

MCCORRISTON MILLER MUKAI MACKINNON LLP

ATTORNEYS AT LAW

September 3, 2013

Via Electronic Mail and U.S. Mail

Mr. Daniel Orodener
Executive Officer
Land Use Commission
Department of Business, Economic
Development and Tourism, State of Hawaii
235 South Beretania Street, Suite 406
Honolulu, Hawai'i 96813

Re: In the Matter of the Petition of Kaonoulu Ranch
Docket No. A-94-706

Dear Mr. Orodener:

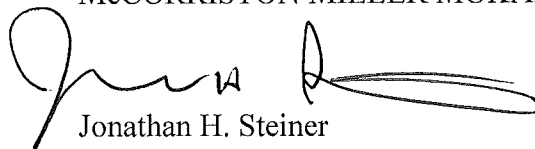
Enclosed herewith are an original and two extra copies of the Eighteenth Annual Report of Honua'ula Partners, LLC, Successor Petitioner to Kaonoulu Ranch, for the year 2013.

Honua'ula Partners, LLC respectfully requests that the Commission accept the enclosed as the Annual Report for 2013.

In addition, we would appreciate it if you could please file-stamp the enclosed copies and return them to our office in the enclosed stamped, self-addressed envelope. Thank you for your assistance in this matter.

Very truly yours,

MCCORRISTON MILLER MUKAI MacKINNON LLP



Jonathan H. Steiner

JHS:ej

Enclosure

cc: Jesse Souki, State Office of Planning (w/enclosure)
William Spence, Director of Planning, County of Maui (w/enclosure)
Bryan Yee, Esq. (w/enclosure)

2013 SEP -9 A 7:34
LAND USE COMMISSION
STATE OF HAWAII

**BEFORE THE LAND USE COMMISSION
OF THE STATE OF HAWAII**

In the Matter of the Petition of

Docket No. A94-706

KAONOULU RANCH To Amend the
Agricultural Land Use District Boundary into
the Urban Land Use District for approximately
88 acres at Kaonoulu, Makawao-Wailuku,
Maui, Hawaii; Tax Map Key Nos. 2-2-02:por.
of 15 and 3-9-01:16

2013 SEP -9 A 7:34
LAND USE COMMISSION
STATE OF HAWAII

**EIGHTEENTH ANNUAL REPORT OF HONUUA`ULA PARTNERS, LLC,
SUCCESSOR PETITIONER TO KAONOULU RANCH (2013)**

TO THE HONORABLE LAND USE COMMISSION OF THE STATE OF HAWAII:

COMES NOW HONUUA`ULA PARTNERS, LLC (the "Successor Petitioner")¹,
successor-in-interest to MAUI INDUSTRIAL PARTNERS, LLC ("MIP"), in regards to the real
property which is the subject matter of Docket No. A94-706, as referenced above, and pursuant
to Condition No. 17 of the Findings of Fact, Conclusions of Law, and Decision and Order issued
on February 10, 1995 (the "D&O"), hereby submits this Eighteenth annual report of compliance
with the conditions established by said approval, for the year 2013, as follows:

General Progress of the Project

Kaonoulu Ranch (the "Original Petitioner") obtained a Community Plan
Amendment and Change in Zoning for the Petition area referred to above (the "Petition Area").
On May 12, 2005, MIP purchased the fee simple interest in the Petition Area from the Original
Petitioner, together with all of the interests in the Petition Area and its entitlements.

¹ Honua`ula is the current owner of one of the seven parcels encumbered by the D&O. Honua`ula owns tax map key parcel (2) 3-9-001:169 (hereinafter, the "Honua`ula Parcel"). The remaining seven parcels encumbered by the D&O, tax map key parcels: (2) 3-9-001:016 and 170-174, are owned by Piilani Promenade South, LLC and Piilani Promenade North, LLC (hereinafter "the Piilani Parcels"). This Annual Report only addresses the Honua`ula Parcel. Successor Petitioner understands that the owners of the Piilani Parcels will file their own separate annual report.

MIP actively engaged a consulting team to implement the plan of development for the project consistent with the D&O. MIP also involved the County of Maui and the State of Hawaii Department of Transportation (“SDOT”) in this effort. Subdivision of the Petition Area was applied for in September 2003, and civil construction plans for the Petition Area were submitted to the County of Maui in May 2005 addressing all requirements for preliminary subdivision approval. Final bonded subdivision approval was received by MIP on August 14, 2009, for both a large lot subdivision of the Petition Area and for an additional subdivided lot in the Petition Area required for construction of County of Maui water system improvements necessary for the subdivision. Subsequent to the finalization of the large lot subdivision, the Successor Petitioner purchased the Honua’ula Parcel from MIP. The other parcels were purchased by Piilani in 2010.

As required by Condition No. 5 of County of Maui Ordinance No. 3554, Successor Petitioner plans to develop and construct a 250 unit workforce affordable housing project on the Honua’ula Parcel, prior to completion of any market rate units on the land commonly referred to as Wailea 670. Honua’ula is the current owner/developer of Wailea 670. Construction of this workforce housing project is dependent upon and must follow the installation of certain infrastructure for the project to be developed on the Piilani Parcels.

On April 11, 2012 and April 18, 2012, Maui County issued to Piilani two grading permits, placing Piilani in a position to begin construction of on-site and off-site infrastructure for the Piilani Parcels. However, on May 23, 2012, Maui Tomorrow Foundation, Inc., South Maui Citizens for Responsible Growth, and Daniel Kanahale (collectively, “Intervenors”) filed a Motion for a Hearing, Issuance of Order to Show Cause, and Other Relief (the “Motion for Order to Show Cause”), which was granted on September 10, 2012. On September 11, 2012, the Commission entered a Prehearing Order, wherein it was stated that the Commission would first hold hearings to consider whether Piilani and Honua’ula had violated the 1995 D&O (hereinafter

“Phase I”). Thereafter, if a violation was found, the Commission would then proceed to hold hearings to determine whether reversion or other designation is the appropriate remedy (hereinafter “Phase II”).

On November 1, 2, 15 and 16, 2012, the Commission heard evidence and arguments in Phase I of the Order to Show Cause. At a meeting on February 7, 2013, a majority of the members of the Commission orally passed a motion finding that Piilani’s and Honua’ula’s proposed uses of the Piilani Parcels and the Honua’ula Parcel would violate Conditions 5 and 15 of the 1995 D&O, and that Condition 17 had also been violated. No written order reflecting that oral motion has been entered.

On April 18, 2013, Piilani filed Motion to Stay Phase II of the Order to Show Cause Proceeding. Therein, Piilani represented to the Commission that Piilani intended to file a motion to amend the 1995 D&O to allow Piilani to develop a project different from that originally presented to the Commission when the D&O was issued (hereinafter “the Motion to Amend”). Piilani requested that the Commission Stay Phase II to allow the Commission to consider the Motion to Amend. Honua’ula filed a joinder to that motion, committing not to commence development while the stay was in place. On June 27, 2013, the Commission granted the Motion to Stay Phase II of the Order to Show Cause Proceeding, and ordered that Phase II would be stayed, on the condition that Piilani file the Motion to Amend before December 31, 2013, and that no construction on the Property occur during the Stay.

Honua’ula understands that Piilani is in the process of preparing the Motion to Amend. Honua’ula will not commence any development of the Honua’ula Parcel while the stay is in place and until the Motion to Amend is heard by the Commission, unless Honua’ula seeks other relief from the Commission.

This Eighteenth Annual Report addresses compliance with the conditions of approval in the D&O for the Honua’ula Parcels. Honua’ula reserves the right to seek to amend or

delete any and all conditions in the D&O as appropriate, whether or not such amendments to said conditions are specifically indicated herein.

This Eighteenth Annual Report addresses compliance with the conditions of approval for the Honua`ula Parcel.

Report on Compliance with Conditions Imposed by Commission

The following states whether the conditions in the approval have been met:

1. The Petitioner shall obtain a Community Plan Amendment and Change in Zoning from the County of Maui.

This condition has been satisfied. The Community Plan Amendment was approved on March 20, 1998, and the Change in Zoning application was approved by the Maui County Council and became effective on May 25, 1999.

2. Petitioner shall cooperate with the State Department of Health and the County of Maui Department of Public Works and Waste Management to conform to the program goals and objectives of the Integrated Solid Waste Management Act, Chapter 342G, Hawaii Revised Statutes.

Successor Petitioner intends to cooperate with the State Department of Health and the Department of Public Works and Environmental Management, formerly a part of the Department of Public Works and Waste Management.

3. Petitioner shall contribute its pro-rata share to fund and construct adequate wastewater treatment, transmission and disposal facilities, as determined by the State Department of Health and the County of Maui Department of Public Works and Waste Management.

Successor Petitioner understands its obligation to contribute its pro-rata share to fund and construct adequate wastewater treatment, transmission and disposal facilities.

4. Petitioner shall fund and construct adequate civil defense measures as determined by the State and County Civil Defense agencies.

Successor Petitioner understands its obligation to fund and construct adequate civil defense measures.

5. Petitioner shall fund, design and construct necessary local and regional roadway improvements necessitated by the proposed development in designs and schedules accepted by the State Department of Transportation and the County of Maui. Petitioner shall provide traffic signals at the intersection of Piilani Highway and Kaonoulu Street, and shall submit a warrant study in coordination with the Department of Transportation. Petitioner shall also install a fence and appropriate screening, i.e. landscaping, etc., along the highway right-of-way in coordination with the State Department of Transportation. Petitioner shall provide for a frontage road parallel to Piilani Highway and other connector roads within the Petition Area, in coordination with other developments in the area with the review and approval of the State Department of Transportation and the County of Maui.

Successor Petitioner understands its obligation to comply with this condition. The Piilani Owners have received approval of the civil construction plans for the project to be developed on the Piilani Parcels from all of the above referenced agencies. For further information as to the Piilani Owners' plans to satisfy this Condition, Successor Petitioner directs the Commission's attention to the Eighteenth Annual Report which Successor Petitioner understands will be submitted by the Piilani Owners to the Commission.

6. Petitioner shall fund and construct adequate potable and non-potable water source, storage, and transmission facilities and improvements to accommodate the proposed project. Water transmission facilities and improvements shall be coordinated and approved by the appropriate State and County agencies.

Successor Petitioner understands its obligation to fund and construct adequate potable and non-potable water source, storage, and transmission facilities and improvements to accommodate the development of the Honua'ula Parcel. Civil construction plans for the Piilani Parcels approved by the County of Maui include improvements addressing both potable and non-potable water systems and waste water collection systems located within and outside the Piilani Parcels.

7. Petitioner shall participate in an air quality monitoring program as determined by the State Department of Health.

Successor Petitioner intends to participate in an air quality monitoring program if required by the Department of Health.

8. Petitioner shall fund the design and construction of its pro-rata share of drainage improvements required as a result of the development of the Property, including oil water separators and other filters as appropriate, and other best management practices as necessary to minimize non-point source pollution into Kulanihakoi Gulch, in coordination with appropriate state and county agencies, such as the following:

a. All cleaning, repairs and maintenance of equipment involving the use of industrial liquids, such as gasoline, diesel, solvent, motor oil, hydraulic oil, gear oil, brake fluid, acidic or caustic liquids, antifreeze, detergents, degreasers, etc., shall be conducted on a concrete floor, where roofed or unroofed. The concrete floor shall be constructed so as to be able to contain any drips or spills and to provide for the recovery of any spilled liquid. Water drainage from these concrete floors, if necessary, shall pass through a separator sump before being discharged.

The Successor Petitioner understands its obligation to comply with this condition.

b. All employees shall be instructed to immediately collect and contain any industrial liquid spills on the concrete floor and should be informed against discharging or spilling any industrial liquids. Employees shall be instructed to prevent any industrial liquid spills onto the bare ground.

The Successor Petitioner understands its obligation to comply with this condition.

c. Barrels for the temporary storage of used oil or other industrial liquids shall be kept on a concrete surface. The surface shall be bermed to prevent the loss of liquid in the event of spills or leaks. The barrels shall be sealed and kept under shelter from the rain. (The Department of Labor and Industrial Relations' Occupational Safety and Health regulations, sections titled, "Housekeeping Standards" and "Storage of Flammable or Combustible Liquids," shall be followed, along with the local fire code.)

The Successor Petitioner understands its obligation to comply with this condition.

9. Should any human burials or any historic artifacts, charcoal deposits, or stone platforms, pavings or walls be founds, the Petitioner shall stop work in the immediate vicinity and contact the State Historic Preservation District. The significance of these finds shall then be determined and approved by the Division, and an acceptable mitigation plan shall be approved by the Division. The Division must verify that the fieldwork portion of the mitigation plan has been successfully executed prior to work proceeding in the immediate vicinity of the find. Burials must be treated under specific provisions of Chapter 6E, Hawaii Revised Statutes.

The Successor Petitioner understands its obligation to comply with this condition.

10. A long term preservation plan for the petroglyph stone (Site 50-10-3746) that was removed from the project area shall be reviewed and approved by the State Historic Preservation Division. Long term preservation measures shall be implemented within 60 days after final approval of the preservation plan.

As stated in the Fifth Annual Report, the Original Petitioner prepared a long term preservation plan which has been approved by the State Historic Preservation Division, Department of Land and Natural Resources, State of Hawaii, a copy of which was transmitted to the Land Use Commission.

11. Petitioner shall contribute its pro-rata share to a nearshore water quality monitoring program as determined by the State Department of Health and the State Division of Aquatic Resources, Department of Land and Natural Resources.

Successor Petitioner understands its obligation to contribute its pro-rata share to a nearshore water quality monitoring program as it is determined.

12. Petitioner shall implement effective soil erosion and dust control methods during construction in compliance with the rules and regulations of the State Department of Health and the County of Maui.

Successor Petitioner understands its obligation to implement effective soil erosion and dust control methods during construction.

13. Petitioner shall create a buffer zone between lands designated as SF (Single-Family) by the County's Kihei-Makena Community Plan and industrial uses on the Property to mitigate impacts between future residential activities and the proposed industrial development.

The Successor Petitioner understands its obligation to comply with this condition.

14. In the event Petitioner sells its interest in the Project, Petitioner shall subject the Property to deed restrictions to run with the land which shall require the successors and assigns to comply with the terms and conditions set forth in the Commission's Decision and Order.

Successor Petitioner understands that it is required to comply with the terms and conditions in the Commission's Decision and Order and understands its obligation to comply with this condition.

15. Petitioner shall develop the Property in substantial compliance with the representations made to the Commission. Failure to so develop the Property may result in reversion of the Property to its former classification, or change to a more appropriate classification.

Successor Petitioner understands its obligation to comply with this condition. In the original Petition, the Petitioner proposed the construction of a commercial and light industrial subdivision, and attached to the Petition a conceptual plan for that project. In Phase I of the Order to Show Cause Proceeding, Honua'ula contended that the proposed affordable housing development that had been planned was in substantial compliance with the representations made to the Commission by the Original Petitioner. The Commission found in Phase I that this condition had been violated. Phase II of this proceeding has been stayed to allow Piilani to present a new proposed development in the Motion to Amend. Honua'ula is considering its options, but has agreed that no development of the Honua'ula Parcel will take place while the stay is pending. Honua'ula reserves all rights with respect to Phase II of the Order to Show Cause Proceeding, including any appeal rights.

16. Petitioner shall give notice to the Commission of any intent to sell, lease, assign, place in trust, or otherwise voluntarily alter the ownership interests in the Property, prior to development of the Property.

Successor Petitioner understands its obligation to comply with this condition.

17. Petitioner shall timely provide without any prior notice, annual reports to the Commission, the Office of Planning, and the County of Maui Planning Department in connection with the status of the subject Project and Petitioner's progress in complying with the conditions imposed herein. The annual report shall include written documentation from each State and County agency responsible, indicating that the terms of the condition(s) are progressing satisfactorily or have been completed to the satisfaction of the agency. The annual report shall be submitted in a form prescribed by the Executive Officer of the Commission.

Successor Petitioner understands its obligation to comply with this condition, and submits this annual report in compliance therewith.

18. Petitioner shall record the conditions imposed herein by the Commission with the Bureau of Conveyances pursuant to Section 15-15-92 Hawaii Administrative Rules.

This condition has been satisfied. Petitioner has recorded a Notice of Imposition of Conditions with the Bureau of Conveyances of the State of Hawaii pursuant to Section 15-15-92 Hawaii Administrative Rules.

19. Within seven (7) days of the issuance of the Commission's Decision and Order for the subject reclassification, Petitioner shall (a) record with the Bureau of Conveyances a statement that the Property is subject to conditions imposed herein by the Land Use Commission in the reclassification of the Property; and (b) shall file a copy of such recorded statement with the Commission.

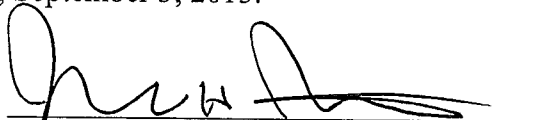
This condition has been satisfied. Petitioner has recorded a Document Listing Conditions to Reclassification of Land with the Bureau of Conveyances of the State of Hawaii and has filed a copy of the recorded document with the Commission.

20. The Commission may fully or partially release the conditions provided herein as to all or any portion of the Property upon timely motion and upon the provision of adequate assurance of satisfaction of these conditions by the Petitioner.

The Successor Petitioner understands that the Commission may fully or partially release the conditions provided herein.

Except as stated above, the responses in the Sixteenth annual report are still correct and remain unchanged.

DATED: Honolulu, Hawai'i, September 3, 2013.



CLIFFORD J. MILLER
JONATHAN H. STEINER

Attorneys for Honua'ula Partners, LLC

CERTIFICATE OF SERVICE

THE UNDERSIGNED HEREBY CERTIFIES that on this date a true and correct copy of the foregoing document was duly served upon the following parties at their last known address via U.S. Mail and electronic mail:

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DATED: Honolulu, Hawai'i, September 3, 2013.



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