuku, HI 96793
 Ben J. Walin (808) 244-2200 X210
 Scott Kenar (808) 244-2200 X213

MARKET AT LEASE

Vacancy Rate	2015 Q4	YOY
Current Building	0.0%	↔ 0.0%
Submarket 2-4 Star	3.5%	↓ 0.4%
Metro Overall	5.3%	↓ 0.2%

Gross Asking Rent Per SF	2015 Q4	YOY
Current Building	\$29.21	-
Submarket 2-4 Star	\$32.17	↑ 5.1%
Metro Overall	\$25.69	↓ 11.8%

Submarket Leasing Activity	2015 Q4	YOY
12 Mo. Leased SF	20,063	↓ 49.8%
Months On Market	22.5	↑ 4.7

PROPERTY	
Property Type:	Office
Status:	Built 1988
Tenancy:	Multi
Class:	C
Construction:	Reinforced Concrete
Parking:	Surface Spaces @ \$0...

Rentable Area:	36,907 SF
Stories:	4
Floor Size:	9,227 SF
Vacancy at Lease:	0.0%
Land Acres:	0.33

Lease Comparables

Lease Comps Report

1 24 N Church St - Wailuku Executive Center
 Wailuku, HI 96793 - Central Maui Submarket

★ ★ ★ ★ ★



LEASE

SF Leased: **1,373 SF**
 Sign Date: **Jun 2014**
 Space Use: **Office**
 Lease Type: **Direct**
 Floor: **4th Floor**

RENTS

Asking Rent: **\$27.00/NNN**

PROPERTY EXPENSES

Taxes: **\$0.77/SF (2005)**

LEASE TERM

Start Date: **Jul 2014**

TIME ON MARKET

Date On Market: **Jan 2014**
 Date Off Market: **Jul 2014**
 Months on Market: **6 Mos**

TIME VACANT

Date Vacated: **Oct 2013**
 Date Occupied: **Jul 2014**
 Months Vacant: **9 Months**

LEASING REP

Commercial Properties of Maui LLC

2145 Wells St, Suite 105
 Wailuku, HI 96793
 Ben J. Wallin (808) 244-2200 X210

MARKET AT LEASE

Vacancy Rate	2014 Q2	YOY
Current Building	3.7%	↑ 3.7%
Submarket 2-4 Star	3.9%	↑ 1.6%
Metro Overall	4.0%	↑ 0.4%

Gross Asking Rent Per SF	2014 Q2	YOY
Current Building	\$31.57	-
Submarket 2-4 Star	\$30.67	↑ 3.6%
Metro Overall	\$28.62	↓ 5.0%

Submarket Leasing Activity	2014 Q2	YOY
12 Mo. Leased SF	35,286	↑ 112.0%
Months On Market	15.5	↑ 3.7

PROPERTY

Property Type: **Office**
 Status: **Built 1988**
 Tenancy: **Multi**
 Class: **C**
 Construction: **Reinforced Concrete**
 Parking: **Surface Spaces @ \$0...**

Rentable Area: **36,907 SF**
 Stories: **4**
 Floor Size: **9,227 SF**
 Vacancy at Lease: **3.7%**
 Land Acres: **0.33**

Lease Comparables

Lease Comps Report

2145 Wells St - Wells Street Professional Center
 Wailuku, HI 96793 - Central Maui Submarket

★ ★ ★ ★ ★



LEASE	
SF Leased:	1,123 SF
Sign Date:	Mar 2014
Space Use:	Office
Lease Type:	Direct
Floor:	1st Floor
Suite:	105
LEASE TERM	
Start Date:	Apr 2014

RENTS	
Asking Rent:	\$12.00-\$15.00/NNN
CONCESSIONS AND BUILDOUT	
Buildout Status:	Partial Build-Out
PROPERTY EXPENSES	
Total Exp.:	\$13.20/SF (2013)

TIME ON MARKET	
Date On Market:	Jun 2013
Date Off Market:	Mar 2014
Months on Market:	9 Mos

TIME VACANT	
Date Vacated:	Nov 2013
Date Occupied:	Apr 2014
Months Vacant:	5 Months

LEASING REP
Commercial Properties of Maui LLC
 2145 Wells St, Suite 105
 Wailuku, HI 96793
 Grant E. Howe, CCIM (808) 244-2200 X202
 Scott Kenar (808) 244-2200 X213

MARKET AT LEASE

Vacancy Rate	2014 Q1	YOY
Current Building	6.9%	▲ 6.5%
Submarket 1-3 Star	3.5%	▲ 1.2%
Metro Overall	4.2%	▲ 0.4%
Gross Asking Rent Per SF	2014 Q1	YOY
Current Building	\$21.44	-
Submarket 1-3 Star	\$24.92	▼ 5.1%
Metro Overall	\$27.24	▼ 13.2%
Submarket Leasing Activity	2014 Q1	YOY
12 Mo. Leased SF	32,237	▲ 109.2%
Months On Market	13.3	▼ 0.8

PROPERTY			
Property Type:	Office	Rentable Area:	32,472 SF
Status:	Built 1980	Stories:	4
Tenancy:	-	Floor Size:	8,118 SF
Class:	B	Vacancy at Lease:	6.9%
		Land Acres:	0.82

Lease Comparables

Lease Comps Report



105 N Market St

Wailuku, HI 96793 - West Maui Submarket



LEASE

SF Leased: **1,759 SF**
 Sign Date: **Jan 2014**
 Space Use: **Office**
 Lease Type: **Direct**
 Floor: **2nd Floor**
 Suite: **202**

RENTS

Asking Rent: **\$19.20/NNN**

PROPERTY EXPENSES

Taxes: **\$0.53/SF (2015)**
 Operating Exp.: **\$1.24/SF (2012)**

LEASE TERM

Start Date: **Feb 2014**

TIME ON MARKET

Date On Market: **Sep 2013**
 Date Off Market: **Jan 2014**
 Months on Market: **4 Mos**

TIME VACANT

Date Occupied: **Feb 2014**

LEASING REP

Kokua Realty LLC
 296 Alamaha St, Suite A
 Kahului, HI 96732
 Keoni Fursse (808) 280-8556
 Jessica Baker (808) 250-0640

MARKET AT LEASE

Vacancy Rate	2014 Q1	YOY
Current Building	0.0%	→ 0.0%
Submarket 1-3 Star	4.9%	↓ 1.9%
Metro Overall	3.8%	↓ 0.1%

Gross Asking Rent Per SF	2014 Q1	YOY
Current Building	\$19.20	↓ 13.5%
Submarket 1-3 Star	\$41.65	↑ 16.2%
Metro Overall	\$34.85	↑ 8.6%

Submarket Leasing Activity	2014 Q1	YOY
12 Mo. Leased SF	90,115	↑ 31.3%
Months On Market	23.2	↓ 1.5

PROPERTY

Property Type: **Retail** Rentable Area: **8,528 SF**
 Status: **Built 2004** Stories: **2**
 Tenancy: **Multi** Floor Size: **4,264 SF**
 Class: **C** Vacancy at Lease: **0.0%**
 Construction: **Wood Frame** Land Acres: **0.10**
 Parking: **15 free Surface Space...**

Lease Availability Report

2115 Wells St
 Wailuku, HI 96793 - Central Maui Submarket



BUILDING	
Type:	Class C Office
Tenancy:	Multiple
Year Built:	1978
RBA:	4,104 SF
Floors:	2
Typical Floor:	2,052 SF

AVAILABILITY	
Min Divisible:	1,002 SF
Max Contig:	1,028 SF
Total Available:	2,030 SF
Asking Rent:	\$10.80/NNN

EXPENSES PER SF	
Taxes:	\$1.15 (2015)
Opex:	\$3.12 (2012)

SPACES

Floor	Suite	Use	Type	SF Avail	Ftr Contig	Bldg Contig	Rent	Occupancy	Term
P 2nd	B / 2	Office	Relet	1,028	1,028	1,028	\$10.80/NNN	Vacant	Negotiable
<i>Michael Spalding Realty, Inc. - Nicole Spalding (808) 242-5788</i>									
P 2nd	B1	Office	Relet	1,002	1,002	1,002	\$10.80/NNN	30 Days	Negotiable
<i>Michael Spalding Realty, Inc. - Nicole Spalding (808) 242-5788</i>									

LEASING COMPANY

Company:	Michael Spalding Realty, Inc.
Contacts:	Nicole Spalding (808) 242-5788

TRANSPORTATION

Airport:	18 minute drive to Kahului Airport
Walk Score ®:	Very Walkable (78)
Transit Score ®:	No Nearby Transit (0)

Estimated Market Rent

Determination of Gross Potential Rent, Annual Expenses, and Vacancies

The first step in valuing the subject by the income approach is to determine what its potential market income and expenses are. The appraiser can then estimate the income and expenses for the subject based upon the comparables and the history provided of the subject.

The appraiser is estimating the potential gross market rent of \$2.20 per sq. ft. per month of which the monthly CAM is estimated at \$0.55 per sq. ft. per month, meaning the triple net market rent is roughly \$1.65. This rent assumes an elevator has been installed and the second floor has been renovated with new flooring, ceilings, and paint. Typically, tenants pay an addition 4.166% toward general excise tax in this market.

Vacancies in this area are very high and have been persistent. Based upon interviews the appraiser has made with numerous owners and property managers with properties in the subject's area, the appraiser estimates a frictional vacancy rate of 10% for the subject over a holding period of 10 years. Currently, that rate is somewhat higher at roughly 12% to 15%. The rate of vacancy is likely to slowly recede over the next 3 to 5 years as the economy continues to improve.

Other Expenses

Real estate taxes – The subject's building is currently paying \$7,971.48 per year. This is not likely to change very much in the next few years.

Management - This expense was based upon interviews with property managers and the appraiser's own experience which show that the going rate for management is 5% to 7% of collected income. The appraiser is estimating management at 5%.

Insurance – Insurance on this building is roughly \$5,000 per year.

Maintenance & Utilities

Utilities - The appraiser is using an expense of \$3,600 per year for water and sewer, \$2,400 for public electric, and \$3,600 for trash. Electrical utilities are typically paid for by the tenant in this market.

Repairs and maintenance – This expense is estimated at \$7,000 per year. This amount includes site maintenance, elevator maintenance, pest control, repairs, and maintenance of public areas and equipment (ACs).

Supplies and miscellaneous – This expense is estimated at \$2,500 per year.

Reserves are estimated as follows:

Item	Cost	Economic life	Reserves
Roof	\$ 37,000.00	25	\$ 1,480.00
Flooring	\$ 16,388.89	20	\$ 819.44
Painting	\$ 25,000.00	15	\$ 1,666.67
Parking lot resealing & Striping	\$ 5,000.00	15	\$ 333.33
Totals			\$ 4,299.44

The following page shows how the subject's estimated income and expenses would translate into an annual net income for the fee simple interest.

Cash Statement

Item	Unit	Sq. Ft.	Base rent	CAM	Gross	Total Rent
Sq. Ft.	A	3283	\$ 1.55	\$ 0.65	\$ 2.20	\$ 7,222.60
Sq. Ft.	B	1326	\$ 1.55	\$ 0.65	\$ 2.20	\$ 2,917.20
Sq. Ft.	C	1723	\$ 1.55	\$ 0.65	\$ 2.20	\$ 3,790.60
Total		6332				\$ 13,930.40
Annual						\$ 167,164.80
Item						
Gross Potential rent	\$	167,164.80				
Less Vacancies and Rent Losses	\$	(16,716.48)				
Effective Gross Rent	\$	150,448.32				
Plus 4.166% general excise tax	\$	6,267.68				
Effective Gross Income	\$	156,716.00				
Expenses						
			\$/Sq. Ft./Month			
Fixed Expenses						
Real Estate Taxes	\$	(7,971.48)	\$	(0.10)		
Insurance	\$	(5,000.00)	\$	(0.07)		
Total Fixed Expenses	\$	(12,971.48)				
Variable						
GE Tax @ 4%	\$	(6,268.64)				
Management	\$	(7,522.42)	\$	(0.10)		
Utilities	\$	(9,600.00)	\$	(0.13)		
Repairs and Maintenance	\$	(7,000.00)	\$	(0.09)		
Supplies and Misc.	\$	(2,500.00)	\$	(0.03)		
Total Variable	\$	(32,891.06)				
Indicated CAM			\$	(0.52)		
Reserves	\$	(4,300.00)				
Total Operating Expenses	\$	(50,162.54)				
Indicated Net Operating Income	\$	106,553.46				

Having now established the appraiser's estimate of income and expenses, the appraiser must now estimate the appropriate overall capitalization rate needed to capitalize the net income.

Discount Rate Derivation

The equity dividend rate can be calculated using the build-up method. We must consider that real estate, as a commodity, must compete in the marketplace along with other interest-earning investments, including bonds, CDs, money market accounts, stocks, and a myriad of other investments. The very nature of real estate indicates that it does not have the liquidity of cash and therefore entails risk. The build-up process is calculated by adding the components of an interest rate to a "safe" rate, which is the rate obtainable on a comparable term treasury bill or on other relatively safe investment. Allocations are then made for risk, non-liquidity, and other factors, including management of money or entrepreneurial profit return. The equity return rate used in the analysis is calculated after comparing alternative investments.

In discussions with local lenders and mortgage brokers, we were led to believe that an investor and/or on-the-premises owner with a good credit rating should be able to secure a mortgage with a 10 year payout at .5% to 1.5% over the prime interest rate (as of the date of valuation) in an amount equal to 70% to 75% of the appraised value of the property. Likewise, real estate investors in the area are typically desirous of securing a 5% to 15% equity yield on their equity investments on properties purchased with mortgage leverage.

For this analysis, the appraiser contemplated 75% mortgage position at a 5.5% interest rate with a 25-year amortization period with a contemplated equity dividend rate (cash-on-cash return) of 9%. This loan would have a 5 year renewal period. The return to the mortgage position is calculated by multiplying the percent of the mortgage position by the mortgage constant for the mortgage rate and amortization period. The return to the equity is calculated by multiplying the percent to the equity position by the yield rate.

MORTGAGE EQUITY BAND OF INVESTMENT ANALYSIS

Input Variables

Mortgage Ratio (M)	75% LV
Interest Rate (IR)	5.35%
Typical Market Points	1.50
Term (Amortization)	25 Years (Monthly)
Annual Constant (Rm)	7.26%
Equity Yield Rate (Re)	9.00%
Projection Period (h)	10 Years
Projected Appreciation (a)	2%
Mortgage Paid Off (P)	25.21%
Sinking Fund Factor (SFF)*	6.58%
Basic Rate (r)	6.45%
Overall Rate (Ro)	6.40%
Implied Debt Coverage Ratio	1.18

* Sinking Fund Factor @ Equity Yield Rate,
Annually for Projection Period Weighted Rate

Annual Constant

Present Value	-1
Number of Payments	300
Monthly Interest	0.0045
Monthly Payment	\$0.006052

Monthly Payment	X	12	=	Annual Constant	
\$0.006052	X	12	=	0.0726194	7.26%

Mortgage Paid Off at end of Holding Period

0.07261943	+	-5.35%	=	0.0191194	0.252097463
0.12934143	+	-5.35%	=	0.0758414	25.21%

Sinking Fund Factor

Equity Yield Rate	/((Equity Yield Rate	+ 1)		Projection Period		=
9.00%	/((9.00%	+ 1)	10			=
9.00%	/	1.36736	=	0.06582009			6.58%

STEP 1

Mortgage Ratio	X	Annual Constant	
75.00%	X	7.26%	5.45%
Equity Ratio	X	Re	
25.00%	X	9.00%	2.25%
		Weighted Rate=	7.70%

STEP 2 LESS: Mortgage Paid Off (Equity Build Up)

Mortgage Ratio	X	(P)	X	SFF	
75.00%	X	25.21%	X	6.58%	-1.24%
		Basic Rate =			6.45%

STEP 3 Less: Appreciation

Projected Appreciation (A)	X	SFF	
1.50%	X	6.58%	-0.10%
		Overall Rate =	6.35%
		Rounded To:	6.40%

Debt Coverage Ratio Method

Debt Coverage	X	Annual Constant	X	Loan/Value	=	Cap. Rate	
1.2	X	7.26%	X	75.00%	=	6.54%	
1.25	X	7.26%	X	75.00%	=	6.81%	

The above analysis is supported by the following loan terms quoted from two local banks for office building loans:

First Hawaiian Bank stated they are quoting, on a fee simple project, a 10 year term with a 5 year adjustment loan at a rate of between 5.25% and 6.25% amortized over 25 years. Their loan to value ratio can go as high as 80% but is likely going to be lower. Their quoted debt coverage ratio is 1.25 to 1.35. When pressed, they stated the loan to value ratio is more likely to fall around 70% and the Debt Coverage Ratio they are seeking is more likely 1.3.

The lenders are essentially demanding that capitalization rates for properties they lend on be something similar to the following formula:

Mortgage Constant X DCR X Loan to Value = Rate

From the above quotes, it would appear that the loan the typical buyer could achieve would have a 70% LTV, a debt coverage ratio of 1.3 and a mortgage constant of 7.37% (5.5% rate)

Mortgage Constant 7.37% X DCR 1.3 X 70% LTV = 6.7%.

If that mortgage rate is raised to 6% the result would be:

Mortgage Constant 7.73% X DCR 1.3 X 70% LTV = 7%.

Since almost all commercial real estate in the class of the subject will be bought and sold using financing, it is important to note that the lenders are essentially stating that this is the capitalization rate a property must have to qualify for a mortgage. Where this would not apply is when the borrower has more assets to collateralize, has more equity into the investment, or is an especially strong borrower. Otherwise, in today's financial and economic environment, it is likely the capitalization rate has to be a minimum of 6.7% for a similar fee simple property.

Band of Investment

Another way of helping to establish a rate is to look at a band of investment. The above information from area banks helps to establish what type of return is required for the Mortgagor position. It has been the appraiser's experience that the Equity Position requires a greater return, usually in the realm of 3% to 5% above the Mortgagor Position. This is due to the added risk the Equity Position is placed in and the added responsibility of the day-to-day operation of the project. A good formula to express this band of investment method of establishing a rate is:

$$\text{Rate of the property} = \text{rate to the mortgagor} + \text{rate to the equity}$$

In this case, the

$$\text{Rate of the property} = 0.70 \times 7.4\% \text{ mortgage constant} + 0.3 \times 10.4\% \text{ equity rate} = 8.3\%$$

Ackerman Without Algebra

Another way to look at what this rate should be would be to break this investment down further. In this analysis, the appraiser assumes that a typical investor would expect their investment over a 10 year holding period to at least keep pace with historic typical inflation and estimates a value growth of 2.5% per year. The formula would take depreciation of the building (the building improvement is estimated at roughly 75% of the total fee simple investment, according to the cost) into consideration. Depreciation is estimated at 3.3% per year (estimated 30 year remaining life). This analysis assumes an equity rate of 2% above the mortgage rate for the added risk of this position. The mortgage rate is known as the mortgage constant which is the overall rate to the mortgage.

Mortgage rate 7.26% x 70% of the total property	= +0.05082
Equity rate of 9.26% x 30% of the total property	= +0.02778
Adjusted for property inflation of 2.5% per year	= -0.025
Adjusted for depreciation of 3.3% per year X 75% of	
Total property (improvement has 30 years remaining life)	= +0.02475

Indicated rate	= 7.835%

Market Extracted Capitalization Rates

The following are capitalization rates derived from office properties on Fee Simple land.

Maui Island

TMK	Land Sq. ft.	GBA Sq. Ft.	Lot Coverage	Yr Built	Use	Price	NOI	\$/Sq. Ft./Month	Date	Cap rate
238-94-6	24058	13252	55%	2009	Warehouse	\$ 2,100,000.00	\$ 163,800.00	\$ 1.03	4/1/2013	7.80%
238-94-23	30405	13665	45%	2009	Warehouse	\$ 2,745,000.00	\$ 194,895.00	\$ 1.19	12/26/2012	7.10%
238-66-38	41465	22232	54%	1987	Warehouse & Office	\$ 2,900,000.00	\$ 232,000.00	\$ 0.87	11/2/2012	8.00%
238-80-29	26018	15859	61%	2005	Warehouse & Office	\$ 3,400,000.00	\$ 238,000.00	\$ 1.25	1/3/2012	7.00%
234-23-37	13321	4000	30%	1992	Warehouse & Office	\$ 950,000.00	\$ 43,200.00	\$ 0.90	4/29/2013	4.55%
238-97-51	16989	6190	36%	2011	Office	\$ 3,175,000.00	\$ 186,700.00	\$ 2.51	3/20/2014	5.88%
234-8-24	11432	4216	37%	2002	Office	\$ 2,400,000.00	\$ 142,920.00	\$ 2.82	Listing, Under Contract	5.96%

Big Island

TMK	Land Sq. ft.	Zoning	Visibility	Topography	GBA	Rentable	Yr Blt	Use	Condition	Price	Date	\$/Sq. Ft. GBA	Annual Net Income	Cap Rate
377-9-56	30787	CN-10	Good	Sloping	14892	12822	1976	Court, Office	Average	\$ 2,200,000.00	2/5/2014	\$ 147.73	\$ 196,380.00	8.93%
381-3-62-1, 2, 3, 4, 5, 6, 11	Condo	CV-7.5	Avg/Gd	Sloping	5327	5327	1986	Office / Apartment	Average	\$ 1,150,000.00	8/12/2015	\$ 215.88	\$ 126,000.00	10.96%
381-12-55	12233	CV-10	Good	Sloping	5281	4000	1989	Office	Avg/Gd	\$ 970,000.00	11/13/2015	\$ 183.68	\$ 74,601.72	7.69%
375-18-14 & 15	13982	CV-10	Good	Sloping	4184	4184	1998	Office	Good	\$ 1,500,000.00	2/9/2016	\$ 358.51	\$ 114,564.00	7.64%
381-3-71	35901	CV-7.5	Average	Level	7200	6000	2002	Office	Avg/Gd	\$ 1,650,000.00	Listing	\$ 229.17	\$ 123,000.00	7.45%
375-22-43	15054	CV-7.5	Average	Level	10391	7456	1990	Office	Average	\$ 1,550,000.00	Listing	\$ 149.17	\$ 99,665.00	6.43%

Another sale of an office building at 64-5193 Kinohou Street in Kamuela is stated to have sold at an overall capitalization rate of 7.423%, according to the agent. This building was built in 1979 and had six rental office units. Roughly 2% was vacant at the time of sale. This property is an office building.

TMK 323-35-29 sold for \$1,790,000, with the seller agreeing to lease the property back at \$11,000 per month NNN rent. This is a medical office building. The indicated cap. rate would be 7.37%.

The appraiser notes that rates of return on all types of investment have slowly receded over the last decade. After considering the condition of the subject and its vacancies, the appraiser has concluded on a cap. rate of 6.5%.

The following pages show an estimated cash statement and capitalization of this anticipated income at 6.5%.

Item	Unit	Sq. Ft.	Base rent	CAM	Gross	Total Rent
Sq. Ft.	A	3283	\$ 1.55	\$ 0.65	\$ 2.20	\$ 7,222.60
Sq. Ft.	B	1326	\$ 1.55	\$ 0.65	\$ 2.20	\$ 2,917.20
Sq. Ft.	C	1723	\$ 1.55	\$ 0.65	\$ 2.20	\$ 3,790.60
Total		6332				\$ 13,930.40
Annual						\$ 167,164.80
Item						
Gross Potential rent	\$	167,164.80				
Less Vacancies and Rent Losses	\$	(16,716.48)				
Effective Gross Rent	\$	150,448.32				
Plus 4.166% general excise tax	\$	6,267.68				
Effective Gross Income	\$	156,716.00				
Expenses						
			\$/Sq. Ft./Month			
Fixed Expenses						
Real Estate Taxes	\$	(7,971.48)	\$	(0.10)		
Insurance	\$	(5,000.00)	\$	(0.07)		
Total Fixed Expenses	\$	(12,971.48)				
Variable						
GE Tax @ 4%	\$	(6,268.64)				
Management	\$	(7,522.42)	\$	(0.10)		
Utilities	\$	(9,600.00)	\$	(0.13)		
Repairs and Maintenance	\$	(7,000.00)	\$	(0.09)		
Supplies and Misc.	\$	(2,500.00)	\$	(0.03)		
Total Variable	\$	(32,891.06)				
Indicated CAM			\$	(0.52)		
Reserves	\$	(4,300.00)				
Total Operating Expenses	\$	(50,162.54)				
Indicated Net Operating Income	\$	106,553.46				
Capitalized at 6.5%	\$	1,639,284.02				
Less Cost of Elevator, and renovating 1st Floor	\$	(125,000.00)				
Indicate Market value	\$	1,514,284.02				

Discounted Cash Flow Analysis

There are no readily anticipated changes that will occur that necessitate a DCF be performed. Because of this, no discounted cash flow has been completed.

Income Approach Valuation Conclusions

This approach had a great deal of current and relevant data to support it. The weakness to the approach is the lack of verifiable sales data from the immediate market to support the capitalization rate.

The indicated market value of subject property as is as of June 27, 2016 by the income approach was:

ONE MILLION FIVE HUNDRED FIFTEEN THOUSAND DOLLARS
\$1,515,000

Sales Comparison Approach

The sales comparison approach involves the direct comparison of sales and listings of similar properties, adjustments for variances, and correlation of the results into a property value indication. Adjustments to the sale prices of competitive properties selected for comparison are considered as they relate to the subject and to the various dissimilar investment features.

The application of this approach produces an estimate of value for a property by comparing it with similar properties which have been sold or are currently offered for sale in the same or competing areas. Procedures used to estimate the degree of comparability between two properties involve sound judgment decisions concerning their similarity with respect to any value factors such as location, construction, age and condition, layout, equipment, design, utility, and desirability.

The appraiser made a search of this market area for the last 3 years and found only vaguely similar sales that could reasonably be used as comparisons. Because of the lack of reasonably similar comparable sales, the appraiser is only providing this method as secondary support. The following adjustment chart uses the most similar data and is provided as additional support only.

Potential sales and listings:

TMK	Land Sq. Ft.	Zoning	Visibility	GBA	Year Blt	Net	Sale Price	Date	\$/Sq. ft.	Cap. Rate
234-20-42	16077	M-1	Average	4760	2001		\$ 1,600,000.00	12/29/2010	\$ 336.13	
238-97-8	7545	VMX	Average	2772	2011		\$ 1,141,200.00	12/2/2011	\$ 411.69	
238-97-4	9919	VMX	Average	3424	2013		\$ 1,092,878.00	11/5/2013	\$ 319.18	
238-97-51	16989	VMX	Average	6190	2011	\$ 186,700.00	\$ 3,175,000.00	3/20/2014	\$ 512.92	5.88%
237-4-7, 9	21371	B-2	Good	5496	1957		\$ 1,350,000.00	4/1/2015	\$ 245.63	
234-21-31	16888	B-2	Average	9550	1973		\$ 1,115,000.00	12/11/2015	\$ 116.75	
234-17-27	4163	B-2	Good	8528	2004		\$ 1,840,000.00	12/28/2015	\$ 215.76	
234-13- 24, 90	14496	B-3	Good	9530	1960		\$ 2,000,000.00	4/29/2016	\$ 209.86	
234-8-24	11432	B-2	Average	4216	2002	\$ 142,920.00	\$ 2,400,000.00	Under Contract	\$ 569.26	5.96%
234-17-38	15987	B-2/R-1	Average	2688	1972		\$ 900,000.00	Under Contract	\$ 334.82	

The following page contains an adjustment chart using the most similar of these sales as direct comparisons.

Item	Subject	Comparison 1	Comparison 2	Comparison 3	Comparison 4	Comparison 5
TMK	234-8-48	234-17-27	234-21-31	234-13- 24, 90	234-17-38	234-8-24
Sale Price	\$ 1,525,000.00	\$ 1,840,000.00	\$ 1,115,000.00	\$ 2,000,000.00	\$ 900,000.00	\$ 2,400,000.00
Date of sale	10/13/2014	12/28/2015	12/11/2015	4/29/2016	Under Contract	Under Contract
GBA Sq. Ft.	7375	8528	9550	9530	2688	4216
Price/Sq. Ft.	\$ 206.78	\$ 215.76	\$ 116.75	\$ 209.86	\$ 334.82	\$ 569.26
Transaction adjustments						
Conditions of sale		\$ -	\$ -	\$ -	\$ -	\$ -
Market conditions		\$ -	\$ -	\$ -	\$ -	\$ -
Estimated current cash equivalent price		\$ 1,840,000.00	\$ 1,115,000.00	\$ 2,000,000.00	\$ 900,000.00	\$ 2,400,000.00
Characteristics						
Location	Wailuku	Wailuku	Lower Wailuku	Wailuku	Wailuku	Wailuku
Visibility	Average	Good	Average	Good	Average	Average
Land Sq. Ft.	10718	4163	16888	14496	15987	11432
Zoning	B-2	B-2	B-2	B-3	B-2/R-1	B-2
Quality	Average/gd	Average/gd	Average	Average/gd	Average	Good
Year Built	1970	2004	1973	1960	1972	2002
Condition	Average-	Good	Fair	Good	Average-	Good
GBA	7375	8528	9550	9530	2688	4216
Parking	Limited	Limited	Limited	Limited	Limited	Limited
Elevator	None	None	None	None	None	None
Other	None	None	None	None	None	Favorable Lease
Adjustments						
Location	Wailuku	\$ -	\$ 75,000.00	\$ -	\$ -	\$ -
Visibility	Average	\$ (20,815.00)	\$ -	\$ (72,480.00)	\$ -	\$ -
Land Sq. Ft.	10718	\$ 229,425.00	\$ (215,950.00)	\$ (132,230.00)	\$ (184,415.00)	\$ (24,990.00)
Zoning	B-2	\$ -	\$ -	\$ -	\$ -	\$ -
Quality	Average/gd	\$ -	\$ 620,750.00	\$ -	\$ 94,080.00	\$ (316,200.00)
Year Built	1970	\$ (170,000.00)	\$ -	\$ 50,000.00	\$ -	\$ (160,000.00)
Condition	Average-	\$ (25,000.00)	\$ 100,000.00	\$ (25,000.00)	\$ -	\$ (25,000.00)
GBA	7375	\$ (155,655.00)	\$ (293,625.00)	\$ (290,925.00)	\$ 632,745.00	\$ 426,465.00
Parking	Limited	\$ -	\$ -	\$ -	\$ -	\$ -
Elevator	None	\$ -	\$ -	\$ -	\$ -	\$ -
Other	None	\$ -	\$ -	\$ -	\$ -	\$ (162,000.00)
Total Adjustments		\$ (142,045.00)	\$ 286,175.00	\$ (470,635.00)	\$ 542,410.00	\$ (261,725.00)
Adjusted Price		\$ 1,697,955.00	\$ 1,401,175.00	\$ 1,529,365.00	\$ 1,442,410.00	\$ 2,138,275.00
Weighting		50%	20%	30%	0%	0%
		\$ 848,977.50	\$ 280,235.00	\$ 458,809.50	\$ -	\$ -
Weighting	\$ 1,588,022.00		Average all	\$ 1,641,836.00		
Concluded	\$ 1,600,000.00					

At a value of \$1,600,000 for the subject, the value is \$216.95 per sq. ft., which is in line with the amounts per sq. ft. seen for sales shown on the previous list.

105 N Market St
 Wailuku, HI 96793 - West Maui Submarket

★★★★



BUILDING

Type:	Retail
Subtype:	Freestanding
Tenancy:	Multiple
Year Built:	2004
GLA:	8,528 SF
Floors:	2
Typical Floor:	4,264 SF
Docks:	None
Construction:	Wood Frame

LAND

Land Area:	0.10 AC
Zoning:	B-2
Parcel	2-3-4-017-027-0000

EXPENSES PER SF

Taxes:	\$0.53 (2015)
Opex:	\$1.24 (2012)

KEY TENANTS

Honey A Sweet Boutique	1,706 SF	Royal State Insurance	1,279 SF
------------------------	----------	-----------------------	----------

AMENITIES

Bus Line, Signage

LEASING

Available Spaces: No Spaces Currently Available

TRAFFIC & FRONTAGE

Traffic Volume:	15,461 on Liko Pl & N Market St (2014)
	18,565 on Lower Main St & Central Ave (2011)
Frontage:	53' on Market St (with 1 curb cut)

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TRANSPORTATION

Parking:	15 free Surface Spaces are available; Ratio of 1.75/1,000 SF
Airport:	19 minute drive to Kahului Airport
Walk Score ®:	Very Walkable (80)
Transit Score ®:	No Nearby Transit (0)



This property has retail on the first floor and second floor office space. Its sale of \$1,840,000 was verified with the selling agent. The building is newer and larger than the subject and should bracket the subject from the top.

1464 Lower Main St
 Wailuku, HI 96793
Class C Office Building of 9,550 SF Sold on 12/4/2015 for \$1,115,000 - Research Complete



buyer

Shore to Shore Realty
 331 Hookahi St
 Wailuku, HI 96793
 (808) 244-7412

seller

Franklin F. Hamasaki
 541 S Papa Ave
 Kahului, HI 96732
 (808) 871-7393

vital data

Escrow/Contract: 150 days	Sale Price: \$1,115,000
Sale Date: 12/4/2015	Status: Confirmed
Days on Market: -	Building SF: 9,550 SF
Exchange: No	Price/SF: \$116.75
Conditions: -	Pro Forma Cap Rate: -
Land Area SF: 22,216	Actual Cap Rate: -
Acres: 0.51	Down Pmnt: \$278,750
S/SF Land Gross: \$50.19	Pct Down: 25.0%
Year Built, Age: 1979 Age: 36	Doc No: 000A58230065
Parking Spaces: -	Trans Tax: \$4,460
Parking Ratio: -	Cornr: No
FAR 0.43	Zoning: INDUSTRIAL
Lot Dimensions: -	No Tenants: 1
Frontage: -	Percent Improved: 53.7%
Tenancy: Multi	Submarket: Central Maui
Comp ID: 3468956	Map Page: -
	Parcel No: 2-3-4-021-031-0000
	Property Type: Office

income expense data

Expenses	- Taxes	\$7,487
	- Operating Expenses	
	Total Expenses	\$7,487

Listing Broker

Sotheby's
 3750 Wailea Alanui Dr
 Wailea, HI 96753
 (808) 879-8880
 Jan Lap


Buyer Broker

Shore to Shore Realty
 331 Hookahi St
 Wailuku, HI 96793
 (808) 244-7412
 Van Waki

financing

1st Central Pacific Bk
 Bal/Pmt: **\$836,250**

This sale is inferior in quality, condition, and location (lower Main Street). This sale helps to bracket from the bottom.

<p>2105 Main St Wailuku, HI 96793 Bank Building of 9,530 SF Sold on 4/26/2016 for \$2,000,000 - Research Complete</p>	
<p>buyer Pentecostal Missionary Church of Christ 2105 Main St Wailuku, HI 96793 (808) 845-2240</p>	
<p>seller Bank of Hawaii 130 Merchant St Honolulu, HI 96813 (888) 643-3888</p>	
<p>vital data</p>	
<p>Escrow/Contract: - Sale Date: 4/26/2016 Days on Market: 403 days Exchange: No Conditions: - Land Area SF: 15,333 Acres: 0.35 S/SF Land Gross: \$130.44 Year Built, Age: 1960 Age: 56 Parking Spaces: 20 Parking Ratio: 2.1/1000 SF FAR: 0.62 Lot Dimensions: - Frontage: 146 feet on Main St (with 1 ... Tenancy: Single Comp ID: 3595987</p>	<p>Sale Price: \$2,000,000 Status: Confirmed Building SF: 9,530 SF Price/SF: \$209.86 Pro Forma Cap Rate: - Actual Cap Rate: - Down Pmnt: \$1,250,000 Pct Down: 62.5% Doc No: 000A59630263 Trans Tax: \$12,000 Corner: No Zoning: COMMERCIAL No Tenants: 2 Percent Improved: - Submarket: Central Maui Map Page: - Parcel No: 2-3-4-013-024-0000 [Partial List] Property Type: Retail</p>
<p>income expense data</p>	<p>Listing Broker</p>
	<p>Commercial Properties of Maui LLC 2145 Wells St Wailuku, HI 96793 (808) 244-2200 Gregory Sheehan, Grant Howe</p> <p>Buyer Broker Keller Williams Honolulu 1347 Kapiolani Blvd Honolulu, HI 96814 (808) 596-2888 Carmelita Uy</p>
<p>financing</p>	
<p>1st Bank Of Hi Bal/Pmt: \$750,000</p>	

This is a former bank building that has higher quality finishes, a better location, and is larger than the subject. It also brackets from the top.

175 N Market St
 Wailuku Federal Credit Union Building
 Wailuku, HI 96793
2,688 SF Retail Bank Building Built in 1972
 Property is for sale at \$900,000 (\$334.82/SF)



buyer

For Sale

seller

vital data

Days on Market: 178 days	Asking Price: \$900,000
Conditions: -	Status: For Sale
Land Area SF: 16,117 SF	Building SF: 2,688 SF
Acres: 0.37 AC	Price/SF: \$334.82
S/SF Land Gross: -	Pct Office: -
Year Built, Age: 1972 Age: 44	Actual Cap Rate: -
Parking Spaces: 15	Cover: No
Parking Ratio: 5.58/1000 SF	Zoning: COMMERCIAL
FAR: 0.17	Submarket: West Maui
Lot Dimensions: -	Map Page: -
Frontage: 64 feet on Market St (with 1 ...	Parcel No: 2-3-4-017-038-0000
	Property Type: Retail

income expense data

Listing Broker

Kean Properties LLC
 34 Wailea Gateway Pl
 Kihei, HI 96753
 (808) 874-1818
 Cindy Greenwell

Buyer Broker

This is a former credit union building that is frame construction with inferior quality. The building is much smaller and this property is vastly inferior to the subject. This is an asking price and this property is under contract.

2073 Wells St Wailuku, HI 96703 4,814 SF Office Building Property is for sale at \$2,400,000 (\$498.55/SF)		
buyer		
For Sale		
seller		
vital data		
Days on Market: 79 days Conditions: - Land Area SF: - Acres: - \$/SF Land Gross: - Year Built, Age: - Parking Spaces: 8 Parking Ratio: - FAR: - Lot Dimensions: - Frontage: -	Asking Price: \$2,400,000 Status: For Sale Building SF: 4,814 SF Price/SF: \$498.55 Pct Office: - Actual Cap Rate: 6.0% Corner: No Zoning: - Submarket: Central Maui Map Page: - Parcel No: 2-3-4-008-024-0000 Property Type: Office	
income expense data		Listing Broker Commercial Properties of Maui LLC 2145 Wells St Wailuku, HI 96793 (808) 244-2200 Gregory L. Sheehan, Grant E. Howe
		Buyer Broker

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7/30/2016

This property has 3,000 sq. ft. of the ground floor leased to Kaiser at a rent that began at \$8,250 per month NNN in November of 2011 and increases 4% per year. The lease lasts for 10 years. The current rent would be \$10,037.38 per month or \$3.35 per sq. ft. NNN. This rent would appear to exceed current market rent by roughly \$1.00 per sq. ft. The appraiser has discounted this excess rent for the remaining lease term to arrive at an adjustment for the excess rent:

Excess Rent	\$ 36,000.00	\$ 37,440.00	\$ 38,937.60	\$ 40,495.10	\$ 42,114.91	
Present Value Factor at 6.5%	0.941	0.886	0.834	0.785	0.739	
Present Value of Excess	\$ 33,876.00	\$ 33,171.84	\$ 32,473.96	\$ 31,788.66	\$ 31,122.92	\$ 162,433.37

This property has superior quality (medical use), is much newer, and has a very favorable lease arrangement with a high quality tenant.

Conclusion from the Direct Sales Comparison Approach

The indicated market value of subject property as if fee simple as of June 27, 2016 by the sales comparison approach was:

**ONE MILLION SIX HUNDRED THOUSAND DOLLARS
(\$1,600,000)**

SECTION 7 – RECONCILIATION OF VALUE

Summary of Value Conclusions	
As If Fee Simple	"As If fee simple"
Effective Date of Value	Jun 27, 2016
Cost Approach	\$1,560,000
Sales Comparison Approach	\$1,600,000
Income Capitalization Approach	\$1,515,000
Reconciled Value	\$1,560,000
Compiled by: Paradise Appraisals LLC	

The cost approach is based upon the principle of substitution, which states that a prudent purchaser would not pay more for a property than the amount required to purchase a similar site and construct similar improvements without undue delay, producing a property of equal desirability and utility. This approach is not very reliable in this type of market at this time. No one is looking at new construction as an alternative at this time because there is no profit that can be derived given the current housing market and economy. This particular cost approach is weak because of the lack of recent similar land sales and the large amount of depreciation which must be estimated due to the subject's age and condition. In this case, this approach has been weighted 10%;

$$\$1,560,000 \times 10\% = \$156,000$$

The sales comparison approach does not have a great deal of very recent and similar data and was weighted 40% as it was used as secondary support only.

$$\$1,600,000 \times 45\% = \$720,000$$

The income capitalization approach compares rentals of similar properties to the subject. The derived market rental rates were capitalized at a rate which considered available market financing and investor equity return requirements. In the analysis of income-producing property such as the subject, the income capitalization approach is typically given greater emphasis than the other approaches because it reflects the thinking of typical investors in income producing properties. The data used, in this case, is very current and similar. This approach has been given the most consideration in this valuation. It is weighted 50%:

$$\$1,515,000 \times 45\% = \$681,750$$

$$\begin{aligned} \text{Total weighting} &= \$1,557,750 \\ \text{Rounded to} &= \$1,560,000 \end{aligned}$$

The reader should note that this property sold on 10/13/2004 for \$1,525,000. Although the roof has been replaced since, the property was fully occupied at that time and it currently has no leased tenants with any lease term left. It has the potential of going completely vacant. There is nothing in the market that would indicate rents or values have changed much since 2014.

Both the marketing and exposure times are estimated at 6 to 12 months.

SECTION 8 – ADDENDUM

Appraiser's Qualifications
Appraiser's License
Engagement Letter
Publically Available Legal Description

Paradise Appraisals, LLC

**KONA:**

79-7266 Mamalahoa Hwy, #9, Kealahou, Hawaii 96750
Phone: (808) 322-0999 • Fax: (808) 322-0975 • 1-800-514-3222
Email: Kona@PAIHawaii.com

R.J. Kirchner, SRA, CGA • www.PAHawaii.com

MAUI:

360 Ho'ohana Street, #201, Kahului, Hawaii 96732
Phone: (808) 877-5952 • Fax: (808) 877-6408
Email: Maui@PAIHawaii.com

SUMMARY OF QUALIFICATIONS RAYMOND J. KIRCHNER SRA

PROFESSIONAL EXPERIENCE:

Independent fee appraiser since June 1982 with offices in Kailua-Kona, Hawaii and Kahului Maui. Formerly Vice President and partner in R.W. Kirchner & Associates Appraisal Firm. Formerly contract appraiser, working primarily for SEVCO Appraisers on the islands of Kaua'i, Maui and Hawaii from September of 1991 to March of 1992, when I became Chief Residential Appraiser of SEVCO, supervising 14 appraisers on three islands. I acted in this capacity until I left the firm in May of 1994 to become a principle partner in Royal Pacific Appraisals. Started Paradise Appraisals in February of 1997 as the managing partner. I am currently the sole proprietor of Paradise Appraisals LLC completing both commercial and residential assignments throughout the state.

APPRAISAL EXPERIENCE:

Over 18,000 appraisals and reviews participated in since 1981. The substantial portion of these appraisals were made in Hawaii, the Minneapolis/St. Paul Metropolitan area and Western Wisconsin area. Appraisals include existing and proposed construction, single family, duplexes, elderly housing projects, condominiums, townhouses, commercial buildings, apartments, industrial properties, farms, condemnation and partial acquisitions. Most recent appraisal experience has been on all the islands of Hawaii appraising single family, land, small residential income properties, condominiums, subdivisions, office buildings, industrial properties and commercial properties. R.J. Kirchner has served as a professional witness in both State (Minnesota & Wisconsin) and Federal Courts. The most recent example of professional testimony would be in Federal Bankruptcy Court in October of 2010 involving the Maluhia condo development in Maui.

MAJOR CLIENTS:

Bank of America (residential & commercial), Northern Trust, Chase Manhattan Bank (commercial and residential), First Hawaiian Bank (residential & commercial), U.S. Bank, Bank of Hawaii (commercial and residential), Goldman Sachs, Lloyds Bank, Wells Fargo, First Republic Bank, City Bank (residential & commercial), Finance Factors (residential & commercial), American Savings Bank (residential and commercial), Central Pacific Bank (residential and commercial), HUD, Central Pacific Bank, Deutsche Bank, Maui County, Hawaii County, Hawaii Department of Water Supply, Maui Department of Water Supply, U.S. Department of Natural Resources, and numerous local banks, government agencies, accountants and attorneys.

PROFESSIONAL MEMBERSHIPS:

- ❑ Currently holds a SRA Designation – Appraisal Institute, Headquarters located at 225 North Michigan, Chicago, Illinois.
- ❑ Certified General Appraiser #275, State of Hawaii (current).
- ❑ Formerly Certified Federal Residential License Real Estate Appraiser – State of Minnesota; License #4001391, 1991.
- ❑ Former court appointed Condemnation Commissioner – Washington County, Minnesota.
- ❑ Appointed member of the Minnesota commissioner of Commerce's Task Force to license appraisers.
- ❑ Past lobbyist for all eight major appraisal organizations in Minnesota.
- ❑ Past appointed member of the Minnesota Appraisers Licensing Board.
- ❑ Former Vice President – Washington Development Corporation, a non-profit corporation for the development of low income and elderly housing.
- ❑ Appointed member of State of Hawaii DCCA Advisory Committee, 2007 to current.

EDUCATION BACKGROUND AND TRAINING:

- ❑ Attended the University of Wisconsin at River Falls, Wisconsin from 1982 through 1987.

Successfully completed the following professional organization appraisal courses:

- ❑ Society of Real Estate Appraiser Course 101 – Foundations of Residential Appraising, completed in 1985.
- ❑ American Institute of Real Estate Appraisers Course – Residential Valuation, completed in 1987.
- ❑ The Appraisal of Partial Acquisitions – International Right of Way Association, completed in 1987.

EDUCATION BACKGROUND AND TRAINING CONTINUED:

- Residential Demonstration Appraisal completed for the Society of Real Estate Appraisers, passed in 1988.
- Standards of Professional Practice – Society of Real Estate Appraisers, passed in 1989.
- Standards of Professional Practice – University of Hawaii, passed in December 1991.
- Standards of Professional Practice – Appraisal Institute, passed May 1999.
- Basic Income Capitalization Course 510 – Appraisal Institute passed, in August 1993.
- Advanced Income Capitalization Course - Appraisal Institute passed, in August 1993.
- Seminar on new URAR form – Appraisal Institute, 1993.
- Uniform Standards of Professional Practice Parts A&B – Appraisal Institute (Honolulu), passed in April 1994.
- Advance Sales Comparison & Cost Approaches Course 530 – Appraisal Institute, passed in December 1998.
- Uniform Standards of Professional Practice Part C – Appraisal Institute (Honolulu), passed in 1999 and 2001.
- Author and instructor for the State of Hawaii approved appraisal course “A Return to the Basics.”
- Appraisal Institute’s Course II550 – Advanced Applications (State Code: 01-037), at the University of San Diego, July 2003.
- Appraisal Institute’s Course 04-097 – Reappraising, Readdressing, Reassigning: What to Do and Why and What to Include in a Work File. Honolulu, Hawaii October 2004
- Appraisal Institute’s Course 04-098 – Scope of Work: Where are we now? Honolulu, Hawaii October 2004
- 7 Hour USPAP Course - Appraisal Institute – October 2004

- Appraisal Institute's Seminar Professional's Guide to the Residential Appl. Report – 773 Maui, Hawaii June 2005
- Appraisal Institute's Course II420 – Business Practices and Ethics. Honolulu Hawaii October 2005
- Lorman Education Services Eminent Domain Seminar Honolulu, HI May 2006
- Appraisal Institute USPAP Update Seminar. Honolulu, HI June 2006.
- USPAP update course 12/3/2007.
- Litigation Skills for the Appraiser seminar 3/31/2008
- Analyzing Distress Real Estate 1/14/2009
- Hotel Valuation Course 2/22/2010
- Numerous additional courses and seminars.

Email: Kona@pahawaii.com
Tax ID #48-1293715

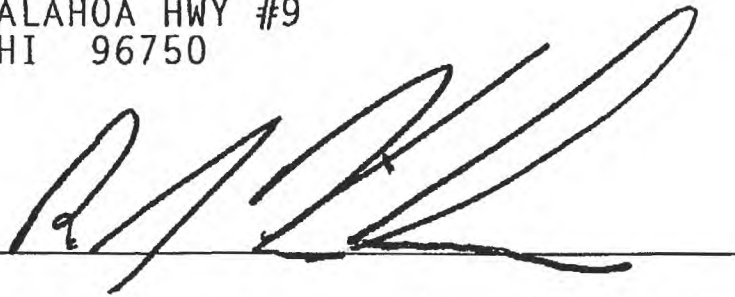
LICENSE NUMBER
CGA - 275

EXPIRATION DATE
12/31/2017

STATE OF HAWAII DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
CERTIFIED GENERAL APPRAISER

RAYMOND J KIRCHNER
79-7266 MAMALAHOA HWY #9
KEALAKEKUA HI 96750

(SIGNATURE
OF LICENSEE)

A handwritten signature in black ink, appearing to read 'R. Kirchner', is written over a horizontal line. The signature is stylized and cursive.

Paradise Appraisals, LLC



R.J. Kirchner, SRA, CGA • www.HawaiiParadiseAppraisals.com

KONA:

79-7266 Mamalahoa Hwy., #9, Kealahou, Hawaii 96750
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MAUI:

360 Ho'ohana Street, #201, Kahului, Hawaii 96732
Phone: (808) 877-5952 • Fax: (808) 877-6408
Email: Maui@PAHawaii.com

June 21, 2016

Guy M Hironaka
County of Maui
Finance Department
Real Property Manager
Guy.Hironaka@co.maui.hi.us

RE: TMK: (2) 3-4-008-048-0001, 0002 & 0003.

This letter shall serve as my engagement letter to provide an appraisal report of the market value of the fee simple interest in the above captioned condominium units as if being sold in one transaction to one buyer. This valuation will involve the use of a hypothetical condition in that the property will be valued as if in fee simple. The reason for the use of this hypothetical condition is that the only current tenant is the County and it is the County who is acquiring the three units which comprise the entire project and they are at or near the end of their lease term. The following is by basic understanding of the elements of this assignment:

1. The County of Maui is to be my client and is the entity that I must maintain my USPAP required confidentiality with.
2. The intended use of this appraisal is to assist the County in determining the proper price to pay for the acquisition of the 3 unit project. The County is not contemplating any type of eminent domain in connection with the acquisition and this is a mutually desired transaction. The County is buying the entire project (3 units) and wishes a valuation to reflect the conditions of the potential transaction as a single purchase of multiple units by one buyer.
3. The intended users include the County of Maui and the current owner of the property.
4. The acquisition does not require that the appraisal meet the Uniform Appraisal Standards of Federal Land Acquisition. If it is discovered that these standards must be met, I will re-bid this assignment.
5. The definition of market value to be used shall be:

Market Value- The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by any undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- o *The buyer and seller are typically motivated,*
- o *Both parties are well informed or well advised, and each acting in what they consider their own best interest,*
- o *A reasonable time is allowed for exposure in the open market,*
- o *Payment is made in terms of cash in U. S. Dollars or in terms of financial arrangements comparable thereto, and*

- o *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*¹

My fee for this assignment shall be \$3,800.00 plus 4.166% general excise tax for a total fee of \$3,958.31. I can complete the assignment within 4 to 5 weeks of your approval to proceed. Any fees that are unpaid 30 days after the report is delivered will incur a 1% per month late fee charge. I am going to be in this area on Monday and if I could inspect the property then it would expedite the completion time. To undertake this assignment I will require the following:

1. Your signed approval of these terms.
2. A copy of the legal description, survey, and condo documents for the project, if available.
3. A copy of the current leases on the property.
4. A copy of income and expense history from the building for the last 3 years.
5. A contact for entry for my inspection.

The report I will provide will meet the current requirements of USPAP and the Standards of the Appraisal Institute. The report may be subject to review by any duly authorized committee of the Appraisal Institute related to peer review.

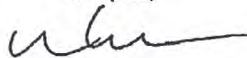
Thank you for considering me. I look forward to working with you on this interesting assignment.

Sincerely,



R. J. Kirchner SRA, CGA 275

Accepted,



~~Guy Hironaka~~ Date 6/21/16

Mark R. Walker, Deputy Finance Director

¹ Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals 34.42 Definitions

EXHIBIT "A"

ITEM I:

Those certain premises comprising a portion of that certain Condominium Project known as the "THE UEOKA BUILDING CONDOMINIUM" (herein called the "Project") which Project consists of that certain parcel of land described herein and in the Declaration of Condominium Property Regime dated September 30, 2002, recorded October 31, 2002 in the Bureau of Conveyances, State of Hawaii, as Document No. 2002-195071, as may be amended from time to time (herein called the "Declaration"), and the improvements and appurtenances thereof, as described in and established by the Declaration and as shown on the plans of the Project recorded in the said Bureau of Conveyances as Condominium Map No. 3497 and any amendments thereto (herein called the "Condominium Map"), and being more particularly described as follows:

FIRST:

A. Apartment No. A in the Project (the "Apartment") established by the Declaration and as shown on the Condominium Map.

Together with nonexclusive easements for ingress and egress and support of said Apartment through the common elements of the Project and for repair of said Apartment through all other apartments and through the common elements of the Project.

B. All rights to use and enjoy the Limited Common Element appurtenant to said apartment as set forth in the Declaration.

SECOND:

An undivided 50% interest as tenant in common in and to the common elements of the Project as described by the Declaration, the land more particularly described below.

THIRD:

The exclusive right to use Parking Space No(s)., if any, as shown on the Condominium Map.

ITEM II:

Those certain premises comprising a portion of that certain Condominium Project known as the "THE UEOKA BUILDING CONDOMINIUM" (herein called the "Project") which Project consists of that certain parcel of land described herein and in the Declaration of Condominium Property Regime dated September 30, 2002, recorded October 31, 2002 in the Bureau of Conveyances, State of Hawaii, as Document No. 2002-195071, as may be amended from time to time (herein called the "Declaration"), and the improvements and appurtenances thereof, as described in and established by the Declaration and as shown on the plans of the Project recorded in the said Bureau of Conveyances as Condominium Map No. 3497 and any amendments thereto (herein called the "Condominium Map"), and being more particularly described as follows:

FIRST:

A. Apartment No. B in the Project (the "Apartment") established by the Declaration and as shown on the Condominium Map.

Together with nonexclusive easements for ingress and egress and support of said Apartment through the common elements of the Project and for repair of said Apartment through all other apartments and through the common elements of the Project.

B. All rights to use and enjoy the Limited Common Element appurtenant to said apartment as set forth in the Declaration.

SECOND:

An undivided 25% interest as tenant in common in and to the common elements of the Project as described by the Declaration, the land more particularly described below.

THIRD:

The exclusive right to use Parking Space No(s), if any, as shown on the Condominium Map.

ITEM III:

Those certain premises comprising a portion of that certain Condominium Project known as the "THE UEOKA BUILDING CONDOMINIUM" (herein called the "Project") which Project consists of that certain parcel of land described herein and in the Declaration of Condominium Property Regime dated September 30, 2002, recorded October 31, 2002 in the Bureau of Conveyances, State of Hawaii, as Document No. 2002-195071, as may be amended from time to time (herein called the "Declaration"), and the improvements and appurtenances thereof, as described in and established by the Declaration and as shown on the plans of the Project recorded in the said Bureau of Conveyances as Condominium Map No. 3497 and any amendments thereto (herein called the "Condominium Map"), and being more particularly described as follows:

FIRST:

A. Apartment No. C in the Project (the "Apartment") established by the Declaration and as shown on the Condominium Map.

Together with nonexclusive easements for ingress and egress and support of said Apartment through the common elements of the Project and for repair of said Apartment through all other apartments and through the common elements of the Project.

B. All rights to use and enjoy the Limited Common Element appurtenant to said apartment as set forth in the Declaration.

SECOND:

An undivided 25% interest as tenant in common in and to the common elements of the Project as described by the Declaration, the land more particularly described below.

THIRD:

The exclusive right to use Parking Space No(s), if any, as shown on the Condominium Map.

Being all of the property conveyed to Grantor herein by that Apartment Deed recorded July 15, 2008 in the Bureau of Conveyances, State of Hawaii, as Document No. 2008-113558.

THE LAND UPON WHICH SAID CONDOMINIUM IS LOCATED IS DESCRIBED AS FOLLOWS:

All of that certain parcel of land (being portion(s) of the land(s) described in and covered by Royal Patent Number 1996, Land Commission Award Number 420 to Kuihelani) situate, lying and being on the South side of Wells Street, Wailuku, Island and County of Maui, State of Hawaii, and thus bounded and described:

Beginning at an iron pin on the Northwest corner of this lot, East side of Konahau Lane, the azimuth and distance from Street Monument at the intersection of Wells and Church Streets being: 63° 42' 80.80 feet and running by azimuths measured clockwise from true South:

- | | | | |
|----|----------|--------|---|
| 1. | 256° 02' | 65.35 | feet along the South side of Wells Street to a pipe; |
| 2. | 353° 04' | 159.45 | feet along West side of Church Street to a pipe; |
| 3. | 76° 00' | 70.10 | feet along remainder of L. C. Aw. 420 to Kuihelani to a pipe; |
| 4. | 174° 45' | 160.13 | feet along Konahau Lane to the point of beginning and containing an area of 10,718 square feet, more or less. |

SUBJECT, HOWEVER, to the following:

1. Title to all minerals, and metallic mines reserved to the State of Hawaii.
2. Covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in Deed dated February 3, 1903, recorded in the Bureau of Conveyances, State of Hawaii, in Book 248, Page 57, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or natural origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c) or Section 515-6, HRS.

The foregoing includes, but is not limited to, matters relating to all water rights.

3. Condominium Map No. 3497, filed in the Bureau of Conveyances, State of Hawaii.
4. Matters in that Declaration of Condominium Property Regime, recorded October 31, 2002 in the Bureau of Conveyances, State of Hawaii, as Document No. 2002-195071, an instrument that, among other things, contain or provide for easements, assessments, liens and their subordination; provisions relating to partition, restrictions on severability of component interest, covenants, conditions and restrictions, provision that no violation thereof and no enforcement of any lien provided for therein shall defeat or render invalid the lien of a mortgage or deed of trust made in good faith and for value, but omitting any covenants or restrictions if any, based upon race color, religion, sex, handicap, familial status, or national origin unless and only to the extent that said covenant (a) is exempt under Title 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons.
5. By-Laws of the Association of Apartment Owners of THE UEOKA BUILDING CONDOMINIUM, recorded October 31, 2002 in the Bureau of Conveyances, State of Hawaii, as Document No. 2002-195072.
6. Terms, provisions and conditions as contained in the Apartment Deed and the effect of any failure to comply with such terms, provisions and conditions.
7. Any and all easements encumbering the apartment herein mentioned, and/or the common interest appurtenant thereto, as created by or mentioned in said Declaration, as said Declaration may be amended from time to time in accordance with the law and/or in the Apartment Deed, and/or as delineated on said Condominium Map.
8. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
9. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
10. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
11. Any encroachment, encumbrance, violation, variation, question of location, boundary and/or area, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.

12. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the public records.

13. Any lien or right to a lien for services, labor or material not shown by the public records.

	Section	Position No	Position Title	Budget Amount	Actual Salary Amount
1	Admin	PA-0001	Prosecuting Attorney	\$ 127,059.00	\$ 142,306.00
2	Admin	PA-0022	First Deputy Prosecuting Attorney	\$ 114,353.00	\$ 135,190.00
3	Appellate	PA-0016	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 113,154.00
4	Appellate	PA-0034	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
5	Circuit Court	PA-0058	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 116,472.00
6	Circuit Court	PA-0072	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 113,154.00
7	Circuit Court	PAT0003	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 113,154.00
8	Circuit Court	PA-0063	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
9	Circuit Court	PAT0004	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
10	Circuit Court	PA-0077	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
11	Circuit Court	PA-0023	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
12	Circuit Court	PA-0032	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
13	Circuit Court	PA-0057	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
14	Circuit Court	PA-0033	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
15	Circuit Court	PA-0003	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 108,000.00
16	Circuit Court	PA-0060	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 106,985.00
17	District Court	PA-0026	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
18	District Court	PA-0012	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
19	District Court	PA-0074	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 108,000.00
20	District Court	PA-0010	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 108,000.00
21	District Court	PA-0035	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 94,647.00
22	District Court	PAT0008	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 88,478.00
23	Family Court	PA-0062	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 113,154.00
24	Family Court	PA-0004	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
25	Family Court	PA-0044	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 108,000.00
26	Family Court	PA-0078	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 94,647.00
27	Family Court	PA-0073	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 82,296.00
28	Felony Screening	PA-0067	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 113,154.00
29	Felony Screening	PAF0009	Deputy Prosecuting Attorney		\$ 113,154.00
30	Felony Screening	PA-0025	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
31	Felony Screening	PA-0002	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 110,010.00
32	Felony Screening	PA-0029	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 108,000.00
33	Felony Screening	PA-0080	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 88,477.92
34	Felony Screening	PA-0051	Deputy Prosecuting Attorney	\$ 113,154.00	\$ 82,296.00