BEFORE THE LAND USE COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Petition of
SMF ENTERPRISE, INC.,
a Hawaii corporation

To Amend the Agricultural Land Use District Boundaries into the Conservation Land Use District for Approximately 326.76 Acres, at Waikane, Koolaupoko, Oahu, City and County of Honolulu, State of Hawaii, Tax Map Key No. 4-8-06: 01

DOCKET NO. A91-667
SMF ENTERPRISE, INC., a Hawaii corporation

FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND DECISION AND ORDER
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FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND DECISION AND ORDER

SMF ENTERPRISE, INC., a Hawaii corporation
(hereinafter referred to as "Petitioner"), filed a petition on
May 22, 1991, and amendments to the petition on July 12, 1991,
August 9, 1991, and September 5, 1991 (hereinafter collectively
"Petition"), pursuant to Chapter 205, Hawaii Revised Statutes,
as amended ("HRS"), and Title 15, Subtitle 3, Chapter 15,
Hawaii Administrative Rules, as amended (hereinafter
"Commission Rules"), to amend the Land Use District Boundary to
reclassify approximately 326.76 acres of land from the
Agricultural District into the Conservation District, situate
at Waikane, Koolaupoko, Island of Oahu, identified as Oahu Tax
Map Key Number: 4-8-06: 01 (hereinafter "Property") to develop
a golf course. The Land Use Commission (hereinafter
"Commission"), having heard and examined the testimony,
evidence and arguments presented during the hearings and the Proposed Findings of Fact, Conclusions of Law, Decision and Order of the parties, and exceptions filed thereto, hereby makes the following findings of fact:

FINDINGS OF FACT

PROCEDURAL MATTERS

1. On May 22, 1991, Petitioner filed a Petition for Land Use District Boundary Amendment. The Petition included an Environmental Assessment which also describes a 76 acre Conservation District parcel that together comprise the "Project Area".

2. On July 12, 1991, Petitioner filed a first amendment to the Petition whereby the size of the Property was changed from 323.717 acres to 326.76 acres to correct a miscalculation from prior metes and bounds descriptions of the Property. Amendments were also made to those sections of the Petition dealing with the standards for determining the boundaries of a Conservation District, wastewater infrastructure, Koolaupoko Development Plan/County zoning, and Special Management Area.

3. On August 9, 1991, Petitioner filed a second amendment to the Petition whereby the metes and bounds description was substituted, and the following were included in the petition: a tax map depicting the Property; a metes and bounds map; and a revised metes and bounds description entitled "Agricultural Lot".
4. Petitioner SMF Enterprise, Inc., is a Hawaii corporation whose business and mailing address is Suite 1270, 711 Kapiolani Boulevard, Honolulu, Hawaii, 96813. SMF Enterprise, Inc., is wholly owned by Hoyu Corporation, a Hawaii corporation, a holding company for investments in the United States. Hoyu Corporation is wholly owned by Hoyu Kensetsu of Japan, a real estate development company based in Yokohama, which last year had gross revenues in excess of $650,000,000.

5. On July 24, 1991, the Office of State Planning (hereinafter "OSP") filed a statement of position in support of the Petition. On August 30, 1991, OSP filed its testimony and other exhibits. OSP supports the reclassification of the Property from the Agricultural District to the Conservation District, but withholds support for the proposed golf course. OSP stated that the Board of Land and Natural Resources (hereinafter "BLNR"), is the appropriate agency to determine the appropriate uses of the Property should it be reclassified into the Conservation District. OSP did not recommend any conditions of approval.

6. On August 5, 1991, Petitions to Intervene were filed with the Commission by the Kahaluu Neighborhood Board #29 (hereinafter "KNB No. 29") and George Cooper, on behalf of the Waiahole-Waikane Community Association (hereinafter "WWCA"). These Petitions to Intervene were granted by the Commission per motion on August 22, 1991 and by Orders dated September 5, 1991.
7. On August 15, 1991, a prehearing conference was held on the 11th Floor, Central Pacific Plaza, 220 South King Street, Honolulu, Hawaii. At the prehearing conference witness lists and exhibits were exchanged among the parties.

8. On August 22, 1991 the Commission granted a request by the WWCA to hold a portion of the public hearing at Waiahole School on the night of September 5, 1991, after a field trip to the Property.

9. On August 29, 1991, the City and County of Honolulu, Department of General Planning filed its testimony in opposition to the Petition.

10. On August 29, 1991, Intervenor WWCA filed its Memorandum in support of the Petition. WWCA requested that the Commission attach a condition that no golf course be allowed on the Property and that, if the Petitioner or successor files a motion or petition to remove that condition, all parties be notified, a public hearing be held, and the motion or petition not be approved except by a vote of six members of the Commission.


12. On September 5, 1991, Petitioner amended the Petition by deleting Exhibit III-3 contained in the
Environmental Assessment and inserting Exhibit III-3, Amended, in its place.

13. On September 5, 1991, the Commission received into evidence a letter dated August 22, 1991, from Brian Miskae, Director, Department of Planning, County of Maui.

14. On September 5, 1991, the Commission received into evidence a copy of several letters and correspondence from SMF Enterprise, Inc., vice president John Sakamoto to various individuals.


16. On September 5, 1991, the Commission received written testimonies from the following public witnesses: Arnold Morgado, Jr., Honolulu City Council Chair; Robert
Fernandez, President, Concerned Residents of Waiahole-Waikane; Lola N. Mench, Sierra Club, Hawaii Chapter; John Charlot; and Joan Takano, Peter Tagalog, and John Witeck for UNITY.

17. Public testimony before the Commission was predominantly in support of the Conservation District designation of the Property for conservation purposes and in opposition to golf course uses.


DESCRIPTION OF PROPERTY

19. The Property, as amended, consists of approximately 326.76 acres and is identified as Tax Map Key No.: 4-8-06: 01.

20. The Property is situated in Waikane Valley, approximately one mile inland from Kamehameha Highway. Immediately to the west and mauka of the Property is the existing Conservation District, of which approximately 1,120 acres are also owned by the Petitioner. These lands together with the Property encompass the entire watershed of upper Waikane Valley.

21. The Petitioner owns the Property in fee.

22. Agricultural District lands lie immediately to the north, south and east. A 376-acre parcel owned by Pan Pacific Development, Inc. abuts the Property's eastern boundary. Pan Pacific Development, Inc. plans to develop a golf course on this abutting parcel.
23. The Property was used for taro cultivation, charcoal production, military training, and temporary habitation. Presently, there are two houses on the southern portion of the Property along Waiahole Valley Road. The rest of the Property is currently undeveloped.

24. Waikane Valley Road along the Property’s northern boundary is a private roadway which serves as a legal access to the Property, Waiahole Ditch Tunnel, and other lands.

25. The Property is located within Zone D (areas in which flood hazards are undetermined) of the Flood Insurance Rate Map (FIRM).

26. Elevations within the Property range from about 150 feet above sea level to 600 feet above sea level within a distance of less than half a mile. Elevations in the Project Area increase to about 875 feet above sea level about one-quarter mile above the mauka boundary of the Property.

27. Slopes of the Property vary from 6 percent to upwards of 70 percent. The terrain is significantly rougher and more steeply dissected by stream valleys and ridges in the mauka and northern half of the Property.

28. The Project Area receives approximately 90 inches of rainfall annually in the makai area and approximately 120 inches annually in the mauka area. Rainfall increases to approximately 200 inches per year at the crest of the Koolau Mountain Range. Approximately 70 percent of the rainfall occurs during the wet winter months between November and April.
29. According to the U. S. Department of Agriculture, Soil Conservation Service, Soil Survey of the Islands of Kauai, Oahu, Maui, Molokai, and Lanai, the Property consists primarily of soils in the Waikane Series. This series consists of well-drained soils on the alluvial fans and terraces on the island of Oahu. These soils developed in alluvium and colluvium derived from basic igneous rock. They are nearly level to very steep.

30. Waikane silty clay, 25 to 40 percent slopes (WpE) are on steep terraces and alluvial fans. Small, eroded spots and moderately steep areas are also included in this soil type. In a representative profile the surface layer is brown silty clay about 8 inches thick. The subsoil, about 53 inches thick, is dark reddish-brown silty clay that has subangular blocky structure. The substratum is soft, weathered, gravelly alluvium and colluvium. This soil is very strongly acid in the surface layer and subsoil. Permeability is moderately rapid. Runoff is medium to rapid, and the erosion hazard is moderate to severe. Workability is difficult.

31. Waikane silty clay, 40 to 70 percent slopes (WpF) is also abundant on the Property. On this soil, runoff is rapid to very rapid and the erosion hazard is severe. The Property includes small areas of eroded spots, rock outcrop, and stony areas.

32. Waikane silty clay, 40 to 70 percent slopes, eroded (WpF2) is found in relatively small areas. This soil is
similar to Waikane silty clay, 25 to 40 percent slopes (WpE), except that it is very steep. Most of the surface layer and, in places, part of the subsoil has been removed by erosion. In a few areas soft, weathered rock is exposed. Runoff is rapid to very rapid, and the erosion hazard is very severe.

33. Waikane silty clay, 8 to 15 percent slopes (WpC) has runoff that is slow to medium and slight to moderate erosion hazard. Workability of this soil is slightly difficult.

34. Waikane silty clay, 3 to 8 percent slopes (WpB) has runoff that is slow and the erosion hazard is slight. Workability is easy. Only a relatively small portion of the Property has this soil.

35. One soil type of the Hanalei Series (HnB) is present in a small portion of the Property along the makai boundary. This series consists of somewhat poorly drained, to poorly drained soils on bottom lands. These soils developed in alluvium derived from basic igneous rock. The Hanalei silty clay, 2 to 6 percent slopes (HnB) has slow runoff and slight erosion hazard.

36. Lands found along the eastern and southern edge of the Property are classified "Prime" according to the Agricultural Lands of Importance to the State of Hawaii (ALISH) system.

37. "Prime" lands make up approximately 12 percent of the Project Area, "Other" important agricultural lands were estimated to encompass 35 percent, and 53 percent of the
Project Area is unrated. Most of the "Prime" and "Other" lands are located within the subject Property.

38. The Property includes lands designated by the Land Study Bureau (LSB) as "C", "D", and "E". Eighty-eight percent of the Property is rated "E", the lowest productivity rating.

PROPOSAL FOR RECLASSIFICATION

39. Petitioner has proposed a site plan to develop a golf course.

40. The Project Area, as described in the Environmental Assessment, is approximately 400 acres in size, which includes the Property, and approximately 76 acres of existing Conservation District lands. Petitioner submitted an amended site plan on September 5, 1991, Exhibit III-3.

41. If the Property is reclassified to the Conservation District by the Commission, Petitioner would need to obtain a Conservation District Use Permit (hereinafter "CDUP") from the Board of Land and Natural Resources (hereinafter "BLNR") for the proposed Project.

42. The Administrative Rules of the State Department of Land and Natural Resources (DLNR) do not explicitly permit the development of golf courses on Conservation District lands. In addition, the Petitioner’s request for a golf course may not be consistent with the objectives of the Conservation District Subzone. DLNR requested that the proposed golf course use be separated from the reclassification approval so that no
tie exists between the Commission's approval of the reclassification and any potential use of the Property.

43. DLNR was concerned that approval of the Petition for reclassification may lead the Petitioner to have certain expectations regarding the use of the Property that DLNR may not be able or willing to grant. According to DLNR, if the Petitioner wishes to develop a golf course and related uses on the Property, the Petitioner should confine its project to those lands already in the Agricultural District or petition the Commission to reclassify the 76-acre parcel of land from Conservation to Agricultural.

44. The Office of State Planning, while supporting the reclassification of the Property to the Conservation District, questioned the appropriateness of golf course and related uses on the Property. OSP stated that, should the subject reclassification request be approved and the Petitioner files a Conservation District Use Application (hereinafter "CDUA"), OSP may testify before the BLNR in opposition to the subject golf course proposal, depending on the Conservation District subzone in which the Property is placed. OSP supported DLNR's statement that LUC approval will in no way tie into any potential use of the Property as classified.

45. In Order to establish the golf course uses on the Property, Petitioner will be required to submit an appropriate application to the Board of Land and Natural Resources for permission. The Commission recognizes the authority of the
BLNR to determine the uses of Conservation District lands, as expressed in Chapter 183, Hawaii Revised Statutes, as amended.

PETITIONER’S FINANCIAL CAPABILITY TO UNDERTAKE THE PROPOSED DEVELOPMENT

46. The Petitioner’s unaudited balance sheet dated June 30, 1990, indicates total assets of $9,863,771, nearly all of which is attributable to the Waikane property. Liabilities and deficiency in assets are listed at $9,863,771. Current liabilities of $9,856,000 are payable to Hoyu USA.

STATE AND COUNTY PLANS AND PROGRAMS

47. The Property is located within the State Land Use Agricultural District as reflected in Land Use District Boundary Maps O-12 (Kaneohe), and O-11 (Kahana).

48. The KNB No. 29 has proposed to the Office of State Planning that the Five-Year Boundary Review reclassify the unnamed stream drainage basin above the 200-foot contour line and all of the Waikane Stream drainage basin from the Agricultural District to the Conservation District. This proposal encompasses most of the Property. The final report on the Five-Year Boundary Review is not due to be completed until the end of this year.

49. The Kaneohe Bay Master Plan Task Force (hereinafter "KBMP" Task Force), was established by the Office of State Planning in response to Act 208, Session Laws of Hawaii, 1990, for the purpose of studying and developing recommendations for a comprehensive Kaneohe Bay Master Plan
(hereinafter "KBMP"). The KBMP which was accepted on June 27, 1991, recommended the following conceptual solutions for open space and public access:

"B. In watersheds that are currently undeveloped, it is recommended that sufficient watershed area be maintained to absorb the majority of the rainwater falling in the watershed, with a generous corridor established following the main stream channel from the watershed to the ocean. This corridor for the stream should be designed to slow down future discharges into the stream with ponding areas, to allow room for the natural meandering of streams and other measures, including natural wetlands, to contain for a limited time overflow water. This would allow fresh water to enter the bay at a measured rate rather than as a sudden discharge which would minimize fresh water impacts on the bay."

"D. It is recommended that areas in excess of 20% slope be designated Conservation by the State. The intent is to limit subdivisions in areas of steep slopes although existing lots could be built upon. Additionally, the area that can be graded at one time should be constrained to that which can be managed by the contractor, with follow-through from the City and County to enforce erosion control until the ground is restabilized."

The KBMP task force also accepted the following alternative for open space and public access related to Waikane Valley:

"7. Waikane Watershed

Preserve the entire undeveloped portion of Waikane Watershed to preserve the water quality of the Bay. This watershed contributes a major portion of the fresh water to the northern portion of the Bay. If this water quality is degraded due to urbanization or sedimentation, the water quality of the bay will be significantly affected. Extend the existing Conservation designation in the mountain area to include the stream watershed."
50. The KBMP Task Force’s recommendation for Waikane Valley is that the undeveloped portion of the current Waikane watershed should be preserved in open space to protect the area from further urbanization and degradation of water quality in Kaneohe Bay. The KBMP Task Force recommended that no golf course be built in the Waikane Stream watershed, which encompasses the Project Area.

51. OSP stated that the Conservation District land use designation would be consistent with the actions to date of the KBMP Task Force and the proposal under review in the Five-Year Boundary Review.

52. The Property is designated Agriculture on the Koolaupoko Development Plan Land Use Map. The Property is zoned General Agriculture District (AG-2).

**IMPACT ON RESOURCES OF THE AREA**

**Conservation District Resources**

53. Chapter 205, Hawaii Revised Statutes, states:

"Conservation districts shall include areas necessary for protecting watersheds and water resources; preserving scenic and historic areas; providing park lands, wilderness, and beach reserves; conserving endemic plants, fish, and wildlife; preventing floods and soil erosion; forestry; open space areas whose existing openness, natural condition, or present state of use, if retained, would enhance the present or potential value of abutting or surrounding communities, or would maintain or enhance the conservation of natural or scenic resources; areas of value for recreational purposes; other related activities; and other permitted uses not detrimental to a multiple use conservation concept."
54. The Property is suitable for inclusion in the Conservation District and it exhibits many of the characteristics of the surrounding Conservation District lands. Much of the Property is undulating land typical of the lower slopes of the windward Koolau Mountains. The land surface is incised by streams and slopes are very steep in many places. Prevention of soil erosion is an important concern. The Property exhibits the wild and scenic character associated with the rest of upper Waikane Valley and upper Waiahole Valley.

55. The reclassification of the Property is justified in part, by its topography, susceptibility to erosion, scenic, natural, and wildland values, watershed values, and its contiguity to the existing Conservation District. These values can be protected and enhanced by a Conservation District designation.

56. The proposed use of the Property will have to be carefully studied because of potential adverse impacts to the regional environment (including Kaneohe Bay), the community, and the conservation district resources. The Commission recognizes the statutory responsibilities of the BLNR to study these impacts.

Agricultural Resources

57. A large portion of the Property has physical characteristics that are consistent with the proposed Conservation designation and that also inhibit its use for most
agricultural activities. The latter point is particularly applicable to lands with slopes of 25 percent or greater.

58. The relatively flat portions of the Property have the potential for sustaining agricultural activities, but their scattered distribution is a handicap.

Other Resources

59. The Commission finds that reclassification of the Property to the Conservation District will have no significant impact on other resources, such as water resources, water quality, archaeological/historical resources, visual and scenic resources, flora and fauna, air quality, and water quality. Potentially significant, adverse impact can be expected if the proposed golf course uses or other uses involving large-scale alteration of the natural environment are approved for the Property and the adjacent Conservation District lands.

60. A detailed analysis of the impact of the proposed Project on resources in the area at this time is premature, and is more appropriately addressed by BLNR at the time that it considers the CDUA that will be required for the proposed Project.

CONTIGUITY OF THE PROPOSED RECLASSIFICATION

61. The Property is contiguous to the Conservation District along its mauka boundary and along a small section of its northern boundary while Agricultural District lands surround the Property on the remaining three sides, as
reflected on Land Use District Boundary Maps 0-12 (Kaneohe), and 0-11 (Kahana).

CONFORMANCE WITH THE HAWAII STATE PLAN

62. The proposed reclassification generally conforms with the objectives and policies set forth in the Hawaii State Plan, Chapter 226, Hawaii Revised Statutes, as follows:

Sec. 226-4 State Goals

The proposed reclassification helps to achieve a desired physical environment, characterized by beauty, cleanliness, quiet, stable natural systems, and uniqueness, that enhances the mental and physical well-being.

Sec. 226-11 Objectives and Policies for the Physical Environment--Land Based Shoreline, and Marine Resources

The proposed reclassification will generally foster the kinds of land and water-based uses which are compatible with the natural resources and ecological systems of the Property. The proposed reclassification is consistent with the natural beauty of the Project site.

Sec. 226-12 Objectives and Policies for the Physical Environment--Scenic, Natural Beauty, and Historic Resources

Waikane Valley is widely recognized for its scenic assets, natural beauty, and cultural and historical resources. The proposed reclassification is consistent with the watershed values of the Property, its natural, scenic and cultural resources, and its susceptibility to soil erosion and flooding.
Sec. 226-13 Objectives and Policies for the Physical Environment--Land, Air, and Water Quality

The land, water, and air resources of the Property are its principal assets. The proposed reclassification recognizes the conservation district values of the Property.

CONFORMANCE WITH STATE LAND USE COMMISSION RULES

Conservation District Standards

63. The proposed reclassification conforms with the Land Use Commission’s Rules §15-15-20, standards for determining "C" Conservation District boundaries. The Property includes lands which are: important for watershed protection; susceptible to soil erosion, and may be susceptible to flooding; necessary for conservation, preservation, and enhancement of scenic, cultural, historic or archaeological sites; not presently needed for agriculture or not normally adaptable for agriculture because of topography, soils, or other related environmental factors; steeply sloping, where slopes exceed 20 percent; and providing open space amenities and scenic value.

64. The Property is contiguous to existing Conservation District lands in the Resource subzone.

CONFORMANCE WITH COASTAL ZONE MANAGEMENT (CZM) PROGRAM

65. The Property is outside of the Special Management Area as administered by the City and County.
66. The proposed reclassification generally conforms with the policies and objectives of the Coastal Zone Management Program.

**RULING ON PROPOSED FINDINGS OF FACT**

Any of the proposed findings of fact submitted by the Petitioner or other parties not already ruled upon by the Commission by adoption herein, or rejected by clearly contrary findings of fact herein, are hereby denied and rejected. Any conclusion of law herein improperly designated as a finding of fact should be deemed or construed as a conclusion of law; any finding of fact herein improperly designated as a conclusion of law should be deemed or construed as a finding of fact.

**CONCLUSIONS OF LAW**

Pursuant to Chapter 205 of the Hawaii Revised Statutes, as amended, and the Hawaii Land Use Commission Rules, the Commission finds upon a preponderance of the evidence that the reclassification of the Property, consisting of approximately 326.76 acres from the Agricultural Land Use District to the Conservation District at Waikane, Koolaupoko, Island of Oahu, City and County of Honolulu, State of Hawaii, identified as Tax Map Key No. 4-8-06: 01, conforms to standards for establishing Conservation Boundaries, is reasonable, non-violative of Section 205-2, Hawaii Revised Statutes, as amended, and is consistent with the Hawaii State Plan as set

ORDER

IT IS HEREBY ORDERED that the Property, which is the subject of Docket No. A91-667 filed by SMF Enterprise, Inc., consisting of approximately 326.76 acres at Waikane, Koolaupoko, Island of Oahu, City and County of Honolulu, and identified as Oahu Tax Map Key No. 4-8-06: 01 and approximately identified on Exhibit "A" attached hereto and incorporated by reference herein, shall be and the same is hereby reclassified from the Agricultural District to the Conservation District and State Land Use District Boundaries are amended accordingly.
DOCKET NO. A91-667 - SMF ENTERPRISE, INC.

Done at Honolulu, Hawaii, this 27th day of January 1992, per motion on January 23, 1992.

LAND USE COMMISSION
STATE OF HAWAII

By (conflict)
RENTON L. K. NIP
Chairman and Commissioner

By ALLEN K. HOE
Vice Chairman and Commissioner

By ALLEN Y. KAJOHA
Vice Chairman and Commissioner

By (opposed)
KAREN S. AHN
Commissioner

By EUSEBIO LAPENIA, JR.
Commissioner

By JOANN N. MATTSON
Commissioner

Filed and effective on
January 27, 1992

Certified by:
Executive Officer

By
ELTON WADA
Commissioner

By
DELMOND J. H. WON
Commissioner
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DOCKET NO. A91-667

SMF ENTERPRISE, INC.,
a Hawaii corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the Findings of Fact, Conclusions of Law, and Decision and Order was served upon the following by either hand delivery or depositing the same in the U. S. Postal Service by certified mail:

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ESTHER UEDA
Executive Officer