

AINA LE'A INC.

P.O. BOX 437189
KAMEHULA, HAWAII 96743

LAND USE COMMISSION
STATE OF HAWAII

2022 FEB 10 P 12: 25

December 31, 2021

Zendo Kern
Hawaii County Planning Department
74-5044 Ane Keohokakole Hwy
Kailua-Kona, Hawaii 96740

Daniel Orodenker
Executive Director
State of Hawaii Land Use Commission
235 South Beretania Street, Room 406
Honolulu, Hawaii 96804-2359

Dear Mr. Kern and Mr. Orodenker,

This annual report submitted on behalf of Aina Le'a Inc. and its three wholly owned subsidiaries, Lulana Gardens, LLC; Ho'Olei Village, LLC and B-1-A-D-1-A, LLC describes the ownership and status of development and compliance with zoning conditions under the State Land Use Commission (LUC) Decision and Order dated July 9, 1991 (1991 D&O) and as further amended by Order granting Condition 1 dated November 25, 2005 (2005 D&O). This report is submitted to provide the State Land Use Commission and the County of Hawaii the status of the Aina Le'a Inc. Project referred to as the Town of Aina Le'a (Town) as of December 31, 2021. Aina Le'a Inc. is a public company with 769 shareholders. The officers are Robert J. Wessels, CEO; Richard Bernstein, President, and Johanna Eschberger, CFO.

The "Town" Project

The "Town" consists of 1,072 acres of which 1,036 are included in the "LUC" designation of Urban. 23.7 acres, which are included in the LUC (1991 D&O & 2005 D&O) Urban designation, are not owned by Aina Le'a Inc. but are owned by the adjoining land owner, Bridge Aina Le'a, LLC. The prior reports filed in 2016; 2017, 2018 and 2020 are incorporated herein by reference. Of the 1,072 acres, 37.8 acres Tax Parcel 6-8-001:036 is 100% owned by Lulana Gardens, LLC; 23 acres Tax Parcel 6-8-001:069 is 100% owned by Ho'Olei Village, LLC, and 1,011 acres Tax Parcels 6-8-001: 038 & 6-8-001:039 are 100% owned by B-1-A-D-1-A, LLC. The three Aina Le'a Inc. subsidiaries will implement the "Town" Community Facilities together as each subsidiary develops its parcels as a part of a separate community facility limited liability corporation.

Currently Aina Le'a Inc. is engineering the first phase of the community facilities to serve the 432 townhomes being built to serve the local families under a signed and recorded affordable housing agreement between Lulana Gardens, LLC and the County of Hawaii Department of Housing. The balance of the Town owned by Ho'Olei Village, LLC and B-1-A-D-1-A, LLC is being planned and engineered to accommodate an additional 150 affordable family homes, 790 resort single family homes and 973 resort multifamily homes.

LULANA GARDENS

Lulana Gardens, LLC tax number 036 (37.863 acres) is approved for 440 homes under the County of Hawaii's 1996 Ordinance. 385 of the homes are being built and will be rented to local families under the County of Hawaii's Affordable Guidelines and in compliance with the 1991 D&O and 2005 D&O. The Lulana Gardens, LLC parcel is graded, a subdivision plan has been submitted to the County, the potable water service is installed, the wastewater collection lines are installed and curb & gutter installation has been started. Building permits for the townhouses have been approved and paid. Townhouse buildings have been built and construction progress inspection approved and signed by the building inspectors. Following an extensive delay caused by various government interruptions Lulana Gardens, LLC is restarting the construction under the approved plans. Necessary Community Infrastructure is being funded by Lulana Gardens, LLC including an intersection to the Queen Ka'ahumanu Highway and a Mauka Makai roadway to be dedicated to the County of Hawaii upon completion. The Town potable water is supplied from the Hawaii Water Service through supply lines owned by the Town Community Facilities company. As approved by the Department of Health the Town Community Facility company has purchased and is installing a wastewater plant. The wastewater will be treated to R-1 quality. The Cloacina wastewater plant will be delivered to the Town property in late February or early March for installation and upon installation will be operated by Hawaii Sewer Service. The Town's wastewater plant is projected to be operational by June, 2022.

Under an agreement with Lava Rock rental fund to provide 384 affordable rental townhomes for 219.5 affordable housing credits, Lulana Gardens, LLC projects requesting Certificates of Occupancy for the first 96 homes in the third quarter of 2022. Thereafter Lulana Gardens is committed to deliver 16 townhomes per month until all 384 homes are completed.

TOWN COMMUNITY FACILITIES

Relco Corporation and Lulana Gardens, LLC are funding the initial community facilities. The water lines, water tank and wastewater collection lines when constructed and approved will be placed in a separate limited liability company under Aina Le'a Inc. The CFD LLC will be operated under the direction of the Town Manager and operating agreements with Hawaii Water and Sewer Services. The planning, design and engineering for the additional Town community facilities are commencing in February 2022. The Community Facilities will support the Town development as disclosed in the County approved and Hawaii State Office of Environmental

Quality Control publication with the exception that the water from the Parker aquifer will be obtained from Hawaii Water Service rather than from the County Department of Water Supply.

Ho'Olei Village, LLC

Ho'Olei Village parcel Tax number 6-8-001:069 (23 acres) is planned for 70 resort single family homes with common maintenance. The infrastructure design and engineering is projected to be completed and submitted to the County of Hawaii in the fourth quarter of 2022. Water is supplied by Hawaii Water Service through the Community Facility installed water line. Wastewater will be connected to the Community Facility installed wastewater lines and processed by the Community wastewater treatment plant. Access will be from the County roadway easement to private internal roadways.

B-1-A-D-1-A, LLC

B-1-A-D-1-A parcels tax number 6-8-001:038 & 039 (1,011 acres) is being planned as disclosed in the EIS. The 1,011 acres will be subdivided into 17 or more specific smaller subdivisions. Each of the subdivisions will be served by the Town Community Facilities and highway access.

The initial subdivision will be for a 16-acre parcel planned for 75-duplex homes on 120ft. by 70ft. lots. The 1,520 square foot two story duplex homes will be built and offered for sale under the County of Hawaii's Affordable Guidelines.

B-1-A-D-1-A, LLC projects to file for a subdivision of the 16 acres in the first quarter of 2022. The Town Community Facilities will provide the necessary services to the subdivision. Once subdivided the subdivided 16-acres will be transferred into a special purpose subsidiary, Aina Mauka, LLC for construction.

B-1-A-D-1-A, LLC has an absorption report prepared by Robert C. Lester and Company projecting the Town can be developed and sold over a 10-15-year period. Based upon the 2021 completed and DOT accepted traffic studies after building roughly 60% of B-1-A-D-1-A, Aina Le'a Community Facility District will need a second entrance to the highway. The County Ordinance fair share requirements for an active park, walking trails, school site, community center, and public transportation terminal will be designed into B-1-A-D-1-A, LLC's parcels.

Status of Compliance with D&O Conditions:

1. Condition A: Aina Le'a Inc. will be responsible for complying with the stated conditions of approval.
2. Condition B: Aina Le'a Inc. has provided a water source, Hawaii Water Service, and has constructed the water supply lines to bring the water to the property.
3. Condition C: Each original tax parcel will be developed in two or more phases. The first phase, Lulana Gardens is being developed in 27 phases.
4. Condition D & C: Subdivision plans have been submitted to the Planning Department and Building Plans have been submitted and approved.

5. Condition D & E: Aina Le'a Inc. will request any uses within 1,200 ft. of the Queen Kaahumanu Highway. Aina Le'a LLC has received approval to place its wastewater treatment plant within the 1,200 ft set-back.
6. Condition E & F: Wastewater treatment system has been procured and is in shipment to the property for installation in March.
7. Condition F & G: An approved drainage system has been approved and is being installed in the first phase, Lulana Gardens. Drainage systems will be installed in each future phase.
8. Condition G & H:
 - a. Aina Le'a Inc. has set aside a 10-acre site for an active park adjoining the public roadway and Lulana Gardens. The park will be designed and installed during the construction of Lulana Gardens.
 - b. Aina Le'a Inc. will set aside a 16-acre park site for passive recreational uses.
 - c. Aina Le'a Inc. will construct a five-mile bicycle and pedestrian path adjacent to loop roadways as they are constructed.
 - d. Upon the dedication of each park Aina Le'a Inc. shall receive credit to its Fair Share requirements.
9. Condition H & I: The 10-acre active park and the 16-acre park will be available for public use.
10. Condition J: Aina Le'a Inc. does not currently have a golf course permit and will request approval for a new permit with conditions.
11. Condition K & I: The inventory survey and preservation plan has been submitted and the plan will be maintained.
12. Condition J & L: Aina Le'a Inc. will notify the Planning Director should any newly encountered artifacts, shells, bone, human burials, and rock or coral alignments be found. Aina Le'a Inc. has identified and noticed the Planning Director of a rock arrangement located on tax parcel 6-8-001-038. Aina Le'a Inc. has identified the rock arrangement site as well as historical red ilima site in its OEQC published Environmental Impact Statement.
13. Condition K & M: Aina Le'a Inc. subsidiary, Lulana Gardens, has negotiated a housing agreement with the Hawaii County Department of Housing. The Housing Department has approved and recorded the Housing Agreement. Aina Le'a Inc.'s future housing plans will secure the concurrence of the Department of Housing and the Planning Department
14. Condition L & N: Aina Le'a Inc. will provide covenants with deeds for each subdivision.
15. Condition M & O: Aina Le'a Inc. has submitted a solid waste plan for the Town.
16. Condition P & N: Aina Le'a Inc. has submitted a botanical preservation and mitigation plan for the Ophioglossum and the Abutilon Menziesii and has disclosed in the published Environment Impact Statement 5-acres to be set aside for the preservation.
17. Condition Q & O: Aina Le'a Inc. will comply. Aina Le'a Inc. has drawn the plans for a channelized Southern Intersection, completed the updated traffic study and submitted both to DOT.
18. Condition R & P: Aina Le'a Inc. has designated an 80-foot Makua-makai easement and designed a roadway which will be installed during the construction of the Lulana

Gardens affordable homes. Aina Le'a Inc.'s share of the cost of the roadway, intersection, and easement will be credited to its fair share contribution for regional road and traffic impacts.

19. Condition S & O: Aina Le'a Inc. will make its fair share contribution to address potential regional impacts of the project with respect to fire, police, solid waste disposal facilities as each subdivision is developed based upon the number of units in each subdivision. The fair share contribution for fire, police, solid waste disposal facilities will be paid in cash upon conveyance of each home and/or lot. The fair share contribution for roadways, parks and recreational facilities shall be made in the form of contribution of land and facilities. The fair share for roadways, parks and recreational facilities will be paid as the roadway, parks and recreational facilities are built and dedicated to the County. Fair Share contributions will be limited to \$4,645.29 per multiple-family residential unit and \$7,239.16 per single family residential unit.
20. Condition R: Aina Le'a Inc. will build the required infrastructure for each subdivision or post security to assure the completion of infrastructure for each subdivision.
21. Condition T & S: Aina Le'a Inc. will work with the Department of Education to provide its pro rata share for school facilities.
22. Condition U & T: Aina Le'a Inc. will disclose to potential buyers of lots or units that infrastructure and community facilities will be developed and maintained by Aina Le'a Inc. or one of its subsidiaries.
23. Condition V & U: a fire emergency plan has been submitted for Lulana Gardens and initial communications have been had with the Fire Department about an overall site fire prevention plan
24. updates will be made as necessary.
25. Condition W & U: Aina Le'a Inc. is complying with the conditions of the State Land Use Commission's Decision and Order.
26. Condition X & W: Aina Le'a Inc. has not applied for real property tax relief for agricultural use and shall provide such provision in the CC&Rs and deeds of the respective subdivisions.
27. Condition Y & X: Aina Le'a Inc. and its wholly owned subsidiaries will comply with applicable laws, rules, regulations and requirements.
28. Condition Z & Y: If the Council should adopt Unified Impact Fees Aina Le'a Inc. will abide.
29. Condition AA & Z: Aina Le'a Inc. will provide annual progress reports following each calendar year end.
30. Condition BB & AA: Due to Force Majeure conditions from governmental stoppages Aina Le'a Inc. will request an extension of time for the performance of conditions.
31. LUC Conditions: "Petitioner shall provide housing opportunities for low, low-moderate-, and moderate-income residents of the State of Hawaii by offering for sale at least 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

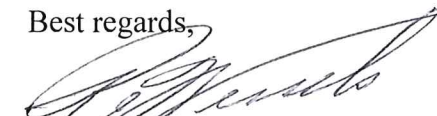
Hawaii affordable housing standards, and shall be completed in substantial compliance with the representations made to the Commission”.

- a. Lulana Gardens, LLC is building the housing plans as presented to the Commission at the Commission’s August 2009 approval. The County has issued building permits according to the plans containing 1,200 sq. ft. two story 3-bedroom townhomes and 1,520sq. ft. two story 4-bedroom townhomes. The model homes have been inspected by the County and the Hawaii County Department of Housing has entered into an agreement to have the homes rented under the Affordable requirements. The rental agreement provides that 18 townhomes will be rented at 80% of AMI; 18 townhomes at 100% of AMI and 349 townhomes at 120% of AMI. B-1-A-D-1-A, LLC is designing 75 duplexes containing 150 similar two story 4-bedroom homes, which will sold under the County of Hawaii Department of Housing Pricing Guidelines.
 - b. Once the Community Facilities are completed for Lulana Gardens, Certificates of Occupancy shall be requested. Lulana Gardens projects the Community Facility work will be adequately completed for the County of Hawaii to begin issuing Certificates of Occupancy on or before December 31, 2022.
 - c. Aina Le’a Inc. submitted a signed grading contract to the commission and Lulana Gardens has completed the initial mass grading of the parcel. Additional engineering for B-1-A-D-1-A, LLC has been engaged and will continuously move toward completion upon which a grading contract will be issued by each subdivision.
32. Aina Le’a Inc. has developed the necessary water source from Hawaii Water Service and installed the water transmission lines to serve the 1,072-acre Town property.
 33. The Town of Aina Le’a property will comply with the State Land Use requirement of a buffer zone and obtain necessary approvals for uses within 1,200 feet of the Queen Kaahumanu right-of-way. Aina Le’a Inc. has received approval to locate the wastewater treatment plant within the 1,200 feet buffer zone.
 34. Aina Le’a Inc. has updated the traffic study for the community impact and the Traffic study has received approval from the State Department of Transportation. Aina Le’a Inc.’s engineers have completed the drawings to complete an intersection and a Mauka-Makai roadway to connect to the intersection. Aina Le’a Inc. has deposited \$2 million to fund its share of the cost of the intersection and Mauka-Makai roadway and has requested the \$2 million be applied to the roadway Fair Share requirement for Lulana Gardens.
 35. Aina Le’a Inc.’s Community Facility LLC has purchased a wastewater treatment plant which will be installed in the second quarter of 2022. The plant has the approval of the State Department of Health. The plant will treat the wastewater to R-1 standards for irrigation and thereby minimize any adverse impacts on adjoining properties.
 36. Aina Le’a Inc. has conducted a through study of the archaeological resources on the Town 1,072-acres and has protected the one archaeological site on tax parcel 6-8-001:038. Aina Le’a Inc. has also set aside a 5-acres park for the future growing of red ilima as identified in its studies. If any additional archaeological resources are located Aina Le’a Inc. will contact the State Historical Preservation Office.

37. Aina Le'a Inc. Community Facilities have identified 16-acres in tax parcel 6-8-001:039 for a future school site which will be identified and submitted to the State Department of Education.
38. Aina Le'a Inc.'s predecessor DW Aina Le'a LLC has identified Community Benefits for its property in the OEQC published Environmental Impact Statement. Further PHP previously met the Condition 8 of the State land Use Commission Decision and Order on July 8, 1991.
39. Aina Le'a will comply with the eight(8) State Department of Health Conditions applicable to any golf course, which may be developed in the 1,072-acres owned by Aina Le'a Inc. and its subsidiaries.
40. Aina Le'a Inc. has engaged the services of a qualified golf course architect to design and build a golf course and will engage a qualified golf course manager to oversee the irrigation and application of fertilizers and pesticides.
41. Aina Le'a Inc. is evaluating its golf course development and when built will provide the public with golf tee times at affordable rates for play by Hawaii State residents.
42. This report is submitted in compliance with the requirements of the State Land Use Commission, the Office of State Planning and the County of Hawaii Planning Department to update the status of the Aina Le'a Inc. Town project.
43. The Aina Le'a Inc. property is being developed in compliance with the representation made in the environmental impact statement and as represented to the LUC upon purchase of tax parcel numbers 6-8-001:036; 069; 038; 039.
44. Aina Le'a Inc. subsidiaries own and continue to own the 1,072 acres. Aina Le'a Inc.' subsidiary, Lulana Gardens, LLC is developing tax parcel 6-8-001:036 and once the affordable homes are built have entered into a sale agreement with Lava Rock rental fund to comply with the affordable housing needs.
45. Aina Le'a Inc. will advise the Commission upon the satisfaction of any condition.
46. Aina Le'a Inc. nor any of its subsidiaries have chosen to purchase 6-8-001:025 from Bridge Aina Le'a LLC for the purpose of building commercial space to support the Town.

For any additional information please feel free to contact me at 808-640-7590 or Christian Renz at 808-339-0610.

Best regards,



Robert Wessels
CEO