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*Mayor*

**Wil Okabe**  
*Managing Director*

**Barbara J. Kossow**  
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**Neil S. Gyotoku**  
*Housing Administrator*

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*Assistant Housing Administrator*

**County of Hawai'i**  
**Office of Housing and Community Development**

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October 31, 2019

Via Electronic and U.S. Mail

Robert Williams  
Kona Three LLC  
181 Kalaniana'ole Street  
Hilo, Hawaii 96720-4703  
e-mail: [rwilliams@clarkhawaii.com](mailto:rwilliams@clarkhawaii.com)

RE: Affordable Housing Agreement with Kona Three LLC

Dear Mr. Williams:

After careful consideration of the record between the County of Hawai'i (County) and Kona Three LLC, the Office of Housing and Community Development (OHCD) has concluded that no affordable housing agreement exists between the two parties, and a new agreement must be developed and signed by the owners and the County before the Kona Vistas project in Kailua-Kona may move forward.

The June 27, 2005 agreement between former owners Kona Vistas LLC and the County would have turned over about 12 acres, identified as TMKs 7-6-24:25; 112 and 113 to satisfy Condition J of County Ordinance 84-23, and Condition A of the State Land Use Commission Decision and Order, dated Dec. 13, 1983. That agreement, contingent upon completion of drainage improvements, was executed on December 7, 1992 and was amended seven times until it ultimately expired almost 13 years ago on December 31, 2006.

The OHCD is willing to negotiate an affordable housing agreement with Kona Three LLC, but no longer believes acquiring TMKs 7-6-24:25; 112 and 113 are in the best interests of the taxpayers. Kona Three LLC is offering to convey this parcel and with it, the responsibility of building affordable homes to a third party. This offer is unacceptable to the County as it would free Kona Three LLC to pursue the development of hundreds of market-price homes without any guarantee the third party will be able to develop affordable homes.



Robert Williams  
October 31, 2019  
Page 2

Therefore, Kona Three LLC should reveal how it will satisfy requirements of 10 percent affordable for the development of the completed increment of 210 homes. The County also believes that since there is no affordable housing agreement in place, any agreement with Kona Three LLC must comply with the current requirement of 20 percent affordable to meet the requirements of Chapter 11 of the County Code. Should Kona Three LLC build 465 new homes, at the current rate, 93 of the units must be offered as affordable.

In the spirit of moving forward and based on 465 total units, the OHCD will agree to allow construction of 114 affordable units on any of the undeveloped TMKs discussed in this letter, including TMKs 7-6-24:25; 112 and 113, as allowed by law. The OHCD will also require that one affordable unit be built and occupied for every four market-value units built and occupied. Kona Three LLC may also satisfy any new agreement in part or entirety by purchasing excess affordable housing credits. The OHCD is also willing to entertain offers by Kona Three LLC.

Should you have any questions, please call me at (808) 961-8379.

Very Truly Yours

A handwritten signature in black ink, appearing to read "Neil S. Gyotoku". The signature is stylized and cursive.

NEIL S. GYOTOKU  
Housing Administrator