



STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
LAND USE COMMISSION

P.O. Box 2359
Honolulu, Hawaii 96804-2359
Telephone: 808-587-3822
Fax: 808-587-3827

March 1, 2006

Mr. Michael H. Furukawa, Senior Vice President
Grove Farm
P. O. Box 662069
Lihue, Hawaii 96766-7069

Dear Mr. Furukawa:

Subject: Filing of the 2006 Annual Report
LUC Docket No. A94-703/The Lihue Plantation Company, Ltd.

This is to acknowledge receipt of the annual report for the subject docket dated February 13, 2006. Upon completion of our review of the annual report, we will submit our comments to you, if necessary.

Please note that we have requested the County of Kauai, Planning Department, to review and comment on the annual report, with the understanding that you have submitted a copy of the annual report to the County. Any comments they may have will be provided to you.

As a reminder, the LUC has developed a new procedure for filing annual reports with the LUC. The new procedure requires the following: (1) an original annual report to the LUC plus one copy; and (2) email a .pdf version of the annual report to Max Rogers, Staff Planner, at mrogers@dbedt.hawaii.gov. To initiate this new procedure, we request that you send a .pdf copy of this year's annual report to Max Rogers at your earliest convenience.

Thank you for your cooperation in this annual reporting requirement. Please do not hesitate to contact Max Rogers of my staff at 587-3822, should you require clarification or any further assistance.

Sincerely,

ANTHONY J. H. CHING
Executive Officer



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P.O. Box 2359
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March 1, 2006

Mr. Ian Costa, Director
Department of Planning
County of Kauai
4444 Rice Street, Suite 473
Lihue, Hawaii 96766

Dear Mr. Costa:

Subject: Filing of the 2006 Annual Report
LUC Docket No. A94-703/The Lihue Plantation Company, Ltd.

On February 15, 2006, the Land Use Commission received the annual report from the Petitioner filed pursuant to Condition No. 21 of the Findings of Fact, Conclusions of Law, and Decision and Order issued on January 4, 1996. As required by said conditions, we understand that the County of Kauai, Department of Planning has been served with a copy of the annual report.

We request your assistance in reviewing the annual report and provide us with any comments you may have regarding the Petitioner's compliance with conditions. We request that any comments that your agency may have be submitted to our office with a copy to the Petitioner by April 1, 2006.

Please do not hesitate to contact Maxwell Rogers of my staff at 587-3822, should you require clarification or any further assistance.

Sincerely,


ANTHONY J. H. CHING
Executive Officer



February 13, 2006

Mr. Anthony Ching
Executive Officer
Land Use Commission
State of Hawaii
Department of Business, Economic Development and Tourism
P.O. Box 2359
Honolulu, HI 96804-2359

Dear Mr. Ching:

Subject: 2006 Annual Report
LUC Docket No. A94-703
The Lihue Plantation Company, Limited
Decision and Order, January 4, 1996 (as amended on April 12, 1996)
Lihue-Hanamaulu Master Plan Project ("Project")

Submitted herewith are one original and two copies of this annual report. Copies of this report are also being provided to the State Office of Planning and the Planning Department, County of Kauai.

In July, 2001 Lihue Land Company, a Virginia limited liability company, purchased most of Lihue Plantation Company's lands, including the petition area, from Lihue Plantation. Under the terms of the purchase, Lihue Land Company accepted all obligations under this docket except for the Kaana Street improvements, which remained an obligation of Lihue Plantation. To avoid confusion it should be pointed out that Lihue Land Company and Grove Farm Company had common officers, directors and staff. In subsequent company organizational actions all the former Lihue Plantation lands have been placed under Grove Farm Company.

I. PROJECT PROGRESS

Concurrent with the processing of the above-captioned Petition for Boundary Amendment for the Project by the State Land Use Commission ("Commission"), the Petitioner submitted a Petition for a Zoning Amendment (Bill No. 1775) to the County of Kauai ("County") on August 25, 1995 (hereinafter "County Zoning Amendment"). Upon review and public hearings, the County Planning Commission recommended approval and the County Council approved the request on May 8, 1996 and the Mayor of Kauai signed the County Zoning Amendment into law on May 13, 1996 (Ordinance No. PM-326-96).

Petitioner continues to work on satisfying the conditions of approval for both the Petition for Boundary Amendment and the County Zoning Amendment that must be resolved

prior to applying for County Zoning Permits and/or receiving final approval of any subdivision. In 2005 Petitioner submitted an application for a large lot subdivision of the project area, generally along the zoning boundaries. Agency comments will be more detailed and conducive to identifying the specific projects needed in order to fully satisfy the conditions, especially those related to infrastructure.

Petitioner has also had discussions with several community groups and government agencies as to the possible inclusion or relocation of certain sites into the Project Area. As discussed in our previous annual reports and letters dated September 29, 1997 and October 17, 1997 the following agreements have been reached.

1. Sale of approximately 4.4 acres to the UH for a Tropical Fruit Disinfestation Facility.
2. Sale of approximately 6.5 acres to the State of Hawaii for a Judiciary Complex.
3. Sale of approximately 10.0 acres to the County of Kauai for a police station, civil defense and transportation facility.

The design of the Kaana Street roadway improvements from Kapule Highway to serve the Judiciary Complex and County's police station site was completed in 2001. Construction plans were put out to bid and a contract to construct was awarded to Goodfellow Bros. Construction was about to begin in early 2002 when Amfac, parent of Lihue Plantation, filed for bankruptcy. The ensuing bankruptcy proceedings delayed construction for nearly a year while new sources of funding were secured. Construction commenced in late 2002 and was completed in April 2003.

Petitioner is currently meeting with planning and engineering consultants to establish the development themes, standards and covenants for the Project.

II. COMPLIANCE WITH COMMISSION'S CONDITIONS

Progress towards compliance with the conditions of the Commission's approval referred to and incorporated in the Decision and Order dated January 4, 1996, as amended on April 12, 1996, is summarized below.

1. Petitioner shall provide affordable housing opportunities for low, low-moderate, and gap group income residents of the State of Hawaii to the satisfaction of the County of Kauai Housing Agency. The location and distribution of the affordable housing or other provisions for affordable housing shall be under such terms as may be mutually agreeable between the Petitioner and the County of Kauai.

Agreement between the Petitioner and the County of Kauai shall be obtained prior to the Petitioner applying for county zoning permits.

Status:

Petitioner is finalizing an affordable housing agreement with the County of Kauai Housing Agency; expected completion is February, 2006. Once the

agreement is completed it will be forwarded to the County Council for approval.

2. Petitioner shall provide its fair-share contribution for school facilities necessitated by the proposed Lihue-Hanamaulu Project, and for the benefit of the State Department of Education ("DOE"), as follows: Petitioner shall donate in fee simple, twelve (12) acres of off-site land in the Lihue district at Puhi, Kauai in an "as is" condition for an elementary school site. Agreement between Petitioner and the DOE as to the time of the conveyance(s) of the land(s) and the specific location of the twelve (12) acre site shall be obtained prior to the Petitioner applying for county zoning permits.

Status:

Petitioner has met with the Facilities Branch, State Department of Education ("DOE") and the County Planning Department ("Planning Department") to review the DOE's desired location of the twelve (12) acre elementary school site. Pursuant to the County Zoning Amendment, the Petitioner agreed to a condition of approval that provided the Planning Department and DOE a one-year time period to evaluate and resolve the desired school site. The original one-year time period expired on May 13, 1997 (one year after the date zoning was signed by Mayor). DOE requested subsequent extensions and Petitioner agreed to these extensions. In view of DOE's current need to expand its King Kaumualii Elementary School campus in Hanamaulu, DOE and Petitioner are pursuing the possibility of Petitioner providing 3 acres for King Kaumualii in exchange for credit against Petitioner's obligations under this docket.

In addition to this condition, the County of Kauai imposed a condition pursuant to Ordinance No. PM-326-96 requiring the Petitioner to reserve a 15-acre site within the "Ahukini Mauka" portion of the Lihue-Hanamaulu Project for a future school site. Although this ordinance contradicts the LUC's condition for a school site in Puhi, the DOE now prefers a site in Lihue-Hanamaulu because of its future growth potential and the infrastructure limitations in Puhi. The DOE plans to develop an elementary school on this site. Since the standard size for an elementary school is 12 acres, the DOE and Petitioner have agreed that 3 acres would be deducted from the 15-acre obligation and transferred to the "Hanamaulu Triangle" portion of this Project for the expansion of King Kaumualii Elementary School. We are working with DOE to memorialize this agreement. Should Petitioner and DOE come to terms on such an arrangement, appropriate agency approvals, including LUC, will be sought.

3. Petitioner shall participate in the pro rata funding and construction of adequate civil defense measures as determined by the State of Hawaii and County of Kauai civil defense agencies.

STATUS:

This condition is acknowledged. At such time that the detailed planning and engineering is substantially completed, Petitioner will participate in

resolving its pro rata funding and construction of civil defense measures as determined by the State and County civil defense agencies.

4. Petitioner shall participate in the funding and developing of water source, storage, and transmission facilities to serve the proposed development.

STATUS:

This condition is acknowledged. Petitioner submitted its Water Master Plan to the County of Kauai Department of Water on May 16, 2000 for its review and approval. Petitioner has developed a surface water treatment plant that will provide initial source capacity for the Project. This project was completed in 2005 with startup in January 2006.

Petitioner will work with the County of Kauai Department of Water to provide storage and transmission facilities for this Project, including the capacity, timing and specific locations of the new facilities.

5. Petitioner shall participate in the funding and construction of adequate wastewater treatment, transmission and disposal facilities, as determined by the State Department of Health and the County of Kauai.

STATUS:

This condition is acknowledged. Petitioner has met with and is working with the County of Kauai, Department of Public Works ("DPW"), to finalize a Wastewater System Preliminary Engineering Report for the Project. The Wastewater System Preliminary Engineering Report was submitted to the County of Kauai on March 3, 1998. The County, in consultation with the State Department of Health ("DOH"), will require acceptance of this report prior to approving the subdivision of the Project. Petitioner and County have agreed on terms to purchase some of the unused capacity from the County's Kauai Lagoons Sewage Treatment Plant to be used by the Project.

6. Should any human burials or any historic sites such as artifacts, charcoal deposits, or stone platforms, pavings or walls be found, the Petitioner shall stop work in the immediate vicinity and contact the State Historic Preservation Division ("Division"). The significance of these finds shall then be determine and 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.

STATUS:

Petitioner will comply with this condition.

7. Petitioner shall participate in the pro rata funding and construction of local and regional transportation improvements and programs including dedication of rights-of-way as determined by the State Department of Transportation ("DOT")

and the County of Kauai. Agreement between the Petitioner and the DOT as to the level of funding and participation shall be obtained prior to the Petitioner applying for county zoning permit or receiving final approval of any subdivision, whichever comes first.

STATUS:

Petitioner has initiated discussions with the State Department of Transportation ("DOT") and the County, and is working with the DOT to identify the level of improvements needed, timing and pro rata funding that Petitioner is required to provide. It is anticipated that such an agreement will be finalized in 2006.

8. Petitioner shall fund the design and construction of drainage improvements required as a result of the development of the Property to the satisfaction of the appropriate State of Hawaii and County of Kauai agencies.

STATUS:

Petitioner has prepared a drainage master plan, which was attached to the Environmental Impact Statement. As individual developments within the Project are planned the Petitioner will work with the appropriate County and State agencies to resolve details relating to the design of the required drainage improvements. Petitioner will also coordinate certain off-site drainage improvements with the Airports Division and with the Kauai Lagoons Resort as necessary.

9. Petitioner shall not construct single or multi-family residential, hotels, or transient lodging, and other noise sensitive public use structures (schools, day care centers, libraries, churches, health care facilities, nursing homes, or hospitals) within areas exposed to aircraft noise levels of 60 Ldn or greater as indicated on the 1994 and 2010 aircraft noise contours within the Petitioner's January 1995 EIS. Other public use structures (government services and office buildings serving the public, transportation facilities, and parking areas), commercial facilities, government facilities not normally accessible to the public, industrial and agricultural facilities, and recreational facilities (except for outdoor music shells, amphitheatres, professional/resort sport facilities, medial event facilities, etc.) are permitted within areas exposed to aircraft noise levels of 60 Ldn or greater. The State of Hawaii will not be responsible for mitigation of facilities developed within areas exposed to aircraft noise levels of 60 Ldn or greater.

STATUS:

Petitioner will comply with this condition.

10. Petitioner shall grant to the state of Hawaii an aviation (right to flight) easement in the form prescribed by the State of Department of Transportation ("DOT") and such easement and form shall be mutually acceptable to the DOT and the Petitioner.

STATUS:

Petitioner will comply with this condition.

11. Petitioner shall not construct any object that would constitute a hazard to air navigation at Lihue Airport as defined in Title 14, Code of Federal Regulations Part 77, (14 C.F.R. 77) and Title 19, Hawaii Administrative Rules Chapter 12 (19 H.A.R. 12), provided that this requirement shall be applicable to the construction of those improvements set forth in Petitioner's Exhibit 54, 55 and 56.

STATUS:

Petitioner will comply with this condition.

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

STATUS:

Petitioner has contacted the DOH and the DOH determined that there is no existing or planned air quality monitoring program for the subject Project area.

13. Petitioner shall cooperate with the State Department of Health and the County of Kauai Department of Public Works to conform to the program goals and objectives of the Integrated Solid Waste Management Act, Chapter 342G, Hawaii Revised Statutes, and the County of Kauai's approved integrated solid waste management plans in accordance with a schedule and timeframe satisfactory to the State Department of Health.

STATUS:

Petitioner will comply with this condition.

14. Petitioner shall implement efficient soil erosion and dust control measures to the satisfaction of the State Department of Health and County of Kauai.

STATUS:

Petitioner will comply with this condition.

15. Petitioner shall notify all prospective buyers of property that the Hawaii Right-to-Farm Act, Chapter 165, Hawaii Revised Statutes, limits the circumstances under which pre-existing activities may be deemed a nuisance.

STATUS:

Petitioner will comply with this condition.

16. Petitioner shall maintain the alignment of existing cane haul roads or shall provide alternative cane haul roads at its expense to serve any continuing sugarcane cultivation within the Property.

STATUS:

There are no ongoing sugar operations as the Lihue Plantation Company ceased its operations several years ago.

17. Petitioner shall initiate and fund a stream biological monitoring program. The monitoring program shall include quarterly monitoring as warranted, and be reviewed by the U.S. Fish and Wildlife Service, and approved by the State Division of Aquatic Resources, Department of Land and Natural Resources. Mitigation measures necessitated by this Project shall be implemented by the Petitioner if the results of the monitoring program warrant them. Mitigation measures, if necessary, shall be reviewed by the U.S. Fish and Wildlife Service, and approved by the State Division of Aquatic Resources, Department of Land and Natural Resources.

STATUS:

Petitioner has prepared a stream biological monitoring program plan that has been reviewed by the U.S. Fish and Wildlife Service and has received approval from the Division of Aquatic Resources ("DAR"), Department of Land and Natural Resources. Stream biological monitoring will be conducted in accordance with the plan.

18. Petitioner shall initiate and fund a nearshore and stream water quality monitoring program. The monitoring program shall be approved by the U.S. Fish and Wildlife Service, the National Marine Fisheries Service, the State Department of Health and the State Division of Aquatic Resources, Department of Land and Natural Resources. Mitigation measures shall be implemented by the Petitioner if the results of the monitoring program warrant them. Mitigation measures shall be approved by the U.S. Fish and Wildlife Service, the National Marine Fisheries Service, the State Department of Health and the State Division of Aquatic Resources, Department of Land and Natural Resources.

STATUS:

Petitioner has prepared a nearshore and stream water quality monitoring program plan and has revised the plan in accordance with reviewing agency comments. The monitoring program plan has since been approved by all of the above agencies. Monitoring will be conducted in accordance with the approved plan.

19. 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.

STATUS:

Petitioner will comply with this condition.

20. 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.

STATUS:

Petitioner will continue to comply with this condition. See discussion on the change in ownership on pages 1 and 2.

In September, 2005 the "Hanamaulu Triangle" portion of the project, TMK 3-7-03:020, was sold to DR Horton Schuler Homes LLC. Horton will develop a mix of affordable and market units on the parcel and is currently applying for developmental permits.

The State Department of Transportation Airports Division has expressed an interest in acquiring property in the Ahukini Makai parcel, TMK 3-7-02:001, for future expansion of the Lihue Airport facilities. It is our understanding that DOT-A will be conducting an appraisal of the parcel in the near future.

21. Petitioner shall timely provide without any prior notice, annual reports to the Commission, the Office of State Planning, and the County of Kauai 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 be submitted in a form prescribed by the Executive Officer of the Commission.

STATUS:

Petitioner will comply with this condition.

22. 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 Petitioner.

STATUS:

Petitioner is fully aware of this condition.

23. Within 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.

STATUS:

Petitioner has complied with this condition.

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

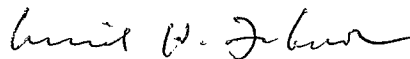
STATUS:

Petitioner has complied with this condition.

If there are questions please feel free to contact the undersigned at (808) 245-6719.

Sincerely,

GROVE FARM COMPANY



Michael H. Furukawa
Senior Vice President

C: State Office of Planning
Planning Department, County of Kauai