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Alan S. Rudo
Housing and Community Development Specialist
Office of Housing and Community Development
County of Hawaii
50 Wailuku Drive
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COUNTY OF HAWAII
OHOD

Re: AEKO Hawaii (formerly known as U of N Bencorp.)
LUC Docket No. A02-737, TMK (3) 7-5-10:85 and (3) 7-5-17:06

Dear Alan:

This will follow up on our January 4, 2007 conference with George Atta of Group 70 regarding the issue of AEKO Hawaii's satisfaction of Condition 1 of Land Use Commission Docket No. A02-737, which provides the following:

Land Use Commission Docket No. A02-737 - Condition 1

Affordable Housing. Petitioner shall provide affordable housing opportunities for residents of the State of Hawaii in accordance with applicable housing requirements for the Project of the County of Hawaii. The location and distribution of the affordable housing or other provisions for affordable housing shall be under such terms as may be mutually agreeable between the Petitioner and the County of Hawaii.

As we discussed, AEKO Hawaii is currently pending a hearing before the Land Use Commission to amend certain conditions in Docket No. A02-737 to reflect the deletion of the previously-proposed Cultural Center. The following will give you a brief history of the project, followed by a description of the current AEKO Hawaii proposal to develop the Property.

The Land Use Commission issued its Findings of Fact, Conclusions of Law, and Decision and Order in State Land Use Commission Docket No. A02-737, on August 8, 2003 (the "D&O"). The Petitioner in the D&O was the University of the Nations Bencorp ("Bencorp"), a 501(c)(2) non-profit benefit corporation for the University of the Nations (the

"University"). Subsequent to the filing of the D&O, Bencorp changed its name to AEKO Hawaii ("AEKO").

In the D&O, Petitioner Bencorp was granted a State Land Use Boundary Amendment to reclassify approximately 62 acres of land situate at Waiaha 1st, Kailua-Kona, District of North Kona, County and State of Hawaii, from the Agricultural Land Use District to the Urban Land Use District to allow for the development of the Hualalai Village condominiums, a multi-function Cultural Center, and a five-acre Educational Facility (the "Original Project").

On May 1, 2005, the Board of Directors of Bencorp adopted an amendment to change its corporate name from University of the Nations Bencorp to AEKO Hawaii. New members to the AEKO Board were appointed, as follows: Wes Rein heller, Warren Israelson, Ernie Wouters and Dwayne Betsill. On May 18, 2005, AEKO filed its Articles of Amendment to Change Corporate Name in the Business Registration Division of the Department of Commerce and Consumer Affairs of the State of Hawaii.

AEKO, together with Loren Cunningham, the founder of the University, determined that the Original Project, with its commercially driven Hualalai Village condominiums and Cultural Center, was not in keeping with the purpose, mission and needs of the University, and that the educational facilities planned under the Original Project were insufficient for the current and projected needs of the University. For that reason, the Original Project was revised and now consists of a Staff Housing Community, Student Village Apartments, and Expanded Academic and Recreational Facilities (the "Revised Project"). Attached as **Exhibit A** hereto is the AEKO Hawaii/University of the Nations proposed Campus Master Plan. AEKO will be seeking approval from the Land Use Commission for the Revised Project by filing a Motion to Amend Findings of Fact, Conclusions of Law, and Decision and Order in Docket No. A02-737 ("Motion to Amend"). AEKO believes that the Revised Project continues to be in substantial compliance with the representations made to the Commission in Docket No. A02-737, is more in keeping with the important mission and purpose of the University, and will have significantly less impact on the surrounding area than the Original Project.

AEKO Hawaii/University of the Nations is currently proposing to develop residential units for sale only to University of the Nations staff and faculty at subsidized sales prices. AEKO/University of the Nations will also develop residential units which will be limited for rental only to students at the University of the Nations at significantly subsidized rates. As we discussed, we anticipate that these subsidized prices for both the "for sale" units to the staff and faculty and the "for rent" units to the University of the Nations students will be at or below the affordable housing guidelines for the "80% and below median" income group, and will exceed the minimum requirements of Hawaii County Code Chapter 11 (Housing).

Assuming that AEKO Hawaii/University of the Nations is successful in developing the above-referenced sale and rental units, this will request that the Office of Housing and Community Development ("OHCD") confirm that these subsidized "for sale" and "for rent" residential units made available to the University of the Nations family and staff will qualify for the following:

1. Satisfy the affordable housing requirements of Condition 1 of Land Use Commission Docket No. A02-737 and the requirements of Hawaii County Code Chapter 11 (Housing) for development of the Project; and
2. Any affordable housing credits generated in excess of the minimum requirements of Chapter 11 will be classified by OHCD as "affordable housing excess credits" which may be sold or transferred to third parties and other project areas, subject to the prior approval of OHCD.

Thank you for your attention to this matter. We ask for the support of the County of Hawaii in developing this work force housing for the University of the Nations faculty, staff and students. If you have any questions, please feel free to contact me.

Very truly yours,

CARLSMITH BALL LLP


Steven S.C. Lim

SSL/lny

Attachment

cc: AEKO Hawaii - Warren Israelson
Group 70 - George Atta
Jennifer A. Benck

4813-0951-4241.1

CAMPUS MASTER PLAN - ALTERNATIVE 7

