



January 25, 2012

Land Use Commission
Department of Business,
Economic Development & Tourism
State of Hawaii
P. O. Box 2359
Honolulu, Hawaii 96804

Office of Planning
Department of Business,
Economic Development & Tourism
State of Hawaii
P. O. Box 2359
Honolulu, Hawaii 96804

County of Hawaii
Planning Department
Aupuni Center
101 Pauahi Street
Hilo, Hawaii 96720

RE: Annual Report for LUC Docket No. A89-637
Waikoloa Beach Resort, South Kohala, Hawaii

To Whom It May Concern:

As required by Condition 10 of the Decision and Order in the above-referenced docket, please let this letter serve as the annual report to the State Land Use Commission, the Office of State Planning, and the Hawaii County Planning Department concerning this boundary adjustment. Enclosed for your reference are the following: Location Map; Waikoloa Beach Resort Revised Master Plan; map of expansion area showing zoning changes; and map showing Waikoloa Beach Resort lot and file plan numbers.

General Project Progress:

Completion of construction on Waikoloa Homesites Venture's golf course (TMK: 6-9-08:por. 2), which commenced on January 26, 1995, remains deferred pending a change in market conditions, which will not support a project of this nature at this time. The Hawaii County Planning Commission at a meeting held on March 16, 2007, voted to approve the request for a six-year time extension to April 5, 2013, for Condition No. 12 (Complete Construction of Golf Course).

Hilton Grand Vacations Club continues construction of a 801 unit condominium project formerly, the Kings' Lands (TMK: 6-9-08:por.12).

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LAND USE COMMISSION
STATE OF HAWAII

Conditions and Compliance:

- " 1. Petitioner shall provide housing opportunities for low, low-moderate, and moderate income Hawaii citizens as may be required by the County of Hawaii, provided that at least 30 percent (30%) of all residential units shall be at prices which families with an income range up to one hundred twenty percent (120%) of the County of Hawaii's median income can afford, and thirty percent (30%) of residential units at prices which families with an income of one hundred twenty to one hundred forty percent (120-140%) of the County of Hawaii's median income can afford.

"This condition may be fulfilled through projects or other means as may be mutually agreeable between the Petitioner and the Housing Finance and Development Corporation of the State of Hawaii and the County of Hawaii. The condition may also be fulfilled with the approval of the Housing Finance and Development Corporation and the County of Hawaii of rental units to be made available at rents which families in the specified income ranges can afford. This affordable housing requirement shall be implemented concurrently with the completion of the market units for the residential project. The determination of median income, as that term is used in this condition, shall be based on median income figures that exist at the time that this condition must be implemented."

Compliance: With the dedication of 300 net acres in land in Waikoloa Village and other considerations involved in the transaction, the County of Hawaii, Office of Housing and Community Development has acknowledged that this condition has been fulfilled.

Completed affordable housing projects on the 300 acres are: the 177-unit Paniolo Estates single family demonstration affordable housing project consisting of 41 two-bedroom, two-bath homes and 136 three-bedroom, two-bath homes; the 48 two-bedroom, one-bath units within the Ke Kumu Ekahi multi-family subsidized rental project; the 16 two-bedroom, 10 one-bedroom Ke Kumu Elua rental apartment project; and the 20 three-bedroom, one-bath HUD project adjacent to the Ke Kumu projects.

- " 2. Petitioner shall ensure that a buffer along the boundary of the Property fronting the Queen Kaahumanu Highway right-of-way will be preserved to protect open space and scenic views. This buffer area shall be preserved in perpetuity through the establishment of a conservation easement pursuant to Chapter 198, HRS, as amended, or such other means as shall be reviewed and approved by the Office of State Planning of the State of Hawaii.

"The buffer area shall extend makai of the Queen Kaahumanu Highway right-of-way to a depth of approximately eight hundred (800) feet. The first two hundred (200) feet of the buffer area shall be comprised of natural open space. The buffer area extending between two hundred (200) feet and eight hundred (800) feet from the Queen Kaahumanu Highway right-of-way shall be comprised of open space of which golf courses are the only permitted use. Golf related recreational, maintenance, parking, and other obtrusive structures shall not be allowed within the conservation easement. The depth of the buffer area may vary and the actual boundary lines of the buffer area may meander to a lesser or greater depth to accommodate the project's development plan and preservation of natural open space and scenic views so long as the average depth is eight hundred (800) feet. Exceptions shall be made for infrastructure improvements, corridors, or entry features that may be necessary to service the developed portions of the Property."

Compliance: As reported previously, Waikoloa Homesites Venture's motion to clarify that their proposed buffer zone for Lot 1, File Plan 2013, to conform to this condition, was granted by the State Land Use Commission on March 19, 1992. It is planned that easement(s) will be created during the subdivision process for the remaining lands abutting the buffer area.

- " 3. Petitioner shall participate in the funding and construction of present and future transportation improvements at project access points as identified and deemed necessary by the State Department of Transportation. Such improvements may include a highway overpass, underpass, and diamond interchange. The Petitioner shall also participate in the funding and construction of other on-site and off-site transportation improvements necessitated by the proposed development and in designs and schedules accepted by and coordinated with the State Department of Transportation, provided that the extent of the Petitioner's participation shall not exceed its share of the increased community traffic impacts in the region and, provided further that, in the event the County adopts an impact fee for transportation improvements, the foregoing requirements shall not include or double count the cost of any specific traffic improvements which may also be included in the County's impact fee computation.

"Petitioner shall monitor the traffic attributable to the development proposed on the Property at on-site and off-site locations and shall undertake subsequent mitigative measures that may be reasonably required. These activities shall be coordinated with and approved by the Department of Transportation."

Compliance: A consultant for Hilton Grand Vacations Co., LLC and its related Hilton entities submitted a Traffic Analysis for the Waikoloa Beach Resort to the State Department of Transportation, in accordance with Hilton's obligation to build all traffic and other improvements at the intersection of Hilton's subdivision roadways and Queen Kaahumanu Highway. In brief, Hilton's proposed project would extend Waikoloa Beach Drive to Queen Kaahumanu Highway, creating a new signalized cross intersection with Waikoloa Road, including right, through, and left turn lanes on all approaches with acceleration and deceleration lanes on Queen Kaahumanu Highway.

On November 5, 2009, representatives of Waikoloa Development Co. ("WDC"), Hilton Kingsland 1, LLC, Hilton Kingsland 2, LLC, and Hilton Resorts Corp. (collectively "Hilton"), the County of Hawaii, and the State Department of Transportation ("DOT") attended a meeting at the County of Hawaii Planning Department.

At that meeting, County representatives stated that the County was requiring improvements at the intersection of Queen Kaahumanu Highway and the Waikoloa Beach Drive extension ("the North Intersection") in connection with Hilton's subdivision and development of Hilton's time share project. State DOT representatives also stated that—consistent with the DOT's prior comments on Hilton's subdivision application—the DOT is requiring construction of a four-way, channelized, signalized intersection at the North Intersection.

Hilton is contractually obligated, at its sole cost, to (1) plan and construct all traffic and other improvements at the intersection of Hilton's subdivision roadways and Queen Kaahumanu Highway or otherwise required in connection with or as a result of the development or subdivision of Hilton's property, whether attributable solely to Hilton's property or the cumulative effect of existing or anticipated development within the Waikoloa Beach Resort and surrounding areas, and (2) construct all improvements and perform all obligations under the January 9, 1990 Decision and Order and County of

Hawaii Zoning Ordinances 265, 85-75, and 91-112 which affect or are applicable to the Kings' Lands or which are applicable to or result from the development and use of the Kings' Lands, including but not limited to all infrastructure improvements or traffic improvements to the Queen Kaahumanu Highway.

Hilton has not yet advised WDC when Hilton will complete construction of the North Intersection improvements.

- " 4. Petitioner shall provide its pro rata share for police, park, fire, and solid waste facilities as may be required by and to the satisfaction of the County of Hawaii."

Compliance: By Resolution No. 524 92 (Draft 2), the County of Hawaii has acknowledged that Waikoloa Land Company and its affiliated companies have fully satisfied all police, emergency and fire related services.

As reported previously, Waikoloa Development Co. completed an Integrated Solid Waste Management Plan report covering both the Resort and Village/Highlands areas. A copy was furnished to the County of Hawaii. In addition, we have been, and continue to be, active participants in the implementation of the County's own integrated solid waste management plan.

Waikoloa Development Co. has set aside the beach parcel, trails and numerous historic preserves within the Waikoloa Beach Resort and assisted in developing the Waikoloa Village Community Park. In addition, 22,471 acres of land in the Village has been leased to the County by Waikoloa Development Co. for the development of an active park/playfields on 4.5 acres, with dedication to follow upon completion by the County of the subdivision of the parcel into the park site and future intermediate school site, which will eventually be dedicated to the State.

- " 5. Petitioner shall provide its pro rata share for school facilities as may be required by and to the satisfaction of the State Department of Education."

Compliance: According to the Department of Education's memo to the Executive Office of the State Land Use Commission dated January 11, 1994, this condition has been satisfied.

- " 6. Petitioner shall establish a program to monitor groundwater and ocean water quality as specified by the State Department of Health. Should any adverse impacts affect the area as the result of the Petitioner's activities, the Petitioner shall immediately implement remedial and corrective actions to the satisfaction of the State Department of Health."

Compliance: The Waikoloa Beach Resort Water Quality Monitoring Program has been in place since being approved by the Planning Department in 1988. This program and the 1990 Water Quality and Marine Life Monitoring and Mitigation Plan for the Waikoloa Development were approved by the Department of Health on January 22, 1992 and by the Planning Department on August 6, 1993.

A second monitoring program, prepared by Waikoloa Homesites Venture, for its project on Lot 1, File Plan 2013, was approved by the Planning Department on May 1, 1992, and by the Department of Health on June 22, 1994.

On September 15, 2008 an updated environmental monitoring and mitigation plan was submitted to the County of Hawaii and the Department of Health for review and approval. This plan includes monitoring for nutrients, fecal coliform and enterococci and sediment analysis. The mitigation plan provides measures to protect the water quality and near shore environment.

The Annual Review of the Water Quality Monitoring Program for 2010 as with each year's annual report, was submitted to the State Department of Health-Environmental Management Division and to the County of Hawaii Planning Department by Dr. Richard Brock.

- " 7. Petitioner shall establish a pond management program for the monitoring of anchialine ponds on the Waikoloa Resort, whether or not the ponds are in the Property, as approved by the State Department of Land and Natural Resources and applicable federal agencies. Should any adverse impacts affect the ponds as the result of the Petitioner's activities in the Property, Petitioner shall immediately implement remedial and corrective actions to the satisfaction of the State Department of Land and Natural Resources and applicable federal agencies."

Compliance: Management of the Waikoloa Anchialine Pond Preservation Area is ongoing under the direction of the Pond Manager, Dr. Richard Brock of the University of Hawaii, and in accordance with the Waikoloa Anchialine Pond Research Program.

Ongoing monitoring of the ponds continues to indicate that the surrounding development is having no significant impact on the ponds. An Anchialine Pond Preservation Remediation Program has been in effect since 2004, when aggressive non-native species were placed in the ponds by visitors to the resort. Waikoloa has taken steps for the removal of tilapia within the anchialine ponds to protect the existing shrimp population.

- " 8. Petitioner shall design, locate and construct sewage treatment facilities as may be required by the County of Hawaii and the State Department of Health so as to minimize adverse impact on adjoining properties."

Compliance: On September 2, 2008, the Hawaii Public Utilities Commission approved the sale of the West Hawaii Water Company, West Hawaii Sewer Company and West Hawaii Utility Company to Hawaii Water Service Company. That sale was completed on September 2, 2008. Hawaii Water Service is a subsidiary of California Water Service Group. The operation of the West Hawaii Utility Company water reclamation plant is in compliance with agency regulations and is inspected annually by the Department of Health. Compliance with the rules and regulations of the Department of Health will continue.

- " 9. Petitioner shall immediately stop work on the impacted area and contact the State Historic Preservation Office should any archaeological resources such as artifacts, shell, bone, or charcoal deposits, human burial, rock or coral alignments, pavings or walls be encountered during the project's development."

Compliance: Should any archaeological resources be discovered during site work, we will immediately comply with this condition.

- "10. Petitioner shall provide annual reports to the Land Use Commission, the Office of State Planning, and the County of Hawaii Planning Department in connection with the status of the project and Petitioner's progress in complying with the conditions imposed."

Compliance: This letter represents the eighteenth annual report submitted in compliance with this condition.

- "11. Petitioner shall develop the Property in substantial compliance with representations made to the Land Use Commission in obtaining the reclassification of the Property."

Compliance: All permit applications and development submittals to date have been in substantial compliance with the representations made during the reclassification process.

- "12. Petitioner shall give notice to the Land Use Commission, the Office of State Planning, and the County of Hawaii Planning Department of any intent to sell, lease, assign, place in trust, or otherwise voluntarily alter the ownership interest in the Property covered in the Petition, prior to development of the Property and shall provide evidence that any successor in interest has a willingness and ability to develop the Property in substantial compliance with representations made to the Commission in obtaining the reclassification of the Property in concert and in compliance with the conditions herein."

Compliance: The developer has complied and will continue to comply with the requirements of this condition.

Most recently, on May 4, 2005, a letter was sent to the Land Use Commission in which it was stated the following: "WDC is planning on selling Lot 2, File Plan 2013, consisting of 303.704 acres ("Lot 2"), to Hilton Kingsland 1, LLC and Hilton Kingsland 2, LLC (collectively, the "Buyer"). Under the agreed upon form of deed, attached hereto (the "Deed"), Buyer agrees (a) that Buyer shall be responsible for and shall comply with any and all obligations under the Land Use Order which affect or are applicable to the Kings Lands (as that term is defined in the Deed) or which are applicable to or result from the development and use of the Kings Lands, (b) that Buyer shall take such remedial and corrective actions described in the Land Use Order as may be required by governmental authority with respect to the Kings Lands or the development or use thereof, (c) that Buyer shall cooperate with WDC in satisfying all reporting requirements imposed under the Land Use Order, (d) that Buyer shall cooperate with WDC in implementing, and shall comply with, all reasonable policies, procedures and managing and other plans and programs developed by WDC and its affiliates in satisfaction of the requirements of the Land Use Order. WDC shall continue to be responsible for all obligations under the Land Use Order for the Golf Course and Subdivision Roadways (as those terms are defined in the Deed). In addition, the Deed states that prior to development of Lot 2, Buyer shall submit all development plans to the Waikoloa Resort Association and WDC for review and approval.

- "13. The Commission may fully or partially release these conditions 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."

Compliance: When requesting the release of a condition, we will file the appropriate motions upon formal acknowledgment from the proper agencies of their satisfaction.

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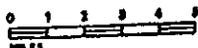
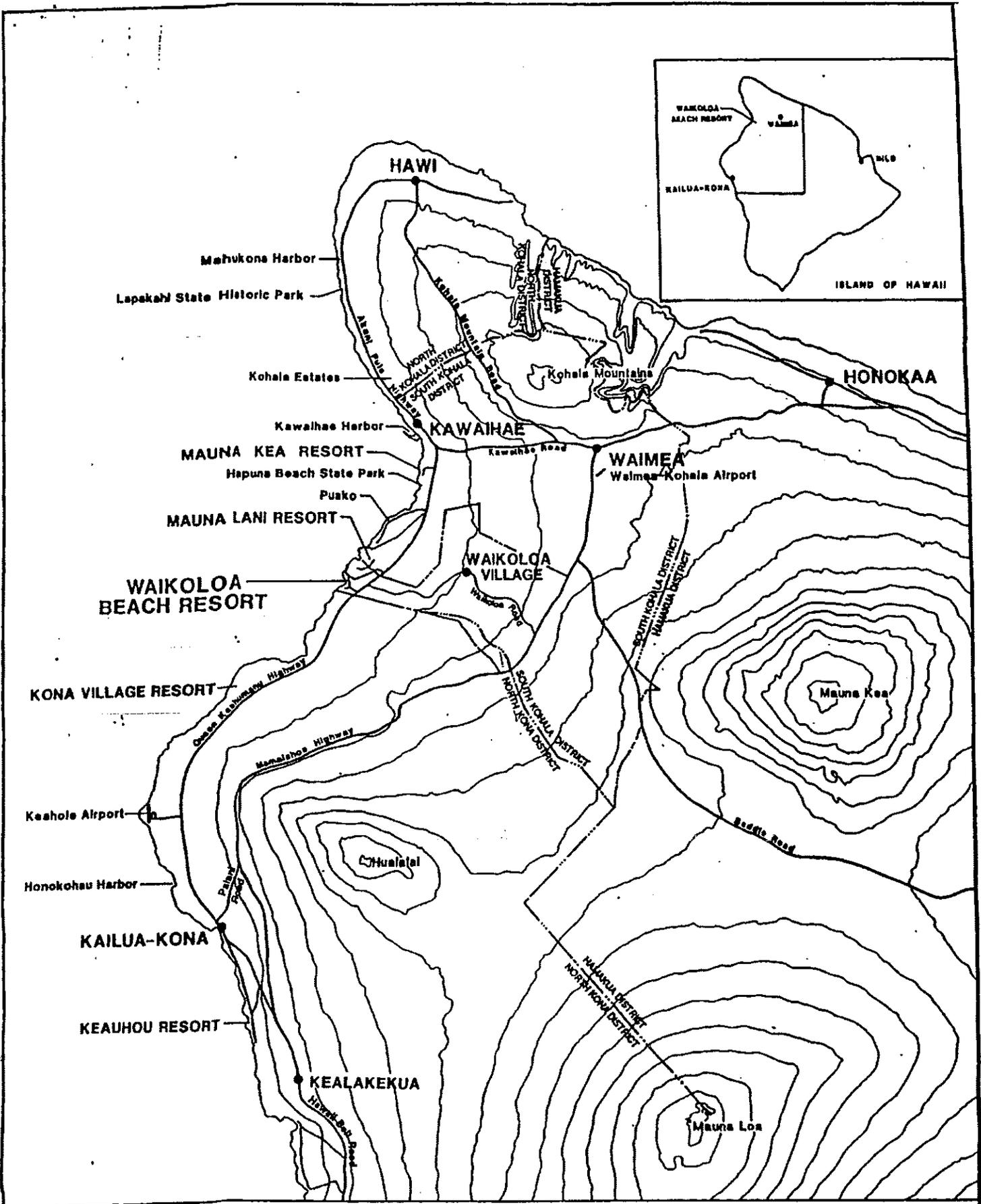
Your acceptance of this annual report is appreciated.

Respectfully submitted,

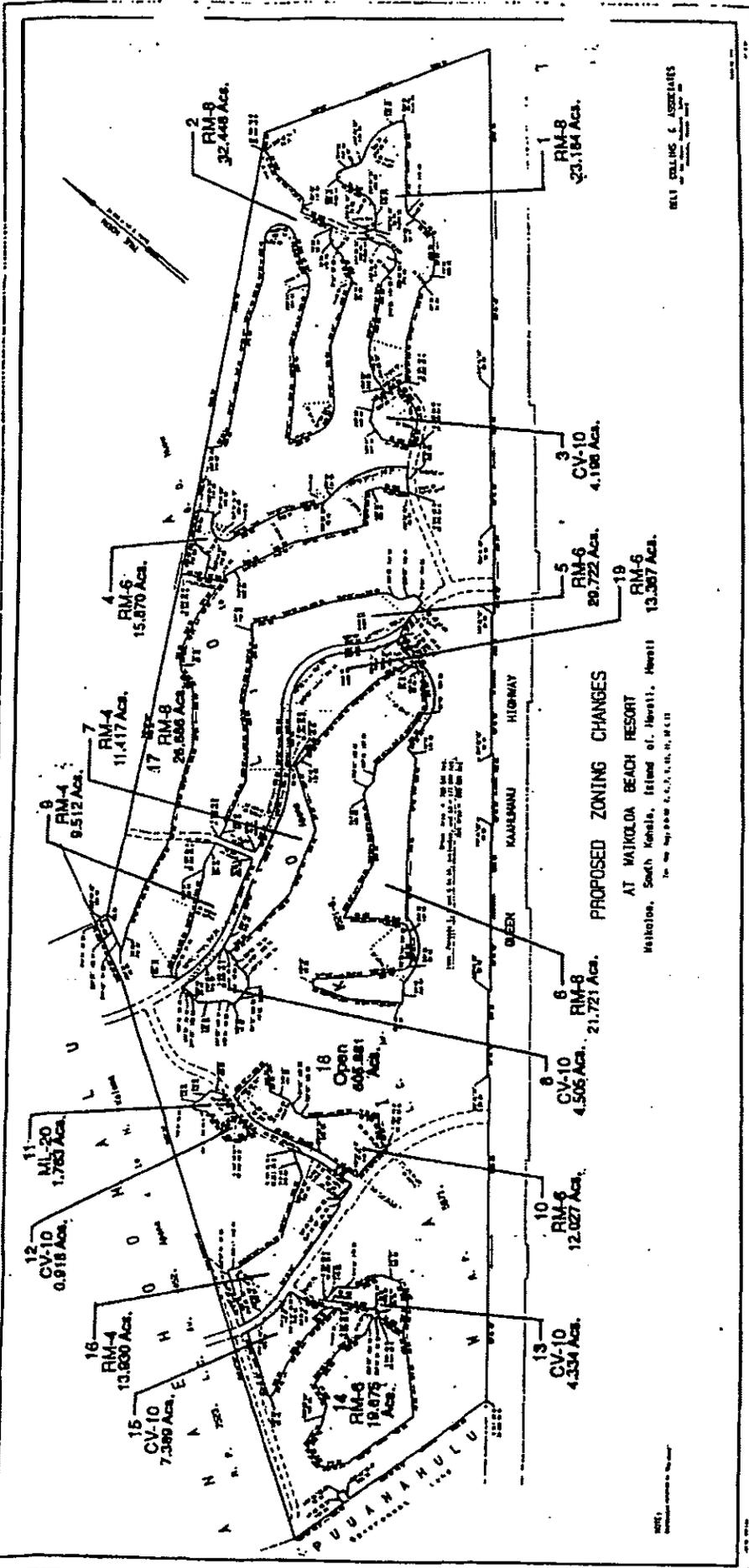
A handwritten signature in black ink, appearing to read 'Eleanor Mirikitani', with a long horizontal flourish extending to the right.

Eleanor Mirikitani
Land Administrator

c: Bill Yuen, Waikoloa Homesites Venture
Land Use Commission -- 2 copies, w/enclosures



LOCATION MAP



BELI COLLINS & ASSOCIATES

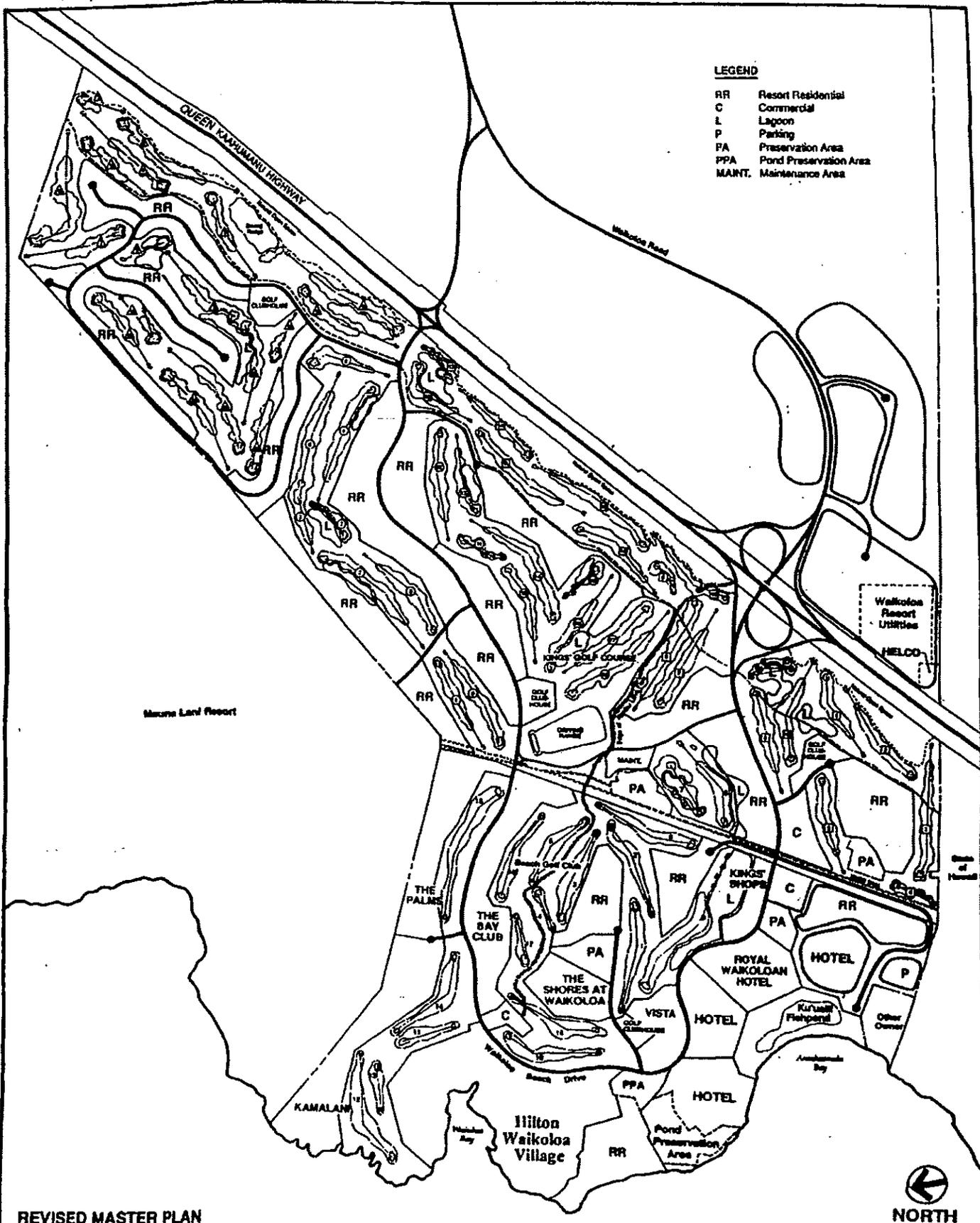
AT WAIKOLOA BEACH RESORT
 Waikoloa, South Kohala, Island of Hawaii, Hawaii

For the Applicant: C. J. ...

DATE: ...

LEGEND

- RR Resort Residential
- C Commercial
- L Lagoon
- P Parking
- PA Preservation Area
- PPA Pond Preservation Area
- MAINT. Maintenance Area



REVISED MASTER PLAN

WAIKOLOA BEACH RESORT
SOUTH KOHALA, HAWAII

AUGUST 22, 1981

Prepared by: *Bob Collins and Assoc.*
Honolulu, Hawaii

