

***KOKE'E AND WAIMEA CANYON STATE PARK MASTER PLAN:
EVALUATION OF MANAGEMENT OPTIONS FOR CABINS***

Decision Analysts Hawai'i, Inc.

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PREPARED FOR:

**Department of Land and Natural Resources
State of Hawaii**

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1. INTRODUCTION

1.a. Content and Purpose

Presented below and in Tables 1 through 6 is an economic analysis of options for managing recreational residences (cabins) at the Koke'e and Waimea Canyon State Parks. Management options are explored using an economic model that allows projections and comparisons of economic impacts based on specific assumptions for each option. This economic model incorporates reasonable assumptions about the market for the cabins (e.g., occupancy rates and rents), but this report does not include a market study. And while the economic impacts of the cabins include projected revenues and expenditures, the report does not provide a complete *pro forma* covering future income statements and balance sheets.

The analysis was prepared to (1) assist the Board of Land and Natural Resources (BLNR) in considering alternatives to the baseline option of continued State management of the cabins, and (2) provide information to help the BLNR choose a management program that maximizes public benefits.

This report is an update of a preliminary one prepared in September 2004. A number of assumptions and cost estimates were revised; some costs were itemized in more detail; and some additional costs were addressed. Except for infrastructure costs, many of the added costs are comparatively small.

1.b. Public Benefits

Throughout the analysis, it is assumed that public benefits associated with the cabins are advanced by: (1) increasing the number of Hawai'i residents using the cabins; (2) increasing economic benefit as measured by jobs and payroll, net revenues to the State and the County of Kaua'i, and profits to Hawai'i businesses; (3) improving the quality of the resources and facilities; and (4) assigning an equitable sharing of costs for operation and management (O&M) of the infrastructure and support services.

1.c. Management Options

Five management options are analyzed:

1. State Management (the baseline option)
2. Private Collection
3. Private Management—Short Leases
4. Private Management—Rentals and Short Leases
5. Mixed Management.

In addition, variations on the options are presented in the text.

1.d. Methodology

The analysis (1) defines the features of each of the five management options; (2) specifies the assumptions for each option; (3) for the State and for a private management company (if applicable), projects revenues, expenses and net revenues conditioned on the given assumptions for each option; (4) calculates the approximate net present value (NPV) to the State and the NPV to a private management company (if applicable), along with the corresponding annualized values; (5) calculates the approximate changes in the two NPVs from Option 1 (the baseline option), along with the changes in the corresponding annualized values; and (6) summarizes advantages of each management option compared to Option 1.

The NPV is the estimated current value of a future stream of net revenues (revenues less expenses). In effect, it is the value of a State or corporate bond that could be amortized with the projected stream of net revenues over a 20-year period. The corresponding annualized value is the annual debt service (principal and interest) on the bond assuming equal annual payments.

The analysis is meant to demonstrate the potential feasibility or infeasibility of the five management options and their relative merits. As such the analysis builds on the best available information and on reasonable assumptions and estimates. The figures presented in the text and tables are approximate, and should not be interpreted as precise predictions of future lease rents, rental rates, occupancy rates, infrastructure costs, operating expenditures, etc.

1.e. Organization

Section 2 and Table 1 present a summary evaluation of the five core management options.

For Management Options 1 and 4, Section 3 and Table 2 address the assumptions and intermediate calculations for projecting revenues and expenditures, and for determining NPVs. The assumptions and intermediate calculations for Options 2, 3 and 5 are not shown in Table 2 since they are variations of Options 1 and 4.

Tables 3, 4, 5 and 6 show projected revenues and expenditures for Options 1, 2, 3 and 4, respectively.

2. OVERVIEW OF MANAGEMENT OPTIONS AND COMPARATIVE ADVANTAGES

2.a. Option 1: State Management

For the State Management option, the BLNR would lease each cabin in its current condition to the family submitting the highest acceptable bid. Thus, the State would manage 105 separate leases. Each family would be responsible for renovating or replacing cabins as needed and in compliance with standards specified in the lease. For the cabins that are in good condition, 10-year leases are assumed since this would allow each cabin to be leased twice in a 20-year period and, in turn, would give more families access to the cabins. However, longer leases are assumed for cabins in poor condition in order to provide sufficient use to justify more costly renovations or replacement.

The assumptions for this option are shown in Table 2, and projected revenues and expenditures are shown in Table 3. As summarized in Table 1, the NPV to the State and the corresponding annualized value for this option are estimated at about \$6.41 million and \$515,000, respectively.

2.b. Option 2: Private Collection

The option of Private Collection is similar to Option 1, except that the State would use the services of a private company (i.e., Agent) to collect lease rents and monitor compliance with specified terms of each lease (e.g., the cabins are not to be used as full-time homes).

Assumptions for this option are: (1) a 15% management fee (which is sufficient to fund two property managers, overhead and profit); (2) profit of 10% of gross revenues to the Agent; and (3) State oversight by a single State employee spending half-time on the effort. All other assumptions for this option are as given in the first column of Table 2; the resulting revenues and expenditures are shown in Table 4.

Compared to Option 1, this option would reduce the NPV to the State by about \$360,000, and would reduce the corresponding annualized value by about \$29,000 per year (see Table 1). The NPV to the Agent would be about \$210,000, and the corresponding annualized value would be about \$20,000.

A variation of this option, which is not shown in Table 1, would be that BLNR would lease for a 20-year period all of the cabins in their current condition to a single Master Lessee. In turn, the Master Lessee would sublease the cabins in their current condition to individual families. The duration of each sublease would depend on the condition of the cabin: 10-year leases for cabins

in good condition, and longer leases for ones in poor condition. The net effect would be similar to Option 2, but the net return to the private management company probably would be higher, and the net return to the State would be lower because of the uncertainty about future rents from sublessees. In order to reduce the risk of an unprofitable venture in the event of low bids by sublessees, management companies would submit bids for the Master Lease that would provide an adequate cushion (i.e., additional profit) to compensate for the risk.

2.c. Option 3: Private Management—Short Leases

For the option of Private Management—Short Leases, the BLNR would lease all of the cabins for a 20-year period in their current condition to a single Master Lessee. In turn, the Master Lessee would renovate or replace the cabins, and then sublease finished cabins to individual families for 5-year periods. The subleasing would follow private marketing to increase community awareness of the opportunity to bid on the cabin leases. A 20-year lease for the Master Lessee would provide sufficient time to recover major expenditures on cabin improvements. Leases longer than 5 years to individual families would not be needed to justify costly improvements since the cabins would be leased in finished condition. To assure affordability, the Master Lease and individual leases would be allocated to the highest bidders, subject to a limit on individual lease rents.

Private management of cabins would allow the State to reduce its expenditures on management. And unlike the State, a private management company has the flexibility to make expenditures as needed without incurring the costs and delays associated with (1) obtaining Legislative and Executive approvals to expend funds on improvements or a change in services; and (2) complying with the State's qualifying, bidding and contracting process.

Also, a private management company can renovate existing cabins and build new cabins at a lower cost than can individual lessees. This is because a private company can take advantage of standardized designs, bulk purchases at wholesale prices, and repetitive construction by experienced crews. At the end of the Master Lease, the State would inherit cabins in good condition because of frequent renovations by the Master Lessee.

For individual lessees, Option 3 offers a fundamentally different and higher-value product than the leases under Options 1 and 2—i.e. the cabins would be finished and, as a result, individual families would not have to deal with costly renovations or replacement. And because the cabins would be finished, families could have more recreational time at the cabins instead of spending

time and effort renovating or building cabins, and delaying their recreational use of the cabins until they are ready for occupancy.

Furthermore, leasing out finished cabins offers access to more families. Interested parties would include families who have no desire to take on a construction project in a remote location. Also, 5-year leases would allow the leasing of each cabin to four separate families over a 20-year period.

If the finished cabins were leased to the highest bidder, they would lease for higher rents than the Option 1 cabins in good condition that require renovations by the lessee. Higher rent would reflect (1) a higher-quality product with no additional expenditures needed for basic structural improvements, (2) a finished cabin that allows greater recreational use, and (3) bidding by more families because the cabins would be finished. However, to improve affordability to individual lessees, Option 3 has annual lease rents discounted by about 15% from market rents. This results in a premium of about 3% for a finished cabin compared to an Option 1 cabin in good condition that requires renovations by the lessee.

The assumptions for this option are as shown in Table 2 for private management, except that the total number of cabins remains at 105 and the number of short-term rentals is zero instead of 24. The resulting revenues and expenditures for Option 3 are shown in Table 5.

Compared to Option 1, this option would decrease the NPV to the State by about \$2.47 million, and would decrease the annualized value by about \$198,000 per year (see Table 1). The NPV to the private management company would be about \$203,000, with an annualized value of about \$19,000; this NPV reflects the payment of State rent set at a level that allows marginal profitability to the private management company. The decrease in NPV to the State is due to the fact that the discounted rent paid by families generates too little revenue to pay for costly renovations and replacement of cabins while still allowing profitable operations for the private management company, and paying lease rents to the State at the same or higher level than in Option 1.

A major variation of Option 3, which is not shown in Table 1, would be to lease finished cabins to the highest bidder instead of leasing them to families at discounted rents (i.e., an initial annual lease rent estimated at about \$12,410 instead of about \$10,549), and to increase slightly the percentage lease rent paid by the Master Lessee to the State. Compared to Option 1, this variation would increase the NPV to the State by about \$497,000, and would increase the annualized value by about \$40,000 per year. The NPV to the private management company would be about \$289,000, with an annualized value of about \$27,000. The State would realize higher net revenues because of the higher lease rents

and excise tax paid by tenants for finished cabins with no discounting of rents; higher rent and excise tax paid by the Master Lessee to the State; and reduced State effort on property management.

An additional and realistic variation of Option 3, which is not shown in Table 1, would be to have staggered leases so that about 21 cabins would become available for lease each year. This would allow the initial improvements to be paced over a 5-year period and, in turn, would employ a smaller construction crew for a longer period. Also, staggered leases would offer families more frequent opportunities to bid on the cabins, and would allow DLNR to better monitor the value of the leases over time.

2.d. Option 4: Private Management—Rentals & Short Leases

This option is similar to Option 3, except that a cluster of about 24 cabins in the “tank-lot” area near the existing lodge at Koke'e would be made available for short-term rentals. This cluster would be comprised of 15 existing cabins plus nine new cabins. The total number of cabins would increase from 105 to 114. Ninety of them would be finished and subleased by the Master Lessee to families for 5-year periods at discounted rents (i.e., the lease terms of Option 3). The detailed assumptions and intermediate calculations for Option 4 are shown in Table 2, while resulting revenues and expenditures for both the private management company and the State are shown in Table 6.

Based on the existing rental cabins at Koke'e, a family could rent a cabin for up to five nights a month. And to insure affordability to Hawai'i residents, it is assumed that the daily rent would be discounted for them at a rate approved by the State (i.e., kama'aina rates). Visitors to Hawai'i would be charged the full market rate. This would increase net returns to both the State and the private management company. Also, the higher market rates would discourage some visitors from using the cabins, thereby making more of them available to Hawai'i residents.

The combination of short-term rentals and affordable kama'aina rates would allow many more families to have access to the cabins (on the order of 42 families per year for each cabin at an 80% occupancy rate, or over 1,000 families per year for the assumed 24 rentals). It is assumed that about half of these families would be Hawai'i residents.

Compared to Option 1, this option would decrease the NPV to the State by about \$459,000, and would decrease the annualized value by about \$37,000 per year (see Table 1). The NPV to the private management company would be about \$470,000, with an annualized value of about \$44,000; this NPV reflects the

payment of State rent set at a level that allows marginal profitability to the private management company. The decrease in NPV to the State is due to the discounted rents for 5-year leases on finished cabins (see the above discussion for Option 3).

Compared to Option 3, the addition of short-term rentals increases the NPV to the State by about \$2 million (\$5.96 million – \$3.94 million). The increase is due to the fact that short-term rentals would generate higher revenues and correspondingly higher lease rents than would rents from cabins leased to individual families. Also, short-term rents are subject to both the State excise tax and the Transient Accommodations Tax (TAT). Each additional rental would increase the NPV to the State by about \$134,000, and would increase the annualized value by about \$10,800 (see Table 1).

The short-term rentals would have additional impacts which are not estimated or are not shown in Tables 1 and 6. First, the visitors staying in the rental cabins would increase sales at the Koke'e Lodge store and restaurant which, in turn, would result in an increase in percentage lease rent paid to the State by the private company managing the Lodge.

Second, the short-term rentals would increase employment by about six jobs (about one job per four rentals). These employees would pay personal income taxes to the State, and their expenditures would be subject to the State excise tax.

And for the County, the additional cabins and short-term rentals would increase revenues by about \$9,770 in the first year of operations, resulting in a NPV to the County of about \$155,000. The increased revenues would include (1) about \$6,300 from property taxes on the nine additional cabins (\$700 per cabin x 9 cabins), and (2) about \$3,470 for the Kaua'i share of the TAT generated by the 24 rentals (6.496% of TAT).

A major variation of Option 4, which is not shown in Table 1, would be similar to the major variation of Option 3: finished cabins would be leased to the highest bidder instead of to families at discounted rents, with slight adjustments in the percentage rents paid by the Master Lessee to the State. Compared to Option 1, this variation would increase the NPV to the State by about \$1.34 million, and increase the annualized value by about \$107,000 per year. The NPV to the private management company would be about \$1.17 million, with an annualized value of about \$110,000. The change in NPV is lower for the private management company than it is for the State, while the change in the annualized value is higher: this is due to different discount rates (5% for the State and 7% for the private management company).

For this variation, the substantial increase in NPV for the State and for the private management company is due to the short-term rentals and, for the leased finished cabins, charging full market rents instead of discounted rents.

For the finished cabins that are leased to individual families, an additional and realistic variation of Option 4 would be similar to the one discussed above for Option 3: the leases would be staggered so that about 18 cabins would become available for lease each year. This would allow the initial improvements to be paced over a 5-year period and, in turn, would employ a smaller construction crew for a longer period. Also, staggered leases would give families more frequent opportunities to bid on the cabins, and would allow DLNR to better monitor the value of the leases over time.

2.e. Option 5: Mixed Management

Under the Mixed Management option, the State would (1) lease cabins in their current condition to individual families who, in turn, would renovate or replace the cabins (Option 1 or 2); and (2) lease about 24 cabins to a single lessee for use as short-term rentals (a portion of Option 4).

Another variation would be to (1) lease about 60 or so of the cabins in their current condition to individual families who in turn would renovate or replace the cabins (Option 1 or 2); and (2) lease the remaining cabins to a Master Lessee who, in turn, would renovate or replace the cabins and sublease about 30 finished cabins for 5-year periods at market rates and use 24 cabins for short-term rentals (the major variation of Option 4). The finished cabins could be new ones replacing the 32 cabins that are now in poor condition and not used for short-term rentals.

Advantages of these options would reflect a corresponding mix of the previous four options.

2.f. Best Management Options

Based on the criteria listed in Subsection 1.b. and the options discussed above, the greatest public benefit would result with Option 4 (Private Management—Rentals & Short Leases), combined with the variations of (1) leasing finished cabins to the highest bidder instead of leasing them to families at discounted rents, and (2) staggered subleases. This option would:

- Maximize the number of Hawai'i residents using the cabins because of the (1) the short-term rentals at discounted rental rates for Hawai'i residents, (2) short lease periods that would make

more cabins available for sublease, and (3) staggered subleases that would make some cabins available for lease each year.

- Maximize economic benefit as measured by jobs and net payroll (about six additional jobs due to the short-term rentals), net revenues to the State, and profits (i.e., NPV) to the Master Lessee.
- At the end of the Master Lease the State would inherit cabins in good condition.
- Lessees would be charged a fair share of the cost of providing support services.

If the first of the two above variations is not acceptable for all 90 of the leased cabins (i.e., charging full market rents for 90 finished cabins), then the next best option would be a mix of Option 1 and Option 4 with the two variations. For this mixed option, the State would manage about 60 or so leased cabins, with longer term leases for families who would like to renovate an existing cabin or build a new one (Option 1). A Master Lessee would manage 24 short-term rentals, and sublease 30 or so finished cabins at market rates and at staggered intervals (Option 4 with the two variations). The finished cabins could be new ones replacing the 32 cabins that are now in poor condition and not used for short-term rentals.

If the first of the two above variations is not acceptable for any of the leased cabins (i.e., charging full market rents for finished cabins), then the third best option would be a mix of Options 1 and 4: (1) State management of 90 leased cabins, with longer term leases and with the lessees making improvements; and (2) private management of 24 short-term rentals.

If, for the last two recommendations, single management is preferred over mixed State and private management of cabins, then Private Collection (Option 2) of cabins leased in their current condition can be substituted for State Management (Option 1). The Master Lessee for the other cabins would also be the agent for Private Collection.

3. ASSUMPTIONS AND INTERMEDIATE CALCULATIONS

Detailed assumptions for Options 1 and 4 are presented in Table 2 and discussed below.

3.a. Number of Cabins by Historic Value and Current Condition

The first section of Table 2 presents the approximate number of cabins by historic value and current condition (good, moderate, and poor). The ratings correspond to the extent of improvements needed: cabins in good condition require few renovations while those in moderate condition require more renovations, and those in poor condition require extensive renovations or replacement.

For Option 4, nine additional cabins would be added in the “tank-lot” area for short-term rentals. In Table 2, they are included in the count of cabins in “poor” condition.

3.b. Use of Cabins

For Option 4, this section of Table 2 gives the assumed number of cabins that will be used for short-term rentals by the current condition of the cabins. The remaining cabins would be used for long-term leases. In actual practice, it makes little difference which cabins are selected for short-term rentals since all short-term rentals are expected to rent for about the same amount. Furthermore, if a cabin is in good condition, then the Master Lessee will incur low renovation costs while paying high lease rent to the State. But if a cabin is in poor condition, then the Master Lessee will incur high renovation or replacement costs while paying low lease rent.

Cabins for short-term rental would be located in the “tank-lot” area, and would include 15 existing cabins and nine new ones.

3.c. Duration of Leases

For State Management, the durations of the leases are assumed to be 10, 15, or 20 years. As noted previously, 10-year leases are assumed for cabins in good condition which would allow the leasing of each cabin twice in a 20-year period. In turn, this would give more families access to the cabins. However, 15- and 20-year leases are assumed for cabins in moderate and poor condition, respectively, in order to justify more costly renovations or replacement.

For Private Management, it is assumed that the Master Lease will run for 20 years. This will provide sufficient time for the Master Lessee to recover major expenditures on cabin improvements. Subleases of finished cabins to individual families are assumed to run for 5 years, thereby giving more families access to the cabins.

3.d. Renegotiation Years

As indicated in Table 2, rents for the 10-, 15-, and 20-year State leases and State approved daily kama'aina rates for short-term rentals would be subject to renegotiation with the State every fifth year.

3.e. Tenant Mix

For short-term rentals, it is assumed that about half the occupants would be Hawai'i residents, and about half would be visitors to Hawai'i.

3.f. Average Occupancy

The occupancy rate for short-term rentals is expected to average about 80%—a relatively high rate that reflects the (1) popularity of Koke'e and Waimea Canyon, (2) limited supply of rentals, and (3) assumed discount from market rates for Hawai'i residents (see next subsection).

For leased cabins, it is expected that families will base their bids on anticipated use and the value of the use. For 5-year leases of finished cabins, the assumed use is based on an average 40% occupancy (i.e., about 4.8 months per year). This is a relatively high rate that reflects the novelty of a new acquisition and the fact that a family can use the cabin immediately for recreation instead of having to spend personal time on renovating or building a new cabin.

For the longer leases of cabins that need improvements, the assumed occupancy rate is expected to drop to about 35% (i.e., about 4.2 months per year).

3.g. Average Daily Rates

For short-term rentals, the initial market rate is estimated at about \$120 per day based on similar rentals in Hawai'i and on the mainland (see Table 2). This rate is for a cabin that will house a large family, not for a typical hotel room. For Hawai'i residents (but not visitors from outside Hawai'i), this rate is then discounted 25% to \$90 per day to insure affordability.

Lease rents for State cabins that require renovations or replacement will vary according to the condition of each cabin. For the purpose of this analysis, cabin condition is factored into a “daily value” that represents the value of a cabin to the potential bidder on the lease. Estimated daily values are as follows: \$80 for cabins in good condition, \$60 for cabins in moderate condition, and \$40 for cabins in poor condition. The daily values are estimated based on (1) a discount from comparable commercial rentals; (2) historic annual lease rents appreciated to 2007, and then adjusted to daily rates base on occupancy rates (see above); and (3) estimates of the underlying property values, translated to corresponding annual rents and then adjusted to daily rates base on occupancy rates (see above).

For finished cabins that have already been renovated or replaced by the Master Lessee, followed by private marketing to increase community awareness of the availability of the cabins, it is assumed that the initial bidders will value the cabins at about \$85 per day. Finished cabins are a higher-value product because they will have been improved already, and will not require major expenditures or loss of recreational time before they can be occupied. Also, finished cabins will appeal to more bidders; interested parties now will include families who have no desire to take on a construction project in a remote location.

To insure affordability of the finished cabins, it is assumed for the analysis that the effective market lease rent will be discounted by about 15%, resulting in an effective value of about \$72.25 per day.

3.h. Average Annual Rent Per Unit

This section of Table 2 shows the annual gross returns from each type of cabin for the initial year of operation based on the mix of tenants (if applicable), the average occupancy rate, the average daily rent, and discounts for affordability (if applicable).

For State management, initial annual lease rents range from an estimated low of about \$5,110 for a cabin in poor condition to about \$10,220 for one in good condition. These rents are for cabins in their current condition; that is, the cabins will require expensive renovations or replacement by the families who lease the properties.

For these State leases, it is assumed that the lessees will be required to renovate or replace cabins according to minimum standards. It is therefore assumed that upon expiration of leases and rebidding for new ones, all of the cabins will be in good condition. As a result, all cabins will eventually lease for about

\$10,220 per year, plus appreciation. However, until a lease expires, renegotiated rent would be based upon the initial condition of the property and not on any improvements made by the lessee.

Under Private Management, finished cabins initially will sublease for about \$10,549 per year. This reflects the 15% discount for affordability. This is a modest 3% premium over a State lease of a cabin in good condition that will require renovations at the expense of the lessee (\$10,549 versus \$10,220). Without the discount, the initial lease rent would be about \$12,410 (\$85 per day x 365 days x 40% occupancy).

For short-term rentals, initial revenues per rental cabin are estimated at about \$30,660 per year, reflecting the higher occupancy rate and the higher daily rental rates.

3.i. Infrastructure

Infrastructure Improvements

The fair-share cost of road, water, sewer and drainage improvements to support the cabins is estimated at \$4 million. If a cluster of cabins is used for short-term rentals, then an additional \$750,000 will be required to pave roads and install sewers to support these cabins.

For the analysis, it is assumed that all of the improvements will be made in a single year before the cabins are leased. In practice, the infrastructure improvements will be made over a number of years.

Also, it is assumed that the improvements will be provided by the State because of the low interest rate for State financing. Loan payments will be serviced from rental income paid to the State.

An alternative but inferior approach to financing the improvements would be to charge lessees an infrastructure impact fee. In turn, the lessees would borrow the funds but at a higher interest rate. Because of the added cost of an impact fee, families would bid lower rents to lease the cabins.

O&M of Infrastructure

Excluding utilities (see below), the fair-share cost of infrastructure operations and maintenance (O&M) to support the cabins is estimated at \$100,000, plus adjustment over time for inflation. It is assumed that the State will provide the service since it will also provide the service to other park users. In turn, the State would charge each lessee its fair share of the costs: \$952 per year if 105

cabins, or \$877 per year if 114 cabins. For Private Management, the Master Lessee would collect the O&M fee from each sublessee, and then pay the amount collected and State excise tax to the State. For cabins used for short-term rentals, the costs would be paid by the Master Lessee using a portion of the rental income. The net fiscal impacts to the State would be zero. And, except for the short-term rentals, the net fiscal impacts to the Master Lessee would be zero.

O&M for utilities (i.e., water, electricity, phone, etc.) would be charged directly to users based on the amount of use (e.g., by the volume of water used).

3.j. Cost of Cabin Improvements Prior to Initial Leases

For State Management, individual families would renovate or replace cabins at their expense.

For Private Management, the Master Lessee would renovate or replace the cabins before subleasing finished cabins to individual families. Unlike the State, a private management company has the flexibility to make expenditures as needed without incurring the costs and delays associated with (1) obtaining Legislative and Executive approvals to expend funds on improvements or a change in services; and (2) complying with the State's qualifying, bidding and contracting process. Also, a private management company can renovate existing cabins and build new cabins at a lower cost than can individual lessees. This is because a private company can take advantage of standardized designs, bulk purchases at wholesale prices, and repetitive construction by experienced crews.

As shown in Table 2, renovation costs are estimated at about \$15,000 for a cabin in good condition based on recent estimates to renovate rental cabins at Koke'e Lodge. The cost to renovate cabins in moderate condition is estimated at about \$42,500, based on a mid-estimate for the cabins in good and poor condition.

The cost of a new cabin to replace one in poor condition is estimated at \$70,000. This is based on a cabin of approximately 510 square feet (about 16 feet by 32 feet) with double-wall construction. Partially, pre-assembled cabins delivered to a California port cost approximately \$37,000. Final assembly would require about one week of effort by three workers. Additional costs would be incurred for: permits; shipping a "cabin kit" from California to Kaua'i; trucking the cabin kit to Koke'e; installing a post-and-pier foundation; purchasing and installing sinks, a shower, a toilet, cabinets, etc.; electrical and plumbing work; excise tax; contingency; profit; etc.

To comply with the Americans with Disabilities Act (ADA), a few of the cabins will have ramps instead of steps. When averaged over all the cabins, the increase in cost is expected to be insignificant.

To simplify the analysis, it is assumed that all of the renovations and replacement of cabins will be done in a single year. In practice, it is likely that the effort will span a number of years.

3.k. Cost of Cabin Improvements Prior to Subsequent Leases

Under Private Management, it is assumed that each leased cabin will be renovated at the end of each 5-year sublease before it is subleased again. The cost is estimated at \$5,000 per cabin plus inflation.

3.l. Initial Cost of Equipment and Furnishings—Short-term Rentals

The initial cost to equip and furnish a cabin for short-term rental is estimated at about \$5,000 (see Table 2). This covers the cost of a small refrigerator, a few small appliances, beds, tables, chairs, chests of drawers, lamps, utensils, bedding, towels, etc.

3.m. Lease Income Paid to the State

For State management, per-unit lease rents paid to the State are the same as Average Annual Revenues per Unit.

For Private Management, lease rents paid to the State would be a percentage of the gross revenues collected by the Master Lessee. For the analysis, these percentages were arbitrarily set so that they allow marginal profitability to the private management company. Thus, the demonstration of feasibility or infeasibility of an option is reflected in the NPV to the State.

Depending on the current condition of a cabin, the assumed percentage rents for short-term rentals ranges from 20% to 40%, and averages 26.25% for all short-term rentals. This results in average lease rent of about \$8,048 per cabin. These lease rents for short-term rentals are about 20% higher than the long-term lease rents under State management.

For finished cabins, the assumed percentage rent ranges from 30% to 60%, resulting in initial annual lease rents per unit ranging from \$3,165 to \$6,329. These lease rents for finished cabins are about 38% lower than the long-term lease rents under State management.

In practice, and assuming a feasible option, the percentage rents would likely be set at levels that allow more than marginal profitability to the private management company.

3.n. Employment, Payroll and Overhead

Under State management of the cabin leases, two full-time property managers are anticipated at an average annual salary of \$40,000, plus 40% overhead and inflation (see Table 2).

Under Private Management, employment is anticipated to include: (1) 2.5 property managers at a average salary of \$40,000, plus 30% overhead and inflation; and (2) 0.25 employee for support services for each short-term rental (one employee per four cabins) at an average salary of \$30,000, plus 30% overhead and inflation—staffing which reflects a low-service operation. In addition, oversight management by the State is expected to involve a half-time property manager at an average annual salary of \$40,000, plus 40% overhead and inflation.

3.o. Annual Per-Unit Cost of Goods and Services

For State management of leased cabins, the initial annual cost of goods and services is estimated at about \$200 per cabin, including about \$75 for vehicle expenses and \$125 for miscellaneous expenses. For 105 cabins, this amounts to about \$21,000 per year, including about \$7,900 for vehicle expenses and about \$13,100 for miscellaneous expenses. Vehicle expenses are based on over 15,000 miles additional miles driven to manage the cabins, and a cost of about 50¢ per mile. No State expenditures are assumed for property and liability insurance since the State is self-insured, and individual lessees would be required to insure their leased cabins.

For private management of leased cabins, the initial annual cost of goods and services is estimated at about \$250 per cabin, including an additional \$50 for miscellaneous expenses. For 90 cabins, this amounts to about \$22,500 per year. Individual lessees would be required to insure their leased cabins, or reimburse the Master Lessee for their fair share of the cost of insurance that covers all cabins. For the latter, the cost would be about \$630 per cabin (a high estimate provided by a Hawai'i insurance agency).

For private management of short-term rentals, the initial annual cost of goods and services is estimated at about \$5,200 per cabin, or about \$124,800 for 24 cabins. This estimate reflects a low-service operation. The per-cabin annual cost is itemized as following:

- about \$1,000 for maintenance and repair services in addition to the staff handyman;
- about \$150 for vehicles (based on over 7,000 additional miles to service short-term rentals at 50¢ per mile);
- about \$650 for property and liability insurance (a high estimate by a Hawai'i insurance agency);
- about \$750 for marketing and reservations (about \$18,000 for 24 units), assuming that this would be in addition to a related marketing and reservations operation;
- about \$220 for paper goods;
- about \$100 for replacement linens;
- about \$300 for laundry (about 750 pounds per cabin at 40¢ per pound);
- about \$400 for cleaning supplies (about \$10 per week and 80% occupancy);
- about \$150 for firewood (one 5-inch-diameter log per night, about 200 logs per cord, about \$100 per cord, and 80% occupancy);
- about \$500 for electricity (about \$50 per month and 80% occupancy);
- about \$390 for water (about 120 gallons per person per day, 4 people per cabin, 80% occupancy, and the County rate of \$2.76 per 1,000 gallons);
- about \$110 for disposal of solid waste at the Kekaha Landfill (about 3.5 pounds of waste per person, 4 people per cabin, 80% occupancy, and a disposal rate of \$56 per ton); and
- about \$480 in miscellaneous costs.

3.p. Taxes

Revenues paid to a private company are subject to the State 4.167% excise tax, including rents from subleasing cabins, rents from short-term rentals, and management fees for services. Revenues paid to the State are exempt from the excise tax.

The rents from short-term rentals would also be subject to the 7.25% TAT. The State's share of this tax is 55.2% and the County of Kaua'i share is 6.496%. The remainder is allocated to the other counties.

Once a cabin is improved, property taxes are estimated at about \$700 per cabin. This is based on an assessed value of about \$140,000 allocated about evenly between land and buildings, and the current property tax rates of \$4.50 per \$1,000 for assessed building value and \$5.49 per \$1,000 for assessed land value.

As noted in Table 2, other taxes would be generated but are not estimated, including but not limited to: corporate and personal income taxes.

3.q. Annual Appreciation and Inflation

As shown in Table 2, property values, wages, and salaries are assumed to increase at an average annual rate of about 3%, while expenses are assumed to increase at an average annual rate of about 2%.

3.r. Discount Rates

Discount rates used for calculating NPV and annualized values are 5% for the State and 7% for private companies. These rates are based on State and corporate borrowing rates.

Table 1. Koke'e and Waimea Cabins: Summary of Management Options

Management Options	State	Private	Comparative Advantages
<p>1. State Management (Table 3)</p> <p>Defining Features</p> <ul style="list-style-type: none"> • State leases cabins to 105 individual families • Short (long) leases for cabins in good (poor) condition • Leases are allocated to highest bidders • Individual families improve cabins <p>Net Present Value Annualized</p>	<p>\$ 6,414,617</p> <p>\$ 514,725</p>	<p>n.a.</p> <p>n.a.</p>	<ul style="list-style-type: none"> • Baseline option
<p>2. Private Collection (Table 4)</p> <p>Defining Features</p> <ul style="list-style-type: none"> • Same as Option 1, except the State pays a private company to collect lease rents and monitor compliance with leases <p>Net Present Value Annualized</p> <p>Change in Net Present Value from Option 1 Annualized</p>	<p>\$ 6,054,419</p> <p>\$ 485,822</p> <p>\$ (360,198)</p> <p>\$ (28,903)</p>	<p>\$ 209,658</p> <p>\$ 19,790</p> <p>\$ 209,658</p> <p>\$ 19,790</p>	<ul style="list-style-type: none"> • State relieved of collection and monitoring
<p>3. Private Management—Short Leases (Table 5)</p> <p>Defining Features</p> <ul style="list-style-type: none"> • State leases all cabins to a Master Lessee for 20-yr term • Master Lessee improves cabins • Finished cabins subleased to individual families for 5-yr terms • Leases are allocated to highest bidders subject to limits on rent to insure affordability <p>Net Present Value Annualized</p> <p>Change in Net Present Value from Option 1 Annualized</p>	<p>\$ 3,944,747</p> <p>\$ 316,537</p> <p>\$ (2,469,870)</p> <p>\$ (198,189)</p>	<p>\$ 203,117</p> <p>\$ 19,173</p> <p>\$ 203,117</p> <p>\$ 19,173</p>	<ul style="list-style-type: none"> • Lower management costs for the State • Master Lessee has flexibility to make improvements as needed • Lower cost for improvements • No major improvements required by families • More recreational use of finished cabins • Discounted rents, finished cabins and short leases allow more families to have access to cabins • At the end of the Master Lease, the State inherits cabins in good condition
<p>4. Private Management—Rentals & Short Leases (Table 6)</p> <p>Defining Features</p> <ul style="list-style-type: none"> • Same as Option 3, except 15 existing cabins and 9 new ones are used for short-term rentals • Daily rate discounted for residents to improve affordability <p>Net Present Value Annualized</p> <p>Change in Net Present Value from Option 1 Annualized</p> <p>Change in Net Present Value per Additional Short-term Rental Annualized</p>	<p>\$ 5,956,023</p> <p>\$ 477,927</p> <p>\$ (458,594)</p> <p>\$ (36,799)</p> <p>\$ 134,182</p> <p>\$ 10,767</p>	<p>\$ 469,917</p> <p>\$ 44,357</p> <p>\$ 469,917</p> <p>\$ 44,357</p> <p>\$ 32,529</p> <p>\$ 3,071</p>	<ul style="list-style-type: none"> • Same as for Option 3 • Rentals at discounted rates allow more residents to have access to cabins • High returns to the State from rentals • Additional income from Excise Tax and Transient Accommodations Tax • Additional rent derived from increased sales at the Lodge • Rentals support about 6 more jobs
<p>5. Mixed Management (Not Shown)</p> <p>Defining Features</p> <ul style="list-style-type: none"> • Option 1 or 2 for long-term leases • Option 4 (Private Management) for short-term rentals <p>Net Present Value Annualized</p> <p>Change in Net Present Value from Option 1 Annualized</p>	<p>n.e.</p> <p>n.e.</p> <p>n.e.</p> <p>n.e.</p>	<p>n.e.</p> <p>n.e.</p> <p>n.e.</p> <p>n.e.</p>	<ul style="list-style-type: none"> • A mix of advantages for (1) Option 1 or 2 and (2) Option 4

Table 2. Assumptions and Intermediate Calculations

Item	Op 1. State Management	Op 4. Private Management	Comment
Number of Cabins, by Historic Value and Current Condition			
Good	44	44	Under State Management, all units would be renovated or replaced by individual families. Under Private Management, all units would be renovated or replaced by Master Lessee, and 9 units would be added for short-term rentals.
Moderate	22	22	
Poor	39	48	
Total	105	114	
Use of Cabins			
Short-term Rentals			
Cabins Now in Good Condition	n.a.	7	
Cabins Now in Moderate Condition	n.a.	1	
Cabins Now in Poor Condition	n.a.	16	
Total Units, Short-term Rentals	n.a.	24	
Long-term Leases			
Cabins Now in Good Condition	44	37	
Cabins Now in Moderate Condition	22	21	
Cabins Now in Poor Condition	39	32	
Total Units, Long-term Leases	105	90	
Duration of Leases (years)			
Master Lease	n.a.	20	Shorter and staggered leases increase access. Expensive improvements by lessees require long leases.
Individual Leases			
Renovated and New Cabins		5	
Cabins Now in Good Condition	10	n.a.	
Cabins Now in Moderate Condition	15	n.a.	
Cabins Now in Poor Condition	20	n.a.	
Renegotiation Years			
Individual and Master Leases	Yrs 5, 10 & 15	Yrs 5, 10 & 15	To increase revenues, rents are adjusted as dictated by the market.
Short-term Rental Rates	n.a.	Yrs 5, 10 & 15	To assure affordability, kama'aina rates are negotiated with the State.
Tenant Mix, Short-term Rentals			
Visitors		50%	
Residents		50%	
Average Occupancy			
Short-term Rentals	n.a.	80%	High occupancy for short-term rentals reflects high demand, limited supply, and discounted rents.
5-Year Leases	n.a.	40%	Low occupancy for leased cabins reflects part-time vacation use by individual families, relatives and friends. Annual use is expected to decrease with longer leases.
Leases of 10 or More Years	35%	n.a.	
Average Daily Rate			
Short-term Rentals			
Market Rate Charged to Visitors	n.a.	\$ 120	Adjusted by season and year based on market conditions.
Discount to improve affordability	n.a.	25%	
Discounted Rate Charged to Residents	n.a.	\$ 90	Adjusted every 5 years.
Short-term Leases, Renovated and New Cabins			
Effective Market Rate	n.a.	\$ 85	For Private Management, the higher rate reflects higher quality and more marketing.
Discount to improve affordability	n.a.	15%	
Discounted Rate	n.a.	\$ 72.25	
Long-term Leases			
Cabins Now in Good Condition	\$ 80	n.a.	Effective market rates.
Cabins Now in Moderate Condition	\$ 60	n.a.	
Cabins Now in Poor Condition	\$ 40	n.a.	
O&M Charge	n.e.	n.e.	

Table 2. Assumptions and Intermediate Calculations

Item	Op 1. State Management	Op 4. Private Management	Comment
Average Annual Rent Per Unit			
Short-term Rentals			
Visitors	n.a.	\$ 17,520	Calculated from tenant mix, occupancy and daily rates.
Residents	n.a.	\$ 13,140	
Total Annual Rent	n.a.	\$ 30,660	
Long-term Leases			
Renovated and New Cabins	n.a.	\$ 10,549	Calculated from occupancy and daily rates.
Cabins Now in Good Condition	\$ 10,220	n.a.	
Cabins Now in Moderate Condition	\$ 7,665	n.a.	
Cabins Now in Poor Condition	\$ 5,110	n.a.	
Infrastructure and Storage Facility			
Cost of Infrastructure	\$ 4,000,000	\$ 4,000,000	Fair-share of infrastructure cost for all cabins.
Additional Cost for Short-term Rentals	n.a.	\$ 750,000	For road paving and sewers.
O&M Cost for Infrastructure	\$ 100,000	\$ 100,000	Excludes utilities.
Per-unit Charge	\$ 952	\$ 877	Charged to lessees.
Cost of Storage Facility for Rentals	n.a.	\$ 30,000	
Cost of Cabin Improvements Prior to Initial Leases			
Cabins Now in Good Condition	\$ -	\$ 15,000	Under Private Management, all units would be renovated or replaced prior to leasing to individual families.
Cabins Now in Moderate Condition	\$ -	\$ 42,500	
Cabins Now in Poor Condition	\$ -	\$ 70,000	
Cost of Improvements Prior to Subsequent Leases	-	\$ 5,000	
Initial Cost of Equipment and Furnishings— Short-term Rentals	n.a.	\$ 5,000	
Lease Income Paid to the State			
Percentage Payments			
Short-term Rentals			
Cabins Now in Good Condition	n.a.	40.00%	See below.
Cabins Now in Moderate Condition	n.a.	30.00%	
Cabins Now in Poor Condition	n.a.	20.00%	
Weighted Average	n.a.	26.25%	
Long-term Leases			
Cabins Now in Good Condition	n.a.	60.0%	See below.
Cabins Now in Moderate Condition	n.a.	45.0%	
Cabins Now in Poor Condition	n.a.	30.0%	
Average Lease Income to the State, per Unit			
Short-term Rentals			
Cabins Now in Good Condition	n.a.	\$ 12,264	These rents are 20% higher than Option 1 lease rents.
Cabins Now in Moderate Condition	n.a.	\$ 9,198	TAT and Excise Taxes generate additional revenues to the State.
Cabins Now in Poor Condition	n.a.	\$ 6,132	
Weighted Average	n.a.	\$ 8,048	
Long-term Leases			
Cabins Now in Good Condition	\$ 10,220	\$ 6,329	These rents are 38% lower than those of Option 1 lease rents.
Cabins Now in Moderate Condition	\$ 7,665	\$ 4,747	The lower rent is partially offset by savings on property management and higher tax revenues.
Cabins Now in Poor Condition	\$ 5,110	\$ 3,165	

Table 2. Assumptions and Intermediate Calculations

Item	Op 1. State Management	Op 4. Private Management	Comment
Employment, Payroll & Benefits			
Employees			
Property Managers			
Private	n.a.	2.50	
State	2.00	0.50	
O&M Staff per Short-term Rental	n.a.	0.25	
Wages and Salaries			
Property Managers			
Private	n.a.	\$ 40,000	
State	\$ 40,000	\$ 40,000	
O&M Staff, Short-term Rentals	n.a.	\$ 30,000	
Benefits			
Private	n.a.	30.0%	
State	40.0%	40.0%	
Annual Per-Unit Cost of Goods and Services			
Short-term Rentals	n.a.	\$ 5,200	This covers costs not charged to users.
Long-term Leases	\$ 200	\$ 250	
Taxes			
State			
Excise Tax	n.a.	4.167%	
Transient Accommodations Tax (TAT)	n.a.	7.25%	
State Share of TAT	n.a.	55.20%	
Corporate Income Tax	n.a.	n.e.	Private management will result in corporate income tax revenues, more employment, and more personal income taxes.
Personal Income Tax	n.e.	n.e.	
County			
Kauai County Share of TAT	n.a.	6.496%	
Property Taxes per Cabin	\$ 700	\$ 700	Estimated tax after cabins are improved.
Annual Appreciation and Inflation			
Appreciation of Property Values	3%	3%	
Inflation			
Wages and Salaries	3%	3%	
Expenses	2%	2%	
Discount Rates			
State	5%	5%	Used for valuing income streams.
Private	n.a.	7%	

**Table 3. State Management
(Option 1)**

Item	2007 0	2008 1	2009 2	2010 3	2011 4	2012 5	2013 6
Revenues							
Lease Rents							
Cabins Now in Good Condition, 10-yr Leases		\$ 449,680	\$ 449,680	\$ 449,680	\$ 449,680	\$ 449,680	\$ 521,302
Cabins Now in Moderate Condition, 15-yr Leases		\$ 168,630	\$ 168,630	\$ 168,630	\$ 168,630	\$ 168,630	\$ 195,488
Cabins Now in Poor Condition, 20-yr Leases		\$ 199,290	\$ 199,290	\$ 199,290	\$ 199,290	\$ 199,290	\$ 231,032
Total Lease Rents		\$ 817,600	\$ 817,600	\$ 817,600	\$ 817,600	\$ 817,600	\$ 947,822
Infrastructure O&M Charges		\$ 100,000	\$ 102,000	\$ 104,040	\$ 106,121	\$ 108,243	\$ 110,408
Total Revenues	\$ -	\$ 917,600	\$ 919,600	\$ 921,640	\$ 923,721	\$ 925,843	\$ 1,058,231
Expenditures							
Infrastructure Improvements	\$ (4,000,000)						
Infrastructure O&M		\$ (100,000)	\$ (102,000)	\$ (104,040)	\$ (106,121)	\$ (108,243)	\$ (110,408)
Payroll		\$ (80,000)	\$ (82,400)	\$ (84,872)	\$ (87,418)	\$ (90,041)	\$ (92,742)
Employee Benefits		\$ (32,000)	\$ (32,960)	\$ (33,949)	\$ (34,967)	\$ (36,016)	\$ (37,097)
Goods and Services		\$ (21,000)	\$ (21,420)	\$ (21,848)	\$ (22,285)	\$ (22,731)	\$ (23,186)
Total Expenses	\$ (4,000,000)	\$ (233,000)	\$ (238,780)	\$ (244,709)	\$ (250,792)	\$ (257,031)	\$ (263,432)
Net Revenues	\$ (4,000,000)	\$ 684,600	\$ 680,820	\$ 676,931	\$ 672,929	\$ 668,812	\$ 794,798
Present Value of Net Revenues	\$ 6,414,617						

**Table 3. State Management
(Option 1)**

Item	2014 7	2015 8	2016 9	2017 10	2018 11	2019 12	2020 13
Revenues							
Lease Rents							
Cabins Now in Good Condition, 10-yr Leases	\$ 521,302	\$ 521,302	\$ 521,302	\$ 521,302	\$ 604,332	\$ 604,332	\$ 604,332
Cabins Now in Moderate Condition, 15-yr Leases	\$ 195,488	\$ 195,488	\$ 195,488	\$ 195,488	\$ 226,625	\$ 226,625	\$ 226,625
Cabins Now in Poor Condition, 20-yr Leases	\$ 231,032	\$ 231,032	\$ 231,032	\$ 231,032	\$ 267,829	\$ 267,829	\$ 267,829
Total Lease Rents	\$ 947,822	\$ 947,822	\$ 947,822	\$ 947,822	\$ 1,098,786	\$ 1,098,786	\$ 1,098,786
Infrastructure O&M Charges	\$ 112,616	\$ 114,869	\$ 117,166	\$ 119,509	\$ 121,899	\$ 124,337	\$ 126,824
Total Revenues	\$ 1,060,439	\$ 1,062,691	\$ 1,064,988	\$ 1,067,332	\$ 1,220,685	\$ 1,223,123	\$ 1,225,610
Expenditures							
Infrastructure Improvements							
Infrastructure O&M	\$ (112,616)	\$ (114,869)	\$ (117,166)	\$ (119,509)	\$ (121,899)	\$ (124,337)	\$ (126,824)
Payroll	\$ (95,524)	\$ (98,390)	\$ (101,342)	\$ (104,382)	\$ (107,513)	\$ (110,739)	\$ (114,061)
Employee Benefits	\$ (38,210)	\$ (39,356)	\$ (40,537)	\$ (41,753)	\$ (43,005)	\$ (44,295)	\$ (45,624)
Goods and Services	\$ (23,649)	\$ (24,122)	\$ (24,605)	\$ (25,097)	\$ (25,599)	\$ (26,111)	\$ (26,633)
Total Expenses	\$ (270,000)	\$ (276,737)	\$ (283,649)	\$ (290,741)	\$ (298,017)	\$ (305,482)	\$ (313,142)
Net Revenues	\$ 790,439	\$ 785,954	\$ 781,339	\$ 776,591	\$ 922,669	\$ 917,641	\$ 912,468
Present Value of Net Revenues							

**Table 3. State Management
(Option 1)**

Item	2021 14	2022 15	2023 16	2024 17	2025 18	2026 19	2027 20
Revenues							
Lease Rents							
Cabins Now in Good Condition, 10-yr Leases	\$ 604,332	\$ 604,332	\$ 700,587	\$ 700,587	\$ 700,587	\$ 700,587	\$ 700,587
Cabins Now in Moderate Condition, 15-yr Leases	\$ 226,625	\$ 226,625	\$ 350,293	\$ 350,293	\$ 350,293	\$ 350,293	\$ 350,293
Cabins Now in Poor Condition, 20-yr Leases	\$ 267,829	\$ 267,829	\$ 310,487	\$ 310,487	\$ 310,487	\$ 310,487	\$ 310,487
Total Lease Rents	\$ 1,098,786	\$ 1,098,786	\$ 1,361,368	\$ 1,361,368	\$ 1,361,368	\$ 1,361,368	\$ 1,361,368
Infrastructure O&M Charges	\$ 129,361	\$ 131,948	\$ 134,587	\$ 137,279	\$ 140,024	\$ 142,825	\$ 145,681
Total Revenues	\$ 1,228,147	\$ 1,230,734	\$ 1,495,954	\$ 1,498,646	\$ 1,501,392	\$ 1,504,192	\$ 1,507,049
Expenditures							
Infrastructure Improvements							
Infrastructure O&M	\$ (129,361)	\$ (131,948)	\$ (134,587)	\$ (137,279)	\$ (140,024)	\$ (142,825)	\$ (145,681)
Payroll	\$ (117,483)	\$ (121,007)	\$ (124,637)	\$ (128,377)	\$ (132,228)	\$ (136,195)	\$ (140,280)
Employee Benefits	\$ (46,993)	\$ (48,403)	\$ (49,855)	\$ (51,351)	\$ (52,891)	\$ (54,478)	\$ (56,112)
Goods and Services	\$ (27,166)	\$ (27,709)	\$ (28,263)	\$ (28,828)	\$ (29,405)	\$ (29,993)	\$ (30,593)
Total Expenses	\$ (321,002)	\$ (329,067)	\$ (337,342)	\$ (345,834)	\$ (354,548)	\$ (363,490)	\$ (372,667)
Net Revenues	\$ 907,145	\$ 901,667	\$ 1,158,612	\$ 1,152,812	\$ 1,146,844	\$ 1,140,702	\$ 1,134,382
Present Value of Net Revenues							

**Table 4. Private Collection
(Option 2)**

Item	2007 0	2008 1	2009 2	2010 3	2011 4	2012 5	2013 6
State Finances							
Revenues							
Lease Rents							
Cabins Now in Good Condition, 10-yr Leases		\$ 449,680	\$ 449,680	\$ 449,680	\$ 449,680	\$ 449,680	\$ 521,302
Cabins Now in Moderate Condition, 15-yr Leases		\$ 168,630	\$ 168,630	\$ 168,630	\$ 168,630	\$ 168,630	\$ 195,488
Cabins Now in Poor Condition, 20-yr Leases		\$ 199,290	\$ 199,290	\$ 199,290	\$ 199,290	\$ 199,290	\$ 231,032
Total Lease Rents	\$ -	\$ 817,600	\$ 817,600	\$ 817,600	\$ 817,600	\$ 817,600	\$ 947,822
Infrastructure O&M Charges		\$ 100,000	\$ 102,000	\$ 104,040	\$ 106,121	\$ 108,243	\$ 110,408
Excise Tax on Management Fee		\$ 5,735	\$ 5,748	\$ 5,761	\$ 5,774	\$ 5,787	\$ 6,614
Total Revenues		\$ 923,335	\$ 925,348	\$ 927,401	\$ 929,495	\$ 931,630	\$ 1,064,845
Expenditures							
Infrastructure Improvements	\$ (4,000,000)						
Infrastructure O&M		\$ (100,000)	\$ (102,000)	\$ (104,040)	\$ (106,121)	\$ (108,243)	\$ (110,408)
Management Fee (15%)		\$ (137,640)	\$ (137,940)	\$ (138,246)	\$ (138,558)	\$ (138,876)	\$ (158,735)
Payroll		\$ (20,000)	\$ (20,600)	\$ (21,218)	\$ (21,855)	\$ (22,510)	\$ (23,185)
Employee Benefits		\$ (8,000)	\$ (8,240)	\$ (8,487)	\$ (8,742)	\$ (9,004)	\$ (9,274)
Total Expenses	\$ (4,000,000)	\$ (265,640)	\$ (268,780)	\$ (271,991)	\$ (275,275)	\$ (278,634)	\$ (301,602)
Net Revenues	\$ (4,000,000)	\$ 657,695	\$ 656,568	\$ 655,410	\$ 654,219	\$ 652,996	\$ 763,243
Present Value of Net Revenues	\$ 6,054,419						
Present Value of Net Revenues to Agent (10% Profit)	\$ 209,658						

**Table 4. Private Collection
(Option 2)**

Item	2014 7	2015 8	2016 9	2017 10	2018 11	2019 12	2020 13
State Finances							
Revenues							
Lease Rents							
Cabins Now in Good Condition, 10-yr Leases	\$ 521,302	\$ 521,302	\$ 521,302	\$ 521,302	\$ 604,332	\$ 604,332	\$ 604,332
Cabins Now in Moderate Condition, 15-yr Leases	\$ 195,488	\$ 195,488	\$ 195,488	\$ 195,488	\$ 226,625	\$ 226,625	\$ 226,625
Cabins Now in Poor Condition, 20-yr Leases	\$ 231,032	\$ 231,032	\$ 231,032	\$ 231,032	\$ 267,829	\$ 267,829	\$ 267,829
Total Lease Rents	\$ 947,822	\$ 947,822	\$ 947,822	\$ 947,822	\$ 1,098,786	\$ 1,098,786	\$ 1,098,786
Infrastructure O&M Charges	\$ 112,616	\$ 114,869	\$ 117,166	\$ 119,509	\$ 121,899	\$ 124,337	\$ 126,824
Excise Tax on Management Fee	\$ 6,628	\$ 6,642	\$ 6,657	\$ 6,671	\$ 7,630	\$ 7,645	\$ 7,661
Total Revenues	\$ 1,067,067	\$ 1,069,333	\$ 1,071,645	\$ 1,074,003	\$ 1,228,315	\$ 1,230,769	\$ 1,233,271
Expenditures							
Infrastructure Improvements							
Infrastructure O&M	\$ (112,616)	\$ (114,869)	\$ (117,166)	\$ (119,509)	\$ (121,899)	\$ (124,337)	\$ (126,824)
Management Fee (15%)	\$ (159,066)	\$ (159,404)	\$ (159,748)	\$ (160,100)	\$ (183,103)	\$ (183,469)	\$ (183,842)
Payroll	\$ (23,881)	\$ (24,597)	\$ (25,335)	\$ (26,095)	\$ (26,878)	\$ (27,685)	\$ (28,515)
Employee Benefits	\$ (9,552)	\$ (9,839)	\$ (10,134)	\$ (10,438)	\$ (10,751)	\$ (11,074)	\$ (11,406)
Total Expenses	\$ (305,116)	\$ (308,709)	\$ (312,384)	\$ (316,143)	\$ (342,632)	\$ (346,564)	\$ (350,587)
Net Revenues	\$ 761,951	\$ 760,625	\$ 759,261	\$ 757,860	\$ 885,683	\$ 884,204	\$ 882,684
Present Value of Net Revenues							
Present Value of Net Revenues to Agent (10% Profit)							

**Table 4. Private Collection
(Option 2)**

Item	2021 14	2022 15	2023 16	2024 17	2025 18	2026 19	2027 20
State Finances							
Revenues							
Lease Rents							
Cabins Now in Good Condition, 10-yr Leases	\$ 604,332	\$ 604,332	\$ 700,587	\$ 700,587	\$ 700,587	\$ 700,587	\$ 700,587
Cabins Now in Moderate Condition, 15-yr Leases	\$ 226,625	\$ 226,625	\$ 350,293	\$ 350,293	\$ 350,293	\$ 350,293	\$ 350,293
Cabins Now in Poor Condition, 20-yr Leases	\$ 267,829	\$ 267,829	\$ 310,487	\$ 310,487	\$ 310,487	\$ 310,487	\$ 310,487
Total Lease Rents	\$ 1,098,786	\$ 1,098,786	\$ 1,361,368	\$ 1,361,368	\$ 1,361,368	\$ 1,361,368	\$ 1,361,368
Infrastructure O&M Charges	\$ 129,361	\$ 131,948	\$ 134,587	\$ 137,279	\$ 140,024	\$ 142,825	\$ 145,681
Excise Tax on Management Fee	\$ 7,677	\$ 7,693	\$ 9,350	\$ 9,367	\$ 9,384	\$ 9,402	\$ 9,420
Total Revenues	\$ 1,235,823	\$ 1,238,427	\$ 1,505,305	\$ 1,508,013	\$ 1,510,776	\$ 1,513,594	\$ 1,516,468
Expenditures							
Infrastructure Improvements							
Infrastructure O&M	\$ (129,361)	\$ (131,948)	\$ (134,587)	\$ (137,279)	\$ (140,024)	\$ (142,825)	\$ (145,681)
Management Fee (15%)	\$ (184,222)	\$ (184,610)	\$ (224,393)	\$ (224,797)	\$ (225,209)	\$ (225,629)	\$ (226,057)
Payroll	\$ (29,371)	\$ (30,252)	\$ (31,159)	\$ (32,094)	\$ (33,057)	\$ (34,049)	\$ (35,070)
Employee Benefits	\$ (11,748)	\$ (12,101)	\$ (12,464)	\$ (12,838)	\$ (13,223)	\$ (13,619)	\$ (14,028)
Total Expenses	\$ (354,702)	\$ (358,910)	\$ (402,603)	\$ (407,007)	\$ (411,513)	\$ (416,122)	\$ (420,837)
Net Revenues	\$ 881,122	\$ 879,516	\$ 1,102,702	\$ 1,101,006	\$ 1,099,263	\$ 1,097,473	\$ 1,095,632
Present Value of Net Revenues							
Present Value of Net Revenues to Agent (10% Profit)							

**Table 5. Private Management—
Short Leases (Option 3)**

Item	2007 0	2008 1	2009 2	2010 3	2011 4	2012 5	2013 6
Management Company Finances							
Revenues							
Short-term Rentals, Visitors		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term Rentals, Residents		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient Accommodations Tax (TAT)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Leases		\$ 1,107,593	\$ 1,107,593	\$ 1,107,593	\$ 1,107,593	\$ 1,107,593	\$ 1,284,003
Infrastructure O&M Charges, Long-term Leases		\$ 100,000	\$ 102,000	\$ 104,040	\$ 106,121	\$ 108,243	\$ 110,408
Excise Tax		\$ 50,320	\$ 50,404	\$ 50,489	\$ 50,575	\$ 50,664	\$ 58,105
Total Revenues	\$ -	\$ 1,257,913	\$ 1,259,996	\$ 1,262,121	\$ 1,264,289	\$ 1,266,500	\$ 1,452,516
Expenditures							
Initial Improvements							
Cabins Now in Good Condition	\$ (660,000)						
Cabins Now in Moderate Condition	\$ (935,000)						
Cabins Now in Poor Condition	\$ (2,730,000)						
Storage Facility for Short-term Rentals	\$ -						
Total, Initial Improvements	\$ (4,325,000)						
Subsequent Improvements, Leased Cabins Furnishings & Equipment, Short-term Rentals	\$ -					\$ (579,642)	
Lease Payments to State							
Short-term Rentals							
Short-term Rentals		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Leases							
Cabins Now in Good Condition		\$ (278,480)	\$ (278,480)	\$ (278,480)	\$ (278,480)	\$ (278,480)	\$ (322,835)
Cabins Now in Moderate Condition		\$ (104,430)	\$ (104,430)	\$ (104,430)	\$ (104,430)	\$ (104,430)	\$ (121,063)
Cabins Now in Poor Condition		\$ (123,417)	\$ (123,417)	\$ (123,417)	\$ (123,417)	\$ (123,417)	\$ (143,075)
Total Lease Payments to State		\$ (506,328)	\$ (506,328)	\$ (506,328)	\$ (506,328)	\$ (506,328)	\$ (586,973)
Payroll							
Property Management		\$ (100,000)	\$ (103,000)	\$ (106,090)	\$ (109,273)	\$ (112,551)	\$ (115,927)
Staff, Short-term Rentals		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Payroll		\$ (100,000)	\$ (103,000)	\$ (106,090)	\$ (109,273)	\$ (112,551)	\$ (115,927)
Employee Benefits		\$ (30,000)	\$ (30,900)	\$ (31,827)	\$ (32,782)	\$ (33,765)	\$ (34,778)
Infrastructure O&M		\$ (100,000)	\$ (102,000)	\$ (104,040)	\$ (106,121)	\$ (108,243)	\$ (110,408)
Goods and Services		\$ (26,250)	\$ (26,775)	\$ (27,311)	\$ (27,857)	\$ (28,414)	\$ (28,982)
TAT		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax		\$ (50,320)	\$ (50,404)	\$ (50,489)	\$ (50,575)	\$ (50,664)	\$ (58,105)
Property Tax, Short-term Rentals		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ (4,325,000)	\$ (812,898)	\$ (819,407)	\$ (826,084)	\$ (832,935)	\$ (1,419,608)	\$ (935,174)
Net Revenues	\$ (4,325,000)	\$ 445,015	\$ 440,590	\$ 436,037	\$ 431,353	\$ (153,108)	\$ 517,343
Present Value of Net Revenues	\$ 203,117						
State Finances							
Revenues							
Lease Payments to State		\$ 506,328	\$ 506,328	\$ 506,328	\$ 506,328	\$ 506,328	\$ 586,973
Infrastructure O&M		\$ 100,000	\$ 102,000	\$ 104,040	\$ 106,121	\$ 108,243	\$ 110,408
TAT, State Share		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax		\$ 50,320	\$ 50,404	\$ 50,489	\$ 50,575	\$ 50,664	\$ 58,105
Total Revenues	\$ -	\$ 656,648	\$ 658,732	\$ 660,857	\$ 663,024	\$ 665,235	\$ 755,486
Expenditures							
Infrastructure Improvements	\$ (4,000,000)						
Infrastructure O&M		\$ (100,000)	\$ (102,000)	\$ (104,040)	\$ (106,121)	\$ (108,243)	\$ (110,408)
Payroll, Property Manager		\$ (20,000)	\$ (20,600)	\$ (21,218)	\$ (21,855)	\$ (22,510)	\$ (23,185)
Employee Benefits		\$ (8,000)	\$ (8,240)	\$ (8,487)	\$ (8,742)	\$ (9,004)	\$ (9,274)
Total Expenditures	\$ (4,000,000)	\$ (128,000)	\$ (130,840)	\$ (133,745)	\$ (136,717)	\$ (139,757)	\$ (142,868)
Net Revenues	\$ (4,000,000)	\$ 528,648	\$ 527,892	\$ 527,112	\$ 526,307	\$ 525,478	\$ 612,618
Present Value of Net Revenues	\$ 3,944,747						

**Table 5. Private Management—
Short Leases (Option 3)**

Item	2014 7	2015 8	2016 9	2017 10	2018 11	2019 12	2020 13
Management Company Finances							
Revenues							
Short-term Rentals, Visitors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term Rentals, Residents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient Accommodations Tax (TAT)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Leases	\$ 1,284,003	\$ 1,284,003	\$ 1,284,003	\$ 1,284,003	\$ 1,488,512	\$ 1,488,512	\$ 1,488,512
Infrastructure O&M Charges, Long-term Leases	\$ 112,616	\$ 114,869	\$ 117,166	\$ 119,509	\$ 121,899	\$ 124,337	\$ 126,824
Excise Tax	\$ 58,197	\$ 58,291	\$ 58,387	\$ 58,484	\$ 67,106	\$ 67,207	\$ 67,311
Total Revenues	\$ 1,454,817	\$ 1,457,163	\$ 1,459,556	\$ 1,461,997	\$ 1,677,517	\$ 1,680,057	\$ 1,682,647
Expenditures							
Initial Improvements							
Cabins Now in Good Condition							
Cabins Now in Moderate Condition							
Cabins Now in Poor Condition							
Storage Facility for Short-term Rentals							
Total, Initial Improvements							
Subsequent Improvements, Leased Cabins				\$ (639,972)			
Furnishings & Equipment, Short-term Rentals							
Lease Payments to State							
Short-term Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Leases							
Cabins Now in Good Condition	\$ (322,835)	\$ (322,835)	\$ (322,835)	\$ (322,835)	\$ (374,254)	\$ (374,254)	\$ (374,254)
Cabins Now in Moderate Condition	\$ (121,063)	\$ (121,063)	\$ (121,063)	\$ (121,063)	\$ (140,345)	\$ (140,345)	\$ (140,345)
Cabins Now in Poor Condition	\$ (143,075)	\$ (143,075)	\$ (143,075)	\$ (143,075)	\$ (165,863)	\$ (165,863)	\$ (165,863)
Total Lease Payments to State	\$ (586,973)	\$ (586,973)	\$ (586,973)	\$ (586,973)	\$ (680,462)	\$ (680,462)	\$ (680,462)
Payroll							
Property Management	\$ (119,405)	\$ (122,987)	\$ (126,677)	\$ (130,477)	\$ (134,392)	\$ (138,423)	\$ (142,576)
Staff, Short-term Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Payroll	\$ (119,405)	\$ (122,987)	\$ (126,677)	\$ (130,477)	\$ (134,392)	\$ (138,423)	\$ (142,576)
Employee Benefits	\$ (35,822)	\$ (36,896)	\$ (38,003)	\$ (39,143)	\$ (40,317)	\$ (41,527)	\$ (42,773)
Infrastructure O&M	\$ (112,616)	\$ (114,869)	\$ (117,166)	\$ (119,509)	\$ (121,899)	\$ (124,337)	\$ (126,824)
Goods and Services	\$ (29,562)	\$ (30,153)	\$ (30,756)	\$ (31,371)	\$ (31,999)	\$ (32,639)	\$ (33,291)
TAT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax	\$ (58,197)	\$ (58,291)	\$ (58,387)	\$ (58,484)	\$ (67,106)	\$ (67,207)	\$ (67,311)
Property Tax, Short-term Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ (942,575)	\$ (950,169)	\$ (957,962)	\$ (1,605,930)	\$ (1,076,175)	\$ (1,084,596)	\$ (1,093,238)
Net Revenues	\$ 512,242	\$ 506,994	\$ 501,594	\$ (143,933)	\$ 601,341	\$ 595,460	\$ 589,409
Present Value of Net Revenues							
State Finances							
Revenues							
Lease Payments to State	\$ 586,973	\$ 586,973	\$ 586,973	\$ 586,973	\$ 680,462	\$ 680,462	\$ 680,462
Infrastructure O&M	\$ 112,616	\$ 114,869	\$ 117,166	\$ 119,509	\$ 121,899	\$ 124,337	\$ 126,824
TAT, State Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax	\$ 58,197	\$ 58,291	\$ 58,387	\$ 58,484	\$ 67,106	\$ 67,207	\$ 67,311
Total Revenues	\$ 757,786	\$ 760,132	\$ 762,526	\$ 764,967	\$ 869,468	\$ 872,007	\$ 874,598
Expenditures							
Infrastructure Improvements							
Infrastructure O&M	\$ (112,616)	\$ (114,869)	\$ (117,166)	\$ (119,509)	\$ (121,899)	\$ (124,337)	\$ (126,824)
Payroll, Property Manager	\$ (23,881)	\$ (24,597)	\$ (25,335)	\$ (26,095)	\$ (26,878)	\$ (27,685)	\$ (28,515)
Employee Benefits	\$ (9,552)	\$ (9,839)	\$ (10,134)	\$ (10,438)	\$ (10,751)	\$ (11,074)	\$ (11,406)
Total Expenditures	\$ (146,050)	\$ (149,305)	\$ (152,636)	\$ (156,043)	\$ (159,529)	\$ (163,096)	\$ (166,745)
Net Revenues	\$ 611,737	\$ 610,827	\$ 609,890	\$ 608,924	\$ 709,939	\$ 708,911	\$ 707,852
Present Value of Net Revenues							

**Table 5. Private Management—
Short Leases (Option 3)**

Item	2021 14	2022 15	2023 16	2024 17	2025 18	2026 19	2027 20
Management Company Finances							
Revenues							
Short-term Rentals, Visitors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term Rentals, Residents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient Accommodations Tax (TAT)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Leases	\$ 1,488,512	\$ 1,488,512	\$ 1,725,593	\$ 1,725,593	\$ 1,725,593	\$ 1,725,593	\$ 1,725,593
Infrastructure O&M Charges, Long-term Leases	\$ 129,361	\$ 131,948	\$ 134,587	\$ 137,279	\$ 140,024	\$ 142,825	\$ 145,681
Excise Tax	\$ 67,417	\$ 67,525	\$ 77,514	\$ 77,626	\$ 77,740	\$ 77,857	\$ 77,976
Total Revenues	\$ 1,685,289	\$ 1,687,984	\$ 1,937,694	\$ 1,940,497	\$ 1,943,357	\$ 1,946,275	\$ 1,949,250
Expenditures							
Initial Improvements							
Cabins Now in Good Condition							
Cabins Now in Moderate Condition							
Cabins Now in Poor Condition							
Storage Facility for Short-term Rentals							
Total, Initial Improvements							
Subsequent Improvements, Leased Cabins		\$ (706,581)					
Furnishings & Equipment, Short-term Rentals							
Lease Payments to State							
Short-term Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Leases							
Cabins Now in Good Condition	\$ (374,254)	\$ (374,254)	\$ (433,863)	\$ (433,863)	\$ (433,863)	\$ (433,863)	\$ (433,863)
Cabins Now in Moderate Condition	\$ (140,345)	\$ (140,345)	\$ (162,699)	\$ (162,699)	\$ (162,699)	\$ (162,699)	\$ (162,699)
Cabins Now in Poor Condition	\$ (165,863)	\$ (165,863)	\$ (192,280)	\$ (192,280)	\$ (192,280)	\$ (192,280)	\$ (192,280)
Total Lease Payments to State	\$ (680,462)	\$ (680,462)	\$ (788,843)	\$ (788,843)	\$ (788,843)	\$ (788,843)	\$ (788,843)
Payroll							
Property Management	\$ (146,853)	\$ (151,259)	\$ (155,797)	\$ (160,471)	\$ (165,285)	\$ (170,243)	\$ (175,351)
Staff, Short-term Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Payroll	\$ (146,853)	\$ (151,259)	\$ (155,797)	\$ (160,471)	\$ (165,285)	\$ (170,243)	\$ (175,351)
Employee Benefits	\$ (44,056)	\$ (45,378)	\$ (46,739)	\$ (48,141)	\$ (49,585)	\$ (51,073)	\$ (52,605)
Infrastructure O&M	\$ (129,361)	\$ (131,948)	\$ (134,587)	\$ (137,279)	\$ (140,024)	\$ (142,825)	\$ (145,681)
Goods and Services	\$ (33,957)	\$ (34,636)	\$ (35,329)	\$ (36,036)	\$ (36,756)	\$ (37,491)	\$ (38,241)
TAT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax	\$ (67,417)	\$ (67,525)	\$ (77,514)	\$ (77,626)	\$ (77,740)	\$ (77,857)	\$ (77,976)
Property Tax, Short-term Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$(1,102,106)	\$(1,817,789)	\$(1,238,808)	\$(1,248,394)	\$(1,258,233)	\$(1,268,332)	\$(1,278,697)
Net Revenues	\$ 583,183	\$ (129,805)	\$ 698,886	\$ 692,103	\$ 685,124	\$ 677,943	\$ 670,553
Present Value of Net Revenues							
State Finances							
Revenues							
Lease Payments to State	\$ 680,462	\$ 680,462	\$ 788,843	\$ 788,843	\$ 788,843	\$ 788,843	\$ 788,843
Infrastructure O&M	\$ 129,361	\$ 131,948	\$ 134,587	\$ 137,279	\$ 140,024	\$ 142,825	\$ 145,681
TAT, State Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excise Tax	\$ 67,417	\$ 67,525	\$ 77,514	\$ 77,626	\$ 77,740	\$ 77,857	\$ 77,976
Total Revenues	\$ 877,240	\$ 879,935	\$ 1,000,943	\$ 1,003,747	\$ 1,006,607	\$ 1,009,524	\$ 1,012,500
Expenditures							
Infrastructure Improvements							
Infrastructure O&M	\$ (129,361)	\$ (131,948)	\$ (134,587)	\$ (137,279)	\$ (140,024)	\$ (142,825)	\$ (145,681)
Payroll, Property Manager	\$ (29,371)	\$ (30,252)	\$ (31,159)	\$ (32,094)	\$ (33,057)	\$ (34,049)	\$ (35,070)
Employee Benefits	\$ (11,748)	\$ (12,101)	\$ (12,464)	\$ (12,838)	\$ (13,223)	\$ (13,619)	\$ (14,028)
Total Expenditures	\$ (170,480)	\$ (174,300)	\$ (178,210)	\$ (182,210)	\$ (186,304)	\$ (190,493)	\$ (194,779)
Net Revenues	\$ 706,760	\$ 705,635	\$ 822,733	\$ 821,537	\$ 820,303	\$ 819,031	\$ 817,720
Present Value of Net Revenues							

**Table 6. Private Management—
Rentals & Short Leases (Option 4)**

Item	2007 0	2008 1	2009 2	2010 3	2011 4	2012 5	2013 6
Management Company Finances							
Revenues							
Short-term Rentals, Visitors		\$ 420,480	\$ 433,094	\$ 446,087	\$ 459,470	\$ 473,254	\$ 487,452
Short-term Rentals, Residents		\$ 315,360	\$ 315,360	\$ 315,360	\$ 315,360	\$ 315,360	\$ 365,589
Transient Accommodations Tax (TAT)		\$ 53,348	\$ 54,263	\$ 55,205	\$ 56,175	\$ 57,175	\$ 61,845
Long-term Leases		\$ 949,365	\$ 949,365	\$ 949,365	\$ 949,365	\$ 949,365	\$ 1,100,574
Infrastructure O&M Charges, Long-term Leases		\$ 78,947	\$ 80,526	\$ 82,137	\$ 83,780	\$ 85,455	\$ 87,164
Excise Tax		\$ 73,512	\$ 74,104	\$ 74,712	\$ 75,338	\$ 75,982	\$ 85,039
Total Revenues	\$ -	\$ 1,891,013	\$ 1,906,712	\$ 1,922,866	\$ 1,939,488	\$ 1,956,591	\$ 2,187,663
Expenditures							
Initial Improvements							
Cabins Now in Good Condition	\$ (660,000)						
Cabins Now in Moderate Condition	\$ (935,000)						
Cabins Now in Poor Condition	\$ (3,360,000)						
Storage Facility for Short-term Rentals	\$ (30,000)						
Total, Initial Improvements	\$ (4,955,000)						
Subsequent Improvements, Leased Cabins Furnishings & Equipment, Short-term Rentals	\$ (120,000)					\$ (496,836)	
Lease Payments to State							
Short-term Rentals		\$ (193,158)	\$ (196,469)	\$ (199,880)	\$ (203,393)	\$ (207,011)	\$ (223,923)
Long-term Leases							
Cabins Now in Good Condition		\$ (234,177)	\$ (234,177)	\$ (234,177)	\$ (234,177)	\$ (234,177)	\$ (271,475)
Cabins Now in Moderate Condition		\$ (99,683)	\$ (99,683)	\$ (99,683)	\$ (99,683)	\$ (99,683)	\$ (115,560)
Cabins Now in Poor Condition		\$ (101,266)	\$ (101,266)	\$ (101,266)	\$ (101,266)	\$ (101,266)	\$ (117,395)
Total Lease Payments to State		\$ (628,284)	\$ (631,595)	\$ (635,006)	\$ (638,518)	\$ (642,137)	\$ (728,353)
Payroll							
Property Management		\$ (100,000)	\$ (103,000)	\$ (106,090)	\$ (109,273)	\$ (112,551)	\$ (115,927)
Staff, Short-term Rentals		\$ (180,000)	\$ (185,400)	\$ (190,962)	\$ (196,691)	\$ (202,592)	\$ (208,669)
Total Payroll		\$ (280,000)	\$ (288,400)	\$ (297,052)	\$ (305,964)	\$ (315,142)	\$ (324,597)
Employee Benefits		\$ (84,000)	\$ (86,520)	\$ (89,116)	\$ (91,789)	\$ (94,543)	\$ (97,379)
Infrastructure O&M		\$ (100,000)	\$ (102,000)	\$ (104,040)	\$ (106,121)	\$ (108,243)	\$ (110,408)
Goods and Services		\$ (147,300)	\$ (150,246)	\$ (153,251)	\$ (156,316)	\$ (159,442)	\$ (162,631)
TAT		\$ (53,348)	\$ (54,263)	\$ (55,205)	\$ (56,175)	\$ (57,175)	\$ (61,845)
Excise Tax		\$ (73,512)	\$ (74,104)	\$ (74,712)	\$ (75,338)	\$ (75,982)	\$ (85,039)
Property Tax, Short-term Rentals		\$ (16,800)	\$ (17,304)	\$ (17,823)	\$ (18,358)	\$ (18,909)	\$ (19,476)
Total Expenditures	\$ (5,075,000)	\$ (1,383,244)	\$ (1,404,432)	\$ (1,426,204)	\$ (1,448,579)	\$ (1,968,409)	\$ (1,589,728)
Net Revenues	\$ (5,075,000)	\$ 507,769	\$ 502,281	\$ 496,662	\$ 490,909	\$ (11,818)	\$ 597,935
Present Value of Net Revenues	\$ 469,917						
State Finances							
Revenues							
Lease Payments to State		\$ 628,284	\$ 631,595	\$ 635,006	\$ 638,518	\$ 642,137	\$ 728,353
Infrastructure O&M		\$ 100,000	\$ 102,000	\$ 104,040	\$ 106,121	\$ 108,243	\$ 110,408
TAT, State Share		\$ 29,448	\$ 29,953	\$ 30,473	\$ 31,009	\$ 31,560	\$ 34,139
Excise Tax		\$ 73,512	\$ 74,104	\$ 74,712	\$ 75,338	\$ 75,982	\$ 85,039
Total Revenues	\$ -	\$ 831,244	\$ 837,652	\$ 844,231	\$ 850,986	\$ 857,923	\$ 957,939
Expenditures							
Infrastructure Improvements	\$ (4,750,000)						
Infrastructure O&M		\$ (100,000)	\$ (102,000)	\$ (104,040)	\$ (106,121)	\$ (108,243)	\$ (110,408)
Payroll, Property Manager		\$ (20,000)	\$ (20,600)	\$ (21,218)	\$ (21,855)	\$ (22,510)	\$ (23,185)
Employee Benefits		\$ (8,000)	\$ (8,240)	\$ (8,487)	\$ (8,742)	\$ (9,004)	\$ (9,274)
Total Expenditures	\$ (4,750,000)	\$ (128,000)	\$ (130,840)	\$ (133,745)	\$ (136,717)	\$ (139,757)	\$ (142,868)
Net Revenues	\$ (4,750,000)	\$ 703,244	\$ 706,812	\$ 710,486	\$ 714,269	\$ 718,165	\$ 815,071
Present Value of Net Revenues	\$ 5,956,023						

**Table 6. Private Management—
Rentals & Short Leases (Option 4)**

Item	2014 7	2015 8	2016 9	2017 10	2018 11	2019 12	2020 13
Management Company Finances							
Revenues							
Short-term Rentals, Visitors	\$ 502,075	\$ 517,137	\$ 532,651	\$ 548,631	\$ 565,090	\$ 582,043	\$ 599,504
Short-term Rentals, Residents	\$ 365,589	\$ 365,589	\$ 365,589	\$ 365,589	\$ 423,817	\$ 423,817	\$ 423,817
Transient Accommodations Tax (TAT)	\$ 62,906	\$ 63,998	\$ 65,122	\$ 66,281	\$ 71,696	\$ 72,925	\$ 74,191
Long-term Leases	\$ 1,100,574	\$ 1,100,574	\$ 1,100,574	\$ 1,100,574	\$ 1,275,867	\$ 1,275,867	\$ 1,275,867
Infrastructure O&M Charges, Long-term Leases	\$ 88,908	\$ 90,686	\$ 92,499	\$ 94,349	\$ 96,236	\$ 98,161	\$ 100,124
Excise Tax	\$ 85,721	\$ 86,423	\$ 87,145	\$ 87,888	\$ 98,383	\$ 99,170	\$ 99,979
Total Revenues	\$ 2,205,772	\$ 2,224,407	\$ 2,243,581	\$ 2,263,312	\$ 2,531,090	\$ 2,551,983	\$ 2,573,483
Expenditures							
Initial Improvements							
Cabins Now in Good Condition							
Cabins Now in Moderate Condition							
Cabins Now in Poor Condition							
Storage Facility for Short-term Rentals							
Total, Initial Improvements							
Subsequent Improvements, Leased Cabins				\$ (548,547)			
Furnishings & Equipment, Short-term Rentals							
Lease Payments to State							
Short-term Rentals	\$ (227,762)	\$ (231,716)	\$ (235,788)	\$ (239,983)	\$ (259,588)	\$ (264,038)	\$ (268,622)
Long-term Leases							
Cabins Now in Good Condition	\$ (271,475)	\$ (271,475)	\$ (271,475)	\$ (271,475)	\$ (314,714)	\$ (314,714)	\$ (314,714)
Cabins Now in Moderate Condition	\$ (115,560)	\$ (115,560)	\$ (115,560)	\$ (115,560)	\$ (133,966)	\$ (133,966)	\$ (133,966)
Cabins Now in Poor Condition	\$ (117,395)	\$ (117,395)	\$ (117,395)	\$ (117,395)	\$ (136,092)	\$ (136,092)	\$ (136,092)
Total Lease Payments to State	\$ (732,192)	\$ (736,145)	\$ (740,218)	\$ (744,413)	\$ (844,361)	\$ (848,811)	\$ (853,394)
Payroll							
Property Management	\$ (119,405)	\$ (122,987)	\$ (126,677)	\$ (130,477)	\$ (134,392)	\$ (138,423)	\$ (142,576)
Staff, Short-term Rentals	\$ (214,929)	\$ (221,377)	\$ (228,019)	\$ (234,859)	\$ (241,905)	\$ (249,162)	\$ (256,637)
Total Payroll	\$ (334,335)	\$ (344,365)	\$ (354,696)	\$ (365,336)	\$ (376,297)	\$ (387,585)	\$ (399,213)
Employee Benefits	\$ (100,300)	\$ (103,309)	\$ (106,409)	\$ (109,601)	\$ (112,889)	\$ (116,276)	\$ (119,764)
Infrastructure O&M	\$ (112,616)	\$ (114,869)	\$ (117,166)	\$ (119,509)	\$ (121,899)	\$ (124,337)	\$ (126,824)
Goods and Services	\$ (165,884)	\$ (169,201)	\$ (172,585)	\$ (176,037)	\$ (179,558)	\$ (183,149)	\$ (186,812)
TAT	\$ (62,906)	\$ (63,998)	\$ (65,122)	\$ (66,281)	\$ (71,696)	\$ (72,925)	\$ (74,191)
Excise Tax	\$ (85,721)	\$ (86,423)	\$ (87,145)	\$ (87,888)	\$ (98,383)	\$ (99,170)	\$ (99,979)
Property Tax, Short-term Rentals	\$ (20,060)	\$ (20,662)	\$ (21,282)	\$ (21,920)	\$ (22,578)	\$ (23,255)	\$ (23,953)
Total Expenditures	\$(1,614,014)	\$(1,638,972)	\$(1,664,623)	\$(2,239,533)	\$(1,827,660)	\$(1,855,508)	\$(1,884,130)
Net Revenues	\$ 591,759	\$ 585,435	\$ 578,959	\$ 23,779	\$ 703,430	\$ 696,475	\$ 689,353
Present Value of Net Revenues							
State Finances							
Revenues							
Lease Payments to State	\$ 732,192	\$ 736,145	\$ 740,218	\$ 744,413	\$ 844,361	\$ 848,811	\$ 853,394
Infrastructure O&M	\$ 112,616	\$ 114,869	\$ 117,166	\$ 119,509	\$ 121,899	\$ 124,337	\$ 126,824
TAT, State Share	\$ 34,724	\$ 35,327	\$ 35,948	\$ 36,587	\$ 39,576	\$ 40,255	\$ 40,953
Excise Tax	\$ 85,721	\$ 86,423	\$ 87,145	\$ 87,888	\$ 98,383	\$ 99,170	\$ 99,979
Total Revenues	\$ 965,253	\$ 972,764	\$ 980,476	\$ 988,397	\$ 1,104,220	\$ 1,112,573	\$ 1,121,151
Expenditures							
Infrastructure Improvements							
Infrastructure O&M	\$ (112,616)	\$ (114,869)	\$ (117,166)	\$ (119,509)	\$ (121,899)	\$ (124,337)	\$ (126,824)
Payroll, Property Manager	\$ (23,881)	\$ (24,597)	\$ (25,335)	\$ (26,095)	\$ (26,878)	\$ (27,685)	\$ (28,515)
Employee Benefits	\$ (9,552)	\$ (9,839)	\$ (10,134)	\$ (10,438)	\$ (10,751)	\$ (11,074)	\$ (11,406)
Total Expenditures	\$ (146,050)	\$ (149,305)	\$ (152,636)	\$ (156,043)	\$ (159,529)	\$ (163,096)	\$ (166,745)
Net Revenues	\$ 819,203	\$ 823,459	\$ 827,841	\$ 832,354	\$ 944,690	\$ 949,477	\$ 954,406
Present Value of Net Revenues							

**Table 6. Private Management—
Rentals & Short Leases (Option 4)**

Item	2021 14	2022 15	2023 16	2024 17	2025 18	2026 19	2027 20
Management Company Finances							
Revenues							
Short-term Rentals, Visitors	\$ 617,489	\$ 636,014	\$ 655,094	\$ 674,747	\$ 694,989	\$ 715,839	\$ 737,314
Short-term Rentals, Residents	\$ 423,817	\$ 423,817	\$ 491,321	\$ 491,321	\$ 491,321	\$ 491,321	\$ 491,321
Transient Accommodations Tax (TAT)	\$ 75,495	\$ 76,838	\$ 83,115	\$ 84,540	\$ 86,007	\$ 87,519	\$ 89,076
Long-term Leases	\$ 1,275,867	\$ 1,275,867	\$ 1,479,080	\$ 1,479,080	\$ 1,479,080	\$ 1,479,080	\$ 1,479,080
Infrastructure O&M Charges, Long-term Leases	\$ 102,127	\$ 104,169	\$ 106,253	\$ 108,378	\$ 110,545	\$ 112,756	\$ 115,011
Excise Tax	\$ 100,812	\$ 101,669	\$ 113,832	\$ 114,739	\$ 115,673	\$ 116,634	\$ 117,623
Total Revenues	\$ 2,595,608	\$ 2,618,375	\$ 2,928,694	\$ 2,952,804	\$ 2,977,616	\$ 3,003,149	\$ 3,029,425
Expenditures							
Initial Improvements							
Cabins Now in Good Condition							
Cabins Now in Moderate Condition							
Cabins Now in Poor Condition							
Storage Facility for Short-term Rentals							
Total, Initial Improvements							
Subsequent Improvements, Leased Cabins		\$ (605,641)					
Furnishings & Equipment, Short-term Rentals							
Lease Payments to State							
Short-term Rentals	\$ (273,343)	\$ (278,206)	\$ (300,934)	\$ (306,093)	\$ (311,406)	\$ (316,879)	\$ (322,517)
Long-term Leases							
Cabins Now in Good Condition	\$ (314,714)	\$ (314,714)	\$ (364,840)	\$ (364,840)	\$ (364,840)	\$ (364,840)	\$ (364,840)
Cabins Now in Moderate Condition	\$ (133,966)	\$ (133,966)	\$ (155,303)	\$ (155,303)	\$ (155,303)	\$ (155,303)	\$ (155,303)
Cabins Now in Poor Condition	\$ (136,092)	\$ (136,092)	\$ (157,769)	\$ (157,769)	\$ (157,769)	\$ (157,769)	\$ (157,769)
Total Lease Payments to State	\$ (858,115)	\$ (862,978)	\$ (978,845)	\$ (984,004)	\$ (989,318)	\$ (994,791)	\$ (1,000,428)
Payroll							
Property Management	\$ (146,853)	\$ (151,259)	\$ (155,797)	\$ (160,471)	\$ (165,285)	\$ (170,243)	\$ (175,351)
Staff, Short-term Rentals	\$ (264,336)	\$ (272,266)	\$ (280,434)	\$ (288,847)	\$ (297,513)	\$ (306,438)	\$ (315,631)
Total Payroll	\$ (411,189)	\$ (423,525)	\$ (436,231)	\$ (449,318)	\$ (462,797)	\$ (476,681)	\$ (490,982)
Employee Benefits	\$ (123,357)	\$ (127,058)	\$ (130,869)	\$ (134,795)	\$ (138,839)	\$ (143,004)	\$ (147,295)
Infrastructure O&M	\$ (129,361)	\$ (131,948)	\$ (134,587)	\$ (137,279)	\$ (140,024)	\$ (142,825)	\$ (145,681)
Goods and Services	\$ (190,548)	\$ (194,359)	\$ (198,246)	\$ (202,211)	\$ (206,256)	\$ (210,381)	\$ (214,588)
TAT	\$ (75,495)	\$ (76,838)	\$ (83,115)	\$ (84,540)	\$ (86,007)	\$ (87,519)	\$ (89,076)
Excise Tax	\$ (100,812)	\$ (101,669)	\$ (113,832)	\$ (114,739)	\$ (115,673)	\$ (116,634)	\$ (117,623)
Property Tax, Short-term Rentals	\$ (24,671)	\$ (25,412)	\$ (26,174)	\$ (26,959)	\$ (27,768)	\$ (28,601)	\$ (29,459)
Total Expenditures	\$(1,913,549)	\$(2,549,427)	\$(2,101,900)	\$(2,133,846)	\$(2,166,683)	\$(2,200,436)	\$(2,235,132)
Net Revenues	\$ 682,059	\$ 68,948	\$ 826,795	\$ 818,959	\$ 810,933	\$ 802,713	\$ 794,293
Present Value of Net Revenues							
State Finances							
Revenues							
Lease Payments to State	\$ 858,115	\$ 862,978	\$ 978,845	\$ 984,004	\$ 989,318	\$ 994,791	\$ 1,000,428
Infrastructure O&M	\$ 129,361	\$ 131,948	\$ 134,587	\$ 137,279	\$ 140,024	\$ 142,825	\$ 145,681
TAT, State Share	\$ 41,673	\$ 42,414	\$ 45,880	\$ 46,666	\$ 47,476	\$ 48,311	\$ 49,170
Excise Tax	\$ 100,812	\$ 101,669	\$ 113,832	\$ 114,739	\$ 115,673	\$ 116,634	\$ 117,623
Total Revenues	\$ 1,129,961	\$ 1,139,010	\$ 1,273,144	\$ 1,282,688	\$ 1,292,491	\$ 1,302,560	\$ 1,312,902
Expenditures							
Infrastructure Improvements							
Infrastructure O&M	\$ (129,361)	\$ (131,948)	\$ (134,587)	\$ (137,279)	\$ (140,024)	\$ (142,825)	\$ (145,681)
Payroll, Property Manager	\$ (29,371)	\$ (30,252)	\$ (31,159)	\$ (32,094)	\$ (33,057)	\$ (34,049)	\$ (35,070)
Employee Benefits	\$ (11,748)	\$ (12,101)	\$ (12,464)	\$ (12,838)	\$ (13,223)	\$ (13,619)	\$ (14,028)
Total Expenditures	\$ (170,480)	\$ (174,300)	\$ (178,210)	\$ (182,210)	\$ (186,304)	\$ (190,493)	\$ (194,779)
Net Revenues	\$ 959,482	\$ 964,709	\$ 1,094,934	\$ 1,100,478	\$ 1,106,188	\$ 1,112,068	\$ 1,118,123
Present Value of Net Revenues							

Qualifications of Dr. Bruce S. Plasch

Dr. Plasch has been an economic and financial consultant in Hawaii since 1971. He has extensive experience in economic development, land and resource economics, feasibility studies, market analysis, public policy analysis, and the economic impacts of projects.

One his projects was the financing of infrastructure and common facilities to support astronomy on Mauna Kea. Complications included: capital costs financed by users; facilities already operating or to be constructed over a number of years; facilities having different useful lives; use that varied over time and by the size of each operation; use that could be permanent for some users and temporary for others; different arrival dates for users, with later arrivals having use of facilities for only a portion of their useful lives; and early users having to carry the cost of later arrivals until they could be reimbursed. The financing scheme was based on sound principles of economics, finance, and equity. The approach was accepted by all parties and was written into all their agreements.

More recently, Dr. Plasch worked with the State Department of Transportation and the Office of State Planning to develop a recommended approach for calculating impacts fees to fund highway improvements in 'Ewa. The approach is designed to be equitable among developers and equitable over time, and takes into account the funding of excess highway capacity to accommodate future development, government cost sharing, adjustments for affordability, future adjustments for changes in assumptions, uncertainty and risks, etc.

Dr. Plasch has also worked on financing of infrastructure projects for unimproved subdivisions on the Big Island, financing to support new infrastructure for West Hawai'i, financing of water-quality projects, financing of a geothermal cable to deliver power from the Big Island to O'ahu, and financing of infrastructure development for the Hawai'i Natural Energy Laboratory.

Dr. Bruce S. Plasch, President

DECISION ANALYSTS HAWAII, INC.

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• Education:

- Ph.D. (1971) and M.S. (1966), Engineering-Economic Systems, Stanford University, specializing in economics, finance, and quantitative analysis.

- B.S. (1965), University of California, supplemented with an additional year of liberal arts.

• Professional Experience: Hawaii-based economic and financial consultant since 1971.

Specialty

DAHI is an economic and financial consultancy that is committed to delivering high-quality, objective analysis to its clients. Established in 1979, the firm specializes in the economies of Hawaii and the Pacific basin.

Services

• Economic Development: community, regional and island development; comparative advantages of economic activities; exports, import substitution, support activities; tourism, recreation, ocean activities, agriculture, forestry, aquaculture, energy, commercial and industrial activities; infrastructure requirements; government support services and incentives; economic models and forecasts.

• Land and Housing Economics: development forces and patterns, forecasts, values and rents.

• Resource and Environmental Economics: resource pricing, incentives and disincentives, valuation of externalities, and carrying capacity studies.

• Market Assessments: market forces, market potential, prices, absorption rates.

• Project Feasibility: profitability, project financing, cash-flow analysis.

• Valuations: leases, businesses, contracts, lost earnings.

• Economic Benefits and Impacts: employment, community benefits, demographic impacts, government revenues and expenditures.

• Policy Analyses: planning reports, position papers, analysis.

• Expert Witness Testimony: government commissions, legislative bodies, contested-case hearings, court trials.

SELECTED INFRASTRUCTURE PROJECTS:

August 2001

"Recommended Approach for Calculating Impact Fees to Fund Highway Improvements in 'Ewa" (2000)

- Developed an approach for charging developers fair-share impact fees to fund highway improvements.
- For the State Department of Transportation and DBEDT.

Longer Airport Runways to Accelerate Tourism Development, Federated States of Micronesia (1997)

- Analyzed the benefits and costs of longer airport runways as means to accelerate tourism development in the Federated States of Micronesia
- For the Federated States of Micronesia and the Asian Development Bank via a subcontract with the Boston Institute For Developing Economies, Ltd.

"Barbers Point Harbor Expansion: Economic Impacts" (1996)

- Estimated employment and other economic impacts.
- For the State Department of Transportation.

"Pago Pago International Airport Runway Extension: Economic Impacts" (1996)

- Analyzed the economic benefits and impacts of a longer runway.
- For the government of American Samoa under subcontract to Dames & Moore.

Relocation of Petroleum Facilities (1993).

- Analyzed land costs and other costs associated with relocating petroleum facilities from Honolulu Harbor.
- For DBEDT under subcontract to Belt Collins Hawaii, Ltd.

Undersea Cable to Transmit Geothermal-Generated Electrical Energy from the Island of Hawaii to Oahu

and Maui: Economic Feasibility (1988)

- Analyzed the economic feasibility of generated electrical energy on the Big Island, and transporting the energy to Maui and Oahu via an undersea cable.
For DBEDT.

"Infrastructure Financing for West Hawaii" (1987)

- Developed recommendations for financing infrastructure in West Hawaii.
For the County of Hawaii.

Infrastructure Financing for Puna and Ka'u (1986)

- Developed recommendations for financing infrastructure in Puna and Ka'u.
For the County of Hawaii.

Mauna Kea Observatories, financing of mid-level facilities (1985)

- Developed the financing and cost-sharing approach for the mid-level facilities.
- For the Institute for Astronomy.

Hawaii Ocean Science and Technology Park/Natural Energy Laboratory: Land Rents and User Fees (1985)

- Development recommendations on how much to charge for land rent and user fees.
- For the High Technology Development Corporation.

Economic Feasibility of Reclaiming Water and Nutrients from Domestic Wastewater on Oahu (1983)

- Analyzed the economic feasibility of alternative approaches of reclaiming wastewater for agricultural use.
- For The Estate of James Campbell and the Oceanic Institute.

"Financial and Economic Analysis and Final Recommendations for the Hawaii 208 Water Quality Program" (1978)

- Developed recommendations for financing sewer improvements and other infrastructure improvements related to water quality.
- For the State Department of Health.