

**Honolulu Authority for Rapid Transportation**

**RESOLUTION NO. 2015-11**

APPROVING NOTIFICATION TO THE CITY COUNCIL OF INTENTION TO ACQUIRE EASEMENT OVER, ON, AND ACROSS THE REAL PROPERTY IDENTIFIED AS TAX MAP KEY 1-1-016-018 (PORTION) BY EMINENT DOMAIN AND PUBLICATION OF A RESOLUTION AUTHORIZING ACQUISITION OF SAID EASEMENT BY EMINENT DOMAIN

WHEREAS, the Honolulu Authority for Rapid Transportation (HART) has been established pursuant to Article XVII of the Revised Charter of the City and County of Honolulu 1973, as amended (Charter); and

WHEREAS, Section 17-103.2(b) of the Charter empowers HART "to acquire by eminent domain ... all real property or any interest therein necessary for the construction, maintenance, repair, extension or operation of the fixed guideway system;" and

WHEREAS, prior to such acquisition the Charter directs HART to submit a list of real property and easements to be acquired by eminent domain to the City Council; and

WHEREAS, the City Council may approve the acquisition by eminent domain or may object by adoption of a resolution within 45 days of the notification to acquire the real property and easements; and

WHEREAS, the acquisition by eminent domain of an easement over, on, and across the real property identified as Tax Map Key (TMK) 1-1-016-018 (por.) and more particularly described in the attached legal description marked as Exhibit A, is necessary for the Honolulu Rail Transit Project fixed guideway system, a valid public use and purpose;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of HART as follows:

1. That written notification to the City Council is approved, for the acquisition by eminent domain of an easement over, on, and across the real property identified as TMK 1-1-016-018 (por.); and
2. That in the event the City Council approves or does not object to the acquisition within 45 days of notification, then HART is authorized to publish in a daily newspaper at least three days prior to Board action, the attached resolution marked as Exhibit B, authorizing acquisition by eminent domain of said easement.

ADOPTED by the Board of the Honolulu Authority for Rapid Transportation on  
MAY 21 2015

Exhibit A – Legal description of TMK 1-1-016-018 (por.)  
Exhibit B – Resolution No. 2015-\_\_\_, Authorizing the Acquisition of Easement  
Over, On, and Across the Real Property Identified as Tax Map Key 1-  
1-016-018 (Portion) by Eminent Domain.

  
Board Chair

ATTEST:

  
Board Administrator

EASEMENT A  
For Electrical Purposes  
Affecting Lot 103  
As Shown on Map 150 of Land Court Application 1074  
In favor of Hawaiian Electric Company  
Situate at Moanalua, Honolulu, Island of Oahu, Hawaii

Beginning at the Southwest corner of this easement, along the North side of Waiwai Loop, the coordinates of said point of beginning referred to Government Survey Triangulation Station "SALT LAKE" being 11,117.04 feet South and 2,577.16 feet West, thence running by azimuths measured clockwise from true South:

- |    |          |       |   |
|----|----------|-------|---|
| 1. | 189° 04' | 8.37  | feet;   |
| 2. | 279° 04' | 8.35  | feet;   |
| 3. | 189° 04' | 1.14  | feet;   |
| 4. | 279° 04' | 13.00 | feet;   |
| 5. | 9° 04'   | 9.51  | feet;   |
| 6. | 99° 04'  | 21.35 | feet along the North side of Waiwai Loop to the point of beginning and containing an area of 194 Square Feet, more or less. |





R. M. TOWILL CORPORATION

Description prepared by:

A handwritten signature in cursive script that reads "Ryan M. Suzuki".

Ryan M. Suzuki Exp: 4/30/16  
Licensed Professional Land Surveyor  
Certificate Number 10059

2024 North King Street, Suite 200  
Honolulu, Hawaii 96819  
May 12, 2015



**Honolulu Authority for Rapid Transportation**

**RESOLUTION NO. 2015-\_\_**

AUTHORIZING THE ACQUISITION OF EASEMENT OVER, ON, AND ACROSS  
THE REAL PROPERTY IDENTIFIED AS  
TAX MAP KEY 1-1-016-018 (PORTION) BY EMINENT DOMAIN

WHEREAS, the Honolulu Authority for Rapid Transportation (HART) has been established pursuant to Article XVII of the Revised Charter of the City and County of Honolulu 1973, as amended (Charter); and

WHEREAS, Section 17-103.2(b) of the Charter empowers HART “to acquire by eminent domain . . . all real property or any interest therein necessary for the construction, maintenance, repair, extension or operation of the fixed guideway system;” and

WHEREAS, the City Council approved or did not object to the acquisition of an easement over, on, and across the real property identified as Tax Map Key (TMK) 1-1-016-018 (por.) by eminent domain after written notification by HART; and

WHEREAS, the acquisition by eminent domain of said easement over, on, and across the above-identified real property, which is more particularly described in the attached legal description marked as Exhibit A, is necessary for the Honolulu Rail Transit Project fixed guideway system, a valid public use and purpose;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of HART as follows:

1. That acquisition by eminent domain of an easement over, on, and across the real property identified as TMK 1-1-016-018 (por.) is hereby authorized and the Corporation Counsel of the City and County of Honolulu is empowered to institute eminent domain proceedings as provided by law for the acquisition thereof; and
2. That the acquisition of said easement by eminent domain is determined and declared to be for a valid public use and purpose as aforesaid; and
3. That the acquisition of said easement by eminent domain is determined and declared to be necessary for the aforesaid public use and purpose; and

- 4. That in the process of said proceedings in eminent domain, the Corporation Counsel is authorized and empowered to negotiate terms of settlement, subject to the approval of HART and/or the Court before which such proceedings are commenced; and
- 5. That the Board Administrator be directed to transmit copies of this resolution to HART and the Department of the Corporation Counsel.

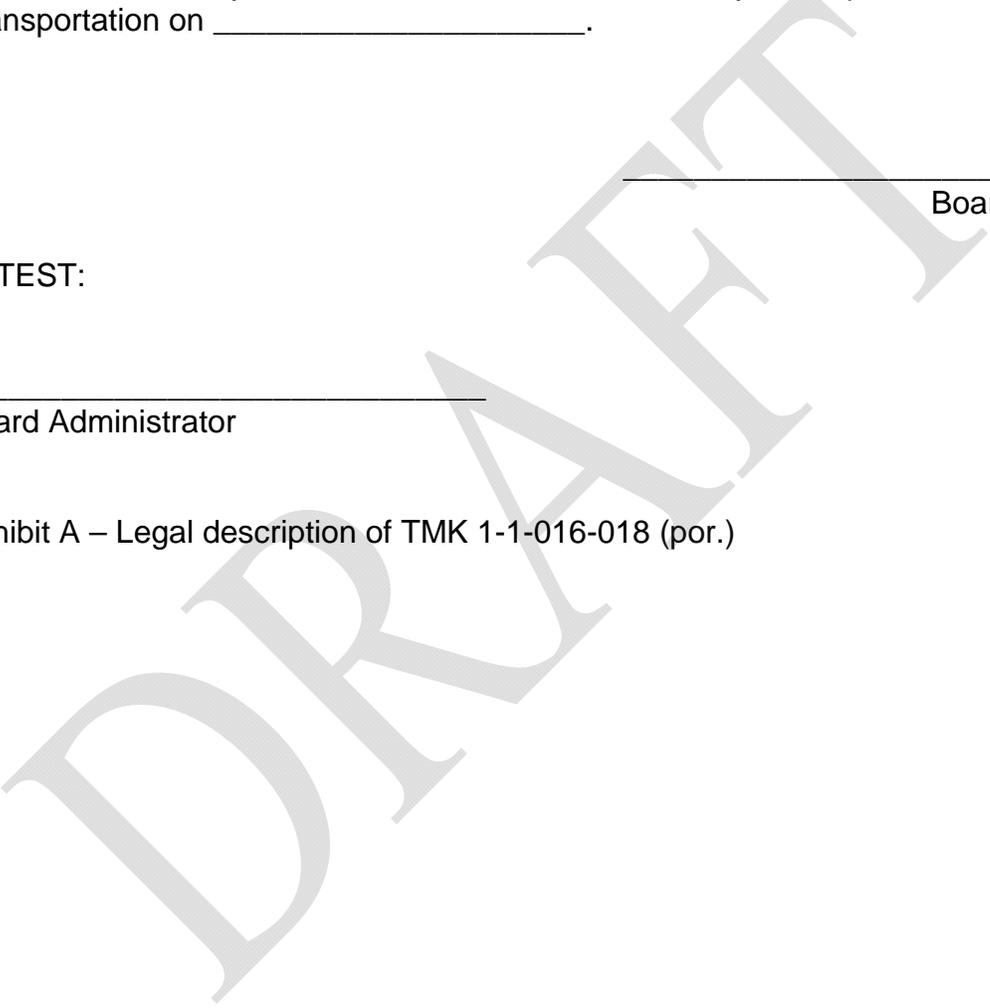
ADOPTED by the Board of the Honolulu Authority for Rapid Transportation on \_\_\_\_\_.

\_\_\_\_\_  
Board Chair

ATTEST:

\_\_\_\_\_  
Board Administrator

Exhibit A – Legal description of TMK 1-1-016-018 (por.)



EASEMENT A  
For Electrical Purposes  
Affecting Lot 103  
As Shown on Map 150 of Land Court Application 1074  
In favor of Hawaiian Electric Company  
  
Situate at Moanalua, Honolulu, Island of Oahu, Hawaii

Beginning at the Southwest corner of this easement, along the North side of Waiwai Loop, the coordinates of said point of beginning referred to Government Survey Triangulation Station "SALT LAKE" being 11,117.04 feet South and 2,577.16 feet West, thence running by azimuths measured clockwise from true South:

- |    |          |       |   |
|----|----------|-------|---|
| 1. | 189° 04' | 8.37  | feet;   |
| 2. | 279° 04' | 8.35  | feet;   |
| 3. | 189° 04' | 1.14  | feet;   |
| 4. | 279° 04' | 13.00 | feet;   |
| 5. | 9° 04'   | 9.51  | feet;   |
| 6. | 99° 04'  | 21.35 | feet along the North side of Waiwai Loop to the point of beginning and containing an area of 194 Square Feet, more or less. |





R. M. TOWILL CORPORATION

Description prepared by:

A handwritten signature in cursive script that reads "Ryan M. Suzuki".

Ryan M. Suzuki Exp: 4/30/16  
Licensed Professional Land Surveyor  
Certificate Number 10059

2024 North King Street, Suite 200  
Honolulu, Hawaii 96819  
May 12, 2015



# Honolulu Authority for Rapid Transportation

## STAFF SUMMARY

<b>TITLE:</b> <b>RESOLUTION NO. 2015-11 APPROVING NOTIFICATION TO THE CITY COUNCIL OF INTENTION TO ACQUIRE EASEMENT OVER, ON, AND ACROSS THE REAL PROPERTY IDENTIFIED AS TAX MAP KEY 1-1-016-018 (PORTION) BY EMINENT DOMAIN AND PUBLICATION OF A RESOLUTION AUTHORIZING ACQUISITION OF SAID EASEMENT BY EMINENT DOMAIN</b>	<b>STAFF CONTACT:</b> Elizabeth Scanlon Morris Atta	<b>DATE:</b> May 21, 2015
--	---	------------------------------

Type:	Goal	Focus Area	Reference Notes
<input checked="" type="checkbox"/> Action/Approval	<input checked="" type="checkbox"/> Project Delivery	<input checked="" type="checkbox"/> Livability/Land Use	
<input type="checkbox"/> Information	<input type="checkbox"/> Service Delivery	<input type="checkbox"/> Partnerships	
<input type="checkbox"/> Follow-up	<input checked="" type="checkbox"/> Resource Stewardship	<input type="checkbox"/> Agency Admin.	

**1. Purpose:**

Review of Notification to City Council for condemnation of land for public use, identified as Tax Map Key 1-1-016-018, and situated at 2629 Waiwai Loop, Honolulu, Hawaii, 96819, which is required for guideway construction of the Honolulu Rail Transit Project (H RTP). This property, for which a 193 square foot electrical easement and a 1,307 square foot Temporary Construction Easement is required, is on the critical path for successful completion of the Airport section of the H RTP. The property is owned by Ahualoa Aina, LLC.

HART recommends use of eminent domain to acquire the property.

**2. Background/Justification**

This property (TMK 1-1-016-018) was designated as a partial take in the Final Environmental Impact Statement (FEIS). As required under the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) and FTA C5010.1D, the owners were notified of HART's intent to acquire the property. An appraisal was conducted following URA guidelines, which took into consideration all site conditions and potential impacts the partial take would have on the remainder of the property.

- The Letter of Intent to Acquire and Appraisal Site Inspection dated December 23, 2014 was sent to the owner via certified mail.
- The appraisal site visit occurred on January 13, 2015.
- An offer for the electrical easement and Temporary Construction Easement dated February 20, 2015 was sent to the owner via certified mail.
- A Final Letter of Offer dated April 1, 2015 was sent to the owner via certified mail seeking a response to the offer.
- The owner is in disagreement with the value ascribed to the partial taking. The owner has not yet provided a formal response or counteroffer. There is a significant possibility that negotiations and/or closing of this transaction will not conclude prior to the date that access to the property is needed to meet HART's project construction schedule and could result in construction delay damage claims.

This parcel is being referred to eminent domain in order to ensure that if negotiations are not concluded to the satisfaction of the parties in a timely manner, HART will still be able to seek and obtain access to the property or part thereof to enable HART to maintain its construction schedule without delay. Access to this parcel is needed as soon as possible in order to avoid costly delays to the project schedule and

timing. Even if authorization to proceed with eminent domain is granted, HART fully intends to continue negotiations with the owner to seek a negotiated settlement prior to the filing of any court action rather than rely on resolution of this matter by litigation.

**3. Procurement Background**

N/A

**4. Financial/Budget Impact**

The project budget includes an estimated cost for legal action associated with the eminent domain of the property.

**5. Policy Impact**

There is no policy impact since this action conforms to the requirement of the URA, FTA 1050.1D and Article SVII of the Charter of the City and County of Honolulu.

**6. Public Involvement**

N/A

**7. Alternatives**

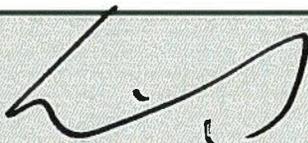
An alternative investigated was to reorient the electrical easement and Temporary Construction Easement to another parcel in the vicinity, however, this alternative was determined to be unfeasible.

**8. Exhibits**

Exhibit 1 – Offer letter dated February 20, 2015

Exhibit 2 – Offer letter dated April 1, 2015

Exhibit 3 – Appraisal by John Child & Company



Executive Director and CEO

**Certified and Recommended by:**

5/15/15  
Date



IN REPLY REFER TO:  
CMS-APOOROW-00774

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Daniel A. Grabauskas  
EXECUTIVE DIRECTOR AND CEO

CERTIFIED MAIL/RETURN RECEIPT REQUESTED  
7014 1200 0000 8347 4818

BOARD OF DIRECTORS

Ivan M. Lui-Kwan, Esq.  
CHAIR

February 20, 2015

Donald G. Horner  
VICE CHAIR

Ms. Marie Crossley  
Ahualoa Aina, LLC  
73-5582 Olowalu Street, Suite D  
Kailua Kona, Hawaii 96704

George I. Atta  
Robert Bunda  
Michael D. Formby  
Ford N. Fuchigami  
William "Buzz" Hong  
Kestlie W.K. Hui  
Damien T.K. Kim  
Carrie K.S. Okinaga, Esq.

Dear Ms. Crossley:

Subject: Honolulu Rail Transit Project (H RTP)  
2629 Waiwai Loop  
Parcel 305: Tax Map Key (TMK) 1-1-016-018 (Portion)  
**Letter of Offer**

This is a follow-up to previous correspondence regarding the appraisal and acquisition of the subject property. An appraisal of your property has been completed. Based on our findings as contained in the enclosed Statement of Just Compensation, Honolulu Authority for Rapid Transportation (HART) offers to purchase a 193 square foot portion of your property, identified as TMK 1-1-016-018 (shown colored in red on the enclosed map), as a utility easement for electrical purposes, for the total consideration of \$16,360 (Sixteen Thousand Three Hundred Sixty Dollars).

In addition, HART offers to purchase a Temporary Construction Easement (TCE) consisting of 1,307 square feet (shown colored in yellow on the enclosed map) for a consideration of \$5,910 (Five Thousand Nine Hundred Ten Dollars). The intent of the TCE is to facilitate construction of improvements within the right-of-way which may include demolition, grading, utilities, traffic items, paving, and sidewalk. These activities may involve operation of equipment, movement of a work force on the described easement, and may include site security with temporary fencing. Construction within the TCE area would be limited to the driveway and back of sidewalk connections to existing grades and surface restoration. The duration of the TCE will be six months with a start date to be determined thru coordination with you and HART's contractor.

The total offer for acquiring the interest in your property is \$22,270 (Twenty-Two Thousand Two Hundred Seventy Dollars).

Ms. Marie Crossley  
Page 2  
February 20, 2015

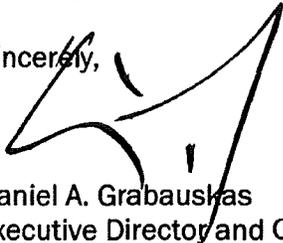
If this offer is acceptable, please sign the duplicate of this letter and return it in the enclosed envelope by **March 22, 2015**. The remaining copies are for your files. Enclosed for your information are the Appraisal Summary Statement, and General Acquisition & Relocation Information Brochure. Also enclosed is a draft Right of Entry, Possession and Use Agreement for your review, consideration and to be further discussed with your acquisition agent.

If we do not hear from you by **March 22, 2015**, this offer shall be considered rejected and HART will proceed to review options to acquire the subject property.

In accordance with federal regulations affecting real property transactions, we request your cooperation in providing us with your Taxpayer Identification Number. Please execute and return the enclosed IRS Form W-9 at the same time. The W-9 is required by our Department of Budget and Fiscal Services to release the check.

Please contact Mr. Jackson Blagden at 536-5900 if you have any questions regarding this matter.

Sincerely,



Daniel A. Grabauskas  
Executive Director and CEO

Enclosures

ACCEPTED:

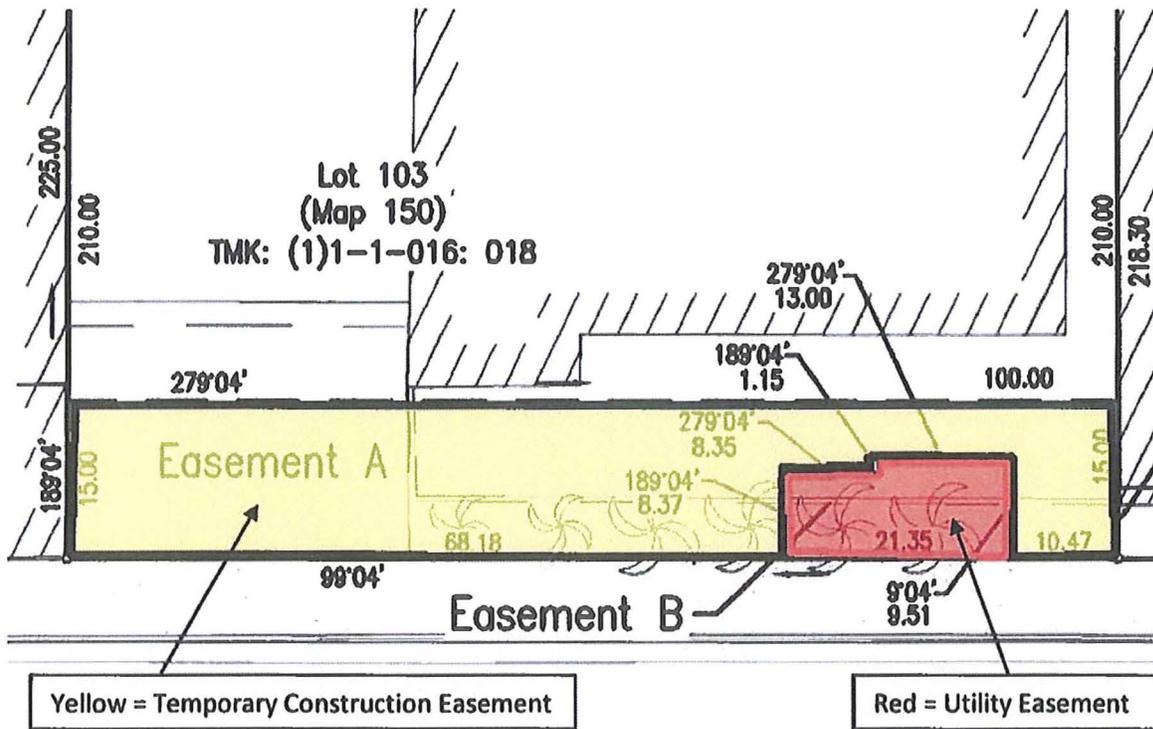
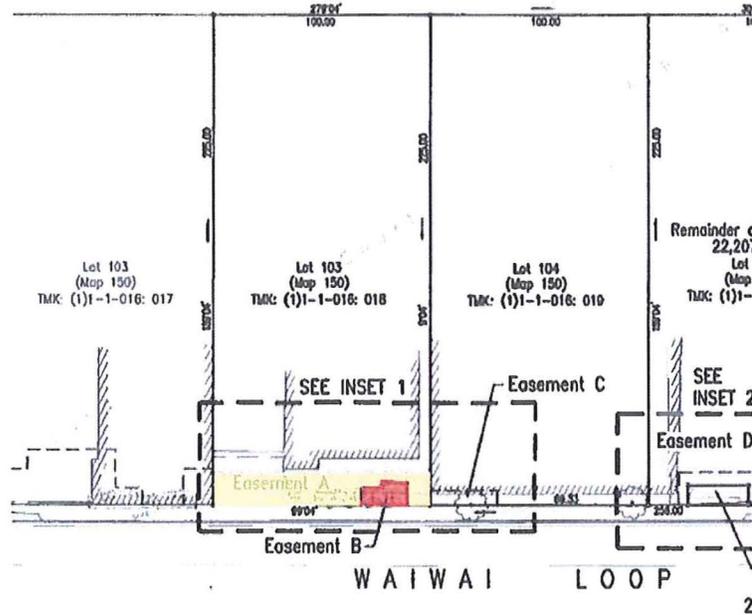
AHUALOA AINA, LLC

By \_\_\_\_\_  
Its

Print Name: \_\_\_\_\_

Dated: \_\_\_\_\_

PARCEL MAP EXHIBIT  
 TMK 1-1-016-018 (Portion)



**STATEMENT OF JUST COMPENSATION**

**PROJECT:** HONOLULU RAIL TRANSIT PROJECT (H RTP)

**LOCATION:** 2629 Waiwai Loop, Honolulu, Oahu, Hawaii

**TAX MAP KEY:** 1-1-016-018 (Portion)

**OWNER(S):** Ahualoa Aina, LLC

**INTEREST TO BE ACQUIRED:** Utility Easement & Temporary Construction Easement

**PARCEL TO BE ACQUIRED:** Electrical Utility Easement of +/-193 square feet  
Temporary Construction Easement of +/- 1,307 square feet

**ZONING:** I-2, Intensive Industrial

**IMPROVEMENTS:** None

**PURPOSE:** Under the United States and Hawaii Constitutions, private property cannot be taken for public use without payment of just compensation. In accordance with the Code of Federal Regulations, Honolulu Authority of Rapid Transportation submits a written statement of and summary of the basis for the amount it has established as just compensation for the above identified property.

In estimating just compensation, an appraisal was performed by a State of Hawaii licensed appraiser. The amount established as just compensation is not less than the approved appraisal of the fair market value of the property being acquired.

Unless otherwise stated in the attached letter of offer, the amount established as just compensation is for the real property being acquired, which includes land, buildings, structures, or improvements located on, or damaged as a result of the taking of the areas and interest described in the attached letter of offer.

The amount established as just compensation does not include items of personal property such as household furnishings, clothing and appliances.

**JUST COMPENSATION:** Based on the completed appraisal report and the appraisal review the just compensation amount for the property being acquired is:

Utility Easement	<b>\$16,360</b>
Temporary Construction Easement	<b><u>\$ 5,910</u></b>
<b>TOTAL:</b>	<b>\$22,270</b>

The original of this statement to be tendered to the above named owner has been signed in ink. If the signature is not in original ink, as opposed to duplicating, electrostatic or other media, this Statement of Just Compensation is not valid.

  
 \_\_\_\_\_  
 Morris M. Atta  
 Deputy Director of Right-of-Way

**APPRAISAL SUMMARY STATEMENT**

**PROJECT:** HONOLULU RAIL TRANSIT PROJECT (H RTP)  
**ADDRESS:** 2629 Waiwai Loop, Honolulu, Oahu, Hawaii  
**TAX MAP KEY:** 1-1-016-018 (Portion)  
**OWNER(S):** Ahualoa Aina, LLC  
  
**PARCEL AREA:** +/- 193 square feet of Electrical Utility Easement  
+/- 1,307 square feet of Temporary Construction Easement  
  
**PROPERTY ACQUIRED:** ALL: \_\_\_\_ PART: X  
  
**INTEREST TO BE ACQUIRED:** Perpetual Easement & Temporary Construction Easement  
  
**ZONING:** I-2 Intensive Industrial  
  
**HIGHEST & BEST USE:** Industrial Warehouse  
  
**ASSESSED VALUE (Projected 2015):**

	Land Value	\$2,550,000
<b>FOR TOTAL PARCEL</b>	Building Value	<u>\$ 363,300</u>
	<b>TOTAL</b>	<b>\$2,913,300</b>

	Utility Easement	\$16,360
	Temporary Construction Easement	<u>\$ 5,910</u>
	<b>TOTAL</b>	<b>\$22,270</b>

The Appraisal Estimate is: **\$22,270**

The value of the property being acquired is based upon an appraisal prepared in accordance with accepted appraisal practices. Full and careful consideration has been given to the highest and best use for development of the property and to all features inherent in your property in order that the highest valuation possible can be made. The Appraisal Estimate and appraisal were developed and reported in conformity with Federal regulations, State statutes, and City ordinances.



IN REPLY REFER TO:  
CMS-AP00ROW-00833

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Daniel A. Grabauskas  
EXECUTIVE DIRECTOR AND CEO

CERTIFIED MAIL/RETURN RECEIPT REQUESTED

BOARD OF DIRECTORS

7014 1200 0000 8348 1168

Ivan M. Lui-Kwan, Esq.  
CHAIR

April 1, 2015

Donald G. Horner  
VICE CHAIR

Ms. Marie Crossley  
Ahualoa Aina, LLC  
73-5582 Olowalu Street, Suite D  
Kailua-Kona, Hawaii 96704

George I. Atta  
Robert Bunda  
Michael D. Formby  
Ford N. Fuchlgami  
William "Buzz" Hong  
Kestlie W.K. Hui  
Damien T.K. Kim  
Carrie K.S. Okinaga, Esq.

Dear Ms. Crossley:

Subject: Honolulu Rail Transit Project (H RTP)  
2629 Waiwai Loop  
Parcel 305: Tax Map Key 1-1-016-018 (Portion)  
**Final Letter of Offer (2<sup>nd</sup> Notice via Certified Mail)**

This is a follow-up to our offer dated February 20, 2015, regarding the acquisition of the subject property. The total offer for acquiring both interests in your property is **\$22,270 (Twenty-Two Thousand Two Hundred Seventy Dollars)**.

If you are in agreement with the offer, please sign and return the original Letter of Offer including the required W-9, which was previously provided to you dated February 20, 2015. A copy of the original offer has been enclosed for your records.

We request a response by **April 11, 2015**, or the offer dated February 20, 2015, will be deemed rejected.

Please contact Mr. Jackson Blagden at [jblagden@paragon-partners.com](mailto:jblagden@paragon-partners.com) or by telephone at 536-5900 if you have any questions regarding this matter.

Sincerely,

Daniel A. Grabauskas  
Executive Director and CEO

Enclosure



**JOHN CHILD & COMPANY**  
APPRAISERS & CONSULTANTS

February 4, 2015

Karen Char, MAI, CRE  
Paul D. Cool, MAI, CRE  
Shelly H. Tanaka, MAI  
Elizabeth Tang

City and County of Honolulu  
Honolulu Authority for Rapid Transportation  
c/o Mr. Ryan Ng, R/W-AC  
Real Estate Acquisition Supervisor  
1099 Alakea Street, Suite 2150  
Honolulu, Hawaii 96813

Dear Mr. Ng:

**Re: Kona Irrigation Property at 2629 Waiwai Loop, Tax Map Key (1) 1-1-016:018;  
PDQ Parcel 305**

At your request, John Child & Company has completed valuation analyses to estimate the fair market value of a 193<sup>sq</sup> electrical easement and annual rent for a 1,307<sup>sq</sup> temporary construction easement on a portion of the Kona Irrigation Property. This letter summarizes the background and estimated values presented in the attached report.

### **STUDY BACKGROUND**

The Kona Irrigation Property is a single-tenant industrial warehouse property at 2629 Waiwai Loop, in the Honolulu Airport Industrial district on Oahu, Hawaii. The property consists of a 22,500<sup>sq</sup> industrial-zoned parcel identified as Tax Map Key 1-1-016:018 of the First Taxation Division.

Honolulu Authority for Rapid Transportation (HART), a semi-autonomous public transit authority, has retained Paragon Partners Ltd. as its consultant for the Honolulu Rail Transit Project (HRTTP). The HRTTP requires a 193<sup>sq</sup> electrical easement along Waiwai Loop and a 1,307<sup>sq</sup> temporary construction easement (TCE) during construction. In this regard, you have asked us to assist you.

### **STUDY OBJECTIVES**

The objectives of our assistance are to:

1. Estimate the fair market value of a 193<sup>sq</sup> electrical easement on a portion of the Kona Irrigation Property
2. Estimate the annual market rent for a 1,307<sup>sq</sup> Temporary Construction Easement on a portion of the Kona Irrigation Property.



Honolulu Authority for Rapid Transportation  
Paragon Partners Ltd.  
February 4, 2015  
Page 2

#### **INTENDED USE AND USERS**

Our assistance is intended to be used by HART, Paragon Partners Ltd. (Paragon Partners), and the U.S. Department of Transportation Federal Transit Administration (FTA) in connection with the H RTP.

As a result, our assistance is intended for the sole and exclusive use of HART (Client), Paragon Partners, and the FTA. The Client has agreed that our assistance is not intended for any other purpose or users and is not to be relied upon by any third parties for any purpose, whatsoever.

#### **DATE OF PROPERTY VISIT**

The property was visited on January 13, 2015. The property owner, Mr. Michael Crossley, accompanied the appraisers.

#### **EFFECTIVE DATE OF APPRAISAL**

The effective date of appraisal is January 13, 2015, the date the property was visited.

#### **DATE OF REPORT**

The date of this report is February 4, 2015.

#### **DEFINITIONS OF TERMS**

Terms used in this report are defined in the Appraisal Institute's, **The Dictionary of Real Estate Appraisal**, Fifth Edition, unless otherwise footnoted.

#### **Fair Market Value**

"Fair market value" has the same meaning as "market value."

Market value means 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 of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or



Honolulu Authority for Rapid Transportation  
Paragon Partners Ltd.  
February 4, 2015  
Page 3

sell, giving due consideration to all available economic uses of the property at the time of the appraisal. [1]

### **Fee Simple Interest**

“Fee simple interest” is the same as “fee simple estate.”

Fee simple estate 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.

### **Easement**

An easement is the right to use another’s land for a stated purpose.

### **Market Rent**

Market rent means 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, expense obligations; term, concessions, renewal and purchase options, and tenant improvements (TIs).

### **ASSUMPTION OF A HYPOTHETICAL CONDITION**

A hypothetical condition is 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 the data used in an analysis. [2]

Section 24.103(b) of the Code of Federal Regulation (CFR) states:

“The appraiser shall disregard any decrease or increase in the market value of the real property caused by the project for which the property is to be acquired, or by the likelihood that the property would be acquired for the project, other than that due to physical deterioration within the reasonable control of the owner.”

---

[1] Interagency Land Acquisition Conference, **Uniform Appraisal Standards for Federal Land Acquisitions**, 2000.

[2] Appraisal Institute, **The Dictionary of Real Estate Appraisal**, Fifth Edition.



Honolulu Authority for Rapid Transportation  
Paragon Partners Ltd.  
February 4, 2015  
Page 4

Therefore, the estimated values are based on the hypothetical condition that the property is not impacted by the rail project as of the date of valuation.

The assumption of this hypothetical condition could have an effect on the value of the property.

#### **EXTRAORDINARY ASSUMPTION**

An extraordinary assumption is an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information 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. [1]

The TCE encompasses a portion of the parcel's driveway. The estimated market rent is based on the extraordinary assumption that ingress and egress to the remainder parcel will not be affected.

In addition, HART will be responsible for the reconstruction of existing site improvements affected by the proposed taking and TCE, including asphalt or concrete paving and perimeter fencing.

#### **STUDY CONDITIONS**

This report is subject to the study conditions included in Section I.

#### **ESTIMATED FAIR MARKET VALUE OF THE 193<sup>7</sup> EASEMENT TAKING**

The fair market value of the easement taking is estimated based on the *taking + damages* method whereby the value of the part acquired is its value as a part of the whole (i.e., the larger parcel). The "larger parcel" is the 22,500<sup>7</sup> Kona Irrigation site.

Based on the valuation assumptions and analysis presented in Section IV of the attached report, the fair market value of the 193<sup>7</sup> easement taking, as of January 13, 2015, is estimated to be:

**SIXTEEN THOUSAND THREE HUNDRED SIXTY DOLLARS**  
**\$16,360.**

---

[1] Appraisal Institute, **The Dictionary of Real Estate Appraisal**, Fifth Edition.



Honolulu Authority for Rapid Transportation  
Paragon Partners Ltd.  
February 4, 2015  
Page 5

The portion that would be taken for the proposed easement is vacant land along the perimeter of the property near Waiwai Loop. The easement does not impact the current use or redevelopment potential of the property. Therefore, there are no severance damages as a result of the taking.

**ESTIMATED MARKET RENT FOR THE TCE**

Based on the valuation assumptions and analysis presented in Section V of the attached report, the annual market rent for the 1,307<sup>sq</sup> TCE, as of January 13, 2015, is estimated to be:

**\$11,820.**

The annual market rent is equivalent to about \$985 per month or \$5,910 for a six-month period.

\* \* \* \* \*

We appreciate the opportunity to assist you on this interesting assignment. Please contact us if you have questions.

Sincerely,

JOHN CHILD & COMPANY, INC.

Shelly H. Tanaka, MAI  
Vice President  
Certified General Appraiser License No. 648  
State of Hawaii  
Expires December 31, 2015