

Chapter 1 - Introduction

This Environmental Impact Statement (EIS) preparation notice represents HoKua Place's analysis in compliance with State environmental review statutes including Chapter 343, Hawai'i Revised Statutes (HRS). (The project was formerly referred to as Kapa'a Highlands. Some of the Exhibits and other references carry the former name.)

This Environmental Impact Statement (EIS) preparation notice discloses and evaluates the activities proposed in the development of the HoKua Place project. The purpose of the EISPN is to inform the relevant county, state and federal agencies and the public of the likely environmental consequences of the activities in developing the HoKua Place project.

1.1 Overview & Background

HoKua Place is a proposed development of a mix of single-family and multi-family residential, market and affordable rate homes, commercial and other uses (including roads, water and wastewater systems.) This 97-acre ocean view planned community is positioned to be the pride of Kapa'a. The development seeks to fill the housing needs of Kapa'a within the Urban Center of the district, consistent with the Kaua'i General Plan.

Situated in close proximity to schools and commercial areas, HoKua Place is proposed to be a sustainable community that preserves the rural-like character of Kapa'a while meeting its growing housing needs.

HoKua Place, TMK: (4) 4-3-003:001 (portion), totals 97-acres. The subject property, HoKua Place, includes approximately 97-acres of the approximately 163-acre larger parcel. HoKua Farm Lots shares some of the infrastructure and is included in this analysis. A copy of the tentative subdivision approval for the HoKua Farm Lots is attached as Exhibit O. The project is located mauka of Kapa'a town.

The Kapa'a By-Pass Road separates the town and the Property. The Property is on the north-west corner of the Kapa'a By-Pass Road and Olohena Road. Olohena Road runs along and adjacent to the east and north boundaries of the Property. The Kapa'a Middle School is located on the northern end of the Property, fronted by Olohena Road.

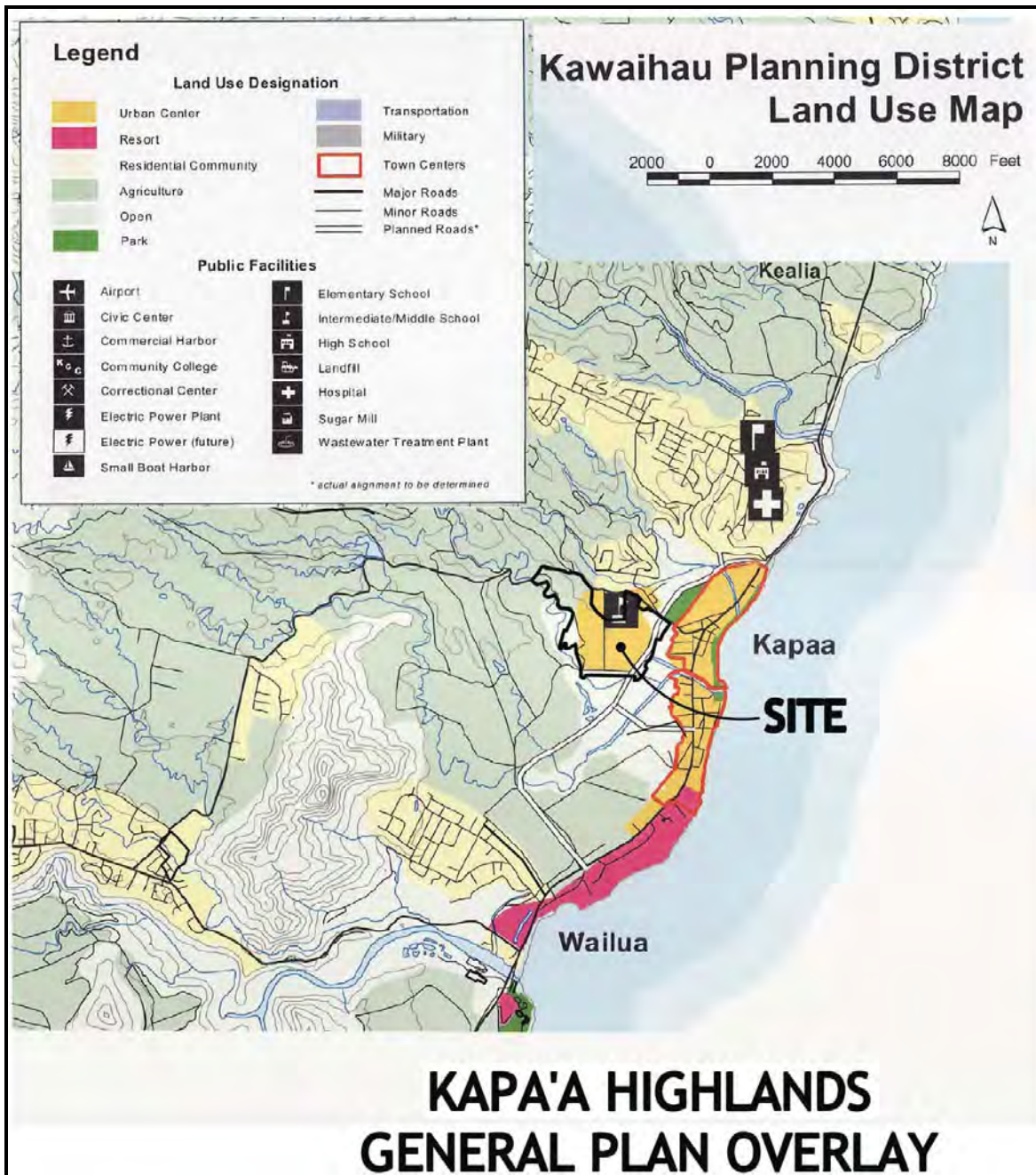
HoKua Place (formerly known as Kapa'a Highlands II) has received letters of support from the County Mayor, County Planning Department, County Housing Department, County Department of Public Works regarding wastewater, State Department of Transportation, County Water Department and others.

1.2 Purpose & Need

HoKua Place (formerly known as Kapa'a Highlands II) has submitted a petition to the Land Use Commission for a boundary amendment. The subject property is zoned agricultural by the County of Kaua'i. The Kaua'i General Plan and the Kapa'a Town Development Plan designate the property as Urban Center. The petition is to change the Land Use District from Agricultural Land Use District to Urban District. The project will respond to the Kaua'i General Plan's designation of the property as Urban Center and the need for housing in the area. The Kaua'i General Plan (General Plan) is the

primary policy directing long range development, conservation, and the use and allocation of land and water resources in the County of Kaua'i.

The General Plan establishes, through maps and text, geographic areas of the County which are intended to be used for various general purposes such as agriculture, resorts, urban communities and preservation of natural, cultural and scenic resources.



The General Plan states “One of the key policies in the Framework for preserving Kaua’i’s rural character is to promote growth and development in compact urban areas. Urban lands comprise only four to five percent of Kaua’i’s land area, leaving 55 percent in conservation and 40 percent in agriculture.”

The General Plan further states that land use policies for preserving Kauaʻi's rural character should, "Enhance Urban Centers and Towns and maintain their identity by defining the Town Center and the edges of each Town. Concentrate shopping and other commercial uses in Town Centers. Encourage residential development within Urban and Town Centers and in Residential Communities contiguous to them."

The General Plan also sets policy for urban land use designations. Policy 5.4.1.1 states:

- (a) Lands included within the Urban Center designation shall be centers of government, commerce and transportation that serve the entire county or a large region. Uses may include shopping centers, government offices, churches and other institutions, office complexes, and industrial facilities. Residential or resort uses may also be located within the Urban Center designation, where compatible.
- (b) Urban Center areas are typically served by wastewater collection and treatment facilities and major roads. Urban Center lands may be zoned for any type of use, including General Commercial, General Industrial, Resort and Residential.

The following are policies to provide for growth and development while preserving rural character, as described in the Kauaʻi General Plan:

- (a) Allow incremental growth of Towns, contiguous to existing development. Concentrate primary shopping facilities within the Town Center. Support infill development.
- (b) Provide for build-out of existing Residential Communities, to include areas zoned R-1 or higher. Allow small, neighborhood-oriented commercial sites in Residential Communities.
- (e) Expansion contiguous to an existing town or residential community is preferred over a new residential community.
- (f) Allow build-out of properties in existing low-density agricultural communities, including the homestead areas of Wailua, Kapaʻa, Ōmaʻo and Kalāheo and existing agricultural subdivisions in other parts of the island, while taking measures to assure the adequacy of County road, drainage and water supply systems.

The HoKua Place project conforms to and implements the policies of the Kauaʻi General Plan by developing within the designated Urban Center, contiguous to surrounding Kapaʻa town and its neighboring residential community, thereby preserving the rural-like character of the area.

As noted in the "Kawaihau Planning District Land Use Map" included in the Kauaʻi General Plan, the subject property has an "Urban Center" land use designation. The Kapaʻa Town Development Plan also designates the property as "Urban Center."

The lands surrounding the property to the north is designated as "Residential" and "Urban" by the County General Plan. The Property is contiguous to existing urban lands to the south and across the bypass road. These existing urban lands are zoned urban by the County of Kauaʻi.

As discussed in the Housing Market Study prepared for HoKua Place (formerly known as Kapaʻa Highlands II), the cycle for both the economy and real estate is coming off of its 2007-2009 dramatic fall-off in overall activity and in values and Kauai's residential markets are now at the beginning of the up-cycle.

Looking ahead, these markets are anticipated to right themselves and the county will resume a pattern of multi-year periods of both economic growth and job and personal income expansion. In turn, this will stimulate housing demand.

The Housing Market Study concluded that HoKua Place/Kapa‘a Highlands II will help to satisfy current and future housing demand, demand that has been deep and persistent, from both offshore and on-island households. It concluded that the development will sell well, particularly timed to the up cycle in the housing market.

Finally, the historically low level of permitting activity indicates there will be little or no competitive interference in the short run to this project’s offerings coming from other housing development on the island. The following table describes the potential pricing at retail for each product type in the development.

KAPAA HIGHLANDS PRODUCT SALES PRICE PROJECTION

Housing Produced	Total Units	Retail Price Per Unit	Home Site Only Prices
A House Lot Package, Large Lots (10,000 sf)	36	\$800,000-\$950,000	\$266,000-\$316,000
A House Lot Package, Medium Lots (7,500 sf)	50	\$650,000-\$700,000	\$216,000-\$233,000
Multi-Family Dwellings (4 Plex, 8 DU/Ac)	500	\$250,000-\$350,000	
Affordable Housing Dwellings (12 DU/Ac)	183	\$125,000-\$175,000	

The Market Analysis notes that these expected prices, particularly the affordable ones, are below the historical trend for Kaua‘i housing. Thus, sales are expected to start up strongly. Also, as the development is weighted heavily on multifamily housing production, the projected price of \$300,000 (mid-point) is well under the ten-year average for a resale condo sale (which is just under \$400,000). The other components of the development plan are also well priced.

Finally, the study estimates absorption. With the up cycle noted to be underway, strong initial sales are expected in year one. This will be maintained over the following 2-4 years. With the cycle’s top, sales will begin to drift downwards in somewhat a gradual fall-off. There then will be 2-3 years (two years shown) of slow sales, coinciding with the bottom of the market.

KAPAA HIGHLANDS PRODUCT CLOSING PROJECTION

Product	2016	2017	2018	2019	2020	2021	2022	2023
Large Lots	11	9	9	7				
Medium Lots	15	15	14	6				
Multi-Family	90	100	90	70	50	30	30	40
Affordable Housing	40	40	40	35	28			

The Housing Market Analysis for HoKua Place (formerly known as Kapa‘a Highlands II) is included as Exhibit A at the end of the EISPN.

1.3 Proposed Actions

The Project proposes to develop HoKua Place into an approximately 97-acre single-family and multi-family residential subdivision with other complementary uses.

Approximately 97-acres will be subdivided into single family lots ranging from 7,500 to 10,000 square feet and multifamily lots from 1-acre to 5-acre parcels. A total of 683-multi-family units and 86-single family lots and homes are planned. Open space encompassing 14.3-acres will be developed.

The affordable housing element of the project will conform to Kaua'i County Ordinance No. 860, Kaua'i's new housing policy where developers contribute up to thirty percent (30%) of the total residential units for affordable housing. However, the Kaua'i housing policy provides incentives to developers who provide the required affordable units on-site. HoKua Place will be providing all of its affordable units on site. This will provide approximately 183-affordable units, assuming twelve dwelling units per acre for this housing type. The proposed development will provide much needed affordable housing in the East Kaua'i region.

The condominium units will be designed in a range of bedroom configurations that will best meet the demand for housing by providing designs that apply to different family types, including starter families, empty nesters, families with children, and households that qualify for affordably priced housing.

The design of the single family units will appeal to some of those in the aforementioned condominium demographic groupings, but will go further by addressing the needs of large families, families wanting to be close to the Middle School, trans-generational families needing adequate (larger and more defined) living space, and professional families or those with multiple wage-earners.

Sales prices for the market single-family lots are anticipated to be sold in the range of \$216,000 to \$316,000, depending upon the size and location of the lots. Market single-family houses would be in the \$650,000 to \$950,000 range. The market multi-family units are proposed to be sold in the range \$250,000 to \$350,000, depending on size and location. Affordable multi-family units would be sold in the \$125,000-\$175,000 price range.

A 3.1-acre park is proposed adjacent to the existing Kapa'a Middle School. The park will have an area for the county's proposed relocation of the Kapa'a county swimming pool.

A 1.4-acre parcel is proposed for commercial use. A country type store and small personal service types of use are anticipated.

A remnant parcel of 1-acre on the Makai side of the Kapa'a Bypass road is also proposed as commercial use or for sub-stations for the police and fire departments. The proposed roadway through the project will include two bus stops and sidewalks on one side. A bike and walking path is also proposed from the by-pass road up to the existing Kapa'a Middle School.

Approximately 14.3-acres are proposed for open greenway areas. Subdivision improvements are anticipated to commence upon securing of all necessary land entitlements and building permits. The estimated cost for the subdivision improvements is \$22-million.



KAPA'A HIGHLANDS
PHASE II

CONCEPT PLAN OCTOBER 22, 2011

Project Components include:

Mix of single-family and multi-family residential.

- 86-single family (lots ranging from 7,500 to 10,000 SqFt.)
 - \$216,000.00 to \$316,000.00 (Home Site Only)
 - \$650,000.00 to \$950,000.00 (House and Lot)
- 500-multi-family (lots from 1-5 acre parcels)
 - \$250,000.00 to \$350,000.00 (8 Units/Acre) (Unit Prices)
- 183-affordable units on site
 - \$125,000.00 to \$175,000.00 (12-Units/Acre) (Unit Prices)

Open space encompassing 14.3-acres including:

- 3.1-acre park adjacent to Kapa'a Middle School
 - Relocation of County Swimming Pool to park
- Greenways surrounding development

Commercial Areas totaling 1.4-acres:

- Stores, personal services
- Land for police/fire sub-stations

Infrastructure Improvements:

- Water/Wastewater
 - Water Master Plan approved by County Water Department
 - Well on site to be dedicated to County Water Department or Private
 - Contributions to repairs of Kapa'a Sewer Treatment Plant

Transportation:

- Dedication of Kapa'a By-Pass Road to the State
- Channelized intersection on Kapa'a Bypass Road
- Complete street multi-modal roadway running through the property
- Bus stops located along roadway
- Bike/Walking path

1.4 Responsible Agencies & Funding

HoKua Place is owned by HG Kaua'i Joint Venture

Accepting Agency: State of Hawai'i Land Use Commission (LUC)

1.5 Project Development Status & Implementation Schedule

The project has been conceptualized since the summer of 2009, with cooperation and encouragement of the County Planning Department. Once LUC approval is received, County permitting will be sought. The completion time frame for the entire project to be built out is ten years.

1.6 Required Permits & Approvals

A number of permits or other approvals may be necessary prior to development of HoKua Place. The following list (Table 1.6.1) represents those permits or approvals identified to date. Additional permits might be identified subsequently if warranted by modifications, mitigation measures or refinements in final design.

Table 1.6.1 - Permits and Approvals

Permit/Approval	Applicable Activities	Applicable Areas	Regulatory Agency
Boundary Amendment - Land Use District change from Agriculture to Urban	Development/Activities on project site	Statewide	State of Hawai'i Land Use Commission (LUC)
Zoning	Development/Activities	Countywide	County of Kaua'i
National Pollutant Discharge Elimination System (NPDES)	Discharge of any pollutant, altering the quality of any discharge, increasing the quantity of any discharge.	Surface streams and coastal waters of the State	State of Hawai'i Department of Health (DOH)
Grading Permit	Grading	Countywide	County of Kaua'i
Subdivision Approval	Dividing or consolidating parcels of land for right-of-way.	Countywide	County of Kaua'i
Construction/Building Permits	Construction Activities	Countywide	County of Kaua'i