

October 8, 2012

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

Subject: 2012 Annual Report for the State Land Use Commission
Docket No. A98-723/A&B Properties, Inc.- Haliimaile Residential

Dear Mr. Orodenerker:

This constitutes A&B Properties, Inc.'s ("A&B") 2012 annual report for the subject Haliimaile Residential project.

Project Background and Status

By its Decision and Order dated October 22, 1998, the State Land Use Commission ("SLUC") granted approval of A&B's petition to reclassify approximately 62.994 acres from the "Agricultural" to the "Urban" land use district at Haliimaile, Maui. Approval of the petition was subject to 17 conditions. The development of the subject property is planned to include a single-family residential subdivision (45 acres), park space (10 acres), a drainage basin with buffer/maintenance road (7 acres), and a wastewater treatment facility (1 acre).

Since the SLUC's approval in October 1998, the following work, summarized below, has been undertaken.

- A Community Plan Amendment from the "Agriculture" to the "Public/Quasi-Public" district (approximately 7.994 acres) for the planned sewage treatment facility and drainage retention basin, as well as to allow revisions to the configuration of the "Single-Family" district and the "Park" district within the planned project, was filed with the County. An Environmental Assessment was also prepared as part of the Community Plan amendment application. The Maui County Planning Department subsequently determined that no significant impacts (FONSI) were associated with this action.
- A County special use permit for the construction and operation of the project's planned sewage treatment facility was applied for and approved by the Maui Planning Commission in November 1999. The current special use permit is valid till September 2, 2021.

- A change in zoning application from “Interim” district to “R-1” residential district (approximately 45 acres) and “PK-1” park district (approximately 10 acres) was filed with the County. The 7.994-acre area designated for the sewage treatment facility and drainage-retention basin will be retained in the County’s “Agriculture” district.
- The Maui Planning Commission conducted public hearings on both the Community Plan and change in zoning applications in July and November 1999. In November 1999, the Planning Commission voted to recommend approval of both applications to the Maui County Council. Approval of the change in zoning application was subject to 13 conditions. The applications were subsequently forwarded to the Maui County Council for hearing and action. The Council’s Land Use Committee conducted a public hearing on the applications in September 2001. However, it was not until June 2005, that the Council’s Land Use Committee again conducted further public hearings on the subject land use applications. The Land Use Committee subsequently recommended approval of the applications to the Maui County Council, and in September 2005 the Council granted final approval of the community plan amendment and the change in zoning applications.
- Civil construction plans of the subdivision and infrastructure improvements have been prepared and are in the plan review and approval process with the County.
- In response to questions raised by the Maui County Council, A&B commenced an evaluation of potable water alternatives to meet the project’s needs. A groundwater hydrology study was commissioned by A&B. The study identified several potential groundwater well locations in the Upcountry region. Based on this study and ongoing discussions with the County Department of Water Supply and private landowners in the vicinity of the project, a suitable well site will be selected to meet the needs of the project.
- The Maui Board of Water Supply has also drilled a new well at Pookela, which is intended to provide potable water for the Upcountry region. The well is located at the existing Pookela tank site off of Olinda Road. Drilling and testing of the Pookela well was completed in February 2003. The well was initially designed to have a pump capacity of 1,100 gpm, however, the pump capacity has since been increased to up to 1,400 gpm. The Pookela well became operational in 2007.
- In September 2008, improvements to Haleakala Highway were completed by the State Department of Transportation (“DOT”). These improvements include the widening of Haleakala Highway to four (4) lanes and intersection improvements at Haliimaile Road, including the installation of a traffic signal.
- In 2011 and 2012, the site plan was reevaluated in light of infrastructure constraints and current and foreseeable market conditions. Alternative housing

products designed for smaller lots will likewise be evaluated prior to finalization of subdivision plans.

Status of Activities Relating to Imposed Conditions

Listed below are each of the conditions imposed under the Decision and Order and the status of activities pertaining to each respective condition. Many of the imposed conditions will be addressed or complied with as further progress on the project is achieved.

1. Petitioner shall provide affordable housing opportunities for low, low-moderate, and moderate income residents in the State of Hawaii to the satisfaction of the County of Maui. The County of Maui shall consult with the State Housing and Community Development Corporation of Hawaii prior to its approval of the Petitioner's affordable housing plan. The location and distribution of affordable housing or other provisions for affordable housing shall be under such terms as may be mutually agreeable between the Petitioner and the County of Maui.

In June 2005, the County of Maui Department of Housing and Human Concerns (DHHC) recommended to the Maui County Council that the Petitioner provide affordable housing equivalent to 25 units or 15 percent of the total units developed at the project, whichever is greater. This requirement has been imposed as a condition of the change in zoning ordinance for the project and will be complied with.

2. Petitioner shall contribute its fair share to the development, funding, and/or construction of public school facilities as determined by and to the satisfaction of the State Department of Education (DOE). Petitioner and the DOE shall submit a written agreement on this matter prior to the Petitioner obtaining approval for County zoning.

Petitioner entered into an "Educational Contribution Agreement" with the DOE on November 23, 1999. A copy of this agreement was previously transmitted to the SLUC.

3. Petitioner shall fund and construct adequate wastewater transmission and disposal facilities for the proposed development, as determined by the County of Maui Department of Public Works ("DPW") and the State Department of Health ("DOH").

Petitioner is planning a wastewater treatment plant to serve the project. A special use permit has been attained for the proposed wastewater treatment plant. In November 2008, the State Department of Health informed Petitioner that the Preliminary Engineering Report for the proposed sewage treatment facility prepared and submitted by Petitioner was found to be in compliance with applicable provisions of Chapter 11-62, Hawaii Administrative Rules and the Guidelines for the Treatment and Use of

Recycled Water, May 15, 2002. In 2010, Petitioner solicited proposals for the design, construction, and operation of a private wastewater treatment plant, and continues to evaluate alternatives to serve the project as well as surrounding areas.

4. Petitioner shall participate in the pro-rata funding and construction of local and regional transportation systems and regional improvement and programs necessitated by the proposed development in designs and schedules accepted and determined by the State Department of Transportation, and the County of Maui DPW.

Based on a traffic impact analysis prepared by Petitioner, DOT acknowledged and informed the County of Maui DPW that signalized intersection improvements at the intersection of Haliimaile Road and Haleakala Highway will adequately serve expected traffic generated by the project. Petitioner will participate in the pro-rata funding and construction of other transportation improvements and programs, as may be determined by DOT and DPW.

5. Petitioner, developer and/or landowners of the affected properties shall fund and construct adequate civil defense measures as determined by the County and State Civil Defense agencies.

This condition will be addressed as development of the project progresses.

6. Should any previously unidentified burials, archaeological or historic sites such as artifacts, marine shell concentrations, charcoal deposits, or stone platforms, pavings or walls be found, the Petitioner, developers and/or landowners of the affected properties shall stop work in the immediate vicinity and State Historic Preservation Division of the Department of Land and Natural Resources ("SHPD") shall be notified immediately. Subsequent work shall proceed upon an archaeological clearance from the SHPD when it finds that mitigative measures have been implemented to their satisfaction.

This condition will be addressed as development of the project progresses.

7. Petitioner shall participate in an air quality monitoring program as specified by the DOH. Petitioner shall notify all prospective buyers of property of the potential odor, noise and dust pollution resulting from surrounding Agricultural District land. Petitioner shall notify all prospective buyers of property that the Hawaii Right-to-Farm Act, Chapter 165, HRS, limits the circumstances under which pre-existing farm activities may be deemed a nuisance.

This condition will be addressed as development of the project progresses.

8. Petitioner shall fund the design and construction of drainage improvements required as a result of the development of the Petition Area to the satisfaction of the

DOH, Natural Resources Conservation Service of the U.S. Department of Agriculture, and County agencies.

This condition will be addressed during the design process.

9. Petitioner shall participate in the funding and construction of adequate water source, storage, and transmission facilities and improvements to accommodate the proposed Project. Water transmission facilities and improvements shall be coordinated with and approved by appropriate State and County agencies. Petitioner shall coordinate with the Department of Water Supply and provide the necessary information to facilitate the inclusion of the project in the Water Use and Development Plan.

In 2012, the County indicated that it will commence issuing meters to landowners currently on the Upcountry water meter waiting list which includes the Project. Petitioner will monitor this situation and continue discussions with the County of Maui Department of Water Supply and private landowners in the vicinity of the project regarding the development of water facilities in the region.

10. Petitioner shall retain the buffer strips as depicted in the Petitioner's preliminary site plan to mitigate adverse impacts from the agricultural activities in the surrounding area.

This condition will be addressed as development of the project progresses.

11. Petitioner shall conduct seasonal surveys during the late winter/early spring (when water is present in the reservoir) to determine if the reservoir is being used as nesting habitat by stilts or other endangered species/subspecies of waterbirds (e.g., Hawaiian Coot, or Hawaiian Gallinule). Surveys should be conducted for at least two years. The surveyors should look for evidence of increased use of the area, as well as predation by dogs and cats. Should findings detect increased disturbance or predation to endangered waterbirds, the Petitioner shall provide mitigation measures as required by the U.S. Fish and Wildlife Service.

This condition will be addressed as development of the project progresses.

12. Petitioner shall develop the Property in substantial compliance with the representations made to the Land Use Commission. Failure to so develop the Property may result in reversion of the Property to its former classification, or change to a more appropriate classification.

Petitioner is proceeding with development of the project in substantial compliance with representations made to the SLUC.

13. *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 interests in the Property, prior to development of the Property.*

As of June 7, 2012, Alexander & Baldwin, Inc., owner of the Property, was converted from a Hawaii corporation to a Hawaii limited liability company and is now known as Alexander & Baldwin, LLC.

14. *Petitioner shall timely provide without prior notice, annual reports to the Land Use Commission, the Office of Planning, and the County of Maui Planning Department in connection with the status of the subject Project and Petitioner's progress in complying with the conditions imposed herein. The annual report shall be submitted in a form prescribed by the Executive Officer of the Land Use Commission.*

This annual report is being filed pursuant to this condition.

15. *The Land Use Commission may fully or partially release the conditions provided herein as to all or any portion of the Property upon timely motion and upon the provision of adequate assurance of satisfaction of these conditions by the Petitioner.*

This condition is not currently applicable.

16. *Within seven (7) days of the issuance of the Land Use Commission's Decision and Order for the subject reclassification, the Petitioner shall (a) record with the Bureau of Conveyances a statement that the Property is subject to conditions imposed herein by the Land Use Commission in the reclassification of the Property, and (b) shall file a copy of such recorded statement with the Land Use Commission.*

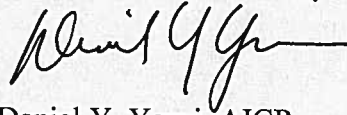
This condition has been satisfied. On October 28, 1998 a "Notice of Imposition of Conditions by the Land Use Commission" was recorded with the State Bureau of Conveyances (Document No. 98-162166) and copies were filed with the SLUC.

17. *Petitioner shall record the conditions imposed herein by the Land Use Commission with the Bureau of Conveyances pursuant to Section 15-15-92, HAR.*

This condition has been satisfied. On November 30, 1998 the conditions imposed by the SLUC were recorded with the State Bureau of Conveyances under the "Declaration of Conditions Applicable to an Amendment of District Boundary From Agricultural to Urban" (Document No. 98-178918).

Please contact me should you require any further information regarding this report. An email .pdf version of this report will also be transmitted to your office for your use.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Y. Yasui", with a horizontal line extending from the end of the signature.

Daniel Y. Yasui, AICP
Director, Planning and Entitlement

cc: State Office of Planning
County of Maui Planning Department