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September 25, 2018

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2018 SEP 27 A 11:51
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Mr. Daniel E. Orodener
Executive Director
State of Hawaii Land Use Commission
235 South Beretania Street, Room 406
Honolulu, Hawaii 96804-2359

VIA U.S. MAIL

Re: The Villages of Aina Le'a
2017-18 Annual Report for LUC Docket No. A87-617
Tax Map Key Nos.: 6-8-001: por. 25, por. 36, por. 37, por. 38, por. 40
Waikoloa, South Kohala, Island of Hawaii

Dear Mr. Orodener:

Pursuant to our discussion on September 18, 2018, and in compliance with Condition 12 of the Land Use Commission's (LUC) Decision and Order in Docket No. A87-617, as amended, we are submitting the 2017-2018 Annual Report for the above-referenced project on behalf of Aina Le'a Inc. We would like to arrange a meeting to discuss the project's evolution and Aina Le'a's good faith efforts to substantially comply with its predecessors' representations to the LUC. Please let us know when the you might be available to accommodate our request for a meeting.

Very truly yours,

CASE LOMBARDI & PETTIT



Dennis M. Lombardi, Esq.

Enclosure(s)
cc: Robert Wessels

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LAND USE COMMISSION
2018 SEP 27 A 11:51

September 25, 2018

Mr. Daniel E. Orodener
Executive Director
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Re: 2017-18 Annual Report for LUC Docket No. A87-617
Tax Map Key Nos.: 6-8-001: por. 25, por. 36, por. 37, por. 38, por. 40
Waikoloa, South Kohala, Island of Hawaii

Dear Mr. Orodener:

This annual report, submitted on behalf of Aina Le'a, Inc. (**Aina Le'a**), describes the background and status of development and compliance with zoning conditions under the State Land Use Commission's (**LUC**) Decision and Order dated January 17, 1989 (**1989 D&O**), as amended by the Amended Decision and Order dated July 9, 1991 (**1991 D&O**), and as further amended by the Order Granting Petitioner's Motion to Amend Condition 1 dated November 25, 2005 (**2005 D&O**) (collectively, **D&O**). Pursuant to recent discussions with the County of Hawaii Planning Department (**County**), Aina Le'a felt it was appropriate to provide you with this update concerning compliance with the conditions of approval imposed on the Project.

The Project Evolution

Aina Le'a wishes to develop the Project known as "The Villages of Aina Le'a" (**Project**) within approximately 1,060 acres of land located in South Kohala, Waikoloa, Island of Hawaii, which the LUC reclassified from agricultural to urban in 1989 to allow for the development of a residential community (**Project Area**). The original proposal by Aina Le'a's predecessor, Signal Puako Corporation (**Signal**), envisioned a residential community consisting of approximately 2,760 residential units, golf courses, commercial areas, schools, churches, and other facilities. In 1991, Puako Hawaii Properties (**PHP**), as successor-in-interest to Signal, amended the proposal to reduce density to 1,550 single-family and multi-family residential units, with affordable housing to be constructed off site. In 2005, Bridge Aina Le'a, LLC (**Bridge**), as successor-in-interest to PHP, moved to amend the 1991 D&O to increase density and move the affordable housing units on site. Bridge's revised proposal envisioned a residential community consisting of 1,924 residential units, at least 385 of which would be on site affordable units, a 25-acre commercial parcel, a school site, 26 acres of neighborhood parks, a network of walking and cycling paths, and natural and open space buffers. In its 2005 D&O, the LUC amended Condition 1 to conform to Bridge's plans with respect to the residential units and affordable housing, but otherwise reaffirmed

that "all other conditions from the Decision and Order dated January 17, 1989 as amended by the Amended Decision and Order entered on July 9, 1991, are affirmed and continue in full force and effect."

Aina Le'a, as successor to DW Aina Le'a Development LLC (**DW**) (the successor to Bridge), wishes to proceed with developing the Project as a residential community in substantial compliance with the representations made to the LUC. Aina Le'a's project includes approximately 1,932 single-family and multi-family residential units, at least 385 of which will be affordable units, a mixed-use commercial area, a school site, open space for a future golf course, two or more parks including a network of walking and cycling paths, and natural open space buffers.

Current Status

Since acquiring the Project Area, Aina Le'a has been embroiled in proceedings and litigation relating to zoning and environmental challenges stemming from the actions and omissions of Aina Le'a's predecessors. These challenges, beginning in 2008 and continuing to the present, have delayed and hindered development of the Project. By letter dated May 16, 2017, the County issued a notice to stop work based on an interim Order, filed March 28, 2013(**tolling order**), in Civil No. 11-01-005K (involving challenges to the approved 2010 Final Environmental Impact Statement for the Project), which tolled development in the Project and remanded the matter to the County. Because of the foregoing, Aina Le'a struggled to obtain regulatory approvals, which caused two lenders to recall their loans. On June 22, 2017, Aina Le'a elected to protect its assets and restructure its funding to meet its obligations in an orderly manner under Chapter 11 of the U.S. Bankruptcy Code. Aina Le'a is currently operating as Debtor-in-Possession in BK No. 17-00611, which is pending before the U.S. Bankruptcy Court for the District of Hawaii. As part of structuring its reorganization, Aina Le'a needs to disclose how it intends to move forward with the development of its real property.

Aina Le'a has engaged the County to discuss the impact of the tolling order and stop work notice on the Project and explore resolution paths. Aina Le'a has striven to find a feasible path toward resolution that adequately addresses all unresolved issues remaining from the prior challenges. After several fruitful discussions, Aina Le'a has identified a path to resolve the impediments to development and financing, thereby allowing Aina Le'a to proceed with completing the much-needed affordable housing component of the Project. The resolution path involves seeking an amendment to the conditions in zoning Ordinance No. 96-153 with respect to infrastructure and timing. Aina Le'a and the County are working cooperatively through this process.

Notwithstanding the delay and impediments caused by the challenges, up until Aina Le'a received the directive to stop work, Aina Le'a had substantially commenced development, as evidenced by the following:

- a. Aina Le'a obtained Plan Approval for the affordable housing component of the Project and held a groundbreaking ceremony and blessing for the affordable housing site.

- b. Aina Le'a has all necessary permits, including vertical construction permits for the affordable housing site.
- c. Aina Le'a has prepared and submitted to the County an affordable housing agreement for the 385 affordable homes permitted for construction.
- d. Aina Le'a has completed mass grading for the affordable housing site and completed grading for immediate access and internal roadways.
- e. Aina Le'a has constructed foundation pads for all 432 townhouses pursuant to the architect plans and building permits.
- f. Aina Le'a has completed four (4) buildings, including 32 affordable units, with completed exteriors and interiors, installed cabinets and appliances, and electrical and plumbing connections ready to hook up.
- g. Aina Le'a has constructed an additional one (1) building (8 townhouses) up to the roof, with units in various stages of completion, and has commenced construction of the foundations on another three (3) buildings (24 townhouses).
- h. Aina Le'a installed the curb and gutter for the first affordable housing units and around one edge of the children's park within the affordable housing site.
- i. Aina Le'a purchased a nursery that is currently growing 5,000 plants for landscaping the initial affordable housing units. Aina Le'a also has mulch on site for landscaping the first 96 affordable housing units.
- j. Aina Le'a installed connector sewer lines within the affordable housing site and prepared a pad on which to set a temporary wastewater treatment plant, if necessary.
- k. Aina Le'a installed underground electrical conduits serving the first affordable housing units.
- l. Aina Le'a obtained approval for and installed a storm water collection system within the affordable housing site.
- m. Aina Le'a met with both Hawaii Water Service Company, Inc. dba West Hawaii Water Company and dba West Hawaii Sewer Company (**HWSC**), and the County of Hawaii Department of Water Supply (**DWS**) to determine the proper water supply for the Project. Aina Le'a confirmed that DWS will not directly serve the Project. HWSC provided a will-serve letter to supply water for the Project, subject to approval by the County and Public Utility Commission (**PUC**).
- n. Aina Le'a constructed a 15,000 lineal foot utility road to accommodate the installation of a water line, an electrical line and a cable line from Hulu Street in Waikoloa to the affordable housing site.
- o. Aina Le'a installed and connected a water supply line from the Project to HWSC facilities at Hulu Street in Waikoloa Village.
- p. Aina Le'a purchased and installed a 250,000-gallon water supply tank and a pad and concrete ring for the tank.
- q. Aina Le'a installed and tested a 15,000-foot 16-inch water line from the water supply tank to the affordable housing site and the edge of Parcels B-1-A, D-1-A and C-1-A.
- r. Aina Le'a received plan approvals and installed fire hydrants and approved fire traffic patterns within the affordable housing site.
- s. Aina Le'a built a dust control lake on Parcel B-1-A.
- t. Aina Le'a retained Wilson Okamoto to complete intersection plans for the access at the Mauna Lani and Queen Kaahumanu Highway intersection, and placed \$2 million into

escrow for funding to build the highway intersection. The State Department of Transportation (**DOT**) has the final plans but is considering an alternative to the signalized intersection. The Engineer for the DOT expects to have a decision shortly.

- u. Aina Le'a engineered and completed initial construction of the roadway connecting the mauka edge (eastern edge) of the Project Area to the intersection at Queen Kaahumanu Highway, and has agreed to complete and transfer the roadway to the County.
- v. Aina Le'a completed engineering to extend the utility road for HELCO to the Lalamilo electrical corridor, and retained a contractor to build the road extension.
- w. Aina Le'a identified a 17-acre active park site accessible from the roadway to be dedicated to the County. Aina Le'a is revising its earlier approved active park plans for the newly planned park site.
- x. Aina Le'a identified a 16-acre site within the Project Area to present to the State Department of Education (**DOE**) for a school site.
- y. Aina Le'a completed a topography survey of Lots B-1-A and D-1-A and has determined that the best community plan is to allow approximately 45% of the total acreage to be open space thereby providing community space, and bicycle and walking trails.

To date, over \$112,807,369 has been expended for the Project, including \$37,266,850 on plans and construction, and \$45,236,242 on carrying costs, due to the aforementioned challenges and regulatory delays of construction and sales.

Status of Compliance with D&O Conditions

Following is a review of the conditions of the D&O, with conditions noted in bold type and responses beneath.

1. **Petitioner shall provide housing opportunities for low, low-moderate, and moderate income residents of the State of Hawaii by offering for sale at least twenty percent (20%) of the Project's residential units at prices determined to be affordable by the County of Hawaii Office of Housing and Community Development, provided, however, in no event shall the gross number of affordable housing units within the Petition Area be less than 385 units. The affordable housing units shall meet or exceed all applicable County of Hawaii affordable housing standards, and shall be completed in substantial compliance with the representations made to the Commission.**
 - b. **Petitioner shall obtain, and provide copies to the Commission, the certificates of occupancy for all of the Project's affordable housing units within five (5) years of November 17, 2005.**
 - c. **Petitioner shall submit to the Commission the Petitioner's signed joint venture agreement and a mass grading contract within a reasonable amount of time, not to exceed one (1) year from November 17, 2005.**

Response:

The 385 affordable housing units will be located on Lot D-1-B-2 (TMK 3-6-001-036 por.) and will consist of three and four bedroom townhouse units. Groundbreaking for the

affordable housing site was held on September 22, 2009. The County issued its Plan Approval for the affordable housing on November 30, 2009. All necessary permits, including vertical construction permits for the affordable housing site, have been obtained. Aina Le'a has prepared and submitted to the County an affordable housing agreement for the 385 homes permitted for construction. Additional improvements to support the affordable housing site have been engineered, approved, and/or installed. See Current Status development summary above.

A delay in meeting Condition 1b was caused by factors that pre-date Aina Le'a and were outside of Aina Le'a's control. Compliance with Condition 1b was the subject of a 2008 Order to Show Cause and reversion action by the LUC against Bridge that was subsequently reversed by the Hawaii Supreme Court in 2014. The Hawaii Supreme Court ruled that the LUC erred in reverting the property to the agricultural land use district without complying with the requirements of HRS § 205-4 because use of the Project Area had substantially commenced. Aina Le'a plans to resume developing the Project, beginning with much-needed affordable housing, as soon as it obtains clearance to proceed from the County and Court, which Aina Le'a is actively seeking to obtain as soon as possible.

Aina Le'a understands that its predecessor, Bridge, previously met Condition 1c through its Submission of Mass Grading Contract and Joint Venture Agreement. See e.g., Petitioner Bridge Aina Le'a, LLC's Statement of Position Regarding DW Aina Le'a Development, LLC's Motion to Amend Conditions 1, 5, and 7, filed September 8, 2010, at page 8.

2. **Petitioner shall develop, at its expense and in coordination with the State Department of Land and Natural Resources and the County of Hawaii Department of Water Supply, the necessary water source, storage, and transmission facilities to provide an adequate supply of potable water to the Property. Petitioner shall develop the necessary water source prior to development of the Property.**

Response:

The Project, as originally proposed, contemplated that the Project would obtain water from a privately owned and operated source as the municipal system was fully committed at the time of the original petition.

When the 1989 D&O was entered, no tested and confirmed water source had been identified with certainty for the Project. The 1989 D&O Findings of Fact reflect in pertinent part:

75. There is no existing water supply system on the Property. The County's Lalamilo well system consists of three deep wells located approximately three miles north of Waikoloa Village. This system has a small reservoir and a 24-inch line that supplies water to the shoreline community of Puako and to the Mauna Lani and Sheraton Resorts.

76. Petitioner's engineering consultant, R.M. Towill Corporation, recommends that on-site wells be drilled at the southeast corner of the Property to produce water that could possibly be potable, and would be suitable for irrigation of the golf course.

77. Petitioner will drill a **test** well on its property at Ouli which is located off of the Kawaihae-Waimea road, starting at an elevation of approximately 1,200 feet and ending at an elevation of approximately 1,600 feet. Petitioner has obtained a well drilling permit from the Department of Land and Natural Resources and drilling of a test well should commence in the near future. Petitioner's consultant anticipates that there is a very high probability of finding potable water on the Ouli property, and that this water source provides a good opportunity to obtain potable water.

* * *

79. Petitioner proposes to construct two separate brackish water systems located at about the 600-foot elevation on the Property. In addition, a 2.1 million gallon well system would be developed on the Ouli property. These improvements would accommodate the proposed Project, as well as future expansion of the Project into the balance of the 3,000 acre project.

The language of Condition 2 provides necessary flexibility given both the uncertainty of the Ouli water source, and that the D&O does not apply to bind or encumber the land in Ouli. Condition 2 has not changed since the 1989 D&O.

By 1991, PHP submitted a Water Resources and Supply for Puako Residential Golf Community, which indicated that the test well in Ouli was successfully drilled and tested. The existing Ouli well and anticipated second well were estimated to have sufficient capacity to meet the maximum daily demand and requirement for a standby source. The 1991 Amended D&O reflects this update in its Findings of Facts, but it did not bind the Project to the still undeveloped water source in Ouli, or otherwise amend the Condition 2. Before completing the second well, PHP encountered issues and conveyed the property, including the Ouli land, to Bridge.

In 1999, DWS issued a letter confirming the adequacy of the Ouli wells for serving the Project based on PHP's 1992 reports.

In 2003, Bridge, entered into a Restated Water Agreement with Hale Wailani Partners and received a waterline easement from Waikoloa Village Association.

In 2006, Bridge entered into an agreement with DWS, and received a waterline easement from Mauna Kea Development Corp. These agreements enabled Bridge to obtain potable water for the Project from the County's Lalamilo Well Fields. In return, Bridge would design and build wells on the Ouli lands and construct a waterline to provide the water from Ouli wells to DWS.

From 1989 to around 2009, the owner(s) of the Project Area also owned the land in Ouli, thus, impossibility of performance was not an issue. Bridge severed the unity of ownership when it sold the Project Area to DW and Aina Le'a, but retained ownership in the Ouli land. Consequently, Aina Le'a cannot access the Ouli land to build the wells without Bridge's permission.

In 2015, Aina Le'a and Bridge entered into that certain Ouli Wells Lease recorded November 17, 2015, in the Bureau of Conveyances of the State of Hawaii as Doc. No. A-57990777, which allowed Aina Le'a to access Bridge's land in Ouli and build the proposed wells and water system improvements. However, by letter dated April 3, 2017, Bridge notified Aina Le'a that it was terminating the Ouli Wells Lease. Bridge's letter followed a strain in financing for the Project caused by the regulatory delays of construction and sales and circumstances outside of Aina Le'a's control. On June 22, 2017, Aina Le'a elected to protect its assets and restructure its funding to meet its obligations under Chapter 11 of the U.S. Bankruptcy Code. In connection with its reorganization, and to move the Project forward, Aina Le'a is attempting to work with Bridge so that Aina Le'a can proceed with developing the Ouli wells.

Given the foregoing, pursuant to Condition 2, Aina Le'a has identified and will develop at its expense an alternative water source via the HWSC water system to provide an adequate supply of potable water to the Project. Aina Le'a constructed a 15,000 lineal foot utility road and installed and connected a water supply line from the Project to HWSC facilities at Hulu Street in Waikoloa Village. HWSC has committed to providing water for the entire Project, subject to PUC approval. Aina Le'a will work with HWSC, to provide assurance to the County and DWS that the existing privately owned and operated water system can accommodate the entire Project on a permanent basis.

If Aina Le'a is able to construct the Ouli wells, Aina Le'a will proceed with developing the wells as previously proposed. If Aina Le'a is unable to construct the Ouli wells, Aina Le'a will work with the County and DWS to identify an alternative performance or payment in lieu of building the Ouli wells, as necessary. Obtaining water from an existing privately owned and operated water system, and committing to an alternative performance or payment in lieu of building the Ouli wells, substantially complies with the representations to the LUC in that it satisfies the gravamen of the representations by delivering the same or substantially equivalent core components. Namely, an adequate supply of private potable water for the Project. Based on discussions with the County, Aina Le'a is seeking the LUC's concurrence as to the foregoing.

3. **Petitioner shall ensure that a buffer area along the boundary of the Property fronting the Queen Kaahumanu Highway right-of-way will be preserved to protect natural open space and scenic views. This buffer area shall be preserved in perpetuity either through the establishment of a conservation easement pursuant to Chapter 198, HRS, as amended, or such other means as shall be reviewed and approved by the Office of State Planning of the State of Hawaii.**

The buffer area shall be comprised of approximately two hundred twenty-five (225) acres and shall extend inland from the Queen Kaahumanu Highway right-of-way to a depth of approximately one thousand two hundred (1,200) feet. The depth of the buffer area may meander to a lesser or greater depth to accommodate the Project's development plan and preservation of natural open space and scenic views. Exceptions shall be made for infrastructure improvements or corridors that may be necessary to service the developed portions of the Property. The approximate boundaries of the natural open space buffer area are reflected in Petitioner's Exhibit 11 which is attached hereto.

Response:

Aina Le'a will comply with this condition and obtain all necessary approvals for uses within 1,200 feet of the Queen Kaahumanu right-of-way.

4. **Petitioner shall participate in the funding and construction of present and future transportation improvements at project access points as identified and deemed necessary by the State Department of Transportation. Such improvements may include a highway overpass or underpass. Petitioner shall also participate in the funding and construction of other on-site and off-site transportation improvements necessitated by the proposed development and in designs and schedules accepted by and coordinated with the State Department of Transportation, provided that the extent of the Petitioner's participation shall not exceed its share of the increased community traffic impacts in the region and, provided further that, in the event the County adopts an impact fee for transportation improvements, the foregoing requirements shall not include or double-count the cost of any specific traffic improvements which may also be included in the County's impact fee computation.**

Response:

Aina Le'a will comply with this condition. Aina Le'a completed and submitted to the DOT initial plans for the southern intersection and access road to serve the Project, which include a signalized intersection. Aina Le'a revised the plans to address the comments from the DOT and has submitted the revised plans to the DOT for further review and comment. The DOT has now expressed an interest in looking at alternatives to a signalized intersection, such as a roundabout. Aina Le'a has deposited \$2 million into escrow for the construction of intersection improvements. Aina Le'a will continue to work with the DOT to meet this condition.

5. **Petitioner shall design, locate and construct a sewage treatment plant as may be required by the County of Hawaii and the State Department of Health so as to minimize adverse impacts on adjoining properties.**

Response:

The Project, as originally proposed, contemplated that the wastewater for the Project would be treated by a privately owned and operated wastewater treatment plant (WWTP). At the time, there was no existing or planned County wastewater system in the South Kohala

District, and the existing privately owned and operated WWTP serving the Waikoloa Village area was under different ownership and was not available to serve the Project. With no other alternative, Aina Le'a's predecessors planned to build a new private WWTP and obtained approval to install a package plant on site to support the initial phase of the Project, including the affordable housing units. In the decades that have passed, the Waikoloa WWTP has been upgraded and is now owned by HWSC, who is willing to provide wastewater treatment for the Project, subject to PUC approval. HWSC has determined that its existing WWTP has sufficient capacity to serve the Project and is currently reviewing the engineering plans for the required lift stations. Given the availability of the HWSC WWTP to serve the Project, Aina Le'a does not plan to construct a new WWTP. Providing wastewater treatment for the Project using HWSC's existing privately owned and operated WWTP is the substantial equivalent of and compliant with the representations made to the LUC. Based on discussions with the County, Aina Le'a is seeking the LUC's concurrence as to the foregoing.

6. **Petitioner shall immediately stop work on the impacted area 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.**

Response:

Aina Le'a will comply with this condition.

7. **Petitioner shall provide a maximum of sixteen (16) acres within the Property for public school site(s), as the State Department of Education may determine to be necessary to service the Property, at no cost to the State of Hawaii. These school site(s) shall be provided, if there is a need for such site(s), in location(s) designated for community facilities on Petitioner's master plan, or in location(s) as may be mutually agreeable to the Petitioner and the State Department of Education.**

Response:

Aina Le'a will comply with this condition. Aina Le'a has identified a 16-acre site in parcel D-1-A adjacent to the east-west roadway, which it is proposing as the site for DOE. Aina Le'a will continue to work with the County and DOE to reach an agreement regarding the DOE site.

8. **Prior to the development or transfer of any interests whatsoever in and to the Project, Petitioner shall provide community benefit assessments as agreed between Petitioner and the Office of State Planning and shall file it with the Commission within 30 days of the execution of the agreement.**

Response:

Aina Le'a understands that its predecessor, PHP, previously met this condition. See Order Granting Motion for Declaration of Satisfaction of Condition Number 8 of the Modified Decision and Order on July 8, 1991.

9. **Petitioner shall comply with "The Eight (8) Conditions Applicable to This Golf Course Development", prepared by the State Department of Health dated April 1990 (Version 3) and attached hereto.**

Response:

Aina Le'a will comply with the State Department of Health conditions in developing the golf course for this Project.

10. **Petitioner shall engage the services of a qualified golf course manager to oversee the irrigation of the golf course and application of fertilizers and pesticides to the golf course and who shall be certified by the State Department of Agriculture in the application of fertilizers and pesticides.**

Response:

Aina Le'a will comply with this condition.

11. **Petitioner shall make available adequate golf tee times, no less than forty (40) percent of total daily golf tee times, at affordable rates for public play by Hawaii State residents.**

Response:

Aina Le'a will comply with this condition.

12. **Petitioner shall provide annual reports to the Land Use Commission, The Office of State Planning and the County of Hawaii Planning Department in connection with the status of the Project and Petitioner's progress in complying with the conditions imposed.**

Response:

Aina Le'a will comply with this condition.

13. **Petitioner shall develop the Property in substantial compliance with the representations made to the 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.**

Response:

Aina Le'a has presented to the LUC what it has done to date and what it intends to do to develop the Project. The Project is being developed in substantial compliance with the representations made to the LUC. Consistent with prior representations to the LUC, Aina Le'a is proceeding with developing the Project as a residential community consisting of approximately 1,932 single-family and multi-family residential units, at least 385 of which will be affordable units, a mixed-use commercial area, a school site, open space for a future golf course, two or more parks including a network of walking and cycling paths, and natural open space buffers.

The conceptual master plan has evolved over the last 30 years as the Project continued through the County entitlement process, through more updated and detailed engineering and architectural design phases, as part of the normal review and approval process, wherein the Project undergoes additional agency review and the master plan is further refined. Changes in ownership severing the Project from the surrounding lands and zoning and environmental issues have also factored into the evolution of the master plan. Still, the core features and intent of the Project have remain unchanged, and the components that have evolved to adapt to changed circumstances, updated data, and other issues remain substantially compliant with the intent and gravamen of prior representations to the LUC. See, e.g., Responses to Conditions 1, 2, and 5.

The implementation of the development has and may continue to be effected by a number of factors that are beyond Aina Le'a's control, including the residential real estate market. If any changes become necessary, Aina Le'a will continue to report such changes and the reasons to the LUC.

- 14. 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 interest in the Property covered in the petition, prior to development of the Property.**

Response:

Aina Le'a has and will continue to comply with this condition. A detailed schedule of ownership is attached as Schedule 1.

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

Response:

Aina Le'a will provide appropriate assurance of satisfaction for any condition(s) for which a release is requested.

If there are any questions or if additional information is needed, please feel free to contact me.

Very truly yours,



Robert Wessels

SCHEDULE 1

The Project Area is held in five (5) tax parcels. Four (4) parcels are deeded and owned by Aina Le'a (a public company with over 500 shareholders, which has filed its financial reports with the Securities and Exchange Commission since 2014). Aina Le'a's interest in the fifth parcel, the 27-acre commercial parcel, is through a recorded option to purchase.

Aina Le'a is the exclusive developer of the Villages of Aina Le'a. Its development is limited to the land owned, defined below, and the commercial parcel with a recorded option to purchase.

Aina Le'a owns 1,072 acres of property held in four (4) sub-divided parcels:

- a. Parcel D-1-A – Tax number 3-6-8-001:039 zoned by the State of Hawaii- and by the County of Hawaii under 96-153 for 545 housing units
- b. Parcel B-1-A – Tax number 3-6-8-001:038 zoned by the State of Hawaii and by the County of Hawaii under 96-153 for 1,186 housing units
- c. Parcel D-1-B-1 – Tax number 3-6-8-001:069 zoned by the State of Hawaii and by the County of Hawaii under 96-153 for 70 housing units
- d. Parcel D-1-B-2 – Tax number 3-6-8-001-036 Zoned by the State of Hawaii and by the County of Hawaii under 96-153 for 432 housing units.

Aina Le'a has a three-year option to purchase Parcel C-1-A Tax number 3-6-8- 001:025 zoned by the state of Hawaii and the County of Hawaii under 96-153 as commercial. Ownership of Lots D-1-B-1 and D-1-B-2 is held by Aina Le'a and Aina Le'a Land Trust(s) No. 1 and No. 2. Aina Le' a is the sole owner of Parcel D-1-A (383 acres) and B-1-A (628 acres).