

**KEHALANI HOLDINGS COMPANY, INC.**

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September 15, 2012

Land Use Commission  
State of Hawaii  
P. O. Box 2359  
Honolulu, Hawaii 96804-2359

Re: Annual Report for Docket No. A-89-642  
Wailuku and Piihaha Project Districts  
Wailuku, Maui, Hawaii

LAND USE COMMISSION  
STATE OF HAWAII  
2012 SEP 14 A 7:12

Honorable Chairman and Members:

In response to Condition 12 of the Findings of Fact, Conclusions of Law, and Decision and Order in this docket filed January 30, 1990, we are pleased to submit the following report.

BACKGROUND:

On January 30, 1990, the Land Use Commission (the "Commission") issued its Findings of Fact, Conclusions of Law, and Decision and Order in Docket No. A89-642, granting the reclassification of approximately 624 acres of land situated at Wailuku and Piihaha, County of Maui, State of Hawaii, comprised of approximately 545 acres of land identified on the Tax Maps of the State of Hawaii as Tax Map Key Number: 3-5-01:01 (portion), 17 (portion), and 3-4-07:02 (portion) (hereinafter referred to as "Wailuku Project District"); and 79 acres identified on the Tax Maps of the State of Hawaii as Tax Map Key Number: 3-3-01:16 (portion), 33, and 3-4-32:10, 18 and 01 (portion) (hereinafter referred to as "Piihaha Project District") from the Agricultural to the Urban Land Use District.

Petitioner is currently developing the property pursuant to Maui County's three-phase "project district" zoning ordinance.

Petitioner submitted the "Phase I" applications for both Project Districts to the County of Maui in April 1990. These submittals petitioned the County to establish the Project Districts and define the zoning within them. The proposals were brought before the County Council for public hearings and passed in November 1991.

Petitioner submitted "Phase II" applications for both Project Districts to the County of Maui in December of 1991. These submittals further refine the designs of the projects and continue study of the projects' impacts on the surrounding communities. These submittals also set standards for architecture, occupancy, and specific uses within the Project Districts. The County of Maui has approved the Phase II submittals for each project.

In 2002, the Petitioner submitted a Phase II Amendment for a 65-acre portion of Kehalani. The amendment reallocated the location of certain uses within the Project District, more specifically

to centralize the location of the school and community park. County approval was granted for this request on September 16, 2002.

In 2010, the Department of Education received Phase II approval to build a second elementary school for the Wailuku school district at Kehalani. The Puu Kukui Elementary School is currently under construction and is scheduled for opening in the summer of 2013. The service district map for this new elementary school includes the entire Kehalani community.

In 2011, Kehalani Holdings Company, Inc. received Urban Design Review Board and Phase III approval to proceed with the Kehalani Village Center (commercial center). Construction of the first phase is underway with opening of the initial anchor tenant (Long's Drugs) planned for October 2012.

Wailuku Project District – Phase III approvals are granted by the County of Maui Planning Department for each individual neighborhood or project. Each approval requires the submittal of such information as site layout, product & landscaping design and a review of compliance with the zoning and phase II conditions. The Phase III approval process will continue throughout the life of the Project District. To date, Kehalani has received Phase III approvals on 19 of the 27 planned neighborhoods in the Wailuku Project District. Of the approved neighborhoods, 6 are east (makai) of Honoapiilani Highway, and 13 are west (mauka) of the Highway. An illustrative site map of the Kehalani Master Plan and aerial photo are attached for your reference ([see Exhibit A](#)).

Piihaha Project District – There is currently no activity at the Piihaha Project District. This site has a number of exactions that make the development of this project infeasible. Such exactions include but are not limited to construction of a bridge across Iao Stream, water system improvements, offsite roadway improvements, a wastewater pump station and affordable housing requirements. The Petitioner is currently looking into cost sharing opportunities to make development of Piihaha more economically viable. The Petitioner will keep the Commission updated on any progress on this topic and its affect on the original D&O.

#### **UPDATE ON COMPLIANCE TO L.U.C. CONDITIONS:**

- 1. Petitioner shall provide housing opportunities for low, low-moderate, and moderate income residents of the State of Hawaii by offering for sale or lease a number of units equal to at least thirty percent (30%) of the residential units in each of the Project Districts, at prices which families with an income range of up to one hundred and twenty percent (120%) of the County of Maui's median income can afford, and a number of units equal to at least thirty percent (30%) of the units in each of the Project Districts of the Property, area at prices which families with an income range of one hundred twenty to one hundred forty percent (120% - 140%) of the County of Maui's median income can afford.**



**This condition may be fulfilled through construction and distribution of units in the Property or through other projects within the same Community Plan District as the Property, under such terms as may be mutually agreeable, between Petitioner and the Housing Finance and Development Corporation of the State of Hawaii.**

**This condition may also be fulfilled, with the approval of the Housing Finance and Development Corporation and the County of Maui, through the construction of rental units to be made available at rents which families in the specified income ranges can afford.**

**In addition, Petitioner may obtain the special credit, as determined by the Housing Finance and Development Corporation and the County of Maui, for the provision of more than ten percent (10%) of the total units of housing affordable to persons with incomes less than eighty percent (80%) of the County of Maui's median income and for the provision of housing for special needs groups, as determined by the Housing Finance and Development Corporation and the County of Maui.**

**Insofar as possible, the Petitioner shall implement this affordable housing requirement concurrently with the completion of market priced units for the residential project. The determination of median income, as the term is used in this condition, shall be based on median income figures published by the United States Department of Housing and Urban Development at the time that the construction of such housing units is commenced.**

Response: The Petitioner continues to work with the Maui County Housing Department on fulfilling the affordable requirements associated with both Project Districts. To date, the Petitioner has built and sold a total of 710 affordable units at Kehalani and within the surrounding Wailuku Community Plan area. Additionally, the Petitioner donated 11 acres of land adjacent to the Piihaha Project District to MEO for the development of transitional housing. Affordable credits from these efforts are being used to satisfy the current requirements for Kehalani.

Agreements with the County Housing Department dated December 17, 2002 and amendments dated October 22, 2003 and January 28, 2005, attached to previous SLUC annual compliance reports, document ongoing compliance with these requirements. The most recent communications with the Housing Department, dated December 19, 2005 and December 20, 2006, were previously attached in the 2009 annual compliance report for your records.

An additional, 87 affordable units are planned for development over the next 2 years at the Hoolea Terrace project in Kehalani (aka module 17). No activity is currently proposed at Piihaha until feasible development plans can be established for this

project. A summary of the housing units built and affordable credits earned thru 2012 is attached for your reference (see Exhibit B).

2. **Petitioner shall prepare, or participate in the preparation of, a regional traffic impact study to address all traffic impacts resulting from the Project in coordination with the State Department of Transportation and the County of Maui.**

**Petitioner shall participate on a pro rata share basis in the funding and construction of regional transportation improvements identified by, and to the satisfaction of, the State Department of Transportation Department of Transportation and the County of Maui. The Petitioner shall also fund and construct the transportation improvements in the immediate vicinity, and necessitated by the proposed development as identified by, and to the satisfaction of, the State Department of Transportation and the County of Maui. In addition, Petitioner shall submit construction plans, traffic studies and drainage reports associated with the Project Districts to the Department of Transportation and the County of Maui for review and approval.**

Response:

Wailuku Project District – Petitioner has completed a Long Range Traffic Master Plan, which studied the impacts of additional traffic both within the Districts and in the surrounding communities, to the State Department of Transportation (SDOT) and the Maui County Department of Public Works and Environmental Management (DPWEM). The long-range Traffic Master Plan has been approved by these agencies.

Petitioner has approval from the SDOT regarding the improvements required on Honoapiilani Highway to mitigate the impacts of the development. Petitioner also has the approval of the County of Maui for its plan to mitigate traffic. The most recent improvement was the completion of traffic signals at the intersection of Honoapiilani Highway and Kehalani Parkway. The Petitioner also has also completed plans to improve the intersection of Honoapiilani Highway and Kuikahi with exclusive left turn lanes. The first phase of this project was completed in 2011 and the second phase will be completed alongside development of the Kehalani Village Center.

The latest Traffic Impact Assessment Report, dated March 2003, has been accepted for the ongoing phases of work at Kehalani and SDOT has allowed the County to continue processing individual projects at Kehalani for development. The Petitioner's traffic engineer is currently working with the SDOT to obtain final approval of the revised report.

With regards to drainage, SDOT reviews all subdivision applications at Kehalani which include drainage plans pertinent to work done on State Highways. This would include any required master drainage plans for the project.



Piihaha Project District – Petitioner, as a part of the approval process, completed a long-range Traffic Master Plan. Petitioner submitted this plan to both the SDOT and the DPWEM. The long-range Traffic Master Plan has been approved by these agencies. SDOT will have the opportunity to review and approve the project once development plans have been finalized for Piihaha.

3. **Petitioner shall prepare drainage and erosion control plans and shall fund and construct the necessary drainage improvements.**

Response:

Wailuku Project District – Drainage and erosion control plans are required by the County for each phase of development at Kehalani. The Petitioner has Agreements with the County of Maui to install regional on- and offsite drainage improvements that benefit both Kehalani and the surrounding areas. Copies of these agreements were included with the previous annual compliance report for 2009. The drainage improvements are divided into two basic areas, makai (serving areas below the Highway) and mauka (serving areas above the Highway). The makai drainage system is substantially completed and the mauka system is 95% completed. Both systems are designed to handle both pre- and post-development runoff from Kehalani.

Piihaha Project District – Preliminary drainage plans were produced as part of the Project District approval process. More detailed plans will be completed, reviewed and approved as development plans are finalized for this project.

4. **Petitioner shall provide the necessary water source and transmission facilities to service the project.**

Response: The Petitioner continues to work with the Maui Department of Water Supply (DWS) to address water system needs for both projects. The Agreement for Implementation of Water Master Plan for Kehalani and First Amendment to Agreement for Implementation of Water Master Plan outline various water storage and transmission system improvements required at Kehalani. These Agreements were submitted with the 2009 annual compliance report. The Petitioner is current with the requirements under these Agreements.

In July 2003 the Iao Aquifer was officially designated as a ground water management area. The Petitioner applied for and was granted a new water use permit for Kehalani in 2007 at its Wailuku Shaft well situated within the Kehalani lands. The Petitioner will utilize this source for water service to Kehalani and will also work with DWS on additional sources to benefit both Kehalani and the Central Maui water service area.

5. **Petitioner shall pay its pro rata share to expand or improve the existing Kahului Wastewater Treatment Plant and/or route the wastewater to be generated by the**

**Project to the proposed new Central Maui Wastewater Treatment Plant to the satisfaction of the County of Maui, DPWEM, and the State Department of Health. Petitioner shall also participate in the funding of the proposed new wastewater treatment plant and required transmission lines.**

Response: In January 1990, the planned expansion of the Central Maui Wastewater Treatment Plant was completed. The plant's capacity was increased from 6.0 to 7.9 million gallons per day. Currently, Petitioner is paying an impact fee on a per-unit basis for collection and treatment facility expansion. Petitioner will connect the Project's collection main to the County system, which will flow to the treatment plant. Petitioner and the DPWEM are jointly studying and evaluating the incremental increases to the public system as development proceeds within the Project Districts. The increased capacity of the Central Maui Wastewater Treatment Plant is anticipated to provide sufficient capacity for the Project.

The Petitioner has entered into an agreement with the County of Maui to participate in the upgrade of existing offsite sewer collection systems. A copy of this agreement was attached to the 2009 annual compliance report. There are (3) phases of offsite sewer improvements required for Kehalani. The first two phases have already been completed by the Petitioner. The third phase will be completed alongside the future development of Kehalani.

- 6. Petitioner shall inform all prospective occupants of the Hawaii Right-to-Farm Act, Chapter 165, Hawaii Revised Statutes, which limits the circumstances under which pre-existing farming activities may be deemed a nuisance.**

Response: Petitioner has prepared a disclosure form for its sales packages and will include restrictive covenants on all deeds for lots to be sold or leases for occupation in the Project disclosing the Hawaii Right-to-Farm Act, Chapter 165, Hawaii Revised Statutes, which limits the circumstances under which pre-existing farm activities may be deemed a nuisance.

- 7. Petitioner shall provide its pro rata share for school facilities as may be required by and to the satisfaction of the State Department of Education.**

Response: Petitioner is dedicating over 14 acres for an elementary school site within the Wailuku Project District 3. The Petitioner is also working with the Department of Education to provide 4.585 acres for the expansion of Waihee Elementary School. The Educational Contribution Agreement for Wailuku-Kahului Project District 3 and related amendments document the Petitioner's satisfaction of pro rata share requirements for education at Kehalani. Copies of these agreements and amendments were included in previous reports. The Department of Education has already started construction on this new elementary school and plans to open in 2013.



8. **Petitioner shall provide its pro rata share for police, fire, park, and solid waste disposal as may be required by and to the satisfaction of the County of Maui.**

Response: Petitioner is committed to provide its prorated share for police, fire, park, and solid waste disposal. Both Project Districts include areas for private and neighborhood parks and even a Community Center site. The size of the parks shall meet the requirements approved by the Commission. To date, the County of Maui has not required pro rata payments for police and fire services.

9. **Petitioner shall perform further subsurface testing of the Piihaha Project District to the satisfaction of the State Historic Preservation Office. Petitioner shall also submit a mitigation plan to the State Historical Preservation Office for review and approval.**

**Petitioner shall immediately stop work and contact the State Historical Preservation Office should any archaeological resources such as artifacts, shall, bone or charcoal deposits, human burial, rock or coral alignments, paving, or walls be encountered during the project's development.**

Response: Petitioner has worked with the State Historical Preservation Office to create a satisfactory mitigation plan. A key aspect of the plan is the creation of a Historical Preservation Easement designed to protect those areas within the Piihaha Project District that are likely to contain significant archaeological material. Petitioner will continue to comply with this condition throughout the site development and construction of both Project Districts.

The completion of the mitigation plan shall coincide with the development of the adjacent areas within the Project District. This will allow for better integration of the plan to the specific overall plans for the area surrounding the dune. The Petitioner remains committed insuring the preservation of the dune area. To date, no work has been performed in the subject area.

Kehalani already has an approved mitigation plan in place for ongoing development. The Petitioner will continue to adhere to this plan for the remainder of the Kehalani project.

10. **Petitioner shall develop the Property in substantial conformance with the representations made to the Commission in obtaining the reclassification of the Property.**

Response:

A. Wailuku Project District – Petitioner has received “Phase II” approval from the County of Maui. The “Phase II” approval process is a public hearing process which evaluates a more specific site plan, architectural designs and conditions. Petitioner has

also obtained Phase III approval on 19 of the 27 planned neighborhoods with the project. During the Phase III approval process the County of Maui Planning Director reviews plans for site and conceptual building design to ensure its compliance with representations made at the Phase I and II approval process. The plans provided to the County of Maui are substantially in keeping with the information provided the Commission. Therefore, the Commission can be assured that work for the various phases of the Project District will be carried out in accordance with the intent of the submittals made to the Commission.

B. Piihaha Project District – Petitioner has received “Phase II” approval from the County of Maui. The “Phase II” approval process is a public hearing process which evaluates a more specific site plan, architectural designs and conditions. Design work will be carried out within the intent of these same submittals. It is important to bear in mind that the County of Maui’s approval process for both projects also takes into consideration the SLUC conditions to assure Petitioner’s compliance.

11. **Petitioner shall give notice to the Commission of any intent to sell, lease, assign, place in trust, or otherwise voluntarily alter the ownership interest in the subject Property covered by the approved petition, prior to the development of the Property.**

Response:

A. Wailuku Project District – All undeveloped land below Honoapiilani Highway is owned by HL&F, whose successor company is Kehalani Holdings Company, Incorporated. Lands above the highway continue to be owned by Kehalani Mauka, LLC, an entity created at the time of the acquisition. Hawaii developer Stanford Carr is the President and Managing Member of these entities, respectively. Module or parcel sales have been made to various third-party development entities responsible for construction and improvement of their respective neighborhoods. A comprehensive list of modules/parcels and their disposition are attached for reference (see Exhibit C).

B. Piihaha Project District – No land at Piihaha has been sold or transferred to date.

12. **Petitioner shall provide annual reports to the Commission, the Office of State Planning, and the County of Maui Planning Department in connection with the status of the subject project and the Petitioner’s progress in complying with the conditions imposed.**

Response: This report, as those before it, is intended to constitute compliance with this requirement. Copies are forwarded to the Office of State Planning and the County Department of Planning.

13. **C. Brewer Homes, Inc. shall enter into an agreement with the Department of Hawaiian Home Lands (DHHL) that the Petitioner shall take no action within four**



**years of the date of said Agreement, on Petitioner's Piihaha and Wailuku Project Districts, which will jeopardize the ability of DHHL to apply for or obtain an allocation of sewage treatment capacity from the County. Said Agreement shall be recorded within thirty (30) days of the effective date of the Commission's Decision and Order and shall run with the land.**

Response: As noted in our previous reports, DHHL already completed its subdivision near the Piihaha Project District and was not impacted by the subject Project Districts.

- 14. In the event that Petitioner should sell its interest in its Piihaha and Wailuku Project Districts, the Petitioner shall subject the property to deed restrictions to run with the land which shall require the successors and assigns to comply with the terms and conditions set forth in the Commission's Decision and Order.**

Response: As referenced in item 11, the Petitioner conveyed the Kehalani lands west (mauka) of the Highway to Kehalani Mauka, LLC. The property is still subject to the terms and conditions set forth in the Commission's Decision and Order.

- 15. 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 Petitioner.**

Response: At this time, the Petitioner is not requesting release from any of the conditions originally imposed.

#### **CONCLUSION:**

Petitioner shall serve copies of this annual report to the Office of State Planning and the County of Maui Planning Department. If you have any questions, or require further information with regard to the foregoing, please contact the undersigned.

Sincerely



Jay Nakamura  
Vice President

Enclosures (original and 2 copies)

cc: Office of State Planning  
W. Spence, A. Cua @ Maui County Planning Department  
S. Carr, D. Riegels, R. Shimizu @ SCD

# EXHIBIT A





PIIHANA

KAHULUI HARBOR

BALDWIN HIGH SCHOOL

MAUI MEMORIAL HOSPITAL

WAILUKU COUNTY SEAT

KEHALANI MAUKA

KEHALANI MAKAI

KEHALANI  
VILLAGE CENTER

15-ACRE AG SITE

WAILUKU HEIGHTS







# Kehalani

*A Master-Planned Community*

Kehalani is a 550-acre master-planned community, which is the result of the vision of Maui-born Stanford Carr, to provide high quality homes within a range of prices, in order to fulfill the housing needs of Maui.

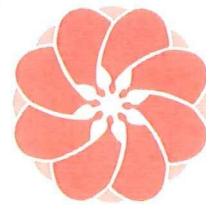
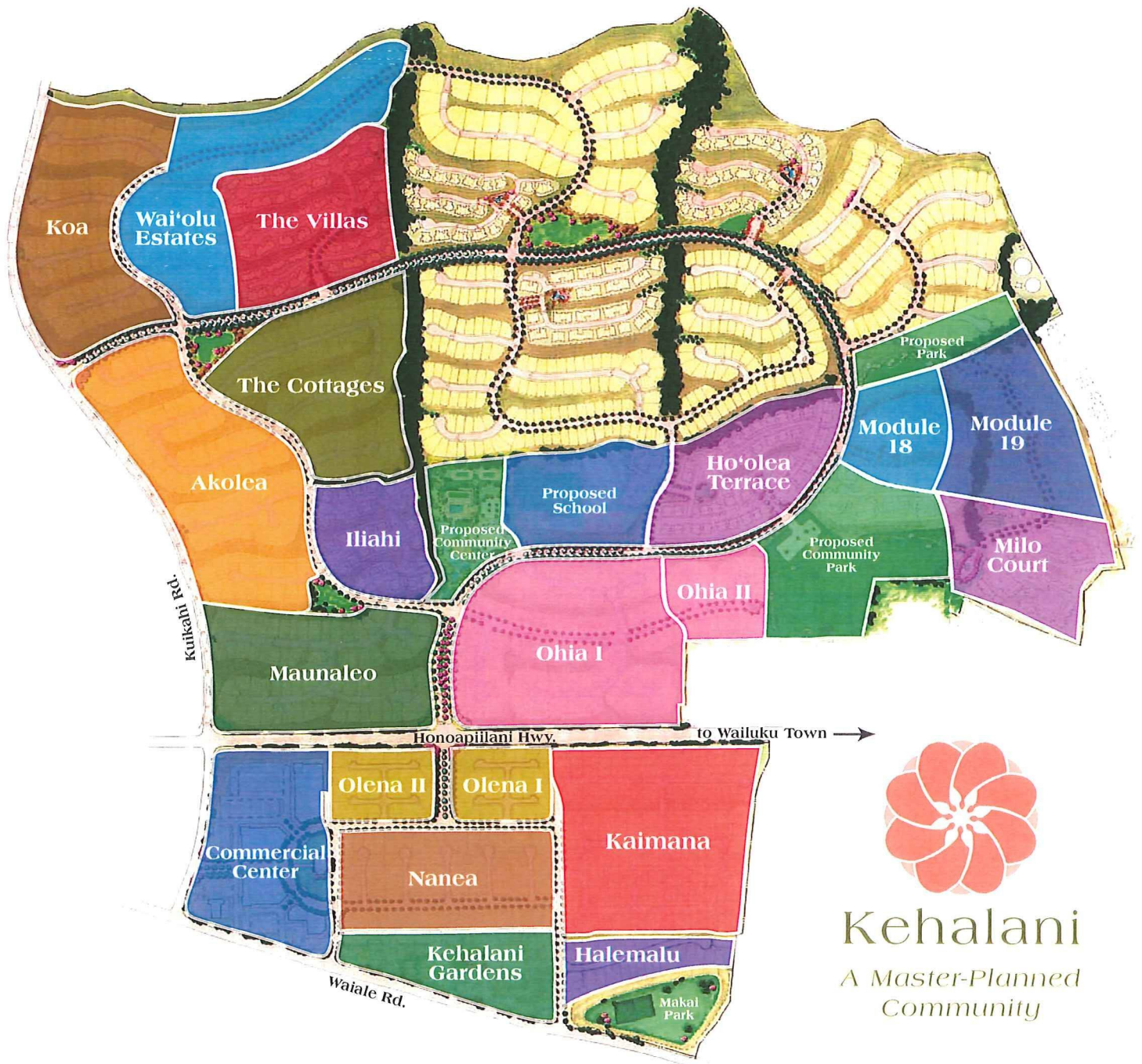
Located just south of historic Wailuku Town at the base of the West Maui Mountains, Kehalani will offer many home ownership opportunities from town homes to single-family homes. Future plans also include a school, parks, community center and a commercial retail center for convenient shopping and services.











Kehalani

*A Master-Planned  
Community*



# EXHIBIT B

## KEHALANI - 2012 Affordable Credit Recap

[illegible]



# EXHIBIT C

KEHALANI - Module/Parcel Disposition Schedule

Phase	Neighborhood (Module)	Type	Acreage	Density	Density/Acre	Aggregate Density	Construction Start	Occupancies	Acreage by Phase	Density by Phase	MF	SFD	Mauka	Makai	
Existing	Kaimana	SFD	28.21	179	6.3	179	Completed	Completed			0	179	0	179	<<< developed by Hawaii Land & Farming, Inc.
Existing	Halemalu	SFD	5.33	30	5.6	209	Completed	Completed			0	30	0	30	<<< developed by Hawaii Land & Farming, Inc.
Existing	Nanea	SFD	16.67	80	4.8	289	Completed	Completed			0	80	0	80	<<< sold to and developed by Spencer Homes
Existing	Olena I	SFD	5.97	31	5.2	320	Completed	Completed	56.18	320	0	31	0	31	<<< sold to and developed by Strand Capital/SCD joint venture
I	Olena II (C-2)	SFD	6.18	32	5.2	352	Completed	Completed			0	32	0	32	<<< sold to and developed by Strand Capital/SCD joint venture
I	Kehalani Gardens (C-6/10)	MF	11.10	132	11.9	484	Completed	Completed			132	0	0	132	<<< sold to and developed by Kehalani-Maui, LLC (Hearthstone/SCD joint venture)
I	Ohia (21)	SFD	28.11	140	5.0	624	Completed	Completed			0	140	140	0	<<< sold to and developed by Towne Development Hawaii
I	Maunaleo (20)	SFD	20.48	83	4.1	707	Completed	Completed			0	83	83	0	<<< sold to and developed by Kehalani-Maui, LLC (Hearthstone/SCD joint venture)
I	Koa (1 & 4)	SFD	23.31	72	3.1	779	Completed	Completed			0	72	72	0	<<< sold to and developed by Towne Development Hawaii
I	Iliahi (15)	MF	10.04	92	9.2	871	Completed	Completed	99.22	551	92	0	92	0	<<< sold to and developed by Towne Development Hawaii
II	Ohia II (22)	SFD	10.01	44	4.4	915	Completed	Completed			0	44	44	0	<<< sold to and developed by Towne Development Hawaii
II	Akolea (10)	SFD	27.13	97	3.6	1,012	Completed	Completed			0	97	97	0	<<< sold to and developed by Towne Development Hawaii
II	Cottages at Kehalani (11)	SFD	22.86	114	5.0	1,126	Completed	Completed			0	114	114	0	<<< sold to and developed by Kehalani-Maui 511, LLC (Hearthstone/SCD joint venture)
II	Villas at Kehalani (5)	MF	16.08	103	6.4	1,229	Under Construction	In Progress			103	0	103	0	<<< sold to and developed by Kehalani-Maui 511, LLC (Hearthstone/SCD joint venture)
II	Milo Court (23)	MF	11.14	94	8.4	1,323	Under Construction	In Progress			94	0	94	0	<<< sold to and developed by Towne Development Hawaii
II	Waiolu Estates (2)	SFD	22.93	60	2.6	1,383	2013	2014	110.15	512	0	60	60	0	<<< sold to and developed by Kehalani-Maui 217, LLC (Hearthstone/SCD joint venture)
III	Hoolea Terrace (17)	MF	12.25	174	14.2	1,557	Under Construction	In Progress			174	0	174	0	<<< sold to and developed by Kehalani-Maui 217, LLC (Hearthstone/SCD joint venture)
III	Commercial (C-1/11) - Phase I	COM	5.64	0	0.0	1,557	Under Construction	2012			0	0	0	0	<<< sold to Foodland, Long's/CVS and Aloha Petroleum
III	Bungalows (19)	SFD	16.76	117	7.0	1,674	2013	2014			0	117	117	0	
III	Bungalows (18)	SFD	9.01	64	7.1	1,738	2013	2014			0	64	64	0	
III	12	SFD	28.75	140	4.9	1,878	2014	2015			0	140	140	0	
III	Commercial (C-1/11) - Phase II	COM	4.67	0	0.0	1,976	2014	2015			0	0	0	0	
III	13	MF	10.11	71	7.0	1,949	2015	2016			71	0	71	0	
III	3	SFD	9.03	27	3.0	1,976	2016	2017			0	27	27	0	
III	Commercial (C-1/11) - Phase III	COM/MF	5.04	40	7.9	2,136	2016	2017			0	40	0	40	
III	6	MF	16.79	95	5.7	2,071	2017	2018			95	0	95	0	
III	7	SFD	8.41	25	3.0	2,096	2017	2018			0	25	25	0	
III	8	MF	14.21	84	5.9	2,220	2018	2019			84	0	84	0	
III	14	SFD	20.11	85	4.2	2,305	2019	2020			0	85	85	0	
III	9	SFD	22.60	95	4.2	2,400	2022	2023	183.38	1,017	0	95	95	0	
			448.92	2,400	5.3				448.92	2,400	845	1,555	1,876	524	