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ORIGINAL

July 31, 2007

Henry Eng, FAICP, Director
 Department of Planning and Permit
 City and County of Honolulu
 650 South King Street, 7th Floor
 Honolulu, HI 96813

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 STATE OF HAWAII
 LAND USE COMMISSION

DEPT OF PLANNING
 AND PERMITTING
 CITY & COUNTY OF HONOLULU

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Subject: Letter dated 6/1/07 to Mr. Lee Sichter from Mr. Henry Eng
 Relocation of Designated Excavation Area and Buffer Zone of the Makakilo Quarry
 Special Use Permit (SUP) Application/Conditional Use Permit (CUP) Application
 Grace Pacific Corporation
 91-920 Farrington Highway and 91-1130 Pueonani Street - Makakilo
 Tax Map Key 9-1-16: 4 and 9-2-3: 74 and 82

Dear Mr. Eng:

The following is our response to your letter of June 1, 2007 to Mr. Lee Sichter regarding the above subjects and your request to provide specific information or clarification regarding the identified SUP and CUP applications (text of your letter is underlined below). Please accept this response letter and the enclosed as a re-submittal of our SUP and CUP Applications for the Makakilo Quarry expansion project.

1. A complete description of how the applicant is in compliance with Condition No. 1 of 72/SUP-1, which calls for compliance with representations submitted in the 1972 SUP/CUP applications.

A general comment on the representations submitted in the 1972 applications - Pacific Concrete & Rock's (PC&R) 1972 application requested a conditional use for resource extraction at Puu Makakilo. The manifestations of resource extraction as conducted in the early 1970's, together with PC&R's best management practices, mitigative measures and willingness and ability to operate within the 1970's regulatory environment forms the basis of PC&R's representations submitted in the 1972 application.

Grace Pacific's requested conditional use is to continue the resource extraction operation it obtained from PC&R in 1985. The manifestations of resource extraction 35 years later have changed, as have Grace Pacific's best management practices and mitigative measures. We are requesting a new Conditional Use Permit and Special Use Permit at this time to recognize Grace Pacific's current operations, best management practices and mitigative measures.

We understand that one of your concerns is the size of the existing quarry in relation to the size of the quarry approved under the 72/SUP-1. The land under consideration in the current SUP/CUP permit applications came under Grace Pacific's management through a lease agreement with Campbell Estate obtained in its acquisition of Pacific Concrete and Rock in 1984. It is Grace Pacific's belief that the detailed map attached as Exhibit A to a declaration of conditions (recorded in Land Court as Document No. 647233) dated June 22, 1973 (by Robert B. Robinson of Pacific Concrete and Rock Co.) (see Exhibit C-8) supports the conclusion of the area of the protective zone as about 178 acres and the area to be quarried as about 93 acres (see Figure 6). This calculation was provided by Belt Collins.

Although the text of Resolution No. 95 (1973) [see Exhibit A] approved by the City Council for a Conditional Use Permit for the quarrying operation and the State Land Use Commission Special Use Permit (SUP) approval [see Exhibit B] described the protective area as 188 acres and the quarry as 72 acres, both approvals included a Condition No. 2 that stated that "The applicant shall prepare and submit to the Planning Director for his review and approval a revised grading plan for the quarry area.". In accordance with this condition and Conditions No. 11 and 12, the declaration of conditions was recorded in Land Court by Pacific Concrete and Rock Co. and a copy provided to the Planning Department [see Exhibits C-10 and C-11].

On April 23, 2004, the Director of Planning and Permitting (Director) approved a modification [see Exhibit T] to the grading and revegetation plans for the Puu Makakilo Quarry (included in Exhibit K of our application) in accordance with Condition 2 of Resolution No. 95 (1973) adopted by the City Council on April 17, 1973. This modification reflects the current grading area for the quarry as depicted on an aerial photo [see Photo F-8].

1a. Representations made in 1972 SUP/CUP application materials that at no time will more than 18 acres be stripped for quarrying. We note that an open pit in excess of 90 acres has been stripped and is in active quarry and related/accessory uses.

The process of stripping involves removing the uppermost layer of soil and cinder to expose the rock for excavation. It has been Grace Pacific's practice since 1985 to strip 3 to 5 acres at a time, in opening up a new phase for excavation. Once excavation commences, the area is no longer characterized as stripped for quarrying, but as an excavation area.

Although the open pit is about 94 acres, approximately 3 to 5 acres is in active quarrying, at any time, with a total of about 13 acres being quarried within a one year period. Figure 13 calculates the 13 acre area that was quarried based on a decrease in topographic elevation of ten feet or more during the period October 2005 though September 2006.

An additional 17 acres of the quarry floor have been quarried to within 70 feet of final elevation and awaits future excavation. The phasing for this final excavation is shown on Figure 6 of Exhibit K.

Other activities in the quarry include the recycling of construction materials and related stockpiling of approximately 5 acres, as approved by Zoning Variance 2002/VAR-51 (Exhibit D) and haul routes for the quarry equipment of approximately 2 acres. This added to the 3 to 5 acres of active quarrying brings our total area in active quarrying and other active quarry accessory uses to 10 to 12 acres. The balance of the 94 acres is not utilized and sits vacant. The disposition of these areas is addressed in the grading and revegetation plan, April 2004 Amended Engineering Report (Exhibit J), approved by the Director on April 23, 2004.

1b. The materials submitted for the 1972 SUP/CUP application in 1972 indicates that the existing project's daily traffic is 36 mixer truck round trips from 6:00 a.m. to 4:00 p.m. and 91 dump truck round trips from 7:00 a.m. to 12:00 p.m. Please explain the apparent increase in hours of operation described in the current application where operations begin at 6:00 a.m. daily and end as late as 1:00 a.m. (hot mix plant on Parcel 4).

The quarry opens for business at 7:00 a.m. Servicing of the plant and equipment begins at 6:00 a.m. PC&R's operation in 1973 included a second shift from 3:00 p.m. to 11:30 p.m. to haul sand from its Waimanalo Quarry to Makakilo, thus the ending time of 12:00 midnight. All activity in the quarry area mauka of the freeway occurs in daylight hours.

Sand is no longer hauled from Waimanalo, but the hot-mix plant on Parcel 4 operates occasionally at night, as late as 1:00 a.m., to meet the paving needs of the City & County, State, and Federal governments in mitigating traffic congestion for Oahu's motorists, and to handle emergency repairs to water and sewer line breaks.

1c. The 1972 SUP/CUP application indicates that after 20 years (from about 1973), the quarry operation will cease, all installations removed, and all soil areas will be landscaped with trees and shrubs. However, the quarry has expanded its operations beyond the 20-year closure plan. The SUP has no record of an extension of the closure deadline, or expansion of beyond the approved area.

Please provide a description of the circumstances that have led to the current quarry configuration and extended time frame. This information would be helpful in future approvals and permit monitoring.

A 20-year quarry life was predicted on 1) an estimate of 25 million tons of rock being necessary to achieve the topography called for in the 1972 Wolbrink Grading Plan, and 2) an estimate of annual demand of 1.25 million tons per year. As a practical matter, annual demand is largely a function of Oahu's economy, and largely outside of the control of the quarry operator. Had PC&R's estimate of demand been 1.0 million tons per year, which has been the actual historical average, the quarry would have had a life of 25 years under the Wolbrink configuration.

The 1972 Wolbrink Grading Plan was rejected by the City Planning Director, and the use permits were approved subject to PC&R preparing and submitting to the Planning Director for his review and approval a revised grading plan for the quarry area (see Planning Commission Condition no. 2, numbered page 8 of Exhibit B).

With the acceptance by DPP in October 1998 of Grace's Engineering Report (see Exhibit J), Planning Commission Condition no. 2 was satisfied (see Exhibit C-1 for notice of approval). The primary difference between the Wolbrink Grading Plan and the 1998 Grading Plan was that the active quarry moved mauka, the lower elevations moving from 250'/300' to 300'/350' and the upper elevations from 450'/500' to 500'/550'. It was deemed desirable to retain the natural berm along the H-1 Freeway for visual screening purposes, rather than daylighting the quarry pit to the elevation of the freeway.

The final contours and elevations depicted in the October 1998 report support an estimate of the rock reserve of 40 million tons and a 40-year life, given an average demand of 1.0 million tons per year.

1d. Please provide a status of the 1,000-foot-long settling basin makai of Farrington Highway. What are the plans for its continued use as this area is proposed for future urban development.

The location of the settling basin referred to is included in this application as Figure 14. Grace Pacific has no knowledge of the identified drainage way being used as a settling basin. Subsequent to acquiring the quarry in 1985, Grace Pacific's wash plant discharge had been contained on-site and clarified through a series of three settlement ponds; since 2006, the wash plant discharge has been pumped to a settlement basin in the quarry pit for reclamation.

2. Please provide a digital scaled model of the project at intervals of five (5) years and after completion of the renaturalization process. The digital model should be in color and portray projected topographic and landscaping conditions at each of the 5-year increments. The model should be based on views of the quarry from all public vantage points now and in the future pursuant to established development plans and proposed projects of record. Special emphasis should be placed on views of the quarry and the processing facilities makai of H-1 from lands directly makai of the quarry; e.g. the proposed University of Hawaii, West Oahu Campus, and the areas' public roadways, such as the North-South Road now under construction and views from at-grade or elevated portions of the Honolulu High-Capacity Transit Corridor project.

We believe that the mitigation and revegetation plan as presented in our SUP/CUP application (see Exhibit K) adequately covers the projected area from existing views. Our view analysis for the existing and proposed quarry area in Appendix E of Exhibit K of our application folder, "Makakilo Quarry Conditional Use Permit No. 72/CUP-15 Engineering Report Amendment" provides an accurate and comprehensive analysis of the visual impact of the existing and proposed quarry.

Due to the limited development in the surrounding area in relation to the proposed University of Hawaii West Oahu Campus, the areas public roadways (including the North-South Road under construction) and views from at-grade or elevated portions of the Honolulu High-Capacity Transit Corridor project view, the views from these public

viewpoints will be as depicted in Exhibits 2-3, 2-6 and 2-8. We will modify these views to note the projected quarry areas projected at intervals of five years.

3. Page 10-1 indicates that Chapter 205A, HRS, Coastal Zone Management, is not relevant to this application. However, pursuant to Section 205A-1, the "coastal zone management area" means all lands of the State and the area extending seaward from the shoreline to the limit of the State's police power and management authority, including the United States territorial sea. In addition, Section 205A-5(b) requires that all agencies enforce the objectives and policies of this chapter and any rules adopted pursuant to this chapter. Furthermore, the Land Use Commission in a letter dated February 13, 2006 states that "...Regardless of the type of facility involved or its location relative to the shoreline, an assessment as to how the project is not contrary to each of the ten objectives of the Coastal Zone Management program as required by Section 15-15-95 (b)(1), Hawaii Administrative Rules should be provided." Accordingly, the application materials should include a section on how the proposal addresses relevant objectives and policies of Chapter 205A.

The application materials have been updated to include a section on how the proposal addresses relevant objectives and policies of Chapter 205A (see Section 10.6).

4. An updated assessment of alternative quarry sites based on current reconnaissance technologies and economic values should be provided.

Based upon Grace Pacific's testing and drilling over the past twenty years, the best grade-A basaltic rock readily available and economically feasible to excavate occurs mauka of Grace Pacific's existing quarry, and is the subject of this application.

We are including the following as Exhibit S:

- excerpts from Geologic Survey of Quarries on Oahu, by Harold Stearns, June 1974. This is a comprehensive survey of all known quarries on Oahu as of this date. Of particular note is the comment in the Introduction "Due to the increasing value of commercial and residential property, and the pressure to preserve agricultural lands, the likelihood of opening a new quarry would be extremely difficult." Stearns was a highly respected geologist whose observation 30 years ago holds even more truth today.
- summary of Subsurface Rock Exploration Report, Makakilo Quarry, by Geolabs Hawaii, August 1987. A total of 10 borings in and above the existing Makakilo quarry were conducted. Analysis showed suitable rock in the area mauka of the quarry. Grace Pacific pursued access to this rock reserve in 1988, but the property had been sold for golf development. In 1995 Grace purchased the property at a foreclosure option. In subsequent years Grace worked unsuccessfully with several developers towards completing the golf project with a re-designed configuration, reserving the area for potential quarrying. In December of 2005, Grace began discussions with DPP over permitting of the area, now the subject of this application.

- summary of Geological Reconnaissance, Puu Kapuai, by Geolabs Hawaii, February 1989. Seismic refractions surveys were conducted on the slopes of Puu Kapuai, with inconclusive findings.
- summary of Evaluation of Basalt Quarry Resources, by Fewell Geotechnical Service, February 1993. This work was a followup to the 1989 seismic refraction surveys. A total of 18 borings on the slopes of Puu Kuua and Puu Kapuai were conducted. The rock reserve identified was marginal in quality and would require the removal of 16 million cubic yards of overburden to access it.
- map of seismic refraction surveys in the Kunia and Wahiawa areas, Grace Pacific, 1998. The areas tested are marked as dashed red lines. No report was generated from this survey. The map, included in Exhibit S, was prepared by Robert Singlehurst who supervised the survey. No significant A-grade basalt was identified.

5. The area being covered under the SUP and CUP applications should include the primary activity, resource extraction, and any accessory uses and structures, including a portion of the access road used solely for the quarry, and the area for the conveyor tunnel area under the H-1 Interstate Freeway must be included, along with buffer areas and areas being used for landscaping and screening. The total amount of land to be covered by the SUP and CUP should be revised accordingly.

Since the area under the H-1 is owned by the State of Hawaii, documentation should be submitted from the landowner (responsible State agency) authorizing the submittal of the SUP and CUP applications.

In addition, the portion of the project within the H-1 Right-of-Way may be subject to environmental disclosure requirements of Chapter 343, Hawaii Revised Statutes. The additional information requested in this letter would assist the DDP in determining the applicability of Chapter 343.

The land available for quarry and buffer use has basically not changed since 1973. The mined quarry area of 94 acres has shifted slightly mauka, resulting from the decision to not mine the berm shielding H-1 and the makai corners of the quarry site. This is described earlier in response to question 1.c. The State-owned tunnel occupies .075 acres and will be added to the quarry total. As noted in our earlier submission, approval to use this area was for 65 years (runs until 2038). The buffer area was increased with Grace Pacific's purchase of the 312 acres of land surrounding the present quarry. Under the current proposal, Grace would mine 34 acres of this property and maintain the remainder in a natural state subject to changes needed to provide safety and visual mitigation for neighboring properties. The access road to the quarry site is not used solely for that purpose as it provides access to residential construction areas. The areas of the rock haul roads, buffer areas, landscaping and screening berms will be included in our Special and Conditional Use Permit applications.

Documentation is provided as to the State's acceptance of Grace Pacific as the grantee under the Tunnel Easement (see revised Exhibit G). The Tunnel Easement allows grantee to "use, maintain and repair an underground tunnel 10 feet in diameter and conveyor equipment appurtenant thereto..." for a term of 65 years, six years longer than the termination date of the Proposed Use, December, 2032. The Tunnel Easement does not mention the existence of the conditional and special use permits, nor require State approval of any modifications to such entitlements. The Tunnel Easement only requires approval by the State if plans are submitted for any alteration of the tunnel (paragraph 4), and limits the use of the easement to the purpose originally agreed upon by Pacific Concrete & Rock (as grantee) and the State (paragraph 16). The Proposed Use does not call for the alteration of the tunnel, nor will there be a change in the use of the tunnel from that originally agreed to.

The Conditional Use Permit application received by the City and County of Honolulu Planning Department on July 31, 1972 included the Special Permit application and Draft Environmental Assessment which included numerous references to the tunnel under the H-1 (see Exhibit V):

Page 5 – "(3) This road will also be the only access to the quarry site other than the tunnel under the H-1"

Page 9 – "buried under each of these surge piles is a conveyor which withdraws and conveys the 3 inch minus material into a 42 inch wide conveyor which conveys the rock under H-1 to the processing site."

Page 9 – "e. Conveying of 3 inch material under the H-1 to processing site.

- (1) A tunnel will be built below the H-1 which will connect the stockpile of three inch and smaller material on the mauka side of the H-1 with the makai processing-finishing site.
- (2) A 42 inch wide belt will run through this 10 foot square tunnels. The tunnel will run through solid rock and will surface over 100 feet away from the edges of the H-1 onto a conveyor which will stack the rock into three surge piles – one pile for high grade rock usable in concrete ('A' rock", and two piles for low-grade rock (road rock and fill rock).

Page 10 – "e. (3) Exhibit V (ref. to PC&R 1972 Application) shows the location of the tunnel (purple line) and the three surge piles."

The State Land Use Commission Memorandum, dated March 27, 1973, approving the special permit stated on Page 8 (see Exhibit B):

"On the basis of information presented in the Final environmental Impact Statement for the proposed quarry and upon the recommendation of the Office of Environmental Quality Control, the Environmental Impact Statement was approved by Governor Burns on January 13, 1973."

The quarry and its access points under H-1 received environmental review and acceptance in 1973.

6. The Master Application Forms (MAF) for the subject permit applications indicate that Belt Collins is both the agent and the applicant. However, your application materials also refer to Grace Pacific Corporation (GPC) as the entity submitting the above applications. If the applicant is GPC, then the MAFs should be revised to indicate that GPC is the applicant, and an authorized officer of GPC should sign the MAFs and indicate the person's capacity (i.e., president, vice-president, etc.).

The Master Application Forms have been re-submitted with Grace Pacific Corporation as the applicant.

7. All references to 73/SP-147 should be revised to SP73-147, which is the correct Land Use Commission docket number for the Special Use Permit. However, any references to the City's SUP file should be revised to 72/SUP-1. We suggest that since processing of the SUP application begins at the City, the file number reference should primarily be File No. 72/SUP-1.

This has been corrected. See cover sheet and pages 3-1- and 3-3 of this application.

8. A complete copy of Tunnel Easement (Exhibit G) and/or related documents that indicate that GPC and/or Puu Makakilo, Inc. has the right of access over Easement 748 to construct, use, maintain and repair an underground tunnel ten (10) feet in diameter and conveyor equipment. We note that Exhibit G of Grace Pacific's SUP/CUP Application, which is only the first page of the easement, indicates that authorization was granted to Pacific Rock and Concrete Company, the former operator/owner of the quarry.

Exhibit G has been revised to include the complete text and exhibits of the Tunnel Easement, and correspondence with DOT Highways noting the change in ownership and change of corporate name.

9. We note that you mentioned on Page 3-3 Administrative Amendment of Permits that identified changes will be "administratively" incorporated into the approval process. Please clarify the nature of these changes and what is the process of their identification and "administrative incorporation." Please note that there are at least two (2) activities that have no record of approval under the SUP, e.g., expansion of the active quarry area beyond the 72-acre limit and the recycling of construction debris.

The term "administrative amendments" as mentioned on Page 3-3 meant only that we hoped the new SUP/CUP would incorporate all the necessary changes to make our SUP/CUP proposal modern and consistent with any and all the changes that have occurred from 1973 to today. As described in Item 1, through compliance with Condition No. 2 of the Special Use Permit approval, the active quarry area has been approved by the Director of Planning and Permitting for 94 acres. The recycling activity was approved through a variance which noted that an SUP was not required (see Exhibit D, Section II, Findings of Fact, B.2). We have included the recycling activity in our current application to receive SUP approval for the recycling activity.

10. Please describe the renaturalization process mentioned on Page 5-2 for the exposed areas of the golf course and the anticipated schedule for each process.

Grace has renaturalized portions of the abandoned golf development project, including the slopes above the access driveway, the clubhouse and cart barn sites, and portions of the rough-graded back nine adjacent to the quarry area. Availability of irrigation water has been a constraint. Favorable winter weather conditions over the past three years have helped. See Photo F-7 for a comparison of the renaturalization between 1998 and 2006.

11. Semi-annual reports were required since approval of the SUP/CUP in 1973. Two (2) reports were included in the current land use application. The DPP has no record of prior semi-annual reports. Please submit the reports for the preceding years for our files.

Exhibit C-3 has been revised to include all available correspondence regarding the Planning Commission Condition No. 5 for the period 1976 to 2007.

Since Grace Pacific Corporation is carrying out its quarrying operation within 94 acres of land as previously identified and approved by the Director of Planning and Permitting in 2004, our quarrying in these areas is authorized. We have provided a September 2006 aerial photo with the boundary of our 2004 approval area overlaid to show the actual limits of our quarry area (see Photo F-8).

We appreciate your offer to concurrently process our CUP Major application and SUP application.

SUMMARY

It is important to Grace Pacific management that the company comply fully with all our required legal responsibilities and remain cognizant of the needs and desires of the communities in which we operate. While it is difficult to be totally clear on all events that have happened since 1972 and account for discrepancies existent in documents therefrom, we are trying to meet our obligations as evidenced in the seeking of a new SUP/CUP proposal at this time.

Due to a shortage of rock on Oahu, any long delay in obtaining approval will be very costly to Grace and its 550 employees as well as delay road construction and repair. It will also increase costs and cause delays in most construction products requiring concrete, which could significantly affect the Hawaiian economy. We have not been able to find any alternate rock source that will approach the cost and subsequent price of that mined on Oahu. Even if there were real possibilities of opening a quarry at a new site, the time for permitting and development would consume at least five years.

Regardless of the foregoing, we are resolved to do what's right and necessary to obtain a permit to continue mining an additional 34 acres at our Makakilo site. This can serve the competitive need for rock on Oahu over at least the next 20 years. It is important that you understand that

Mr. Henry Eng
July 31, 2007
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several commitments of the leaders of State, County, and Federal governments to achieving their goals on a timely basis at budgeted cost are now at risk. We hope a decision to significantly delay our proposal or stop us from quarrying at Makakilo can be avoided to allow Hawaii's economy to proceed at a desirable rate, on budget, on time.

For our re-submittal, we are enclosing our revisions/inserts for the SUP/CUP Application that we submitted and was received as a Multi-Permit (MP) Application by your office on April 18, 2007. This binder of revisions/inserts will provide a convenient reference for your review of the application updates (marked in yellow) and how we addressed your letter of June 1, 2007. We are also enclosing two copies of the complete MP Application integrating the revisions/inserts with the original April application to comprise our official application to your office. Accompany our application are a digital file of the entire MP Application on CD, and a check for \$6,600 to cover the filing fee for the SUP Application and \$10,600 for the CUP Application.

We trust the information provided herein is satisfactory to your needs in addressing your letter of June 1, 2007 and in providing for a complete and acceptable application. We look forward to your favorable consideration of our project. Should you have any questions regarding this transmittal, please do not hesitate to contact Mr. Bob Creps of Grace Pacific at 674-5201.

Sincerely,



Robert F. Wilkinson
President and CEO
Grace Pacific Corporation

Enclosures

- 1) Revisions/Inserts for Updated Multi-Permit Application (1 copy)
- 2) Complete Updated Multi-Permit Application (2 copies)
- 3) CD (digital file of MP Application)
- 4) Two checks (\$6,600 for SUP/\$10,600 for CUP)