

September 17, 2009

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

Dear Mr. Davidson:

2009 Annual Report
 Docket No. A87-613
The City of Kapolei

Aina Nui Corporation, an affiliate of the James Campbell Company LLC, submits this twenty-first 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 11 of the September 23, 1988 LUC Decision and Order in Docket No. A87-613, as amended on March 29, 1989; on May 30, 1989; on June 4, 1993; and on June 28, 1995.

The subject of this annual report is the reclassification of approximately 890 acres of land located in Honouliuli, Ewa, Island of Oahu, State of Hawaii ("Property") from the Agricultural District to the Urban District. Which was subsequently amended by reducing the land area to approximately 813.02 acres. Which was further amended by exchanging approximately 8.5 acres and redrawing boundaries between Increment I and Subsequent Increments. Which was further amended by reducing the land area in Subsequent Increments to approximately 586.49 acres. Which was further amended by modifying Condition 1 of the Decision and Order dated June 17, 1993 to allow for a residential component within the Subsequent Increments. Which was further amended by reclassifying approximately 586.49 acres of land comprising the Subsequent Increments to the Urban District.

I. General Progress

This communication summarizes general progress during the last year.

II. Status of Compliance with Conditions

These conditions to reclassification are reproduced boldface followed by a description of the progress being made to comply with them by Order filed on June 17, 1993. In addition, conditions of the Order of June 28, 1995 are also included and cross referenced where similar to the June 17, 1993 Decision and Order or listed separately in Section III as necessary to provide for full review of compliance.

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- 1. Kapolei Town Center shall be a commercial, industrial, government and business and residential center which may include mixed uses. (Also Decision and Order June 28, 1995, Condition 1)**

Kapolei Town Center is continuing to develop as planned. A number of major projects are in design, under construction or recently completed. Specific milestones in its progress are reported in the section entitled "Other Significant Milestones".

- 2. Petitioner shall fund and construct the necessary transportation improvements to mitigate impacts from the Project on an equitable basis with adjoining landowners and developers and/or other federal, state or county agencies as determined by the state Department of Transportation. These improvements shall be implemented on a schedule acceptable to and approved by the state Department of Transportation.**

Progress continues to be made in providing the necessary transportation improvements. Kaku Associates has completed the Regional Highway Master Plan under a contract with the state Department of Transportation ("DOT") which is jointly funded by area developers and the DOT.

The City and County of Honolulu has enacted Ordinance No. 02-52 relating to impact fees for traffic and roadway improvements in Ewa based on the year 2010 Highway Improvement Plan in the Kaku report. The impact fees reflect the fair share cost to be borne by new developments in Ewa toward the implementation of the 2010 Highway Improvement Plan. The proposed regional improvements are:

Facility	Location	Description
Interstate H-1 (State Project)	Kapolei Interchange	<ul style="list-style-type: none">• New on-ramp, City of Kapolei to H-1 Freeway Honolulu bound• New bridge to span H-1 Freeway, mauka and makai approaches, Farrington Highway improvements and ramp• New loop off-ramp, H-1 Freeway Waianae bound to City of Kapolei

Facility	Location	Description
	Makakilo Interchange	<ul style="list-style-type: none"> • New off-ramp, H-1 Freeway Honolulu bound to Makakilo Drive • New on-ramp, Makakilo Drive to H-1 Freeway Waianae bound • H-1 West bound Auxiliary Lane • H-1 East bound Auxiliary Lane • Makakilo Drive
Fort Barrette Road (State Project)	Farrington to Franklin D. Roosevelt Avenue	<ul style="list-style-type: none"> • Add 2 new lanes
Fort Weaver Road/Kunia Road (State Project)	Farrington Highway to North Road	<ul style="list-style-type: none"> • Add 2 new lanes • Widen 2 bridges
Kapolei Parkway (City Project)	Ko Olina Resort to Kalaeloa Boulevard Kamokila Boulevard to Fort Barrette Road Kapolei Parkway Bridge to North-South Road North-South Road to Puamaeole Puuloa Road to Keoneula Blvd. Keoneula Blvd. to Kaileolea Drive Kaimaile Street to Papipi	<ul style="list-style-type: none"> • New 4-lane roadway • New 4-lane roadway • New 4-lane roadway • New 4-lane roadway • New 2-lane roadway • New 2-lane roadway • New 2-lane roadway
North-South Road (State Project)	H-1 to Kapolei Parkway	<ul style="list-style-type: none"> • New 4-lane roadway • Culverts • New diamond interchange on H-1 Freeway between” Makakilo IC and Kunia IC

The City has begun collecting the impact fees per Ordinance No. 02-52 and plans to begin the revision process for Ordinance 02-52 later this year. The Petitioner is currently paying impact fees for its new developments.

The State DOT began construction of the North-South Road project and anticipates the first phase from the H-1 Freeway to Farrington Highway to open in the fourth quarter of 2009 with the entire project to be completed in early 2010. Petitioner is continuing to work closely with the DOT also began construction of the first phase of the Kapolei Interchange with completion expected in 2011.

- 3. Petitioner shall participate in an air quality monitoring program as specified by the state Department of Health.**

This condition has been satisfied as reported in the second annual report.

- 4. Petitioner shall immediately stop work and contact the state Historic Preservation office should any archaeological resources such as artifacts, shell, bone or charcoal deposits, human burial, rock or coral alignments, paving or walls be encountered during the Project's development.**

No significant archaeological resources have been uncovered during the past year within the Project.

- 5. Petitioner shall provide water source and transmission to service the subject Project.**

The major storage transmission and booster pumping infrastructure for the 228/215 system servicing the City of Kapolei has been completed.

The Petitioner has completed negotiations with the Board of Water Supply regarding the condemnation of Ewa Shaft (EP 15/16) to provide a major water source to meet the present and future water demands of the Ewa Area which encompass the City of Kapolei.

The distribution system infrastructure tied to specific projects will be built on an "as needed" basis.

- 6. Petitioner shall provide drainage improvements for the subject Project and shall coordinate off-site improvements with the state HCDCH and the Barbers Point Naval Air Station ("BPNAS").**

The Petitioner has provided drainage improvements for the subject Project as needed. The Petitioner continues to coordinate with the HCDCH and the Barbers Point Redevelopment Commission (now Hawaii Community Development Authority - HCDA) as needed.

- 7. Petitioner shall construct or produce binding agreements to construct in the 135-acre Increment I a minimum of 1.0 million square feet of facilities for office space, commercial space, business park/light industrial and other uses.**

This condition has been satisfied as reported in the fifth annual report.

- 8. Petitioner shall construct the Kapolei Shopping Center situated on 30 acres within the existing Urban District.**

This condition has been satisfied as reported in the fifth annual report.

- 9. As Petitioner has advanced, as justification for a secondary urban core at the Kapolei Town Center, the provision of affordable housing at Kapolei Village, the potential relocation of governmental offices to the town center and the potential expanded uses of the Barbers Point Deep Draft Harbor, the reclassification shall be subject to the following pre-conditions listed in these sub-paragraphs 9.a., b. and c.:**

- a. The execution of an agreement with the state HCDCH for the sale of 830 acres at \$19,400 per acre for the development of Kapolei Village in accordance with the state HCDCH's master plan and for provision of 175,000 gallons per day of water for the first phase of development.**
- b. The execution of an agreement or document evidencing the Petitioner's commitment to provide forty acres to the State of Hawaii at no cost for governmental offices or other uses in the Kapolei Town Center with all off-site costs to be borne by the Petitioner.**
- c. The execution of an agreement or document evidencing the Petitioner's commitment to provide 87 acres at no cost to the state and the sale of 56.5 acres to the state at 50 percent of fair market value not to exceed \$1.50 per square foot, plus escalation based on comparables in the adjoining industrial area, to increase the productive capacity of Barbers Point Deep Draft Harbor.**

The agreement referenced in sub-paragraphs 9.a., b. and c. is the oral agreement entered into between the State of Hawaii and Petitioner involving mutual rights and obligations.

The only pre-conditions to reclassification (as opposed to conditions upon approval of reclassification) are those listed in these sub-paragraphs 9.a., b. and c.

The foregoing preconditions have been satisfied as reported in the first annual report.

- 10. As Petitioner has testified that the portion of the agreement set forth in sub-paragraph 9.c. hereinabove is subject to approval by the Probate Court of the State of Hawaii, Petitioner shall obtain approval of the Probate Court of such portion of the agreement as is described in 9.c. above.**

This condition has been satisfied as reported in the first annual report.

- 11. Petitioner shall implement effective soil erosion and dust control measures during construction to the satisfaction of the state Department of Health.**

The Petitioner will ensure the implementation of soil erosion and dust control measures during construction to the satisfaction of the state Department of Health.

- 12. Petitioner shall cooperate with the state Department of Health and the City and County of Honolulu, Department of Public Works to conform to the program goals and objectives of the Integrated Solid Waste Management Act, Chapter 342G, Hawaii Revised Statutes.**

The Petitioner will comply with this condition.

- 13. Petitioner shall fund and construct adequate civil defense measures as determined by the State and City and County of Honolulu civil defense agencies.**

Construction of adequate civil defense measures has been completed as reported in the ninth annual report.

- 14. Petitioner shall contribute to the development, funding and/or construction of school facilities on an equitable pro-rata basis as a result of the development of the Property, as determined by and to the satisfaction of the Department of Education ("DOE"). Agreement by DOE on the level of funding and participation shall be obtained prior to Petitioner applying for county zoning.**

The Petitioner will comply with this request. In conjunction with Ordinance No. 04-46, petitioner and the developer, D.R. Horton, Schuler Division have reached agreement with the Department of Education on school facilities for the Mehana project. In Ordinance No. 04-45, petitioner is obligated to provide school facilities.

- 15. Petitioner shall provide annual reports to the state Land Use Commission, the state Office of Planning and the City and County of Honolulu, Department of Planning and Permitting in connection with the status of the entire Property and Petitioner's progress in complying with the conditions imposed on the anniversary date of the Decision and Order approving Increment I. The annual report shall be submitted in a form prescribed by the Executive Officer of the Commission. (Also, Decision and Order, June 28, 1995, Condition 7).**

This is the twenty-first annual report submitted in continuing compliance with this condition.

- 16. Petitioner shall develop the Property in substantial compliance with representations made to the state Land Use Commission in obtaining the reclassification of the petition area. Failure to so develop the petition area may result in reversion of the land to its former classification, or change to a more appropriate classification. (Also, Decision and Order, June 28, 1995, Condition 5).**

The Petitioner has and will continue to develop the Property in substantial compliance with representations made to the state Land Use Commission.

- 17. Petitioner shall give notice to the state Land Use Commission of any intent to sell, lease, assign, place in trust or otherwise voluntarily alter the ownership interest in the Property covered by the approved petition prior to the development of the land within the Property. (Also, Decision and Order, June 28, 1995, Condition 6).**

The Petitioner has made certain transfers of Property, covered by the approved petition, to other affiliated entities of the Estate of James Campbell, as reported in the fifteenth annual report.

- 18. 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. (Also, Decision and Order, June 28, 1995, Condition 8).**

The Commission has determined that Preconditions 9.a., 9.b., 9.c. and Condition 3 have been satisfied. Conditions 7, 8, 10, 19, and 20 have been satisfied as described in earlier reports.

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

This condition has been satisfied as reported in the first annual report for Subsequent Increments.

20. **Petitioner shall record the conditions imposed by the Commission with the Bureau of Conveyances pursuant to Section 15-15-92, Hawaii Administrative Rules.**

This condition has been satisfied as reported in the first annual report for Subsequent Increments.

III. Additional Conditions

As a result of the Fourth Amendment, additional conditions were added. Conditions similar to those in Section II are discussed in Section III. Petitioner's response is listed following the text of the remaining conditions which are numbered to conform to the June 28, 1995 Decision and Order.

1. **The developer and/or landowner of the subject Property shall provide affordable housing opportunities for low, low moderate, and gap group income residents of the State of Hawaii to the satisfaction of the state HCDCH in accordance with the Affordable Housing Guidelines, adopted by HCDCH as periodically amended. 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 developer and/or landowner of the subject Property and the state HCDCH and the City and County of Honolulu. Agreement by the HCDCH on the provision of affordable housing shall be obtained prior to the developer and/or landowner applying for county zoning.**

In both Ordinance No. 04-46 and Ordinance No. 04-45, petitioner (and D.R. Horton, Schuler Division in Ordinance No. 04-46), must execute an agreement with the City and County of Honolulu providing for no less than 30% of the total housing units to be delivered in affordable ranges.

The Petitioner will comply with this requirement.

2. **The Petitioner, at no cost to the state, shall appoint a permanent 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, the Petitioner may participate in a regional program for transportation management with other developers and/or landowners. This program shall address the transportation opportunities that would optimize the use of existing and proposed transportation systems. Either option will continue to be in effect unless otherwise directed by the state DOT. The program for either option shall be reviewed by the state DOT prior to implementation. The transportation manager or the Petitioner shall conduct periodic evaluations of the program's effectiveness and shall make reports of these evaluations available to the state DOT for program review and modification; if necessary.**

P/O is no longer a member of the Leeward Oahu Transportation Management Association ("LOTMA"). Instead, P/O has chosen to internally direct the formulation, use, and continuation of alternative transportation opportunities. P/O will continue to provide information on transportation alternatives in a similar fashion to LOTMA.

3. **The Petitioner shall attenuate the noise in noise sensitive areas within residential areas exposed to noise levels of 65 Ldn (day-night average sound level) by a minimum of 25 decibels (A-weighted).**

The Petitioner will address this requirement as residential areas are developed.

4. **The Petitioner shall enter into an agreement with the State of Hawaii for aviation (right of flight) and noise easement in the form agreed to by the state Department of Transportation and the developer and/or landowner on any portion of the Property subject to noise levels exceeding 55 Ldn.**

The Petitioner will comply with this requirement.

5. **Petitioner shall (a) refile the Document Listing Conditions to Reclassification, as amended, against the current certificates of title and new lot designation numbers with the Bureau of Conveyances, and (b) shall file a copy of such recorded Document with the Commission.**

The Petitioner has refiled the Document and filed a copy with the Commission.

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

The Petitioner has accomplished the required recordation and filed a copy with the Commission.

7. **Petitioner shall record the conditions imposed herein by the Commission with the Bureau of Conveyances pursuant to Section 15-15-92, Hawaii Administrative Rules.**

The Petitioner has recorded the condition imposed herein by the Commission with the Bureau of Conveyances.

IV. Other Significant Milestones

Other recent milestones are:

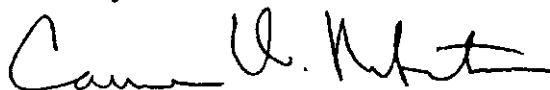
- Construction continues on the remaining roads to build out the City of Kapolei grid roadway network. It is anticipated that the remaining roadway network to serve the urban core of the City of Kapolei will be completed in 2012.
- Kapolei Property Development LLC and the City and County of Honolulu completed construction of the Kamokila Boulevard extension, which connects to Roosevelt Avenue in Kalaeloa.
- The State of Hawaii began construction on the Kapolei Judiciary Complex which will contain over thirteen courtrooms, as well as a juvenile detention facility. Completion is anticipated for early 2010.

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- Costco Wholesale Corporation completed construction of their first Kapolei Costco which opened to the public earlier this year. In addition, Kapolei Commons completed construction of its first phase with the 2009 opening of Target, Sports Authority, Office Max and Petco. Future phases of Kapolei Commons are anticipated to be completed in the coming years.

If you have any questions, please call me at 674-3201.

Sincerely,

A handwritten signature in black ink, appearing to read "Cameron Nekota". The signature is fluid and cursive, with a long horizontal stroke at the end.

Cameron Nekota
Development Project Manager

ga:15033200/K11487

cc: Office of Planning
David Tanoue, Department of Planning & Permitting