



HASEKO (Ewa), Inc.

LAND USE COMMISSION
STATE OF HAWAII

2009 OCT 15 P 3: 19

October 15, 2009

Mr. Orlando Davidson
Executive Officer
State of Hawai'i
Land Use Commission
P.O. Box 2359
Honolulu, Hawai'i 96804-2359

Re: Docket No. A89-651/Annual Progress Report

Dear Mr. Davidson:

HASEKO (Ewa), Inc., and a number of its affiliates (sometimes collectively, "HASEKO") are the property owners and developers of the Ocean Pointe and Hoakalei Projects (sometimes referred to as the "Project"), formerly known as the Ewa Marina Community Development Project. As required under Condition 19 of the Decision and Order of the State Land Use Commission ("LUC" or "Commission") entered on October 17, 1990 ("D&O"), the following is an annual report on HASEKO's progress regarding development of the property that was the subject of the D&O ("Petition Area") and HASEKO's efforts toward satisfaction of the D&O conditions.

Project Description

Ocean Pointe/Hoakalei is a 1,100-acre master-planned project located at Honouliuli in the 'Ewa District of Oahu. It lies along the shoreline between Fort Weaver Road and Kalaeloa (the former Naval Air Station Barbers Point), about 20 miles west of Honolulu. The focal point of the Project is a man-made, full-service marina with a maritime commercial complex including light industrial, commercial, and retail facilities as well as visitor accommodations. Also included within the Project will be a golf course, a 20-acre district park and child care center, a public elementary school, and 4,850 homes.

Ownership of the Property

HASEKO (Hawaii), Inc., purchased the approximately 1,100-acre Ocean Pointe/Hoakalei property in 1988 from M.S.M. & Associates, Inc., which was then in bankruptcy, and from The Estate of James Campbell. In 1992, the entire 1,100 acres were transferred from HASEKO (Hawaii), Inc. to a wholly owned subsidiary, HASEKO (Ewa), Inc. As construction of the

residential components of the Project has proceeded, parcels have been conveyed to development entities affiliated with HASEKO, and subsequently to individual homeowners in fee simple.

A 22,905 square foot commercial lot along Fort Weaver Road was conveyed from HASEKO to Arthur Howard and Leslie Gail Howard in 2002, and a 1.043 acre commercial lot along Keone`ula Boulevard was conveyed from HASEKO to Frederick Hoon Yuk Lau and Judy Mariko Lau in 2007.

Nearly 12 acres at the northeastern part of the Project area were conveyed in 2005 to the State of Hawaii for a school site. Adjacent to the school site will be a district park and a child care center. In 2007, approximately 1.25 acres were conveyed to Seagull Schools for the child care center. Just over one acre of land was conveyed to the City and County of Honolulu in 2008 for relocation of the `Ewa Beach Fire Station to the northeast corner of the Project site. HASEKO is working with the City and County of Honolulu to convey approximately 18.75 acres for the district park and approximately 9 acres for the expansion of One`ula Beach Park.

Boundary Reclassifications

The lands that encompass Ocean Pointe/Hoakalei were reclassified from the Agriculture to the Urban District in four separate LUC actions.¹ In 1975, under LUC Docket No. 074-23, approximately 320 acres along Fort Weaver Road were reclassified to the Urban District. There were no conditions attached to that reclassification. In 1984, under Docket No. A83-558, approximately 181 acres of Agriculture land were reclassified to the Urban District. This D&O included 11 conditions, which were also attached to the 320 acres that had been previously reclassified. In 1990, under Docket No. A89-651, the LUC reclassified the remainder of the 1,100 acres from the Agriculture to the Urban District.

Current Status of Project Development

Construction of Ocean Pointe began in 1997 with the residential component of the Project. Residential construction continues to this day, and is anticipated to continue for about another ten years. Currently, over fifty-three percent (53%) of the permitted 4,850 housing units have been built and sold to individual homeowners.

In moving forward to the development of the marina/resort portion of the master plan, the name Hoakalei has been selected to distinguish this part of the Project, which includes the golf course, marina, marina-commercial, resort and residential components.

Gradual grading of the golf course was initiated in the late 1990s to provide drainage basins for the residential components that are being constructed. In 2005, Ernie Els was commissioned to

¹ In 1964, the State began to implement the State Land Use District boundary classifications. At that time, the shorefront lands of Ocean Pointe (including the approximately 9-acre ocean front parcel and much of the area encompassing the marina) were placed within the Urban District, with the remainder being classified as Agriculture.

design the golf course, which opened for play earlier this year. The clubhouse and other planned facilities, however, are still under construction.

Excavation of the marina also began in the late 1990s. Wet excavation commenced in late 2003 following confirmation from the Department of the Army Corps of Engineers that HASEKO had fulfilled all of the pre-construction requirements. Excavated material provides fill for other portions of the Project, thus, marina excavation has been coordinated with the residential and golf course development. Although most of the basin excavation has been completed, break-out to the ocean has not yet commenced.

COMPLIANCE WITH CONDITIONS OF THE D&O

The D&O contains twenty-one conditions. Each of the conditions is set forth below, followed by a brief status report on HASEKO's compliance efforts.

Condition 1²

Petitioner [HASEKO and its successors and assigns] shall generate one (1) non-tourism related job, or the equivalent value thereof, for each hotel or hotel/condominium unit Petitioner is allowed to build. As used herein, "non-tourism related" means not related to hotels or residential condominiums intended for use as transient accommodations, or recreational, entertainment or other facilities and services used primarily by tourists. The "equivalent value" of a non-tourism related job is in the range of \$25,000 to \$50,000.

Satisfaction of this condition shall occur at the time Petitioner obtains a building permit and may be accomplished by the payment of \$25,000 for each hotel or hotel/condominium unit intended for transient accommodation for which a building permit is issued or in the following manner (provided that, with respect to subparagraphs a. and b., below, Petitioner may not apply any credit accrued and earned under both subparagraphs for the same facility to satisfy this condition.)

a. Jobs Generated Via Construction

Development of residential, commercial, industrial, recreational, institutional or other non-tourism related facilities generates construction jobs not related to tourism. Petitioner, therefore, directly or through local affiliates, may receive one job credit for each 25 man-years of labor generated by a qualified project,

² As amended by the Commission's Order Granting Motion for Approval of Job Credits and Motion for Clarification and/or Modification of Condition in this docket dated February 8, 1994.

which may be either within or outside of the Petition area. (Hereafter, Petitioner and/or its affiliates shall collectively be referred to as "Developer.") One man-year shall equal 1920 hours of work; labor generated by the construction of a project shall include all work performed by the Developer's team (architects, engineers, consultants, contractors and subcontractors) in the development and construction of a non-tourism related project.

Not more than 25% of Petitioner's total job-generation requirement may be satisfied in this manner.

b. Jobs Generated Via Development of Non-Tourism Related Projects

New facilities provide the means and opportunity for the establishment and/or growth of businesses and the generation of new, non-tourism related jobs. Petitioner, therefore, may receive credit for the development of new non-tourism related projects or facilities, either within or outside of the Petition Area. Credit for jobs created by such new facilities will be calculated on the basis of the degree of integration of the intended use of the facility with the tourist industry. Credit for one (1) non-tourism related job shall be given for the specified amount of floor space in the following types of facilities:

<i><u>Type of Facility</u></i>	<i><u>Floor Space (Square Feet)</u></i>	<i><u>Credit</u></i>
<i>Office</i>	<i>200</i>	<i>100%</i>
<i>Warehousing/Storage</i>	<i>1,000</i>	<i>100%</i>
<i>Manufacturing</i>	<i>300</i>	<i>100%</i>
<i>Research Facility (e.g. High Tech)</i>	<i>150</i>	<i>100%</i>
<i>Recreation and Other Activity Centers</i>	<i>1,000</i>	<i>100%</i>
<i>Private Schools and Day-Care Centers</i>	<i>300</i>	<i>100%</i>
<i>Agricultural Facility (e.g. Greenhouses and Processing Plants)</i>	<i>1,000</i>	<i>100%</i>
<i>Retailing</i>	<i>300</i>	<i>60%</i>

Credit for other types of facilities will be determined on a case-by-case basis.

c. *Start-Up Capital, Business Incentives and Job Training*

Petitioner may receive one (1) job credit for (i each \$50,000 invested by Petitioner in a start-up of a non-tourism related business (by way of equity or investment into a loan fund for such business), (ii each \$25,000 in incentives provided to a new non-tourism related business, and/or (iii each \$25,000 contributed in training programs for non-tourism related jobs. Petitioner shall consult with OSP [now known as the Office of Planning] to identify investments, incentives and training programs which qualify for credits under this category.

A minimum of 10% of Petitioner's job-generation requirement shall be satisfied in this manner.

d. *Earning Job Credits*

Credits for jobs generated under subparagraphs a. through c., above, shall not be eligible for satisfaction of this condition unless, within two years after they accrue, they are reported to the LUC in Petitioner's annual report. Job credits shall be considered to have accrued under subparagraph a. when the Developer pays for the labor; under subparagraph b. when the certificate of occupancy is issued or such earlier date as may be approved by the LUC; and under subparagraph c. when the investment is made, the incentive is given, or the job training program is funded.

Petitioner's annual report to the LUC shall discuss in detail its progress in earning job credits. Additionally, Petitioner shall provide OSP with information concerning the manner in which Petitioner's claim for job credits is calculated as well as written certification by the Developer that all information provided is correct.

Job credits shall be considered earned only upon approval by the LUC. Petitioner may file a motion for approval of job credits with the LUC at such time as may be mutually agreeable between Petitioner and OSP, provided that said motion shall be filed prior to the Petitioner obtaining a building permit for the construction of hotel or hotel/condominium units to which the job credits will be applied.

At the time Petitioner obtains a building permit, Petitioner shall satisfy this condition by depositing cash or posting a bond or a letter of credit, in a form satisfactory to OSP, in an amount equal to the product of \$25,000 multiplied by the number of hotel or hotel/condominium units for which a building permit is issued, less any job credits previously earned. As job credits are earned and applied in satisfaction of this condition, Petitioner may submit a motion to the LUC for the refund of the funds paid to OSP or a reduction of the bond or letter of credit issued in favor of OSP. Five (5) years after the date the building permit is issued, OSP shall have the right to retain cash or make claim on the bond or letter of credit in an amount equal to the product of \$25,000 multiplied by the number of hotel or hotel/condominium units for which the building permit is issued, less any job credits previously earned.

Prior to the expiration of the five-year period, Petitioner may seek an extension of time to satisfy its job-generation requirement. An extension may be granted upon such additional terms as may be appropriate, provided that Petitioner establishes substantial compliance with this condition and specifies the methods, means and time in which it intends to satisfy this condition.

Except for the limitations regarding subparagraphs a. and b. and the 10% minimum required by subparagraph c., Petitioner shall determine the manner in which the remainder of its job-generation requirement may be allocated.

All funds obtained by OSP under this condition shall be applied to any one or more of the paragraphs specified in subparagraph c. above.

Status. By the Order Granting Motion for Approval of Job Credits and Motion for Clarification and/or Modification of Condition entered in this docket on February 8, 1994, the Commission approved 2.47 job credits earned pursuant to subparagraph a. and subparagraph c.(iii), and to be counted toward satisfaction of this Condition 1. These job credits were earned for payments and disbursements made prior to 1992.

In its annual progress reports since 1993, HASEKO has reported the following potential job credits earned:

<u>Report Year</u>	<u>Date of Annual Progress Report</u>	<u>Job Credits for Reported Year</u>
1992	10/18/93	6.22
1993	10/17/94 (& 1/5/95 Supplemental Report	3.50
1994	10/17/95	2.41
1995	10/15/96	1.16
1996	10/20/97	0.70
1997	10/19/98	1.32
1998	10/18/99	6.75
1999	10/17/00	9.11
2000	10/22/01	7.64
2001	10/16/02	7.91
2002	10/27/04	9.28
2003	10/27/04	16.09
2004	12/08/05	149.29
2005	11/02/06	28.04
2006	10/03/07	96.97
2007	11/05/08	33.97
2008	10/15/09	64.63

As described below and detailed in ***Exhibits A and B***, HASEKO will be seeking approval of 64.63 job credits for the 2008 calendar year. The following table shows the breakdown of the credits.

<i>Item</i>	<i>Qualifying Effort</i>	<i>Job Credits Earned</i>
Condition 1, Subparagraph a.	737.45 man-years	29.50
Condition 1, Subparagraph b.	30 actual golf course jobs created	30.00
Condition 1, Subparagraph c.(iii)	cash contributions totaling \$128,186.14	5.13

Job Credits Pursuant to Subparagraph a. of Condition 1. The Project generated the jobs upon which these job credits are based. HASEKO made payments for services in connection with Ocean Pointe and Hoakalei. ***Exhibit A*** shows in detail the number of hours paid to employees and vendors for calendar year 2008. A total of 1,415,908 hours of construction-related labor was generated in calendar year 2008, which translates into 737.45 man-years, or 29.50 job credits.

Job Credits Pursuant to Subparagraph b of Condition 1. With the opening of the golf course at the Hoakalei County Club earlier this year, 30 new full-time jobs have been created and filled for the operation of the golf course. There is some uncertainty as to how these job credits should be reported inasmuch as they do not neatly fit within the formula set forth in Subparagraph b. (It is unlikely that the Commission intended that one job credit could be claimed for every 1000 square feet of the golf course under the Recreation category.) As 30 full-time golf course jobs

have, to date, actually been created and filled, HASEKO claims that it is entitled to 30 job credits for 2008 under Subparagraph b.

Job Credits Pursuant to Subparagraph c.(iii) of Condition 1. For calendar year 2008, a number of cash contributions totaling \$128,186.14 were made to the HASEKO Job Training Fund, school organizations, youth and scholarship programs. The HASEKO Job Training Fund is administered by the Hawaii Community Foundation (“HCF”) as an endowed fund with a set amount of money made available each year for grants while the remainder is kept in principal to perpetuate the fund. HCF’s board has final approval of grant recipients, although the Fund’s advisory board can and does make recommendations. In 2008, HCF awarded grants totaling approximately \$45,000.00 to the Hawai’i Building Industry Foundation’s Project ComPACT: Building Skills to Build Lives program and to the James Campbell’s High School’s Agricultural Learning Center. Supporting documentation is provided in attached **Exhibit B**. These contributions under Subparagraph c.(iii) translate to 5.13 job credits.

HASEKO will be seeking approval of up to 64.63 job credits for disbursements made and actual non-tourism related jobs created in 2008. Pursuant to Subparagraph d. of this Condition 1, HASEKO will file a motion for approval of these job credits, as well as job credits earned previously but not yet approved, at a later time to be mutually agreed upon between HASEKO and the Office of Planning.

Condition 2³

As Petitioner has volunteered to ameliorate the anticipated social impacts of the project by the conveyance of its 9.4-acre beachfront land to the City and County of Honolulu pursuant to the terms of the Unilateral Agreement and Declaration for Conditional Zoning dated November 29, 1993, Petitioner may convey such property in lieu of the golf course play provision as set forth hereinafter.

If Petitioner does not convey its 9.4-acre beachfront land to the City and County of Honolulu pursuant to the Unilateral Agreement and Declaration for Conditional Zoning dated November 29, 1993, Petitioner shall make available adequate golf tee times (no less than 40 percent of the total tee times) at affordable rates for public play by Hawaii residents based on prevailing rates for public play at privately owned golf courses. This condition may be fully satisfied by the development by Petitioner of an 18-hole public play course within and/or outside of the Petition Area acceptable to the Office of State Planning.

³ As amended by the May 3, 1994 Order Granting Motion for Relief From and/or Modification of Condition No. 2 of the Decision and Order Entered on October 17, 1990.

Status. By Condition 7 of HASEKO's Unilateral Agreement and Declaration for Conditional Zoning dated November 29, 1993 ("U/A"), HASEKO agreed to convey the approximately 9-acre beachfront land to the City upon satisfaction of two conditions precedent: (1) the deletion of the requirement imposed by Condition 2 of the D&O to provide for public play on the Hoakalei golf course; and (2) HASEKO's obtaining all grading permits necessary to construct the golf course. The first condition was satisfied by the Order issued by the Commission in this docket on May 3, 1994.

The second condition, acquiring grading permits for our proposed golf course, is linked to a regional drainage plan for the Kalo'i Gulch Watershed and dependent upon a final decision on regional drainage infrastructure. On June 6, 2007, the City Council adopted Resolution No. 07-118, CD1, confirming that regional storm flows in the Kalo'i Gulch drainage basin are to be directed into the ocean through One'ula Beach Park and granting a Special Management Area Use Permit ("SMP") for that purpose. However, because the application for a Conservation District Use Permit for an ocean outlet was denied earlier this year, the City is in the process of exploring alternatives to the ocean outlet. While most of the planned grading for the golf course has been completed, HASEKO continues to work towards obtaining the final grading permits for the golf course and its supporting facilities.

As the time is approaching when HASEKO will be required to convey the beachfront land to the City, HASEKO has been meeting with the City Department of Parks and Recreation ("DPR") to discuss matters relating to the conveyance. Through these meetings, DPR has indicated that it wants HASEKO to assist in constructing some of the primary infrastructure identified in the One'ula Beach Park Master Plan. DPR's first priority is to have the new access road to the park constructed, and its preference is to delay conveyance of the beachfront land until after completion of the new access road.

DPR and HASEKO continue discussions on a Public/Private partnership for the planning, permitting, and construction of the new access road. In 2008, HASEKO submitted preliminary and revised construction plans for the new access road and is currently awaiting final approval of the plans. Pursuant to DPR's request that the beachfront lands be conveyed after the new access road is completed, it is anticipated that HASEKO will construct this roadway and convey the approximately 9-acre beachfront land with the new access roadway to the City upon its completion.

Condition 3

Petitioner shall not construct residential units or condominium units within areas exposed to composite (Honolulu International Airport and Naval [Air] Station Barbers Point) noise levels of 65 Ldn or greater.

Status. None of the residential areas being developed have noise levels of 65 Ldn or greater.

Condition 4

The Petitioner shall attenuate the noise in guest (living) suites and other noise sensitive areas within commercial, hotel, and international fitness center development areas exposed to composite (Honolulu International Airport and Naval Air Station Barbers Point) exterior noise level of 65 Ldn (day-night average sound level) by a minimum of 25 decibels (A-weighted).

Status. Except for the golf course, development has not yet begun in the non-residential areas of the Project. HASEKO intends to incorporate noise attenuation measures in these areas as they have been in the residential areas currently being developed.

Condition 5

Petitioner shall grant to the State of Hawaii an avigation (right of flight) and noise easement in the form prescribed by the State Department of Transportation on any portion of the property subject to composite (Honolulu International Airport and Naval Air Station Barbers Point) noise levels exceeding 55 Ldn.

Status. HASEKO will work with the State Department of Transportation in determining the applicable measures required to comply with this condition. It should be noted that the Barbers Point Naval Air Station ceased operations in July 1999.

Condition 6

Petitioner shall be responsible for implementing sound attenuation measures to bring noise levels from vehicular traffic in the Petition Area, including along Fort Weaver Road, down to levels acceptable to the State Department of Health and the Department of Transportation.

Status. HASEKO has taken steps to reduce noise levels from vehicular traffic by appropriate roadway design, berms, landscaping and a wall along Fort Weaver Road. Additionally, all of the homes within the Project, whether or not adjacent to major roadways, have fully insulated exterior walls and ceilings, double-paned windows, and are equipped with central air conditioning, all of which significantly attenuate outside noises.

Condition 7

Petitioner shall disclose in its deeds to all initial purchasers of condominium units in the Petition Area: (a) the possible odor, air, noise, and dust pollution resulting from the Fort Weaver Road, Barbers Point Naval Air Station, Honolulu International Airport, and surrounding

agricultural operation, and (b) 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.

Status. The Covenants, Conditions and Restrictions (“CC&Rs”) or other related documents for the residential units that are currently being sold disclose the impacts of surrounding land uses. See *Exhibit C*.

It should also be noted that sugar cane cultivation on the `Ewa Plain ceased subsequent to the issuance of the D&O. The lands surrounding the Project property are currently not in agricultural use, and all are slated for urban development.

Condition 8

Petitioner shall coordinate with the Honolulu Board of Water Supply, the Department of Land and Natural Resources, the Ewa Plain Water Development Corporation, adjoining land owners and developers, and/or other Federal, State, or County agencies, measures designed to develop water for the Petition Area. Petitioner and other members of the Ewa Plain Water Development Corporation shall develop, at the expense of the Ewa Plain Water Development Corporation, the necessary water source, storage, and transmission facilities to provide an adequate supply of potable water to the Petition Area prior to the development of the Petition Area.

Status. HASEKO was a member of the Ewa Plain Water Development Corporation (“EPWDC”)⁴, which developed new water sources, storage facilities and transmission lines to provide sufficient water for certain projects on the `Ewa Plain, including Ocean Pointe/Hoakalei. The regional water system was developed in accordance with the Ewa Water Master Plan of August 1987, which was approved by the Board of Water Supply (“BWS”). Pursuant to the master plan, HASEKO contributed more than \$10 million toward the construction of the regional water system. The completed system, including a 36-inch main under Fort Weaver Road, reservoirs, wells, and pumping stations, was dedicated to the BWS in the summer of 1991.

The system that was dedicated to the BWS in 1991 includes six wells located in Honouliuli. These wells are permitted to withdraw approximately 6.6 million gallons of water per day (mgd). Pursuant to agreements among the members of the EPWDC, which agreements are part of the dedication agreement with the BWS, HASEKO is allotted more than 2 mgd of the 6.6 mgd. That amount is sufficient to satisfy the potable water needs for approximately two-thirds of the entire Project. In accordance with the November 2006 Potable and Non-Potable Water Master Plan for

⁴ EPWDC, having fulfilled its mission and accomplished the purpose for which it was established, was dissolved in 2006.

the Project that has been approved by the BWS, the remainder of the Project's potable water needs will be supplied by BWS.

Condition 9

Petitioner shall participate in the implementation of the Ewa Highway Master Plan. In the alternative, should the Ewa Highway Master Plan not be completed on a schedule compatible with Petitioner's development schedule, the Petitioner shall undertake the following on a fair share basis as determined by DOT:

- a. The Petitioner shall participate in the funding and construction of transportation improvements at project access points as identified and deemed necessary by the State Department of Transportation. The Petitioner shall also participate in the funding and construction of other on-site and off-site transportation improvements necessitated by the proposed development of the Petition Area and in designs and schedules accepted by and coordinated with the State Department of Transportation, provided that the extent of the Petitioner's participation shall not exceed its share of the increased community impacts in the region, which shall include the impacts generated by all phases of the Ewa Marina project and provided further that in the event the City and County of Honolulu adopts an impact fee for transportation improvements, the foregoing requirement shall be deleted to the extent that the cost of any specific traffic improvement is also included in the City and County of Honolulu's impact fee computation. Such improvements may include, but not be limited to, the Petitioner's share of Fort Weaver Road improvements, Kunia Interchange improvements, the proposed north-south road and its interchange to the H-1 Freeway, and the proposed Kapolei Parkway.*
- b. Petitioner shall appoint a transportation manager whose function is the formulation, use, and continuation of alternative transportation opportunities that would optimize the use of existing and proposed transportation systems.*

In the alternative, Petitioner may participate in a regional program for transportation management with other developers and/or landowners. This program shall address the formulation, use and continuation of alternative transportation opportunities that would optimize the use of existing and proposed transportation systems.

Status. HASEKO has satisfied both elements of this condition. With respect to Condition 9.a., HASEKO, along with other developers in the `Ewa region, the City and the State, has made much progress in the planning and implementation of traffic infrastructure improvements to accommodate development in the `Ewa Plain. On June 28, 2001, the Department of Transportation and the developers presented the Commission with a status report on the progress made on traffic management plans for the `Ewa area. At that time, HASEKO informed the Commission that it would be working with the other developers, State and City agencies and affected communities in ascertaining the projected traffic infrastructure demands and needs of the area, the priorities among the identified projects and a fair and equitable method of funding the proposed improvements.

Since that time, the group has identified the needed traffic infrastructure improvements for the area and determined a fair and equitable method of apportioning the costs of designing and constructing those improvements. The Department of Transportation and the developers jointly completed and the Department accepted the Ewa Highway Master Plan (Year 2010 Highway Plan) on August 28, 2001 (as modified on May 31, 2002). In that plan, certain traffic improvements consisting of (but not limited to) construction of and improvements to Fort Weaver Road, the H-1 interchanges at Kapolei, Fort Weaver Road, Kapolei Parkway and North-South Road were identified as being needed to provide an acceptable level of service throughout most of the `Ewa area through 2010. The parties have worked toward funding the identified traffic improvements in a way that would be fair and equitable to all parties involved, and with the goal of securing federal highway matching funds for construction of these improvements. In late 2002, the City enacted Ordinance 02-52. Ordinance 02-52 is an impact fee ordinance to share the costs of design and construction of the identified improvements among all of the parties that implement the Ewa Highway Master Plan. Ordinance 02-52 does this in a manner that assesses landowners and developers based upon the amount of traffic their projects are expected to generate. The roadways within the Project are fully funded by the developer and most will be dedicated to the City after completion. HASEKO has completed that portion of the Kapolei Parkway that is within the Project. Finally, it should be noted that the Ordinance allows for subsequent review of the Ewa Highway Master Plan every five (5) years and that the impact fees may be adjusted to reflect any increase or decrease in project costs.

With respect to Condition 9.b., HASEKO has appointed a transportation manager.

Condition 10

Petitioner shall provide drainage improvements for the Petition Area and shall, to the extent necessary as determined by the City and County of Honolulu, coordinate off-site improvements with the Estate of James Campbell, the Barbers Point Naval Air Station, adjoining land owners and developers, and/or other Federal, State or City agencies.

Status. The Project is located within the Kalo`i Gulch Watershed, which extends from the Waianae Range through the Project site. The Watershed includes several other planned and

existing development projects, including the University of Hawai'i's West Oahu Campus, housing projects under the Department of Hawaiian Home Lands, the City's Ewa Villages project, the Ewa by Gentry project and the Ewa Makai-West project. See *Exhibit D*.

Long before HASEKO acquired the Project in 1988, it had been planned that the marina at Hoakalei would not only be an attractive amenity for the region, but it would also serve as the final basin for regional storm water drainage, which the planners recognized from the outset would be a significant regional issue as urbanization progressed. Because of land ownership configurations within the Kalo'i drainage basin and drainage pathways that had already been established, it had been planned, well before HASEKO acquired the property, that the marina would straddle the Honouliuli Wastewater Treatment Plant sewer outfall line that runs north-to-south through the middle of the Project site. Storm water from upland properties would enter the Project east of the outfall where they would be directed into the marina waterways for eventual discharge into the ocean from the main marina basin located to the west of the outfall.

Navigability required that the outfall be lowered considerably where it intersects the marina. In 1980, the City Department of Public Works approved plans for an inverted siphon in the sewer outfall to accommodate the construction of navigable waterways.

In 1997, however, concerns were raised regarding environmental risks and maintenance requirements associated with an inverted siphon. In response, HASEKO retained the Limtiaco Consulting Group, Inc., in association with Berryman & Henigar, Inc., to conduct engineering analyses at a conceptual level of alternatives to siphoning the outfall. One of the conclusions reached was there is no feasible alternative to an inverted siphon to accommodate navigability over the outfall. Following a series of discussions with the City, HASEKO agreed to eliminate all of the marina waterways east of the outfall.

The intent remained, however, for the marina to serve as the final basin for most of the Kalo'i basin storm water runoff. East of the outfall, the golf course would take the place of the marina waterways in conveying storm water flows into the marina basin located to the west of the outfall. This plan necessitated the lowering of the sewer outfall pipe due to the relative elevations of the outfall and the surrounding lands. Initially, the City and HASEKO agreed upon a method for lowering the outfall, and by 2002, HASEKO obtained rezoning and other approvals to eliminate the eastern portion of the marina and facilitate this revised regional drainage plan.

Not long thereafter, as HASEKO embarked on pre-construction work required for lowering the outfall, the City raised a number of environmental, operations and maintenance concerns that clearly implied a desire not to lower the outfall. Because of these concerns and the time it would probably take to resolve them, HASEKO and the City discussed, and HASEKO agreed, to explore alternatives to lowering the outfall.

One practicable, and the technologically simplest, alternative is to not direct drainage over the outfall and into the marina, but to direct the discharge straight into the ocean, which means going through One'ula Beach Park. Storm flows from upland properties entering the Project would not

have to cross over the outfall. A small amount of storm water from the Barbers Point golf course and within the Project development would enter the marina from the west. In other words, no alteration to the sewer outfall would be required.

The City Council approved the plan of discharging regional drainage through One`ula Beach Park in 2007 by granting a special management area use permit for that purpose. In our last progress report of November 5, 2008, we reported that an application for a conservation district use permit for an ocean outlet was being processed through a contested case proceeding before the Board of Land and Natural Resources ("BLNR"). Although HASEKO, in conjunction with the City, took the lead in processing the permit application for the regional drainage solutions and encouraged all landowners and developers in the Kalo`i Gulch drainage basin to participate in the contested case proceeding, only one developer stepped forward. Although the BLNR denied HASEKO's application, HASEKO continues to move forward on the drainage improvements within our property while the City considers alternatives to lowering the beachfront berm.

Until a permanent regional drainage solution is established, the drainage generated by the development of the Project will be retained in drainage retention basins within the Project property.

Condition 11

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

Status. In proceedings in this docket, three air quality issues were raised: (1) vehicular emissions from construction vehicles and fugitive dust during construction; (2) airborne pesticides from the golf course; and (3) vehicular emissions from increased traffic in the region.

HASEKO's contractors are bound by regulations promulgated by the State Department of Health to minimize and abate air pollution in the course of construction. It should be noted that most of the fill material for the Project is obtained on-site. That reduces the amount of traveling required of construction vehicles, minimizing both vehicular emissions and the opportunities for disbursement of fugitive dust.

As and when required by the State Department of Health, HASEKO will participate in an air quality monitoring program.

Condition 12

Petitioner shall connect the wastewater system for the proposed development in the Petition Area to the Honouliuli Wastewater Treatment Plant (WWTP). Construction of structures within the Petition Area shall not commence until Petitioner has obtained assurances from the City and

County of Honolulu that the capacity at this plant has been reserved for the Petition Area; provided that if the capacity at the WWTP is not sufficient for the proposed development in the Petition Area, Petitioner may utilize other alternatives acceptable to the State Department of Health.

Status. A sewer master plan was approved by the City Department of Wastewater Management (now known as the Department of Environmental Services) in 1997. It continues to be updated as necessary in connection with ongoing development of the Project. Sewer services for the development is provided by the existing Ewa Beach Sewer System that runs along Papipi Road and Fort Weaver Road to the Honouliuli Wastewater Treatment Plant via the Ewa Sewage Pump Station.

In 2006, HASEKO upgraded the Ewa Beach Pump Station by increasing its capacity and replacing some of the aging collector lines. This nearly \$20 million upgrade benefits not only the Ocean Pointe/Hoakalei development, but also the older Ewa Beach community and a portion of the Ewa by Gentry development.

The developer has financed the sewer improvements that have been constructed. Future sewer improvements within the Project site will also be developer-financed.

Condition 13

Petitioner shall immediately stop work on the impacted area and contact the Historic Preservation Division, State Department of Land and Natural Resources should any significant archaeological resources such as artifacts, shell, bones or charcoal deposits, human burial, or rock or coral alignments, paving or walls of historic or prehistoric significance be encountered during the development of the Petition Area.

Status. HASEKO has entered into a Memorandum of Agreement with the State Historic Preservation Officer (“SHPO”), the National Advisory Council on Historic Preservation, the Corps of Engineers (“COE”) and the Office of Hawaiian Affairs (“OHA”) which provides for data collection and a preservation and interpretive program for six preservation sites within the Project area.

Moreover, when grading and grubbing activities are being conducted, a professional archaeologist is on-site in the event any unanticipated archaeological resources are encountered. HASEKO will comply with this condition should any inadvertent discoveries be made.

Condition 14

Petitioner shall participate with city and state civil defense agencies, with U.S. Department of the Navy, and with adjoining land owners and

developers in formulating and implementing an emergency preparedness and evacuation plan for the Petition Area.

Status. HASEKO will participate with these parties in compliance with this Condition.

Condition 15

Petitioner shall comply with “The Eight (8) Conditions Applicable to This Golf Course Development”, prepared by the State Department of Health dated April 4, 1990 (Version 3), introduced as the Office of State Planning’s Exhibit Number 4 attached hereto [not attached to this annual progress report] and incorporated by reference herein.

Status. The State Department of Health has revised the conditions applicable to golf course developments. HASEKO has reached an agreement with the DOH regarding compliance with its current standard conditions for golf courses. A copy of the letter outlining that agreement is provided as **Exhibit E**.

Condition 16

Petitioner shall engage the services of a qualified golf course manager to oversee the irrigation of the golf course and application of fertilizers and pesticides to the golf course within the Petition Area and who shall be qualified in the application of fertilizers and pesticides in those areas.

Status. Hoakalei Country Club has hired a qualified golf course superintendent to oversee the management of the golf course.

The Hoakalei Golf Course is the first golf course on Oahu to use Seadwarf® seashore paspalum turfgrass, a salt-tolerant, warm season turf grass that requires up to 50 percent less water and up to 75 percent less fertilizer and can be irrigated with brackish or reclaimed water.

Condition 17

Petitioner shall complete the development on the Petition Area in substantial compliance with the representations made before the Land Use Commission. Failure to do so may result in reclassification of the property to its former land use classification.

Status. The Commission has overseen the urbanization of the Project site from as far back as 1975. Since HASEKO acquired the site in 1988 and first presented its master plan to the Commission in 1989, the master plan has undergone various reconfigurations, primarily in response to regulatory decisions and constraints. As a result, there have been changes to the sizes and locations of various components of the Project. These size and location changes,

however, have not changed the character of the development or the Project components and their relative densities, and they are the same as originally presented to the Commission. The focal point of the Project has always been, and continues to be, the marina.

Condition 18

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 Petition Area covered by the approved Petition prior to visible commencement of construction on the Petition Area; provided, however, that Petitioner may transfer ownership in the Petition Area to an affiliate or joint venture of which Petitioner is a member or in a manner consistent with prior representations to the Land Use Commission, and may mortgage the property at any time without notice to the Land Use Commission. A mortgagee under such mortgage may foreclose the mortgage, by judicial foreclosure or under a power of sale contained in such mortgage (provided notice of the date of such foreclosure sale is given to the Land Use Commission), or may, with notice to the Land Use Commission, acquire title to such property in lieu of foreclosure and the mortgagee or the person acquiring title at such foreclosure or in lieu of foreclosure may also transfer title to the property with notice to the Land Use Commission.

Status. HASEKO (Hawaii), Inc., purchased the approximately 1,100-acre Project property in 1988 from M.S.M. & Associates, Inc., which was then in bankruptcy, and from The Estate of James Campbell. In 1992, the entire 1,100 acres were transferred from HASEKO (Hawaii), Inc. to a wholly owned subsidiary, HASEKO (Ewa), Inc. As construction of the residential components of the Project has proceeded, parcels have been conveyed to development entities affiliated with HASEKO, and subsequently to individual homeowners in fee simple.

A 22,905 square foot commercial lot along Fort Weaver Road was conveyed from HASEKO to Arthur Howard and Leslie Gail Howard in 2002, and a 1.043 acre commercial lot along Keone`ula Boulevard was conveyed from HASEKO to Frederick Hoon Yuk Lau and Judy Mariko Lau in 2007.

Nearly 12 acres at the northeastern part of the Project area were conveyed in 2005 to the State of Hawaii for a school site. Adjacent to the school site will be a district park and a child care center. In 2007, approximately 1.25 acres were conveyed to Seagull Schools for the child care center. Just over one acre of land was conveyed to the City and County of Honolulu in 2008 for relocation of the `Ewa Beach Fire Station at the northeast corner of the Project site. HASEKO is working with the City and County of Honolulu to convey approximately 18.75 acres for the district park and approximately 9 acres for the expansion of One`ula Beach Park.

All areas are shown on *Exhibit F*.

Condition 19

Petitioner shall provide annual reports to the Land Use Commission, the Office of State Planning, and the City and County of Honolulu, Department of General Planning in connection with the status of the subject project and the Petitioner's progress in complying with the conditions imposed.

Status. This annual progress report is provided to the Commission in compliance with this condition. Copies are being provided to the Office of Planning (formerly the Office of State Planning) and the City Department of Planning and Permitting (formerly the Department of General Planning).

Condition 20

In conjunction with the foregoing Findings of Fact Number 163, Petitioner shall submit to the Commission for its review and approval, the methods in which Petitioner will address the need for employee housing in conjunction with State and City government agencies.

Status. As HASEKO gets closer to developing the commercial, industrial, and visitor accommodation components of the Project that have significant employment requirements, it will work with the State and City to address the issue of employee housing. At the appropriate time, HASEKO will submit to the Commission its planned course of action. Currently, the more pressing issue is the location of jobs and employment opportunities for residents in the region, rather than the provision of homes for workers in the area.

Condition 21

The Commission may fully or partially release these conditions as to all or any portion of the Petition Area upon timely motion and upon the provision of adequate assurance of satisfaction of these conditions by the Petitioner.

Adequate assurance of satisfaction may be evidenced by execution of a certificate of satisfaction in recordable form stating that such condition has been satisfied, in whole or in part. The Office of State Planning will certify for itself and all state departments and agencies, and the Department of General Planning will certify for itself and all county departments and agencies. Any other party to the boundary amendment proceeding may be asked to indicate whether they concur in the certification of satisfaction.

Status. As and when conditions are met, HASEKO may file the appropriate motions.

Mr. Orlando Davidson
October 15, 2009
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HASEKO hopes this progress report sufficiently apprises the Land Use Commission of the present status of the Project, in general, and the Petition Area in particular. Should you need further information, please do not hesitate to contact the undersigned.

Very truly yours,

HASEKO (EWA), INC.

A handwritten signature in dark ink, appearing to read 'N. Maeda', written in a cursive style.

Nancy Maeda
Executive Vice President

Attachments:

- Exhibit A – Job credits pursuant to Subparagraph a. of Condition 1
- Exhibit B – Job credits pursuant to Subparagraph c.(iii) of Condition 1
- Exhibit C – Noise Covenants included in CC&Rs
- Exhibit D – Kalo`i Gulch Watershed
- Exhibit E – Agreement for Development of Golf Course dated May 2, 1994
- Exhibit F – Hoakalei/Ocean Pointe Master Plan

cc: State Office of Planning
City Department of Planning and Permitting
Moriyara Lau & Fong LLP