Kona Three LLC
1188 Bishop St. #711
Honolulu, HI 96813
Ph. (808) 599-5720

LAND USE COMM
STATE OF HA

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July 6, 2021

Mr. Daniel Orodenker, Executive Officer
Land Use Commission
STATE OF HAWAI'I
P.O. Box 2359
Honolulu, HI 96804

RE: LUC Docket No. A83-549 (Gamrex, Inc.)
Holualoa 1st and 2nd, North Kona, Hawai'i
TMK: 7-6-021:004, 009 through 013, 015, 017

Dear Mr. Orodenker,

I am a Member of Kona Three LLC, which owns the remaining land-holdings subject to the above referenced Docket No. A83-549 of Petitioner Kona Vistas LLC. In accordance with the requirements of Condition C of the Decision and Order dated 12-13-1983 and with Condition 3 of the Decision and Order dated 5-10-1993, please find attached the Annual Report for 2018.

By copy of this letter, this Report is also being provided to the County of Hawai'i Planning Department. I will also email copies to luc@dbedt.hawaii.gov and riley.k.hakoda@hawaii.gov per previous instructions.

Thank you for your time and attention, I trust you find the Report meets with your requirements. Feel free to contact me with any questions or comments. Thank you very much.

Sincerely,

Richard A. Wheelock, Member Kona Three LLC

Enclosure

CC: County of Hawai'i Planning Department with Enclosure

Kona Three LLC
1188 Bishop St. #711
Honolulu, HI 96813
Ph. (808) 599-5720

July 6, 2021

Mr. Zendo Kern, Director
Planning Department
County Of Hawai'i
101 Aupuni Street, Suite 3
Hilo, HI 96720

RE: LUC Docket No. A83-549 (Gamrex, Inc.)
Holualoa 1st and 2nd, North Kona, Hawai'i
TMK: 7-6-021:004, 009 through 013, 015, 017

Dear Mr. Kern,

I am a Member of Kona Three LLC, which purchased the remaining land-holdings subject to the above referenced Docket No. A83-549 of Petitioner Kona Vistas LLC at the end of 2015. In accordance with the requirements of Condition C of the Decision and Order dated 12-13-1983 and with Condition 3 of the Decision and Order dated 5-10-1993, an Annual Report is required on the project.

We were instructed to provide a copy of this Report to your office, and are hereby complying with said instructions.

Thank you for your time and attention, I trust you find the Report meets with your requirements. Feel free to contact me with any questions or comments. Thank you very much.

Sincerely,

Richard A. Wheelock, Member Kona Three LLC

Enclosures

CC: LUC

ANNUAL REPORT-2020 (Dated 6-30-2021)

KONA VISTAS, LLC – DOCKET NO. A83-549

On December 13, 1983, Increment I consisting of approximately 124 acres of the subject properties located in Kailua-Kona on the island of Hawai'i was reclassified into the Urban District subject to conditions imposed by the State Land Use Commission ("LUC"). The properties are located generally on the north and south side of Lako Street, on the mauka side of Kuakini Highway. On May 10, 1993, the second increment consisting of approximately 49 acres, was also reclassified into the Urban District, with additional conditions imposed by the LUC.

In conjunction with the approval of Increment I, Condition C required the submittal of annual progress reports to the LUC, Department of Planning and Economic Development (now Office of State Planning and hereinafter referred to as "OSP"), and the County of Hawai'i Planning Department ("CPD"). A similar annual reporting condition (Condition 3) was also imposed on the approval of the second increment.

This report is being submitted in compliance with these conditions. The last annual report for 2019 was filed with the LUC; OSP; and CPD dated 6-10-20. This annual report fulfills the obligation for 2020. I apologize for the tardiness of this Report. The next annual report will be due prior to the anniversary date of the original approval, or December 13, 2021.

I. Status of the Project to Date

A. Project Location

The subject site, originally consisting of approximately 171+/- acres, is located in Kailua-Kona on the Island of Hawai'i. More specifically, the subject area is located mauka or east of the Kuakini Highway and, generally, bordering the north and south sides of Lako Street.

B. Project History and Proposed Development

After obtaining Urban Designation for Increment I, the original developer (Gamrex) obtained zoning for the entire 171+ acres via Rezoning No. 470, originally entitled as Change of Zone Ordinance No. 84-23 effective 5-15-84. This Ordinance rezoned 103 acres to RS-15 zoning, which allows single-family dwellings on lots of no less than 15,000 square feet. It also rezoned about 70 acres to RM-5, which allows multi-family dwellings up to a maximum density of one unit per 5,000 square feet of land.

After rezoning, Gamrex, its engineers, land planners; architects; landscape architects; hydrologists and other professional service providers worked with various agencies (County of Hawai'i Planning Department ("CPD"); Department of Public Works ("DPW"); Department of Water Supply ("DWS"), Office of Housing and Community Development ("OHCD"); the State Department of Transportation-Highways Division ("S-DOT-

Highways"), State Department of Land & Natural Resources-Historic Preservation Division ("SHPD"), US Army Corps of Engineers ("ACOE"), US Department of Fish & Wildlife ("USF&W"), Federal Emergency Management Agency ("FEMA") and other agencies to entitle, plan, design, and build single-family homes on the Increment I site.

Gamrex and its successor entity Kona Vistas LLC completed development of the entire 103 acres in Increment I.

In the process, they paid for the water commitments for the entire water system for both Increments I and II; had most of the project site (except for 5 acres planned for future use by Hawaii Preparatory Academy) covered by an Archeological Inventory Survey ("AIS"); provided DPW with a drainage master plan for the project; worked with government agencies to build the Lako Street-Kuakini Highway intersection; contributed the fair share of the costs for that intersection; built the Lako Street Extension and dedicated it through the mauka-makai portion of the project; built and dedicated the Leilani Street extension , the Pualani Street connection, the Kilohana Street extension; and obtained a 12-acre site outside the project area to satisfy the project's affordable housing requirements for both single-family and multi-family portions of the project among other actions.

They obtained an Environmental Assessment "Finding of No Significant Impact" ("FONSI") and Negative Declaration by the DPW from the Office of Environmental Quality Control ("OEQC ") on 3-22-96 for an SMA Permit application on the 12-acre parcel; obtained SMA Permit No. 430 for the 12-acre parcel; worked with the County and two private property owners to connect the County owned drainage system to the 12-acre drainage way by paying to buy properties at Royal Poinciana Drive and Kupuna Street in 2001; obtained a Conditional Letter of Map Revision ("CLOMR") for the 70-acre multi-family zoned land in anticipation of constructing drainage improvements (Case No. 95-09-616R) issued on 3-25-95; and built and installed roadways, drainage improvements, driveways, light poles, utility infrastructure, landscaping and other assets required to complete a new community. They obtained County of Hawai'i Plan Approval dated 11-23-07 for 150 multi-family units to be built on approximately 17 acres of Parcel 3/7-6-021:016 (a portion of the 70 acres zoned RM-5).

Because of the extreme complexity in addressing various site conditions and in obtaining approval of various mitigation measures, the development process spanned several decades. They sought and obtained a number of amendments to rezoning ordinances in order to obtain the time to complete performance. These included: Ordinance 84-23 effective 5-15-84 granting the original conditional zoning; Ordinance 84-42 effective 7-31-84 adding 1.530 acres of land that was inadvertently left out of the original land description; Ordinance 88-4 effective 1-18-88 granting time extension to complete certain conditions; Ordinance 90-62 effective 5-27-90 granting time extensions; Ordinance 91-96 effective 10-1-91 granting time extensions; Ordinance 93-26 effective 4-7-93 involving additional time extensions; Ordinance 94-34 effective 4-5-94 amending effective dates of second increments of zoning for both single-family and

multi-family zoned portions of land; Ordinance 97-99 effective 7-14-97 involving time extensions for the multi-family portions; and Ordinance 02-131 effective 11-27-02 also involving time extensions for the multi-family portions of the land.

The CPD has granted Final Subdivision Approval for all four Units of the Increment I single-family zoned land. There are now about 215 single-family residential lots (10 of these are CPR lots) in these four Units, with around 95% of the lots being built on and the rest vacant.

Gamrex and its successor entity Kona Vistas LLC were owned by a Japan group, whose majority owner (Takashi Gamo) and President spearheaded the Kona Vistas project development. After his death, the group lost interest and the ability to complete development of this project, which started 40 years ago. In December, 2015, Japan-owned Kona Vistas LLC sold the remaining land to two Hawai'i-based development entities: KV3 LLC and Kona Three LLC. The remaining land included about thirteen lots in Unit 4 and Unit 3 of the Kona Vistas subdivision together with three roadway lots and some remnant lots in Unit 4 and Unit 1 which were transferred to KV3 LLC, of which I am a Member. The multi-family zoned parcels totaling about 70 acres (TMK's 3/7-6-21:016 & 017) were transferred to Kona Three LLC, of which I am also a Member.

KV3, working with DPW, CPD and the County of Hawaii Corporation Counsel ("Corp Counsel") has completed dedication of the 3 remaining roadway lots to the County of Hawai'i.

Kona Three LLC's hydrological engineer submitted a Conditional Letter of Map Revision ("CLOMR") application to FEMA and the County DPW in 2019 affecting the 12-acre site makai of the Project and Kuakini Highway. We hope to have approval of said CLOMR in 2021, after which the necessary drainage improvements can be built and the property then developed.

Due to changes in personnel and philosophy, the OHCD no longer wishes to have us convey the 12-acre site to the County as fulfillment of the Affordable Housing requirement. We continue to work with OHCD seeking acceptable solutions beyond the 12-acre site.

Kona Three LLC; KV3 LLC; and their engineers continue to work with DPW on drainage solutions for the area. It is anticipated that changes will be made mauka of Queen Ka'ahumanu Highway to re-direct the drainage of Horseshoe Bend Drainageway which will require yet another CLOMR. This work will need FEMA and DPW approval.

The SHPD took the view that the previous Archeological Inventory Survey ("AIS") on the multi-family land needed to be updated. Our archeological consultant Scientific Consultant Services Inc. provided SHPD with a new AIS on the approximately 65 acres required, together with a Preservation Plan for the abandoned railroad berm and a single loose stone with a petroglyph. A Burial Treatment Plan for the single burial site

found on the 5-acres has been completed. We hope to have SHPD approval of the AIS as well as the Preservation Plan later this year.

At the suggestion of the CPD, Kona Three presented their conceptual plans for the Project to neighboring community groups, including Kona Vistas residents and AOAO Board members; Pualani Estates residents and AOAO Board members; and other neighbors and their elected representatives. Numerous concerns related to the Project were expressed, with a large majority of concerns related to traffic and road usage, especially by residents of the County roads that are planned for community circulation roads in accordance with Kona Community Development Plan Official Transportation Maps. These roads include Leilani Street; Kekuana'oa Place; Ho'omama Street; and Paulehia Street.

These residents clearly don't want these streets used for additional traffic as planned, but the Kona Community Development Plan and the County's long-range plans call for the existing road grid to be expanded for safety and traffic flow concerns. In addition, the existing Project Zoning Ordinance requires the Project to dedicate the connector roadways within the Project that will become part of the transportation grid eventually. Kona Three altered the development plan to provide a single access to the Project's first phase from Queen Ka'ahumanu Highway, which will avoid expanding the neighborhood grid until Phase II is built in another five years, and then only to Kekuana'oa Street. This required a new Traffic Impact Analysis Report ("TIAR") be completed and submitted to State DOT-Highways and County Planning and Public Works departments, which has been done by our consultant SSFM International.

As the County owns two narrow land parcels containing drainage pathways, one between our two properties and one adjacent to the south of our property, and as we will need to cross these strips of land when we develop Phase II, the CPD has required an Environmental Assessment ("EA") as use of County owned land is a trigger under HRS Chapter 343. Kona Three's consultants Stantec Consulting Inc. and Geometrician Associates completed the EA Application and submitted same to CPD, which published the DEA in July and then again in August of 2020. We await the conclusion of this process, which is expected to result in a Finding of No Significant Impact ("FONSI").

Based upon a FONSI being issued, Kona Three LLC will re-submit the Application for Request for Extension of Deadline regarding Ordinance 02-131 to the CPD, and expects public hearings in 2021 at the Leeward Planning Commission, followed by hearings and action at the County Council.

II. Conditions of Approval (Docket No. A83-549)

Both LUC Approvals (Increment I and Increment II) had numerous Conditions to be fulfilled by Applicant. The Conditions and the status thereof are:

Increment I

A. *Petitioner shall provide housing opportunities for low and moderate income Hawaii residents prior to assigning or transferring (except by way of mortgage or assignment as security) its interest in the subject property, by offering for sale. Ona preferential basis, on its own or in cooperation with either or both the Hawaii Housing Authority or the County of Hawaii, ten percent (10%) of the lots or house and lots to be developed on the subject property. To residents of the state of Hawaii of low and moderate income as determined by the Hawaii housing Authority or County of Hawaii from time to time. The preferential lots or house and lots shall be offered for sale at prices not exceeding prices that enable such purchasers to qualify for and obtain state-assisted financing (i.e., act 105 or Hula Mae) or federally-insured or assisted financing (i.., FHA Section 245 program) intended to encourage home ownership by low and moderate income families.*

Petitioner has taken title to the 12-acre affordable housing parcel via a holding company, and has obtained a CLOMR approval. Petitioner has been informed by the new staff at OHCD that OHCD now feels this site may not be suitable for affordable housing. Petitioner is working with OHCD on additional solutions to meet the balance of the affordable housing obligations.

B. *In making the ultimate decision as to whether a historical or archeological site is significant enough to warrant preservation, the Petitioner shall consult with and accept the decision of the Historic Preservation Officer of the Department of Land and Natural Resources.*

The original AIS found no sites that needed preservation on the entire 173 acres. 103 acres have been fully developed, with no inadvertent finds. Of the remaining 70 acres, 5-acres has been found to contain one burial site, which now has an approved Burial Treatment Plan ("BTP"), and a historic abandoned railroad berm plus one random petroglyph which will require preservation. SHPD required an updated AIS on approx. 65 acres of Petitioner's land, and this AIS and Preservation Plan have been submitted to SHPD. We will monitor any development on the land and if there are any indications of a potential historical or archaeologic site, we will suspend activities that could impact the site and will have an archaeologist review the situation to determine if further action, including consultation with SHPD, is needed. This will be done throughout the development process.

C. *Petitioner shall submit annual progress reports to the Commission, Department of Planning and Economic Development, and Hawaii County Planning Department as to its progress in satisfying these conditions.*

This report is intended to fulfill this requirement.

D. *These conditions may be fully or partially released by the Commission as to all or any portion of the subject properties upon timely motion and provision of adequate assurance of satisfaction of these conditions by the Petitioner.*

To date, the Petitioner has not filed any such motion.

Increment II

1. *Petitioner shall develop the Property in substantial compliance with the representations made to the Commission. Failure to do so develop the Property may result in reversion of the property to its former classification, or change to a more appropriate classification.*

   The single-family component has been completed in substantial compliance with the representations. The multi-family component will also be developed in compliance.

2. *Petitioner shall give notice to the Commission of any intent to sell, lease, assign, or place in trust, or otherwise voluntarily alter the ownership interests in the property, prior to development of the Property.*

   The single-family component of the project comprising the majority of the land was developed by the previous Petitioner. The undeveloped portion is the multi-family zoned portion of the Project, and will be developed by Petitioner or else Petitioner shall give notice to the Commission of any intent to sell, lease, assign, place in trust, or otherwise voluntarily alter the ownership interests in the property prior to development of the Property.

3. *Petitioner shall provide annual progress reports to the Land Use Commission, the Office of State Planning, and the County of Hawai'i Planning Department in connection with the status of the subject project and the petitioner's progress in complying with the conditions imposed.*

   This report is intended to fulfill this requirement.

4. *The Land Use Commission may fully or partially release these conditions as to all or any portion of the property upon timely motion and provision of adequate assurance of satisfaction of these conditions by Petitioner.*

   To date, no such motion or request has been filed.

5. *Petitioner shall record the conditions imposed by the Commission with the Bureau of Conveyances pursuant to Section 15-15-92, Hawai'i Administrative Rules.*

   On March 5, 1984, the Petitioner filed with the Land Use Commission a copy of the Certificate of Conditions recorded in the Bureau of Conveyances on February 21, 1984, in Liber 176785, Page 712, for Increment I of the Petition Area.

6. *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 the Property is subject to conditions imposed by the Land Use Commission in the reclassification of the Property, and (b) shall file a copy of such recorded statement with the Commission.*

   On July 8, 1993, the Petitioner filed with the Land Use Commission a copy of the Certificate of Conditions recorded in the Bureau of Conveyances as Document No. 93-107610 and certified by the Registrar of Conveyances for Increment II of the Petition area.

End of Report by Richard Wheelock