

May 6, 2014

Daniel E. Orodener  
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

2014 MAY -7 A 7:45  
LAND USE COMMISSION  
STATE OF HAWAII

Dear Mr. Orodener:

I am counsel for RCFC Kaloko Heights, LLC ("RCFC Kaloko"), successor in interest to Kaloko Heights Associates, LLC ("KHA"), 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."

On April 27, 2011, KHA provided the Commission with a comprehensive report on KHA's development plans for Phase I, in addition to reporting on the improvements constructed by KHA within Phase 1. At the time, KHA reported that it and its investors had been involved in litigation which has since been settled. As a result of the settlement, KHA conveyed its interest in the Subject Property to our client, RCFC Kaloko, which conveyance closed on January 22, 2013. Since then RCFC Kaloko has been reviewing the elements of the proposed development, the various entitlements and related conditions, and has retained counsel and consultants to assure that the project continues to move towards development. RCFC Kaloko acknowledges that no annual reports were submitted for 2012 or 2013, and we apologize for not providing the Commission with an update on the development of the Subject Property sooner. As one might anticipate, time and energy was spent during the period after the last annual report focusing on resolving the internal issues and revisiting plans for the development of the Subject Property.

As you are aware, the effect of the recent global recession impacted the real estate development business. As a result, the Phase I residential construction was delayed by KHA.

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RCFC Kaloko is now re-evaluating the residential preferences, and is receiving final product elements that will be consistent with the future housing demand and which is in substantial compliance with the terms of the Decision and Order, as amended. .

Nearly 50% of "Loop Road" has been completed, which will serve as the primary arterial roadway for Phase I. In addition, as of June, 2013, 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.

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 KHA's report dated April 27, 2011. 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 per cent (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 recommended discussions with the County of Hawaii Office of Housing and Community Development on satisfying the affordable housing requirements of this Condition. Affordable units within area D-1 (see Kaloko Heights Conceptual Plan dated December 2007, enclosed as "Exhibit A"), remains the first area planned for development within the Subject Property.

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**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.**

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 is available for public use. 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 in the process of 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. \$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. RCFC will also dedicate the project roadways to the County upon completion.

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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.

**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 2012 through 2014.

**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. RCFC is currently reviewing project elements depicted in the Conceptual Plan dated December 2007, a copy of which is enclosed herein as Exhibit "A".

**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 2012 through 2014. RCFC Kaloko trusts that this annual report sufficiently appraises the Commission of the present

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status of the Subject Property. Should you need more information, please do not hesitate to contact me.

Very truly yours,

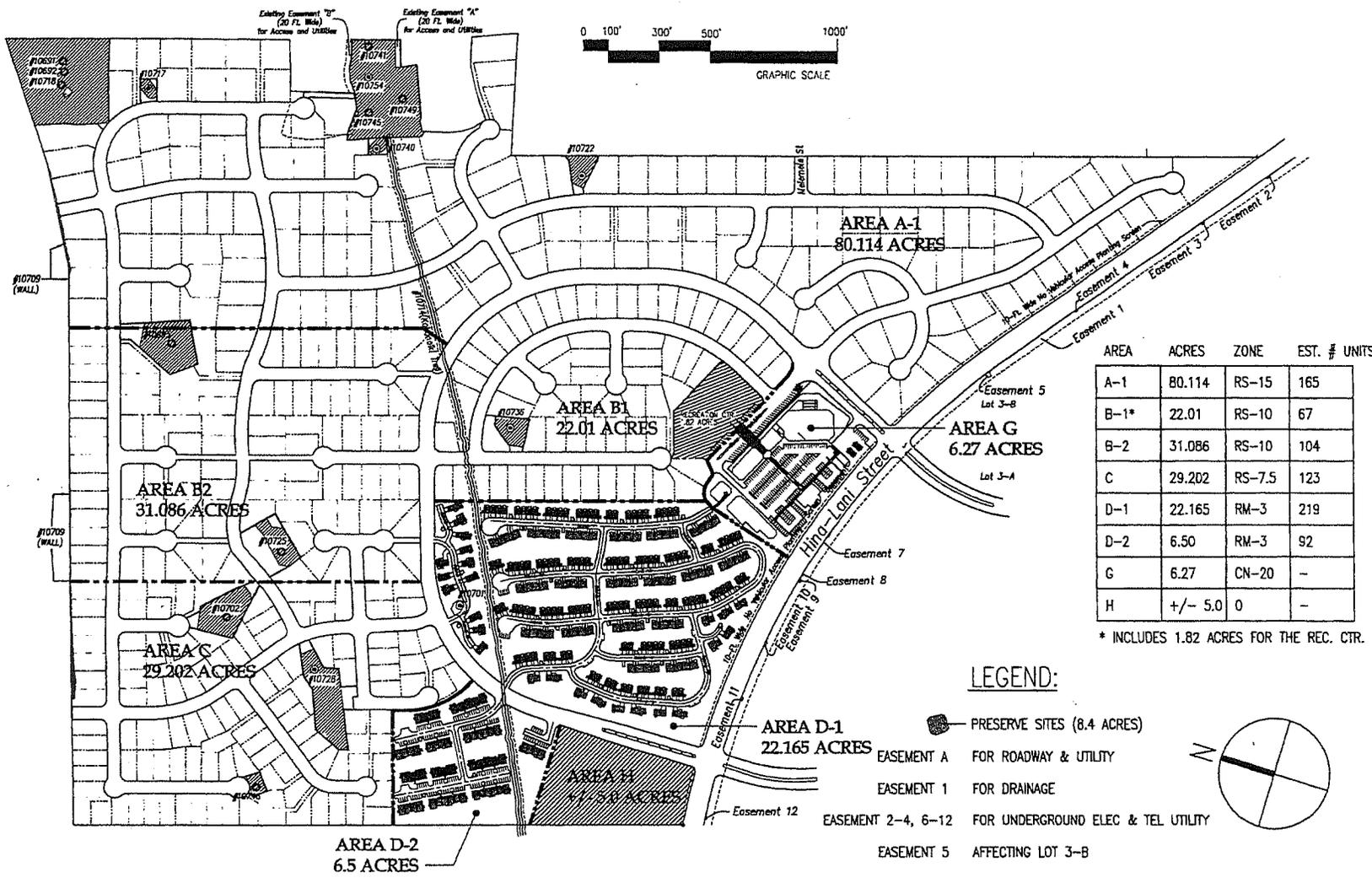
LAW OFFICES OF YEH & MOORE

By



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THOMAS L.H. YEH

Encl.  
cc: RCFC Kaloko Heights, LLC  
TLHY\db



**KALOKO HEIGHTS**  
A MASTER PLANNED COMMUNITY

**CONCEPTUAL PLAN**  
DEC. 2007

**CDS INTERNATIONAL**  
Architecture • Planning • Interior Design  
1001 Bishop Street • Pausahi Tower Suite 400 • Honolulu, HI 96813-3499  
Telephone: (808) 524-4200 • FAX: (808) 521-3766



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