

## 2.0 PROPOSED ACTION AND ALTERNATIVES

### 2.1 BACKGROUND HISTORY

The Petition Area was historically used for sugar cane cultivation, beginning with the Makee Sugar Company which was established in Kapa'a in 1877, and later with Līhu'e Plantation. Sugar cultivation was the first large-scale agricultural enterprise in the Keālia area. In 1934, the Makee Sugar Company was absorbed by the Līhu'e Plantation Company, Ltd., a subsidiary of Honolulu-based Big Five company American Factors (later Amfac). As sugar became less profitable in the latter part of the twentieth century, the Līhu'e Plantation began to phase out its operations. In 1997, the entire *ahupua'a* of Keālia, including the Petition Area, was sold off by Amfac. Because Keālia was the most distant from the Līhu'e Plantation sugar mill, it was considered the least profitable. The Līhu'e Plantation completely closed at the end of the twentieth century, and sugar cane production has since ceased throughout Kaua'i. Since its sale, the project site and neighboring agricultural lands have been used for ranching and diversified agricultural crops, and now primarily serve as cattle grazing.

In 2010, the current landowner and Petitioner, Keālia Properties LLC, purchased a total of 2,020 acres, including the subject 53.4 acre property, from Plantation Partners. In 2007, the previous owner, Plantation Partners, proposed a project that included 199 farm lots over 2,020 acres. The proposed project, called Kealanani, was envisioned as an agricultural subdivision.

After purchase of the property from Plantation Partners in 2010, the Petitioner, Keālia Properties LLC, concluded that the previous proposal for an agricultural subdivision was not the right fit for the property. There was a lack of community support for that type of development. A decision was made to "rest" the land for three years while focusing on agricultural opportunities on the property. In late 2013, the County Planning Commission revoked its approval for the prior Agricultural Subdivision plan, via a letter to the Planning Director.

Keālia Properties and its representatives continued to meet with neighboring farmers, ranchers, community members, and government officials to investigate appropriate uses for the site, including more affordable housing options. The presence of stub-out streets behind the existing Ka'ao Road subdivision appeared to indicate that an additional phase to the subdivision was at one time considered. In July 2016, the County Planning Department made a determination that an expanded residential subdivision was consistent with the Kaua'i General Plan Land Use Map (see Appendix A).

Given the high unmet demand for housing on Kaua'i, a decision was made to develop the 53.4 acres adjacent to the Ka'ao Road subdivision for residential homesites. In consultations between the Applicant and the County administration, it became clear that the County's priority was to provide housing for Kaua'i's working families. Providing smaller lot sizes would keep prices down, enabling more local residents to take advantage of the opportunity to purchase lots for construction of their own home.

Today, the project site and surrounding lands continue to be used for cattle grazing by RKL Ranch, LLC, based in Kilauea, Kaua'i, and several other lessees. RKL Ranch, LLC licenses a total of approximately 780 acres in the area, and employs a pasture rotation program, where cattle are rotated throughout pens on the property on a timeframe based on forage availability, weather conditions, and production outlay. Their herd consists mainly of Black Angus mixed breed cattle,

with approximately 120 cows, 6 bulls, and 60 weaners, younger animals usually 6 to 7 months old. RKL's 780 acre lease includes an additional 86 acres that were recently added to compensate for the anticipated loss of 53.4 acres associated with the proposed project.

## 2.2 PROJECT PURPOSE, NEED AND OBJECTIVES

The purpose of the Proposed Action is to provide for-sale residential lots for Kaua'i residents to address the current and projected shortfall of single-family housing on the island. In 2015, the State of Hawai'i Department of Business, Economic Development and Tourism (DBEDT) prepared a report entitled *Measuring Housing Demand in Hawaii, 2015-2025*, which projected housing demand statewide over the next decade. The analysis considered variables of projected population growth, visitor growth, and vacancy rates. Housing demand was based on the anticipated increase in number of households. This study projected that the total population for Kaua'i County will increase by 19 percent by 2025, and forecasted a demand for 5,287 additional housing units during the 2015-2025 period (DBEDT, 2015).

The market study for the Keālia Mauka Homesites project estimated demand for 7,447 additional housing units in the Līhu'e to Moloa'a (East Kaua'i) region between 2017 and 2040, of which about two thirds will be for single family households (4,928 homes) (CBRE, 2017, see Appendix F).

At the same time, housing inventory on Kaua'i does not meet demand. The existing and planned inventory of residential units on Kaua'i will fall short of forecasted demand for housing units, continuing the trend of increased housing pricing pressure and slowing the formation of new households. Many young families are unable to purchase their own homes, and are forced to either remain in crowded, multi-generational households or to relocate off-island. The proposed residential subdivision is intended to provide housing opportunities for Kaua'i residents.

The purpose of the Proposed Action is to satisfy the need for housing on the island of Kaua'i by providing improved residential lots that are:

- targeted to local Kaua'i residents
- consistent with typical densities in the island's existing single-family residential communities
- located a reasonable distance from existing public facilities and services
- consistent with the Kaua'i County General Plan Land Use guidance
- in compliance with the Housing Policy for the County of Kaua'i, Ordinance No. 860, including the requirement for workforce housing

## 2.3 PROJECT DESCRIPTION

### 2.3.1 Description

The Proposed Action involves the development of a residential subdivision at Keālia, Kaua'i, consisting of approximately 235 lots ranging in size from about 5,600 SF to 7,300 SF (Figure 2-1). The project includes installation of utility infrastructure (e.g., potable water, drainage, wastewater, electrical power, and telecommunications systems) and transportation improvements to serve each subdivided parcel. The subdivision will include two park/open space areas, totaling 5.86 acres.

These areas will provide green space for passive recreation, serve as flood detention areas, and provide a buffer with the neighboring subdivision on Ka'ao Road. Individual lot buyers could implement home construction on their parcels, a typical practice on Kaua'i, or blocks of lots could be sold to a single purchaser to develop. Because the lots are under 10,000 square feet (SF), the County's Comprehensive Zoning Ordinance (CZO) only allows one single family dwelling unit per lot.

Access to the subdivision would be via Keālia Road from its intersection with Kūhiō Highway. A roundabout entrance to the subdivision is proposed. The lot sizes were intentionally set below 10,000 SF in order to keep prices within a manageable financial range for local residents, the intended market. The development will provide lots that will meet the workforce housing requirements of Kaua'i County Ordinance No. 860 that established a new chapter in the Kaua'i County Code (1987, as amended) relating to the housing policy for the County of Kaua'i.

### **2.3.1.1 *Estimated Development Schedule***

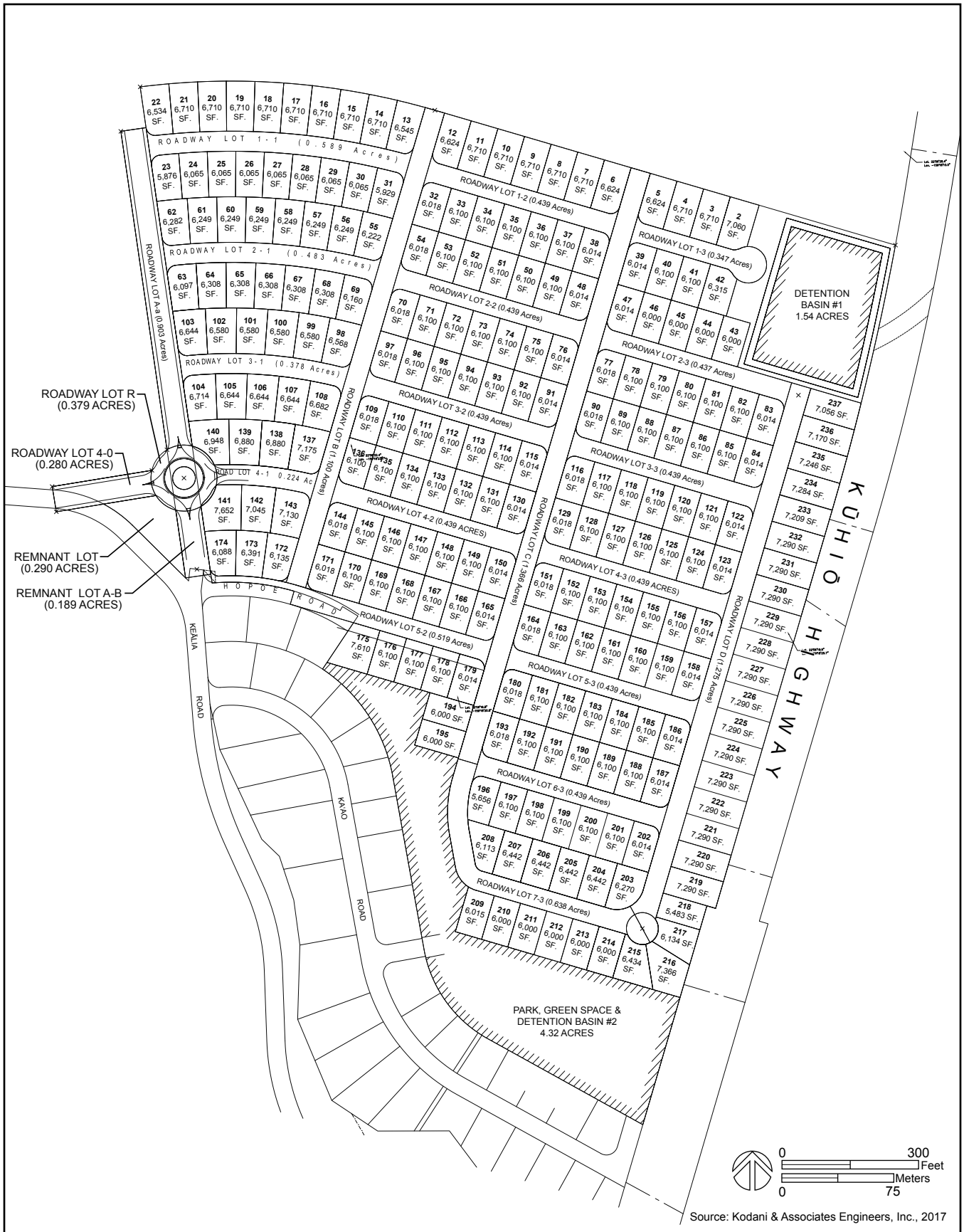
The anticipated construction of the proposed improvements is expected to take approximately 18 months. The initial mass grading work is expected to extend over the first 12 months. The County's Grading Ordinance allows a maximum of 10 acre to be disturbed at any time, therefore, the 53.4 acre site will require up to six phases of grading work (Kodani & Associates, 7/13/2017). Subsequent construction phases will include the installation of drainage structures and detention basins, installation of sewer, water, and electrical utilities, and construction of roads and sidewalks.

The finished lots will then be sold to individual buyers and/or to third party contractors buying blocks of parcels for development. The market study estimates that full absorption/sell out of the finished lots will be completed within seven years (CBRE, 2017).

### **2.3.1.2 *Estimated Development Costs***

The Proposed Action includes both on and off-site improvements. On site work includes earthwork, clearing and grubbing, mass and fine grading, construction of drainage/detention basins, and installation of utility systems (sewer, water, electrical). On site costs are estimated at about \$23.0 million (Kodani & Associates, 2017).

The Proposed Action also includes off-site improvement including off-site sewer (pipeline to Kūhiō Highway, sewer lift station), construction of a 200,000 gallon water storage tank, well pumps, and overhead electrical and cable lines on Keālia Road to Kūhiō Highway. These off-site improvements are estimated at \$6.1 million. It is also anticipated that improvements will be needed at the Kūhiō Highway/Keālia Road intersection to mitigate the traffic impacts of the Proposed Action. The installation of a traffic signal, reconstruction of the intersection, widening turning storage lanes, and the addition of a cross walk and sidewalks will cost an additional \$1.5 million. With this traffic mitigation, total off-site costs will be approximately \$7.6 million (ibid).



**Conceptual Subdivision Plan**  
**Keālia Mauka Homesites**  
 Draft Environmental Impact Statement  
 Kealia Properties, LLC

**Figure 2-1**

### **2.3.2 Project Roadways**

The proposed roadways for the Keālia Mauka subdivision will be constructed in accordance with County of Kaua'i 1972, County Road Standards. It is intended that all of the proposed subdivision roads will be conveyed by the developer to the County of Kaua'i.

A roundabout entrance to the subdivision is proposed in order to provide a safe and efficient central nexus for all adjoining subdivision roads. The roundabout was proposed as a way to accommodate the angle of the intersection of Keālia Road and the main subdivision road, combined with the presence of a small side road (Ka'ao Road). A section of Keālia Road approaching the roundabout will be realigned. The roundabout would allow through traffic on Keālia Road and vehicles turning in and out of the subdivision to proceed with minimal disruption, avoiding a four-way stop condition. The roundabout would also create an opportunity to provide an attractive landscape feature at the subdivision entry.

Proposed subdivision roads connecting to the roundabout will be "Collector" roads as defined by County road standards. Collector roads have a 56-foot right of way (ROW) and 40-foot wide pavement. There are a total of two (2) Collector roads proposed for this project, totaling about 2,455 linear feet. One of the Collector roads will run in the north-south direction and the other Collector road will run in the east-west direction.

The majority of the roads within the proposed subdivision will be "Minor" roads as defined by County road standards. Minor roads have a 44-foot ROW and 20-foot wide pavement. There are a total of nine (9) Minor roads proposed for this project, totaling about 9,220 linear feet. Three (3) Minor road will traverse the north-south direction and six (6) will traverse in the east-west direction.

Currently, there is an old cane haul road entry to the property located on Kūhiō Highway. The road is currently gated and unused. This access point will be eliminated, and no direct vehicle access onto Kūhiō Highway will be allowed from the proposed subdivision.

## **2.4 ALTERNATIVES CONSIDERED**

In addition to the proposed action, several alternatives were considered and evaluated, and are briefly presented below.

### **2.4.1 No Action**

In this alternative, there would be no residential subdivision developed on the Petition Area, the land would be retained in agriculture, and its current use for grazing by cattle or other livestock would continue for the foreseeable future. Since no development would occur, the existing physical environment of the site would not be affected. There would be no additional demands for public services and roadway infrastructure.

Under the No Action alternative, the island of Kaua'i and the general public would not realize the social and economic benefits of the project including: 1) the availability of approximately 235 residential lots, targeted to local residents to meet current and projected housing demand; 2) direct capital investment in the local economy during the construction period; 3) income and

expenditures generated by new construction and long-term jobs and wages; 4) purchases of goods and services by residents; 5) real property tax revenues; 6) net tax revenues to the County during the construction period and on an annualized basis thereafter.

Potential benefits of the No Action alternative include: 1) existing open space ambiance and views would remain unchanged; 2) existing grazing activities would be retained and the property would be available for future agricultural use; 3) no short-term construction related impacts (e.g., noise, dust, etc.); 4) no additional traffic generated during construction and operational period; and 5) no additional demand on regional recreation, public services and infrastructure.

The No Action alternative was determined to be less preferable than the proposed action because it fails to meet the Petitioner's primary objective, which is to provide housing opportunities for local Kaua'i residents. The project's benefits far outweigh the benefits of a No Action alternative.

## **2.4.2 Agricultural Subdivision Development**

Under this alternative, the Petition Area would be subdivided into agricultural lots ranging from 2 to 10 acres, on which one dwelling would be permitted in each lot. Each owner would be required to sign an agreement that the property will comply with State land use guidelines governing lands in the State Agricultural Land Use District and submit an agriculture plan stating what the owner intends to raise on the property. This alternative would create the potential for the resumption of productive agricultural use of the land, including new diversified crops. On the other hand, an agricultural subdivision would do little to address the island's current housing shortage, especially for workforce housing.

An agricultural subdivision would involve fewer and higher priced lots than the proposed 235-unit subdivision. Under the County's agricultural zoning regulations, any residential development on the property must be "farm dwellings" and accessory to agricultural use, although a residence as large as 5,000 square feet would be allowed. Due to the larger acreage and higher sales prices, an agricultural subdivision would tend to attract a higher income buyer, including more out of state investors and second home owners, compared to the proposed project. Due to the fewer number of residential units, impacts on regional traffic and public services would be less than the proposed subdivision. There would also be less of a visual impact, since much of the site's open space character would be retained.

A previous proposal to develop a 199-lot agricultural subdivision on 2,020 acres at Keālia--including the current 53.4-acre Petition Area--was approved by Kaua'i County in 2007. This previous proposal received mixed public reaction. Proponents argued that it would promote agriculture and present an example of agricultural sustainability, creating the potential for diversified crop production. Opponents of the proposal criticized its 2,000 acre size and the potential for speculative investment, as well as its long term impact on local agriculture. The subdivision permit was subsequently rescinded by Kaua'i County, at the request of Keālia Properties, LLC.

## **2.4.3 Variations in Development Density**

### ***2.4.3.1 Lower Density Development***

This alternative involves creating a subdivision with larger average lot sizes than the proposed action, for example, 10,000 to 20,000 SF. Overall project density would be about two to four units

per acre, compared to Keālia Mauka’s density of four to five units per acre. These lot sizes are more in keeping with the lots of the adjacent Ka’ao Road subdivision. Based on average price per square foot, sales prices for the lots would be higher than the current proposal. While it is likely that the majority of lot purchasers would still be Kaua’i residents, the higher prices could make them beyond the reach of many families entering the housing market. The larger lots would also make the homesites more attractive to out of state residents and speculative buyers.

In summary, this alternative meets many of the project objectives. However, due to the larger lot sizes and higher prices, it would be more difficult to meet the needs of local working families. The larger lots would also make it more difficult meet the County’s desire for “workforce housing,” i.e., housing affordable to families earning up to 140 percent of County median income.

### **2.4.3.2 Higher Density Development**

Under this alternative, the Petition Area would be developed with greater density than in the proposed action, with densities of 10 units per acre and up (or average lot sizes of less than 4,400 SF), including multi-family residential development.

While the market study prepared for this EIS does project a demand for multi-family residential units in the East Kaua’i region, most of the existing multi-family units in the area have historically been vacation rentals in resort communities along the shoreline. Multi-family housing is generally less attractive to local Kaua’i residents, who have a strong preference for single family housing. This alternative would be less responsive to the market desires of local residents. A higher density, multi-family development is also less compatible with the neighboring Ka’ao subdivision and the Keālia Kai development across Kūhiō Highway.

## **2.4.4 Variations in Petition Area**

### **2.4.4.1 Larger Petition Area**

This alternative would create a residential subdivision on a much larger scale than the current 53-acre, 235-lot proposed Petition Area. This larger area could potentially encompass hundreds of additional acres and extend well into upland areas of the TMK parcel (4) 4-7-004:001 and adjacent agricultural lands. In July 2016, the County Planning Department determined that the proposed Keālia Mauka project is consistent with the Kaua’i County General Plan Land Use Map which indicates Residential Community development in the area. It is uncertain whether the County would determine that a larger project area extending further *mauka* would also be consistent with the intent of the General Plan.

A larger project area would result in more residential units and people. In the long term, it would create higher traffic volumes in the Keālia vicinity than the proposed action. Like the proposed action, a larger development would target local residents who are already on island. Therefore, there would be little net increase in County-wide population. However, because future residents may be relocating from one part of the island to another, there could be a noticeable impact on enrollment at Kapa’a district schools which are already near capacity. It is also likely that the conversion of more agricultural land to an urban use would encounter greater community opposition than the proposed use of 53.4 acres.

#### **2.4.4.2 Smaller Petition Area**

This alternative would involve a smaller scale residential subdivision with densities similar to the Proposed Action. A smaller project area would result in fewer total lots, with fewer residences to share the cost of required infrastructure and utility improvements. This would likely result in higher prices for the individual lots in order for the developer to recoup these relatively fixed expenses. A smaller Petition Area would not be economically feasible for the Petitioner.

#### **2.4.5 Turnkey Homes For Sale**

This alternative involves vertical construction of single-family homes on each subdivided lot in addition to infrastructure provision. Turnkey refers to the provision of a complete housing product, ready for immediate use. The house and lot would be offered for sale to buyers. While this type of development is common throughout the state, it is less typical on Kaua'i, where it is customary to offer improved lots for sale. Purchase of vacant lots provides buyers the opportunity to build their own home according to personal preference, and at a time when it is most economically feasible. The intent of the Proposed Action is to continue this historical practice, which tends to be preferred by local residents. However, there remains the possibility that a block of lots could be sold to a single purchaser who will then construct finished homes for sale. Therefore, the sale of turnkey homes is a possibility for a portion of the Keālia Mauka subdivision, but would be up to other private developers.