

LAND USE COMMISSION
STATE OF HAWAII

D·R·HORTON® **DHI**
Listed
NYSE JUN 20 A 9:26 AM

America's Builder

SCHULER DIVISION

June 15, 2016

Mr. Daniel Orodener
Executive Officer
Land Use Commission
P. O. Box 2359
Honolulu, HI 96804-2359

Dear Mr. Orodener:

2016 Annual Report
Docket No. A06-771
Ho'opili

D.R. Horton Schuler Homes LLC ("Owner"), submits this third annual progress report to the Land Use Commission ("LUC"), the state Office of Planning, and the city Department of Planning and Permitting pursuant to Condition 23 of the June 21, 2012 LUC order in Docket No. A06-771.

The subject of this annual report is the petition area currently identified as the "Ho'opili" project and is comprised of 1,525.516 acres located at Ewa, Island of Oahu, Tax Map Key Nos. 9-1-017:004 (por.), 9-1-017:059 (por.), 9-1-17:072, 9-1-018:001, and 9-1-018:004 (hereinafter referred to collectively as the "Property"). It should be noted that the Property was rezoned by the Honolulu City Council on May 6, 2015 and was signed into law by Mayor Kirk Caldwell on May 20, 2015.

LUC Reclassification (Docket No. A04-753)

Pursuant to the Findings of Fact, Conclusions of Law, and Decision and Order dated June 21, 2012, the Property was reclassified by the LUC from the Agricultural District into the Urban District for development.

Status of Compliance with Conditions

The conditions to reclassification are reproduced boldface followed by a description of the progress being made to comply with them.

1. Agriculture and Phasing of Development. Petitioner shall hold or cause the phasing of development of the petitioned lands in a manner that will allow farmers unimpeded access to and use of agricultural lands not yet needed for development and continue the supply of sufficient irrigation water to meet crop production requirements. Petitioner shall inform the affected farmers that the phasing of development and the subsequent incremental termination of farming activities may be accelerated or decelerated, depending on market demand. Petitioner's annual report shall include an updated development timetable with maps of the phasing plan as relevant to the incremental termination of farming activities, copies of any notification sent to farmers regarding the phasing of development, and information on acreage farmed and the names of farms.

The Property was rezoned by the City and County of Honolulu City Council on May 6, 2015. The Petitioner/Owner (hereinafter "P/O") has prepared an updated phasing plan for the Property related to its subdivision plans. Exhibit 1 for the current subdivision phasing map to the phasing plan originally submitted is attached. P/O continues to meet with all the Ho'opili farming tenants on a regular basis and keeps them apprised of any and all future construction plans. Current farming tenants and acreage breakdown are as follows:

- (1) Aloun Farms – 890 acres
- (2) Larry Jefts – 376 acres
- (3) Ho Farms – 80 acres
- (4) Fat Law Farms – 60 acres

2. Ho'opili Urban Agriculture Initiative. Petitioner shall cause the full and complete development of no less than 251 acres of Urban Agriculture and establish the management entity responsible for compliance with Ho'opili Sustainability Plan for the areas identified as Urban Agriculture prior to Ho'opili's full build-out. The distribution of acreage for the Urban Agriculture component shall not be less than 159 acres of Civic (commercial) Farms, 8 acres of Community Gardens, and 84 acres of Steward Farms (home gardens). The uses and activities of the Civic Farms shall be restricted to agricultural production and uses and activities directly accessory to agricultural production. This restriction shall run with the land. With respect to the 84 acres of Steward Farms, the Petitioner shall offer homeowners a professionally designed edible landscape plan to be installed in their respective lots upon the purchase of their home from the Petitioner that includes adequate irrigation. In addition, the Petitioner shall include explicit reference to the purpose and intent of Steward Farms in all promotional and sales material. Petitioner shall obtain the approval from the State Department of Agriculture ("DOA") for the location of the Civic Farms prior to the submittal of a subdivision application. Petitioner's annual report shall include a status of the progress in establishing the Civic Farms; a copy of the DOA approved map of the location of the Civic Farms; a copy of the paperwork establishing the management entity for the Civic Farms; and a copy of the draft edible landscaping package for the Steward Farms (home gardens).

a. **Civic Farms.** Petitioner will ensure that 159 acres of Civic Farms will meet the DOA's standard that it "can be practicably used for an economically successful commercial farming operation." If it is determined that certain areas identified are not feasible, the Petitioner shall locate other lands to replace those lands determined to not meet the DOA's criteria set forth above and ensure that no less than 159 acres are set aside for Civic Farms.

b. **Steward Farms.** Petitioner shall establish the Steward Lot program, design the gardens, and set up agriculture friendly covenants; but consistent with current practice, the individual homeowners shall be responsible for the cost of installation and ongoing care.

As reported in the first annual report, P/O has satisfied Condition 2.a. and will continue to comply with the remaining conditions set forth in Condition 2.

3. Compliance with HRS § 205-3.5, Relating to Agriculture Uses on Adjacent Agricultural Land. For all land in the Petition Area or any portion thereof that is adjacent to land in the State Land Use Agricultural District, Petitioner shall comply with the following:

- a. Petitioner and its successors and assigns shall not take any action that would interfere with or restrain farming operations conducted in a manner consistent with generally accepted agricultural and management practices on adjacent or contiguous lands in the State Land Use Agricultural District. For the purpose of these conditions, "farming operations" shall have the same meaning as provided in HRS § 165-2; and
- b. Petitioner shall notify all prospective developers or purchasers of land or interest in the Petition Area, and provide or require subsequent notice to lessees or tenants of the land, that farming operations and practices on adjacent or contiguous land in the State Land Use Agricultural District are protected under HRS Chapter 165, the Hawaii Right to Farm Act. The notice shall disclose to all prospective buyers, tenants, or lessees of the Petition Area that potential nuisances from noise, odors, dust, fumes, spray, smoke, or vibration may result from agricultural uses on adjacent lands. The notice shall be included in any disclosure required for the sale or transfer of real property or any interest in real property.

P/O intends to comply with this condition.

4. Affordable Housing. Petitioner shall provide affordable housing opportunities for residents in the State of Hawaii in accordance with applicable affordable housing requirements of the City and County of Honolulu ("City"). The location and distribution of the affordable housing or other provisions for affordable housing shall be under such terms as may be mutually agreeable between the Petitioner and the City.

An Affordable Housing Agreement has been executed between the City and P/O, dated May 9, 2016. The P/O acknowledged and agreed that to the extent practicable, the affordable housing units shall be constructed and delivered concurrently with market units in the Ho`opili project.

5. Public School Facilities. Petitioner shall contribute to the development, funding for and construction of school facilities, on a fair-share basis, as determined by, and to the satisfaction of, the State of Hawaii Department of Education (“DOE”). Terms of any contribution shall be agreed upon in writing by the Petitioner and the education agency.

P/O has complied with Condition 5 as reported in the first annual report.

6. Water Resources. Petitioner shall provide potable and non-potable water source, storage, and transmission facilities and improvements to accommodate development of the Petition Area, to the satisfaction of the City Board of Water Supply (“BWS”) and other appropriate State and County agencies. The Project shall use non-potable water for irrigation of the Project’s greenbelts, parks and roadway medians if a suitable supply is available.

The Ho`opili Water Master Plan for off-site and on-site improvements has been approved by the BWS, dated October 1, 2015 and August 19, 2015, respectively. A potable water system for the BWS 440-ft system has been designed to include storage and transmission facilities for the Ho`opili project.

7. Water Conservation Measures. Petitioner shall implement water conservation measures and Best Management Practices, such as use of endemic, indigenous and drought-tolerant plants and turf, and incorporate such measures into the Petition Area’s site design and landscaping.

P/O will comply with this condition.

8. Wastewater. Petitioner shall develop a wastewater collection and transmission system and other sewer improvements in the Petition Area and offsite, as required by the State Department of Health (“DOH”) and the City and County of Honolulu.

The Ho`opili Wastewater or Sewerage Master Plan, dated September 9, 2015 has been approved by the City’s Department of Planning and Permitting, Wastewater Branch by its letter dated November 13, 2015. The Sewerage Master Plan describes the off-site and on-site improvements necessary for the Ho`opili project.

9. Notification of Potential Nuisances.

a. Petitioner shall properly disclose to all prospective purchasers, residents and/or occupants in the Petition Area of the potential adverse impacts of aircraft activity at and from Kalaeloa Airport such as, but not limited to, noise, right of flight, emissions, vibrations and other incidences of aircraft operations.

b. Petitioner shall provide as part of any grant or transfer of interest in the Petition Area the notification of potential aircraft and airport activity by including it in any disclosure required for the sale or transfer to buyers and lessees and to other future owners, lessees or occupants.

P/O will comply with this condition.

10. Transportation.

a. Petitioner shall fulfill its commitment to making substantial contributions in land and cash toward traffic and roadway improvements, to include but not limited to:

- i. \$30 million dollars to the City's Ewa Impact Ordinance Fee Program;**
- ii. participation in improvements to Farrington Highway estimated to cost \$50 million dollars;**
- iii. contribute 20 acres of land along Farrington Highway for widening of that highway;**
- iv. contribute land to the State of Hawaii Department of Transportation ("DOT") for the East-West connector;**
- v. contribute lands in the Petition Area necessary for the city's rail transit system;**
- vi. contribute land for park and ride areas;**
- vii. contribute additional lands for the Kunia Interchange as requested by the DOT; and,**
- viii. work with the DOT to create additional capacity on the H-1 Freeway from Kunia to Waiawa.**

Petitioner recognizes that there will be additional future contributions and requirements by the DOT that are yet to be determined.

b. Petitioner shall submit an updated Traffic Impact Analysis Report ("TIAR") for review and acceptance by the DOT, the City and County Department of

Planning and Permitting (“DPP”), and the City and County of Honolulu Department of Transportation Services (“DTS”). The updated TIAR shall include the most current updated traffic data, and shall provide an validate all recommended mitigation measures for potential project-related traffic impacts on State and City facilities to the satisfaction of the DOT, the DPP and the DTS. The updated TIAR shall include the construction status and timeline for the City’s rail transit project, and shall specifically address the potential effects on traffic the rail project does not proceed as anticipated. Petitioner shall obtain acceptance of the updated TIAR from the DOT, the DPP, and the DTS, prior to submittal of a change in zoning application with the City and County.

c. Any significant changes in Project phasing and development shall require the TIAR to be further updated to include any adjustments in the sequencing and timing for when the traffic improvements are to be built and/or scheduled to correspond to the adjusted phasing and development. Any updates to the TIAR shall include an update with respect to the construction status and projected timeline for the City’s rail transit project. Any additional mitigation required as a result of these changes shall be provided within the updated TIAR. Based on the foregoing, all changes to the updated TIAR shall be provided to the DOT, the DPP, and the DTS for review and acceptance.

d. Petitioner shall fund the planning, design and construction of all traffic improvements to mitigate local or direct project-generated and/or related traffic impacts, in accordance with the updated TIAR, as accepted by the DOT, the DPP, and the DTS. Petitioner shall fund its fair share of the planning, design and construction of all traffic improvements required to mitigate regional Project generated and/or traffic improvements in accordance with the updated TIAR, as accepted by the DOT, the DPP, and the DTS, or as set forth in a formal Memorandum of Agreement described in Condition No. 10(e) below. All required traffic improvements for each phase of the Project shall be constructed in accordance with the timing and schedule as recommended in the updated/revised TIAR.

e. A formal Memorandum of Agreement shall be established between Petitioner and the DOT, documenting all aspects of the agreed-upon improvements required to mitigate Project generated and/or related transportation impacts to State transportation facilities.

f. Petitioner shall continue to coordinate with the DOT, the DPP, and the DTS to ensure that all traffic impacts are adequately addressed and properly mitigated.

P/O will comply with this condition.

11. Stormwater. Petitioner shall construct stormwater and drainage system improvements as designed in compliance with applicable federal, State and County laws and rules.

a. Prior to any subdivision approval, for lands that may drain onto adjacent Navy lands, the Petitioner shall provide a master drainage plan for review by the

State Department of Health (“DOH”), the State Office of Planning (“OP”), and DPP, that either includes a letter of consent from the Navy allowing drainage onto its properties or a specific explanation of strategies to be employed so that drainage onto Navy lands is not necessary.

b. To the extent feasible, Petitioner shall mitigate non-point source pollution by incorporating low impact development practices for onsite stormwater capture and reuse into the Petition Area’s site design and landscaping, provided that such low impact development practices do not prevent dedication of drainage facilities to the counties, to prevent runoff onto affected State highway facilities, downstream properties and receiving gulches, streams, and estuaries that connect with coastal waters.

The Ho`opili Drainage Master Plan, dated August 24, 2015 has been approved by the City’s Department of Planning and Permitting, Site Development Division by its letter dated September 16, 2015. The Drainage Master Plan describes the Ho`opili project’s backbone drainage system. A copy of the approved Ho`opili Drainage Master Plan was provided to DOH and OP.

12. Archaeological Survey. Petitioner shall comply with the conditions recommended and approved by the State Department of Land and Natural Resources, State Historic Preservation Division (“SHPD”), prior to issuance of a permit for grubbing and grading. Petitioner shall confirm in writing to the State of Hawaii Land Use Commission (“Commission”) that the SHPD has found Petitioner’s preservation mitigation commitments, if any, to be acceptable and has determined that any required historic preservation measures have been successfully implements.

P/O will comply with this condition.

13. Previously Unidentified Burials and Archaeological/Historic sites. In the event that historic resources, including human skeletal remains, are identified during construction activities, all work shall cease in the immediate vicinity of the find, the find shall be protected from additional disturbance, and the SHPD, Oahu Island Section, shall be contacted immediately. Without any limitation to any other condition found herein, if any burials or archaeological or historic sites, such as artifacts, marine shell concentrations, charcoal deposits, stone platforms, paving, and walls not previously identified and studies referred to herein, are discovered during the course of construction of the Project, all construction activity in the vicinity of the discovery shall stop until the issuance of an archaeological clearance from the SHPD that mitigative measures have been implemented to its satisfaction.

P/O will comply with this condition.

14. Established Access Rights Protected. Pursuant to Article XI, Section 7 of the Hawaii State Constitution, Petitioner shall preserve any established access rights of native Hawaiians who have customarily and traditionally used the Petition Area to exercise subsistence, cultural, and religious practices or for access to other areas.

No established access rights pursuant to Article XI, Section 7 of the Hawaii State Constitution have been identified within the Petition Area.

15. Civil Defense. Petitioner shall fund and construct adequate solar-powered civil defense measures serving the Petition Area as determined by the State of Hawaii Department of Defense, State Civil Defense (“SCD”) and they shall be operational before occupancy of any homes or businesses. The location of such measures shall be determined in consultation with the SCD.

In consultation with the SCD, the P/O will locate three (3) solar-powered civil defense sirens within the Ho`opili project. The locations have been mapped, reviewed by the SCD and will be field verified by the SCD prior to installation.

16. Integrated Solid Waste Management Plan. Petitioner shall cooperate with the DOH and the City and County of Honolulu to conform to the program goals and objectives of HRS Chapter 342G and the City and County of Honolulu’s approved integrated solid waste management plan in accordance with a schedule and timeframe satisfactory to the DOH. Petitioner shall, in coordination with appropriate State and County government agencies, assist in the planning and promotion of solid waste recycling facilities.

P/O will comply with this condition.

17. Best Management Practices. Petitioner shall implement all appropriate Best Management Practices applicable to each proposed land use in order to minimize runoff from construction and vehicle operations, reduce or eliminate soil erosion and ground water pollution, and formulate dust control measures to be implemented during and after the development process in accordance with the DOH guidelines.

P/O will comply with this condition.

18. Infrastructure Deadline – Within 10 Years. Petitioner shall complete construction of (a) offsite backbone sewer and water infrastructure; and (b) all onsite backbone roadway infrastructure, such as the North-South Spine Road (“Spine Road”) and the University of Hawaii West Oahu Connector Road (“Campus Drive”), and major utility infrastructure within said roads within ten (10) years from the date of the decision and order.

P/O will comply with this condition.

19. Infrastructure Deadline – Within 20 Years. Petitioner shall complete all backbone infrastructure, associated subdivision roadway and utility systems for the proposed residential, mixed-use/live-work commercial space, and commercial office and retail space within twenty (20) years from the date of the decision and order.

P/O will comply with this condition.

20. Ho`opili Sustainability Plan. Petitioner shall substantially comply with the Ho`opili Sustainability Plan, Petitioner's Hearing Exhibit 89B, including the implementation of the mitigation technologies, strategies and measures listed therein or the implementation of equivalent or better mitigation technologies, strategies, or measures. Petitioner shall detail the progress made in implementing the Ho`opili Sustainability Plan.

The planning and design for the first homes within Ho`opili has commenced and will comply with this condition.

21. Compliance with Representations to the Commission. Petitioner shall develop the Petition Area in substantial compliance with the representations made to the Commission. Failure to so develop the Petition Area may result in reversion of the Petition Area to its former classification, or change to a more appropriate classification.

P/O intends to complete development of the Property in substantial compliance with the representations made before the LUC.

22. Notice of Change of Ownership. 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 Petition Area, prior to development of the Petition Area.

As previously reported to the LUC, the P/O intends to voluntarily donate land within the Petition Area to the Hawaiian Humane Society (approx. five acres) and the Waianae Coast Comprehensive Health Center (approx. one acre). Neither parcel has been conveyed. The P/O previously informed the LUC that it intended to sell 38 acres of commercially zoned land to the McNaughton and Kobayashi Groups, respectively, but that deal has fallen out of escrow. We continue to market the property and will inform the LUC if and when a subsequent agreement of sale is reached. Additionally, the P/O intends to develop approximately 41-acres into for sale single family (151 units) and multi-family (140 units) homes along with supporting roadways and infrastructure in early 2017.

23. Annual Reports. Petitioner shall timely provide without any prior notice, annual reports to the Commission, OP, and the DPP in connection with the status of the development of the Petition Area and Petitioner's progress in complying with the conditions imposed herein. The annual reports shall be submitted in a form prescribed by the Executive Officer of the Commission.

P/O is herewith submitting this Annual Report to the LUC, OP and the DPP to show the current status of the Project and the progress in complying with the imposed conditions.

24. Release of Conditions. The Commission may fully or partially release the conditions provided herein as to all or any portion of the Petition Area upon timely motion

Mr. Daniel Orodener
June 15, 2016
Page 10

and upon the provision of adequate assurance of satisfaction of these conditions by Petitioner.

P/O acknowledges that the Commission may fully or partially release the conditions provided herein.

25. Notice of Imposition of Conditions. Within seven days of issuance of the Commission's Decision and Order for the subject reclassification, Petitioner shall: (a) record with the State of Hawaii Bureau of Conveyances ("Bureau of Conveyances") a statement that the Petition Area is subject to conditions imposed herein by the Commission in the reclassification of the Petition Area; and (b) file a copy of such recorded statement with the Commission.

P/O complied with this condition.

25. Recordation of Conditions. Petitioner shall record the conditions imposed herein by the Commission with the Bureau of Conveyances pursuant to section 15-15-92, HAR.

P/O complied with this condition.

If you have any questions do not hesitate to contact me at 528-9074.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. W. Nekota', with a long horizontal flourish extending to the right.

Cameron W. Nekota
Vice President

cc: Leo R. Asuncion, Jr., AICP, Director, Office of Planning
George Atta, Director, Department of Planning and Permitting