

LEEWARD PLANNING COMMISSION  
COUNTY OF HAWAI‘I

HEARING TRANSCRIPT  
JUNE 30, 2009

A regularly advertised hearing on the applications of **PALAMANUI GLOBAL HOLDINGS LLC (REZ 09-94 and REZ 05-010)** was called to order at 10:00 a.m. in the Sheraton Keauhou Bay Resort and Spa, Keauhou Ballroom, 78-128 ‘Ehukai Street, Kailua-Kona, Hawai‘i with Chairman Rodney Watanabe presiding.

PRESENT: Rodney Watanabe  
Brandi Beaudet  
Lani Bowman  
Geraldine Giffin  
Frederic Housel  
Wayne Iokepa  
Warren Lee, Public Works Director – Ex Officio Member

Bill Brillhante, Deputy Corporation Counsel  
BJ Leithead Todd, Planning Director  
Jeff Darrow, Staff Planner  
Maija Cottle, Staff Planner  
Bennett Mark, Planning Program Manager, Kona Office (left at 12:10 p.m.)  
Deanne Bugado, Planner, Kona Office  
Merrick Nishimoto, Engineering Division, Department of Public Works

And approximately 30 people from the public in attendance

**APPLICANT: PALAMANUI GLOBAL HOLDINGS LLC (REZ 09-94)**

Change of Zone from Project District to Industrial-Commercial Mixed – 20,000 square feet (MCX-20) district for 29.92 acres. The property is part of the proposed Palamanui development located northeast of the Kona International Airport at Keāhole, between Queen Ka‘ahumanu Highway and Makalei Estates Subdivision, Kau, North Kona, Hawai‘i, TMK: 7-2-5:portion of 1.

**APPLICANT: PALAMANUI GLOBAL HOLDINGS LLC (REZ 05-010)**

Amendment to various conditions of Ordinance No. 06 105, which rezoned 725.2 acres from Agricultural 3-acre (A-3a) and Open (O) to a Project District. The property, which is referred to the Palamanui Development, is located northeast of the Kona International Airport at Keahole, between Queen Ka‘ahumanu Highway and Makalei Estates Subdivision, Kau, North Kona, Hawai‘i, TMK: 7-2-5:1.

WATANABE: Moving along we have Agenda Item No. 3, and Agenda Item No. 3 is very much related to Agenda Item No. 4. It’s Palamanui Global Holdings LLC, one is a change of zone request, REZ 09-94; the other is Palamanui Global Holdings LLC, REZ 05-010, where there is a request for amendments to some of the conditions. And what we are proposing today

is, since they are so related, that we discuss both the agenda items together. However, we will obviously make a decision separately on these agenda items. And that should make it a lot easier for those from the public who have come to testify; it gives you a little broader range. With that, let me turn it over to Mr. Darrow.

DARROW: Thank you, Mr. Chairman. Good morning, Members of the Planning Commission. I'd like to welcome our new members. Commissioner Beaudet and Commissioner Iokepa, welcome. Thank you.

If I can direct your attention to our presentation map. The agenda item No. 3, our applicant is Palamanui Global Holdings LLC. They are requesting a change of zone from Project District to Industrial-Commercial Mixed 20,000 square feet for 29.92 acres of land. The location of the application is within North Kona District. More specifically we are looking at in the area of the Keāhole Airport, which is located to the west of the project site. We have Kaiminani Drive that is to the south of the project site. The actual project site itself is identified with a black outline, and has a purple color for the zoning of Project District. Just to the east of the project, or mauka, we have Makalei Estates Subdivision, and it is identified as Agricultural 3-acre zoning. We have Queen Ka'ahumanu Highway that is running in a north-south direction, that is located on the west side of the area. The actual 29.92 acres is located in this area on the Project District area that's owned by Palamanui. This is the area that the applicant is asking for the change of zone from PD to MCX. The applicant is requesting this rezoning, which is part of the 70-acre area titled "Palamanui Business Park" under their Project District designation. The reasons for the request is that they want to be able to allow wholesaling and distribution uses, which the Project District does not permit as part of its permitted uses. The Project District will, the project will consist of 35 lots ranging in size from 20,000 to 62,000 square feet, and they will sell or develop into uses permitted under the MCX zoning. Additionally, it will consist of distribution and wholesale uses as well as retail and office uses on this site. Lastly, it will be a mix of buildings from 5,000 square feet to 40,000 square feet; these are the sizes anticipated.

The Director is recommending that a favorable recommendation be forwarded with conditions to the Hawai'i County Council. If we can go ahead, we can go right into -.

WATANABE: Please.

DARROW: Item No. 4. If you could give me just one minute. Thank you, Maija.

Agenda Item No. 4, our applicant is again Palamanui Global Holdings LLC. They are asking for an amendment request to various conditions in Ordinance No. 06 105, which originally rezoned the area, rezoned 725.2 acres from Agricultural 3 acres and Open to a Project District. Again, the location is identified by a black outline, and this borders Queen Ka'ahumanu Highway to the west as well as Makalei Estates Subdivision to the east.

The applicant has submitted an overall project map, which gives us a general layout of the Project District. Up on the upper portion of the map we have a dry land forest preserve. There is a road connection to Makalei Estates Subdivision to the mauka side of the Project District that runs through; this is identified currently as Road 1, but as we get into the amendment, there are some changes to the name of this particular road. Additionally, there're residential villages

identified. There's the University of Hawai'i West Hawai'i Center to the south side of the Project District, and it's a part of this actual project. The town center is located just about the middle of it, the Project District. There is a community park planned for this project, and it's identified in the conditions. The 70-acre, approximately 70-acre Business Park is located to the makai side of the project, and again the connection to Queen Ka'ahumanu Highway on the makai side of the project.

Here is an aerial photo map. It's a little stretched out, but it may be a little easier to see. We have Makalei Estates up there to the mauka side. We have Queen Ka'ahumanu on the bottom. The main reason for this map is to show, identify the different roads that are being requested in the amendments. A little closer view of those roads. And we'll be probably referring to these as we continue on.

The reason for the request is that conditions within the ordinance have impaired the applicant's ability to obtain financing for the project and to support the University of Hawai'i. The applicant is not requesting the following amendment: an amendment to Condition X11, which states "Makalei Drive is a 'minor road' and will not be open to the public until the collector Road 4 is open for public use"; this is not being requested as an amendment. The applicant is requesting amendments to Ordinance 06 105 to allow a change in the timing of construction for the Palamanui project including the development of the commercial component before the residential units, construction of roadways as the project develops, inclusion of \$10,000,000 in bonding requirement for Road No. 4.

The Planning Director's recommendation is a favorable recommendation to the Hawai'i County Council, except for the \$10,000,000 bonding requirement for Road 4 as proposed in a new condition X13. The Planning Director recommends retention of the existing language with no specific dollar amount. Thank you.

WATANABE: Thank you. Yes, something to add?

LEITHEAD TODD: Yeah, there was one other thing, is that I think in our communications to you indicated that the comments from the Department of Public Works were not received in time for us to incorporate into our recommendations, so those recommendations have been transmitted to you. And Mr. Lee is here as well as an engineer from Public Works, so when we actually get to the subject matter, we would want to incorporate some of those comments from Public Works into the conditions.

WATANABE: Thank you.

DARROW: Mr. Chairman?

WATANABE: Yes, Mr. Darrow.

DARROW: Thank you. Including the comments from the Department of Public Works, we have received an update to the updated Traffic Impact Analysis Report; this was just submitted on June 23, 2009, from Austin Tsutsumi & Associates Inc. civil engineers. All these, the following should have been passed out to the Commissioners: the Public Works comment

letters for both the change of zone and the amendments to the Project District. We've received comment letters from the public from Mike Fujimoto, Virginia Isbell, Richard Fucik, Stephen Lopez and the Kona Kohala Chamber of Commerce, which we just received this morning, and again those all should have been passed out to the Commissioners. Thank you.

WATANABE: Thank you. Fellow Commissioners, do we have any questions of staff? It doesn't look like it. So may I call up the representatives for Palamanui? Before we begin with your testimony, let me swear all of you in, please. So would you raise your right hand? Do you swear or affirm to tell the truth now before the Planning Commission?

APPLICANTS: I do.

WATANABE: Thank you. And would you all introduce yourselves? We need your full name and address for the record, please, and then we can begin the discussions.

OKAMOTO: Okay. Good morning, Mr. Chairman and the members of the Commission. My name is Alan Okamoto. I'm the attorney for Palamanui Global. My address is 187 Kapi'olani Street, Hilo. And with me today are Mr. Roger Harris, the project planner -.

HARRIS: Yes. Roger Harris. My address is 66-1452 Ko Uka Place, Kamuela, Hawai'i.

OKAMOTO: And also with us are the, is Mr. Guy Lam, principal of Palamanui, and Mr. Steven Colon who is representing the other principal, Hunt Development.

LAM: Guy Lam. Lot 2, Waiki'i Ranch.

COLON: Steve Colon. 115 Kaapuni Drive, Kailua.

WATANABE: Thank you. Okay. So who's going to be speaking? You would be speaking first, Alan?

OKAMOTO: Yes, I will speak first. And since that aerial is up, then I'll also begin with the aerial to orient the Commission as far as the roads and what we are specifically requesting. As I understand it, we are addressing both Agenda Items 3 and 4. So I'll be speaking for a while. And the objective is when you look at the words in the ordinance, they're hard to follow. I understand that. We had a struggle getting this done. So what I'm going to try to do is tie what we wish to do with the words in the ordinance. But initially I think we need to set a little background for this Commission. We are asking for the changes to the ordinance because what we have is an unprecedented situation as far as the residential real state market. It's very weak. It will not, it doesn't resemble anything we looked at when the zoning was first done. So what we are trying to do is work something so that we can begin the construction of the initial improvements for this project. Because of the way we've set the project up, we believe this will benefit the West Hawai'i community.

And one of the things that is involved is, this is proceeding to make possible the relocation of the University of Hawai'i's West Hawai'i Center. What is part of the plan -. And please understand

the university site is being developed as a University of Hawai'i project; Palamanui is supportive of it, but this is a university site. It is State land. We will contribute to putting a building up, but the University is in charge. In order to do that, well, I'm sorry, by doing this we're going to allow the University to relocate from Kealakekua into hopefully two buildings, which will have a lot more room than they have now in Kealakekua. The location as the University has identified is also a much better location for their operations. The zoning ordinance requires, and we are fine with it, that Palamanui contribute \$5,000,000 to the initial building for the site. I understand the University – and Chancellor Freitas is here today – has secured some additional funding, so they can go further than we had thought back in 2006. In order to make that possible, we need to put in new roads and infrastructure which will service both Palamanui and the university.

One of the major items, Palamanui is participating with another owner to develop a water system. It starts up in Makalei Estates, which is actually above that map area, will come down through this project, will cross-connect to service the university, keep going down until we connect with the north end of the Water Supply system on Queen Ka'ahumanu Highway. This will give the Water Department a lot more flexibility. It will make possible the completion and occupancy of the university buildings. Right now we are looking at \$6,500,000 to do that component alone. That is Palamanui share; the other owner is picking up another half, roughly, of that cost.

The sewage treatment plant will be located on the Palamanui site. It will service the university buildings as well as the Palamanui project. Initial cost is \$1,000,000.

And then we end up having to build roads, initially 1A and Road 2, if this request goes through. And that's another \$9,700,000. So at this level Palamanui has a minimum commitment just for these roads, not the ones to create the subdivided lots, that commitment is \$22,200,000. And if we can proceed, this is going to provide some much needed jobs in West Hawai'i. This construction is slated, if we can get the amendments. We'd like to start this year and keep going for a couple years until it's done.

And we weren't quite sure how to address this. I know there have been a lot of questions about the road, but I'd like to talk a little bit about the MCX zone property first cause that, that really is the heart of our request. Right now the demand for residential property is very, very weak. That was what we had counted on when this whole project was planned. There is a demand for commercial property, but part of that demand involves wholesaling and distribution activities, as Mr. Darrow referred to in the staff report. Those activities are not permitted uses under any use in the Project District. They are permitted in the MCX district, and that's why we've asked for this change. The 29.9-acre area is within the 70 acres down there; we are not asking for any additional commercial uses. We just want that reclassified from a PD to an MCX zone, so we can market those units to businesses here.

Now, as far as the road situation is concerned, what we started with initially were five numbered roads – 1 through 5. No. 1, as you can see on the map, actually has become three segments. But it ran from Queen Ka'ahumanu Highway on the makai end and eventually comes up and would connect to the Makalei Drive, the Makalei Estates Subdivision road. Road 2 is a connector from Road 1 in the university area, and then goes south until it connects with Kaiminani Drive. Road 3, up there where Roger has a pointer, is a lateral road within Palamanui that is going to connect

to Road 4. Road 4 is off this property; it's on State land and on land that is now owned by the Gramercy Corporation. That will proceed mauka until it connects to Māmalahoa Highway. Road 5 is a short connector that extends from Road 1C over until the State land. There is a parcel of vacant land there that is actually up above the University of Hawai'i site, the 500 acres. As I understand it, there are no current plans to develop that State land up there, but there is a requirement for that connector road to be in place so that it can connect up to Road 1C in the future. So if we look at what we've got there, what's happening now is, what we would like to do is construct Road 1A and Road 2, a two-lane road going out. Part of that construction involves the intersection of 1A with Queen Ka'ahumanu Highway and also an intersection, of course, with Road 2 with Kaiminani Drive. Those connections will give access to the project and to the university without forcing traffic through the airport intersection. And as you know, that's become kind of a critical intersection in Kona right now. The Kaiminani connection will also allow local traffic to come from mauka down into the University and back without having to get on Queen Ka'ahumanu.

Under the changes we're requesting Road 1B would be constructed once Palamanui starts with residential construction in that area or when anything above it is developed; in other words we'll have connectivity right down to Queen Ka'ahumanu and Kaiminani. And for roads above Lot 1B that is 1C, 3A, 3B, 4, the critical conditions, what we look at is what happens with Road 4. For Lot 1C, there're rally two things going on: That road has to be built when Road 4 must be built to maintain the connectivity, and it has to be built before the 250<sup>th</sup> residential building permit. That change reflects our reality; we need to have some cash flow in order to make all of these improvements.

As Mr. Darrow noted, we are not asking for the deletion of the condition that says that Makalei Drive connection is not to be open until Road 4 is open. That condition I think is now X12, and that should remain in the ordinance. So for Road 4 Palamanui will continue with design work, and work with the County on the acquisition of rights-of-way for Road 4. As we said, the mauka segment of that is privately owned. It was owned by Lynch Investments and that was foreclosed, and so the current owner is Gramercy. And there have been discussions with Gramercy about the acquisitions of rights-of-way and what they intend to do with the property. Our request for the new deadline for the completion of Road 4 is after the County has the right-of-way and by the time Palamanui has its 600<sup>th</sup> building permit. This project allows just over 1,100 units, so that's a little bit passed the half way point as far as this project is concerned. Alternatively, if there is funding, let's say the Gramercy people come forward with at least 50 percent of the construction cost for the road within the Gramercy property, then Palamanui is going to have to make its share by the 400<sup>th</sup> building permit because we'll have less cost we'll have to absorb for that road.

Okay, now, we had also requested a little more certainty in the bonding and surety requirement; we had asked that we just set the amount at \$10,000,000. As Mr. Darrow has indicated, the Department has concerns about that, and we can understand the concerns. What is critical to us is that we would be able to work on providing some reasonable way to give the security, and we are prepared to work with the Planning Department on that.

The changes I've described don't involve the County releasing Palamanui from any of the conditions. These are really, for the roads, these have to do with getting the deadlines tied to residential development, which is really the heart of this project.

We have submitted an updated traffic report. Until we can get Road 4 in place, we have ample capacity on the road connectors to handle this project. By the time we hit the 600<sup>th</sup> unit, we're still going to have that capacity to provide adequate access in and out of the project. Our traffic analysis has not relied at all on any access through Makalei Drive. So in terms of the project up to 600, we should be okay as far as access is concerned.

We have requested that some conditions be removed that would effectively prevent us from proceeding with the MCX zone property because those were tied to building permits for the residential. Those, we know, must be removed or we can't market those lots down below, and that is really the cash flow we need to show that we have the ability to take care of the financing that we need to start this project.

And I believe that's what I have for the initial presentation.

WATANABE: Okay. Mr. Harris, do you want to add to that?

HARRIS: Yeah, I would just like to add one, a little bit of clarification. The project is the same project that's been since we had the zoning three years ago. Our problem -. And we've been working diligently on our engineering plans. We have a full roll of plans for the university complex and the first building that we're going to build. The residential component is the key, and we are going ahead with the residential component. The reason we want the mixed condition deleted, Condition N, is that it's just a kind of a practical, technical problem. We have for instance a market that wants to go in in the village center, right, near the university building; once we get Road 1A and Road 2 built, the circulation will be good in there. The condition – is that M, it's N – says that we need, that's a 20,000-square foot market, it says we need 30 houses built at the time before we can build that 20,000-square foot grocery store; that, we can't promise that we will have 30 houses built then. So that's the, you know, the link-up that we, it's an escrow kind of a killer, a lawyer issue, and we need to get rid of that. And the same is true down in the Business Park; we have a hardware store that would like to go in there, but they can't build their building unless we have so many houses. And a solar supply store. And a number of other people who are interested in are mostly local businesses. So we would, you know, we are not trying to wiggle out of building housing – the key to this project is a mixture of housing, affordable and all types – but we are just trying to remove those onerous conditions. And the addition of MCX is the same thing; it allows us to put distribution wholesaling in the Business Park.

The last point I'll make is that there has been talk that we are asking for changes in setback on Queen K. Highway, which is not correct. We're just, it's the 800-foot buffer open space; that'll remain. The Business Park, as you can see there, the first 70 acres, all we're asking for is that if you are in there -. For instance, the guy with the solar supply store, he has mostly distribution and wholesaling; however, he has a good retail business as well as a hardware store, and so for him to have to push back an additional 700 feet from the 800 and to be retail, that puts him at 1,500, and it's just complicates it for the real world. Basically, it's a business park, it's a mixed

use community; there're going to be a mix of commercial and housing programs going on here and higher education. And we just, since, you know, no developer wants to come and ask for changes, but since we have to ask for some changes, we are asking to clean up those items as well. We'll be happy to answer any questions, and thank you.

WATANABE: Does that pretty much conclude your presentation then? And you'll be open to questions now?

OKAMOTO: Yes, sir.

WATANABE: Okay, thank you. Well, fellow Commissioners, do we have any questions of the applicant or the representatives?

HOUSEL: Mr. Chair?

WATANABE: Mr. Housel.

HOUSEL: Yes. Just to clarify, we are talking about two issues here, or two requests: one to rezone the part of the Business Park, and the second we've talked about the roads and everything concerning with the university. In your documentation you are changing the amount of acres in the Project District, and I just want to clarify that you're removing the 29 acres that you want to place in the mixed use area, is that correct?

OKAMOTO: That's correct. It's not new acreage; it's part of the Business Park. The zoning changes from Project District to MCX, but the total acreage is the same.

HOUSEL: Right, right. Now the, I want to understand this carefully that there are in the original agreement some conditions that you're committed to, to build roads and other things in the Project District, which were contingent upon getting certificates of occupancy for other areas. Does that, does this, what you are proposing, remove that business area from those contingencies now; i.e. if you get, if you build buildings in the business district, do those, and you get certificates of occupancy, do those, are those contingent on the Project District or separate?

HARRIS: The overall Project District is 725 acres. The zone change down below, we were allowed in the Project District 102 acres of mixed commercial. The balance was either open space or public space and residential, the 1,100 residential. So the conditions that provide that we need to have a road completed before certificate of occupancy, those remain in effect for the whole, the whole area and -.

HOUSEL: The whole project.

HARRIS: Yes, and would apply to the MCX as well.

HOUSEL: Okay. So if a certificate of occupancy is issued for any of the buildings that you build in the Business Park, it will apply to the conditions of the overall project design, is that correct?

HARRIS: Correct.

HOUSEL: Okay.

HARRIS: You know, the Planning Director may want to say something about that, but basically we have to build Road 1A and Road 2 before we can get final subdivision approval or certificate of occupancy in the project, the whole project. Now, of course, for instance if we want a market in there, we have to have a lot we can put the market on and get a permit, occupancy for the market.

HOUSEL: Right. What's the current status of the project now?

HARRIS: The current status is we got the zoning three years ago, the Project District zoning, and we have been working on engineering. We have many grading permits. We've graded about 100 acres, rough graded, getting it ready for development. We spent virtually the majority of the last three years working on the plans. We have the plan for the community college, which is, you know, a condition; we're required to do the plans and build the building, the first complex. And then the same thing with our engineer for our public park, our roadways. Road 2, we just got a grading permit issued for that. Anyway, a lot of detail planning and engineering, and then economic planning, trying to come up with a scheme that makes this fly; because as we sit here now, we are basically saying we are ready to spend \$20,000,000. But we can't bond and spend in three years from now all the money for Road 4; we've got to defer that, which is, we can't see that we'll have income to pay ourselves back anyway.

HOUSEL: Is there any utility infrastructure in place now?

HARRIS: There is just a temporary waterline and some temporary roads. But the plans, the water plans are signed for what we call first package; second and third packages are just about done.

HOUSEL: I see. Okay, now, you mentioned that you want to develop some of the residential units first. There're approximately, it looks like, maybe seven or eight residential areas. Where would you plan to start to build?

HARRIS: What we call the town center, that area adjacent to the community college building, this area, there's some commercial, the market as I said, and then nearby would be initial residential.

HOUSEL: Okay. And do you have a time frame that you're planning to do that?

HARRIS: I would say when the, we're working on the plans right now. We have many different options. When the university is sticking up in the air, we think that'll stimu-, and the roads are ready to open, we'll build some improvements to our central, central plaza and the town center, and we think that'll stimulate traffic to come in and look at our residential pads and models. And when people start buying, we'll keep going.

LAM: Our timing is the first quarter of '11, is what we are looking at.

HOUSEL: Okay, for, to -.

LAM: To try and start some residential. You know, we're monitoring the market all the time to see if, you know, what things are looking like out there, and we're hoping things will be better by the first quarter of '11.

HOUSEL: Will Roads 1A and 2 be complete by then?

LAM: Yeah, they will be under construction and nearly complete.

HOUSEL: Okay, and usable at that time -?

LAM: Yeah, we have to have those roads in to be able to sell the real estate in that area. That residential area, that yellow right next to 1B there, there's about 138 residences in that area, and that's where we hope to do our first phase.

HOUSEL: I see, okay. Regarding the, I remember going to some of the Palamanui presentations back in 2006 when you were asking for your rezoning, and at that time I recall – and correct me if I'm wrong – that we anticipated that the university building would be available for classes in fall of 2010, is that correct?

LAM: Initially, we're still, we're still on that schedule right at this moment. But we are here for these changes because there are just things that we, we, you know, we're making, asking for these ordinance changes because we really, really need them to be able to proceed with the university.

HOUSEL: So is it likely that will happen?

LAM: That's our, that's our plan.

HOUSEL: Okay, by fall of 2010.

LAM: Well, we hope to start construction in the first quarter of '10, and probably available for classes in the mid-'11.

HOUSEL: I see. Okay. Thank you very much.

WATANABE: Okay. Any further questions? Ms. Bowman.

BOWMAN: I have a couple of questions. Are you aware, the University isn't kind of providing housing because it's more of a day -? Do you have any idea?

HARRIS: Yeah, the University has lots of land and many things could go there in the future. But the initial plan is just to move the student operation that's up at the Kealakekua

Shopping Center rental space, and move it down into this permanent facility that we're going to build and then expand from there.

BOWMAN: So commuter, commuter classes. They will be commuters -.

HARRIS: Yes.

BOWMAN: Okay. And my other question just in Road 4 just for the future when it connects, the land above, is you said - I can't remember - Gramercy, is that the owner, the other owners?

HARRIS: Yeah, this is old Huihui Ranch land, and that became then Makalei Golf Course and surrounding land. And the land on the ocean side, the makai side of Māmalahoa Highway across from the Makalei Golf Course entry road, that's the private, formerly Huihui, then it went to Makalei, then it went to Lynch, then it went to Lynch's lender, Gramercy. So we're communicating with Gramercy. They've been here.

BOWMAN: Yeah, I'm just looking at the map with the connector all the way to Māmalahoa, and so they own basically all that land; they are the other major landowners. Just for clarification -.

HARRIS: Correct. There is some State land. If you look at those lines, there's a -.

BOWMAN: Okay. Yeah, there is something here but I cannot read it. I think it -. So they, you and those landowners would be responsible for that connector road.

HARRIS: Yes. And what happens, this is State land right here and State land here. This is the Gramercy fee simple land. This for instance, Road 2 goes over State land as well. So we, we, you know, the master plan and the Kona Community Development Plan call for those roads to be built.

BOWMAN: Okay. And just one more, I guess, comment. I don't know if you received it, but we just got a letter from PATH regarding bicycle, and I just looked at it, you know, access, public access, and I know if it's going to be University area, I'm just thinking this would be really nice to include, if some of your idea is maybe the housing, I don't know if you have multi-residential housing near there that would be good to have these bike paths.

HARRIS: We have bike paths everywhere. This is a huge trail friendly -. We've dropped a golf course and picked up the trails and bike paths.

BOWMAN: Okay, thank you.

WATANABE: Any further questions from Commissioners? Well, I'd like to thank you for clearing up some of the maybe controversial issues with regard to the timing, what you are trying to get out of; mainly that is being, you know, the tying to the residential and commercial units, yeah, and the fact that, you know, you will be building 1A and Road 2 almost immediately, right? I think that that certainly helps. And also the Makalei issue cause I'm sure we're going to

have some testimony along those lines. And with that, maybe what we can do, if there are no further questions from the Commissioners, you may be sea-

HOUSEL: Mr. Chair?

WATANABE: Yes, Mr. Housel.

HOUSEL: I have a couple of more questions. Sorry to interrupt you.

WATANABE: Sure. Mr. Housel.

HOUSEL: The, the State said you're building around 1,100 homes or little more than that, is that correct?

HARRIS: Right. Yes, sir.

HOUSEL: Now how many of those will be single family?

HARRIS: We are not sure, but around two thirds probably -.

HOUSEL: Two thirds would be -.

HARRIS: A little, 50 percent to two thirds.

HOUSEL: Okay. One of the conditions is the completion of a single family home, so would you typically start to build single family homes or would -?

HARRIS: Yes. We're going to start with single family and attached, both, both, and we will have -. The condition says the approval of a subdivision containing single family lots. That's a real big, big phrase in our ordinance. And what it means is really any residential development, well, it means a single family lot; however, you have to, we have to create a residential lot to put, say, a four-plex up as well.

HOUSEL: Right. I'm looking through the conditions here and I'm not sure I see where, where Condition, excuse me, Road 1B will be completed.

HARRIS: It's generally described as development is, as required, but it's still, we have to complete 1B before we can work on 1C, and 1C has to be completed by building permit No. 250.

HOUSEL: Right. Does Roadway 1A go beyond Road 2, the intersection?

HARRIS: It goes just a little bit passed up to cover the back entrance to the community college basically.

HOUSEL: I see.

WATANABE: Mr. Housel. I think, and maybe you can correct me, Mr. Harris, but I think in order, by what they described where the location of the first residential development, it's above Road 1A, so 1B would have to be done before they could actually start selling any residential lots -.

HOUSEL: Right.

WATANABE: Is that correct? Pretty accurate?

HARRIS: Actually there is a connection right here into the residential and commercial that could service the first residential. So 1A goes up to the back entrance to the community college, and just gets us to a corner of residential. So it opens up, when we build Road 2 and Road 1A, we have opened up some commercial property and residential property, and that's the intent.

HOUSEL: Okay.

HARRIS: And then Road 2, or Road 1B in going up will just open up more.

HOUSEL: Right. Well, it almost seemed like you have to do 1B to open up that residential area.

HARRIS: Yeah, if they really get going, we do.

HOUSEL: Right, right, right. Now, is your plan, if this is approved to – you have demand to build in the Business Park area – is your plan to do those, build concurrently in the Business Park and the residential?

HARRIS: Yes, sir, absolutely.

HOUSEL: Okay, okay, along with the roadways 1A and 2 at the same time.

HARRIS: Yes, sir.

HOUSEL: Okay. Is the building for the university, is the plan complete for that? Is the design complete for the building -?

HARRIS: No, it's not complete. But it is, after many, many months, the footprint plan, the floor plan and the phasing plan is complete. We have a set here. We have a -. And Chancellor Freitas is here. He and Guy Lam are the key owner reps on the architecture team. And it's going to be an energy efficient building.

LAM: Right now, the University is looking to do a LEED Platinum building, which is going to be the only second one in the United States. We had meetings recently with the consultants. In Honolulu today they are having a big LEED seminar on the project. We have requested that the architect have the plans ready for a building permit by the first of September.

So we will submit for a building permit by the first of September, and as I said, we hope to get going before the end of the year.

HOUSEL: So it is ready as soon as -.

LAM; It's, it's in progress.

HOUSEL: Okay.

LAM: They've been contracted and daily they are working on the plans.

HOUSEL: Okay, thank you very much.

WATANABE: Is that it? Any further questions of the applicants? If not, then you may be seated. And we'll go into public testimony. You know, there are quite a few people signed up for this. Maybe what we can do is take five minutes, and then we will reconvene for the public testimony. So let's take a break now.

RECESSED The Chair called a recess at 10:45 a.m.

RECONVENED The meeting reconvened at 11:00 a.m.

WATANABE: We are now on the public testimony section. I have three lists here. Let me remind you that we are combining the discussions for Agenda Items No. 3 and 4. So there's some redundancy in that some people signed up for 3 and then signed again for No. 4, but I'm going to only call up on you once, yeah? And I'll just call them up in the order that we have them that the people signed up. And I'm going to ask you, because we have quite a few people who want to testify and, you know, we are also going to have the Commissioners, afford the Commissioners an opportunity to ask you questions, I'm going to ask you to please be concise, keep your testimony to approximately three minutes, so that we can get everyone through this. And I do want to remind you that we do plan to break for lunch, yeah, today.

Now, there was some confusion earlier because Mr. Darrow I guess mentioned that there were letters that were circulated this morning; and I believe there are some people from the public in the audience that felt that maybe their earlier submittals were not included within our material. But I want to assure you that we did get all of the communications that had come up prior to this as well as those that came up only recently. So we do have all of the communications.

With that, maybe we can call up – let's see – Jeff Sacher, Pete Hoffmann, Rockne Freitas and Jim Lally. Would the four of you come up, please? I'd like to swear you all in. Please raise your right hand. Do you swear or affirm to tell the truth now before the Planning Commission?

TESTIFIERS: Yes, I do.

WATANABE: Okay, I guess we can start in this end. And before you provide your testimony, would you for the record provide your full name and address. Could you speak into the mike, sir? Thank you.

LALLY: Yes, my name is Jim Lally, and I live at 68-1050 Mauna Lani Point, D304, Kamuela, Hawai'i.

WATANABE: Thank you. You may begin your testimony, Mr. Lally.

LALLY: Okay. I haven't done a testimony like this before, so I'm a little bit nervous; so I thought I would just tell you that. I'm here speaking on behalf of the Hawai'i Community College at Palamanui. So I'm here to speak in support of the amendments that were requested by Palamanui. And I think many of the people here are responsible for the development of the community college plan over the last X number of years, and I'd just like to thank everybody here in the room and everyone in the community who's helping to work on getting our community college built for us here.

And most of you are aware of the impact that a 13<sup>th</sup> year of education has on a student or a resident of the community. And this was a study that was done by the federal government, and was very, very well summarized by Earl Bakken and Sharon Vitousek in terms of the impact. And in summary, to keep things brief, basically it says that if someone goes a 10<sup>th</sup>, or a 13<sup>th</sup> year of college, they'll make 30 percent more money during their lifetime; that's sort of an expected result as far as I can tell that you should expect to make more money, if you go to school. But an unexpected result is that you actually live seven years longer; so the life expectancy of a person that goes to a 13<sup>th</sup> year of school is seven years longer than it is without it. So you can get an appreciation for how incredibly important just a 13<sup>th</sup> year of education is for our keiki. And if you look at the statistics for us here in West Hawai'i, basically eight percent of our students go onto a 13<sup>th</sup> year of education. And for the State, it's significantly above 25 percent. And you can see that there is a huge discrepancy between us here in West Hawai'i and the rest of the State. And it's strictly because of the accessibility of a community college. So it's a vital importance to us here in West Hawai'i to make sure that the community college is built. And Palamanui, the commercial development, was the spark plug that re-ignited the community college development plan. I've been working, and really not getting much acceptance in terms of having the community college plan move ahead. So for 15 years it's basically been dormant until the spark plug Palamanui came along. Rockne and Palamanui together worked out an arrangement where they would help finance the construction of the first building and putting in the infrastructure for the community college. And that's the spark plug that got everything moving; nothing at all was happening. And so what's transpired is we made, we've really made great strides in terms of getting the community college planned. The community college itself is going to be a beacon for us here in West Hawai'i; it's not going to just service the students but it's going to be a beacon for West, for all of us here in West Hawai'i.

In terms of environmental sensitivity, as Guy Lam pointed out, it's going to be a Platinum LEED building. It's going to be beyond that, though; it's going to be a Platinum LEED campus. And that's the second one, the second Platinum LEED campus in the country. And we are actually taking a step beyond that, and we are committed to make it a zero carbon footprint campus. And being a zero carbon footprint campus it'll be the first one on the planet in terms of showing the way in terms of what has to happen with educational construction in the 2010<sup>th</sup>. So I'm very, very pleased with what's happened in that area.

But even more important, even more important to me than that is the heart of the campus, and part of the fundraising that we are doing right now is to raise funds to make sure there won't be a single student or a single person in West Hawai'i that doesn't go to the community college because of a financial problem. And so by that what I mean is that we are going to pay the tuition for anybody that can't afford it, and that applies to every single person in West Hawai'i that wants to go to the Hawai'i Community College at Palamanui. So I think that the, that the campus, the college, the whole concept is, is so important for us here.

As I said, we've made great strides over the last 18 months in terms of getting the campus plans and programs together. We've raised over \$12,000,000, and we need roughly \$14,500,000 to complete the first building. So we only need \$2,500,000 to complete the construction of the first building. And in terms of the fund raising that I'm working on with the business community, the permanent residents and the part-time residents here, it's really a slam dunk in my opinion for that to raise that amount of money to complete construction of the first building. But all of that is contingent upon the infrastructure being put into the campus by Palamanui. So we are wholly dependent upon that infrastructure in terms of what has to happen for power, sewage, water and so on, as well as the roads. So if Palamanui doesn't move ahead with the infrastructure development, we won't have our community college in the time frame that we are looking for, and that's 2010. We are planning to start construction in the first quarter of 2010, hopefully even sooner, and have occupancy in 2011. So the time frame is very important. And your approval on the requested amendments will allow Palamanui to move ahead and put the infrastructure in probably two to two and a half years before they are able to do any commercial development, any commercial sales of residential or commercial properties.

So I apologize for taking so long. It's really, really important. Thank you.

WATANABE: Thank you. Fellow Commissioners, do we have any questions of Mr. Lally? Thank you, sir. Mr. Hoffmann.

HOFFMANN: Thank you, Mr. Chairman. I'm also nervous speaking, so please – I'm sorry. Ladies and gentlemen, thank you for allowing me the opportunity to speak today. My name is Pete Hoffmann. I live at 68-1783 Lua Kula Place in Waikoloa. I'd like to address just a few things, and probably preface any comments that I make with the idea of please remember you may be actually getting something you may not really wish to see happen. You may regret what you are wishing for.

Here we are again. This is not the first time that we've been treated to the specter of a very good plan that suddenly becomes perhaps a little bit infeasible because of the economy. There is a problem with funding. We've heard that from the developers. And I agree. There should be some changes to this particular effort; we should move forward. But under no circumstances should we decide to do the extensive changes I think that are indicated in this amendment.

Here is what we have before us. We have a request for a zoning change. The economy is bad but we want to go ahead anyway, we were told. We don't wish to get out of anything, but we wish to defer action on more significant items of our plan that deal directly with the community. Now, we want to defer action on the much needed connector road – obviously Road 4 here. And we're going to key that in some way shape a form to the idea of the number of residential or

units being permitted and built and occupied. We want to expand our commercial area; clearly that is going to draw us some money. But we're not going to do many of the upgrades that we need for the community as far as the infrastructure is concerned. And that's understandable in a way. I'm not particularly opposed to any of those changes necessarily; it's just the timing that I think needs to be done. Now, we understand the need for the community to have a park facility, but we wish to defer that. And of course that'll be dependent on the number of single family residential homes that will be built, and then maybe we'll get around to that. Although you did hear, of course, that maybe the residential family market would not exactly bounce back anytime quickly.

Now, I bet you thought I was talking about Palamanui, didn't you? I'm not. History will show you that approximately twelve years ago Parker Ranch provided the same type of explanation for their development in Waimea. Take a look at the different zoning changes and ordinances that were proposed for the Parker Ranch development; and they were almost identical. In fact, it's, it's scary to see the similarity in this particular application. The result, of course, for the Waimea community has been some difficulty. We now have construction of the first connector road allocated in that particular zoning ordinance. But only after an individual resident, a private citizen, had to drag the County and Parker Ranch into court. And that's only two thirds or one half of one of the connector roads. And if memory serves me right, since I live in that general community, we're just now identifying the location for that much needed park facility.

Ladies and gentlemen, my problem is not with the fact that Palamanui is trying to find changes at this particular time. Changes are needed, I believe. But if we are going to subdivide this particular development into a commercial and residential aspect or two different portions and components, and we are going to move full bore on the commercial aspect of this development, I suggest to you that at least there should be some allocation for the community, some infrastructure that the community should have. I'm strongly opposed to Palamanui deciding that they want to defer that park facility for the 101<sup>st</sup> single family residence. Let's face it, folks; we may never see that the 100<sup>th</sup> and one single family dwelling. We certainly won't see it anytime soon. Now, we can do better. Please remember what you are wishing for. I don't have, as I say, much problem with the idea that changes need to be made. But the scale and scope of changes that Palamanui is asking for clearly is inconsistent with good development with concurrency and with the community effort. They want to maximize their bottom line. So do I, if I were in their shoes. I have no problem in seeing that type of expansion, if they will for their commercial development. But I do have a problem when any development tries to limit, defer, or completely perhaps eliminate into the distant future needed infrastructure changes for the community. A great American orator has said before, "It's deja vu all over again." And ladies and gentlemen, that's exactly what we have here. Don't let this happen. You have a responsibility, as I see it, to make certain that these changes before they are brought before the County Council are at least examined in detail and referred and reviewed adequately. I would insist that Palamanui continue this park facility. Lord knows Kona needs recreational facilities. And it should not be dependent on single family residential units in that particular development; it has nothing to do with that. It has to do with the needs of the community. And it's time we finally said, look, this was your plan in the first place, we want to go ahead and we want to make sure that we are doing the best job we can. Changes need to be made, but the changes that Palamanui is asking for at this particular time far exceed those that are reasonable and that should be acceptable to this community. I'm open for any questions that you happen to have. Thank you very much.

WATANABE: Well, fellow Commissioners, any questions of Mr. Hoffmann? I guess not. Thank you for your testimony.

BOWMAN: I have a question.

WATANABE: I'm sorry. Yes, Ms. Bowman.

BOWMAN: I understand your desire for the community recreational facility and services. I'm, I'm just wondering, if the park is built prior to residential building and maybe the connector roads, who would be utilizing that park in your estimation.

HOFFMANN: First of – thank you, Ms. Bowman – first of all, park is not, as I see it, dependent upon any of the individuals living in that particular area.

BOWMAN: Okay.

HOFFMANN: Kona is so underserved with park facilities particularly in the Kailua-Kona area. Any park that would be constructed, particularly north of Kailua-Kona, would serve a huge number of people in North Kona as well as in South Kohala. For instance, just to give you an idea, I travel almost all the time into Kona to the Old Airport to try to do my recreation with a softball team. We don't have to do that anymore, if we have that. We cut down on traffic coming into the community, coming into Kona, and we have a facility that services the much needed area of North Kona where no such park facility exists.

BOWMAN: Thank you.

WATANABE: Any other questions? It doesn't look like it. Thank you.

HOFFMANN: Thank you.

SACHER: Jeff Sacher. 59-209 Laninui Drive, Kamuela. Good morning, Commissioners.

A West Hawai'i Today article said that the “developer wants changes that would put off building a connector road between Māmalahoa Highway and its project just above Queen Ka‘ahumanu Highway indefinitely.” A spokesman for the developer said, “It's a deferral, not an elimination.” I ask you, how long is this deferral? What guarantees do we have this road will be built? This road should have been the first thing to go in.

The developer also wants to change zoning of about 30 acres, reduce the setback from Queen Ka‘ahumanu Highway by 700 feet and eliminate the requirement that one residential unit be built for every 600 square feet of commercial building.

These are all major changes to what was otherwise agreed.

The reason given for the change to the residential requirement is that the real estate market won't support that rate of building new houses. We're told that the developer can't control the exact pace of commercial versus residential development. The developer says that the time the conditions were agreed to "the housing market was so strong."

What kind of business plan did this developer have, and what kind of due diligence did the developer and did you folks perform? Anyone who plans anything with the hope that life will go according to plan and that the economy will remain stable is a risk. The developer says they should have made objections back when the housing requirements were put into play because in this economy those kinds of restrictions become monkey wrenches. Was this agreement made just to get a foot in the door? What other changes will come? Does this developer not know the economy goes in cycles?

Apparently, an additional request in the initial letter to the Planning Department to connect roads within Palamanui to Makalei Drive before the completion of the connector road was accidentally included. Accidentally included? A project this big accidentally included this? How well thought out was this plan? What other mistakes are going to show up? Mauka-makai connector roads are badly needed. And wasn't it known by the developer that this road was going to have to go in by 2012? Were the financial backers of this development not told of this?

The company says it "doesn't have the financing necessary to build the roads, construct the one required University of Hawai'i at West Hawai'i Center building and related infrastructure, and get started on development to sell all at once. The economy isn't strong enough to drive significant residential sales." Again, what kind of business plan was there? Who, especially on a project of this scale, plans on everything going according to plan and the economy staying vibrant? And in Hawai'i no less.

Investors and developers come here to make money. But these ventures are a gamble. They take their chances. We should not be penalized for their poor planning or unrealistic expectations. Granted, times are tough. But everyone has to deal with the times through cutbacks, delays and any other means of staying afloat.

I am against all of these changes because I believe this plan and the financing were not well thought out, but knowing that we have to work together to make things happen for the best I believe some strict and unchanging deadlines need to be put into place.

First, because all roads should have been the first things to go in, including the mauka-makai connector road, that should not be taken off the table. That is a necessity.

Second, the amount of the rezoning that is being requested from Project District to Commercial Industrial is okay, but it should be a smaller portion than what is being requested.

Third, the public needs to know, and have the opportunity to comment on, the reason for the reduction in setback from Queen Ka'ahumanu Highway.

And finally, since the reason for eliminating the current residential requirement seems to be due to the economy, it seems fair to extend any current completion dates for the already-agreed-to number of residential units based on an upswing in the economy.

This developer made a commitment to this county and received permits based on that commitment, or received the permits to go ahead. A few concessions on our part seem fair, but total forgiveness on that commitment is one-sided and unacceptable. Mahalo.

WATANABE: Do we have any questions of Mr. Sacher? Seeing none, thanks for your testimony. Mr. Freitas?

FREITAS: Chairman Watanabe, Director Leithead, Members of the Commission, Aloha kakou.

COMMISSIONERS: Aloha.

FREITAS: My name is Rockne Freitas. I'm the chancellor of Hawai'i Community College and the University of Hawai'i Center in Kealahou. I'm here to present testimony in support of Palamanui's request for amendments.

Let me state from the beginning. It is not about several developers making this request; it is about our partnership making this request. The University of Hawai'i has known for a number of years that tertiary educational opportunities is sorely lacking in West Hawai'i. So back in 1982 we offered the first classes here. In '96 the University of Hawai'i Center was founded and housed in Kealahou. In 2003 the Mitsunaga plan was completed that would have brought 75,000 square feet of educational space to Palamanui. In 2004 I became chancellor, and we also entered into a formal partnership via an MOA with Palamanui. Now in 2009 we are finalizing our plans and design for a world-class community college at Palamanui. As you heard earlier, these buildings will be LEED Platinum and they will also house zero carbon footprint – this is the first on this planet.

In the interest of time I'd like to summarize. Please support their request. It is not about trying to get out of an obligation, but due to economic conditions they are asking for reshuffling of the priorities, so they can move forward to build our infrastructure. And then we can complete our campus. A vote in support of Palamanui's request is a vote for your community college. Mahalo.

WATANABE: Thank you, Mr. Freitas. Do we have a -? Yes, Mr. Housel.

HOUSEL: Chancellor Freitas -.

FREITAS: Yes, sir.

HOUSEL: We certainly share all your concerns about the need for a community college in West Hawai'i. One of my big concerns is the timing of when this community college will be available, and if the economy does not improve in the near future, how much of a delay it may cause this community to lose their community college. Do you share those concerns also?

FREITAS: On behalf of the Palamanui people, I share those concerns. But we have secured legislative appropriations to handle our end of the development. Now, that money has to be released by the Governor as well, but we have secured the legislative appropriations. We do not have money for the infrastructure, and that's basically what I'm worried about. Now, our appropriations are only good for three years, and then it'll lapse. And the last thing we want to do is have money lapse, especially in the down economy; we want to spend the money, we want to provide jobs for everybody. So if it's not over here, we're going to have to spend it someplace else.

HOUSEL: Yes. Do you feel comfortable that Palamanui can deliver on your schedule?

FREITAS: Absolutely.

HOUSEL: Okay, thank you.

FREITAS: Thank you.

WATANABE: Any further questions of Mr. Freitas? Thank you for your testimony. You all may be seated. And let me go ahead and call up the next four who signed up to testify. I have Shane Quirit, Steve Hempel, Steven Hempel, Charles Flaherty and Kristine Van Pernis. So will those four individuals come up, please? May I swear you in? Would you raise your right hand? Do you swear or affirm to tell the truth now before the Planning Commission?

TESTIFIERS: I do.

WATANABE: Okay, thank you. And then maybe we can start with you, Mr. Quirit. Let's see, please, again for all of you, name and address first prior to your testimony, yeah?

QUIRIT: Shane Quirit. Address 73-1429 Kahakea Place -.

SAUER: One moment, please.

WATANABE: They are trying to adjust the volume on your mike, that's why.

QUIRIT: Shane Quirit. I live at 73-1429 Kahakea Place, Kailua-Kona. I work for Keauhou Kona Construction. I've been working up at Palamanui, working on the roads, and going through things with the County. And right now, you know, we had to cut back over, you know, more than a half of our employees due to slow times, and right now we're just asking, you know, we get records that they are losing their homes because they are unemployed, getting hard times on unemployment, just can't make it. So we're asking for your support in some of the changes that we are asking.

WATANABE: Okay, thank you, Mr. Quirit. Do we have any questions of Mr. Quirit? Seeing none, thanks for your testimony. I'm sorry, I'm not familiar with your name. Name and address, please.

HEMPEL: Steve Hempel. 72-4084 Ke Ana Wai, Kailua-Kona. My wife and I live in Makalei Estates, and we've lived there for over four years now. I first want to state we have no desire to slow down the project, Palamanui. I wish them best of luck and quick success.

Anything that can be done to get them to, people back to work and stimulate the project, I think that's a good idea. It needs to be investigated and thought through thoroughly. I did submit a four-page letter over a week ago, which I believe that you all have copies of and been able to read about my concern about the timing of the project. Obviously the economy has taken a downturn and they're requesting an extension of some of the requirements. I believe a time extension is within reason from the standpoint things aren't going as well. I do believe that the conditions set forth should remain as were agreed upon by everybody. That's why the project has been in existence and has been able to get to the stage that it has.

My main concern now is how the project will be affecting Makalei Estates and the traffic. That was a major issue three years ago when it was approved, and the construction of Road 4, the connector, was a major importance. I appreciate the fact that Palamanui has come forth and stated that Makalei Drive will not be connected to Palamanui until Road 4 is accepted; that's a major relief. However, you know, with the history of what's happened around here, I think we'd feel better with some reassurance as to keep the road closed until such time as those requirements have been met. And by that, one of the phases for the development for Palamanui is to continue the water system down. The water system, there're two tanks that are going to be built within Makalei Estates and the transmission line, so there will be tearing apart of Makalei Drive in order to build the project. The water is a requirement, I believe, for the university and for other, you know, necessary facilities. Now, when you run a water transmission line through an area, Water Department is going to require a paved road over it to service their road. Now, they stated today that they weren't planning in building Road 1C until a later time, which, that is good, you know, cause that helps give a break between Makalei Estates and the connector until the connector is done. But by putting the waterline down the road and they will be paving that, that will provide physical access for people to use to get from upper highway to lower – not a legal one but a physical one. So we're -. How do we stop that from becoming the router traffic for people anyway? It's already been proven in the previous testimony three years ago that Makalei Drive with its 18 percent grades is not safe for any large amount of traffic of trucks. It's, anyway, I don't need to go down that road. But anyway, I would like to see, the Water Department will probably require a gate to keep people off the 10-foot wide road at the bottom between Makalei, the boundary between Makalei and Palamanui. I would like to see a gate put at the top of Makalei Drive as a temporary measure for the next, well, if it takes them two years just to get the tanks done at least that period, it might be four, six, eight more years until the connector roads are done – maybe ten. But to keep the traffic out of Makalei and the future possibility of public opinion stating, well, you have a road there, let's use it and let's remove the barriers, I'd like to see more barriers put there to stop that from happening in the future until they can follow a plan that's been approved. And that would be a gate at the top and the bottom. When the roads are done, and then the gates get removed without a tremendous amount -. Makalei, just due to the nature of seclusion, has had a lot of crime and vandalism and burning of tires and drug trafficking and you name it; it's been happening. It's an isolated place. The police don't come there very often. We are, you know, in middle of nowhere. By putting some gates on there you can at least curtail those activities and lessen the necessity of police presence. And when the time comes, when the road is open, and then there is a normal amount of traffic or the

fire station built across the street as there's been talk about doing, then the problems go away and it's a community as planned. That's the gist of what my letter said with more detail and backup data, but let's keep Hawaii safe and until such time as proper to open it up.

WATANABE: Thank you. Fellow Commissioners, does anyone have any questions? No? Well, thank you for your testimony. Ms., Mrs. Van Pernis?

VAN PERNIS: Hi. My name is Kristi Van Pernis. I live at 72-1163 Ho'opai Street in Makalei Estates. And I have been asked to read into testimony a letter from our former State Representative, Virginia Isbell, and she was also on the County Council at the time Palamanui was approved.

My name is Virginia Isbell – speaking for her – and I've asked that my testimony be read as I will be off island at this time. I wish to speak in opposition to the request by the Palamanui developer to delay the building of Road 4 while continuing with the planned development permitting of 600 homes.

I was a member of the County Council in 2006 when this project was brought before us. I am very familiar with the Makalei Subdivision and its extremely steep roadway. I also made it clear that Makalei Drive Subdivision was not to be used as a mauka-makai connector road and was to be opened only after all the agreed-to requirements were met.

I supported the Palamanui project in 2006 because the developer agreed to the following: that the developer shall build a new mauka-makai connector road through State land, north of Makalei Subdivision, up to Māmalahoa; Makalei Drive is not to be opened until the mauka-makai connector road through State land is completed; and in addition, create a mid-level road to Kaiminani roadway through State land dedicated for the Hawai'i University; plus construct a 20,000-square foot building for the proposed university.

The developers of this massive project, Palamanui, must put the mauka-makai connector road in as their very first priority.

Any road from Queen Ka'ahumanu Highway mauka becomes heavily used, and a road this close to Kona International Airport is a no-brainer when it comes to getting to and from the airport mauka. It will get used and the traffic will be enormous.

The decision you make today as a recommendation to the County Council must send the message loud and clear: No compromise on this mauka-makai roadway as promised, and agreed to, by the developer in 2006. This road must be, and shall be, built first.

I appreciate the opportunity to provide testimony on this important project.

WATANABE: Thank you. I don't believe there are any questions. Mr. Flaherty?

FLAHERTY: Good morning, Chairman Watanabe and Members of the Planning Commission and Planning Director Leithead Todd. I really appreciate it just, the testimony that Ms. Van Pernis just presented from Virginia Isbell. I have a stack of newspaper articles that date

back from that time. And it was very clear, this was the time that Clifto's' was being proposed and was, had a huge outpouring of opposition. And because of that, that project was vetoed by the Mayor, and the County Council sustained that veto. So there's an article here from the Honolulu Advertiser in which Mr. Giacometti of Palamanui's, Giacometti said the Palamanui developers are well aware of public concerns about traffic from Kailua to the airport and said that the existing zoning for Palamanui property requires the developer to build a mauka-makai road from Māmalahoa Highway to Queen Ka'ahumanu Highway. The new road should help. And Giacometti said the developer hopes the Palamanui project will be better received than Clifto's' was. When this project was proposed there were hours of community testimony in opposition to this project. The only reason that it was approved in its present form was because of the conditions that are contained within it, as Mrs. Isbell pointed out, as Mr. Hoffman pointed out.

Yes, this is a difficult time for everyone. However, everyone has got to take their due. The principals involved in this project are very, very akamai financial individuals. And this really, there have been a number of deals that have been conceived and put together that very much resembled the hooks that hooked the community in saying that, you know, we're going to give you this if you allow us to move forward to make hundreds of millions of dollars for ourselves. The university is a hook. The mauka-makai connector is a hook. And I will, as Mr. Hoffman referred to a development, I'll refer to the situation that occurred at Hokuli'a where a mauka-makai connector at Haleki'i Street was supposed to be barricaded until the entire highway was built. That was another reason why that rezoning was approved. The residents of that area did not want their community to have to deal with mauka-makai traffic until the entire bypass was completed. And, of course, because of unavoidable circumstances we had a situation now where Haleki'i Street is now opened to traffic on a temporary basis, but it's very clear that it is working. So it's very likely this is going to be a permanent mauka-makai major connector.

With regard to the university, I just want to point out that the University has already signed an agreement with campus developers – let's see if I can find that – campus developers, an Atlanta based company, to develop. And this is from minutes from a meeting that was held on February 23, 2007 at King Kamehameha Hotel with the Regents of the University, said, Director Kawamura said she was informed that the 500-acre parcel set aside for educational purposes in West Hawai'i, only 25 acres are to be developed into the West Hawai'i Community College; the remaining acres would be used for commercial development which would fund the construction of the campus; if revenues exceed the cost of construction, the excess will be shared with East Hawai'i. According to Director Kawamura, the Governor was concerned that the West Hawai'i Community had this information. So, yes, there has been a deal struck with Palamanui in which the zoning condition requires \$20,000,000 worth of improvements, to include \$5,000,000 for a 20,000 square foot facility on UH land and supporting infrastructure. But to say that the college is completely dependent on Palamanui, I don't think, is an accurate reflection of a fact. I mean I can go through and name a number of other instances in here where it's very clear that we've got a situation where these changes should not be allowed.

I want to point also to an August 2007 article where partner Guy Lam said it was a move to target more of the middle market, although there will be some ocean view estates. Lam said the slowing residential market was not a factor, however; and he estimates the sales value of \$650,000,000. So back in 2007 in August they had already started to note that there was a

slowing residential market; and yet there was always hope that that was not going to impact the development.

So I don't want to take any more of your time, but I encourage you to at least go on line and do a google for news stories seeking, get caught up with the sort of information, with the concerns that the public had at that time and the fact that it really is not okay that this bait and switch is being pulled, regardless of the financial circumstances that exist at this time. I think that the financial commitment should be made, or the free market should reign otherwise. Thank you very much.

WATANABE: Any questions for Mr. Flaherty? Doesn't look like it. Thank you for your testimony. You all may be seated. I have five more individuals who have signed up to testify. So that we don't have one individual up here by themselves, why don't I call up the first three. I have a Laura – oh, we can call up all five then, we have five chairs now – Laura Dierenfield, Mark Van Pernis, Lionel Kutner, Kevin Balog and Arthur Mahi. There's one more individual. Are you Laura?

LEITHEAD TODD: Lionel Kutner is the one missing.

WATANABE: Oh. Is Lionel here?

PUBLIC: No.

WATANABE: I guess he left. Okay, may I swear you in? Would you raise your right hand, please? Do you swear or affirm to tell the truth now before the Planning Commission?

TESTIFIERS: I do.

WATANABE: Thank you. Then I guess we can begin with you, Laura. So would you state your name and address? Oh, please speak into the mike, yeah, and state your name and address, and you may begin your testimony.

DIERENFIELD: Good morning. My name is Laura Dierenfield and my address is 64-5253 White Road in Waimea, Kamuela. Thank you very much for the opportunity to testify. I'm speaking on behalf of PATH, which is a 500-plus member organization dedicated to creating bicycling and walking facilities for the island. And we just want to briefly state that we feel it's important that this development include public access trails and pathways, as Mr. Harris has said that that is a strong desire for residential developments, exceeding the desires for golf courses and other amenities. So while there are some adjustments that have been asked for, we would urge the applicant as well as the Commissioners to retain the planning and design of trails, pathways, bikeways with the project as quickly as possible so that those types of facilities can move forward, and when capital is available for the other major infrastructure that that can come on as well. But again just to keep that planning and design component alive, we also, as was mentioned, there are some rather steep grades, and to really create a multi-modal desirable community that I think we all would like to see there, multi-modal facilities at a grade of 5 percent or less are required. So we'd like to see a meandering shared use path along the mauka-

makai roadways and other major roadways within the development and, again, meandering landscape to accommodate those steep grades.

And as an offset to the loss of open space, I think we all love to see these wide open plains of lava – I grew up in Kona and appreciate seeing open space – but as an offset to the loss of an open space, we would love to see a dream of our organization that was conceived over 15 years ago called Ka‘apuni Ō Hawai‘i, a trail that circles the island, in that study commissioned by PATH in 1997, those done by Townscape, we envisioned a shared use path along the utility corridor. And Palamanui has been kind enough to let us come and see their lands. And the opportunity to include a shared use path throughout that utility corridor is very exciting to us; and we’d love to see that be part of the project. Obviously if the utility corridor as it exists now is not feasible, that some kind of relocation of that linear corridor be accommodated that would hook up with the rest of the utility corridor to the north and south along the State parcels.

And we just really would like to see an environmentally and economically viable project continue here and would like to state our support for finding the best solution possible to create a truly multi-modal desirable community in North Kona. Thank you.

WATANABE: Do we have any questions for Laura? Doesn’t look like it. Thank you for your testimony. Mr. Van Pernis.

VAN PERNIS: My name is Mark Van Pernis. I live at 72-1163 Ho‘opai Road. I am an attorney. I have 33 years experience here in Kona in real estate and construction law primarily. Many people work long and hard for west side Leeward Planning Commission to better deal with the west side’s needs, particularly public infrastructure, concurrency. And with apologies to my friend Ms. Leithead Todd, and to counter the fact that the Planning Department was Hilo-based and often didn’t know what Kona’s needs were, this is a big opportunity for you as the Leeward Planning Commission to stand up for Kona and to avoid business as usual – business like Hokuli‘a, business like Waimea as Mr. Hoffman talked about, business like La‘aloa.

You’ve heard some mighty pleasant things here from the developers – university, solar dealers. And you’ve heard some bad things – financing is impaired. But I don’t see anything to back that up, other than hearing from that, on the university. I don’t hear, I don’t see any proof of financial impairment. I don’t see any proof of what commitments or lack of commitments they have from prospective occupancy years down the line. I don’t think you’ve done your job till you have that sort of information. Let’s talk about a cash flow projection, let’s talk about a business plan. Where are all these things? Are you going to just take their word for it, business as usual?

And in regards to the university, as Mr. Freitas indicated, there are no funds available at this time. And under the State’s sparse budget at this time, my information is that the funds will not be released in the foreseeable future. You’ve heard the developer say, well, this is the same project. It’s not the same project. It’s the same project for them but it’s not the same project for the community. The community loses almost all of the infrastructure that it was going to get. In exchange for the feel-good university infrastructure, they’re giving up all the other infrastructure they promised – the roads, primarily the connector road.

The millions and millions of dollars they received in benefits from the County in terms of the rezoning and their permits was to be a trade-off for the millions and millions of dollars for your, the community was to get. Now they're saying, well, we want to keep our millions but we want you to give up your millions as the County, the people, to give up their millions, and where you want to do it on our representation without proofs that we have financial difficulty or financial impairment in our \$600,000,000 cash flow project. They say we would like to start at certain times on certain activities but there's no requirement that they start, nothing from you folks.

Let me remind you about Hokuli'a. There are many of us who thought back in 1998 that the road that they promised, the bypass road, would never be built and that all the litigation has just been a good spin or cover to avoid that reality. Why do I say that the road was never to be built? Because they proposed what has been taking place on other projects, including now this one, we're going to put up a bond for the road. The bond that they put up in Hokuli'a was \$8,000,000. The cost of building that road now is approximately \$16,000,000. Who's going to build it? The County? It will never get built. Where's the money coming from?

Mr. Hoffman talked about Waimea. I'll give you the example of La'aloa, another connector road that was supposed to be built by the developer during good times; when the time came to build the road, the developer was not to be found. He had taken his money and gone. And now there's no developer of roads and the County is going to have to put it in themselves or we'll never have it. They proposed a \$10,000,000 bond for the road here. The \$10,000,000 won't build that road. And after they remove themselves from the project or there are subsequent entities that take over, where is that road going to be? They are asking for, as I said, millions of dollars in benefits to the County be waived because times are bad. What about when times get good again? Are we going to get some benefits back? Do you have the ability to say, well, when the economy rises to a certain level you will have to pay us additional benefits or provide us with additional benefits? It's a one-way street they're asking for. Give us the benefit. You'll get no benefit regardless of how the County, economy of the nation or economy may change in the future.

Now there was a pact made, an agreement made. Ms. Isbell's testimony talks about -.

WATANABE: Mr. Van Pernis, time. You want to wrap up?

VAN PERNIS: I'll wrap up. There are things you can do. You can put time requirements on their performance. Instead of just waiving it and making it 600 permits or whatever you can, you can put time requirements, as when this number of permits are issued or by this time, whichever comes first, you are not to give the County its benefits depending on the profit margin of these folks.

Let me try to conclude on the issue of the connector road by saying the following: Bond means no road or the opportunity for no road. Six hundred permits mean no road or the possibility of no road. There's no security for that road. There is no way you can mortgage that road without a, unless you subordinate this to all other financing. There is no other developer who's going to come in and pay for that road as they want. These are all excuses or all opportunities to give them, to avoid having a road.

Let me conclude by saying that you can impose time limits, you can reduce the permit numbers that they're asking for. There's a large number of things you can do, rather than just rubber stamp what is being put before you. And I would ask you to take this matter under a deferment and ask for more information before you make such an important decision to the detriment of our community. Thank you.

WATANABE: Thank you. Do we have any questions of Mr. Van Pernis? Doesn't look like it. Let's see, Kevin Balog.

BALOG: Aloha, Chairman Watanabe, Planning Director Leithead Todd. My name is Kevin Balog. I live in Pa'auilo on the Big Island. My address is PO Box 368, 96776. I'm here today two-fold, as a personal interest for myself and also for the companies that I work for. I submitted written testimony. And I hope you've had a chance, I submitted it this morning, and had some to read it. If not, please go over it. I don't want to rehash what's in there.

When you sit on the Planning Commission, I believe it's always hard to pick something and throw a dart at it and come up with the right answer. It's like being a developer. At the time you make a decision, and same like our County Council who enacts ordinances, they make the decision based on the best information they have at the time. At the time this project was originally proposed, a lot of the stuff that they had was the best information that they had at that time. Myself, as well as our company, and a lot of the construction industry depends on projects like Palamanui going forward. Is it a perfect project today with all the information you have? I'd like to hope so. I hope they never have to come back in front of the Planning Commission and then go in front of the Council. If it's not and there needs to be adjustments made and it doesn't affect the final outcome, whether you're moving pieces from completion date or a number of units, that should be okay because no one can predict three, five, ten years into the future. I sat on the Planning Commission when changes were made to Parker Ranch; and I felt kind of funny when I heard our Councilman Hoffman discuss that, well, this was done, this was done, and these changes were made, and nothing has happened. Well, I think I've lived in the Hāmākua and Waimea community longer than Mr. Hoffman. Our company actually has mining rights from Parker Ranch. And Parker Ranch at no time during their process ever came in front of the Commission and said, well, you know what, we lied to you. They're not. That's a fallacy. For Charles Schwab, Guy Lam and the Hunt Brothers to come in front of you today and say we want to spend \$20,000,000 to \$30,000,000 on infrastructure that doesn't let us, that really they aren't planning to build one house but they're putting that money up to get access to a university site to build a West Hawai'i Campus. Is that a carrot? Yeah. Is that a goal? Right. So if all of these changes happen, we get access off Queen K, we get some roads built, infrastructure in, and the West Hawai'i Campus moves to that site, and they don't sell one house in the next three to five years. Is that a benefit to the community? The answer is yes. Was a change necessary for them to do it? Yes. Did they need an opportunity to put commercial businesses in their area that could service the university? That's a great idea. Think about it. You have businesses in your development that can serve a university complex. That will grow. I lived in Hilo when there was no university, it was a community college, and they had to fight for a university. That's what we're doing here on the west side.

There have been discussions about cycles of the economy. There are cycles of economy. There are cycles of politics. And there's also cycles of what supports an economy. On this island at

one time we had agriculture, viable agriculture that created jobs. Where is the viable agriculture today? I know cause the last viable agriculture that was developed was in Hāmākua that planted trees. And our company, when the economy was in a downturn, to keep their employees employed had to go work to Prue Timber. There's no viable economy going on in this island right now. It's construction. Our unemployment rate is at about 10.4 in April. When they release the June results, it will probably be around 12 percent; and it's going to get worse. We haven't hit the bottom, and people are willing to spend money.

Our company supplies projects all over this island out of Waimea. We employ people from Hilo, Hāmākua, Kona, Kohala. And you know what? It's not good. There are only, out of 20 projects we're supplying, 19 are government, government – County, State, Federal, and one is the Parker Ranch bypass that has just started – private. If you want to know why people aren't building, there isn't an upside market because even the people who have money can't go get a loan and build a \$5,000,000 home, unless they have their own money. The small guy who wants to buy a house can't get a house loan because the money market, the banks have dried up.

So I know my time is up, Mr. Chairman. So just to wrap it up, I want you guys to understand that this project right now is asking you for changes to not benefit themselves first. They'll benefit in the long run. The benefit is starting a West Hawai'i campus; and we need it. And we need jobs. Our jobs right now on this island are drying up faster than anyone can speak. Thank you.

WATANABE: Thank you. Do we have any questions for Mr. Balog? No? Then, Mr. Mahi.

MAHI: Mahalo. My name is Arthur Makele Mahi, Kupuna. I live right above Palamanui. And all this talking about money and all that, you putting the horse in front of the cart. Let's be real. I live here. We need the school. But before we talk about school, we need mālama our iwi, our kūpuna iwi. Everybody talk about everything but don't know about the kūpuna iwi. I get my grandparents all buried around the land. If you go vertical, you know, straight up and down the road, you don't cut, because there's ahupua'a alanui in between two land divisions, that Hamanamana (phonetic) or Haleiuiu (phonetic). You get one road from there, from the mountain to the ocean. You wouldn't mistake if you think about that.

Everybody think about money. Money, yeah. You pay your tax, you pay the road tax – that's the one suppose to take care of the road. For the building tax, well, negotiate with your government now because they get most of the āpau. But we need that school, we need all the building over there, people need houses, low income especially so you can live. Nowadays you pay \$1300 a month. Who can pay that? Nowadays the job going down. We need guys to get job and so that we can make the land provide for itself. How they provide? You plant stuff, you live on what you get. Don't steadily go to Taniguchi, like how we all do. Your fast food as they call it, yeah, McDonald's and all that, that's where you lose more of your money. Because if you live off the land, you plant your own, you have no problem.

And vertical, I don't think mostly about vertical because, you know, our grandparents when they die on their land that's their land. They put the body over there. They bury them in the land that they lived on, that's their land. But everybody say my land and all this. No, ke akua own the

land, not us. You mean I stay over here, my grandparents own the land? But ke akua own the land. We are only a caretaker. When you go, you cannot take the land with you. You, the land is the owner of you. Everybody say how they do that? You get your culture, man, you understand. You put your house, you live on the land. The tax, I don't know where it go. Suppose to go for the land but everybody getting but you.

But the food you put in the land, that's what keep you going until you die, then you go back to the land. You throw in the ocean? No you destroying my fish then, my food. That's what we calling Hawai'ian icebox. You see when we wear this, like this, it's not for good look, it means something. This rocky, yeah, belong for the 'āina. This one here is takahuku (phonetic), it belong for the ocean. You know, you guys think it's only good look on top here, no. It's the value of your life and the way of your living. Right now you're learning the Hawai'ian culture. We not go around for, you know, brag over here. That's our life, Hawai'ian people life. They live with all what they have. Because we never had store we used to give somebody something and they give something. So I no see what the change have to do with all this. When people need house, and over here going be low income where you can get affordable house. But we need our college for educating our children. We don't have to go all the way mainland. And the kids send poi or anything what they don't have up there. So when you think about it, this is for us here in Hawai'i. We don't have to be like McDonald's every day. Think about it. Mahalo everybody.

WATANABE: Thank you. Do we have any questions for Mr. Mahi? Okay, thank you for your testimony. You may be seated. That concludes all of those who have signed up to testify. It's a little after 12:00 now so I think what we'll do is recess for lunch, and reconvene at about 1:30. How's that?

RECESSED The Chair called a lunch recess at 12:10 p.m.

RECONVENED The meeting reconvened at 1:45 p.m.

WATANABE: Leeward Planning Commission come back to order, please. And now that we've completed the public testimony, if I can call up the applicants, Mr. Okamoto, Mr. Harris. Well, you've heard the public testimony. And obviously there're still some concerns. Would you care to address some of these with regard, I guess, to the timing probably of Roadway 4 and some of the other issues that came up while we are at it? I guess Mr. Hoffmann brought up the park and things of that nature.

OKAMOTO: The basic problem is we do not have a residential market we can use to make this project go forward. If we load up on the park and load up on Road 4 at this point, we can't do it.

WATANABE: Yeah.

OKAMOTO: So the only other option then is we do nothing. And that's our reality, the economics of it.

WATANABE: Okay.

OKAMOTO: And I think that the Commission understands the basic situation.

LAM: You know, we -.

WATANABE: Mr. Lam.

LAM: We carefully went through all the ordinances to see the affect on the project, you know. Like people say, well, we didn't do our homework; we've done cash flows, analysis, market studies. And we are in an environment in economy nationwide we've never seen before. And we are nearly end of depression. So when we put a burden of Road 4 on there, it's approximately \$10,000,000. What is required is a bond. To get a bond we have to have a set-aside letter from the bank. And top of that the bonding comes with a 30 percent letter of credit in the amount of like \$3,000,000 personally from the owners because the bonding companies are so gun-shy of people, you know, not banks going under not being able to get the money. So it's a financing problem. And the timing with the cash flow, I mean, there's, the university we are committed to do, that's \$5,000,000. We have another \$17,000,000 infrastructure just to be able to put the university. We haven't built any roads inside the project yet. We haven't built the subdivision roads. We haven't built the roads into the commercial center. We haven't built the roads into the town center. That's another \$20,000,000. And we have to have some sales. We are not asking for these changes because, you know, we just need them; we need them, need them to happen.

WATANABE: Yeah, I understand. Don't get me wrong; it's not like I'm saying it's impossible. Okay? However, you know, we still do have to address the concerns of the community. And along those lines I think you also need to recognize that we do value the input of all of the various departments that we request comments from, one of which would be Public Works. Now it doesn't necessarily mean we always agree with, you know, the proposals or recommendations, but we do value their input. And along those lines we only recently got the TIAR, yeah, the Traffic Impact. And maybe I should turn it over to Mr. Lee, so he can share with us on whether they can endorse the traffic impact study or not. Would you care to respond to that, Warren?

LEE: Let me -. Am I on? Good afternoon. So the question for, I guess, Palamanui is that the comments that were submitted by the Department of Public Works to the Planning Department through the memorandum dated June 19<sup>th</sup>, and the first question is if the representatives of Palamanui have a chance to review the memorandum or the comments that were submitted.

HARRIS: Yes, we did.

LEE: And what, do you have any feedback, or -?

HARRIS: They are okay -.

LEE: Any objections?

HARRIS: Number 3 comment is asking for that we grade the entire right-of-way Road 2 over to Kaiminani. And we have a grading permit now, you know, for the mauka half, and that's what our condition says now. We would strenuously oppose adding that on. This is a 120-foot right-of-way and -. We want to build that road, but you know, the pavement thickness just went up, the cost went up in the last month, and adding more grading to it, we oppose. The other conditions, we think, are workable.

WATANABE: Do you have some follow-up, Mr. Lee?

LEE: Yeah, well, I'm taking this down just for my own personal information. I know we're going to have a transcript. Okay, so certainly I think we need to have some discussion on that item 3 in our memorandum. Also the concern that, we did get the letter from your consultant -.

HARRIS: Yes.

LEE: This morning as a matter of fact, and we really haven't had a chance to review that. So we would, Mr. Chairman, like the opportunity to have the discussion with the representatives of the Palamanui development.

WATANABE: Does that, does that sound reasonable?

HARRIS: Well, we'd love you to vote today -.

WATANABE: Yeah.

HARRIS: But if you are saying you want more time, you want to talk now or later?

WATANABE: I think those discussions, because it sounds like you are in a situation where we really need to negotiate with you. Obviously we would love to have you build out all of the infrastructure before you even build a single home; that, however, is not possible. I would agree that obtaining financing is very difficult now. But you know, you also have some other issues because, well, just now Mr. Lam indicated that even the bonding may be an issue. The requirement as put forward right now requires bonding, although it doesn't state a specific amount. I think in your proposal it was a \$10,000,000 bond. So maybe we have some issues that need to be worked out between the various county departments, yeah, Public Works as well as the Planning Department. So if you guys can come up with some kind of agreement on -. Well, can we really live with the bond? And also getting the two agreement about whether Road 1A is sufficient to handle the traffic. You picked out, I believe, it was two tiers; 250 units and 600 units. I think Mr. Lee has to have an opportunity to look at the traffic studies and see whether he concurs or not, whether that is sufficient. And maybe it's not 600, maybe it's 450 or whatever - I don't know, I'm not an expert in that area. But I would think those things would be things that you would want to work in private, yeah, with the various department heads?

HARRIS: Well, we hear you and appreciate your -. I guess give us any more qualms you have, or are there any burning issues that we should talk about in this intervening time?

WATANABE: Mr. Lee, do you have any others?

LEE: I think one of the questions that we would want to work out with you is on Road 4 that seems to be very high, item of high interest based on the comments that I heard this morning. And I think the way the amendment is proposed is that the Road 4 be built after the County acquires the right-of-ways and the 600<sup>th</sup> unit is committed or sold. So I think there may be something we may want to discuss around those issues. Because if it's an "and" versus an "or," you know, when is the 600<sup>th</sup>, when is the trigger accomplished? So I think that is a concern that I have in trying to bring certainty to how the County, DPW would need to negotiate with their respective landowners to be able to build the Road No. 4.

HARRIS: Well, we would certainly want to participate with you on that.

WATANABE: Yeah, fellow Commissioners, are there any other burning issues, so that, you know, when we do reconvene on this matter we will have all the, hopefully all the response that we need? Mr. Housel.

HOUSEL: Yeah, I had one question. Maybe you can clarify this for me. You indicated earlier that by rezoning the 29 acres, or almost 30 acres, in the industrial area would help generate financing for the project. Is that, would that be sufficient to finance the, you know, the roads, 1A and 2 roads, or are those dependent on the residential market coming back?

HARRIS: Well, the addition of wholesale in the little rezoning down in the Business Park would be very helpful in just making, you know, making that more hospitable and more able for other businesses to come in and buy lots from us basically. But that alone would not be sufficient to support, to give us the money to start building Roads 1A and 2 and the university. Road 4 is the whole thing. I mean if we are obligated to, you know, the condition says now we bond it next year and we build it by 2012, that no matter what else happens; now that is just, there is no way we can do that. Nobody will put money into a project unless they have a view in the future that there's, you know, people are going to buy your t-shirts and pretty soon you can pay off your, you know, pay the guy back and put the money in. Just to pay him back you've got to have some revenue intent and possibility. So that's, we have to put off Road 4 and we have to put off, you know, to a reasonable surety on Road 4. And that's -.

LAM: I want to make it real clear. We're not trying to get out of Road 4.

HARRIS: Yeah.

LAM: We're not trying to get out of Road 4; we are just trying to, we just need to have some time so we can make our project viable.

WATANABE: Yeah, I, I -. May I jump in a second? I've never been in of the impression that you were trying to get out of Road 4. However, you know, like I mentioned earlier, one of the conditions was a requirement for bonding, right? Is that right?

LEITHEAD TODD: It's not a requirement for bonding per se; it's a requirement for security. And in the past we've done bonds, we've done certificates of deposit, you know; with the QLT, I

think they basically had some securities that they put on the side that were with the value of their improvements that they couldn't sell or trade without County approval. So there have been various different types of securities that we've accepted for bond requirements. Bonding basically means that you have to provide some type of security that insures that the construction of the improvements will occur. But it has been in the past different types of security that have been offered including letters of credit.

WATANABE: Okay. Now maybe I can get a response from you, Mr. Lam. Do you feel that there is any way you could provide that, some assurance that -?

LAM: We can work, we can work with the Planning Director and come up with some security that makes the County comfortable, then we'll perform.

WATANABE: Yeah, and that's -.

LAM: There is, there is something that we would, we hope that we'll work something out. I mean that's the issue that there is a guaranty the road gets built someday. So we'll work that out with the Planning Director.

WATANABE: Yeah, okay, okay. That sounds good. Yes, would you like to comment?

GIFFIN: Yes, I would, Mr. Chairman. So if I understand Mr. Lam correctly and Bobby Jean also – correct me if I'm wrong – if we can get some sort of verbal commitment today from Guy Lam that would satisfy the County, would it be possible for us to proceed?

WATANABE: Uh, well, your, she is addressing you, though.

LEITHEAD TODD: Chair, it's a little, it's complicated because in the first place one of the reasons I asked that the \$10,000,000 reference be removed is that I need some reassurance that that in fact is the amount that it would -.

GIFFIN: Cost.

LEITHEAD TODD: Cost to build Road 4; and so that's why I asked that specific dollar amount be removed. And I wanted the existing language to remain in there, and then we would try to meet with the developer and figure out exactly what is the cost, the proposed cost of that. And it's not just Road 4 because we have to have some guaranties that, you know, they are able to build the other infrastructure as time goes through.

GIFFIN: More than 1A and 2?

LEITHEAD TODD: Well, ultimately you have to be talking to them about all of their subdivision.

GIFFIN: Right.

LEITHEAD TODD: And it's not just roads; you are talking water, sewer. They have to show you that they are able to deliver. So those are issues. But what we are trying to do is accommodate their request in terms of the mixed-use, mixed industrial commercial so that they have some sales that would help -.

GIFFIN: Right.

LEITHEAD TODD: Proceed. My understanding is that they have a current commitment of about \$20,000,000 or \$22,000,000 that they could proceed with, if some of these conditions are met, so that they can actually start construction on 1A and 2 and the West Hawai'i Community College within the next year, so that the projection of completion of the college is 2011, if I understood the testimony of both the Community College as well as the applicant. And I think the road issues can probably be worked out, you know. Mr. Lee wants to have his staff look at the TIAR and see whether that report is adequate; I don't think that that is a big issue. We are looking at the intersection. But there's still language in the ordinance that requires improvements; but those are meeting with the requirements of the State Department of Transportation because it's a State highway. I think the addition of an additional requirement for the full grading of Road 2 is in addition to what's already there, because right now there, the existing condition is only to do the mauka section, or a half of that 120-foot road right-of-way. So this would be an additional requirement that Public Works is now asking for, and I think that that adds additional cost to the project – I don't know how much. That's something I think that, you know, they need to be talking to Mr. Lee about.

And I am a little concerned in terms of time line that, you know, I'd like to see them get going on the construction. And so you know, the Commission may want to take a look at whether there should be some requirements on the start of construction for the West Hawai'i campus – I don't know. You know, that's something that you may want to discuss with them. But ultimately if this is deferred, because we only meet once a month with Leeward, then it's end of July. That means, given time to transmit and stuff, that it won't come up on the Council's committee agenda till probably the second meeting in August, and then it would take another two meetings, assuming that, you know, this went along without any deferrals at the Council, that would be two readings in September. But that's assuming that, you know, there weren't any deferrals there. I would assume that if there is a deferral here, you probably see a deferral at the Council. And I assume that all of that pushes back construction and probably pushes back the anticipated construction dates on the community college. And perhaps the developers might want to speak to that.

GIFFIN: Right. And you are talking just, basically its start dates, right?

LEITHEAD TODD: Yeah.

GIFFIN: Wow.

WATANABE: Well, Mr. Lam, do you want to respond?

LAM: Well, concerns with Public Works, if we could work that out, you know, if we could get passed today and work that out, it's still going to go to the Council. So you know,

we have plenty of time to work out whatever concerns of theirs, cause no matter what the Planning Commission does, I think the Council will still have to approve at the Council level. So it's a timing issue and we'll defer to the Council, the Commission, excuse me.

WATANABE: Okay, if no one else -. Mr. House.

HOUSEL: Yeah, I had one concern. You know, I think I just heard some new information that you do have funding available – I think I heard \$20,000,000. Would it be possible to document that? That's, that's, the biggest thing that makes me the most nervous is how soon is it going to get started and if you have proper, adequate financing at this stage, or if we have to wait until you start selling homes before anything can get started. I would like some reassurance that you can meet your targeted schedule, and that this is not so open-ended.

COLON: My name is Steve Colon, and I'm with the Hunt Development Group, or one of the financial backers of this project, and we're also a co-developer with Guy Lam. The venture right now has a capital that's been committed to it by Mr. Schwab and by the Hunt organization to put in, go through the entire water system, which is our first major infrastructure project, and we're looking to start on that project later this summer as soon as we can finish securing all of our approvals. So the remaining, the remaining funding for most of the items that we've been focusing on with the exception of Road 1A, Road 2 and the university associated infrastructure, funding for that is going to have to come from the combination of our owners' capital, as well as we hope, we hope to see that there will be some render funding that you'll actually be able to maybe go out and get a loan, you know, later this year. So that's why our strategy right now what we are working on is to get all of these approvals that, you know, Roger and Guy have been talking about, we have to have all of these approvals so that we can actually go forward. So I think the short answer to your question is the venture is adequately funded right now to continue with our infrastructure goals and plans, and then we are going to be going back to the owners in the fall to secure the additional funding so that we can put in the remaining infrastructure as well as the university.

WATANABE: Okay. Yes, Ms. Bowman.

BOWMAN: I just have a quick question. So the remaining infrastructure would be -.

LAM: That would be Road 1A, the intersection on the highway, Road 2, the Kaiminani which is required to put in and the university. The money that Steve is talking about that's committed is \$6,500,000 towards the water system; that money is committed and being funded monthly for plans. So that is committed.

COLON: I'd like to also add that in addition to going back to the owners with, you know, the fact that we have these approvals, we now are in the position that we are ready to go forward, we are also hoping to go back with some evidence that the real estate market has come back in a way that we can now go to our owners and say, look, this is, this is a viable project. So that's why we are looking to get our Business Park activated and start putting together some letters of intent with prospective purchasers of the Business Park, which is why this, you know, untying the Business Park sales to the residential sales is so important, because I think we all believe that the residential market is a ways off while we think the demand is there right now for

the Business Park. And if we can activate the Business Park as a working tool, show the evidence that there really is a demand there, then that's going to bolster our ability to show the owners that we do have a viable project, and we can get going sooner than later.

WATANABE: Any other comments?

BOWMAN: I do.

WATANABE: Ms. Bowman.

BOWMAN: In regards to Road 4, I have, maybe I need a little enlightenment on this, because if there is – how can I say this – the need for Road 4, that the people that I've heard that have objections are the people that live in Makalai, and that they don't want this to be a collector road to feed, you know, and I can understand that. But I cannot understand how much traffic will be created by building that road until A) you have your residential or the university.

LAM: Well, the Makalei Estates road by when we build that subdivision by ordinance we are required to dedicate that road at some time. The agreement with the Makalei people that Road 4, which bypasses so people don't have to go down Makalei -. Makalei is very steep, it's over 15 percent grade; it is not a safe road, so really it should not be a collector road, you know, quite frankly. Road 4 is really a regional road. Our development does not affect Road 4 very much. Road 4 is people coming from Waimea, you can imagine going to Waimea or the airport, that's the quickest way down; it alleviates the regional traffic, you know, traffic problems. We don't believe that -. You know, there'd have to be an awful lot of people at Makalei, I mean, Palamanui living there before -. And you know, that would be people -. Where are they going? They're going up to Waimea, I mean, they're not going into town. So and the timing issue, you know, the County also has leverage on the building permits, you know – after 600, no permit, we can't go any further. And we'll have to sell 600 units to keep the project going and pay for all this infrastructure. I wouldn't say there's a net profit by 600 units. So, I mean, when the developer might make some money is out in the last 200 or 300 units. So I mean quite frankly, if you ask any developers, there's a lot of upfront cost, there's a lot of staying power that's required to do a project of this size. And fortunately I have really good partners between Mr. Schwab and the Hunts, and they are committed to the project. And Mr. Schwab especially is committed to the university; he's told me personally that that's going to get built one way or the other. And he met with the Mayor and told him the same thing. So that's pretty much our position.

BOWMAN: Thank you. Because, and again, you are not responsible for the entire Road 4.

LAM: Well, technically, the way the ordinance is written, we are. Now if the other owner there wants to develop his property, I would imagine the County would make him pay his share. We are paying for the intersection at the top and about 17,000 lineal feet of road. There is more road offsite than within our project.

BOWMAN: Thank you.

WATANABE: Okay. If there are no other comments, let me give you my take on this. As I indicated earlier, we do appreciate the comments from and consider the comments from the various departments. So with regard to Road 4 and TIAR, I'd really like to hear comments from Public Works, and this is one of the reasons I'm requesting that we would be able to continue this. I can tell you right now I don't have a problem with untying the commercial to the residential units. I don't have a problem with the 29.9 acres reclass to I think it was CSV (sic), etc. I think, I think you are committed to, you know, the university section. And I can see where Road 1A and Road 2, I mean, you wouldn't be able to develop anything or sell anything without having that in place, and that provides the connectivity for the university site, the 500 acres there. By what you've stated so far it looks like you've got \$6,500,000 or so that's already committed for the water, so it looks like the water is coming in. You know, the only other infrastructure really that the university needs is the sewer, and so I would guess that if you are putting in 1A, the sewer isn't going to be that much more. So I think all of those things will come about. There was a concern about the park. I'm not as concerned about the 20-acre park. Because I think, you know, water is a scarce resource, and that's said, the best, most efficient way of watering the park would be with effluent, but you are not going to have the effluent until you have housing. So if the park comes a little later, that's fine. But again, I do value the input of Public Works, and so I would hope that you all be able to work out something satisfactory and come back with those agreements, not to mention some way of satisfying the Planning Director whether it be by bond or some other means that Road 4 and the other infrastructure will actually be built. It doesn't necessarily have to be the bond, as we heard earlier. And so from my standpoint that is what I would like to see you would be able to address. And I guess if there is nothing else to add, the real question is, do you think we can, is it reasonable to say we can meet next month on this, schedule it for next month?

GIFFIN: Mr. Chairman, excuse me.

WATANABE: Yes, Ms. Giffin.

GIFFIN: I just have a suggestion to consider. Is there any way that we could word our motion with the aid of our legal counsel and with the assurance from our Planning Director that these certain conditions be met, that it would be in our motion today, so that we can -?

WATANABE: Pass it on?

GIFFIN: Yes.

WATANABE: I'm a little, personally – everyone else can comment on this – I'm a little leery of just passing it on. I want to make sure that they don't, the funding doesn't dry up, either, though, yeah? But I'm a little leery -.

GIFFIN: That's my concern, too -.

WATANABE: Yeah, yeah -.

GIFFIN: And the timing, right -?

WATANABE: But I'm a little leery of just passing it on because in my mind I'm saying, okay, if we are just going to punt to the Council, then why would the Council ever consider anything, any recommendation we make in the future – that's the problem I'm having with it. And if we haven't looked at -.

GIFFIN: I don't think that we have looked at this issue in that way. I think that we have – at least I have, and I'm sure the other members of this Commission, too – have spent time pondering, reading the background information, reading the recommendations and all of the information that has been presented to us. But I just see time as a major issue. And I really value Mr. Lee's input and his department's input. But I just wondered if there was a way that we could word motion to include all of that and satisfy the Planning Director and of course with Mr. Lee's input and with the help of our legal counsel here today.

WATANABE: Well -.

HOUSEL: I have a -.

WATANABE: Mr. Housel.

HOUSEL: I have a comment. We certainly have spent a lot of time, Commissioner Giffin, on the, you know, all the information that's been provided to us. However, personally I feel that there is a lot more we need to know; I don't think we have all the information to be able to make a decision today. And I've just learned a little more about the financing contingencies, which I would like to be very clear about before we make a vote. And so I would request that we get some additional information from the applicant to give us a clear understanding what the contingencies are and what the approximate timing is, so that we are very clear about that before we decide to approve this or not.

WATANABE: Anyone else wish to comment? So what -. Well, let me ask you this. This obviously is a delay; I know you prefer that we just act on this right now. But is this going to jeopardize your funding?

LAM: No, we are okay with deferral. I mean there are things to work out with Public Works, and it's probably better to work it out before the Council. So we are okay with it.

WATANABE: Okay, okay. So if you are okay with that, then let me return to the question I had originally. Is it reasonable to say that we could meet on this and schedule this for the next Leeward Planning Commission meeting, which would be in the second half of July?

LAM: At the end of July, right? Yeah, absolutely.

WATANABE: Yeah, okay, okay. Good, good, good. Cause we are just as anxious as you are. With that, Mr. Housel, would you care to make a motion to continue this to the next meeting?

HOUSEL: Okay. I'd like to make a motion to continue this one – let me get the title right here – this would be both the change of zone, right -?

WATANABE: Right, right.

HOUSEL: And the change in the conditions of the application. I'd like to make a motion to continue that till our next meeting.

WATANABE: Yes, so that will be for both Agenda Items 3 and, the rezoning, and -.

HOUSEL: That's correct, yes -.

WATANABE: Changing conditions -.

HOUSEL: Three and 4, yes -.

WATANABE: Do I have a second on that?

BOWMAN: I second.

WATANABE: Thank you, Ms. Bowman. Do we need any further discussion on this? Then -.

GIFFIN: Excuse me.

WATANABE: Yes.

GIFFIN: Jeff, could you give us the date of that meeting?

DARROW: I believe it is July 24<sup>th</sup>. But we need to confirm that, if you could give us a moment.

GIFFIN: Okay, thank you.

DARROW: Thank you. It is confirmed it is July 24<sup>th</sup>.

GIFFIN: Twenty-fourth. Thank you.

WATANABE: Okay, very good, then. So, call for the vote, Mr. Darrow?

DARROW: Thank you, Mr. Chairman. The motion before us is to continue Item, Agenda Items No. 3 and 4 until our next Kona meeting scheduled for July 24<sup>th</sup>. With that, I'll take the motion. Commissioner Housel?

HOUSEL: Aye.

DARROW: Commissioner Bowman?

BOWMAN: Aye.

DARROW: Commissioner Beaudet?

BEAUDET: Aye.

DARROW: Commissioner Giffin?

GIFFIN: Aye.

DARROW: Commissioner Iokepa?

IOKEPA: Aye.

DARROW: And Mr. Chairman?

WATANABE: Aye.

DARROW: The motion passes, six to zero.

WATANABE: Okay. So I guess we'll see you back on the 24<sup>th</sup> then. And I hope you are able to work it out with all the parties concerned.

LAM: Thank you.

WATANABE: Thank you.

COLON: Thank you, Mr. Chairman.

The discussion ended at 2:20 p.m.

Respectfully submitted,

Noriko Sauer, Secretary  
Leeward Planning Commission