MINUTES OF THE
BOARD OF LAND AND NATURAL RESOURCES
LAND BOARD BRIEFING

DATE: THURSDAY, JULY 13, 2006
TIME: 4:30 P.M.
PLACE: KALANIMOKU BUILDING
1151 PUNCHBOWL STREET, ROOM 132
HONOLULU, HAWAII 96813

Chairperson Peter Young called the briefing of the Board of Land and Natural Resources to order at 4:39 p.m. The following were in attendance:

MEMBERS

Mr. Peter Young
Mr. Ron Agor
Mr. Jerry Edlao
Mr. Tim Johns
Ms. Taryn Schuman
Mr. SamGon III

STAFF

Mr. Russell Tsuji, Land
Mr. Keith Chun, Land
Mr. Gavin Chun, Land
Mr. Richard Rice, DOBOR
Mr. William Andrews, DOBOR
Mr. Paul Conry, DOFAW
Ms. Megan Laut, DOFAW
Ms. Linda Chow, AG
Mr. Randall Ishikawa, AG
Mr. Brian Aburano, AG

OTHERS

Representing Jacoby Development:
Mr. Frank Brandt
Mr. Scott Abrigo
Mr. David Tarnas
Mr. Rick Robinson
Mr. Scott MacKinnon
Mr. Scott Condra
Mr. Bob Tong

Item 1. Status Report on Jacoby Development Inc.'s progress under the Development Agreement for the Kona Kai Ola master-planned mixed-use development project at Kealakehe, North Kona, Island of Hawaii, Hawaii. Tax Map Keys: (3) 7-4-08: 71 and portion of 3.

This is a briefing of the Board, non-action item, but we will receive testimony. Some testimony has been submitted.

Introduction
Jacoby Development Inc. (JDI) is giving a report on their progress since the Development Agreement (DA) in November 2004. JDI is approximately one month ahead of schedule.

Project Timeline

The Department of Hawaiian Home Lands (DHHL) had an agreement with JDI to develop 200 acres of land under their jurisdiction along Queen Kaahumanu Highway. The DLNR sought the BLNR's approval to develop approximately 330 acres of land on the makai side of the DHHL property to the shoreline that included Honokohau Marina. The BLNR later withdrew Honokohau Marina (30 acres) from the agreement.

Presently, JDI is processing the requirements of the DA with DHHL and DLNR concurrently.

In 2004 the BLNR gave approval to the DLNR to issue an RFQ/RFP and to negotiate a master lease and called it the Kealakehe Master-Planned Mixed-Use Development Project. In October 2004 the BLNR approved the selection of JDI as the developer for the DLNR land and authorized the DLNR to negotiate a DA.

At the BLNR meeting on November 2004 in Kona, the Board executed a DA with JDI to proceed on the process of fulfilling all of the requirements of the DA. Jacoby was given one year to complete all of the requirements in the DA.

Since then, the compliance with the general lease and conditions are fairly similar with DLNR and DHHL.

As part of the DA, JDI periodically briefs the staff of both departments and their respective boards on their progress.

JDI's deliverable deadline to submit the draft EIS, Preliminary Master Development Plan, Preliminary Core Infrastructure Plan, CC&R's, and Basic Marina Facilities Plan is due on November 17, 2006, for the DLNR and DHHL and are running concurrently. JDI anticipates an October submittal.

Because the EIS is in process and must be approved before the BLNR can act on the Master Development Plan, JDI anticipates completion in January. JDI is looking at the January 26, 2007, BLNR meeting to present the approved EIS, the Preliminary Master Development Plan, along with the other requirements for BLNR approval.

Following that, JDI will pursue entitlements--going to the county for zoning, shoreline management permit. In between, JDI must come before the BLNR for a CDUA application because of the shoreline.

BLNR member Tim Johns asked if six weeks was sufficient for the State to approve all of the plans. The DA allows the State 90 days. JDI feels that submitting in October will give the State enough time and they are keeping the administration and staff apprised along the way to get their feedback to meet their deadline. JDI indicated that they would like the meeting to be held on Hawaii island.

Once the BLNR approves, JDI can start with the general plan through the Council. .

JDI would then go into county designation and SMA concurrently. JDI is looking at a resort mode for their plan. Permanent residential is not allowed. JDI needs a transient use.

One of the requirements of the DA is to put in 800 slips in the marina (45 acres). JDI must obtain Conservation District and Army Corps permits.

There are no plans to expand the harbor entrance.

DHHL does not have to go through county zoning, as they have a Memorandum of Understanding with Hawaii County to designate the zoning they want. As a result, they will be able to move ahead faster.

Conceptual Master Plan, the Phasing Plan, Open Space Plan, Deviation from Original Concept

To support the marina JDI plans, they have approximately eight acres of industrial. JDI is working with Division of Boating and Ocean Recreation (DOBOR) to extend the existing marina support into JDI's property.

For commercial they have three commercial sites, two regional-related commercial along Queen Kaahumanu Highway (geared towards local residents) and a hotel/marina, tourist-oriented site modeled after Aloha Tower. It will include ocean and education uses, marine science center (to run marina-related classes and programs), water features, cultural park, parks/recreation areas, one marina/canoe park in response to requests by the community to launch (single/ double-man canoes), and a community area (requested by DHHL for employment training and health center). A fishing club and yacht club are included.

Plans include 700 hotel-use units over three properties and eight development parcels with 225 time share units on each (total time share 1,800 units). Three acres to be set aside for utility support of the hotel/time share units including employee parking, etc.

A sea water air conditioning system (SWAC) is planned using deep water draw to air condition the buildings since the water is onsite (like NELHA). Using the ocean water from the SWAC system, JDI plans a series of water features. The ocean water will pump water into lagoons, come thru the property and work its way back to the marina. This will flush the marina.

Water features to include wetland pond, a marine park (possibly include a dolphin experience), and a swimming lagoon.

There will be 136 acres of open space, which includes roads, parks and buffer areas, (this is the 400-foot setback from the coastline (conservation use boundary) which is 48 acres of shoreline park. Within the shoreline park, JDI is considering a King's Trail plan along the shoreline and have met with Na Ala Hele to discuss this.

Open space plan (includes parks, water features, etc.) will cover 250 acres or approximately 40% of the entire project. JDI has included greenways and access plans.

Presented the draft three-phase plan

1) The first phase in response to entitlements is divided into two sections.
   Phase 1A - Develop mauka section of the Kealakehe Parkway and the intersection (coming thru the project and the project boundary), and the secondary access to the police station (the intersection, thru the site and connecting to the parkway) and some of the commercial sites on the DHHL areas.

   Phase 1B - Develop marina and some of the time share/hotel resort associated with the marinas, an 80-foot right-of-way road that goes makai of the wastewater treatment plant, some community areas, and balance of commercial areas.

   Based on community input, JDI wanted to do the cultural and harbor park in the Phase I.

   Phase 2 – Move mauka and develop the marina and connect to Phase 1, water features, marine science center, hotel marina commercial village, canoe parks, fishing clubs.

   Phase 3 – Reserving the coast for this phase and developing the two time shares around the marina and the hotel and two time shares along the coast.

Currently, cesspools are in use. Instead there will be three pump stations. The DLNR may want to develop a pump station to handle their waste.

<u>Deviations from the Original Concept Plan (June 12, 2006 plan versus the October 2004 plan submitted with the RFP/RFQ)</u>

1) One of the differences from the original plan is the elimination of the golf course. The community had strong opposition. After doing water-quality studies and in speaking with National Park and OEQC, they were concerned of the potential of pesticide and fertilizer into the water. DHHL had concerns with the first plan, as most of the development was going to be on the DLNR property. Instead, JDI expanded commercial use and used water feature amenities in lieu of the golf course.

2) The Kealakehe Parkway was realigned. Originally it came thru the property and exited makai of the wastewater treatment plant. The current plan keeps the Parkway at the top of the property and exits mauka of the STP. This was a big change as they realized they had to work with Queen Liliuokalani Trust (QLT) because the Parkway would connect Queen Kaahumanu to Kuakini-Kailua Kona. In working with QLT on the corridor, they wanted to push the Parkway as further off as possible to protect the cultural sites along the coastline. The county wanted

the most direct route between Queen Kaahumanu and Kuakini – to keep the traffic at the top of the project site rather than thru the site and on to QLT lands.

3) The density in the RFP/RFQ plan was 1,700 units. The new plan is now 2,500 units and added water features. By replacing 200 acres of golf course into a viable use, it creates value to the property.

4) They have better numbers for the infrastructure costs onsite and offsite. The costs are high. To offset these costs, they had to increase density, but added open space and met all of DLNR's requirements.

5) There was concern that the development was too close to the coastline, and there should be a larger buffer from the coastline. The setback is now 400 feet.

6) Two years ago the only set aside was the existing marina but the fast lands was put into the RFP based on the November 17, 2005 meeting. DLNR chose to retain the marina and the fast lands.

7) The basic marina configuration has been changed. They are working with a consultant. The new configuration works with the proposed use of the property and it is still is 45 acres, 800 slips.

Basic Marina Use Facilities Plan

Approximately 45 acres/803 slips that range in size from 25 to 120. Consultant has started a market assessment study, which will include the demand for slips in Kona, the slip mix (sizes), so they can determine the layout, mix, sizes, what kind of facilities should support the marina. Initial uses are the yacht club, the fishing club, the harbor master location (consulting with DOBOR) as some of the land will be returned to the National Park.

Also other uses include marina operations and maintenance, commercial areas, oil bilge facilities, sewer pump outs, shipyard and haul out facilities. The consultant is also doing a boat traffic assessment (congestion at the existing harbor entrance, peak and non-peak times) to determine the constraints of the present harbor entrance, which will control the number of slips. Information from the study will be shared with the DLNR staff.

Core Infrastructure Plan

The scope of improvements primarily focuses at the Kealakehe Parkway and the extension. The main purpose is to alleviate traffic on Queen Kaahumanu Highway, which is critical. The plan would provide an alternative route in and out of Kailua-Kona going to the airport. Realign the Parkway to the property line, build an intersection, and construct the Parkway to service all of the development parcels.

When they realigned the Parkway above the STP, it did not touch the development parcels on the coastline. JDI would have to build the 80-foot right-of-way makai as well as access roads to the coastline to accommodate the DA requirements.

They have had discussions and a right-of-entry with QLT re the corridor, consultants have studied the corridor, and it will be part of the EIS. JDI met with county officials re the realignment and have agreement with the county.

There was discussion on the phasing of the roadway work.

Master Covenants, Conditions and Restrictions (CC&R)

There are two sections of the Master CC&R. The first half is design guidelines and standards that you would impose on the development that would create guidelines for architecture, site planning, landscaping, lighting, entry ways, etc. JDI has a draft of this CC&R document. The second half of the CC&R submittal to DLNR is the community benefits package—what kind of employment and job training programs, cultural programs, educational and community development programs that JDI would commit to in relation to the project. JDI has a draft and is working on the community benefits package, which will be presented to DLNR for review

Chair Young questioned the intervals on the time shares. JDI explained the different types of products—time shares and hotel. They anticipate having an agreement with a firm to manage it—but this is too early. JDI is fully aware that permanent residential will not be allowed. They do not anticipate the typical time shares taking non-owner occupants for weekend stays where it may look like a hotel. JDI does not have this in mind.

Chair Young asked if any of the marina slips would be associated through ownership or assignment in connection within the hotel/time shares. JDI is looking at this. This is a new, good idea within the marketplace and it is being reviewed through the marketing study. Questions raised would be: what percentage would be dedicated, where would it be. This all needs to be fleshed out through the study. JDI hopes to get results of the study at the end of November. Chair Young reminded JDI that one of the conditions in the DA was the marina with the intent that we are seeking to serve the local boating needs. So when they are looking for percentage of assignment also need it in the context that the local community needs to be served. JDI is cognizant of this. They see it possibly as a small percentage – approximately 25%.

Draft Environmental Impact Statement

EIS Studies and EISPN
The Draft EIS was to be ready on November 17, 2006. However, they are five weeks ahead and have advanced the submittal timeline to October 11 2006.

To meet this goal, JDI initiated the formal process by publishing in the July 8, 2006, in OEQC's Environmental Notice the EIS preparation, which has generated a great deal of interest. The comment period will be in 30 days. The EIS prime contractor is Oceanit and they have a large number of subcontracts for the EIS. This project is meeting all of the requirements of Chapter 343 and goes beyond that in addressing the community concerns that have been raised about environmental impact. Among the studies will be traffic, cultural impact analysis, archaeological survey, visual impact, noise impact, socio-economic impact, flora and fauna surveys, air quality and water supply.

Beyond what is required in Chapter 343, many additional studies for the monitoring and understanding of water quality – both the groundwater, marine, flow of water and impacts, waves, etc., as this is a concern of many. JDI has been in close contact with the National Park.

JDI will follow the proper process for public comment and review, notification, and announcements. DLNR will also review and comment before submittal to the BLNR.

Community and Government Relations

Key elements are communication and to seek consultation with community leaders early and often and bring their comments into the planning and design process so their concerns can be addressed in the design portion of the project or in surveys for the Draft EIS. His team has been meeting one-on-one and with small and large groups in the community—a cross section of over 300 persons from all areas of the community.

Community members have many positive comments and concerns, which they are trying to address. David Tarnas, a JDI member, explained in greater detail.

They are meeting/working with County and Council officials regarding the land designation. There is a County Council Planning Committee hearing on July 18, 2006, and looking for support from DHHL and DLNR.

Summary and Planning Schedule

Frank Brandt synopsized timeline. (copy attached)

Concerns of BLNR Members Addressed by JDI

JDI has received concerns from the community re density of the project, but there have been no questions or challenges re the deviation of the plans.

Public access is presently limited to the shoreline. Plans will provide more access.

The project will improve view planes.

The original RFQ required Hawaiian architecture.

Resolution of traffic/congestion.

The meeting was adjourned at 6:00 p.m.

Respectfully submitted,

Jeannie Fujikawa

Approved for submittal:

PETER T. YOUNG
Chairperson
Department of Land and Natural Resources

Board of Land and Natural Resources Kona Kai Ola Briefing

Department of Land and Natural Resources (DLNR)
July 13, 2006
4:30 am -5:30 pm
DLNR Conference Room

AGENDA

I. Introduction (JDI) 5 minutes

II. Project Timeline (PBR) 5 minutes

III. Master Development Plan and Land Use Program (PBR) 10 minutes
   A. Conceptual Master Plan
   B. Phasing Plan
   C. Open Space Plan
   D. Deviation from Original Concept Plan

IV. Basic Marina Facilities Plan (PBR) 5 minutes
   1. Forty-five (45) acre/Approximately 800 slip marina
   2. Market Study
   3. Marina Modeling

V. Core Infrastructure Plan (PBR) 5 minutes
   A. Kealakehe Parkway Realignment Status Report

VI. Master Covenants, Conditions and Restrictions (PBR) 5 minutes
   A. Draft CC&R Report
   B. Community Benefit Package

VII. Draft Environmental Impact Statement (David Tarnas) 10 minutes
   A. EIS Studies
   B. EISPN – Published in the July 8, 2006 *Environmental Notice*

VIII. Community and Government Relations (David Tarnas) 10 minutes
   A. Community and Government Relations Update
   B. Community Issues

IX. Summary and Planning Schedule (JDI) 5 minutes
   A. Hawaiian Homes Commission Briefing on July 24, 2006

KONA KAI OLA SCHEDULE
DHHL and DLNR Review / Approval

BRIEFING MEETINGS

Monday 6/26	EIS Prep Notice Submission to OEQC
Friday 7/8	EIS Prep Notice Publication in OEQC Bulletin
Thursday 6/29	DHHL and DLNR Staff Presentation /Report Submittal Presentation and Submission of: 1. Preliminary Master Development Plan 2. Differences between Original Plan and Present Plan 3. Core Infrastructure Plan 4. Marina Facilities Plan 5. EIS Prep Notice
Friday 7/7	DHHL and DLNR Staff Comments and Questions on June 29, Presentation and Report Submittal
Thursday 7/13	Board of Land and Natural Resources Briefing – Presentation same as 6/29 with adjustments as needed.
Tuesday 7/18	Council Hearing on General Plan Amendment
Monday 7/24	Hawaiian Homes Commission Briefing – Presentation same as 6/29 with adjustments as needed.
Monday 8/1	County General Plan Amendment before Full County Council
Tuesday 8/7	EISPN Public Comment Deadline

APPROVAL MEETINGS

Friday 10/11	DHHL and DLNR Staff Presentation / Report Submittal Presentation and Submissions: 1. Preliminary Master Development 2. Core Infrastructure Plan 3. Marina Facilities Plan 4. Design Guidelines/CC&R's 5. Draft EIS
Friday 11/10	DHHL and DLNR Staff Comments and Questions on October 6 Presentation / Submittal
Tuesday 1/23/07	Hawaiian Homes Commission Approval
Friday 1/26/07	Board of Land and Natural Resources Approval in Kona