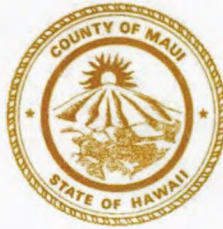


MICHAEL P. VICTORINO
Mayor

LORI TSUHAKE
Director

LINDA R. MUNSELL
Deputy Director



DEPARTMENT OF HOUSING
& HUMAN CONCERNS
COUNTY OF MAUI
2200 MAIN STREET, SUITE 546
WAILUKU, MAUI, HAWAII 96793
PHONE: (808) 270-7805

RECEIVED

2020 JUN 16 PM 3:11

OFFICE OF THE
COUNTY COUNCIL

June 12, 2020

Honorable Michael P. Victorino
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

Michael P Victorino 6/16/20
Mayor Date

For Transmittal to:

Honorable Tasha Kama, Chair
Affordable Housing Committee
Maui County Council
200 S. High Street
Wailuku, Hawaii 96793

Dear Chair Kama:

SUBJECT: AFFORDABLE HOUSING FUND PROGRAM ANNUAL PLAN (AH-33)

Thank you for the opportunity to provide additional information about the number of affordable housing units on Molokai and the Hale O Piikea project in Kihei. Answers to your questions are below.

1. What is the number of affordable housing units on Molokai, and are there any units or projects pending or planned for Molokai?

There are an estimated 293 constructed affordable housing units on Molokai. This number includes homeownership units, multi-family and senior rental units, as well as affordable housing designated to special needs populations such as group home sites.

Regarding pending projects, the Chopra Hale Apartments project had applied for a community plan amendment (CPA) and change in zoning (CIZ) to construct a 16 unit multi-family project. The Molokai Planning Commission voted to recommend that the requests for the CPA and CIZ be denied in 2015. At the January 28, 2020 Maui County Planning and Sustainable Land Use Committee meeting, this project was listed on the agenda for discussion. Committee Chair Paltin reported that the consultant had communicated the developer's intention to withdraw the application and County

Honorable Tasha Kama, Chair
Affordable Housing Committee
Maui County Council
June 12, 2020
Page 2

Communication 15-151 was filed. The Department is not aware of any other affordable housing projects pending or planned for Molokai at this time.

- 2. Relating to the proposed Hale O Piikea project in Kihei, please provide the appraised value of the land to be purchased using the Affordable Housing Fund should the project be approved.**

The appraisal report, dated April 5, 2020, states the market value of the property to be \$5,790,000.00. A copy of this report is attached for your reference.

Thank you for the opportunity to provide this information. Should you have any questions, please feel free to contact me at Ext. 7805.

Sincerely,



LORI TSUHAKO, LSW, ACSW
Director of Housing and Human Concerns

Attachment
xc: Housing Division



**RESTRICTED APPRAISAL REPORT
OF
2.66 ACRES, OFF PIIKEA AVENUE**



2.66 Acres, Off Piikea Avenue
Kihei, HI, 96753

As of
March 26, 2020

Prepared For
Mr. Chris Flaherty
3 LEAF HOLDINGS
119 E. Weber Ave.
Stockton, CA 95202

Client File:
N/A

Prepared by
FUKUDA VALUATION & CONSULTING LLC
Shane Fukuda, MAI

File Name:
20-034C



FUKUDA
VALUATION & CONSULTING LLC

April 5, 2020

20-034C

Mr. Chris Flaherty
3 LEAF HOLDINGS
119 E. Weber Ave.
Stockton, CA 95202

Re: Restricted Appraisal Report of Fee Simple Market Value 2.66 Acres, Off Piikea Avenue, Kihei, Maui County, HI, 96753

Tax Map Key: Division 2, Zone 3, Section 9, Plat 02, Parcel 076 (portion of)

Client File Number: N/A

Dear Mr. Flaherty:

Pursuant to the Scope of Work, I have prepared an appraisal for the above referenced property, which may be briefly described as follows:

The subject's larger lot is situated on the southwestern corner of Piikea Avenue and Liloa Drive. The subject is 2.66 acres and accessed via Liloa Drive. The shape is slightly irregular and the topography is generally level to gently sloping.

The client is 3 Leaf Holdings. The intended users are 3 Leaf Holdings and the County of Maui. The intended use of this appraisal is to verify the purchase price per square foot is at a market level. This report is not intended to serve any other intended use.

Your attention is directed to the Limiting Conditions and Assumptions section of this report (page 1). Acceptance of this report constitutes an agreement with these conditions and assumptions. In particular, I note the following:

Hypothetical Conditions:

As of the effective date, the subject is part of larger lot TMK (2) 3-9-002-076. This analysis is only for the 2.66-acre portion being conveyed. This appraisal is based on the hypothetical condition the 2.66 acres legally exists as a separate marketable parcel. There are no other hypothetical conditions for this appraisal.

Extraordinary Assumptions:

There are no extraordinary assumptions for this appraisal.

I certify that I have no present or contemplated future interest in the property beyond this concluded opinion of value. I have not performed appraisal services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

This **Restricted Appraisal Report** complies with the reporting requirements set forth under Standards Rule 2-2(b) of the *Uniform Standards of Professional Appraisal Practice* for a Restricted Appraisal Report. This format provides for only basic property identification, appraisal statements and value conclusion(s). The appraisal may only be used by the client and the named intended user(s). The report may not contain supporting rationale for all of the opinions and conclusions set forth in the report. Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions (if any), I have made the following value conclusion(s):

Market Value:

The market value of the Fee Simple estate for the subject property, as of March 26, 2020, is **\$5,790,000 (Five Million Seven Hundred Ninety Thousand Dollars)**.

The market exposure time for each subject lot preceding March 26, 2020 was from 8 to 10 months and the estimated marketing period as of March 26, 2020 is between 10 and 12 months.

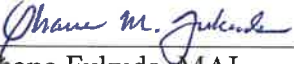
The Novel Coronavirus (COVID-19) was proclaimed a global health emergency by the World Health Organization on January 30, 2020. A health emergency was declared for the United States on January 31, 2020. Emergency proclamations were issued by the State of Hawaii and County of Maui on March 5, 2020. Supplemental directives by local government leaders have been increasingly restrictive. The tourism and retail markets have been severely curtailed and will likely have a trickle-down impact to associated businesses that provide goods and services. Temporary and permanent closure of operations have led to unprecedented unemployment numbers. This evidence supports short-term economic declines.

However, any long-term impacts to real estate remain unknown. A prolonged pandemic could result in pronounced downward pressure on market values. The value opinion(s) herein is concluded during increasingly unstable market conditions. Conclusions presented in this appraisal report apply only as of the effective date indicated. Fukuda Valuation & Consulting LLC makes no representation as to the effect on the subject property of any unforeseen event, subsequent to the effective date of the appraisal. In light of this volatility and uncertainty, it is highly recommended that the value opinion(s) be relied upon with a greater degree of caution.

Mr. Chris Flaherty
April 5, 2020
Page 3

Respectfully submitted,

Fukuda Valuation & Consulting LLC


Shane Fukuda, MAI
Certified General Appraiser
State of HI, CGA-810
Expiration: December 31, 2021

Client and Intended User

The client is 3 Leaf Holdings. The intended users are 3 Leaf Holdings and the County of Maui.

Intended Use

The intended use of this appraisal is to verify the purchase price per square foot is at a market level. This report is not intended for any other use.

Type of Value Opinion

Fee Simple Market Value

Definition of Value

Market Value is defined as the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. (*The Dictionary of Real Estate Appraisal*, 6th edition, The Appraisal Institute, 2015)

Effective Date of Value

March 26, 2020

Assignment Conditions

As of the effective date, the subject is part of larger lot TMK (2) 3-9-002-076. This analysis is only for the 2.66-acre portion being conveyed. This appraisal is based on the hypothetical condition the 2.66 acres legally exists as a separate marketable parcel. There are no other hypothetical conditions for this appraisal. There are no extraordinary assumptions for this appraisal.

Limiting Conditions and Assumptions

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.

No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media.

All files, work papers and documents developed in connection with this assignment are the property of Fukuda Valuation & Consulting LLC. Information, estimates and opinions are verified where possible, but cannot be guaranteed. Plans provided are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted.

No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover

them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of the appraiser nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, nor for any expertise or knowledge required to discover them.

Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.

Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature.

Necessary licenses, permits, consents, legislative or administrative authority from any local, state or Federal government or private entity are assumed to be in place or reasonably obtainable.

It is assumed there are no zoning violations, encroachments, easements or other restrictions which would affect the subject property, unless otherwise stated.

The appraiser(s) are not required to give testimony in Court in connection with this appraisal. If the appraisers are subpoenaed pursuant to a court order, the client agrees to pay the appraiser(s) Fukuda Valuation & Consulting LLC's regular per diem rate plus expenses.

Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

Americans with Disabilities Act (ADA) of 1990

A civil rights act passed by Congress guaranteeing individuals with disabilities equal opportunity in public accommodations, employment, transportation, government services, and telecommunications. Statutory deadlines become effective on various dates between 1990 and 1997. Fukuda Valuation & Consulting LLC has not made a determination regarding the subject's ADA compliance or non-compliance. **Non-compliance could have a negative impact on value, however this has not been considered or analyzed in this appraisal.**

Reporting Format and Appraisal Methodology

This is a Restricted Appraisal Report as defined by *Uniform Standards of Professional Appraisal Practice* under Standards Rule 2-2(b). This format provides for only basic property identification, appraisal statements and value conclusion(s). The appraisal may only be used by the client for the

intended use. The rationale for how the appraiser arrived at the opinions and conclusions set forth in the report may not be understood properly without additional information in the appraiser's work file.

Market data research included the collection, analysis and evaluation of factual subject data and pertinent valuation data. Sources of research included various State of Hawaii and County of Maui governmental offices, developers, real estate agents, property managers and property owners. The real estate market was researched, analysis regarding its current condition was conducted and a certification of the Fee Simple market value of the subject has been provided.

The Novel Coronavirus (COVID-19) was proclaimed a global health emergency by the World Health Organization on January 30, 2020. A health emergency was declared for the United States on January 31, 2020. Emergency proclamations were issued by the State of Hawaii and County of Maui on March 5, 2020. Supplemental directives by local government leaders have been increasingly restrictive. The tourism and retail markets have been severely curtailed and will likely have a trickle-down impact to associated businesses that provide goods and services. Temporary and permanent closure of operations have led to unprecedented unemployment numbers. This evidence supports short-term economic declines.

However, any long-term impacts to real estate remain unknown. A prolonged pandemic could result in pronounced downward pressure on market values. The value opinion(s) herein is concluded during increasingly unstable market conditions. Conclusions presented in this appraisal report apply only as of the effective date indicated. Fukuda Valuation & Consulting LLC makes no representation as to the effect on the subject property of any unforeseen event, subsequent to the effective date of the appraisal. In light of this volatility and uncertainty, it is highly recommended that the value opinion(s) be relied upon with a greater degree of caution.

There are three traditional approaches used to arrive at an opinion of value of real estate: Cost Approach, Sales Comparison Approach and Income Capitalization Approach. The three approaches were considered; however, only the Sales Comparison Approach is applicable. A credible opinion of the subject's market value can be concluded through utilization of the Sales Comparison Approach.

Property Characteristics

Location:	The subject property is located off Piikea Avenue in Kihei, Island and County of Maui, State of Hawaii
Owner of Record:	Krausz Kihei Two, LLC
Census Tract:	307.07
Legal Description:	See Addenda (Larger Lot)
Tax Map Keys:	Division 2, Zone 3, Section 9, Plat 02, Parcel 076 (portion of)
Site Size:	2.66 Acres
Site Shape:	Slightly irregular

Frontage/Access:	The subject property is not a corner lot and has adequate access with frontage as follows: <ul style="list-style-type: none">• Liloa Drive: ~150 feet
Visibility:	Average
Topography:	Level to gently sloping
Soil Conditions:	Appears stable
Utilities:	Electricity: Public electricity Water: Public water Sewer: Public sewer Underground Utilities: Yes Adequacy: Adequate
Flood Zone:	<p>The subject lot is in an area mapped by the Federal Emergency Management Agency (FEMA). The subject lot is in FEMA Flood Zone X . Zone X is not classified as a flood hazard area.</p> <p>FEMA Map Number: 150003 0586G FEMA Map Date: November 4, 2015 Flood Zone X identifies areas determined to be outside the 0.2 percent annual chance floodplain. Flood insurance is not required for Flood Zone X.</p> <p><i>It is noted that a portion of the larger parcel is designated Flood Zone AH (6). However, the subject 2.66 acres is entirely within Flood Zone X.</i></p>
Wetlands/Watershed:	None noted
Environmental Issues:	None noted
Encumbrance/ Easements:	None noted
Current Use of the Property:	Vacant land
Site Comments:	There are no notable physical characteristics that would prevent efficient development of the underlying sites.
Sale History:	There have been no conveyances of the subject property within the three years prior to the effective date. According to a September 26, 2019 Option Agreement, the subject is being sold for \$50 per square foot, or \$5,786,650, by Krausz Kihei Two, LLC to Hawaiian

Community Development Board. The subject is currently not listed for sale on the Maui MLS.

Listing History: There are no listings of the subject within three years of the effective date.

Environs

The subject lot is part of a 9.092-acre larger parcel located at the southwestern corner of Piikea Avenue and Liloa Drive, in Kihei, Island and County of Maui, State of Hawaii. Piikea Avenue is a secondary roadway for the submarket, connecting the primary thoroughfares of Piilani Highway and South Kihei Road. Liloa Drive is being developed piecemeal; however, once completed, it will also serve as a primary thoroughfare, running between Piilani Highway and South Kihei Road. Surrounding uses include retail centers, residential subdivisions, multi-family complexes, and public/quasi-public facilities. The lot has a convenient location for overall South Maui, relative to schools; financial institutions; employment opportunities; goods and services providers; residential communities and recreational areas. Police, fire, and ambulance service is readily available in Kihei.

Assessment and Taxes

Real Estate Assessment and Taxes						
Assessment Year	Land	Improvements	Exemptions	Total Assessment	County Rate	Taxes
2019	\$2,365,800	\$0	\$0	\$2,365,800	\$5.60	\$13,248.48
2018	\$2,365,800	\$0	\$0	\$2,365,800	\$5.52	\$13,059.22
2017	\$3,024,200	\$0	\$0	\$3,024,200	\$5.54	\$16,754.07

The 2.66-acre subject lot is not being assessed individually. The 2020-2021 market land assessment for the 9.092-acre larger parcel is \$2,409,700 and the County of Maui has not set its tax rates for the fiscal year.

Land Use Controls

State Land Use District	Urban
County of Maui Zoning	B-2 Community Business District
Kihei-Makena Community Plan	(B) Business/Commercial
Special Management Area	Within (SMA approved for Downtown Kihei project)

Market Analysis

The subject lot is part of a larger parcel of land zoned B-2 Community Business District and situated within the Special Management Area (SMA). As of the effective date, an SMA approval is in place for the Downtown Kihei project. The proposed development's designated use for the subject lot is affordable multi-family residential housing. Although the Novel Coronavirus (COVID-19) is considered a shock event that will have adverse short-term impacts to the economy, there is still enormous need for affordable housing. Entry level housing units are arguably

recession-proof. There is strong demand during good economic times and under less favorable conditions those living in higher housing classes will look to downsize when financially necessary. Property manager interviews reveal housing rents have increased dramatically over the past few years. However, since the COVID-19 outbreak and implementation of emergency restrictions by the County of Maui, some tenants are requesting rent forbearance or abatement due to unemployment or other economic hardships. In the interim, property owners may be able to offset income loss by efficiently managing operating expenses. However, it remains to be seen what decisions investors will make if the pandemic becomes prolonged. As of the effective date, there is no quantifiable impact to real estate values for the subject's market type.

Highest and Best Use

The 2.66-acre subject lot is part of a 9.092-acre larger parcel zoned B-2 Community Business District by the County of Maui. The property is within the Special Management Area (SMA) and has been approved for the Downtown Kihei project. The generally level to gently sloping, slightly irregular lot is conducive to business and multi-family use. Surrounding uses include retail centers, residential uses, public/quasi-public facilities. Having the SMA permit in-hand is significant, as this greatly reduces entitlement risk. It is noted that SMA approvals are project-specific and the subject lot is designated for affordable housing. Multi-family residential use is financially feasible and considered the maximally productive use of the subject lot. The highest and best use of the subject lot as-if vacant is for development of multi-family dwellings as part of the Downtown Kihei project. The timing for development is immediate and the most likely buyers are investor builders, including those that develop affordable housing to obtain tax credits.

Valuation Analysis and Conclusion

The valuation of real estate is derived principally through three approaches to market value: Cost Approach, Income Capitalization Approach and Sales Comparison Approach. The subject lot is vacant and non-income producing; therefore, only the Sales Comparison is considered applicable. A credible opinion of the subject's market value can be concluded through the utilization of this sole methodology.

Sales Comparison Approach

Given the concluded highest and best use, it is appropriate to analyze the subject lot using sales of vacant land for multi-family use. Research of the Maui MLS and discussions with real estate agents confirmed that such conveyances are lacking. This analysis has utilized the land values renegotiated for three West Maui multi-family leasehold properties, as well as one transaction along Hookele Street within the Maui Business Park II. The transactions occurred between January 2017 and January 2019. Land Transaction 3 is adjusted positively for market conditions. The remaining transactions occurred in 2019, or, in the case of Land Transaction 4, that submarket has not changed. Positive adjustments are made to Land Transactions 1, 2, and 3 for disparity in zoning, offset by lack of SMA approval. The superior locations of Land Transactions 1, 2, and 3 require negative adjustments. Land Transaction 2 has superior views, but inferior shape and easements. Upon comparison with the subject, physical adjustments to the comparable sales are warranted for differences in size.

The final adjusted unit prices of the four (4) comparable transactions indicate a range of \$48.55 to \$50.22 per square foot, with a mean of \$49.45 per square foot. The resulting weighted unit value is \$50 per square foot, for a fee simple market value by the Sales Comparison Approach of \$5,790,000.

Reconciliation and Conclusion

The Sales Comparison Approach is the only applicable methodology for this assignment. A credible opinion of value for the subject lot can be determined through use of this single approach to value. The market value of the Fee Simple interest, as of March 26, 2020, and subject to the Certification, Extraordinary Assumptions and Conditions and Limiting and Contingent Conditions set forth herein, is **\$5,790,000** (rounded).

The market exposure time preceding March 26, 2020 was from 8 to 10 months and the estimated marketing period as of March 26, 2020 is between 10 and 12 months.

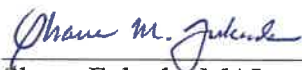
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However, any long-term impacts to real estate remain unknown. A prolonged pandemic could result in pronounced downward pressure on market values. The value opinion(s) herein is concluded during increasingly unstable market conditions. Conclusions presented in this appraisal report apply only as of the effective date indicated. Fukuda Valuation & Consulting LLC makes no representation as to the effect on the subject property of any unforeseen event, subsequent to the effective date of the appraisal. In light of this volatility and uncertainty, it is highly recommended that the value opinion(s) be relied upon with a greater degree of caution.

Certification Statement

I certify that, 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 my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have *not* 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 certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have not performed appraisal services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- As of the date of this report, I have completed the continuing education program for Designated Members of the of the Appraisal Institute.



Shane Fukuda, MAI
Certified General Appraiser
State of HI, CGA-810
Expiration: December 31, 2021

Comparable Land Transactions



LAND TRANSACTION 1

Address:	1034 Front Street, Honokowai
Tax Map Key:	(2) 4-5-003-011-0000
Lessor:	AOAO Lahaina Residential
Lessee:	Individual Leasehold Unit Owners
Effective Date:	January 1, 2019
Analyzed Land Value:	\$3,600,000
Gross Land Area:	73,616 Square Feet
Value per Square Foot:	\$48.90
Conveyance Document:	Rent negotiation
Financing:	Not applicable
Property Rights:	Assume Fee Simple
Shape:	Slightly irregular
Topography:	Generally level
Zoning:	HD-1 Historic District
Utilities:	All public utilities
Flood Zone:	Zone X
Encumbrances/Easement:	None noted
Views/Frontage:	Mountain/Street
Verification:	Shannon Sheldon, Esq., - McKeon Sheldon Mehling
Comments:	This transaction is the fee simple market value of the underlying site utilized in the ground rent renegotiation for the Lahaina Residential condominium project. The analyzed value was agreed-to by lessor and lessee and based on a market value appraisal conducted for renegotiation. There are no conveyances within three years of this transaction.



LAND TRANSACTION 2

Address:	2261 Kekaa Drive, Kaanapali
Tax Map Key:	(2) 4-5-003-011-0000
Lessor:	Ralph L. Hoyle Trust
Lessee:	Individual Leasehold Unit Owners
Effective Date:	January 1, 2019
Analyzed Land Value:	\$28,059,786
Gross Land Area:	444,981 Square Feet
Value per Square Foot:	\$63.06
Conveyance Document:	Rent negotiation
Financing:	Not applicable
Property Rights:	Assume Fee Simple
Shape:	Triangular
Topography:	Level to gently sloping
Zoning:	A-2 District
Utilities:	All public utilities
Flood Zone:	Zone X
Encumbrances/Easement:	Electrical
Views/Frontage:	Partial ocean/Street
Verification:	Arbitrator
Comments:	This transaction is the fee simple market value of the underlying site utilized in the ground rent renegotiation for the Maui Eldorado condominium project. The analyzed value was agreed-to by lessor and lessee during initial stage of arbitration process. There are no conveyances within three years of this transaction.



LAND TRANSACTION 3

Address:	3660 Lower Honoapiilani Road, Honokowai
Tax Map Key:	(2) 4-4-001-066-0000
Lessor:	FTD LLC
Lessee:	Individual Leasehold Unit Owners
Effective Date:	March 1, 2017
Analyzed Land Value:	\$2,856,600
Gross Land Area:	63,501 Square Feet
Value per Square Foot:	\$44.99
Conveyance Document:	Rent negotiation
Financing:	Not applicable
Property Rights:	Assume Fee Simple
Shape:	Generally rectangular
Topography:	Level to gently sloping
Zoning:	A-2 Apartment District
Utilities:	All public utilities
Flood Zone:	Zone X
Encumbrances/Easement:	None noted
Views/Frontage:	Mountain/Street
Verification:	Agreement Regarding Rent Renegotiation
Comments:	This transaction is the fee simple market value of the underlying site utilized in the ground rent renegotiation for the Honokowai East condominium project. The analyzed value was agreed-to by lessor and lessee. There are no conveyances within three years of this transaction.



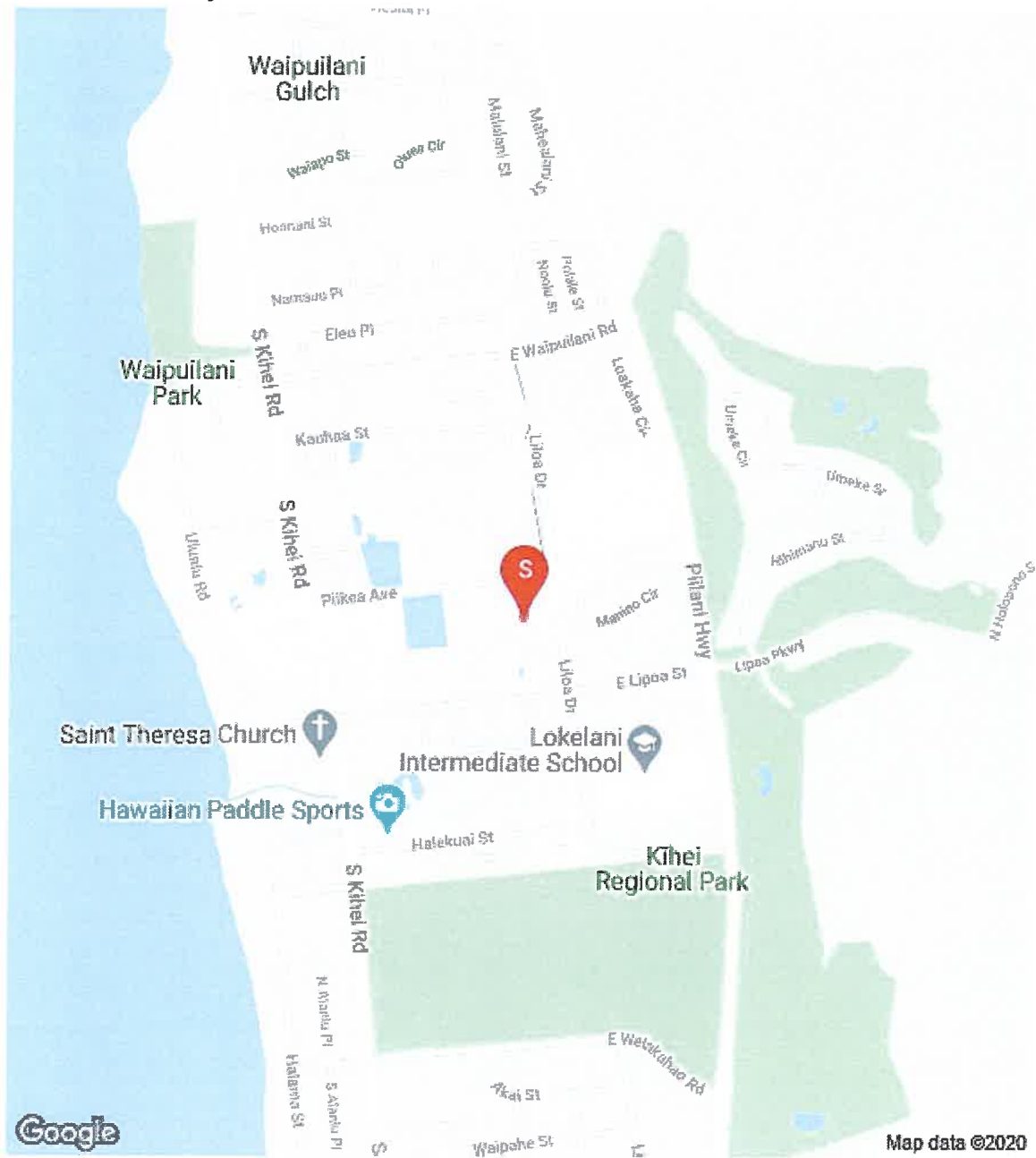
LAND TRANSACTION 4

Address:	Hookele Street, Kahului
Tax Map Key:	(2) 3-8-101-017&018-0000
Lessor:	Alexander & Baldwin, LLC
Lessee:	United Auto Parts, Inc.
Effective Date:	January 9, 2017
Analyzed Land Value:	\$2,441,610
Gross Land Area:	45,215 Square Feet
Value per Square Foot:	\$54.00
Conveyance Document:	Deed
Financing:	Conventional
Property Rights:	Fee Simple
Shape:	Generally rectangular
Topography:	Level to gently sloping
Zoning:	M-1 Light Industrial District
Utilities:	Public electricity/private water & sewer
Flood Zone:	Zone X
Encumbrances/Easement:	None noted
Views/Frontage:	Mountain/Street
Verification:	Marty Kenney – Colliers International
Comments:	This sale is for a two-lot assemblage within the Maui Business Park II subdivision. The property has Hookele Street frontage. There are no conveyances within three years of this transaction.

Subject	LAND TRANSACTIONS			
	1	2	3	4
22-076 (portion of) f Piikea Avenue Kihei /SMA approved ness/Commercial Fee Simple Mountain Zone X None noted ightly irregular l to gently sloping All utilities 115,870	4-5-003-011 1034 Front Street Lahaina HD-1/SMA Multi-Family Fee Simple Mountain Zone X None Noted Slightly irregular Generally level All utilities 73,616	4-4-008-021 2261 Kekaa Drive Kaanapali A-2/SMA Hotel Fee Simple Partial ocean Zone X Electrical Triangular Level to gently sloping All utilities 444,981	4-4-001-066 3660 Lower Honoapiilani Road Honokowai A-2/SMA Multi-Family Fee Simple Mountain Zone X None noted Generally rectangular Level to gently sloping All utilities 63,501	3-8-101-017&018 Hookele Street Kahului M-1/No SMA Light Industrial Fee Simple Mountain Zone X None noted Generally rectangular Level to gently sloping Electricity/pvt water & sewer 45,215
	January 1, 2019 AOAO Lahaina Residential Individual Unit Owners Ground Rent Renegotiation N/A \$3,600,000 \$0 \$3,600,000 \$48.90 1.00 \$48.90	January 1, 2019 Ralph L. Hoyle Trust Individual Unit Owners Ground Rent Renegotiation N/A \$28,059,786 \$0 \$28,059,786 \$63.06 1.00 \$63.06	March 1, 2017 FTD LLC Individual Unit Owners Ground Rent Renegotiation N/A \$2,856,618 \$0 \$2,856,618 \$44.99 1.20 \$53.98	January 9, 2017 Alexander & Baldwin, LLC United Auto Parts, Inc. Deed BOC 62150627 \$2,441,610 \$0 \$2,441,610 \$54.00 1.00 \$54.00
	15% -10% 0% 0% 0% 0% 0%	5% -35% 0% -10% 5% 5% 0%	5% -10% 0% 0% 0% 0% 0%	0% 0% 0% 0% 0% 0% 0%
	5%	-30%	-5%	0%
	\$51.35 0.97	\$44.14 1.10	\$51.28 0.96	\$54.00 0.93
	\$49.81	\$48.55	\$49.23	\$50.22
e of Final Adj. Values: \$48.55 to \$50.22 per Square Foot Median Unit Value: \$49.52 per Square Foot Mean Unit Value: \$49.45 per Square Foot f the Land, Fee Simple: \$50.00 per Square Foot Indicated Site Value: \$50.00 x 115,870 Square Feet = \$5,793,500 Rounded to \$5,790,000				

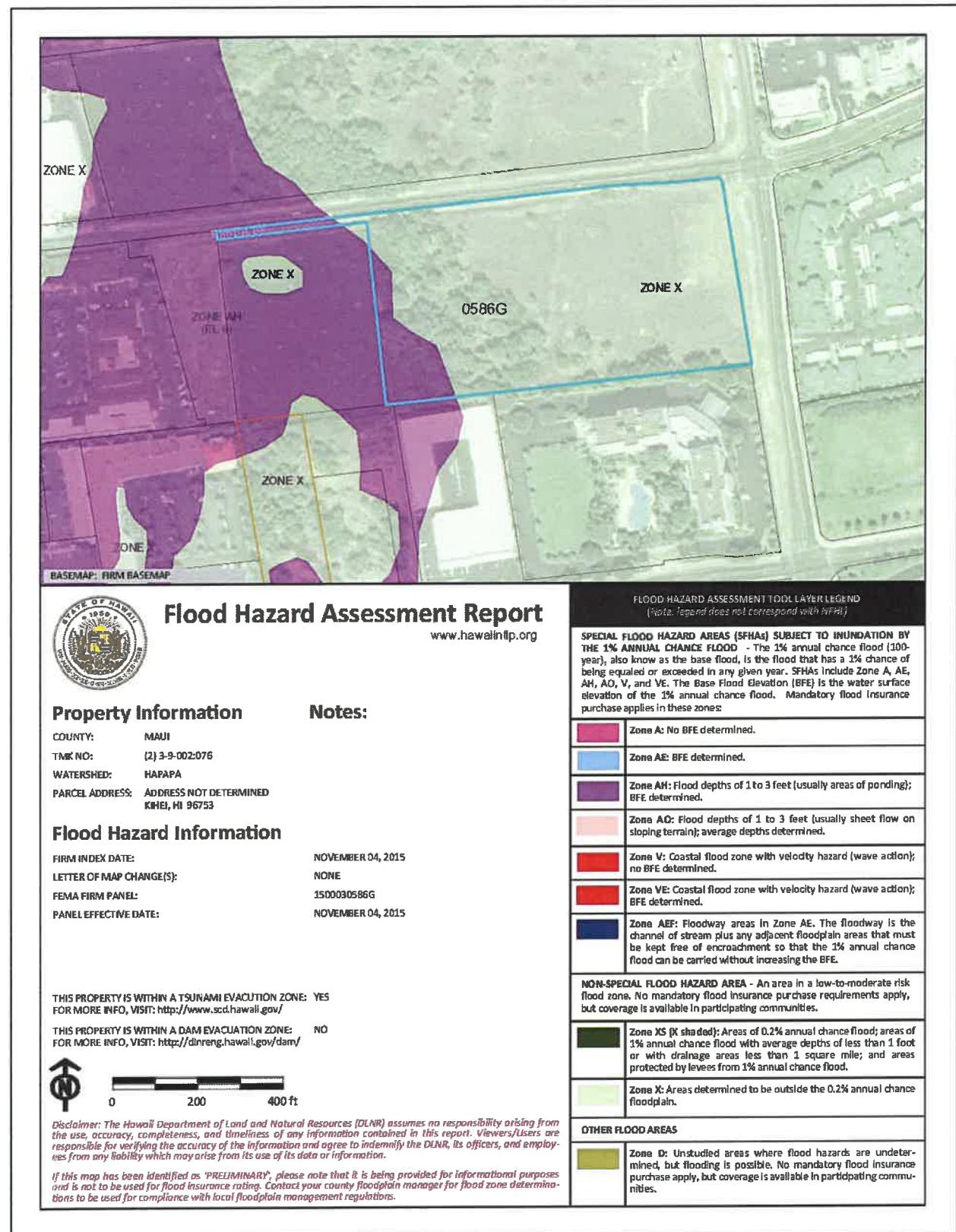
Maps and Photos

Location Map



[illegible]

Flood Map



Subject Lot Site Plan



Addenda

B-2 Community Business District Zoning Ordinance

Chapter 19.18 - B-2 COMMUNITY BUSINESS DISTRICT

Sections:

FOOTNOTE(S):

--- (4) ---

Editor's note— Ord. No. 4088, § 7, adopted in 2013, amended former Ch. 19.18, §§ 19.18.010–19.18.050, in its entirety to read as herein set out. Former Ch. 19.18 pertained to similar subject matter and derived from the prior code, § 8.19; Ord. No. 1960, §§ 1, 2, 1990; Ord. No. 2609, § 6, 1997; Ord. No. 3941, § 8, 2012.

19.18.060 - Rule making authority.

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 section 19.64.030 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	
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
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	
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.

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

Chapter 19.16 - B-1 NEIGHBORHOOD BUSINESS DISTRICT

Sections:

19.16.010 - Generally.

A neighborhood business district is one wherein retail businesses or service establishments supply commodities or perform services to meet the daily needs of the neighborhood.

(Prior code § 8-1.8(a))

19.16.20 - Permitted uses.

Within the B-1 district, the following uses shall be permitted:

- A. Barber or beauty shops;
- B. Baker goods stores;
- C. Book, stationery, or gift stores;
- D. Candy stores;
- E. Churches;
- F. Day care centers and nurseries;
- G. Delicatessen stores;
- H. Drugstores;
- I. Florist shops;
- J. Grocery stores and meat markets;
- K. Ice cream or snack counters;
- L. Laundromats;
- M. Liquor stores (package only);
- N. Gasoline retailing; provided that, it is owned and operated as an adjunct to a neighborhood store; and further provided that, no servicing, repairing, storing, washing, or maintenance of vehicles will be permitted on the premises;
- O. Other similar retail businesses or service establishments that supply commodities or perform services primarily for residents of the surrounding neighborhood; provided that, such uses shall be approved by the commission as conforming to the intent of this title;
- P. One single-family dwelling per lot; provided that, the lot is sufficiently large to provide a lot area six thousand square feet for the dwelling after the area for the business, parking, and other accessory areas for the business have been subtracted; or living and sleeping quarters for a single family constructed above the ground floor of the business building;
- Q. Bed and breakfast homes, subject to the provisions of chapter 19.64 of this title;
- R. Home occupations in single-family dwellings permitted pursuant to subsection P; and
- S. Short-term rental homes, subject to the provisions of chapter 19.65 of this title.

(Ord. No. 3941, § 7, 2012; Ord. No. 3622, § 5, 2009; Ord. 2609 § 5, 1997: prior code § 8-1.8(b))

19.16.030 - Required conditions.

- A. All business, services, or processing shall be conducted wholly within completely enclosed buildings, except for day care centers, nurseries, automobile parking, and/or off-street loading.
- B. All goods produced on the premises, whether primary or incidental, shall be sold at retail and only on the premises where produced.

(Prior code § 8-1.8(c))

19.16.040 - Area regulations.

The minimum lot area shall be six thousand square feet and the minimum lot frontage shall be sixty feet. (Prior code § 8-1.8(d))

19.16.050 - Height regulations.

No building shall exceed two stories and thirty feet in height. (Prior code § 8-1.8(e))

19.16.060 - Yards.

There shall be a front yard of fifteen feet, side yard of six feet, and a rear yard of six feet; except that for any two-story building, a side yard of ten feet, and a rear yard of ten feet shall be required. (Prior code § 8-1.8(f))

Legal Description – Larger Parcel 076

All of that certain parcel of land (being portion(s) of the land(s) described in and covered by Land Patent Grant Number 8112 to V. H. Char) situate, lying and being Waiohuli, Kihei, Island and County of Maui, State of Hawaii, being LOT 11-A-1-A WAIOHULI-KEOKEA BEACH HOMESTEADS bearing Tax Key designation (2) 3-9-002-076, and containing an area of 9.092 acres, more or less.

Together with Easement "1" for access and utility purposes, as shown on survey map prepared by Warren S. Unemori with Warren S.Unemori - Engineering, Inc., dated January 10, 1989, revised July 19, 1989, April 23, 1991 and July 16, 1991.

Together with a non-exclusive perpetual easement for access, roadway and utility purposes over Easement Area A, as set forth in instrument dated June 27, 1991, recorded as Document No. 91-108688, and subject to the terms and provision contained therein.

Together with a non-exclusive perpetual easement for access, roadway and utility purposes over Easement Area B, as set forth in instrument dated June 27, 1991, recorded as Document No. 91-108688, and subject to the terms and provision contained therein.

Qualifications & License

PROFESSIONAL QUALIFICATIONS

Shane M. Fukuda, MAI

STATE LICENSING

State Certified General Appraiser
State of Hawaii, License No. CGA-810, July 1, 2007
Expiration: December 31, 2021

PROFESSIONAL AFFILIATIONS

Member – Appraisal Institute, MAI Designation
Affiliate Member – National Association of Realtors, Hawaii Association of Realtors,
Realtors Association of Maui

EMPLOYMENT

Fukuda Valuation & Consulting LLC
2017 to Present
Managing Member

ACM Consultants, Inc.
2009 to 2016
Vice President – Commercial Division
2007 to 2009
Staff Appraiser
2004 to 2007
Appraiser Assistant; Appraiser Trainee

GENERAL EDUCATION

University of Hawaii System
1989 to 1992, 2019 to present

APPRAISAL EDUCATION

Appraisal Institute

Course	<i>7 Hour National USPAP Equivalent</i> Honolulu, Hawaii – March 2020
Course	<i>7 Hour National USPAP Equivalent</i> Online Course – December 2019
Course	<i>Valuation of Conservation Easements</i> Honolulu, Hawaii – September 2018
Seminar	<i>Litigation Assignments for Residential Appraisers: Doing Expert Work on Atypical Cases</i> Honolulu, Hawaii – September 2017
Seminar	<i>Advanced Land Valuation: Sound Solutions to Perplexing Problems</i> Honolulu, Hawaii – September 2017
Seminar	<i>Analyzing Tenant Credit Risk and Commercial Lease Analysis</i> Honolulu, Hawaii – October 2016
Seminar	<i>Historic Lands</i> Wailuku, Hawaii – July 2016
Course	<i>7 Hour National USPAP Equivalent</i> Honolulu, Hawaii – April 2016

Professional Qualifications
Page 2

Course	<i>7 Hour National USPAP Equivalent</i> Online Course – November 2015
Course	<i>Supervisory Appraiser/Trainee Appraiser</i> Honolulu, Hawaii – May 2015
Seminar	<i>General Demonstration Report Writing</i> Online Seminar – July 2014
Course 503GD	<i>Advanced Concepts & Case Studies</i> Las Vegas, Nevada – April 2014
Course S500GD	<i>Advanced Market Analysis and Highest & Best Use</i> Synchronous Online Course – December 2013
Course	<i>7 Hour National USPAP Equivalent</i> Online Course – December 2013
Course 844	<i>Residential & Commercial Valuation of Solar</i> Honolulu, Hawaii – November 2013
Course 405G	<i>General Appraiser Report Writing and Case Studies</i> Online Course – August 2012
Course	<i>7 Hour National USPAP Equivalent</i> Online Course – December 2011
Course 501GD	<i>Advanced Income Capitalization</i> San Diego, California – June 2011
Seminar	<i>Hotel Valuation</i> Honolulu, Hawaii – February 2010
Seminar	<i>Subdivision Valuation</i> Online Seminar – December 2009
Seminar	<i>Business Practices and Ethics</i> Online Seminar – December 2009
Seminar	<i>Small Hotel/Motel Valuation</i> Online Seminar – December 2009
Course	<i>7 Hour National USPAP Equivalent</i> Online Course – December 2009
Seminar	<i>Hawaii Lands, Historical Review</i> Kahului, Hawaii – September 2009
Course 320	<i>General Applications</i> San Diego, California – July 2006
Course 310	<i>Basic Income Capitalization</i> San Diego, California – July 2006
Course 101	<i>Basic Appraisal Procedures</i> Denver, Colorado – April 2005
Course 100	<i>Basic Appraisal Principles</i> Denver, Colorado – April 2005

Professional Qualifications
Page 3

Lincoln Graduate Center

Course 405	<i>Residential Sales Comparison & Income Approaches</i> Honolulu, Hawaii – November 2006
Course 404	<i>Residential Appraiser Site Valuation & Cost Approach</i> Honolulu, Hawaii – November 2006
Course 403	<i>Residential Market Analysis & Highest & Best Use</i> Honolulu, Hawaii – November 2006
Course 772	<i>National USPAP Course</i> Honolulu, Hawaii – October 2006
Course 772	<i>National USPAP Course</i> Honolulu, Hawaii – January 2005

MISCELLANEOUS EDUCATION

CoreLogic- Marshall & Swift




Course	<i>Commercial Cost Approach Certification</i> Dallas, Texas – October 2017
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REALM Business Solutions

Course	<i>Argus 12.0</i> Honolulu, Hawaii – July 2005
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COMMUNITY INVOLVEMENT

Board Member – AOA The Office Centre
2017 to Present; President 2020
Member – Kiwanis Club of Maui
2019 to Present
Youth Baseball Coach – All Pono
2019 to Present

LICENSE NUMBER CGA-810	EXPIRATION DATE 12/31/2021	
STATE OF HAWAII DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS CERTIFIED GENERAL APPRAISER		
SHANE M FUKUDA 270 HOOKAHI ST STE 205 WAILUKU, HI 96793		
 SIGNATURE OF LICENSEE		

Glossary

This glossary contains the definitions of common words and phrases, used throughout the appraisal industry, as applied within this document. Please refer to the publications listed in the **Works Cited** section below for more information.

Works Cited:

- Appraisal Institute. *The Appraisal of Real Estate*. 14th ed. Chicago: Appraisal Institute, 2013. Print.
- Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 6th ed. 2015. Print.

Band of Investment

A technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted-average rate attributable to the total investment (i.e., debt and equity, land and improvements).

(Dictionary, 6th Edition)

Common Area

1. The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities.
2. In a shopping center, the walkways and areas onto which the stores face and which conduct the flow of customer traffic. (ICSC) (Dictionary, 6th Edition)

Common Area Maintenance (CAM)

1. The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.
 - CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings.
 - CAM can refer to all operating expenses.

- CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15% addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee.

2. The amount of money charged to tenants for their shares of maintaining a center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenances, snow removal, security, and upkeep. (ICSC) (Dictionary, 6th Edition)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability of a property to meet its debt service out of net operating income; also called debt service coverage ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary, 6th Edition)

Discount Rate

A rate on return on capital used to convert future payments or receipts into present value; usually considered to be a synonym for yield rate. (Dictionary, 6th Edition)

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (Dictionary, 6th Edition)

Effective Date

1. The date on which the appraisal or review opinion applies. (SVP)
2. In a lease document, the date upon which the lease goes into effect.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary, 6th Edition)

External Obsolescence

A type of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent (Dictionary, 6th Edition).

Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of

the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. (USPAP, 2018-2019 ed.)

Fee Simple Estate

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. (Dictionary, 6th Edition)

Functional Obsolescence

The impairment of functional capacity of a property according to market tastes and standards. (Dictionary, 6th Edition)

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. (Dictionary, 6th Edition)

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. (Dictionary, 6th Edition)

Gross Leasable Area (GLA)

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. (Dictionary, 6th Edition)

Highest & Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best legal use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (Dictionary, 6th Edition)

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but it is used for the purpose of analysis. Comment: Hypothetical conditions are 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. (USPAP, 2018-2018 ed.) (Dictionary, 6th Edition)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the revisionary right when the lease expires. (Dictionary, 6th Edition)

Market Area

The geographic region from which a majority of demand comes in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas, or the competitive market area may be distinguished from the general market area. (Dictionary, 6th Edition)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and reevaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). (Dictionary, 6th Edition)

Market Value

A type of value that is the major focus of most real property appraisal assignments. Both economic and legal definitions of market

value have been developed and refined, such as the following:

1. The most widely accepted components of market value are incorporated in the following definition: The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after a reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.
2. Market value is described, not defined, in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.

USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:

- Identification of the specific property rights to be appraised.
- Statement of the effective date of the value opinion.
- Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above—or below—market interest rates and/or other special incentives

- must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.
3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeably, and assuming the price is not affected by 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:
 - Buyer and seller are typically motivated;
 - Both parties are well informed or well advised, and acting in what they consider their best interests;
 - 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.
 (12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)
 4. The International Valuation Standards Council defines *market value* for the purpose of international standards as follows: The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's

length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. (IVS)

5. The Uniform Standards for Federal Land Acquisitions defines *market value* as follows: Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date for the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal. (Uniform Standards for Federal Land Acquisitions) (Dictionary, 6th Edition)

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time). (Dictionary, 6th Edition)

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest taxes,

depreciation, and amortization) (Dictionary, 6th Edition)

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. (Dictionary, 6th Edition)

Parking Ratio

A ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios of various land uses are often stated in zoning ordinances. (Dictionary, 6th Edition)

Rentable Area

For office buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice. (Dictionary, 6th Edition)

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary, 6th Edition)

Scope of Work

The type and extent of research and analyses in an appraisal or appraisal review assignment. (USPAP, 2018-2019 ed.)

Stabilized Occupancy

An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life. (Dictionary, 6th Edition)

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed and paid for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (Dictionary, 6th Edition)

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income reductions due to vacancies, tenant turnover, and non-payment of rent; also called vacancy and credit loss or vacancy and contingency loss. (Dictionary, 6th Edition)