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March 15, 1996

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LAND USE COMMISSION
STATE OF HAWAII

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

Re: Haseko (Hawaii), Inc., LUC Docket No. A89-645

Dear Ms. Ueda:

By this letter I am providing the State Land Use Commission with an annual progress report on behalf of my client, Haseko (Hawaii), Inc., regarding the status of the above-referenced boundary amendment. Copies of this report are also being provided to the Office of State Planning and the County of Hawaii Planning Department in accordance with the Decision and Order in the subject docket.

I. STATUS OF THE PROJECT

Since the March 16, 1995 report to the Land Use Commission, Haseko has not moved forward with this project due to the depressed state of the real estate market. In light of the continuing slump in real estate with the accompanying decrease in property values, demand and sales prices, Haseko is looking at ways to adapt to the changed market conditions. Thus, Haseko is trying to determine the feasibility of modifying its master plan to meet these new conditions. In particular, Haseko is re-evaluating the design of the Puuhonua project based on expectations of lower market housing prices. This re-evaluation is especially relevant in light of the State reconsideration of its affordable housing policies.

A major challenge to the feasibility of the Puuhonua project, under present market conditions with the prospect of lower market prices, has been the inability of Haseko to overcome higher off-site infrastructure costs, and sizable government exactions for community benefits, such as schools and affordable housing. Haseko has been actively looking for other developers to enter into a possible joint venture to develop and spread out the cost of the required affordable housing component for this project. However, as of the date of this report, Haseko has not been able to obtain a joint venture partner.

Haseko has also initiated preliminary engineering and costs studies this year with several consultants to determine whether the infrastructure costs for the Puuhonua project can be reduced to accommodate lower market prices and absorption rates.

II PROGRESS IN COMPLYING WITH THE LUC CONDITIONS OF THE DECISION AND ORDER

As indicated above, Haseko has not moved forward with the Puuhonua project since its last report to the LUC of March 16, 1995. Thus, there has not been any progress in satisfying the substantive performance conditions of the LUC Decision and Order. Haseko accordingly responds as follows regarding the performance of the conditions of the LUC approval:

Condition 1 - Affordable Housing

“Petitioner shall provide housing opportunities for low, low-moderate, and moderate income Hawaii residents by constructing and offering for sale or rent a number of residential units equivalent to at least thirty percent (30%) of the total residential units within the Project at prices which families with an income range of up to 120 percent of Hawaii’s median income can afford and at least thirty percent (30%) of the total residential units within the Project at prices which families with an income range of 120 to 140 percent of Hawaii County’s median income can afford. The “Project” includes the Property and the adjoining 15 acres. This affordable housing condition shall be satisfied by construction of housing units on-site. In the event that Petitioner does not receive all the required land use permit approvals from the County of Hawaii which would allow construction in substantial compliance with representations made before the Land Use Commission, then this condition shall be satisfied by the Petitioner by either the construction of on-site or off-site housing units or cash payments, or a combination thereof, that satisfy the then current housing needs, as approved by the State Housing Finance and Development Corporation and the County of Hawaii.”

As indicated above, the cost for the performance of this condition in light of the present market conditions has been one of the factors that have prevented Haseko from proceeding with the development of the Puuhonua project. Haseko is continuing to seek joint venture partners to develop its project in order to satisfy this condition.

Condition 2 - Participation in Funding of Ka'iminani Street/Queen Kaahumanu Highway Intersection

“Petitioner shall participate in the funding and construction of transportation improvements at the intersection of Ka'iminani Street and the Queen Kaahumanu Highway as deemed necessary by the State Department of Transportation, provided that the extent of the Petitioner's participation shall not exceed the Project's share of the increased community traffic impacts in the region. A schedule for the implementation of the Petitioner's participation in any regional transportation improvements, including the total costs paid by Petitioner for such improvements, shall be provided to the Petitioner by the State Department of Transportation within a reasonable time period after the effective date of this Decision and Order.”

No progress has been made on the performance of the condition during this reporting period. As indicated above, the cost of compliance with this condition is being considered by Haseko in its assessment of the feasibility of development at the present time under current market conditions.

Condition 3 - Water Source and Water Transmission Improvements

“Petitioner shall fund and construct the necessary water source and transmission facility improvements for the Property as are required by the County Department of Water Supply.”

As indicated in previous reports to the Commission, Haseko has located an off-site ground water source for the Puuhonua project and has drilled and tested a water well on the subject site. No further work has been done to complete the well in light of the status of the Puuhonua project.

Condition 4- Funding of Sewage Treatment Facilities

“Petitioner shall fund and construct the necessary sewage treatment facilities for the Property as are required by the State Department of Health.”

No progress has been made on the performance of the condition during this reporting period. However, the cost of the sewage treatment facilities is one of the infrastructure costs being reassessed by project consultants.

Condition 5 - Payment for Police, Parks, Fire and Solid Waste

“Petitioner shall pay for its pro rata share for police, park, fire, solid waste facilities as may be required by the County of Hawaii.”

No progress has been made on the performance of the condition during this reporting period. However, with respect to parks, the County rezoning ordinance for the property requires Haseko to provide an area within the project for a park site.

Condition 6 - Funding of School Facilities

“Petitioner shall pay for its pro rata share for school facilities as may be required by the State Department of Education. A schedule for the implementation of Petitioner’s participation in any school facilities, including the total costs to be paid by Petitioner for such facilities, shall be provided to the Petitioner by the State Department of Education within a reasonable time period after the effective date of this Decision and Order.”

No progress has been made on the performance of the condition during this reporting period. As indicated above, the cost of performance of this condition has been one of the factors which have prevented Haseko from proceeding with the Puuhonua project in light of the present market conditions.

Condition 7 - Plan for Mitigation of Impacts on Threatened Botanical Species

“Petitioner shall develop and implement a plan to mitigate the impacts of the Project on the endangered and threatened botanical species located on the Property in accordance with Federal and State guidelines. The plan shall be developed by the Petitioner prior to submission of a change of zone application for the Property to the County of Hawaii.”

There has been no progress on the performance of the condition during this reporting period. In accordance with the condition, Haseko previously prepared the required plan prior to its submission of its change of zone application to the County. There has been no implementation of this plan because there has been no development on the parcel.

Condition 8 - Plan for Mitigation of Dust During Construction

“Petitioner shall develop and implement a plan to mitigate the adverse impact on the air quality caused by the fugitive dust during the construction on the Property. The plan shall include, among other dust control measures, a provision for early landscaping of the Property. The plan shall be developed by the Petitioner prior to submission of a change of zone application for the Property to the County of Hawaii.”

No progress has been made on the performance of the condition during this reporting period. Haseko previously prepared a plan to mitigate the adverse impacts on the air quality caused by fugitive dust during construction, and submitted this plan to the County of Hawaii as part of its change of zone application. There has been no implementation of this plan because construction has not commenced on the project site.

Condition 9 - Historic Preservation and Data Recovery Plan

“Petitioner shall prepare a preservation and data recovery plan for all the significant historic sites on the Property, which plan shall be submitted to the Department of Land and Natural Resources, State Parks Historic Site Division and the County of Hawaii Planning Department for their review and approval.”

The required plan was submitted to and approved by the appropriate agencies several years ago. Accordingly, Haseko has satisfied the subject condition.

Condition 10 - Work Stoppage When Archaeological Resources Discovered

“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, paving or walls be encountered during the construction of the Project.”

Construction of the project has not commenced. Accordingly, no new archaeological resources have been discovered on the property.

Condition 11 - Funding of Baseline Study and Monitoring Program Regarding Impacts of Development upon Nearshore Waters

"Petitioner shall pay for its pro rata share for a baseline study and monitoring program regarding the impacts of the proposed development upon the nearshore waters as may be required by NELH and HOST Park. A schedule for the implementation of Petitioner's participation including the total costs to be paid by Petitioner shall be provided to the Petitioner by NELH and HOST Park within a reasonable period of time after the effective date of this Decision and Order."

No progress has been made on the performance of the condition during this reporting period. As indicated above, this cost is also a factor in assessing the feasibility of the development in light of current market conditions.

Condition 12 - Notice to the Land Use Commission of any Intent to Sell, Lease, Assign or Alter the Ownership of the Property Prior to Development

"Petitioner shall give notice to the Land Use Commission of any intent to sell, lease, assign, place in trust or otherwise voluntarily alter the ownership interest in the Property prior to the development of the Property."

Haseko has not actively marketed the property during this reporting period. However, Haseko has conducted preliminary discussions with individuals interested in developing the property. Haseko will advise the LUC of any firm commitment on its part to sell, lease, assign, place in trust or otherwise voluntarily alter its ownership interest in the property.

Condition 13 - Development of Property in Substantial Compliance with Representations Made to the Land Use Commission

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

The present development proposal is substantially the same as that presented to the Land Use Commission, except that fewer residential units have been permitted under the County Change of Zone Ordinance. As indicated above, Haseko is reassessing its development plan in light of current market conditions. Any changes in that plan will be provided to the Land Use Commission.

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Condition 14 - Annual Reports to the Land Use Commission

"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 in the Decision and Order."

This report is being submitted to the LUC to satisfy the subject condition. Also, copies of this report are being provided to the Office of State Planning and the Planning Department.

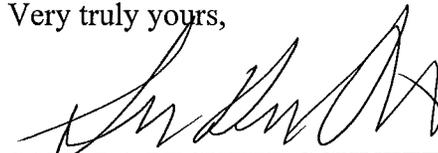
Condition 15 - Release of Conditions by the Land Use Commission

"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."

Haseko has not yet filed a motion with the LUC to release any of the written conditions.

If the LUC has any questions about this report, please contact this office.

Very truly yours,



SANDRA PECHTER SCHUTTE

cc: Alan Suwa
Office of State Planning
County of Hawaii Planning Department