BEFORE THE LAND USE COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Petition of

KAONOULU RANCH To Amend the
Agricultural Land Use District Boundary into
the Urban Land Use District for approximately
88 acres at Kaonoulu, Makawao-Wailuku,
Maui, Hawaii; Tax Map Key Nos. 2-2-02:por.
of 15 and 3-9-01:16

Docket No. A94-706

SIXTEENTH ANNUAL REPORT OF PIILANI PROMENADE SOUTH,
LLC AND PIILANI PROMENADE NORTH, LLC, SUCCESSOR
PETITIONER TO KAONOULU RANCH

TO THE HONORABLE LAND USE COMMISSION OF THE STATE OF HAWAII:

COMES NOW Piilani Promenade South, LLC ("PPS"), and Piilani Promenade
North, LLC ("PPN") (hereinafter collectively the "Successor Petitioner")¹, successor-in-interest
to MAUI INDUSTRIAL PARTNERS, LLC ("MIP"), in regards to the real property which is the
subject matter of Docket No. A94-706, as referenced above (the "Petition Area"), and pursuant
to Condition No. 17 of the Findings of Fact, Conclusions of Law, and Decision and Order issued
on February 10, 1995 (the "D&O"), hereby submits its Sixteenth annual report of compliance
with the conditions established by said approval as follows:

General Progress of the Project

¹ PPS and PPN are Hawaii limited liability companies and the current owners of six of the seven
parcels encumbered by the D&O. The parcels owned by Piilani are comprised of the following
tax map key parcels: (2) 3-9-001:016 and 170-174, and are referred to collectively hereinafter as
the "Piilani Parcels." The seventh parcel encumbered by the D&O is owned by Honua‘ula
Partners, LLC ("Honua‘ula"). Honua‘ula owns tax map key parcel (2) 3-9-001:169, referred to
hereinafter as the "Honua‘ula Parcel." This Annual Report only addresses the Piilani Parcels.
Successor Petitioner understands that Honua‘ula will file its own separate annual report.
Kaonoulu Ranch (the “Original Petitioner”) obtained a Community Plan Amendment and Change in Zoning for the Petition Area. On May 12, 2005, MIP purchased the fee simple interest in the Petition Area from the Original Petitioner, together with all of the interests in the Petition Area and its entitlements.

MIP actively engaged a consulting team to plan the development of the project consistent with the D&O. MIP also involved the County of Maui and the State of Hawaii Department of Transportation (“SDOT”) in this effort. Subdivision of the Petition Area was applied for in September 2003, and civil construction plans for the Petition Area submitted to the County of Maui in May 2005 addressing all requirements for preliminary subdivision approval. Final bonded subdivision approval was received by MIP on August 14, 2009, for both a large lot subdivision of the Petition Area and for an additional subdivided lot in the Petition Area required for construction of County of Maui water system improvements for the subdivision. A copy of the subdivision approval letter and associated maps are attached hereto as Exhibit “A” for reference. Subsequent to the finalization of the large lot subdivision, PPS and PPN (i.e., the Successor Petitioner), purchased the Piilani Parcels from MIP. Lot 2A was bought by PPN, and Lots C and D were bought by PPS, as indicated on said Exhibit “A”

On April 11, 2012 and April 18, 2012, Maui County issued to Successor Petitioner two grading permits, placing Successor Petitioner in a position to begin construction of on-site and off-site infrastructure for the Piilani Parcels. The infrastructure which Successor Petitioner has committed to construct includes, but is not limited to, bikeways, sidewalks, a 1,000,000 gallon capacity water tank, drainage improvements, wastewater connections, a portion of the Kihei-Upcountry Highway (i.e., East Kaonoulu Street) to be constructed within the Petition Area, signalization along Piilani Highway, an electrical substation site for Maui Electric Company
(MECO), and easements for future electricity service in the area. Commencement of this work has been delayed because of the filing of a number of administrative challenges to Successor Petitioner’s proposed project, including the issuance of an Order to Show Cause by the Commission.

Piilani formulated a conceptual plan for a retail outlet center to be developed on the Piilani Parcels, which is known and marketed as Piilani Promenade. A copy of Piilani’s conceptual plan is attached hereto as Exhibit “B”. Because the conceptual plan is conceptual in nature, the precise configuration of the on-site improvements to be constructed and the mix of tenants will depend upon, and be largely determined by, the commercial real estate market after infrastructure for the Piilani Promenade is completed and all necessary building permits and approvals for Piilani Promenade have been obtained. The Piilani Promenade conceptual plan includes space for uses which are classified light industrial and would provide for the sale of goods and services to contractors and also to the general public.

This Sixteenth Annual Report addresses compliance with the conditions of approval in the D&O for the Piilani Parcels.

Report on Compliance with Conditions Imposed by Commission

The following states whether the conditions in the approval have been met:

1. **The Petitioner shall obtain a Community Plan Amendment and Change in Zoning from the County of Maui.**

   The Community Plan Amendment was approved on March 20, 1998, and the Change in Zoning application was approved by the Maui County Council and became effective on May 25, 1999.

2. **Petitioner shall cooperate with the State Department of Health and the County of Maui Department of Public Works and Waste Management to conform to**
the program goals and objectives of the Integrated Solid Waste Management Act, Chapter 342G, Hawaii Revised Statutes.

Successor Petitioner intends to cooperate when applicable with the State Department of Health and the Department of Public Works and Environmental Management, formerly a part of the Department of Public Works and Waste Management.

3. Petitioner shall contribute its pro-rata share to fund and construct adequate wastewater treatment, transmission and disposal facilities, as determined by the State Department of Health and the County of Maui Department of Public Works and Waste Management.

Successor Petitioner intends to contribute its pro-rata share to fund and construct adequate wastewater treatment, transmission and disposal facilities and in fact have included those plans within the civil construction plans approved by the County of Maui.

4. Petitioner shall fund and construct adequate civil defense measures as determined by the State and County Civil Defense agencies.

Successor Petitioner intends to fund and construct adequate civil defense measures.

5. Petitioner shall fund, design and construct necessary local and regional roadway improvements necessitated by the proposed development in designs and schedules accepted by the State Department of Transportation and the County of Maui. Petitioner shall provide traffic signals at the intersection of Piilani Highway and Kaonolulu Street, and shall submit a warrant study in coordination with the Department of Transportation. Petitioner shall also install a fence and appropriate screening, i.e. landscaping, etc., along the highway right-of-way in coordination with the State Department of Transportation. Petitioner shall provide for a frontage road parallel to Piilani Highway and other connector roads within the Petition Area, in coordination with other developments in the area with the review and approval of the State Department of Transportation and the County of Maui.

Successor Petitioner intends to comply with this condition. Successor Petitioner has received approval of the civil construction plans for the Piilani Promenade project from all of the above-referenced agencies. This approval was granted by the County of Maui in August 2009 after over four (4) years of review and comment by such agencies, and adjustments to the
project in response to such comments. Specific compliance with this condition has been achieved as follows:

1. **Designs Accepted by the State Department of Transportation and County of Maui.** Piilani Highway is a State highway and the future East Kaonoulu Street (a.k.a., the “Kihei-Upcountry Highway”) will also be a State highway. As a consequence, SDOT has reviewed and analyzed the proposed designs for these highway improvements, and accepted those designs as part of the final subdivision approval.

2. **Signal Warrant Study.** A Traffic Impact Assessment Report (“TIAR”) was prepared for the project which identifies the need for traffic signalization at the intersection of Piilani Highway and East Kaonoulu Street. Traffic signals are included in the approved civil construction plans for the Piilani Promenade project. A requirement for final subdivision approval of the Petition Area was that the TIAR be accepted by SDOT; SDOT has accepted the TIAR.

   Subsequently, the TIAR was updated based on Successor Petitioner’s conceptual plans for the Piilani Parcels and with input from the SDOT. Successor Petitioner continues to work with SDOT to address all additional comments SDOT may have regarding the updated TIAR.

3. **Landscaping and Fencing.** The landscape plans for the frontage along Piilani Highway and East Kaonoulu Street have been approved by the Maui County Arborist Committee and SDOT, and address the requirements of this condition.
4. **Frontage Road.** Condition 5 provides that Successor Petitioner shall provide a frontage road parallel to Piilani Highway and other connector roads within the Petition Area in coordination with other developments in the vicinity of the Petition Area, and subject to review and approval of SDOT and the County of Maui. This part of Condition 5 has been addressed as follows:

   A. **Parallel Frontage Road.** The intersection of Piilani Highway and East Kaanoulu Street will be widened to include frontage lanes parallel to the Petition Area to provide access to the Petition Area. Development of an internal continuous frontage road parallel to Piilani Highway is not possible or necessary for the following reasons:

   a. Since the issuance of the D&O, Piilani Highway has been widened from two to four lanes, and will be further widened and improved to include acceleration and deceleration lanes;

   b. Successor Petitioner does not own or control the land located to the North or South of the Petition Area, and therefore the frontage road described in Condition 5 in effect would be a “road to nowhere”; and

   c. The approved neighboring subdivisions do not require frontage lane access or have any roads to which a frontage road located on the Piilani Parcels could be connected. Frontage lanes on the Piilani Parcels also would be inconsistent with SDOT’s reviews of and comments on the roadway and other traffic system improvements for the Piilani Promenade project, because the above-described acceleration and deceleration lanes and multiple accesses will be constructed from the Piilani Parcels to the Kihei-Upcountry Highway. In addition, the Kihei-Upcountry Highway will bisect the Piilani Parcels and will provide numerous points of North-South access without the need for traffic to access Piilani Highway in order to pass through the Petition Area.
B. Connection to Access Roads Within the Petition Area.

(i) The circulation plan for the petition area includes one access point on the Piilani Highway and the construction of the first increment of the Kihei-Upcountry Highway (East Kaonoulu Street) through the Petition Area. Two intersections located at East Kaonoulu Street will provide access to the Petition Area and to the traffic circulation system serving the light industrial/commercial areas of Piilani Promenade. The location of these intersections is dictated by the boundaries of the subdivided lots comprising the Piilani Parcels and the spacing for the intersections mandated by SDOT.

(ii) Parallel access from the Petition Area north to Ohukai Street (a Maui County road) was obtained by the Original Petitioner by way of an access easement granted by the adjacent landowner (i.e., Haleakala Ranch). This easement, which is described within the final subdivision plan for the Petition Area approved by the County of Maui, establishes the parallel access described in this Condition 5, and is available for use by adjacent landowner Honua'ula. In addition, the Kihei Mauka project area proposed by both Kaonoulu Ranch and Haleakala Ranch is anticipated to include roads running Mauka and North/South from the Petition Area, which in the future will connect to Mokulele Highway along with other East/West connector roads.

3. Coordination with Other Developments. At the time the D&O was issued, properties to the North of the Petition Area were already entitled, subdivided and in some cases developed with no provision for connections to a circulation system or frontage roads within the Piilani Parcels. Land to the South of the Piilani Parcels includes a substantial drainage way, Kulanihakoi Gulch, and is not owned or otherwise controlled by Successor Petitioner. In addition, no connections to the Piilani Parcels are proposed for the yet-to-be-developed Kihei High School.

4. Review by SDOT and County of Maui. The design for the traffic circulation system within the Petition Area and the standards for the location of East Kaonoulu Street were established through discussions with, and plan review by, SDOT and the County of Maui, and take into consideration the changes to Piilani Highway, the restricted access limitations for Piilani Highway and East Kaonoulu Street, and SDOT's design standards.
6. Petitioner shall fund and construct adequate potable and non-potable water source, storage, and transmission facilities and improvements to accommodate the proposed project. Water transmission facilities and improvements shall be coordinated and approved by the appropriate State and County agencies.

Successor Petitioner intends to fund and construct adequate potable and non-potable water source, storage, and transmission facilities and improvements to accommodate the proposed project. The approved civil construction plans for the Piilani Promenade project include both potable and non-potable water systems and waste water collection systems within and outside the Piilani Promenade project area. Successor Petitioner has committed to construct and dedicate a 1,000,000 gallon water tank to serve the needs of the Kihei-Makena community. Only a portion of the water tank capacity will be required for the Piilani Promenade project, and as a result, at least 75% of the water tank’s capacity will be available to service the North Kihei area and areas south of the Petition Area, including the planned Kihei High School.

7. Petitioner shall participate in an air quality monitoring program as determined by the State Department of Health.

Successor Petitioner intends to participate in an air quality monitoring program if required by the Department of Health.

8. Petitioner shall fund the design and construction of its pro-rata share of drainage improvements required as a result of the development of the Property, including oil water separators and other filters as appropriate, and other best management practices as necessary to minimize non-point source pollution into Kulanihakoi Gulch, in coordination with appropriate state and county agencies, such as the following:

   a. All cleaning, repairs and maintenance of equipment involving the use of industrial liquids, such as gasoline, diesel, solvent, motor oil, hydraulic oil, gear oil, brake fluid, acidic or caustic liquids, antifreeze, detergents, degreasers, etc., shall be conducted on a concrete floor, where roofed or unroofed. The concrete floor shall be constructed so as to be able to contain any drips or spills and to provide for the recovery of any spilled liquid. Water drainage from these concrete floors, if necessary, shall pass through a separator sump before being discharged.

The Successor Petitioner intends to comply with this condition.
b. All employees shall be instructed to immediately collect and contain any industrial liquid spills on the concrete floor and should be informed against discharging or spilling any industrial liquids. Employees shall be instructed to prevent any industrial liquid spills onto the bare ground.

The Successor Petitioner intends to comply with this condition.

c. Barrels for the temporary storage of used oil or other industrial liquids shall be kept on a concrete surface. The surface shall be bermed to prevent the loss of liquid in the event of spills or leaks. The barrels shall be sealed and kept under shelter from the rain. (The Department of Labor and Industrial Relations’ Occupational Safety and Health regulations, sections titled, “Housekeeping Standards” and “Storage of Flammable or Combustible Liquids,” shall be followed, along with the local fire code.)

The Successor Petitioner intends to comply with this condition.

9. Should any human burials or any historic artifacts, charcoal deposits, or stone platforms, pavings or walls be founds, the Petitioner shall stop work in the immediate vicinity and contact the State Historic Preservation District. The significance of these finds shall then be determined and approved by the Division, and an acceptable mitigation plan shall be approved by the Division. The Division must verify that the fieldwork portion of the mitigation plan has been successfully executed prior to work proceeding in the immediate vicinity of the find. Burials must be treated under specific provisions of Chapter 6E, Hawaii Revised Statutes.

The Successor Petitioner intends to comply with this condition.

10. A long term preservation plan for the petroglyph stone (Site 50-10-3746) that was removed from the project area shall be reviewed and approved by the State Historic Preservation Division. Long term preservation measures shall be implemented within 60 days after final approval of the preservation plan.

As stated in the Fifth Annual Report, the Petitioner prepared a long term preservation plan which has been approved by the State Historic Preservation Division, Department of Land and Natural Resources, State of Hawaii, a copy of which was transmitted to the Land Use Commission.

11. Petitioner shall contribute its pro-rata share to a nearshore water quality monitoring program as determined by the State Department of Health and the State Division of Aquatic Resources, Department of Land and Natural Resources.
Successor Petitioner intends to contribute its pro-rata share to a nearshore water quality monitoring program as it is determined.

12. Petitioner shall implement effective soil erosion and dust control methods during construction in compliance with the rules and regulations of the State Department of Health and the County of Maui.

Successor Petitioner intends to implement effective soil erosion and dust control methods during construction.

13. Petitioner shall create a buffer zone between lands designated as SF (Single-Family) by the County’s Kihei-Makena Community Plan and industrial uses on the Property to mitigate impacts between future residential activities and the proposed industrial development.

As shown on the 1985 Kihei/Makena Community Plan ("KMCP") attached hereto as Exhibit "C", the 1985 KMCP provided for Single Family and Light Industrial uses for the area immediately adjacent to the PPN’s part of the Petition Area. The current 1998 KMCP attached hereto as Exhibit "D", provides for Light Industrial (LI) in the area in which the Piilani Parcels are located. The proposed use of the Petition Area is compatible with such Light Industrial designation. The Successor Petitioner understands its obligations to comply with this condition, but because the adjacent parcels are designated Light Industrial, it has determined that the current uses of these adjacent parcels are compatible with the Piilani Promenade project and therefore a buffer is unnecessary.

14. In the event Petitioner sells its interest in the Project, Petitioner shall subject the Property to deed restrictions to run with the land which shall require the successors and assigns to comply with the terms and conditions set forth in the Commission’s Decision and Order.

Successor Petitioner intends to comply with the terms and conditions if the Commission’s Decision and Order, and understands its obligation to comply with this condition.

15. Petitioner shall develop the Property in substantial compliance with the representations made to the Commission. Failure to so develop the Property may
result in reversion of the Property to its former classification, or change to a more appropriate classification.

Successor Petitioner intends to comply with this condition. In the Petition, the Original Petitioner proposed to develop a commercial and light industrial subdivision, and attached to the Petition a conceptual plan for that subdivision. In the material presented to the Commission, and in testimony presented to the Commission, it was represented that the conceptual plan presented only one conceptual alternative in response to the real estate market conditions at that time, and was subject to reassessment and adjustment, based on evolving market conditions. It was specifically disclosed to the Commission that the zoning being sought would allow for -- and that the Petition Area could include -- a retail commercial component, and that the amount of retail commercial uses developed would depend on the market demand at the time the project was to be developed on the Petition Area. The currently proposed use for the Piilani Parcels includes both light industrial and commercial uses as represented to the Commission.

16. Petitioner shall give notice to the Commission of any intent to sell, lease, assign, place in trust, or otherwise voluntarily alter the ownership interests in the Property, prior to development of the Property.

Successor Petitioner intends to comply with this condition.

17. Petitioner shall timely provide without any prior notice, annual reports to the Commission, the Office of Planning, and the County of Maui Planning Department in connection with the status of the subject Project and Petitioner’s progress in complying with the conditions imposed herein. The annual report shall include written documentation from each State and County agency responsible, indicating that the terms of the condition(s) are progressing satisfactorily or have been completed to the satisfaction of the agency. The annual report shall be submitted in a form prescribed by the Executive Officer of the Commission.

Successor Petitioner intends to comply with this condition, and submits this annual report in compliance therewith.
18. Petitioner shall record the conditions imposed herein by the Commission with the Bureau of Conveyances pursuant to Section 15-15-92 Hawaii Administrative Rules.

Petitioner has recorded a Notice of Imposition of Conditions with the Bureau of Conveyances of the State of Hawaii pursuant to Section 15-15-92 Hawaii Administrative Rules.

19. Within seven (7) days of the issuance of the Commission's Decision and Order for the subject reclassification, Petitioner shall (a) record with the Bureau of Conveyances a statement that the Property is subject to conditions imposed herein by the Land Use Commission in the reclassification of the Property; and (b) shall file a copy of such recorded statement with the Commission.

Petitioner has recorded a Document Listing Conditions to Reclassification of Land with the Bureau of Conveyances of the State of Hawaii and has filed a copy of the recorded document with the Commission.

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

The Successor Petitioner acknowledges that the Commission may fully or partially release the conditions provided herein.

Except as stated above, the responses in the Fifteenth annual report are still correct and remain unchanged.


CLIFFORD J. MILLER
JOEL D. KAM
JONATHAN H. STEINER

Attorneys for Piilani Promenade South, LLC and Piilani Promenade North, LLC
August 14, 2009

Mr. Darren Okimoto, P.E.
WARREN S. UNEMORI ENGINEERING, INC.
2145 Wells Street, Suite 403
Wailuku, Hawaii 96793

SUBJECT: KAONOULU RANCH (LARGE-LOT) SUBDIVISION NO. 2
TMK: (2) 3-9-001:016
SUBDIVISION FILE NO. 2.2795

KAONOULU RANCH-WATER TANK SUBDIVISION
TMK: (2) 2-2-002:015
SUBDIVISION FILE NO. 2.2995

Dear Mr. Okimoto:

Final approval for the subject subdivisions have been granted on August 14, 2009, based upon an “Agreement For Subdivision Approval” and “Subdivision Bond” in the following amounts totaling $22,058,826.00:

Bond No. SU1102685 (Siterrwork Improvements) $1,256,710.00
Bond No. SU1102686 (East Kaonoulu Street Improvements) 2,299,046.00
Bond No. SU1102687 (Pillani Highway Widening Improvements) 1,411,106.00
Bond No. SU1102688 (Access Road and Swales) 1,771,330.00
Bond No. SU1102689 (Sewer System/Revisions) 712,592.00
Bond No. SU1102690 (Storm Drainage System/Revisions) 2,895,052.00
Bond No. SU1102691 (Onsite Water System) 834,700.00
Bond No. SU1102692 (12" Offsite Water/1MG Water Tank) 4,802,784.00
Bond No. SU1102693 (36" Water Main/Water/Misc. Revisions) 2,444,940.00
Bond No. SU1102694 (Electrical) 885,566.00
Bond No. SU1102695 (Traffic Signal Improvements) 643,000.00
Bond No. SU1102696 (Landscape/Irrigation) 1,202,000.00
Bond No. SU1102697 (CRM Walls) $ 900,000.00

The approved final plats and copies of the “Agreement For Subdivision Approval” and “Subdivision Bond” are enclosed for your records.

EXHIBIT “A”
Mr. Darren Okimoto, P.E.
SUBJECT: KAONOUlu RANCH (LARGE-LOT) SUBDIVISION NO. 2
SUBDIVISION FILE NO. 2.2795
KAONOUlu RANCH-WATER TANK SUBDIVISION
SUBDIVISION FILE NO. 2.2995

August 14, 2009
Page 2 of 2

The "Agreement For Subdivision Approval" and "Subdivision Bond" stipulates that the Subdivider shall complete the required subdivision improvements on or before July 17, 2010.

If you have any questions regarding this letter, please contact Lesli Otani of our Development Services Administration at 270-7252.

Sincerely,

Milton M. Arakawa, A.I.C.P.
Director of Public Works

Enclosures: Final Plats
Agreement For Subdivision Approval
Subdivision Bond (Bond Nos. SU1102685 thru SU1102697)

C: Dept. of Finance, Accounts Division w/final plats, agreement, & bonds
   Dept. of Finance, Real Property Tax Division w/final plats
   Dept. of Finance, Tax Map Division w/final plats
   Building Permit Section w/final plats
   Engineering Division w/final plats
   Dept. of Environmental Management, WWRD w/final plats
   Dept. of Planning w/final plats
   Dept. of Water Supply, SD 03-90 & 06-106 w/final plats
   Police Dept. w/final plats
   Dept. of Parks and Recreation w/final plats
   State Department of Health w/final plats
   DOT, Highways Division w/final plats
   Maui Electric Co. w/final plats
KIHEI/MAKENA COMMUNITY PLAN
JULY 1985

EXHIBIT "C"
CERTIFICATE OF SERVICE

THE UNDERSIGNED HEREBY CERTIFIES that on this date a true and correct copy of
the foregoing document was duly served upon the following parties at their last known address
via U.S. Mail and electronic mail:

Daniel Orodenker Daniel.E.Orodenker@dbedt.hawaii.gov
Director
Office of Planning, Land Use Commission
235 South Beretania Street, Room 406
Honolulu, Hawa’i 96813

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Jesse K. Souki, Director Jesse.K.Souki@dbedt.hawaii.gov
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Wailuku, Hawa’i 96793

DATED: Honolulu, Hawa’i, October 10, 2012.

CLIFFORD J. MILLER
JOLL D. KAM
JONATHAN H. STEINER

Attorneys for Piilani Promenade South, LLC and
Piilani Promenade North, LLC

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