

HAWAII COAST REALTY, LLC

BUYER'S PROPERTY DISCLOSURE FOR THE ISLAND OF HAWAII

The following information is intended to assist the Buyer with identifying some of the general conditions that may affect the purchase, value and/or use of some real properties on the Island of Hawaii. The information provided below is not a substitute for professional advice and/or inspection for any specific property. The Buyer is advised to obtain public records, professional advice and to have experts inspect the property.

This is not intended to be an exhaustive list of all the conditions relating to ownership of real property on the Island of Hawaii nor is it inclusive of all issues that might be important to the Buyer or those addressed within the Purchase Contract. These disclosures are not intended to be a substitute for any specific Seller Disclosure.

1. **Aircraft Noise and Fly-Overs:** Buyer is advised that some areas in Hawaii are subject to fly-overs by various aircraft, including, among others, commercial, military and D.E.A. (Drug Enforcement Agency) aircraft. Buyer is advised to contact appropriate federal, state, or county government agencies for further information on this issue.
2. **Availability of Utilities:** Buyer is advised to check with local providers of electric, water, gas, telephone, high speed internet, cable and other utility services to determine the cost (including installation charges), and availability of desired services to the property. Utility services, and the necessary easements, may be limited or unavailable in some areas. Some areas of the Island are subject to substantial fees for electrical hookup and may be part of an existing or proposed SSPP (Special Subdivision Project Provision). Some areas of the island are serviced only by catchment water. Hawaii Coast Realty, LLC makes no representations as to water quality or suitability for any intended use. Buyer is advised to consult with the appropriate authorities and experts in these areas.
3. **Insurance:** The availability, limits, and cost of property and/or liability insurance may be affected as set forth as described below under Volcanoes, or by property near the ocean or in designated flood hazard areas (Federal Flood Insurance), and/or the possibility of hurricane or wind damage (wind insurance), all of which may be required by a lender, in order to finance the property. An insurance professional should be consulted to determine the cost and availability of insurance on the property you wish to purchase.
4. **Limitations of Land & Property Use:** Many restrictions exist to limit the use of real property in the State of Hawaii including but not limited to: federal laws, state and county laws and regulations (i.e. county zoning ordinances), private restrictions (i.e. restrictions in a deed, a condominium declaration or subdivision declaration). Further, some Federal State or County laws may prohibit or limit certain covenants or private restrictions (CC&Rs) on property (e.g. agricultural use, clotheslines, solar systems, dishes, etc.). Permitted uses and rules for land under County Zoned Agriculture may be different than the rules and permitted uses under State Land Use designation for Agriculture. Further, the State Land Use Commission (LUC) has determined that any buildings located on State Designated Agricultural lands must be related to agricultural activity or use. Buyers are advised to contact and consult with the appropriate federal, state, or county authorities and review any applicable private restrictions with an attorney to determine if the buyer's intended use of the property is permitted.

Buyers who are planning to use their property as a short-term/vacation rental are advised to contact the County of Hawaii regarding whether vacation/ short-term rentals are now or will, in the future, be allowed in their zoning area. There is no guarantee that rental activity that the County of Hawaii has been allowing will remain the same moving forward.

5. **Permits and Non-Conformity:** The County of Hawaii governs the issuance and administration of permits for all property improvements. Buyer is advised to check with the appropriate county department(s) to ascertain that all improvements on a property are "legal" (permitted, approved and closed). If not, improvements on the property may be subject to fine and/or removal. Buyer is advised that some existing buildings may be non-conforming to current governmental codes or requirements, or

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that the use of such buildings is non-conforming. This means that the structure or its use, although legal when constructed, or when its use began, would not be permitted by current zoning, building codes or other governmental requirements. This may cause problems with respect to rebuilding, enlargement, repair or use of the structures, and may also affect financing and resale of the property. Hawaii Coast Realty, LLC and its agents are not qualified to examine or render opinions concerning these issues and advise Buyers to check with the County of Hawaii and appropriate professionals regarding these issues.

- 6. Real Property Taxes:** Methods of assessing real property taxes in the County of Hawaii are complex. Tax rates and assessments differ according to the zoning and use of property. There may also be exemptions that pertain to the specific homeowners (i.e. age), dedications (i.e. agriculture use), and other criteria. The fact that taxes are currently set at a certain rate or amount for a specific piece of property does not guarantee that the taxes will remain the same when the new owner purchases the property. The County of Hawaii also has a mechanism known as 'roll-back' taxes that may make a purchaser liable for additional taxes if the use, dedications, or zoning were or are changed before or after the purchase.

Buyer is advised to contact the County of Hawaii Real Property Tax Office, for information in this regard as well as tax professionals (for example, accountants, lawyers). Buyer should be certain to ascertain if there are any exemptions or deductions that affect the property. It is important to file for any applicable exemptions with the property tax office as soon as you close escrow and prior to deadlines in order to reduce your property tax.

- 7. Transient Accommodation Tax:** Recent legislation has increased the reporting requirements for transient accommodation rentals (short term/ vacation rentals). State law requires an on-island agent if the owner of the property does not reside on the island where the rental is located. Buyers desiring to engage in transient accommodations are advised to use their inspection period to all relevant private and public regulations with appropriate experts and the Home Owner's Association as well as obtain legal advice when necessary. Hawaii Coast Realty, LLC and its agents are not experts in this area.

- 8. Income Properties:** Where the Seller has provided information regarding the "rental history" of the subject property or the purchaser has acquired rental rates or occupancy information for similar properties from any source, purchaser acknowledges that they have not relied on Hawaii Coast Realty, LLC or any of its sales agents for these numbers and purchasers have been advised to make independent inquiry and analysis to their complete satisfaction.

- 9. Volcanoes and Vog:** The Island of Hawaii has several active and presently inactive volcanoes. In addition, the U.S. Department of the Interior, Geological Survey, has classified various 'hazard zones' for lava flows. The locations of such hazard zones may affect the availability, limits, and cost of property and/or liability insurance. Other effects of volcanic activity that may occur include lava tubes which may be found under any Big Island property, periodic earthquakes and varying degrees of "vog" (volcanic smog) in the air which some people may be sensitive to. Buyer should contact the Hawaii County Civil Defense Agency who maintains or contributes to several websites concerning this subject. Further, Buyer is advised to contact the State of Hawaii Department of Health as well as their personal health care professional for information regarding recommended precautions.

- 10. Wastewater Disposal:** Many properties in Hawaii have individual cesspools and/or septic systems as the method of wastewater disposal. The State of Hawaii, Department of Health, the Environmental Protection Agency (EPA) and the County of Hawaii may require upgrades from cesspools to septic tanks or connection to locally available sewer systems. Additionally, EPA regulations required the proper closure of all Large Capacity Cesspools by April 5, 2005. A Large Capacity Cesspool includes any cesspool that services more than one "dwelling unit". A "dwelling unit" as defined by the EPA would include ohana, or mother-in-law quarters, or such other independent areas of a structure that contain a bathroom, a place to sleep, and a place to prepare meals (e.g. sink and countertop microwave). The EPA regulations require owner/operators of these Large Capacity Cesspools to register their Large Capacity Cesspool using the EPA's inventory form. The EPA recommends that owner/operators submit a compliance plan demonstrating when they will complete an upgrade and closure of their Large Capacity Cesspool. Failure to have met this deadline subjects the property to enforcement action by the EPA which may result in a maximum administrative penalty of \$157,500. Buyers of Properties that have cesspools are specifically advised to contact the State of Hawaii, Department of Health, the EPA and the County

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of Hawaii for information about requirements related to waste disposal and acknowledge they have not relied on any Seller's or Broker's representations concerning this matter.

- 11. Tree Frogs:** Caribbean Tree Frogs (including the "Coqui" frog) have been expanding into various areas of the Big Island. Because the frogs are nocturnal, Buyer and their Realtor may not hear any of the chirping sounds associated with the frogs during daytime hours. Buyer is advised to visit the subject property in the evening during the inspections period, C-51, to determine the level of frog infestation, if any. Buyer should also be aware that the level of the noise may vary with such factors as weather, temperature, time of night, increase or decrease in the level of infestations and other variables. Hawaii Coast Realty, LLC and its agents make no representations that any property or area is free of these frogs.
- 12. Invasive Species, Pests, Molds, and Allergens:** There are many species of plants, animals and molds, or allergens in Hawaii that are considered "invasive" or a pest or a nuisance or may cause health problems to people with specific sensitivities. Hawaii Coast Realty, LLC and its agents are not trained to identify the existence of any of these species or to assess the impact of that any of these species may have on residents of the subject property. Such species might include but are not limited to, pigs, feral cats, mongoose, fire ants, frogs, molds, various plants and trees and numerous others. Should any of these species or issues be a concern when purchasing a property, the Buyer is hereby advised to consult with a specialist trained in the appropriate field (biologist, entomologist, botanist, physician, etc) to determine if these species are present in the vicinity of the property or will have an impact on their enjoyment or use of the property.
- 13. Unexploded Ordnance:** Many areas of the island have been used as a Military Maneuver Areas or Training Ranges. In areas where land has not previously been developed there is a possibility that unexploded ordnance (UXO) could be in the area. Some of this ordnance has been removed; however, some areas may still be at risk to the presence of the UXOs. This could be dangerous, and all individuals are cautioned to avoid these open areas until a determination has been made. If this is an area of concern the Buyer should contact the Army Corp of Engineers District Office in Honolulu where maps may be available for that specific area.
- 14. School District Impact Fees:** The Department of Education has begun designating School Impact Fee Districts. These fees may be different in different districts and can be imposed on new development (which is currently defined to also include "current zoned parcels", i.e. vacant lots). It is anticipated that these fees will usually amount to less than \$10,000.00, though it could be more. Therefore, buyers of vacant land are encouraged to contact the Department of Education and the Building Department to investigate this issue to their satisfaction and agree that they have not relied on information provided by Hawaii Coast Realty, LLC or its agents.
- 15. Foreign and/or Non-Resident Buyers or Sellers:** Specific attention is called to Section P of the Purchase Contract regarding Hawaii Real Property Tax Act (HARPTA) & Foreign Investment in Real Property Tax Act (FIRPTA). Buyers are encouraged to read this section of the Purchase Contract thoroughly and understand that these acts may pertain to them if and when they sell their Hawaii property if they are not residents of the state of Hawaii.

Buyer understands that Hawaii Coast Realty, LLC and its agents have primarily relayed information from 3<sup>rd</sup> party sources and do not warrant that this information is complete or accurate. Buyer is advised to conduct their own independent due diligence on ALL matters that Buyer deems material or important to this purchase. Buyers and Sellers should refer to qualified experts in various professional fields, including but not limited to governmental authorities, attorneys, certified public accountants, architects, engineers, contractors, health providers and other appropriate professionals for detailed evaluation where additional clarification or information is desired.

The undersigned acknowledges having read and received a copy of the foregoing.

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Buyer's acknowledgment of receipt

Date

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Buyer's acknowledgment of receipt

Date