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June 23, 2015

Daniel E. Orodenker
Executive Officer
Land Use Commission
Department of Business, Economic Development & Tourism
P.O. Box 2359
Honolulu, Hawaii 96804

Re: 2009-2011 Annual Progress Report Docket No. A81-525
Original Petitioner: Y-O Limited Partnership
Successor Petitioner: RCFC Kaloko Heights, LLC
TMK Nos: (3) 7-3-009:019, 032, 057, 058, 059, 060, 061 and 062

Dear Mr. Orodenker:

I am counsel for RCFC Kaloko Heights, LLC ("RCFC Kaloko"), Successor Petitioner in Land Use Commission (the "Commission") Docket No. A81-525. By Findings of Fact, Conclusions of Law and Decision and Order filed on January 19, 1983, amended, the Commission reclassified approximately 213.473 acres of land from the Agricultural District to the Urban District ("Increment I"), and granted incremental Urban redistricting to approximately 195.246 acres of land ("Phase II"), all of which is located in Kaloko and Kohanaiki, North Kona, Island of Hawaii. Increment I and Phase II are hereinafter referred to as the "Subject Property."

Since its acquisition of the Subject Property on January 22, 2013, RCFC Kaloko has been involved in reviewing development and phasing options for the proposed development, the various entitlements and related conditions. At the current time, it has engaged consultants to prepare preliminary plans for phased development, and been in discussion with affordable housing developers as to options for satisfying the affordable housing condition.

RCFC Kaloko is now evaluating the residential preferences, and is developing a final product that is geared towards meeting future housing demand and which is in substantial compliance with the terms of the Decision and Order, as amended.

As to infrastructure development, construction has commenced on a portion of the "Loop Road", which will serve as the primary arterial roadway for Phase I. RCFC Kaloko is in the process of fully improving the first section of this road for dedication to the County. In addition, as of June, 2014, the County of Hawaii Department of Water Supply confirmed that the prevailing facilities charge for 1,494 water units to serve both the Phase I and Phase II projects had been satisfied, and the total amount of payments and credits with DWS is now \$9,090,990.00. A water tank and pump system located on the water tank site previously

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dedicated to the County are being completed for further dedication to the County, and such improvements will be completed for dedication by the fall of 2015.

In compliance with Condition 4 of the Decision and Order, as amended, RCFC Kaloko hereby submits this annual report to provide the Commission with an update since RCFC Kaloko's progress report dated May 6, 2014. Regarding compliance with the conditions of the Decision and Order, as amended, RCFC Kaloko offers the following, listing in order the governmental "Condition" and RCFC Kaloko's "Response."

Compliance with Conditions of Approval in Docket No. A81-525

Condition 1: Petitioner shall provide housing opportunities for low and moderate income residents by offering for sale, on a preferential basis, on its own or in cooperation with both the Housing Finance and Development Corporation and the County of Hawaii, ten percent (10%) of the lots or houses and lots to be developed on the subject property, to residents of the State of Hawaii of low and moderate family income as determined by the Hawaii Finance and Development Corporation and the County of Hawaii from time to time. The preferential lots or houses and lots shall be offered for sale at prices not exceeding prices that enable such purchasers to qualify for and obtain state-assisted financing (e.g., Hula Mae) or federally-insured or assisted financing (e.g., FHA Section 245 Program) intended to encourage home ownership by low and moderate income families.

Response: Petitioner will satisfy this Condition. RCFC Kaloko has recommenced discussions with the County of Hawaii Office of Housing and Community Development on satisfying the affordable housing requirements of this Condition. RCFC Kaloko has been in discussions with housing developers as to alternatives for development of affordable housing, the dedication of land, or the sale of lots.

Condition 2: Petitioner shall afford lot purchasers public access from the subject property to Queen Kaahumanu Highway and to Mamalahoa Highway by participating in the construction of a roadway connecting the two highways and running through the subject property, the location and standard of design and construction of such roadway to be approved and accepted by the County of Hawaii. The Petitioner shall be responsible for constructing such portions of the roadway within the subject property. The Petitioner's participation for the portions of the roadway outside the subject property may be by way of loans, loan guaranties, purchase of county obligations or otherwise.

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Response: This Condition has been satisfied. As indicated in previous annual reports, Hina Lani Street, which extends beyond the Subject Property and runs from Queen Kaahumanu Highway to Mamalahoa Highway, was constructed and accepted by the County for dedication and has since been used by the public. In addition, the street lighting system and water transmission lines within the Subject Property have been completed and dedicated to the County. The channelized intersections at Mamalahoa Highway and Hina Lani Street, and Queen Kaahumanu Highway and Hina Lani Street are complete and have been accepted for dedication by the State Department of Transportation, Highways Division. The \$9,000,000 bond that was put up to construct the aforementioned roadway improvements along Hina Lani Street was satisfied in full as of September 2010.

Condition 3: Petitioner shall dedicate to appropriate State and County Agencies sufficient land for the provision of necessary public facilities.

Petitioner will satisfy this Condition. On July 29, 2001 Y-O delivered to the Department of Water Supply a dedication deed, which was accepted by the Department, for an approximately 1.5875 acre parcel of land to be used as a water reservoir site. RCFC Kaloko is currently engaged in completing punchlist items in order to complete the conveyance of a recently constructed 1.0 MG water reservoir to the County of Hawaii Department of Water Supply, and expects to complete such improvements and to dedicate the water reservoir improvements before year's end. \$3,000,000 had previously been spent to build the reservoir, in summer of 2006. Additional sites, including public park sites, will be provided for dedication to appropriate State and County agencies as development progresses. RCFC will also dedicate the project roadways to the County upon completion.

A 10MVA Substation has also been constructed, including transformer and switchgear, and installed underground 12KV feeder cables and vacuum switch (all of which was energized by HELCO as of December 2006). Total cost of the substation and feeder improvements was approximately \$515,000.00.

Condition 4: Petitioner shall submit annual progress reports to the Commission, Office of State Planning and Hawaii County Planning Department as to its progress in satisfying these conditions.

Response: Petitioner submits this annual report to satisfy Condition 4 for 2015.

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Condition 5: The conditions may be fully or partially released by the Commission as to all or any portion of the subject properties upon timely motion and provisions of adequate assurance of satisfaction of these conditions by the Petitioner.

Response: Petitioner will comply with this Condition.

Condition 6: 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.

Response: Petitioner will comply with this Condition. The Subject Property will be developed in substantial compliance with the representations made to the Commission.

Condition 7: 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.

Response: Petitioner will comply with this Condition.

Thank you for the opportunity to present KHA's annual report for 2015. RCFC Kaloko trusts that this annual report sufficiently appraises the Commission of the present status of the Subject Property. RCFC Kaloko is committed to satisfying the conditions of its LUC approval. Should you need more information, please do not hesitate to contact me.

Very truly yours,

LAW OFFICES OF YEH & MOORE

By 

THOMAS L.H. YEH

cc: RCFC Kaloko Heights, LLC
TLHYdb