

K O O L I N A

HAWAII

November 16, 2012

Mr. Daniel E. Orodener
Executive Officer
Land Use Commission
State of Hawaii
P.O. Box 2359
Honolulu, Hawaii 96804-2359

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LAND USE COMMISSION
STATE OF HAWAII

SUBJECT: TWENTY SEVENTH ANNUAL PROGRESS REPORT
STATE LAND USE COMMISSION DOCKET NO. A83-562

Dear Mr. Orodener:

Ko Olina Development, LLC submits this Twenty Seventh Annual Progress Report (original and 2 copies) to the Land Use Commission ("LUC") pursuant to Condition 11 of the September 12, 1985 LUC Order in Docket No. A83-562. Copies are also being submitted to the Office of State Planning (1 copy) and the City & County of Honolulu Department of Planning and Permitting ("DPP") (9 copies).

I. Project Status

LUC Reclassification. On September 12, 1985, the LUC approved reclassification of approximately 642 acres at Honouliuli, Ewa, Oahu, Tax Map Key Nos. 9-1-14: portion of Parcel 2; 9-1-15: 3, 6, 7, 10, portion of Parcel 4; and 9-2-03: 3, 7, portion of Parcel 2 for development of a master planned community.

Zoning. On February 21, 1986, the City Council of the City and County of Honolulu approved the zone change set forth in the Unilateral Agreement and Declaration of Conditional Zoning, recorded in the State of Hawaii Bureau of Conveyances as Document No. 1354687. Ordinance 4300 approved the zone change from AG-1 Restricted Agricultural District to A-1 Low Density Apartment, A-2 Medium Density Apartment, H-1 Resort Hotel, B-2 Community Business and P-1 Preservation Districts. Subsequently on March 11, 2003, the City Council rezoned Ko Olina parcels 6a and 31 to B-1. Subsequently on January 28, 2004 and April 29, 2009, portions of Parcels, 38 and 56 were rezoned to B-2 and P-2.

SMP/SV. On March 12, 1986, Resolution No. 86-61 was issued for a Special Management Area Use Permit and a Shoreline Setback Variance (85-SMA-89 and 85/SV-14), for development of a master planned resort community, including the dredging of a marina and four swimming lagoons.

Conservation District Use Application. On March 14, 1986, the Board of Land and Natural Resources approved a Conservation District Use Application for 1) dredging of swimming lagoon channels; 2) installing of paths and viewing platforms; and 3) landscaping and shoreline modification on state-owned submerged lands adjacent to West Beach.

Corps of Engineers Permit. On September 9, 1986, the Department of Army, Corps of Engineers ("COE"), authorized a permit for the proposed marina and four swimming lagoons.

Subdivision Approval. On May 5, 1988, approval was granted to the revised proposed West Beach Resort Subdivision No. 2 of the Land Court Application 1069.

Governmental Approvals for Infrastructure Construction. All of the requisite infrastructure construction plans have received approval by the appropriate County agencies.

Ko Olina Golf Course. In June 1988, construction commenced for the 18-hole championship golf course, clubhouse, pro shop and the Niblick Restaurant. The golf course opened for business in January 1990. The clubhouse, pro shop and Niblick Restaurant opened in February 1991. In 2003, Niblick Restaurant was closed, redesigned, and renovated. It reopened in July 2004 as Roy's Ko Olina.

Ko Olina Visitor Center. The Visitor Center, in operation since November 1989, was closed in December, 1998. Operations were transferred to the Ko Olina Sales Center which opened that same date, and was sold to Marriott Vacation Club in 2000.

Ko Olina Chapel. Construction commenced in December, 1998 and it opened for business in April, 1999.

Ihilani Resort & Spa. In August 1990, construction commenced on the Ihilani Resort & Spa, a 390-room resort hotel. Construction was completed and the Ihilani Resort & Spa was opened for business in December 1993. A 20,000 s.f. pavilion addition was completed in October 2003 as part of a program to attract more incentive travel business.

Ko Olina Fairways. In June 1994, construction of the Ko Olina Fairways, a 280-unit townhouse project, commenced. To date, all 280 units have been completed and sold.

Ko Olina Marina. Phase I and Phase II of the Marina were completed and operations are ongoing. The planning and design of Phase III, which will include additional inwater work and necessary landside support facilities, have been initiated.

The Coconut Plantation. In August, 2000, sitework commenced on the Coconut Plantation project, which is a 270-unit, lowrise, multi-family condominium project developed by Brookfield Homes. Models opened in May 2001. Initial occupancy was in November 2001 and all 270 units are occupied. The project was completed in December 2004.

Marriott's Ko Olina Beach Club. Planning and design continues on Marriott's 750-unit timeshare project. Site work commenced in October 2000, and construction of Phase I Building A commenced in April 2001. A Sales Center and temporary parking facility opened in October, 2001. The initial phase, which includes 105 units and a grille/bar and a large recreation complex, was completed and occupied in January 2003. Phases 2 & 3 (Building B) construction started in

April 2004. Phase 2 was completed and occupied in December 2005, and Phase 3 was completed and occupied in June 2006. Phases 4 & 5 (Building C) construction started in July 2006. Phase 4 was completed and occupied in January 2009 and Phase 5 completed May & opened in August 2012. MVCI built a beach services and information kiosk in April 2011 in the vicinity of Lagoon 3.

Kai Lani. This 116-unit lowrise, multi-family condominium project, a joint venture of Armstrong Builders and Alexander & Baldwin, opened its sales office in December, 2001. Site work commenced in May, 2002, the models opened in August 2002 and construction of the production units started shortly thereafter. Initial occupancy occurred in February 2003. Currently all 116 units are occupied. This project was completed in March 2004.

Ko Olina Kai. Centex Homes, one of the nation's largest homebuilders, has developed Ko Olina Kai, a 324 unit low density residential (villas and single family homes) project, at Ko Olina Resort. Construction commenced February 2004. Sales commenced in April 2004. Initial occupancy was in January 2005 and to date all units have been occupied.

Ko Olina Hillside. Centex Homes also developed Ko Olina Hillside, a 174 unit low density residential project at Ko Olina. Construction commenced February 2005 and initial occupancy was in March 2006. To date all units have been occupied.

Ko Olina Beach Villas. Centex Homes also developed a 247 unit mid-rise condominium with the option of condo/hotel use at Ko Olina Resort. Construction commenced February 2006, and occupancy commenced in 2008. To date, all units have been completed and sold.

Entry. Construction of a new entry to the Resort commenced in June 2004 and was completed in January 2005. The new improvements enhance the entry experience, commensurate with the quality and ambience of Ko Olina Resort.

Marina Support ECHO Offices. Offices to accommodate the subject project in vicinity of the Ko Olina Marina were completed in December 2004 and are currently occupied.

Ko Olina Tennis Complex. A CUP was prepared, submitted and approved on August 11, 2004 for a tennis complex in vicinity of the Ko Olina Golf Club. It includes two tennis courts and a 1000± sq.ft. clubhouse facility. Construction commenced in March 2005 and was completed in November 2005.

Ko Olina Station. The HONU Group developed a 70,000 s.f. commercial complex at Ko Olina. Construction started 4/08 and initial occupancy started in 1st quarter 2010.

Ko Olina Parcels 54 & 55. An affiliate of Ko Olina Development has purchased Parcel 55 with a current plan of creating, in joint development with Parcel 54, a 700± unit hotel/timeshare/condo complex.

Ko Olina Yacht Club. A CUP application for construction of a Yacht Club at Ko Olina Marina was submitted to DPP on May 24, 2007, and approved on 10/29/07.

Ko Olina Parcels 13 & 15. An affiliate of Disney purchased the subject parcels and is developing a hotel/timeshare complex. Construction commenced January 2009 and initial occupancy was August 2011.

Boat Launch Ramp. Petitioner has filed various status reports and attended hearings with the LUC regarding the location of the boat launch ramp. The LUC has determined that the location of the boat launch ramp should be within the marina. Petitioner is planning to construct a boat launch ramp in the marina has been filing quarterly reports on the progress of the design, permitting and construction of the boat launch ramp with the LUC.

Seagull Schools developed a daycare center at Ko Olina and completed phase 1 in the first quarter of 2010. Phase II, administration and classrooms, was completed in the 4th quarter 2011.

II. Commission Conditions

Condition 1: Low and Moderate Income Housing

“Petitioner shall provide housing opportunities for low and moderate income Hawaii residents prior to assigning or transferring its fee simple interest to be acquired in the Property by offering for sale, on a preferential basis on its own or in cooperation with either or both the Hawaii Housing Authority and the City and County of Honolulu, a number of residential units equal to ten percent (10%) of the residential units, plus ten percent (10%) of the resort residential condominium units not operated as full-service hotel facilities to be developed on the Property, or in the alternative on other land to be acquired by the Petitioner, to residents of the State of Hawaii of low or moderate family income as determined by standards promulgated by the Hawaii Housing Authority and/or the City and County of Honolulu from time to time. The preferential residential units shall be offered for sale at prices not exceeding prices that enable such purchasers to qualify for and obtain State-assisted financing (e.g. Act 105 or Hula Mae) or Federally-insured or assisted financing (e.g. FHA Section 245 Program) intended to encourage home ownership for low and moderate income families.”

Status: Petitioner has developed and sold 136 affordable multi-family townhomes at Westloch Fairways and 256 affordable multi-family townhomes at Kulalani Village and Pae Ko Gardens within Villages of Kapolei 5 and 6, at prices 80% of median and below.

Condition 2: Ewa Water Master Plan and Removal of Class III Designation

“Petitioner shall, in coordination with the fee owner, Estate of James Campbell, lessees of the Estate of James Campbell, other developers in the Ewa region and appropriate State and County agencies, develop and implement an overall Ewa water master plan to assure that potable and non-potable water will be available to the Property in a timely and coordinated manner. This overall Ewa water master plan shall include provisions for accommodating

residential and agricultural water needs of Waianae coast farmers and the residents in order that the City and County of Honolulu Board of Water Supply Class III designation shall be removed for the Waianae area.”

Status: Petitioner, in coordination with the Estate of James Campbell, other developers in the Ewa region and appropriate State of Hawaii ("State") and County agencies have developed and begun implementation of an Ewa Water Master Plan to assure that potable and non-potable water will be available to the Property in a timely and coordinated manner. The County Board of Water Supply ("BWS") has approved the Ewa Water Master Plan. The Ewa Plains Water Development Corporation has dedicated the first six (6) wells and related 6.72 million gallons per day storage and transmission facilities to the BWS.

Condition 3: Off-Site Infrastructure

“Petitioner shall at its expense construct all off-site infrastructure improvements that are required by the appropriate State and County agencies.”

Status: At its own expense, Petitioner has completed the off-site infrastructure improvements that are required by the appropriate State and County agencies at this point.

Condition 4: Shoreline Access, Easements, and Parking

“Petitioner shall dedicate to the City and County public easements for shoreline access to the beach and lagoon areas to be developed on the Property from all internal roadways, and easements for recreational purposes for the use of such beach and lagoon areas and shall improve and dedicate areas for public parking stalls. The City and County of Honolulu Department of Land Utilization shall determine the location of the easements and number of parking stalls.”

Status: Construction plans have been approved and construction has been completed for approximately 20 acres of shoreline public parkway which provide for public recreation use along the shoreline and lagoons. This area includes four public access easements which provide public access from cul-de-sac roads to the parkway which borders the lagoon areas. Each public access easement includes a minimum of 20 parking stalls for public use, as required by the County Department of Land Utilization. WBE has opened all four lagoons and the shoreline area to the public, pursuant to a Public Access Master Plan approved by DPP. Dedication to the County is pending.

Condition 5: Fishing Shrine

“Petitioner shall preserve the Fishing Shrine (Site 1433) located in the park area on the northern portion of the Property.”

Status: The Fishing Shrine (Site 1433) has been preserved in place.

Condition 6: Sinkholes

“Petitioner shall test pit fifty percent (50%) of all sinkholes found on the Property larger than

a meter in diameter and shall fully excavate all sinkholes in which fossil bird bones are found during such tests. Petitioner shall loan the fossil remains to an appropriate historical, educational, or archaeological institution for investigation and/or preservation.”

Status: Archaeological mitigative measures, including the testing of sinkholes, were completed in November 1987 in accordance with a Data Recovery Plan which was reviewed and approved by the State Historic Preservation office ("SHPO"), National Advisory Council on Historic Places ("ACHP") and the COE. The fossil remains have been loaned to an appropriate historical, educational, or archaeological institution for investigation and/or preservation.

Condition 7: State Historic Preservation Office

“Petitioner shall submit its completed archaeological findings to the State Historic Preservation Office for review and comment before commencing with the proposed development of the Property. Petitioner shall comply with the State Historic Preservation office recommendations in implementing Petitioner's archaeological plan.”

Status: All of the archaeological mitigative field work has been completed in coordination with the SHPO. The final archaeological report was accepted by the SHPO on June 18, 2001.

Condition 8: Hotels

“Petitioner shall construct or cause to be constructed at least 4,000 hotel rooms and resort hotel condominium apartment units on the Property. Petitioner shall operate or cause to be operated at least fifty percent (50%) in number of such hotel rooms and condominium apartment units as full service hotel facilities.”

Status: The Ihilani Resort & Spa, a full service resort hotel of 390 hotel rooms, opened for business in December 1993. The Marriott timeshare, which operates as a full service hotel, has completed 548 of 750 planned units. Another 132 (132 confirmed) units in the Hale Naia Tower are under construction. Construction of 190 units in the Hale O’ahu Tower is scheduled to begin in April 2013. The balance of 12 units are located in the Sales Center in the Hale Kona Tower. Centex has completed 247 resort condominiums with the option of condo/hotel use. Disney’s Aulani hotel and timeshare opened Phase I August 2011. Phase 2 added 309 Rooms (179 DVC, 130 Hotel) as was completed August 2011. Disney is building 360 hotel rooms and 460 Disney Vacation Club timeshare units.

Condition 9: Noise

“Petitioner shall apply or cause to be applied sound attenuation on all residential units that are subject to aircraft noise contours greater than 60 Ldn. Petitioner shall include in all conveyances of apartments, townhouses or single family lots, in areas subject to aircraft noise contours greater than 60 Ldn, appropriate noise covenants approved by the State Department of Transportation.”

Status: Present plans call for sound attenuation measures to be applied on all residential units that are subject to aircraft noise contours greater than 60 Ldn and for appropriate noise covenants, approved by the State Department of Transportation, to be included in all conveyances of apartments, townhouses, or single family lots in areas that are subject to aircraft noise contours greater than 60 Ldn.

Condition 10: Incremental Zoning

“With respect to the cross hatched areas on Petitioner's Exhibit 29, identified as areas where construction of buildings may not be started within five years from the date of this approval, and more particularly identified on the map attached hereto as Exhibit A, and incorporated herein, Petitioner shall develop said lands only to the extent of mass grading and construction and installation of infrastructure improvements. Upon substantial completion of construction on the remainder of the Property, areas outside the cross hatched area on Exhibit A, Petitioner shall file a motion with the Commission to request the Commission's release of a restriction on building on cross hatched areas reflected on Exhibit A. Upon satisfactorily demonstrating to the Commission that Petitioner can substantially complete development of remaining area, the Commission shall allow construction on the cross hatched areas and release the building restriction.”

Status: This condition was deleted by the LUC's Order Granting Petitioner's Motion to Amend Findings of Fact, Conclusions of Law and Decision and Order Dated September 12, 1985, filed May 3, 1994, in In the Matter of West Beach Estates, Docket No. A83-562, Land Use Commission of the State of Hawaii.

Condition 11: Annual Progress Report

“The Petitioner shall submit annual progress reports to the Land use Commission, the Department of Planning and Economic Development and the Department of General Planning as to its progress in the development of the Property.”

Status: This Twenty Seventh Annual Progress Report, which will be submitted to the Commission, Office of State Planning, Department of Business Economic Development & Tourism and the Department of Planning and Permitting describes the progress in the development of the Property.

Condition 12: Reclassification of Marina Water Ways to the Conservation District

“Petitioner shall petition the Commission to reclassify the lands actually developed for the marina waterways to the Conservation District within two years of completion of construction of the marina.”

Status: Within 2 years of completion of construction of the marina, Petitioner will comply with this condition.

Condition 13: Development in Substantial Compliance with Representations Made to the Commission

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“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 intends to develop the Property in substantial compliance with the representations made to the Commission.

Condition 14: Notice to the Commission of Intent to Sell

“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: As mentioned above, Seagull Schools acquired a 1 acre site and developed a pre-school on the Resort.

Condition 15: Recordation of Conditions

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

Status: The conditions were recorded via (1) a Certificate and Authorization, dated October 8, 1985 and filed in the Bureau of Conveyances of the State of Hawaii as Document No. 85-115381, and (2) an Amendment, Certificate and Authorization, dated July 20, 1994 and filed in the Bureau of Conveyances of the State of Hawaii as Document No. 94-120723.

Sincerely,

Ko Olina Development, LLC
By Commercial Property Advisors, Inc., its Manager



By Jeffrey R. Stone, its President

c: Office of State Planning
Department of Planning & Permitting, City and County of Honolulu (9 copies)