

October 24, 2018

Mr. Craig Hirai
Executive Director
Hawaii Housing Finance and Development Corporation
677 Queen Street, Suite 300
Honolulu, HI 96813

VIA EMAIL and U.S. MAIL

Projects: Kamakana Senior and Kamakana Family Affordable Rentals

Subject: Status Update for Docket No. A10-788
Kamakana Villages at Keahuolu (Hawai'i)

Director Hirai:

Our development team appreciates the opportunity to address the concerns raised by the U.S. National Park Service (NPS) at the Land Use Commission (LUC) meetings on January 24 and May 23, 2018 regarding our development of two (2) affordable housing projects, Kamakana Senior and Kamakana Family (Projects), located within the master-planned Kamakana Villages at Keahuolu project. As previously discussed and presented to NPS and the LUC, the Projects' current systems were designed to include source control measures, treatment solutions and long-term best management practices (BMPs) in accordance with current storm drainage rules. We have and continue to maintain that the BMPs we provided for the Projects meet Condition 13 from the LUC 2010 Decision & Order (D&O) (Docket No. A10-788), which is stated as follows:

"To the extent practicable and consistent with applicable laws, Petitioner shall implement landscaped areas, such as grassed or vegetative swales, grass filter strips, vegetated open space areas, check dams, or other comparable BMPs engineered to treat the first flush runoff volume including the removal of suspended solids and oils and greases from all streets and parking lots".

To be clear, our licensed civil engineer team designed the Projects to ensure compliance with the necessary requirements. Like many construction projects, the plans were vetted by numerous parties including the Hawaii Housing Finance and Development Corporation, the County of Hawaii Planning Department, the County of Hawaii Department of Public Works, the State of Hawaii Department of Health, and the Disability and Communication Access Board to name a few. We currently maintain source control measures to reduce and eliminate on-site runoffs. Our house rules prohibit vehicle washing and maintenance on-site. Our LEED handbook serves as our Operations & Maintenance manual and addresses green practices for residents. We believe we are meeting if not exceeding LUC conditions in a thoughtful, appropriate, and effective manner, particularly with respect to the D&O Condition 13.

However because NPS continues to dispute the sufficiency of our BMPs even after we provided them an opportunity to visit the site and inspect the scope of our current BMPs, and because Michaels is sensitive to preserving and protecting both cultural and natural resources in the Kailua-Kona region, we have agreed to provide the additional BMPs specifically requested by NPS in previous discussions and correspondence, which we believe are in excess of what is required by LUC Condition 13.

Via email dated April 11, 2018, the NPS informed us of a Memorandum of Agreement they entered into with the U.S. Federal Highway Administration (FHA) which required the administration to install certain inlet filters as part of the widening of the State Department of Transportation's Queen Ka'ahumanu Highway. The inlet filters approved by NPS would remove 95% copper, 93% lead and 95% zinc, in addition to other materials. As such, we consulted with the FHA's same local supplier (Geotech Solutions, Inc.) and have arranged to install, in the parking lots of Kamakana Villages, the NPS-accepted inlet filters being used by the FHA on a major state highway. Enclosed please find reference materials regarding the approved inlet filters we are installing, namely the Bio Clean Model BC-Grate ("Bio Clean Filter").

Please note that in the draft Stipulated Agreement that HHFDC circulated, the inlet filters referenced have actually been discontinued. Instead, the Bio Clean Filter we are installing are a higher model and will not only remove suspended solids, oils and greases, but will also remove heavy metals. Even though the removal of heavy metals is typically more of a concern in heavily traveled streets and highways (as opposed to a small residential development) and not part of Condition 13, we believe this additional removal will exceed NPS' expectations for the Projects.

In addition, we have enclosed the manufacturer's Operations & Maintenance requirements that we intend to follow. This document also includes an Inspection and Maintenance Report form which will be used track and monitor the maintenance of all inlet filters at our project site.

We trust you agree that the actions we have proposed above well exceed the requirements stipulated in Condition 13 of the LUC D&O and do not require the negotiation and execution of a separate agreement between HHFDC, NPS and Michaels. Note that such agreement will require the prior written approval of our various lenders and investors. Instead, we hope this letter and actions will satisfy NPS's requirements in a more expeditious manner. We are happy to have NPS inspect the site once more upon the completion of the installation of the Bio Clean Filters. Please feel free to contact me if there are any questions.

Warm regards,



Karen Seddon
Regional Vice President

Enclosures

Copy to: -National Park Service, Jeff Zimpfer, Environmental Protection Specialist, Kaloko-Honokohau National Historic Park (w/ Enclosures)
 -Land Use Commission, Arnold Wong, Chair (w/ Enclosures)