

BEFORE THE LAND USE COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Petition of)
SIGNAL PUAKO CORPORATION)
To Amend the Agricultural Land)
Use District Boundary into the)
Urban Land Use District for)
Approximately 1,060 Acres of)
Land Situate at Waikoloa, South)
Kohala, Island, County and State)
of Hawaii, Tax Map Key Nos.:)
6-8-01: Portion 25, Portion 36,)
Portion 37, Portion 38, Portion)
39, Portion 40, 41, 42)

DOCKET NO. A87-617

SIGNAL PUAKO CORPORATION

This is to certify that this is a true and correct copy of the Decision and Order on file in the office of the State Land Use Commission, Honolulu Hawaii.

JAN 17 1989 by *Robert Leide*
Date Executive Officer

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

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

SIGNAL PUAKO CORPORATION, a Hawaii corporation, (hereinafter referred to as "Petitioner"), filed a Petition on November 25, 1987, and amendments to the Petition on March 3, 1988 and on July 11, 1988, 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 1,060 acres of land from the Agricultural District into the Urban District, situate at Waikoloa, South Kohala, Island, County and State of Hawaii, identified as Hawaii Tax Map Key Nos.: 6-8-01: portion of 25, portion of 36, portion of 37, portion of 38, portion of 39, portion of 40, 41 and 42 (hereinafter referred to as "Property") to develop a residential community along with

support facilities and recreational amenities including a commercial center, golf course, club house, parks and community facilities. The Land Use Commission (hereinafter "Commission"), having heard and examined the testimony and evidence presented during the hearings, the stipulation of the Office of State Planning and Petitioner to proposed findings of fact, conclusions of law, decision and order, the proposed findings of fact, conclusions or law and decision and order of the County of Hawaii Planning Department (hereinafter "County"), and Petitioner's response to the County's proposed findings of fact, conclusion of law and decision and order, hereby makes the following findings of fact:

FINDINGS OF FACT

PROCEDURAL MATTERS

1. On November 25, 1987, Petitioner filed its Petition for Land Use District Boundary Amendment.
2. On March 3, 1988, Petitioner filed an amendment to its Petition to clarify the correct tax map key designations for the Property under petition.
3. On July 11, 1988, Petitioner filed another amendment to the Petition to revise the land use plan for the proposed project.
4. The Commission held hearings on the Petition on April 26, 1988, July 21 and 22, 1988, and September 29, 1988, pursuant to notice published in the Hawaii Tribune Herald and the Honolulu Advertiser on March 21, 1988.

5. On April 6, 1988, Elizabeth Ann Stone, President, Honest Citizens' Against Progress, filed a Petition for Intervention. On May 26, 1988, the Commission issued an Order Denying Elizabeth Ann Stone's Petition for Intervention.

6. On June 20, 1988 the Commission received Elizabeth Ann Stone's June 15, 1988 letter requesting reconsideration of the Commission's denial of her request to intervene. The Commission subsequently denied the reconsideration request on July 21, 1988.

7. On July 8, 1988 a prehearing conference was held.

8. The Commission received into evidence on July 21, 1988, the untimely written testimonies of public witnesses Barry K. Taniguchi, Herbert Segawa, Matthew Bailey and Fred Deurr.

DESCRIPTION OF PROPERTY

9. The Property is located at Waikoloa, South Kohala, Hawaii. The Property is situated mauka of the Queen Kaahumanu Highway, approximately one-half mile north of the Waikoloa Road/Queen Kaahumanu Highway intersection. The entrance to the Mauna Lani Resort is located across Queen Kaahumanu Highway from the Property.

10. Petitioner owns the Property in fee simple.

11. The Property is currently vacant.

12. Lands to the north of the Property are presently vacant. Lands to the east of the Property contain the existing

Waikoloa Village development. Lands to the south of the Property are vacant. Lands to the west of the Property contains the existing Mauna Lani Resort.

13. The Property ranges in elevation from 200 to 600 feet above sea level.

14. Annual median rainfall in this area is about 9 inches. The average annual temperature is 75 degrees Fahrenheit, with an extreme high of 98 degrees Fahrenheit, and an extreme low of 52 degrees Fahrenheit.

15. The prevailing wind pattern on the Property is diurnal -- onshore winds in the morning and early afternoon, returning to offshore breezes in the late afternoon and evening. Typical wind velocities range between 7 to 8 miles per hour.

16. Approximately 80 percent of the soils located on the Property are Aa lava (rLV), which has practically no soil covering and is bare of vegetation, except for mosses, lichens, ferns, and a few small ohia trees. The U.S. Department of Agriculture Soil Conservation service rates Aa lava agricultural capability as subclass VIIIs, nonirrigated: the soils and landforms have limitation (stony shallow soils, along with drought conditions) which preclude their use for commercial plants. These rLV soils are not rated as to their pasture capabilities.

17. About 10 percent of the soils on the Property are Puu Pa which is extremely stony, very fine sand loam, of 6 to 20 percent slope (PVD). In a representative profile, the surface layer is very dark brown, extremely stony, very fine sandy loam about 6 inches thick. The next layer is dark brown and dark yellowish brown, very stony, very fine sandy loam about 34 inches thick. It is underlain by fragmented Aa lava. The agricultural capability subclass of PVD is VIIIs, nonirrigated: the soils have severe limitations (stony shallow soils, along with drought conditions) which make them generally unsuitable for cultivation and limit their use largely to pasture or range,...or wildlife. PVD is in Pasture group 2, which is among the lowest quality pasture land in the State.

18. Another 10 percent of the soils on the Property are Kawaihae extremely stony, very fine sandy loam, 6 to 12 percent slopes (KNC). In a representative profile, the surface layer is a dark reddish-brown, extremely stony, very fine sandy loam having a depth of about 2 inches. Below this is dark reddish-brown and dusky-red stony silt loam and loam. Hard pahoehoe lava bedrock is at a depth of about 33 inches. About 10 to 20 percent of the area is underlain by fragmented Aa lava. The agricultural capability subclass of KNC is VIIIs, nonirrigated: the soils have severe limitations (stony shallow soils, along with drought conditions) which make them generally unsuited to cultivation and limit their use largely to pasture

or range, ... or wildlife. KNC is in Pasture Group 1, which is among the lowest quality pasture lands in the State.

19. The Property is not classified by the State Department of Agriculture's Agricultural Lands of Importance to the State of Hawaii classification system.

20. The Land Study Bureau rated the soils of the Property as Class E (very poor).

PROPOSAL FOR DEVELOPMENT

21. Petitioner proposes to develop the Property as Phase I of a 3,000-acre master-planned community. Petitioner proposes Phase I to consist of single-family residential units, low-density apartments, commercial uses, a golf course and club house, parks and community facility areas ("Project").

22. A full array of services and amenities are planned to be provided to develop a self-contained community. These include a major shopping complex, community facilities such as schools and churches, neighborhood parks, a network of walking and cycling paths, and natural open space buffers.

23. The Project will include approximately 600 low-rise apartments and townhouses priced between \$80,000 and \$110,000 covering 50 acres, 1,440 single-family homes on an average of 4,500 square foot lots priced between \$100,000 and \$140,000 covering 180 acres, and another 720 single-family homes on lots of 7,500 square feet and 10,000 square feet priced between \$130,000 and \$160,000 on up covering another 180 acres. The projected prices are in 1988 dollars.

24. Petitioner proposes to develop a 25-acre multi-purpose town center consisting of retail and service outlets and principal community facilities. The retail areas will surround a two-acre town square.

25. Petitioner's original master plan had included a 50-acre light industrial park located near Queen Kaahumanu Highway. The industrial area was deleted pursuant to said amendment to Petition filed on July 11, 1988 due to concerns about visual impacts.

26. Community facilities such as government offices, medical offices and churches will be centrally located within the town center. Recreational community facilities would be located adjacent to some of the proposed park sites.

27. The Project will contain approximately 42 acres of park area. Nearly one-half of the Project area, over 500 acres, will be allocated to open space uses such as parks, golf course (250 acres) and natural open space buffer areas (225 acres).

28. One 18-hole golf course is proposed for the Property. Portions of the golf course would traverse the stream beds on the site, thus making it possible to retain and enhance the natural setting of the stream beds without compromising their importance as drainage ways. A portion of the golf course would be developed mauka of the natural open space buffer area that fronts Queen Kaahumanu Highway, thus adding to the open space vistas along the highway corridor.

29. The Project would have two access points to Queen Kaahumanu Highway - a southern access directly opposite the entrance to the Mauna Lani Resort, and a northern access near the northern boundary of the Property. Major roadways in the Property will include a path system for pedestrians and cyclists.

30. Petitioner anticipates that it will take approximately three years, or until 1991 to obtain necessary governmental approvals. It is anticipated that engineering and architectural plans will be finalized and the development of major infrastructure and the golf course could begin during 1991 and 1992. Construction of the homes would begin in late 1992 or 1993. It is anticipated that it would take ten years to complete construction within the Property.

31. Petitioner estimates that major "backbone" infrastructure costs for the proposed development would be approximately \$20 million. Total development costs including off-site infrastructure development are estimated to approach \$40-50 million.

PETITIONER'S FINANCIAL CAPABILITY
TO UNDERTAKE THE PROPOSED DEVELOPMENT

32. Petitioner is a subsidiary of Signal Landmark Properties, Inc., which in turn is a subsidiary of the parent company, The Henley Group, Inc. The Henley Group has assets of approximately \$7 billion.

33. The operations of Signal Landmark Properties, Inc. are primarily carried out by three subsidiary firms: Signal Landmark, Inc., which is responsible for all residential and community development; Signal Development Corporation, which is responsible for commercial, industrial and office development; and Lake Superior Land Company, which manages forest lands and mineral holdings in Michigan and Wisconsin.

34. Signal Landmark, Inc. and Signal Development Corporation have over 3,000 acres in various stages of development. Signal Landmark, Inc. has built and sold over 13,000 homes during the last 20 years.

35. The audited financial statements of Signal Landmark Holdings, Inc. as of December 31, 1987 showed assets and stockholder's equity in excess of \$500 million and \$400 million, respectively prepared by Kenneth Leventhal and Company, the auditors of Signal Landmark Holdings, Inc.

36. Signal Puako Corporation's balance sheet as of September 30, 1987 and June 30, 1987 indicates total assets of \$7,233,014 and \$7,203,542, respectively. Liabilities and stockholder's equity were listed at \$7,233,014 and \$7,203,542 for September 30 and June 30, 1987, respectively.

COUNTY AND STATE PLANS AND PROGRAMS

37. The Property is located within the State Land Use Agricultural District, as reflected on Land Use District Boundary Map H-15, Puu Hinai.

38. The County of Hawaii's General Plan Land Use Pattern Allocation Guide (LUPAG) map currently designates the Property for Extensive Agricultural uses. The proposed General Plan Update (April 1987) recommends amending the designation to Urban Expansion.

39. The Property is currently zoned Unplanned, which allows a subdivision density of one lot for every five acres of land. A zoning amendment would be required to implement the Project.

40. No County regional plans have been prepared for South Kohala.

However, County regional plans have been prepared for nearby communities. The North Kohala Community Development Plan ("Plan") makes numerous references to the employment opportunities and economic base which the South Kohala Resorts provide for North Kohala residents. The Plan mentions that additional residential housing is expected in North Kohala for visitor industry employees.

41. The Property is not designated within the County's Special Management Area ("SMA").

NEED FOR THE PROPOSED DEVELOPMENT

42. In 1987 there was a resident population in North Kona and South Kohala of slightly over 33,000 persons. The Petitioner's market consultant, The Hallstrom Appraisal Group, Inc. ("Hallstrom"), projects that the population for this

region will grow to 89,000 persons by the year 2005 and to 103,000 persons by the year 2010. The forecast is an increase of almost 200 percent over the next 22 years and is consistent with the state and county population forecasts for the same period of time.

43. Petitioner forecasts a need for 49,600 residential units in West Hawaii by the year 2010. Since there are approximately 17,000 existing units, it would require the development of approximately 32,500 new units over the next 22 years to meet the projected demand.

44. Approximately 26,000 residential units are currently planned for development in West Hawaii. According to Hallstrom, about 78 percent of these planned projects still have to be either approved or marketed over the next 22 years, which may be an unrealistic occurrence. Hallstrom also anticipates that several of the planned projects will not be completely built by the year 2010.

45. A substantial portion of the new residential development in West Hawaii is aimed at the upper end of the market. Recent residential lots at the Waikoloa Village Community have ranged from \$45,000 to \$60,000, exclusive of house. Improved residences at the Village have ranged in price from \$97,500 to \$295,000. Resales of lots at Kona Bay Estates have ranged from \$200,000 to \$260,000. Vacant lots at Puako Beach Lots subdivision have ranged from \$125,000 to several

hundred thousand dollars while improved lots have ranged from \$115,000 to \$435,000. Vacant lots at the Fairways at Mauna Kea start at approximately \$325,000, while improved residences are in excess of \$440,000 to in excess of \$1,000,000.

46. The most expensive residential market sector in the mauka areas of West Hawaii has been the "gentlemen/equestrian" estates. The prices being obtained for these sites are for vacant "residential-use" lots, ranging from \$50,000 to in excess of \$400,000. Major projects of this nature that are either on-going or proposed, include Kohala Ranch, Maliu Ridge, The Estates at Waimea, Halelio Estates, Puakea Bay Ranch, Puu Lani Ranch, Waiwailani Farms and Waikii Ranch.

47. Hallstrom estimates that an additional 4,589 acres of urban land would be needed to meet the projected housing demand. This additional residential acreage would be required by the year 2010, in addition to the total current undeveloped supply of housing units, to fulfill the need for additional residential housing.

48. Hallstrom estimates that should a significant share of the Project be priced in the low to moderate cost category, some 250 lots and 50 multi-family units would be readily absorbed by the market annually. Hallstrom estimates that the residential portion of the Property would be absorbed within ten years.

49. The U.S. Department of Housing and Urban Development has estimated the 1988 annual median income for a

family of four in the County of Hawaii to be \$28,800. Based on this median income figure, Petitioner estimates that "affordable" ranges of sales prices, based on an interest rate of 10% would be as follows: 80-120% of median income - \$67,611-\$107,620; and 120-140% of median income - \$107,620-\$127,751.

50. The proposed project will add 2,700 units to the residential inventory in West Hawaii. The Petitioner has offered to provide 30% of its units at prices which families with an income range of 80-120% of the County of Hawaii's median income can afford, and an additional 30% of its units at prices which families with an income range of 120-140% of the County of Hawaii's median income can afford.

51. The existing amount of major "Class A" commercial floor space in West Hawaii is about 275,000 square feet. It is anticipated that new or planned commercial space would add another 455,000 square feet of leasable commercial space. This equates to a supply of 88.87 square feet of commercial space in West Hawaii per existing household. If the same level of demand is applied to the Project, the Project would generate a demand for a minimum of 257,723 square feet of retail, restaurant and service space. Using conservative construction ratios, the total demand for commercial acreage would be 17.75 acres during the development of the Property and an additional 17.75 acres for the development of areas beyond the Property.

IMPACT UPON RESOURCES OF THE AREA

Agricultural Resources

52. The State Department of Agriculture does not foresee adverse impacts upon the agricultural resources of the area.

53. The Project will not impact existing agricultural activities since none exist on the Property. The Project will not adversely affect the growth of diversified agriculture, given the extremely poor quality of the soils, lack of rainfall, and the lack of low-cost agricultural water.

Flora and Fauna

54. The Property is characterized by introduced trees such as kiawe and koa-haole and various grasses. A recent biological survey of adjacent lands found no native dry land forest remnants.

55. The fauna inhabiting the area include several introduced species of birds which commonly nest in the open grassland such as the Japanese quail, warbling silverbill, gray francolin, and zebra dove. The endemic Hawaiian owl has also been observed in the vicinity. Common animals include the house mouse, mongoose, feral goats and cats.

56. The Project will not have a significant impact on flora and fauna on the Property since the existing flora and fauna are not threatened, rare or endangered.

57. The Property is located in the general area that is subjected to cyclic invasions by field mice. When this occurs, massive control measures including aerial treatments are necessary.

Historical/Archaeological Resources

58. Petitioner's consultant, Archaeological Consultants of Hawaii, Inc. ("ACHI"), conducted a literature search and a reconnaissance survey for the entire Property. The literature search did not reveal any significant sites in the area. The field survey resulted in the discovery of a single site that is not believed to be significant since it is of recent construction and is possibly associated with contemporary hiking or hunting activities.

59. Petitioner anticipates no impacts from the Project on significant archaeological sites since none were found on the property.

60. ACHI concluded that based on their findings, an intensive survey of the remainder of the 3,000-acre master-planned community could not be justified. However, ACHI recommended that Petitioner conduct a selective archaeological monitoring program to be carried out during the early stages of site construction.

61. In their memorandum to the Department of Business and Economic Development dated January 20, 1988, the Department of Land and Natural Resources recommended that Petitioner have

an archaeologist on-call in case lava tubes containing historic remains are found.

Visual Resources

62. The Property extends along the mauka side of the Queen Kaahumanu Highway for a distance of approximately 2.3 miles and inland for approximately 1.8 miles.

63. Petitioner believes the proposed Project will have little, if any, visual impact on views seen from Queen Kaahumanu Highway, and that the Project will be a visually appealing community with over 500 acres, or nearly one-half of the Property, allocated to parks, golf course and a natural open space buffer.

64. Petitioner proposes to provide a natural open space buffer area along the boundary of the Property fronting the Queen Kaahumanu Highway right-of-way. This buffer area will preserve and protect natural open space and scenic views. The buffer area will be comprised of approximately 225 acres, and extend inland from the highway to a depth of approximately 1,200 feet.

65. This natural open space buffer area will be retained in perpetuity by Petitioner.

Air Quality

66. The leeward side of the island of Hawaii has no air quality monitoring stations.

The worst air pollution episodes experienced on the island are due to periodic volcanic eruptions. Visibility is

affected by the presence of fine particulates, and substantial increases in ambient concentrations of mercury and sulfur dioxide have been recorded during eruptions.

67. Petitioner anticipates that construction activity will cause short-term impacts in the form of dust, and that the dust can be controlled by adequate mitigation measures.

68. The primary source of long-term air pollution is anticipated to come from automotive emissions due primarily to queuing of vehicles attempting to make turning movements at the Mauna Lani Drive and Queen Kaahumanu Highway intersection.

69. The proposed Project will include roadway improvements such as turning lanes and possibly signalization to minimize the queuing of vehicles at intersections.

70. The State Department of Health (hereinafter "DOH") is concerned about the long-term cumulative impacts on the ambient air quality caused by increased traffic volumes from all projects in the area. DOH recommends that an air quality impact study be conducted based on the traffic impact assessment report and the recommendations proposed by Petitioner.

Noise Impact

71. The primary noise generator in the vicinity of the Property is anticipated to be vehicular traffic. A previous study prepared in 1985 by Y. Ebisu & Associates, measured noise levels during peak traffic hours. The noise

level measured below 55 Ldn beyond 110 feet from the centerline of Queen Kaahumanu Highway, and below 55 Ldn along the internal roadways of the Mauna Lani Resort.

72. Petitioner anticipates the Project will increase noise in the short-term due to construction activities. Construction noises may be reduced by the use of mufflers and the operation of machinery during normal daytime hours and the regular work week.

73. Petitioner states that long-term noise increases is anticipated to occur from increased traffic that is generated by the proposed Project. Noise impacts along the Queen Kaahumanu Highway will be mitigated by the natural open space buffer zones and by establishing appropriate building setbacks.

ADEQUACY OF PUBLIC SERVICES AND FACILITIES

Water Service

74. Petitioner estimates that full development of the Property will require approximately 1.5 million gallons per day of potable water and approximately 1.0 million gallons per day of irrigation water for the golf course.

75. There is no existing water supply system on the Property. The County's Lalamilo well system consists of three deep wells located approximately three miles north of Waikoloa Village. This system has a small reservoir and a 24-inch line that supplies water to the shoreline community of Puako and to the Mauna Lani and Sheraton Resorts.

76. Petitioner's engineering consultant, R.M. Towill Corporation, recommends that on-site wells be drilled at the southeast corner of the Property to produce water that could possibly be potable, and would be suitable for irrigation of the golf course.

77. Petitioner will drill a test well on its property at Ouli which is located off of the Kawaihae-Waimea road, starting at an elevation of approximately 1,200 feet and ending at an elevation of approximately 1,600 feet. Petitioner has obtained a well drilling permit from the Department of Land and Natural Resources and drilling of a test well should commence in the near future. Petitioner's consultant anticipates that there is a very high probability of finding potable water on the Ouli property, and that this water source provides a very good opportunity to obtain potable water.

78. Petitioner's consultant believes that the sustainable yield and chloride levels of other wells in the area, such as the Lalamilo well system, would not be affected by the development of a water source on the Ouli property.

79. Petitioner proposes to construct two separate brackish water systems located at about the 600-foot elevation on the Property. In addition, a 2.1 million gallon well system would be developed on the Ouli property. These improvements would accommodate the proposed Project, as well as future expansion of the Project into the balance of the 3,000-acre project.

80. Petitioner proposes to route the water transmission line across the State-owned land at Lalamilo, across the California Kohala parcel and into the Property. There is also the possibility that the transmission line could be co-located within an existing County Department of Water Supply easement that runs across the State-owned land, and along the public utility easement that runs along the Queen Kaahumanu Highway corridor. The Petitioner has not obtained an easement for its proposed water transmission line.

Drainage

81. Petitioner's engineering consultant believes that due to the high permeability of the lava in the Property, neither offsite nor onsite drainage is anticipated to be a problem. Two large culverts exist on the Property where dry gulches pass under the Queen Kaahumanu Highway. Despite the large culvert sizes, however, there is no physical evidence of actual stream flow in the gulches and it appears that the gulches are the product of lava flows rather than storm flow runoff.

82. The only potential floodways are located within the existing gulches. The gulches have been designed to be part of the golf course or kept in open space use. Discussions with the County Department of Public Works indicates that no major drainage requirements will be necessary. The on-site drainage will be handled by dry wells.

83. Petitioner anticipates that the impact to downstream areas will be negligible. Petitioner will undertake drainage studies at the appropriate time in the design process.

84. The State Department of Transportation states that a drainage study should be prepared for the proposed development and that no additional storm runoff will be allowed on the state's right-of-way.

Sewage Treatment and Disposal

85. Petitioner's engineering consultant estimates that the Project would generate approximately 0.9 million gallons of wastewater per day.

86. There are no existing or planned County wastewater systems in the South Kohala district. The major resorts in the area operate private collection and treatment systems.

87. Petitioner proposes to develop a collection system and an aerated lagoon treatment plant. The treated effluent will be used to irrigate the golf course. The treatment plant will be designed and operated to meet the requirements of the DOH.

88. The DOH is concerned about the use of treated wastewater for the irrigation of the golf course. The DOH points out that if spray irrigation is to be used, Petitioner should address the establishment of buffer zones, degree of wastewater treatment, wind speed and perhaps drip irrigation along the fringe areas of habitation.

89. The DOH is also concerned that with commercial development there is a potential for the discharge of toxins entering or passing through the wastewater treatment facility. According to DOH it may be necessary to establish pretreatment systems for commercial facilities in order to assure proper operation of the proposed treatment system.

Roadway and Highway Services and Facilities

90. The Property is adjacent to the Queen Kaahumanu Highway, a two-lane Class I State highway with a posted speed limit of 55 mph and a design capacity of 1,800 to 2,000 vehicles per hour along open stretches of the roadway. This limited access highway extends 38 miles from Kawaihae to Kailua-Kona.

91. Mamalahoa Highway, a two-way State highway, serves the upland areas of North Kona and South Kohala. A private road (Waikoloa Village Road) and a County road (Waimea-Kawaihae Road) connect the Mamalahoa Highway with the Queen Kaahumanu Highway in the vicinity of the Project site.

92. Petitioner proposes to provide access via two intersections onto Queen Kaahumanu Highway. The two existing highway access points are at the Mauna Lani Resort intersection and at a location approximately 1,000 feet south of the Mauna Lani Resort intersection on the master plan for the proposed Project.

93. The roadnet in the proposed Project is approximately 40,000 lineal feet or 7.6 miles, including major

roadways leading to the town center and the State highway. Major roadways will include a separate path system for use by pedestrians and cyclists.

94. Petitioner's traffic consultant, Pacific Planning and Engineering, Inc. ("Pacific"), utilized available existing land use data, as well as other future planning data that was available for the year 2000 and the Department of Transportation forecasts for Keahole airport passengers to analyze the trends along Queen Kaahumanu Highway. Pacific projected that the Phase I development will generate 3,552 trip ends. This projection included approximately 620 trip ends to be generated by the now deleted proposed industrial use area. Pacific's projections indicate, however, that the Project will have an impact on Queen Kaahumanu Highway. Regardless of whether or not the proposed Project is developed, Queen Kaahumanu Highway would be operating at or near capacity by the year 2000.

95. The State Department of Transportation (DOT) stated that they had reviewed the Petitioner's Traffic Impact Assessment Report and had the following comments:

"1. A fully channelized intersection with deceleration, acceleration, and left turn storage lanes conforming to current design standards should be constructed by the developer. Traffic signals should be installed by the developer when warranted and if deemed necessary by DOT.

"2. Queen Kaahumanu Highway will be widened to a four-lane divided highway. The developer must coordinate his activities with the State Highways Division and reflect this type of highway facility in his intersection analysis and

schemes. The developer shall share in the cost of constructing the four-lane divided highway.

"3. The developer shall periodically monitor the traffic at the development's access to determine if any additional highway improvement will be necessary. We want written confirmation that the developer will perform the monitoring.

"4. To mitigate visual impacts, the new utility line fronting and leading to the development must be placed underground.

"5. This project should be coordinated with other developments in the area. Internal stub road layout must consider the eventual connection with adjacent developments.

"6. The developer should abide by the written agreement dated July 31, 1987 between the state and the applicant regarding Preservation, Protection and Maintenance of Abutting State Property.

"7. The developer should be informed that we are seriously concerned about the effects of developers such as Signal Puako on downstream sections of our highway system. Consequently, we will be considering methods to obtain developer assistance to fund needed improvements.

"8. The developer should consider implementing traffic management programs such as ridesharing, subscription bus service, vanpools, carpool computer matching service, provision of park-and-ride and daycare facilities, etc., as appropriate."

96. Petitioner proposes to construct channelized intersections and to possibly install traffic signals at such time as they may be warranted. Pacific projects that with traffic signals, the affected roadways would operate below capacity, and the traffic from the Project would be mitigated to acceptable levels. Petitioner anticipates that signalization would eventually be required at the Mauna Lani Drive/Queen Kaahumanu Highway intersection by the year 2000 regardless of whether or not the proposed development occurs.

Schools

97. The South Kohala District is served by one public elementary/intermediate school (Waimea Elementary and Intermediate) and three private schools (Kamuela Montessori, Hawaii Preparatory Academy and Parker School). The major public high school for the region is Honoka'a High School.

98. Petitioner estimates the proposed Project would generate approximately 300 to 400 elementary/intermediate students and 120 to 180 high school students. The existing public schools in the region are operating at capacity and would not be able to accommodate the anticipated enrollment.

99. Petitioner will provide, at no cost to the State, a maximum of sixteen acres within the Property for public school sites, as the Department of Education may determine to be necessary to service the Property.

Electrical Power and Communication

100. The Hawaii Electric Light Company, a subsidiary of Hawaiian Electric Company, services the existing resort areas with 69 KV overhead lines extending south from the power lines in the Waimea-Kawaihae corridor.

101. The existing electrical system can adequately accommodate the proposed Project. The existing 69KV overhead power lines can be extended to a new substation in the mauka sector of the Property from the Waikoloa substation. Overhead lines will distribute power from this substation throughout the Property along the proposed roadway network.

102. Telecommunications at each of the neighboring resort areas is by means of Hawaiian Telephone Company's microwave link connecting the microwave tower facility in North Kohala with a microwave tower facility located centrally in each resort.

103. A microwave tower can be located in the town center for the distribution of telephone lines and cable TV lines along the overhead power line distribution system.

Solid Waste

104. Petitioner estimates that the Project would generate approximately 21 tons per day of solid waste.

105. Petitioner proposes that a private collection system would be utilized to dispose of the solid waste at the Kailua-Kona landfill or the Puuanahulu landfill.

106. The County's Kailua-Kona landfill site will serve the North Kona and South Kohala area until it reaches capacity. A new County landfill will be located in the Puuanahulu area of North Kona. The new 300-acre landfill is expected to be operational by 1990.

Health Care Facilities

107. There are three State hospitals that could serve the needs of residents of the Project: 1) Kona Hospital, 2) Kohala Hospital, and 3) Honoka'a Hospital. One private facility, the Lucy Henriques Medical Center, is also available to provide outpatient health services including emergency room treatment.

108. The Kona Hospital or the Lucy Henriques Medical Center can provide emergency care for future occupants of the Project. However, both hospitals will require upgrading to provide adequate full service care. Planning measures by the State and the private hospital are underway to upgrade facilities.

Fire and Police Services

109. The Project would be serviced by the new County fire station that is located within one mile from the Property with a response time of less than five minutes. Back-up fire protection is available from the County's Waimea fire station with a response time of about 40 minutes.

110. The County Fire Department confirmed that the new fire station can adequately serve the Project.

111. The County Police Station in Waimea serves the South Kohala area. Other police facilities include the Kapa'au station, which serves the North Kohala area, and the Kona station at Captain Cook in North Kona.

112. The County Police Department would have to assess the need for additional police personnel based on the projected increase in population and traffic that would be generated by the Project.

Parks and Recreation

113. A diversity of public and private recreational facilities exist in the vicinity of the proposed Project.

Public beach parks include Samuel Spencer Beach Park, Hapuna Recreation Area, Mahukona Beach Park, Kapa'a Beach Park, Keokea Beach Park. Private rights-of-way to the beach that are available to the public are located at the Mauna Lani Resort, the Sheraton Waikoloa Resort and the Mauna Kea Beach Resort.

114. The resident population of the Project will increase usage of existing offsite recreational facilities. the Project would also add one golf course, and over 40 acres of park area to the region.

115. The total proposed park area meets the county's park dedication target ratio of 5 acres per thousand residents.

SOCIOECONOMIC CONSIDERATIONS

116. Petitioner's consultant, Decision Analysts Hawaii, Inc., estimates that the Project would generate approximately 230 construction jobs during construction of the Project.

117. Petitioner estimates that the proposed commercial development and the golf course will generate direct employment of 435 jobs. In addition, the on-site community facilities and maintenance of homes and common areas are estimated to generate approximately 665 jobs.

118. Petitioner estimates that the Project would generate for the County a net revenue of about \$0.2 million annually.

119. Petitioner estimates that the Project would generate \$9.3 million in revenues annually for the State. In

addition, State revenues from the construction activity of developing the Project would be approximately \$27 million that would be collected over about a ten year period.

120. State expenditures that would be generated by the proposed Project are estimated to be approximately \$8.1 million annually. These expenditures include operations and maintenance expenses as well as the debt service on school improvements. The net revenue from the project for the State is estimated to be \$1.2 million annually.

121. According to the Petitioner, the proposed project would not add to the financial burden of the State or the County. The project will accommodate the population growth that is already being planned for West Hawaii. It will affect the geographic distribution of where the population growth occurs. Correspondingly, the project will affect the location of infrastructure improvements and the amount of infrastructure development. The project has certain advantages since it is a master planned community - being relatively compact, it can reduce the infrastructure and service cost compared to that of more scattered development; in addition, the developer will be providing most of the needed infrastructure including roads, water, drainage and sewers.

INCREMENTAL DISTRICTING

122. The Petitioner proposes to develop the proposed Project over approximately a ten year period, from 1992 to

2002. Infrastructure development would be phased, with major infrastructure development and the golf course being constructed up-front in the early phases of development.

CONFORMANCE TO STATE LAND USE POLICIES AND CONTROLS

Hawaii State Plan

123. The proposed reclassification conforms with the objectives and policies set forth in the Hawaii State Plan Chapter 226, HRS:

- 226-19(2)(1) Greater opportunities for Hawaii's people to secure reasonably priced, safe, sanitary, livable homes located in suitable environments that satisfactorily accommodate the needs and desires of residential areas sensitive to community needs and other land uses.
- 226-19(2)(2) The orderly development of residential areas sensitive to community needs and other land uses.
- 226-19(b)(1) Effectively accommodate the housing needs of Hawaii's people.
- 226-19(b)(2) Stimulate and promote feasible approaches that increase housing choices for low-income, moderate-income, and gap-group households.
- 226-19(b)(3) Increase homeownership and rental opportunities and choices in terms of quality, location, cost, densities, style, and size of housing.
- 226-19(b)(4) Promote design and location of housing developments taking into account the physical setting, accessibility to public facilities and services, and other concerns of existing communities and surrounding areas."
- 226-106(a) Seek to use marginal or non-essential agricultural land and public land to meet housing needs of low and moderate-income and gap-group households."

Petitioner's Project conforms with the State Plan's encouragement of housing development, especially affordable

housing. Where housing conflicts with agricultural goals, the State Plan Priority Guidelines favor housing if the affected agricultural lands are marginal or nonessential. Besides diversified housing opportunities, the proposed Project will also provide diversified employment opportunities through the proposed commercial development, golf course, and public facilities.

- 226-5(b) (1) Manage population growth statewide in a manner that provides increased opportunities for Hawaii's people to pursue their physical, social and economic aspirations while recognizing the unique needs of each county.
- 226-5(b) (2) Encourage an increase in economic activities and employment opportunities on the Neighbor Island consistent with community needs and desires."
- 226-104(b) (1) Encourage urban growth primarily to existing urban areas where adequate public facilities are already available or can be provided with reasonable public expenditures and away from areas where other important benefits are present, such as protection of important agricultural land or preservation of lifestyles.
- 226-104(b) (2) Make available marginal or non-essential agricultural lands for appropriate urban uses while maintaining agricultural lands of importance in the agricultural district.
- 226-104(b) (3) Seek participation from the private sector for the cost of building infrastructure and utilities, and maintaining open spaces.
- 226-104(b) (4) Direct future urban development away from critical environmental areas or impose mitigating measures so that negative impacts on the environment would be minimized.
- 226-104(b) (5) Utilize Hawaii's limited land resources wisely, providing adequate land to accommodate projected population and economic growth needs

while ensuring the protection of the environment and the availability of the shoreline, conservation lands, and other limited resources for future generations.

226-104(b)(6) Protect and enhance Hawaii's shoreline, open spaces and scenic resources."

The State Plan encourages decentralizing growth from Oahu to appropriate areas on the Neighbor Islands. The proposed Project conforms to this population objective by providing housing on one of the Neighborhood Islands. The project also conforms with other location guidelines set forth in the State Plan: adequate public facilities already exist or can be reasonably provided, the land has marginal agricultural value, the site is nearly contiguous to existing urban land, the site contains no critical environmental resources, and the site is not located on the shoreline or other scenic area. In addition, Petitioner has proposed to establish significant natural, open space buffer areas that would protect and retain the existing open space and scenic resources of the area.

226-14(b)(1) Accommodate the needs of Hawaii's people through coordination of facility systems and capital improvement priorities in consonance with State and County plans.

226-104(a)(1) Encourage planning and resource management to insure that population growth rates throughout the State are consistent with available and planned resource capacities and reflect the needs and desires of Hawaii's people.

226-104(a)(2) Manage a growth rate for Hawaii's economy that will parallel future employment needs for Hawaii's people.

226-104(a)(3) Ensure that adequate support services and facilities are provided to accommodate the desired distribution of future growth throughout the State.

The proposed project conforms to the State Plan's objectives and policies for facility systems and its population growth and land resources priority guidelines. The project is appropriately timed to parallel future employment needs in the region. In addition, adequate support services and facilities already exist or can be reasonably provided.

State Functional Plans

124. The Project conforms with implementing actions in the State Functional Plans:

a. State Tourism Functional Plan.

The following implementing actions in this functional plan are related to the proposed Project:

"B(4) Policy. Ensure that visitor facilities and destination areas are carefully planned and sensitive to existing neighboring communities and activities.

B(4)(e) Implementing Action. Resort development should take place within designated visitor destination areas.

B(4)(c) Implementing Action. Ensure the construction, as necessary in connection with both new hotel and large resort condominium projects, of affordable dwelling units adequate to accommodate employee households."

The Project is compatible with resort developments in the area. The proposed commercial area would provide support amenities, while the residential units would provide housing opportunities for employees of the resorts.

b. State Housing Functional Plan.

The following implementing actions in the State Housing Functional Plan are directly related to the proposed Project:

"AA(2)(c) Implementing Action. Encourage the use of opportunities and incentives in the State Land Use redistricting process to provide lands or homes for affordable or assisted housing development.

B(1)(c) Implementing Action. Encourage and assist in the development of rental housing for employees of large businesses and industries outside of urban areas."

The proposed Project will provide a variety of rental and fee simple housing opportunities for employees of the growing number of resorts in the region.

Conformance With Urban District Standards

125. Petitioner's proposed reclassification conforms to the State Land Use District Regulations for determining Urban District Boundaries as follows:

A. The Property is centrally located near major resort developments and major employment centers in the region. In addition, the Project will generate new centers of employment within the commercial area, golf course and public facilities areas.

B. Petitioner has presented evidence in support of the economic feasibility of the development of the Property.

C. Basic services such as transportation systems, and police and fire protection, already exist in proximity to the Project. In addition, services such as water, sanitation, schools and parks, will be provided by the developer.

D. The Property is reasonably free from the danger of floods, tsunami, unstable soil conditions, and other natural hazards.

E. The proposed County General Plan Update envisions a concentration of urban development along the coast from Anaehoomalu Bay to Kawaihae and mauka to include the Waikoloa Village. The proposed Project sits in the middle of this urban concentration between the Waikoloa Village and the coastal development.

F. The Project is located near to existing urban development and projected urban expansion. Public infrastructure to support the existing and projected urban development are either already available or will be provided by Petitioner. Public revenues that are generated by the Project would exceed the expenditures required to construct or operate the public facilities and services that would be required for the Project.

CONFORMANCE TO COASTAL ZONE POLICIES AND OBJECTIVES

126. The proposed reclassification of the Property for the development of the Project conforms to the policies and objectives of the Coastal Zone Management Program Chapter 205A, Hawaii Revised Statutes, as amended.

RULING ON STIPULATED AND PROPOSED FINDINGS OF FACT

Any of the stipulated or 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.

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 and approximately shown on Exhibit "A" attached hereto and incorporated by reference herein, consisting of approximately 1,060 acres of land situate at Waikoloa, South Kohala, County and State of Hawaii, from the Agricultural District into the Urban District, subject to the conditions in the Order, is reasonable, non-violative of Section 205-2, Hawaii Revised Statutes and is consistent with the Hawaii State Plan as set forth in Chapter 226, Hawaii Revised Statutes, as amended.

ORDER

IT IS HEREBY ORDERED that the Property, consisting of approximately 1,060 acres, being the subject of this Docket No. A87-617 by Signal Puako Corporation, situate at Waikoloa, South Kohala, County and State of Hawaii, and identified as Hawaii Tax Map Key Numbers: 6-8-01: portion of 25, portion of 36, portion of 37, portion of 38, portion of 39, portion of 40, 41 and 42, and approximately identified on Exhibit "A", attached

hereto and incorporated by reference herein, for reclassification from the Agricultural District to the Urban District, shall be and is hereby approved subject to the following conditions:

1. Petitioner shall provide housing opportunities for low, low-moderate, and moderate income Hawaii residents by offering for sale at least thirty percent (30%) of the units at prices which families with an income range up to one hundred twenty percent (120%) of the County of Hawaii's median income can afford, and thirty percent (30%) of the units at prices which families with an income range of one hundred twenty to one hundred forty percent (120-140%) of the County of Hawaii's median income can afford.

This condition may be fulfilled through projects under such terms as may be mutually agreeable between the Petitioner and the Housing Finance and Development Corporation of the State of Hawaii. This condition may also be fulfilled, with the approval of the Housing Finance and Development Corporation, through construction of rental units to be made available at rents which families in the specified income ranges can afford.

This affordable housing requirement shall be implemented concurrently with the completion of the market units for the residential project. The determination of median income, as that term is used in this condition, shall be based

on median income figures that exist at the time that this condition must be implemented.

2. Petitioner shall develop, at its expense and in coordination with the State Department of Land and Natural Resources and the County of Hawaii Department of Water Supply, the necessary water source, storage, and transmission facilities to provide an adequate supply of potable water to the Property prior to development of the Property.

3. Petitioner shall ensure that a buffer area along the boundary of the Property fronting the Queen Kaahumanu Highway right-of-way will be preserved to protect natural open space and scenic views. This buffer area shall be preserved in perpetuity either through the establishment of a conservation easement pursuant to Chapter 198, HRS, as amended, or such other means as shall be reviewed and approved by the Office of State Planning of the State of Hawaii.

The buffer area shall be comprised of approximately two hundred twenty-five (225) acres and shall extend inland from the Queen Kaahumanu Highway right-of-way to a depth of approximately one thousand two hundred (1,200) feet. The depth of the buffer area may vary and the actual boundary lines of the buffer area may meander to a lesser or greater depth to accommodate the Project's development plan and preservation of natural open space and scenic views. Exceptions shall be made for infrastructure improvements or corridors that may be

necessary to service the developed portions of the Property. The approximate boundaries of the natural open space buffer area are reflected in Petitioner's Exhibit LL which is attached hereto and incorporated herein as Exhibit B.

4. Petitioner shall participate in the funding and construction of present and future transportation improvements at project access points as identified and deemed necessary by the State Department of Transportation. Such improvements may include a highway overpass or underpass. Petitioner shall also participate in the funding and construction of other on-site and off-site transportation improvements necessitated by the proposed development and in designs and schedules accepted by and coordinated with the State Department of Transportation, provided that the extent of the Petitioner's participation shall not exceed its share of the increased community traffic impacts in the region and, provided further that, in the event the County adopts an impact fee for transportation improvements, the foregoing requirements shall not include or double-count the cost of any specific traffic improvements which may also be included in the County's impact fee computation.

5. Petitioner shall design, locate and construct a sewage treatment plant as may be required by the County of Hawaii and the State Department of Health so as to minimize adverse impacts on adjoining properties.

6. Petitioner shall immediately stop work on the impacted area and contact the State Historic Preservation Office should any archaeological resources such as artifacts, shell, bone, or charcoal deposits, human burial, rock or coral alignments, paving or walls be encountered during the Project's development.

7. Petitioner shall provide a maximum of sixteen (16) acres within the Property for public school site(s), as the State Department of Education may determine to be necessary to service the Property, at no cost to the State of Hawaii. These school site(s) shall be provided, if there is a need for such site(s), in location(s) designated for community facilities on Petitioner's master plan, or in location(s) as may be mutually agreeable to the Petitioner and the State Department of Education.

8. Petitioner shall provide annual reports to the Land Use Commission, The Office of State Planning and the County of Hawaii Planning Department in connection with the status of the Project and Petitioner's progress in complying with the conditions imposed.

9. Petitioner shall develop the Property in substantial compliance with representations made to the Land Use Commission in obtaining the reclassification of the Property.

10. Petitioner shall give notice to the Land Use Commission of any intent to sell, lease, assign, place in

trust, or otherwise voluntarily alter the ownership interest in the Property covered in the petition, prior to development of the Property.

11. The Commission may fully or partially release these conditions as to all or any portion of the Property upon timely, and upon the provision of adequate assurance of satisfaction of these conditions by the Petitioner.

DOCKET NO. A87-617 - SIGNAL PUAKO CORPORATION

Done at Honolulu, Hawaii, this 17th day of January 1989,
per motions on December 2, 1988 and January 11, 1989.

LAND USE COMMISSION
STATE OF HAWAII

By *Renton L. K. Nip*
RENTON L. K. NIP
Chairman and Commissioner

By *Lawrence F. Chun*
LAWRENCE F. CHUN
Vice Chairman and Commissioner

By *Allen K. Hoe*
ALLEN K. HOE
Commissioner

By *Toru Suzuki*
TORU SUZUKI
Commissioner

By *T. Tacbian*
TEOFILO PHIL TACBIAN
Commissioner

By *Allen Y. Kajioka*
ALLEN Y. KAJIOKA
Commissioner

By *Frederick P. Whittemore*
FREDERICK P. WHITTEMORE
Commissioner

By *Robert S. Tamaye*
ROBERT S. TAMAYE
Commissioner

Filed and effective on
January 17, 1989

Certified by:

Robert S. Tamaye
Executive Officer

A88 - 617 / .SIGNAL PUAKO CORPORATION

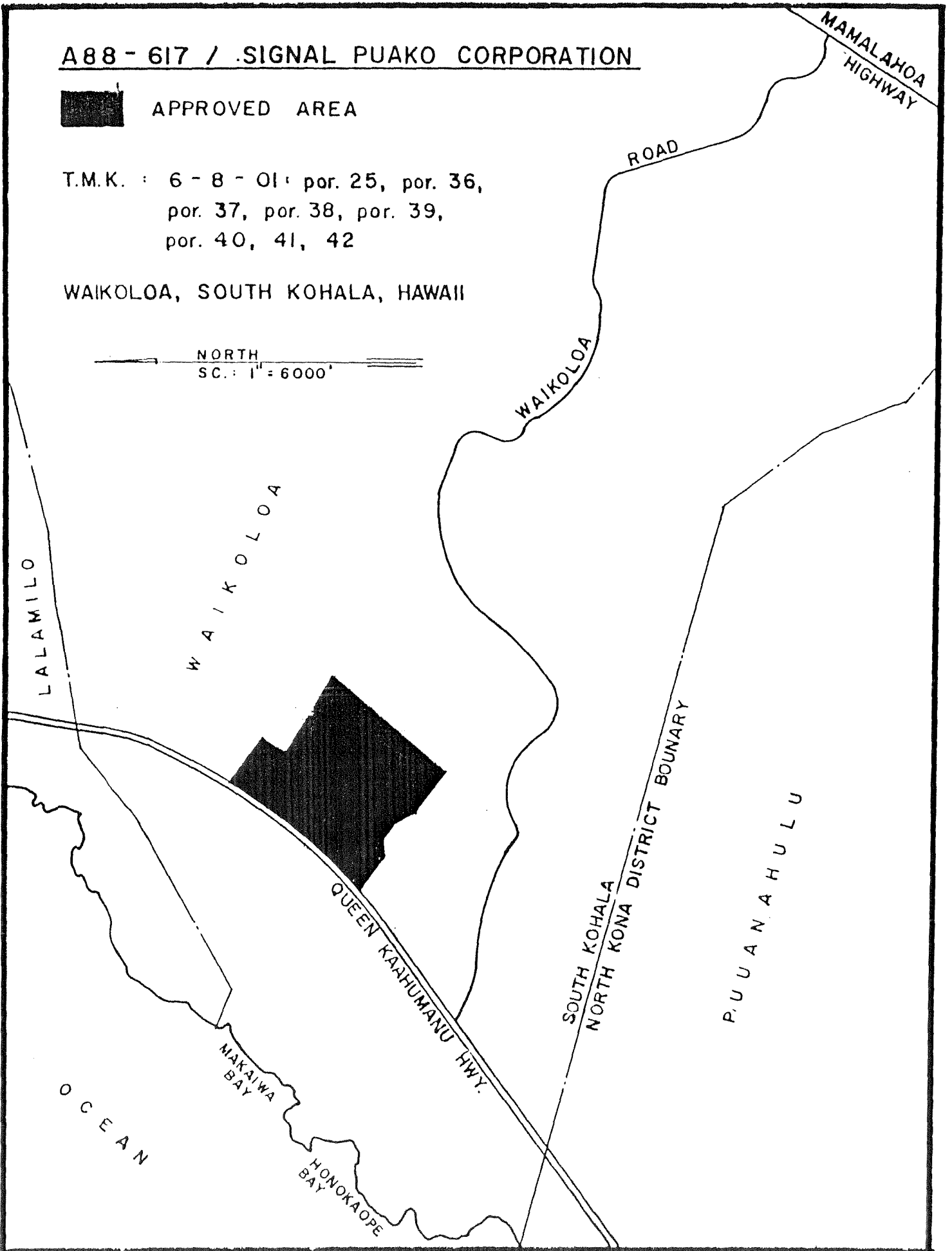


APPROVED AREA

T.M.K. : 6 - 8 - 01 : por. 25, por. 36,
por. 37, por. 38, por. 39,
por. 40, 41, 42

WAIKOLOA, SOUTH KOHALA, HAWAII

NORTH
SC. : 1" = 6000'



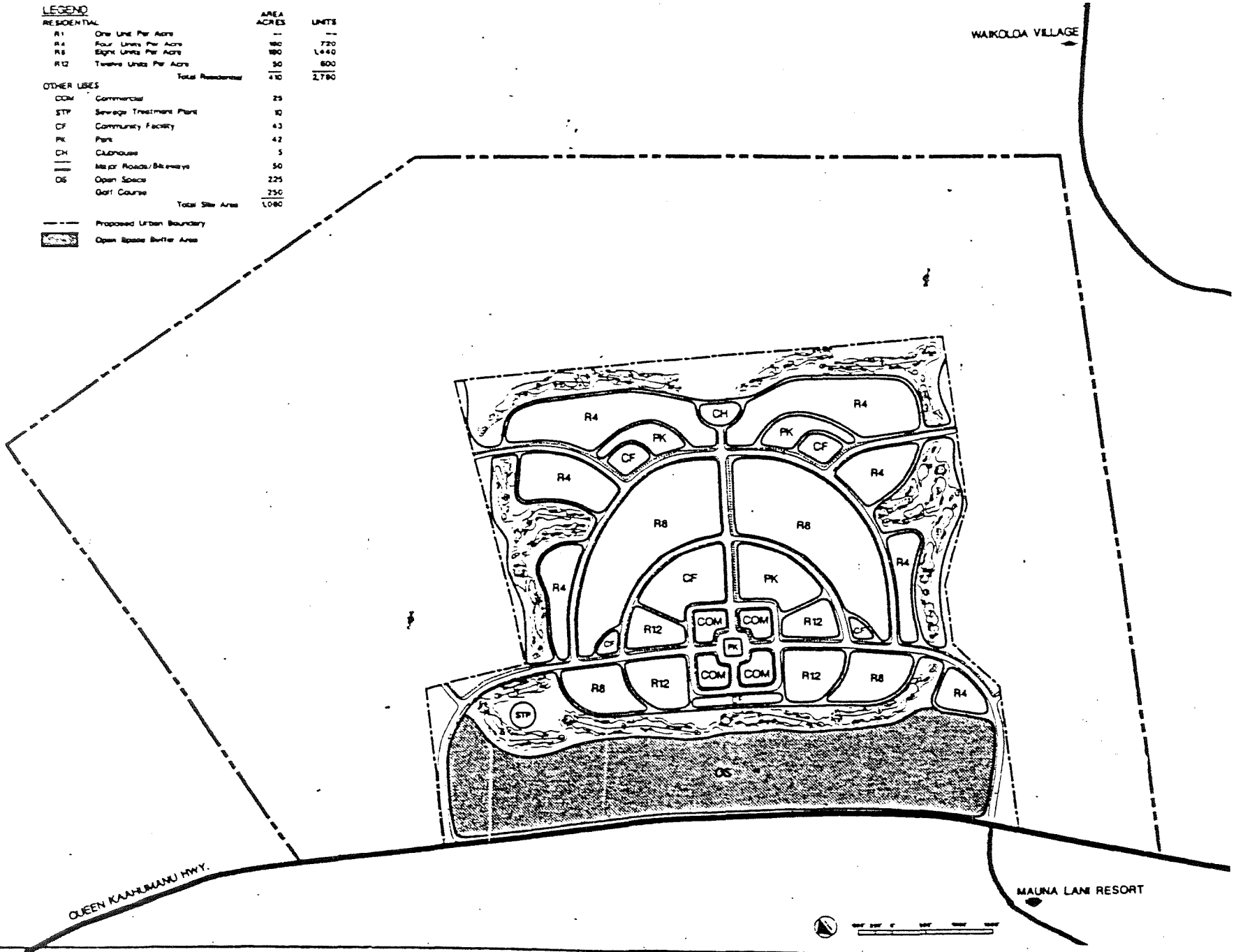
GROUP TO
 Architects
 Planners
 Interior Designers
 204 Kalia St.
 Honolulu, HI 96813
 PH: 808-520-5864

LEGEND

RESIDENTIAL		AREA ACRES	UNITS
R1	One Unit Per Acre	---	---
R4	Four Units Per Acre	180	720
R8	Eight Units Per Acre	180	1,440
R12	Twelve Units Per Acre	30	360
Total Residential		470	2,760

OTHER USES		AREA ACRES	UNITS
COM	Commercial	23	---
STP	Sewage Treatment Plant	10	---
CF	Community Facility	43	---
PK	Park	42	---
CH	Clubhouse	5	---
---	Major Roads/Highways	50	---
OS	Open Spaces	225	---
---	Golf Course	250	---
Total Site Area		1,080	---

--- Proposed Urban Boundary
 [Hatched Box] Open Space Buffer Area



SIGNAL PUAKO CORPORATION
 CONCEPTUAL MASTER PLAN - PHASE 1

"Exhibit LL"

EXHIBIT B

BEFORE THE LAND USE COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Petition of) DOCKET NO. A87-617
)
SIGNAL PUAKO CORPORATION) SIGNAL PUAKO CORPORATION
)
To Amend the Agricultural Land)
Use District Boundary into the)
Urban Land Use District for)
Approximately 1,060 Acres of)
Land Situate at Waikoloa, South)
Kohala, Island, County and State)
of Hawaii, Tax Map Key Nos.:)
6-8-01: Portion 25, Portion 36,)
Portion 37, Portion 38, Portion)
39, Portion 40, 41, 42)
_____)

CERTIFICATE OF SERVICE

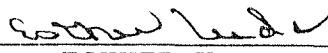
I hereby certify that a copy of the Findings of Fact, Conclusions of Law, and Decision and Order was served upon the following by either hand delivery or depositing the same in the U. S. Postal Service by certified mail:

HAROLD S. MASUMOTO, Director
Office of State Planning
State Capitol, Room 410
Honolulu, Hawaii 96813

CERT. DUANE KANUHA, Planning Director
Planning Department, County of Hawaii
25 Aupuni Street
Hilo, Hawaii 96720

CERT. JAN N. SULLIVAN ESQ., Attorney for Petitioner
Takeyama & Sullivan
1188 Bishop Street, Suite 3404
Honolulu, Hawaii 96813

DATED: Honolulu, Hawaii, this 17th day of January 1989.



ESTHER UEDA
Executive Officer