



DEPARTMENT OF PLANNING
AND ECONOMIC DEVELOPMENT

• • •
LAND USE COMMISSION

Suite 1795, Pacific Trade Center, 190 S. King Street, Honolulu, Hawaii 96813

GEORGE R. ARIYOSHI
Governor

CHARLES W. DUKE
Chairman

SHINICHI NAKAGAWA
Vice Chairman

February 9, 1979

COMMISSION MEMBERS:

James Carras
Colette Machado
Shinsei Miyasato
Mitsuo Oura
George Pascua
Carol Whitesell
Edward Yanai

GORDAN FURUTANI
Executive Officer

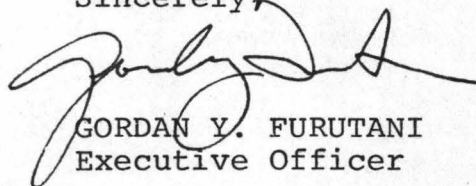
Mr. Sidney Fuke
Planning Director
Hawaii Planning Department
25 Aupuni Street
Hilo, Hawaii 96720

Dear Mr. Fuke:

Subject: SP77-269 - Inter-Island Engineering Inc./Hawaiian
In reference to our letter to you dated Host, Inc.

August 14, 1978, enclosed is a copy of the
Decision and Order on SP77-269 for your informa-
tion and records.

Sincerely,



GORDAN Y. FURUTANI
Executive Officer

Encl.

cc: **Inter-Island Eng. Inc./**
Hawaiian Host, Inc.

BEFORE THE LAND USE COMMISSION
OF THE STATE OF HAWAII

In the Matter of the
Petition for Special Permit
of INTER-ISLAND ENGINEERING,
INC./HAWAIIAN HOST, INC.

) SP77-269

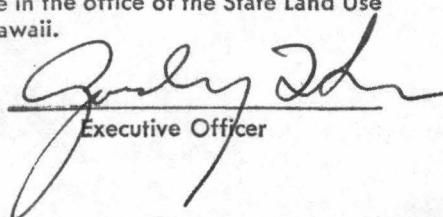
) INTER-ISLAND ENGINEERING,
) INC./HAWAIIAN HOST, INC.
)
)
)

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.

FEB 9 1979

Date

by


Executive Officer

DECISION AND ORDER

In the Matter of the) SP77-269
Petition for Special Permit)
of INTER-ISLAND ENGINEERING,) FINDINGS OF FACT,
INC./HAWAIIAN HOST, INC.) CONCLUSIONS OF LAW AND
) DECISION AND ORDER
)

FINDINGS OF FACT

4. Condition No. 1 of the permit in part required that construction of the butler building and storage bins commence within one (1) year of the effective date of the

Special Permit. The Petitioner has requested a one (1) year time extension in which to commence construction of these structures.

5. Condition No. 2 of the permit required that the proposed macadamia nut operation be limited to the husking of macadamia nuts. The Petitioner has requested an amendment to this condition to allow the cracking of in-shell macadamia nuts.

6. The Petitioner has cited the lack of a viable nut processing plant in Kealahou as justification to permit the cracking of in-shell macadamia nuts.

7. The time extension is requested to allow expansion of the proposed operation to include the processing of in-shell macadamia nuts.

8. The State Department of Health has cited applicable health regulations to which the Petitioner must comply.

9. The County Fire Department, Department of Public Works, Police Department, Department of Water Supply, Hawaii Electric Light Company, Inc., State Department of Education, Department of Agriculture and U.S.D.A. Soil Conservation Service had no objections to the proposed amendments to the Special Permit.

10. The Hawaii County Planning Department recommended approval of the proposed amendments to the Special Permit.

11. The Hawaii County Planning Commission conducted a public hearing on the proposed amendments to the Special Permit on May 17, 1978 and June 15, 1978. During the course

of the hearing, two (2) persons testified in support of the request, while four (4) persons testified in opposition.

CONCLUSIONS OF LAW

1. The Petitioner has shown "unusual circumstances" pursuant to Rule 9-3 of the Rules of Practice and Procedure of the Land Use Commission for granting of a time extension.

2. The granting of the time extension is not violative of HRS Chapter 205-6 and State Land Use Commission District Regulation, Part V.

3. The amendment to allow the cracking of in-shell macadamia nuts is determined to still be in keeping with the objectives of the Land Use Law and Regulation. The cracking of macadamia nuts is an integral part of the overall processing of the product and is directly related to agricultural activities conducted in the area.

DECISION AND ORDER

IT IS HEREBY ORDERED that Special Permit No. 77-269 for a one (1) year time extension to commence construction of a macadamia nut processing plant and to allow the cracking of in-shell macadamia nuts on 3.1 acres of land situated within the State Land Use Agricultural District at Keei, South Kona, Hawaii, Tax Map Key 8-3-04: 12 be approved subject to the following condition:

1. That approval of the proposed amendments be subject to all the original conditions of the Special Permit.

DATED: Honolulu, Hawaii, February 7, 1979.

LAND USE COMMISSION

By C. W. Duke
C. W. DUKE
Chairman and Commissioner

By James R. Carras
JAMES R. CARRAS
Commissioner

By _____
COLETTE Y. MACHADO
Commissioner

By Shinsei Miyasato
SHINSEI MIYASATO
Commissioner

By George R. Pascua
GEORGE R. PASCUA
Commissioner

By Edward K. Yanai
EDWARD K. YANAI
Commissioner

No.

974860

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO

SIDNEY FUKE

STREET AND NO.

25 Aupuni St.

P.O., STATE AND ZIP CODE

Hilo, Hawaii 96720

POSTAGE

\$ 1.32

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE

.80¢

SPECIAL DELIVERY

¢

RESTRICTED DELIVERY

¢

OPTIONAL SERVICES

RETURN RECEIPT SERVICE

SHOW TO WHOM AND DATE
DELIVERED

.45 ¢

SHOW TO WHOM, DATE, AND
ADDRESS OF DELIVERY

¢

SHOW TO WHOM AND DATE
DELIVERED WITH RESTRICTED
DELIVERY

¢

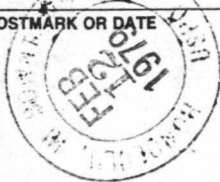
SHOW TO WHOM, DATE AND
ADDRESS OF DELIVERY WITH
RESTRICTED DELIVERY

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TOTAL POSTAGE AND FEES

\$ 2.57

POSTMARK OR DATE



- **SENDER:** Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

- ☒ Show to whom and date delivered. ¢
☐ Show to whom, date, and address of delivery. ¢
☐ **RESTRICTED DELIVERY**
 Show to whom and date delivered. ¢
☐ **RESTRICTED DELIVERY.**
 Show to whom, date, and address of delivery. \$ ____
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:

MR. SIDNEY FUKU

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	974860	

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE ☐ Addressee ☒ Authorized agent

DATE OF DELIVERY

2/13/79

POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S
INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

No.

974850

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO

DANIEL F. S. LEE

STREET AND NO.

1221 Kapiolani Blvd.

P.O., STATE AND ZIP CODE

Honolulu, Hi. 96813

POSTAGE

\$ 41

CERTIFIED FEE

.80¢

CONSULT POSTMASTER FOR FEES

OPTIONAL SERVICES

RETURN RECEIPT SERVICE

SPECIAL DELIVERY

¢

RESTRICTED DELIVERY

¢

SHOW TO WHOM AND DATE
DELIVERED

45¢

SHOW TO WHOM, DATE, AND
ADDRESS OF DELIVERY

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SHOW TO WHOM AND DATE
DELIVERED WITH RESTRICTED
DELIVERY

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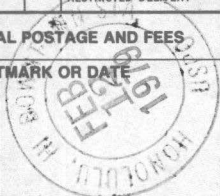
SHOW TO WHOM, DATE AND
ADDRESS OF DELIVERY WITH
RESTRICTED DELIVERY

¢

TOTAL POSTAGE AND FEES

\$ 1.66

POSTMARK OR DATE



**STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE,
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)**

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, **leaving the receipt attached**, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article **RETURN RECEIPT REQUESTED** adjacent to the number.
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse **RESTRICTED DELIVERY** on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

PS Form 3811, Aug. 1978

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

- SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

- ☒ Show to whom and date delivered. ¢
☐ Show to whom, date, and address of delivery. ¢
☐ RESTRICTED DELIVERY
 Show to whom and date delivered. ¢
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery. \$ ____
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:

MR. DANIEL F. S. LEE

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	974850	

1 (Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE ☐ Addressee ☐ Authorized agent

DATE OF DELIVERY

2-13-79

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S
INITIALS



UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.

- Complete items 1, 2, and 3 on the reverse.
- Attach to front of article if space permits. Otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.

PENALTY FOR PRIVATE
USE TO AVOID PAYMENT
OF POSTAGE, \$300



**RETURN
TO**



**State of Hawaii
LAND USE COMMISSION
Suite 1795, Pacific Trade Center
190 South King Street
Honolulu, Hawaii 96813**

(Name of Sender)

(Street or P. O. Box)

(City, State, and ZIP Code)

BEFORE THE LAND USE COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Special	)	
Permit of	)	
	)	
INTER-ISLAND ENGINEERING,	)	SP77-269
INC./HAWAIIAN HOST, INC.	)	
	)	
	)	

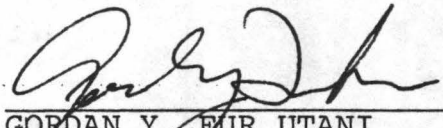
CERTIFICATE OF SERVICE

I hereby certify that a copy of the Land Use
Commission's Decision and Order was served upon the following
by certified mail:

Sidney Fuke, Planning Director
Hawaii Planning Department
25 Aupuni Street
Hilo, Hawaii 96720

Daniel F. S. Lee
1221 Kapiolani Boulevard
Suite 1031
Honolulu, Hawaii 96813

Dated: Honolulu, Hawaii, this 9th day of February, 1979.



GORDAN Y. FURUTANI
Executive Officer
Land Use Commission

August 14, 1978

Mr. Daniel F. S. Lee
1221 Kapiolani Boulevard
Suite 1031
Honolulu, Hawaii 96813

Dear Mr. Lee:

The original of the attached letter is on file in the office of the Hawaii County Planning Department, 25 Aupuni Street, Hilo, Hawaii.

Please be advised that failure to comply with any of the delineated conditions of approval, particularly those relating to time, shall be reason for termination of the Special Permit. The Land Use Commission will not consider any request for time extension which is filed after the stipulated commencement or expiration dates.

A copy of the staff memorandum is herewith enclosed for your information. The Land Use Commission's Decision and Order on SP77-269 will be forwarded to you at a later date.

Sincerely yours,

GORDAN Y. FURUTANI
Executive Officer

Encl.

August 14, 1978

Hawaii Planning Commission
25 Aupuni Street
Hilo, Hawaii 96720

Attention: Mr. Sidney Fuke, Planning Director

Gentlemen:

At its meeting on August 8, 1978, the Land Use Commission voted to approve a request by the Inter-Island Engineering, Inc./Hawaiian Host, Inc. (SP77-269) to amend Conditions Nos. 1 and 2 in the Special Permit granted on July 27, 1977 to allow the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District at Keei, South Kona, Hawaii, Tax Map Key 8-3-04: 12, as follows:

Condition No. 1 - One-year extension in which to commence construction of the new structures.

Condition No. 2 - To allow the cracking of in-shell macadamia nuts.

Approval of these amendments is subject to all the original conditions imposed on this Special Permit by the Hawaii Planning Commission. Please be advised that the petitioner's failure to comply with any of the delineated conditions of approval, particularly those relating to time, shall be reason for termination of the Special Permit. The Land Use Commission will not consider any request for time extension which is filed after the stipulated commencement or expiration dates.

A copy of the staff memorandum is herewith enclosed for your information. The Land Use Commission's Decision and Order on SP77-269 will be forwarded to you at a later date.

Sincerely yours,

GORDAN Y. FURUTANI
Executive Officer

Encl.

cc: Inter-Island Engineering
Inc./Hawaiian Host, Inc.

August 14, 1978

Department of Planning and
Economic Development
State of Hawaii
250 South King Street
Honolulu, Hawaii 96813

Attention: Mr. Hideto Kono, Director

Gentlemen:

At its meeting on August 8, 1978, the Land Use Commission voted to approve a request by the Inter-Island Engineering, Inc./Hawaiian Host, Inc. (SP77-269) to amend Conditions Nos. 1 and 2 in the Special Permit granted on July 27, 1977 to allow the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District at Keei, South Kona, Hawaii, Tax Map Key 8-3-04: 12, as follows:

Condition No. 1 - One-year extension in which to commence construction of the new structures.

Condition No. 2 - To allow the cracking of in-shell macadamia nuts.

Approval of these amendments is subject to all the original conditions imposed on this Special Permit by the Hawaii Planning Commission.

Please note that a copy of the Land Use Commission's Decision and Order on this matter is on file at the Commission's office.

Sincerely yours,

GORDAN Y. FURUTANI
Executive Officer

Encl.

cc: Department of Taxation, Haw.
Tax Maps Recorder, Dept. of Taxation
Property Technical Office, Dept. of Taxation
Real Property Tax Assessor, Dept. of Taxation
Office of Environmental Quality Control
Division of Land Management, DLNR

STATE OF HAWAII
LAND USE COMMISSION

Minutes of Meeting

Kahului Library
Kahului, Maui

August 8, 1978 - 9:30 a.m.

Approved
SEP 27 1978

COMMISSIONERS PRESENT: Charles Duke, Chairman
Shinichi Nakagawa, Vice-Chairman
James Carras
Colette Machado
Shinsei Miyasato
Mitsuo Oura
George Pascua
Carol Whitesell
Edward Yanai

STAFF PRESENT: Gordan Furutani, Executive Officer
Daniel Yasui, Planner
Allan Kawada, Deputy Attorney General
Dora Horikawa, Chief Clerk

Ray Russell, Court Reporter

ACTION

SP78-309 - PARADISE HUI HANALIKE
SPECIAL PERMIT TO ALLOW THE ESTABLISHMENT OF A COMMUNITY CENTER
AND RELATED IMPROVEMENTS AT KEAAU, PUNA, HAWAII

Mr. Daniel Yasui, staff planner, presented the staff report and pointed out the location of the property on the maps and oriented its location with various surrounding landmarks.

Commissioner Carras moved that the Special Permit be approved, subject to the conditions imposed by the Hawaii Planning Commission. The motion was seconded by Commissioner Oura and unanimously carried.

SP77-269 - INTER-ISLAND ENGINEERING, INC./HAWAIIAN HOST, INC.
REQUEST TO AMEND CONDITIONS 1 AND 2 of SP77-269

Commissioner Oura was excused from participating in this matter since he declared a conflict of interest on the basis that he was a member of the Kona Farmers Co-op. Commissioner Oura withdrew from the meeting room.

Mr. Yasui noted the conditions which had been imposed by the Commission in the original Special Permit. The reasons for the amendment request and the highlights of the proceedings at the County level relative to the request were reported by Mr. Yasui.

Staff responded to questions which were raised by the Commissioners concerning the impact on the environment resulting from the expanded operation, chronology of events beginning with the original permit up to the present, time elements involved, etc.

It was Commissioner Carras' position that free enterprise should be encouraged and therefore he moved that petitioner's request for amendments to conditions 1 and 2 of SP77-269 be granted, subject to the conditions set forth by the Hawaii Planning Commission. The motion was seconded by Commissioner Pascua.

Vice Chairman Nakagawa spoke in opposition to the motion since it was not clear in his mind what impact this proposed use may have on existing businesses.

Commissioner Whitesell commented that the County or the Department of Health should have responded in some way to the allegations that were made regarding the impact on the environment.

The Commissioners were polled as follows:

Ayes: Commissioners Pascua, Machado, Miyasato, Carras, Yanai, Chairman Duke

Nays: Commissioners Whitesell, Nakagawa

The motion was carried.

A78-437 - ROLPH B. FUHRMAN AND ULUPALAKUA RANCH, INC.

a. Petition for Intervention by Life of the Land

It was reported by the Executive Officer that a timely application had been filed by Life of the Land requesting intervention in the subject petition.

Mr. Paul McCarthy, attorney representing Life of the Land, submitted that he was seeking to intervene under 6-7 (1) (d) of the Commission's Rules since his position will be different from that of any of the other parties, and the admission of Life of the Land as a party would not make the proceedings unmanageable. Responding to a question raised, Mr. McCarthy said he felt he had standing to represent the Maui members of Life of the Land in these proceedings in view of their interest in protecting the environment. It was also determined that

STATE OF HAWAII
LAND USE COMMISSION

VOTE RECORD

SP77-269
ITEM HAWAIIAN HOST, INC. etal

DATE August 8, 1978

PLACE Kahului Library, Kahulu, Maui

TIME 9:30 a.m.

	NAME	YES	NO	ABSTAIN	ABSENT
S	PASCUA, GEORGE R.	X			
	WHITESELL, CAROL		X		
	OURA, MITSUO			X	
	MACHADO, COLETTE	X			
	MIYASATO, SHINSEI	X			
	NAKAGAWA, SHINICHI		X		
M	CARRAS, JAMES	X			
	YANAI, EDWARD	X			
	DUKE, CHARLES	X			

Comments:

I move that petitioner's request for amendments to Conditions Nos. 1 and 2 be approved, subject to all the original conditions imposed by the Hawaii Planning Commission.

STATE OF HAWAII
LAND USE COMMISSION

MEMORANDUM

TO: Land Use Commission August 8, 1978

FROM: Staff

SUBJECT: SP77-269 - Inter-Island Engineering, Inc./Hawaiian Host, Inc. (Amendment)

The petitioner, Hawaiian Host, Inc., is requesting amendments to Conditions Nos. 1 and 2 of Special Permit 77-269 granted by the State Land Use Commission on July 27, 1977. The Special Permit was to allow the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District at Keei, South Kona, Hawaii, Tax Map Key 8-3-04: 12. The subject property is located along the south side of the Napoopoo Road, approximately 1,200 feet mauka of the Kona Farmers Cooperative complex (see attached County Exhibit M-1).

The macadamia nut processing plant was to specifically consist of a new 7,260 square foot (110' X 66') butler building and five (5) 10-foot diameter storage bins. Two existing quonset buildings are also to be part of the proposed operation.

Condition No. 1 of the Special Permit stated: "That construction of the new butler building and the five (5) storage bins commence within one (1) year from the effective date of the Special Permit and be completed within two (2) years thereafter." To this condition, the petitioner is requesting a one (1) year time extension in which to commence construction of the new structures.

Condition No. 2 stated: "That the proposed operation shall be limited to the husking of the macadamia nuts." The petitioner now requests an amendment to this condition to allow the cracking of in-shell macadamia nuts.

In support of the request, the petitioner has in part stated the following:

"Applicant respectfully requests amendment to conditions 1 and 2 of SP 77-269, heretofore granted to Hawaiian Host, Inc. through its consulting engineer, Inter-Island Engineering, Inc.

Generally, condition 1 provides for the completion of the proposed plant within one year from the effective date of SP 77-269. Applicant would like to have an extension of one additional year for the reason that it intends to expand the proposed operation to include processing of in-shell macadamia nuts.

"Accordingly, applicant likewise requests an amendment to the second condition, namely, that it be allowed to expand the proposed operation from merely husking of nuts to the cracking of in-shell macadamia nuts. The reason for the foregoing amendment is that the macadamia nut processing plant owned by Kona Farmers Cooperative is no longer processing in-shell macadamia nuts.

"Accordingly, there is no viable processing plant within the immediate vicinity to serve the farmers in Kealahou, Kona. Therefore, we feel that an expanded operation of our plant to include the total processing of macadamia nuts will serve the interest of farmers in Kona, as well as provide job opportunities to residents in that area and insure the further success of applicant's plant operation."

Pertinent comments from governmental agencies:

1. State Department of Health

The State Health Department noted the following:

- "1. Please identify location of existing cesspools on building plans.
- "2. Preliminary building plans consultation with the area Registered Sanitarian is recommended. Floor plans are required. The reference Public Health Regulation is Chapter 1-A, Food Service and Food Establishment Sanitation Code."

2. Hawaii Fire Department

The Fire Department noted the following:

- "Fire hydrants are located within the vicinity of the project and Captain Cook Fire Station is located three miles distant."

Other cooperating agencies, including the Hawaiian Electric Light Company, Inc., Department of Education, Department of Public Works, U.S. Soil Conservation Service, State Department of Agriculture, Department of Water Supply, and Police Department had no objections to the request.

A public hearing on the amendment request was held by the Hawaii Planning Commission on May 17, 1978.

The petitioner's representative, Daniel Lee, clarified that their request for expanding their operation really meant placing machinery in a quonset hut which would take up about 20 feet; and that if this request is approved, they hope to employ approximately 6 or 7 full-time people, thereby providing employment opportunities to the residents in the area.

Under public testimony, Mark Van Pernis, representing the Kona Farmers Cooperative, spoke against the application. Contrary to petitioner's statement, he informed the Commissioners that the Kona Farmers Cooperative is processing macadamia nuts and is able to process approximately 100 percent more nuts than Kona is now able to produce. As to the fact that Hawaiian Host will be adding employees to the working class, Mr. Van Pernis stated that if the Hawaiian Host operation does go into effect, other people are going to have to scale down their employees. He said that since there's a limited amount of nuts now available, it will just be a switch of job locations and not the hiring of any new employees.

Mr. Van Pernis also brought up the concern that the additional machinery would be generating heat to dry the nuts, which implies hot air and smoke. He said this is in an agricultural and historical area, and there should be concern for historical preservation.

Mr. Van Pernis referred to the Planning Commission's March 23, 1977 transcript whereby Mr. Lee stated that their operation would not involve the cracking of the nuts themselves and for that reason any fears that anyone may have that this operation is going to interfere with any of the farmer's livelihood is unfounded. Mr. Van Pernis said now that this application would involve the cracking of nuts, perhaps now is the time to have those fears. He also pointed out that at the March 23rd meeting, Mr. Lee tried to assure everyone that this was a husking operation which was meant to facilitate the general macadamia nut economy of Kona and that they weren't trying to put anybody out of business or compete with anybody to an unfair advantage. Mr. Van Pernis then questioned what is the change of circumstances from the original application and why do they now need the shelling when they were content with the husking, especially when you consider the difference that shelling is going to have. He further questioned that if their original application said that their entire operation could be established in 3 or 4 months, is it necessary to give them another 12 months to add 20 feet of machinery?

Mr. Van Pernis clarified that Sunset is receiving and husking macadamia nuts at its present facility and then takes them up to a processor in Kealahou who is able to do it cheaper.

However, if ever the time comes when there are more macadamia nuts than he can process or chooses not to process, Sunset is always ready to process. They are presently processing nuts every time it's necessary to keep the machines in order, although they are not actively shelling on a day-to-day basis.

Mr. Van Pernis added a final point that he was concerned that the Commission would be setting a dangerous precedent for two reasons - one, as to the method of application and operation, it being a 100 percent different type of operation; and more importantly, the precedent of putting what he feels is an industrial operation in Napo'opo'o.

In response, Mr. Lee pointed out that it was not going to be an industrial complex, they already have plans to definitely eliminate any type of environmental pollution, and that they will be using butane gas and steam for drying the nuts. Mr. Lee said that the Kona Farmers were under a private contract with a private processor in Kona to crack its nuts because it's cheaper than if they were to do it themselves, and he agreed that whatever advantages they can give to the farmer, the farmer benefits. He added that they have a tentative agreement with Pacific Co-op to operate the facility for the benefit of its members, and that this facility would obviously save the cost of transportation, which savings could be passed on to the farmer quite easily in terms of a better return for their product.

Commissioner Paris raised the concern of Mr. Van Pernis that their request was now to expand their operation to include cracking of in-shell nuts. In response, Mr. Lee said at the time they applied for the husking plant they were under the impression that they could take the in-shell nuts and ship it over across the street to the Kona Farmers Co-op to have the nuts cracked. After the Kona Farmers Co-op had rebuilt a new plant and added new machinery, they found it was cheaper to ship the in-shell nuts to another processor. Hawaiian Host now finds that the new processor uses a salt additive system which leaves the kernel with a coating of salt which is quite unacceptable. Mr. Lee added that there seems to be a current dispute among the co-ops regarding the macadamia nut situation and for this reason Hawaiian Host has had to take the initiative and be able to withstand all the current kinds of controversy. He said they were just trying to survive and were willing to put money in to put up the plant. As far as time constraints, Mr. Lee said that they could live within it, but would like to have a little time to live with.

Mr. Van Pernis responded to Mr. Lee's point that the present processing method is unacceptable. He said that there is a contract in which Hawaiian Host is buying all of Kona Farmers Co-op's nuts, and since this processing has been going

on Hawaiian Host has yet to refuse any of the nuts that have been delivered to them. In fact, Hawaiian Host has gone to court to force the Co-op to deliver as many nuts regardless of the processing method. He added that this new processing method is delivering a higher crack-out ratio, such that Hawaiian Host is getting more kernels and the farmers are getting a better return. Mr. Van Pernis informed the Commissioners that the new processing method is in conformity with the requirements of the State of Hawaii.

A letter from Dan Lee to the Planning Commission dated May 16, 1978, was also entered into the record (see attached County Exhibit DD-1).

The Planning Commission moved to continue the public hearing to allow the newly appointed Planning Commissioners adequate time to familiarize themselves with the background and content of the original Special Permit.

The Planning Commission subsequently continued the public hearing on June 15, 1978.

Under public testimony, Dr. Lou Sell, owner of Kona Hawaiian Macadamia Nut Company stated that he was present to correct a couple of misrepresentations. He pointed out that although the Hawaiian Host's representative made some derogatory statements about the quality of their product, stating there was a salt residue present to make it unusable, they have used all these so-called unusable nuts. He presented some nut samples taken that day for the Commissioners to decide whether there is a salt taste present. He pointed out that in the original application, Hawaiian Host said that they definitely were not planning on doing any cracking, and that now they are planning to crack. He said to the best of his knowledge they have never done any husking yet at that location, so it seemed to be kind of a contradiction. Dr. Sell said he was objecting to the application on the grounds that there appears to be enough processing facilities at present in the North and South Kona districts. He added that the Kona Farmers facility, although it is not operating at present, is able to start processing at any time.

Hawaiian Host's representative, Dan Lee, pointed out that the question of the salt coating on the kernels is now in litigation, and he, therefore, could not comment any further on the matter. He pointed out also that the plant itself was originally a cracking and husking plant for some years; however, when they purchased the plant, they allowed it to remain idle for some time.

Mr. Lee stated that in installing the cracker within the plant, they do not plan to alter the physical terrain in any

way, and that obviously OSHA requirements will be imposed as far as noise and other kinds of potential pollution to the environment.

Mr. Lee said it seemed to him that the testimony by the Kona Farmers Co-op is merely saying that they are 700 feet away and they have a plant, and nobody else should have one in the area. He said Hawaiian Host is just trying to see what benefits the farmers can gain and what benefits there might be to the community in general.

Mr. George Schattauer said his personal feeling is that the request should be granted favorably.

Colonel Arthur B. Chun spoke against the request. He urged the Planning Commission that in making their decision, to consider the effect that such an industrial activity will have on the whole valley, particularly the area remaining ostensibly agricultural.

Under public testimony, Mark Van Pernis responded to some of the points raised and pointed out that there seemed to be a continuing problem of inadequate information presented to the Commission. He pointed out that Mr. Lee made reference to the fact that all they are talking about is a 20 by 10-foot piece of machinery to crack nuts; however, he said you're also talking about noise, pollution, heat generated by drying bins, boilers, generators, cracking machinery, a conveyor system, sorting and packaging facilities, and also the trucking operation which is going to go up and down Mamalahoa Highway. He said there's a big difference between a husking operation, which is a small scale operation that many farmers can do on their own farms, and now, the entire gamut of processing.

Mr. Van Pernis said that no one is trying to tell Hawaiian Host that they can't go into the processing business. He pointed out that Mr. Lee responded to his question as to why they now need to crack by saying that the Kona Farmers Co-op couldn't crack, or further process, and that the new processor in town couldn't adequately process. He said he felt that that matter had been thoroughly cleared up because these two particular representations were, in fact, not accurate; that the Co-op can process and Dr. Sell can process. He again questioned why they should be given special privilege when (1) they can show no need for it, (2) they cannot show that it will enhance the area and (3) it establishes a dangerous precedent in a very irreplaceable area.

Mr. Lee said that Hawaiian Host is just trying to do what was and is being done by the Kona Farmers Cooperative. He reiterated that the present site was in existence, was operating as a processing plant for some years prior to the time they took

over. He added that they still feel that they need the farmers, and that whatever benefits the farmers also benefits them, and that they offer the same price to Kona Farmers Cooperative as they do Pacific Co-op.

Also under public testimony, Mr. Tojiro Motoki clarified that Sunset Coffee Co-op is now officially and legally known as the Kona Farmers Co-op, and opposed the granting of the request.

A letter dated May 22, 1978, objecting to the request from Colonel Arthur Chun was also read into the record (see attached County Exhibit V).

For the Commission's information, the hearing transcript for May 17 and June 15, 1978 have been attached (County Exhibits Q and Z).

On July 13, 1978, the Hawaii Planning Commission voted to recommend approval of the Special Permit amendments to the Land Use Commission based on the following findings:

"That approval of the proposed amendment will not be contrary to the objective sought to be accomplished by the State Land Use Law and Regulations. Special Permit 77-269 allowed the establishment of a macadamia nut processing plant within the State Land Use Agricultural District. At the time of the approval it was determined that the proposed processing plant would benefit farmers in the region and that definite benefits would accrue to farmers in terms of proximity to production, and an alternative market. Based on this, it was further determined that the approval of the Special Permit would further the objectives of the Land Use Law and Regulations by encouraging and strengthening existing and future agricultural activities in the area.

"The proposed amendment to the original Special Permit is determined to still be in keeping with the objectives of the Land Use Law and Regulations as well as the findings made in granting the Special Permit. The cracking of macadamia nuts is an integral part of the overall processing of said product. It is directly related to agricultural activities and is, in fact, an essential aspect of agricultural use in that cultivated products are processed prior to their being delivered to the consumer. It should also be pointed out that the proposed use would be allowed if the products were grown on the premises.

"The proposed use is consistent with the guidelines for granting Special Permits. It is also consistent with State and County policies of encouraging and supporting agricultural activities. The granting of the proposed amendment is determined

to be beneficial to the people of the State of Hawai'i relative to adopted agricultural policies.

"The Commission also recommended that the request for a one-year extension of time to commence construction of proposed improvements be granted to allow the completion of plans for the expanded operations. One year is deemed adequate for the petitioner to prepare all necessary plans and other arrangements and to commence construction. The Commission would like to point out that it is standard practice to recommend that plans be submitted for plan approval within one year of the effective date of approval of a Special Permit and that construction commence within one year from the date of receipt of final plan approval. In this particular case, an oversight was made and the one-year period for submission of plans was not included as a condition."

For the Commission's information, the meeting minutes of July 13, 1978, have been attached (County Exhibit GG).

The Planning Commission further recommended that approval of the proposed amendments be subject to all the original conditions of the Special Permit.

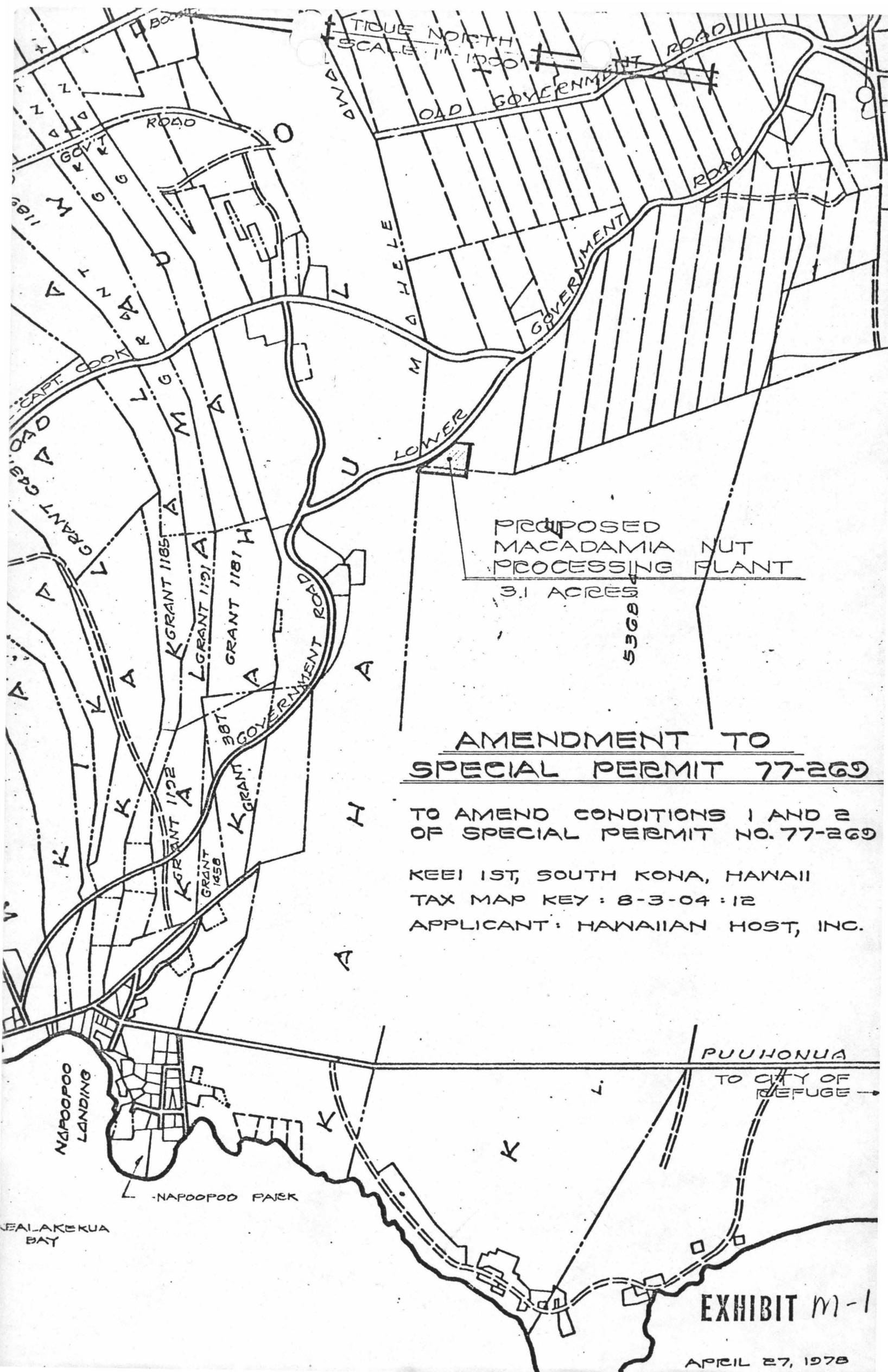
For the Commission's information, the remaining conditions imposed on SP77-269 included the following:

- "3. That the rules, regulations, and requirements of the State Department of Health and the County Department of Water Supply shall be complied with.
- "4. That since the land is situated within the Kealahou Bay Archaeological and Historical District, prior to any construction, the petitioner shall receive approval from the State Historic Preservation Officer.
- "5. That the driveway to and parking area for the proposed facility be paved with all-weather, dust-free surface.

The width of the pavement and the number of parking stalls shall be determined at the time of Plan Approval.

- "6. That the area shall be landscaped to soften the industrial aspect of the property.
- "7. That the existing and proposed structures be painted to blend in with the landscape and surroundings of the area.
- "8. That all other applicable rules and regulations shall be complied with."

It was further stated by the Hawaii County Planning Commission that: "Should any of the foregoing conditions not be met, the Special Permit may be deemed null and void."



AMENDMENT TO
SPECIAL PERMIT 77-269

TO AMEND CONDITIONS 1 AND 2
OF SPECIAL PERMIT NO. 77-269

KEEI 1ST, SOUTH KONA, HAWAII

TAX MAP KEY : 8-3-04:12

APPLICANT: HAWAIIAN HOST, INC.

EXHIBIT M-1

APRIL 27, 1978

Daniel F.S. Lee
Attorney at Law

Offices in Tokyo, Taiwan,
Hong Kong, Brasil.

Daniel F.S. Lee
Walter Schoettle

May 16, 1978

Planning Commission
Planning Department
County of Hawaii
25 Aupuni Street
Hilo, Hawaii 96720

Testimony by Applicant, HAWAIIAN HOST, INC.

Re: Amendment to SP 77-269 to include the cracking of
in-shell macadamia nuts

Gentlemen:

1. The proposed use is an adjunct to the primary approved use of a husking plant for macadamia nuts approved by your Commission and the State Land Use Commission. We are aware that the Land Use laws and regulations thereto are intended to preserve, protect and encourage the development of lands and its uses to which they are best suited keeping in mind the best interest of the general health and welfare of the people of this State. The purpose of this subject request is to allow the placement of approximately 20 feet of machinery within the existing Quonset Hut to facilitate cracking of the husked macadamia nuts. The addition of the machinery will not affect or change the present or proposed physical structures. The addition of this equipment for the processing plant will help to facilitate the purchase of an anticipated 1,000,000 pounds of macadamia nuts for the coming season. The total anticipated payments for these nuts to farmers in the surrounding area will total no less than \$300,000.00. Moreover, the husking and cracking facility will provide employment to residents in the community, assist the macadamia nut farmer in marketing his product soon after harvest, and reduce handling and other indirect transportation costs now paid by the farmer. Accordingly, the proposed use will be a positive benefit and support to the agricultural community in the Kona area.

The Applicant herein, also asks for an extension of time for the reason that the cracking machinery must be locally fabricated. The average fabrication time for such machinery is approximately six to eight months.

EXHIBIT DD-1

Planning Commission
Page 2
May 16, 1978

-2. The proposed use will not adversely affect the surrounding properties and land uses since these properties are either vacant or in some form of agricultural use. Moreover, a complete processing facility in that vicinity will compliment the marketing activities of Kona Farmers Cooperative. It is our understanding that the Cooperative has discontinued the processing of in-shell nuts because of the uneconomical features of the business. This decision was made by the Board notwithstanding the plant was newly rebuilt and housed with modern husking and cracking facilities. Instead, it has decided to contract with a private processor in Kailua-Kona in order to increase the net dollar return to its members. In short, it was cheaper. Therefore, the economics of competition will soon allow the Cooperative and the farmers in close proximity a choice of choosing the processor with the best service at the cheapest rate.

3. All essential utilities and facilities are available for the development of the proposed and amended use. The granting of this request will not unreasonably burden public agencies, nor does it impose any additional considerations not found to have existed under the earlier findings of the Commission in its review of our application for a husking plant. Accordingly, the proposed use is directly supportive of farming activities. The granting of this particular request would be beneficial to the people of Kona and to the State of Hawaii relative to the general plan pertaining to agricultural policies.

Very truly yours,



Daniel F. S. Lee
Attorney for Hawaiian Host, Inc.

DFSL/lk

asks for an extension of
the machinery must be in
operation time for such use
in 1978.

22 May 1978.

To: Director, County Planning Department.
County of Hawaii,
Hilo, Hawaii.

Subject: Request for variance by Hawaiian Host, Inc. and Pacific Coffee Co-op to conduct macadamia nut cracking and processing operations on AGRIC. zoned land.

References: Our family owned parcel adjoining the Kona Farmers Co-Op Mill in Napoopoo, Tax Map Key 8-2-o8-57, comprising 7 $\frac{1}{2}$ acres.

1. Our family wishes to register its objection to the granting of a variance request to Hawaiian Host, Inc. and Pacific Coffee Co-op to conduct macadamia nut cracking and processing operations on agricultural zoned land in the area leading directly to Kealahou Bay. We are the owners of a 7 $\frac{1}{2}$ acre parcel of land adjoining (on the makai side) of the Kona Farmers Co-op Mill and we feel the nut cracking and processing operation by the Hawaiian Host, Inc. would be detrimental to the continuance of our land as an agricultural zoned area. Further, we believe such an operation in the location requested will adversely affect the environment of the area and be a landmark precedent for introduction of additional industrial type operations. There is no greater visual joy that greets a traveler going along the main belt road in Kona than the impressive sight of Kealahou Bay and its surrounding land area. To blight this picture with an industrial type activity right in the middle of the land pocket, visible for miles around, would in our view be almost unforgivable.

2. We ask that this letter be made a part of the Planning Commission's records and that a copy be made available to each member.

3. If at all possible, I plan to be present at the hearing continuance in Kona on June 15, 1978.

For my brothers, Bernard and Ernest Chun.



Arthur B. Chun
Colonel, USA (Ret'd)

phone 329-1925
P.O. Box 597
Kailua, Kona, Hawaii.

EXHIBIT

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PLANNING COMMISSION

Planning Department
County of HawaiiHEARING TRANSCRIPT
May 17, 1978

A regularly advertised public hearing, on the application of Hawaiian Host, Inc., was called to order at 8:20 p.m. in the Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii, with Chairman Pro tem Lorraine R. Jitchaku presiding.

PRESENT: Lorraine R. Jitchaku
Bert H. Nakano
Alfredo Orita
William J. Paris, Jr.
Charles H. Sakamoto

ABSENT: Shigeru Fujimoto
J. Walsh Hanley
William F. Mielcke
Haruo Murakami

Ex-officio Member
Akira Fujimoto

Sidney M. Fuke, Director
Ilima Piianaia, Planner
Keith Kato, Planner

Edmund Morimoto, representing Ex-officio Member Edward Harada
Lionel Meyer, Deputy Corporation Counsel

and about 10 people in attendance

CHAIRMAN: We'll go on with our last public hearing for the evening. Public hearing on the application of Hawaiian Host, Inc. to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2, which limits the operation to the husking of macadamia nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures. The area involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Sunset Coffee Co-op of Kona processing plant complex, Keei 1st, South Kona, TMK: 8-3-04:12. Staff?

KATO: (Presented background information on file.)

CHAIRMAN: Are there any questions of the staff's report? If not, the Chair at this time would like to call upon the representative of the applicant or the applicant forward, please. Would you state your name into the microphone, please.

LEE: My name is Dan Lee and I'm the attorney for Hawaiian Host, Inc.

EXHIBIT

Q

CHAIRMAN: Okay, at this time, Mr. Lee, I'd like to swear you in. Do you swear to tell the truth and nothing but the truth on this matter now before the Hawaii County Planning Commission?

LEE: Yes, I do.

CHAIRMAN: Thank you. You've heard the staff's report and the background, do you have anything further to add?

LEE: I think I just wanted to clarify that the cracking request, our request for expanding the operation really means adding machinery or placing machinery in the quonset hut which would take up about 20 feet in the quonset hut. And we didn't want to proceed on any assumption that we could legally undertake that activity until we had this brought before the Commission and received the Commission's approval. We hope that if the amendment is approved by the Commission that we would be able to employ approximately six or seven people in the cracking process, thereby providing some employment opportunity to the residents of that area. Other than that, I really have no other statements to make.

CHAIRMAN: Commissioners, any questions of Mr. Lee?

SAKAMOTO: Mr. Lee?

CHAIRMAN: Commissioner Sakamoto.

SAKAMOTO: Is it full-time employees you're talking about?

LEE: Yes.

SAKAMOTO: Thank you.

CHAIRMAN: Any other questions? Well, Mr. Lee, have a seat and we'll continue with the meeting. Are there anyone present here who wishes to speak on this application now before the County Planning Commission? Will you come forward please. State your name into the microphone please.

VAN PERNIS: Mark Van Pernis. The last name is spelled V as in Victor-a-n. Capital P as in Paul-e-r-n-i-s. I am the attorney for the Kona Farmers Cooperative. I am with the firm of Sterry, Mah and Gallup here in Kailua town. And I'm also the trustee for the Sunset Coffee Co-op, as appointed by the Department of Regulatory Agencies for the State of Hawaii, Sunset Coffee Co-op having been dissolved and merged into the Kona Farmers Cooperative.

CHAIRMAN: Thank you, Mark. At this time before you continue on, I'd like to swear you in. Do you swear to tell the truth and nothing but the truth on this matter now before the Hawaii County Planning Commission?

VAN PERNIS: Yes, I do.

CHAIRMAN: Thank you.

VAN PERNIS: As the attorney for the Kona Farmers Cooperative, I'm speak for approximately 600 to 800 farmers in the North Kona and South Kona districts. Incidentally, I'm also speaking for myself since I live fairly close to this area in the Napo'opo'o valley.

I think, first of all, that I'm concerned that the Commissioners in this application may be sadly underinformed in this situation as to what's going on here. If I can first address myself to the points brought up in the staff's report and the items mentioned by Mr. Lee. I believe the staff's report in referring to the applicant's application made reference to the fact that the Kona Farmers Cooperative is supposedly no longer processing macadamia nuts, and therefore, there is a need for a macadamia nut processing facility in that area. This is dead wrong; and I think that Hawaiian Host should know that since the fact that they buy the processed macadamia nuts from the Kona Farmers Co-op. Basically, we're in a situation where the, I have the Manager; Mr. Sotero Bailado, of the Kona Farmers Cooperative here to answer any questions relating to this production.

The Kona Farmers Cooperative, their processing facility is, in fact, more capable of processing a higher number of macadamia nuts than they ever have been before. Their facilities are recently newly upgraded. In addition to this, the Kona Farmers Co-op is at the moment processing all their nuts through an additional macadamia nut processor in Kealahuekua which is the, I believe, it's called the Kona Hawaiian Macadamia Nut Company. In other words, not only is the Kona Farmers Cooperative plant available to process approximately 100 percent more nuts than Kona is now able to produce, but we also have the Kona Macadamia Nut Processing Company now in Kealahuekua which has gone into operation since this original application was filed, which also has the facilities and ability to process approximately 100 percent more macadamia nuts than the Kona area is currently capable of producing.

So basically what we have here is a situation as when we first appeared here in objection to this application. At that time, the Commissioners were given the impression that there was a need for a husking plant in Kona. I think we produced sufficient information at that time to show the fact there was idle husking facilities all over Kona, basically because the Farmers Cooperative had taken up the slack and was basically handling all processing necessary. So again, we're in a situation here where there's absolutely no need for this facility; and also, I feel basic misrepresentation that the Kona Farmers Cooperative is not capable of processing or there are not processors in the area.

Secondly, Mr. Lee made reference to the fact that he feels he'll be adding some employees to the working class in the Kona area. I think what we're talking about here is where he'll, may be adding six employees or some employees at the expense of other processing facilities who have to let them go. For instance, a good number of our employees in the

macadamia nut processing business in our facility in Napo'opo'o are now, we have now have them go to work for the people in Kealahakua. I think if the Hawaiian Host operation goes into effect, it's a situation where if they get any production in there, they're going have to scale down. Other people are going to have to scale down their employment to cover the difference. There's a limited number of nuts available in town and they're already all being processed. And if someone else wants to process, well, everyone else is going to have to scale down. Secondly, I think the employees he may be talking about, in fact, are already employed by the Pacific Coffee Cooperative. You may recall the last time we were here, we had some discussions as to whether the Pacific Coffee Cooperative is in fact legally entitled to be involved in this proceeding; but nevertheless, I think their employees including their manager, Mr. Noguchi, will in fact be the employees down at this operation. So we're just talking about a switch of job locations and not any new employees.

There's another very basic concern that I speak of here, and that is that Mr. Lee, on behalf of Hawaiian Host, testified that he's talking about adding some machinery. It's a little bit more essential than that, and I think it goes to a point that Commissioner Paris raised the last time we were here. What we're talking about when we're talking about husking is a relatively clean operation. What we have in this area is the Kona Farmers Co-op which processes coffee and macadamia nuts, which has been there for generations. We also now have Stanley Tomono's tomato greenhouse operation there. We also have Powers Apiaries, a bee operation. This is all agricultural, quasi-industrial operations. Now when we're talking about the additional machinery that Mr. Lee says he's going to add, what they're adding is smoke because what they're talking about is drying macadamia nuts. Macadamian nuts have to be dried before they can be cracked. You husk them, and you then, after they're husked, they're then put into some sort of a method by which they are dried, into bins or some other method. Hot air and heated air, warm air, is passed over these nuts, and eventually they are dried and then cracked. So what we're talking about is an operation that's going to have to generate heat, in order to generate hot air, in order to dry the macadamia nuts. This naturally implies smoke in the middle of, I think, most people consider it to be a very historic area, and totally agricultural, non-industrial area; and an area that I think should be vitally concerned with historical preserve.

So I think what we're talking about here is something more than additional machinery. We're talking about a whole different class of operations. We're going from passive mechanical operations with macadamia nuts to literally something that's going to be putting processing and hot air and smoke into the air down there, fairly close to the shore and in the agricultural valleys where the winds are not going to dispell smoke that quickly. I don't know what sort of operation they're going to use, whether they're going to use diesel fuel or burning macadamia nut shells or what they're going to use, but obviously this involves a different class of industrial use, I think, than a mere husking operation, which is a relatively simple process that many farmers even do on their own farms.

These are some points that I feel should have been raised or investigated a little bit more thoroughly either in the application or in the staff's investigation in the matter.

Secondly, we were all here before on this application, I'm sure you may recall. I have the transcript of the meeting of March 23rd which the staff referred to. In that transcript, in that meeting of March 23rd, certain representations were made by Mr. Lee on behalf of Hawaiian Host as well as by the engineer of Inter-Island Engineering at that time. And I think the most, rather than rehash the whole idea of what effect this is going to have on the economics of farming in Kona is, of course, the Planning Commission is not in a position to make economic decisions as to how people are or are not going to make money. However, I think some very serious points were raised at those former hearings in regards to the effect on the economy of another macadamia nut processing facility when we're already overloaded, and particularly on a situation like the nonprofit Kona Farmers Cooperative. Mr. Lee in that hearing stated that this facility, well, let me quote, "One, that this facility or plan is the processing or husking of the macadamia nuts. It will not involve the shelling of the nuts themselves, the final shell. For that reason, any fears that anyone may have that this is going to interfere with any farmer's livelihood is certainly unfounded." All right, well, if we take that statement at face value now that they are going into the shelling, perhaps now it is the time to have some fears about the farmers' livelihoods, based on all the information that's brought up at the former meetings, which I don't feel we should have to get into again unless the Commission would like to ask myself or Mr. Bailado as manager of the Co-op about it.

Secondly, Mr. Lee also reiterated that point. He said that, "To correct the record, it is merely for the husking, not the shelling. Any shelling, I believe, we would be more than happy to make arrangements with other nearby plants to send the nuts over to have shelled, both in Kona and in Hilo." In other words, Mr. Lee, at that time, is trying to assure everyone that this was a husking operation which was meant to facilitate the general macadamia nut economy of Kona and that they weren't trying to put anybody out of business or compete with anybody to an unfair advantage, that they were going to be cooperating and provide a service. Now I think that whole situation has changed with this application currently before you. I think this seriously changes the facts that have to be considered by the Commission. Of course, again, I'm not trying to refer strictly to matters of economics, capitalist economics between competing economic energies, what I'm talking about is, first of all, on the original hearing concerning the application, I think it was proven that there was not a need, technically, for a husking facility. Apparently the Commission felt differently, sufficiently enough, to take affirmative action on that application. Now, I'm going to ask the Commission, and the Commission will then naturally have to ask its staff and Hawaiian Host. the applicant, what is the change in circumstances from the first time they were

here? Why do they need the shelling when they were content with the husking, especially when you have to consider the difference the shelling is going to have here? We're starting, with this, it'll be one more step towards making this area an industrial area. We're not engaging in tomato growing, bee activity, or long existing coffee, macadamia nut processing by the biggest Kona, or the biggest cooperative macadamian, coffee club that is in the State of Hawaii, United States for that matter, the biggest independent one. Here we're going to put another industrial plant that's going to be processing. Do we want to put it in this area? Secondly, since this application was originally brought to the Commission's attention, we have a brand new facility up in Kealahou that's producing, has room for producing quite a bit more but just can't get his hands on the nuts. Why do we have to put another industrial facility down in this area when there's other industrial areas available, then when they first came here just saying they just wanted to run a small husking operation? I'm asking the Commission, what is the change in circumstances from the original application that requires now that they start shelling when they were content with husking to begin with?

Of course, as I stated, I'm also concerned with the industrial use here that we're making in an area that is agricultural and historical. Again, it's just basically based upon the report of Mr. Lee in their prior hearing and also on the engineer from Inter-Island Engineering who also made reference to the fact that they were only going to, this is Mr. Minakami of Inter-Island Engineering, who basically said that the entire operation could get down to three or four months. I don't see why they need another year if they could do the whole operation in three or four months. Even if they were going to add 20 feet of machinery, as Mr. Lee says, and they could do the original plan in three or four months, is it necessary to give them another twelve months to add 20 feet? Although I think this 20 feet makes a difference, a substantial difference, in the type of use we're talking about here, basically, I think everyone was assuring the Commission, the applicant's representatives were assuring the Commission, that all this was not necessary. Time has gone by, and now I think they're substantially changing what they want to do down there to the detriment of everyone. And I'd like to know on what grounds they need to make this change.

I think we should, at the first hearings we doubted whether they could justify the need for a husking operation at that time. Since that time, the capacity of Kona to process nuts to the final product has doubled, and now they're coming back again and saying that there's still a need because the Co-op isn't producing, which is a basic misrepresentation. The Co-op is always ready to produce, right at this very moment. The reason we're processing through other facilities is because basically there's not enough nuts to go any further, so we're processing through a facility to our most economic advantages. What we're trading here is a situation that's going to be detrimental to the farmers of the Kona, this particular area specifically, and it'll basically only work to the private advantage of the very few number of people, not that they don't have the right to ask for that private advantage. But I don't see why they shouldn't have to comply with all the rules, everyone else does, and do it in an area where it's allowed.

CHAIRMAN: Thank you, Mark. Are there any questions of Mr. Van Pernis? Commissioner Paris.

PARIS: Mark, you say that Sunset is actively cracking nuts at the present time in their present facility at Napo'opo'o Road?

VAN PERNIS: Sunset is receiving macadamia nuts in its present facility, husking the macadamia nuts in this present facility and then takes them up to the processor in Kealahou. We run nuts through our processing facilities to keep them active. Basically, why we're taking up to Kealahou is because economically the man up there has offered us a better deal, he will do it cheaper than what it'll cost ourselves. Our employees are up there working for him. If ever the time comes when there are more macadamia nuts than he can process or he chooses not to process our nuts, our plant is always ready to process. We process nuts every time it's necessary to keep our machinery in order. So we are not actively shelling on a day to day basis down there. That's basically because there's no need. Our facility is 100 percent ready to shell at the moment's notice if there were enough nuts to put in it and the facility up in Kealahou as well.

That's another point in relation to the question of environmental concerns. Maybe I'm speaking more for myself here because I live up above that area. The Co-op, of course, is processing its coffee down there but it's not burning any diesel fuel or anything in relation to putting smoke in the air or heat in the air in relation to macadamia nuts this time. This is going up in Kealahou in an industrial zoned area.

CHAIRMAN: Any further questions of Mr. Van Pernis?

PIIANAIA: Madam Chairman?

CHAIRMAN: Staff.

PIIANAIA: Staff would like to clarify, staff has two points. One is to clarify this background report which Mr. Van Pernis referred to about staff representing that no processing, that was a quotation from the applicant's reasons for this request. And the other thing is, I'd like to enter into the record, a letter dated May 16, 1978, from Daniel Lee and it's testimony by applicant, Hawaiian Host. Staff felt that he was going to read this into the record.

CHAIRMAN: Thank you, Ilima. Do you have any further questions of the applicant, of the attorney here?

PIIANAIA: No, thank you.

CHAIRMAN: If not, Mark, we thank you for your comments. We'll surely have Mr. Lee here to respond to the questions you raised and we'll continue on with the meeting prior to his comments -.

VAN PERNIS: One final point I'd like to point out.

CHAIRMAN: Sure, certainly.

VAN PERNIS: I'm concerned about a dangerous precedent being set here. When the Commission acted favorably on the application originally, it was under the impression that they were going to have a very limited agricultural operation. The fact as was testified in the earlier hearings, the operation, i.e. the husking, was basically not much different than what many farmers did on a smaller scale on their own farms, and to some extent it was represented that this was in fact would be a convenience for the farmers and that the nuts would then be transferred to another facility either in Hilo where Hawaiian Host has processing operations and arrangements or perhaps to the Co-op, I don't know. But basically at this point now, I think we're making up some - they got the foot in the door with that application, I think what we're talking about here is 100 percent different type of operation, which I feel is establishing a dangerous precedent for two reasons. First as to the method of application and operation before the Planning Commission, and more importantly, two, the precedent of putting what I feel is an industrial operation in at Napo'opo'o when there was none there before. The co-op's facility may be similar but, of course, they have been there for generations before the zoning and other regulations were put into effect. And I think the other operations that had been allowed by the Planning Commission down there which is the Powers Apiaries bee operation and Stanley Tomono's tomato operation have been adequately presented to the Commission, the Commission acted favorably on it. Those are agricultural uses. Practically speaking, what we're talking about here is really an industrial use in my book.

CHAIRMAN: Thank you. Please have a seat, Mark, and we'll continue on with the hearing. We'll have Mr. Lee respond to your comments. The Chair would like to call on anyone else here who'd like to speak on this application now before the Commission. There's no other comments from the general public. Mr. Lee, would you come forward, would you like to respond? For the record, Dan Lee.

LEE: I don't know how to best describe this plant, but it's not going to be an industrial complex. First of all, if there's any concern regarding the drying of the nuts, we plan to use butane gas and steam. And we already have the plans to definitely eliminate any type of environmental pollution, even noise pollution, because we have to conform to OSHA requirements regarding noise. I'm sure that Kona Farmers is well aware of that because they once had a very active plant about 100 yards from us.

Secondly, Kona Farmers Cooperative is under a private contract with a private processor in Kailua-Kona to crack its nuts because it's cheaper. And we agree, I think that whatever advantages we can give to the farmer, if we can crack their nuts cheaper, all well and good, the farmer benefits.

Thirdly, we are working with Pacific Co-op. As in the past, we have a tentative agreement with Pacific Co-op that they can operate the facility for the benefit of its members. Again,

Pacific Co-op is a nonprofit corporation. It is for the mutual benefit of the farmer. At present, whatever members we service with Pacific Co-op, we have to husk the nuts and then ship the nuts in-shell to Hilo for cracking. This would obviously save the cost of transportation; but it could be passed on to the farmer quite easily in terms of a better return for its product.

I really hope that I have clarified some of the questions, but if there are any other questions, I'll be glad to try and answer.

ORITA: Madam Chairman?

CHAIRMAN: Commissioner Orita.

ORITA: I have a question. Mr. Lee?

LEE: Yes.

ORITA: The machinery, it says that it has to be locally fabricated, is that correct that -?

LEE: Yes, that machinery if we're permitted to continue would be fabricated in Hilo.

ORITA: In Hilo?

LEE: Yes.

ORITA: May I ask by whom?

LEE: By Mr. Tengan.

ORITA: Is this going to be a new type of machinery?

LEE: It'll be pretty much the normal type of cracking machine.

ORITA: Possibly a little better?

LEE: I hope so.

ORITA: Thank you.

CHAIRMAN: Any further questions? Commissioner Paris?

PARIS: Mr. Lee, you imply, anyway, from your letter that what prompted you people to go about the cracking of the nuts is the matter that the other Kona Farmers Co-op has contracted out their cracking business to another operator - we asked you originally, I remember, if, you know, this wouldn't come about because if you look at the background of this, at one time, it was indicated that there might be cracking there, but you people indicated at our last hearing that you were only interested in the husking. I think this is the matter of concern today. So -.

LEE: Mr. Commissioner, at the time we applied for the husking plant, we were under the impression that we could take the in-shell nuts and ship it over across the street to Kona Farmers

Cooperative to have the nuts cracked. Because they have just finished building or rebuilding a new plant and putting in new machinery, we then found out that they decided that it was cheaper after they put up the plant to ship the in-shell nuts to another processor. We now find that the new processor uses a salt additive system, a flotation system which leaves the kernel with a coating of salt. And we have a contract with Kona Farmers to deliver kernels to us and has been operating for the last five years, and we still have another four or five, I'm not exactly sure, but we have a couple more years left, but we're not standing to receive these kernels which we feel are quite unacceptable and we haven't been able to receive any satisfaction in trying to get the proper type of kernels.

And the other thing is that there seems to be some current dispute among the co-ops regarding the macadamia nut situation and for this reason, we've had to try to take the initiative and perhaps be able to withstand all this different kinds of controversy that's swirled around us. So we're just trying to survive actually, and we're willing to put the money in, put the plant up.

As far as the time, I believe, we can live within the time constraints, if we need to. But we would like to have a little time to live with.

CHAIRMAN: Commissioner Paris, anything else?

PARIS: No.

CHAIRMAN: Any other questions of Mr. Lee? Staff, anything further you want to add?

PIIANAIA: No. Madam Chairman?

CHAIRMAN: Staff.

PIIANAIA: Just for the record, staff will be sending a complete copy of the docket to the two new Commissioners on this Special Permit.

CHAIRMAN: This is a Special Permit and the same procedures as to a regular special permit without amendments would apply in this particular instance. The Chair would like to recommend to the Commissioners that there is a total of five members, three that weren't here at last year's meeting, and I was going to suggest that we continue the hearing to give the two new Commissioners time to study it, and also in all fairness to the three Commissioners that are absent at today's meeting that they also, if they have any chance to raise some questions to the applicant, to raise them at a continued meeting.

VAN PERNIS: Madam Chairman, may I -?

CHAIRMAN: Yes, certainly.

VAN PERNIS: May I interrupt and give some additional testimony?

CHAIRMAN: For the record, Mark Van Pernis.

VAN PERNIS: I feel compelled to come up and respond to a point that Mr. Lee made regarding the necessity of the plant based on

the other processors' current use of a different method that he would like to use apparently regarding processing, such that he refers to a certain salt content in the nuts.

I would like to point out that, again, I'm concerned that the Commission be fully informed on this, as Mr. Lee pointed out, there's a contract under which the Host is buying all of the Co-ops' macadamia nuts. Since this new processing has been going on, which has been for many, many months now, they have yet to refuse any of the macadamia nuts that have been delivered to them. In fact, they have gone to court to force us to deliver 100 percent as much thereof of the nuts that we have to them regardless of the processing method. Thirdly, the new processing method is delivering a higher crack-out ratio. In other words, a higher amount of kernels per macadamia nuts versus the shell and water and other ways, such that Hawaiian Host is getting more kernels, the farmers are getting a better return to their new processing and, generally, I want to make sure that there's no impression that because of the new processing that Host is complaining or not taking our nuts or has to get nuts elsewhere. That is certainly not the case. In fact, they're getting more nuts than they ever had before from us; and are, in fact, taking every one of them; and I want to make sure that there's no question that the processing that is being done is not in fact to every degree in conformity with the requirements of the State of Hawaii as to macadamia nuts in every respect. So I want to make sure that there's no impression that the nuts that are processed and delivered to Hawaiian Host are in fact anything less than what is necessary to deliver to them.

CHAIRMAN: Commissioner Paris?

PARIS: No.

CHAIRMAN: Okay, Commissioners. I think, Mr. Lee, any response? I think it can go on and on tonight -.

LEE: Yeah.

CHAIRMAN: But there'll be no end to the comments and the responses tonight. This is an amendment to a special permit. We have either a chance to continue the hearing and afford the new Commissioners time to evaluate the situation and also for the time for the Commissioners that are not here to raise some questions, or you can close the public hearing and also go through the normal procedures of waiting 15 days. Commissioners, what is your pleasure?

SAKAMOTO: Madam Chairman?

CHAIRMAN: Commissioner Sakamoto.

SAKAMOTO: I make a motion that we continue this public hearing.

CHAIRMAN: Is there a second?

ORITA: Madam Chairman, I second the motion.

CHAIRMAN: It has been moved by Commissioner Sakamoto and seconded by Commissioner Orita that this application be continued. Would you prefer stating which meeting, next Kona meeting?

SAKAMOTO: Yes.

CHAIRMAN: June 15th. All those in favor say aye?

COMMISSIONERS: Aye.

CHAIRMAN: Oppose? The next meeting, Mr. Lee, is June 15th in Kona. You also will be receiving a letter in writing.

Public hearing adjourned at 8:59 p.m.

Respectfully submitted,

Sharon M. Nomura

Sharon M. Nomura
Secretary

A T T E S T:

Lorraine R. Jitchaku

Lorraine R. Jitchaku
Chairman Pro tem, Planning Commission

PLANNING COMMISSION

Planning Department
County of Hawaii

HEARING TRANSCRIPT
June 15, 1978

A regularly advertised public hearing, on the application of Hawaiian Host, Inc., was called to order at 7:30 p.m. in the Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii, with Chairman William F. Mielcke presiding.

PRESENT: William F. Mielcke
J. Walsh Hanley
Lorraine R. Jitchaku
Bert H. Nakano
Alfredo Orita
William J. Paris, Jr.
Charles H. Sakamoto

ABSENT: Shigeru Fujimoto
Haruo Murakami

Ex-officio Member
Akira Fujimoto

Sidney M. Fuke, Director
Ilima Piianaia, Planner
William Moore, Planner

David Murakami, representing Ex-officio Member Edward Harada
Lionel Meyer, Deputy Corporation Counsel

and about 17 people in attendance

CHAIRMAN: We'll move on to Item five on our agenda. Continuation of a public hearing on the application of Hawaiian Host, Inc. to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2, which limits the operation to the husking of in-shell nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures. The area involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Sunset Coffee Co-op of Kona processing plant complex, Keei 1st, South Kona, TMK: 8-3-04:12.

The staff has already given the background report on this application before the Commission. I would like to point out for the benefit of the audience that the entire docket concerning this application has been made available to our new Commissioners, Commissioner Orita and Commissioner Nakano, and Commissioner Hanley and myself the verbatim transcript of the last meeting. And the Commission has received additional correspondence since that meeting. (The Chair read into the record correspondence from Colonel Arthur B. Chun to the Planning Director dated May 22, 1978.)

We will continue the public hearing on this application. I do ask that those of you who have already testified, that we try not to be redundant in our testimony this evening. The Commission is most anxious to hear everyone out and is very conscious to be sure that due process is given to everyone that is in the audience this evening. With that, the Chair will open the floor for testimony.

Would you raise your right hand. Do you swear to tell the truth and nothing but the truth on this application now before the Hawaii County Planning Commission?

SELL: Dr. Lou Sell. I'm the owner of the Kona Hawaiian Macadamia Nut Company and we are processing a macadamia nut processing operation located in Kealahou. We currently have an agreement with the Kona Farmers Cooperative to do a portion of their processing, and we have been doing so for the past six or seven months; and I'm here to correct a couple of misrepresentations that came to my attention, not only in public papers, not only in Hilo and Kona, but also in the transcripts of the last meeting.

The last six months, our plant, well beginning with a year ago, we didn't even exist. We built the whole plant since a year ago this time, plus we processed approximately 750,000 pounds, in-shell pounds, that is. Of the end result, we've sent about 175,000 pounds of kernels to Hawaiian Host and another 25,000 pounds of kernel to four other candy makers that are located throughout Hawaii, on the mainland, and in Japan. We have received no complaints of any sort, at any time, from anyone.

At the last meeting, evidently the Host's representative stated that, he made some derogatory statements about the quality of our product. He also stated that there was a salt residue present in the product to make it unuseable. However, they've used it all, and I have some samples that I took off of our line directly yesterday. Nothing special is done, I just reached down and grabbed a handful and if any of you gentlemen would care to taste, see if you can find any salt in it, you're perfectly welcome.

CHAIRMAN: Dr. Sell.

SELL: This is not too fancy because we're a wholesaler and we are in product as, strictly in fifty pound cartons and so we don't have fancy packages or anything like that.

CHAIRMAN: Dr. Sell, did you have some further testimony that you'd like to offer? You said there were other discrepancies in the testimony that was offered.

SELL: Well, it was primarily, I noticed, the only thing that I noticed as far as the application goes, that in the original application, the transcripts of the meetings in the original application to husk, it was repeated by the Host representative that they definitely were not planning on doing any cracking, and now I see in the last transcript that they are planning on doing cracking. However, to the best of my knowledge, they've never done any husking yet in that location. So that seemed to be kind of a contradiction.

CHAIRMAN: Commissioners, did you have any questions of Dr. Sell?

NAKANO: Yeah, I'd like to ask one question. Are you objecting to this application?

SELL: On the grounds that at this point there appears to be enough processing facilities to well handle all of the nuts in the north and south Kona districts. My facility could handle all of them by itself. The Kona Farmers facility which processed up through January is still operable. They just merely shut it off. It hasn't been dismantled or changed, and so it also is able to process a very large volume of nuts. So on these grounds, it would be my opinion that at this point there is no need for additional processors.

CHAIRMAN: Further questions, Commissioners? Thank you. Dr. Sell we'll ask you to please remain seated in the audience. We might want to call you back. Mr. Lee, would you care to respond to Dr. Sell?

JITCHAKU: Mr. Chairman, could we have Dr. Sell's correct spelling for the record?

CHAIRMAN: Oh, surely.

SELL: S-e-l-l.

CHAIRMAN: Okay. Mr. Lee, we'll swear you in tonight. Do you swear to tell the truth and nothing but the truth on this application now before the Hawaii County Planning Commission?

LEE: Yes, I do. My name is Dan Lee. I'm the representative of Hawaiian Host Candies and the person that testified at the last hearing. Unfortunately, the question of the salt coating on the kernels is now in litigation and I cannot comment any further on the question of whether or not the nuts are satisfactory. I will say as a matter of record before the court that the real issue is what was the status of the kernels at the time the injunction was granted to Hawaiian Host, what was the status of the kernels at the time that we signed the contract, and over the years we've received these kernels in what form, and that is basically the question.

Second, the plant itself was a cracking and husking plant for some years. We came into the picture by buying out the plant and we allowed the plant to remain idle for some time. As a result, we're now before the Commission. We went before the Commission for a variance for the Special Use Permit and now we're asking for an amendment.

The other thing I'd like to bring up while I'm here, to explain, shed some light for those who are newcomers to the Commission. At the time that we went in for the Special Use Permit, we made it clear to the Commission that we had a contract to turn over the plant and the facilities to Pacific Co-op to operate that as a processing plant. Basically, it was to operate merely as a husking plant at that time because we wanted to remove any dispute

that may arise between Pacific Co-op and Kona Farmers Co-op since Kona Farmers Co-op already had a processing plant that was newly rebuilt right after the fire. We understood the economics of the situation. We made it very clear at that time that we wanted to maintain merely a husking plant. During the course of the year and no sooner after the Special Use Permit was granted the Kona Farmers Co-op determined by their executive committee and pursuant to certain documents that I have received in the course of our litigation, that it was much more feasible and economical for them to enter into a private contract with a private processor named Mr. Sell, to have their nuts cracked at Mr. Sell's plant. At the time the injunction came into play, we had no idea that such a contract existed. We subsequently learned that there was such a contract. However, we're still under an obligation to try and bring the plant into play so we can turn it over for the farmers, namely Pacific Co-op.

I had an opportunity today to meet with members of Pacific Co-op and had a chance to review some of their records. And I have a very good example in my briefcase which indicates that at the present time, the farmers of Pacific Co-op are receiving a net per pound price that is approximately five cents more than what is being paid to the members of the Kona Farmers Co-op. Now I only say that because Pacific Co-op presently is delivering their nuts for cracking to a Hilo processor. That would mean that they're expending at least an extra cent per pound to have their nuts cracked in Hilo; but yet they were able to provide a net benefit per pound of five cents more over the Kona Farmers Co-op.

I believe that if this plant were to come into effect and that Pacific would operate this plant and crack its own nuts, we certainly would save the cost of transportation, which would mean instead of five and a half cents or five cents saving and a net benefit to the farmer, perhaps a six or seven cents saving, a net benefit to the farmer.

One last point is this, that in putting in the cracker, we do not plan to alter the physical terrain in any way. The cracker, as you know, is merely a machinery that's about 20 feet long and about maybe 10 feet long, and that will be located within the plant. Obviously, OSHA requirements will come into play and thus reduce the amount of noise, or any other kind of potential pollution to the environment.

I've heard testimony by Kona Farmers Co-op objecting to our plant, but it seems to me that they're merely saying that they're 700 feet away, and they have a plant, and nobody else should have one in that area, perhaps that's just overly simplified. But we're here to try and see what benefits the farmers can gain and what benefits there might be to the community in general.

If there's any questions, I can answer -.

CHAIRMAN: Thank you, Mr. Lee. Commissioners, do you have any questions you'd like to direct to Mr. Lee? Commissioner Sakamoto.

SAKAMOTO: Mr. Lee, your operation of cracking the nuts, is it similar to Kona Farmers, you know, when they were cracking their nuts?

LEE: Yes. It will be similar in some respect, except for our attempts now to use a steam method in blowing hot air into the tank that will be drying the nuts, primarily to reduce any kind of air pollution that may come about. But essentially it'll be the same. As you know, the Kona Farmers Co-op do not operate a cracking plant at this time.

CHAIRMAN: Commissioners, further questions you'd like to direct to Mr. Lee? Okay, Mr. Lee, thank you very much. We ask that you remain in the audience. The Chair at this time would like to invite anyone else from the audience who would like to speak either for or against this application now before the Commission.

Do you swear to tell the truth and nothing but the truth on this application now before the Hawaii County Planning Commission?

SCHATTAUER: I do.

CHAIRMAN: Would you please state your name into the microphone.

SCHATTAUER: George Schattauer.

CHAIRMAN: Yes, Mr. Schattauer, please proceed.

SCHATTAUER: Yes, I'm speaking as a private individual tonight. Maybe I'm walking where angels fear to tread; however, I think it's time to speak what I think is right or wrong.

I've been a member of the Kona Coffee Co-op for a number of years and I know Dr. Sell because I've done some business with him. I've known Mr. Takatani for a few years. I'm affiliated with him? No, nor Dr. Sell. But Mr. Takatani has been associated with the Kona macadamia nut growers for over 30 years and I think if we go back a few years to when just Keaau and Hawaiian Holiday controlled the market, Mr. Takatani came in and raised the price. I think in all fairness to this man, that his request should be considered favorably. I don't think the growers, including those in the co-op can say in any way that Mr. Takatani at any time tried to outdo them. I don't know the ramifications of Pacific Co-op and Sunset. They formed a co-op together and they drifted apart, that I don't know. But I do know Mr. Takatani and his dealings in business, and I say that in my personal feeling that his request should be granted favorably.

CHAIRMAN: Thank you, Mr. Schattauer. Members of the Commission, do you have any questions you'd like to refer to Mr. Schattauer?

SAKAMOTO: I have one.

CHAIRMAN: Yes, Commissioner Sakamoto.

SAKAMOTO: Mr. Schattauer, where are your nuts going to?

SCHATTAUER: Well, we, I work for Kona Property Management and there's several orchards there. Some go to Hawaiian Holiday. We have sent some to Dr. Sell. In past years, we've sent some to Sunset. We've never sent any to Hilo.

CHAIRMAN: Commissioners, any further questions?

SCHATTAUER: Thank you.

CHAIRMAN: Thank you, Mr. Schattauer. Is there anyone else in the audience who would like to speak either for or against this application?

Do you swear to tell the truth and nothing but the truth on this application now before the Hawaii County Planning Commission?

CHUN: I do.

CHAIRMAN: Thank you.

CHUN: I'm Colonel Chun who sent the previous communication objecting to the granting of the variance to the agency that has requested. I thought I'd amplify that statement with a few more comments which I think are appropriate at this time. Do you have a map showing the mill location and the area, or is that the, that's the only one up there? Is there one of the area?

PIIANAIA: No, we don't have an overall location map. It was part of the original exhibit which was forwarded to the Land Use Commission.

CHUN: I see. Well, I wanted to do three things, was to point out our area that is our land, the 7 1/2 acres, so that it would firmly set in your mind that it's exactly where the boundary of the coffee mill that's there now and the macadamia nut plant facing the makai 7 1/2 acres right along the road and it runs down to the water tank and runs back up to a little beyond the coffee mill; and then I wanted to point out the location of this new facility; and what the impact of an approval would do to the community and to the landowner, since we also own some land, just a very small piece, a little over an acre down at Napoopoo. And I also wanted to point out the possible road changes that are going to go in, or may go in, if the villagers agree or disagree.

I also wanted to point out that the noise factor, I have not heard mentioned this evening, just how much noise will be generated by this new facility, and just how much steam - oh, here we are.

PIIANAIA: I'd just like to point out for the record that this is an exhibit from another file, but it's the same location map that is part of the docket that was forwarded to the Land Use Commission.

CHAIRMAN: Thank you, Ilima. Colonel Chun, if you'd like to go to the map and -.

CHUN: Would you mind pointing out where their location is going to be and the coffee mill, just so that I'd be sure?

This is the road that all of us take in going from North Kona, completely to South Kona, to Ka'u, and then on. And then when you hit this area is when you instantly sort of clear the ridge line and then see this panorama below you, which is completely agricultural with old buildings, sort of a distant thing. There is no smoke coming from any buildings that I have seen in going to and from in the last two weeks. And then the biggest building and then the oddest is the coffee mill which is in existence here, up in here, I want to be sure I'm right, based on the grandfather operation. It is sort of a add-on patchwork so it creates a quilt. It's dark wood, unpainted, the same with most of the other buildings that are in the panorama. They're corrugated iron, rusty, and so when you look from above, you see this sort of white thing. They're not painted white. They're just the sun drenched in all through the years. And they sort of fit into this quilt of trees, open area, plumerias and other things; and then you look down and then see the ocean and then very, very pretty big, those of you who have gone to South America or have gone to the South Pacific, there are not too many bays, there are not too many waterways that is that pretty from this here and from this. Now when you come from this side, you sort of wind around, and you don't see much except the shoreline and then suddenly this thing opens before you and you look at this whole bay. There really is no scenic point that you really look over, except this one little place that they have some coffee trees growing where the buses will stop to look at them.

So here this tremendous asset that we didn't develop, that was given to us. And then all through the years, these people putting their fingers in the soil and raising flowers and trees, coffee, and changing with the various economic tendencies so that one day they're up and the next day they're down, and then finally we're here today in 1978 with two really fine co-ops of people that most of you know on both sides, in which you are going to make a landmark decision.

This is a landmark decision, and the reason it is a landmark decision is because these property owners along this road have received the one thing that makes changes, and that is government water. It's along the road, goes all the way down to Napoopoo. And when that went in, with electricity available, it holds the situation in which you are going to have to make decisions on what this valley is going to look like through the next fifty years or maybe a hundred years. And so, that is why this is most important and that's partly why I came this evening.

Now our land is this former Dillingham property that sits, going up over here, and sits in here; and it's 7 1/2 acres and going all the way down here; and then the water tank is here. So we have all this frontage in here. Dillingham at one time wanted to make that a cattle feedlot operation where they fatten the cattle using, I understand, surplus coffee grinds or something, and they built a number of things in there to fit that in. But when they tried it out or brought the cattle in, somehow that thing happened; besides, the thing that they looked for. Perhaps Billy (Paris) would understand a little bit more than I would. But anyway, it didn't work and they gave that up.

Now, then you continue on down the road and then there's a big church down here, that Protestant Church, that's sort of a landmark. It's an old building, but it stands out in that valley the same as Mokuaikaua Church stands in Kailua. It's a spiritual thing that you get that's the difference between us and Europe and some places where they have the medieval cathedrals that once dominated the landscape, and then everything else grew up so that it's lost within. But here, in Hawaii, we have these two little areas still the way with the spiritual thing dominates the community, and that's Mokuaikaua Church in Kailua and this old unused sort of almost half-forgotten church; but it isn't half-forgotten because there are other people that want to now, either rebuild portions of it and resurrect that church so that it becomes another landscape deal. Now, part of that hold up the County from widening this road and either continuing through the village or cutting it up here, and then continuing on, part of that. And the other part are the villagers who are sort of like ourselves, and we have an acre, a little over an acre and a quarter in here, and we're coming before the Planning Commission on a small subdivision.

And in talking with the road people, they suggested we widen, they said if we widen the road, we ruin the village. We would rather kill our subdivision than widen the road, that's the way we felt. Now the same thing applies up here. If you grant this variance, 1700 feet away, what you do is you put another, almost really an industrial type activity, in actuality, a little further up over here and you put another one here. The area in between will either become all industrial or it will sort of begin, you'll begin getting requests for commercial.

We have had requests for our 7 1/2 acres. We had a request last week to offer us a sizeable amount of money in six figures, no not in six figures, yes, in six figures in cash. And I asked, what were you going to do with it. And he said, well, it wasn't going to be what we were thinking of. So we turned it down because we thought in this here, in this valley, that we wanted to retain control a little bit longer and ask for a different type and keep it in agricultural.

So hence, when you're making your decision this evening, please consider the fact that if an industrial type activity goes in over here and a request for an industrial activity request comes in right next to the coffee mill right now and going all the way down, what that will do to this whole valley as far as, this is the only road that comes down, and it's the only road that's going to continue coming down for everybody. And what will that effect have on this valley remaining, if this area remaining ostensibly agricultural? Now if you want to change, tonight is the time. If you want to sort of take another deep look, then perhaps maybe some way or other, just ask in yourself and some of these people who are here tonight and sit down and think not so much of two roaring factions which really, just like the movies, but of the whole valley and its beauty.

Now whatever you do, I hope you put conditions on any type of buildings where it looks like it's going to be industrial with landscaping going in and not small landscaping, but large trees. And to me, the odd

part about it is that the solution to these two people is to understand that the more beauty that they have in here, the better the chance they have to sustain themselves independently and sell all their coffee to everybody that visits here so they won't have to be subject to other people on the mainland buying them out and then going up and down, and the same with their macadamia nuts.

And so our family objection is based on not so much where they sell it or how much money each one of them lost or the other as it is what is the future of this village going to be and what is it going to look like and what chances are you going to sustain in keeping this as a agricultural area all throughout with this big modification that may come up this evening. Thank you very much.

CHAIRMAN: Thank you, Colonel Chun, for bringing your concerns to the attention of the Commission. Commissioners, do you have any questions? Commissioner Paris.

PARIS: I'd like to state to Colonel Chun that conditions have already been imposed. We already granted them the right to have a husking plant, and in that, I moved then, and we imposed it as a condition, that the area would be landscaped. The applicants were agreeable cause the initial application was for a husking plant, and that also, they would be painted with a color or colors to blend in with the background. These were conditions that were imposed when we granted them the permission to husk because I had the same feeling as you do, for the beauty of that area and it is something that the 370,000 plus visitors who go to the City of Refuge every year, plus your unrecorded amount, do see and it's a lasting impression. And it worries me.

CHUN: Thank you. I'm very, very happy to hear that. I'm very grateful; and thank you very much for imposing those conditions.

CHAIRMAN: Commissioner Sakamoto.

SAKAMOTO: Colonel Chun, you're concerned about noise, right?

CHUN: Yes.

SAKAMOTO: If you live near the sugar mill, you'd know about soundproof -.

CHUN: Yes.

SAKAMOTO: You know, the people who live near the sugar mill, they can hear all kinds of noise, and they live right next, I mean right next. Thank you.

CHUN: Let me comment on that. I'm glad you brought that. We also live in Nuuanu Valley, our family. When you go up the highway, before you go over the Pali, to the right is the old road which they call the Nuuanu Pali Drive. It begins there and I think it runs about a little mile and winds around what they call Morgan Corner and continue up. And the buses go by there, see all the different vines and the flowers that the homes have on that road. And in the last three months, the noise commission in Honolulu has taken the matter up and the villagers appeared before the County

Council. And the matter has now almost been adjudicated in which the County of Honolulu will probably enact a law stopping those buses from going up that little road to see this thing because of the noise to the community there.. So the noise that is generated that we have tolerated in the past does not really mean that we're going to tolerate that in the future, and neither are you. Because it increases to a point where it becomes that you say no more.

And what happened is, you see, they go up hill and then they shift gears, these buses, and then they slow down one after the other and we can't hear inside the home, you see. So I appreciate the noise tolerance that lots of people have in the past that lived next to very, very noisy things, like even up here, next to one of the contracting, where they break rocks. But that does not mean that you are going to tolerate that in the future and I doubt if those people, given the choice again, if they had to buy their homes over there wouldn't object to the noise and have not necessarily move - but have them put in something that would cut the noise down.

As I say, I went back home and just over the last few days and several of the Councilmen came up, and we did not initiate to stop the tour buses from hiding in front of our home on Nuuanu Pali Drive. But the people who were there, and there were about 50 or 100 families did, and the County is going to, they said they were going to, and I asked them how would you do that; and they said, very simply, no right turn for buses between 6 a.m. and 6 p.m. and that takes care of the whole day. No right turn for buses. And I said how about the transits, the bus for the transits, and they said they'd work in an exception. So the transit bus would be the only one. They'd go in half way, turn around and come back. But all other buses, they would be cut out. Limousines can, all, you can do anything you want with private cars. Now I have a hunch some of these days your rights thing will be coming before the Planning Commission, too. Thank you.

CHAIRMAN: Thank you. Ladies and gentlemen of the audience, again the Chair would like to invite any of you who wishes to testify either for or against this application to please so identify yourself. Yes, Commissioner Hanley.

HANLEY: Unless I'm missing something, it's my understanding there's already a special permit which allows the construction that's shown there, is that correct?

CHAIRMAN: Correct.

HANLEY: The request is to add an additional machine inside the building?

CHAIRMAN: That is correct.

HANLEY: Would it be out of order to request that testimony be limited to discussion of the matter being considered by the Commission?

CHAIRMAN: Commissioner Hanley, I certainly agree with you; and I think the Chair, in an effort to be fair to anyone who wants to testify, have been a little lenient on considerations concerning noise and some of the other things. I appreciate your concern.

HANLEY: Well, my thinking on it is that I'm sure if people, if they get up and talk, would like to have their testimony considered, and the Commission is considering one issue and any testimony which doesn't bear on that cannot be considered in the deliberations. Thank you.

CHAIRMAN: Mr. Van Pernis, we'll swear you in. Do you swear to tell the truth and nothing but the truth on this application now before the Hawaii County Planning Commission?

VAN PERNIS: I do.

CHAIRMAN: Would you state your name into the microphone please.

VAN PERNIS: Mark Van Pernis, and you've all seen me here before, of course. And I'll try my best to comply with the Chairman's request that I not be redundant. Basically, I'm not trying to add anything on the previous testimony I gave on behalf of my client, the Kona Farmers Co-op, but I do feel I have to respond to some of the points raised, with all respect to Mr. Lee as an advocate to his client. I think what Commissioner Hanley just brought up to some extent indicates to me the continuing problem we're having on this particular application, which is one of inadequate information or not told information.

For instance, Mr. Lee made reference to the fact that all we're talking about is a 20 by 10 foot piece of machinery to crack macadamia nuts. Well, that's fine, that will crack the macadamia nuts. We're also talking about much more than just that piece of machinery. We're talking about drying bins, we're talking about boilers to create steam, we're talking about furnaces or engines or some type of method. I think Mr. Lee referred to butane gas to heat the air and water, whatever the case may be for the drying bins. We're talking about the conveyor system, we're talking about the packaging facilities, the sorting facilities. We're talking about quite a bit more than a 20 by 10 foot piece of machinery. I think that if that was all there was to cracking, I don't think you'd have to have a large warehouse operation that Dr. Sell has, or a large machinery operation that large, several building operations that we have. I think the Commission should be aware that we're talking about lots more than a single cracking machine. And with it, of course, not only whatever noise or pollution or heat is generated by the drying bins and the boilers, and the generators, and the cracking machinery, and the loading, and the sorting and packaging, we're also talking about the trucking operation going up and down that road, up to the Mamalahoa Highway. We're talking about that particular situation. We're talking about a difference between a husking operation which is a small scale operation many farmers can and do on their own farms. And now we're talking about the entire gamut of processing.

I also want to make sure that everyone understands that Hawaiian Host and ourselves may have our differences in our business relationship and that matter may have been, Hawaiian Host is now in fact suing the Co-op and has brought the Co-op to court on the matter. But I don't want to try to place that controversy before this body. It's a matter separate.

What the point I'm trying to make is that no one is trying to tell Hawaiian Host that they can't go into the processing business. This

is America and anyone can compete in any way that they'd like that's legal. We're not trying to tell anyone that they can't go into the processing business. We all feel that there's no need and it'll be detrimental to the economics of farming around here, but that may be a matter of opinion.

What we are saying is that they are asking to process their nuts in an area that is not zoned for that. They're asking for a privilege, they're asking for a special permission to conduct an activity in an area that is not allowed to have that type of activity. What we're saying is that why are they entitled or why should they be granted this privilege. They came before you originally saying that there was a need for this because Kona didn't have the ability to husk nuts. We refuted that. Nevertheless, the permission was granted. Mr. Lee got up here and said that this whole cracking addition was necessitated by various events several months ago, the fire, the arrangement with Dr. Sell, all these, this may be a matter of controversy in the court. But it is blatantly irrelevant as far as this is concerned. They got up in front of you Commissioners, on the record, it's in the transcript, at one of our previous hearings, stated that they did not intend to crack. All they wanted was to husk. And this was said many, many months, after the matters referred to by Mr. Lee, they put it on the record that that's all they wanted to do. They came back later now and are asking to crack.

And as I asked before, why do they need to crack when they didn't need to when they originally filed this application. Well, Mr. Lee responded by saying that, one, the Co-op couldn't crack, further process, and, two, that the new processor in town, Dr. Sell, he couldn't adequately process. I think that that matter has been thoroughly cleared up that those two particular representations were in fact not accurate representations, that the Co-op can process, and Dr. Sell can process. Dr. Sell's operation is a new operation. He put it up in an area that's zoned for in Kealahou. There's areas for processing from Kawaihae to Kailua-Kona to Kealahou and Capt. Cook, and all the way around the island, adequate areas zoned and available and open for this type of processing. Why are they entitled to this special privilege in an area which I think is relatively unique in which Mr. Chun, I think, has thoroughly explained as far as that's concerned.

Mr. Lee has also gotten up here and made the claim that it's for the benefit of the farmers, that PCC is paying their farmers five cents more per pound and that somehow or other this processing plant is going to make that sort of a price to the other farmers. I think that anybody who is familiar with the macadamia nut business of this island, I think Mr. Schattauer could give us some information on this, as well as any of these macadamia nut farmers, and we have several sitting behind us here, can verify the fact that the price that the Co-op pays are in fact equal to or higher than any other entity in the State of Hawaii. Now, there is a difference, for instance, Pacific Coffee Cooperative, since they receive 700 and oh, I'm not sure of the amount, but it's a six figure amount from Hawaiian Host to pay their farmers up front, they get their money 30 days before our Co-op does. But that's a matter of business, whether the Co-op should borrow and carry the overhead interest or not. But what interests me, and I think this is something I think should be cleared up if in fact the money that pays for

Pacific Coffee Cooperative nuts comes from Hawaiian Host. The money that pays for the majority of the Kona Farmers Co-op nuts comes from Hawaiian Host. They're paying our competing Co-op, they're not really our competing Co-op, it's a co-op that's technically merged with ours, they're paying the other processors five cents more. Why are they not paying us the same price? This is one of the reasons, gentlemen and ladies, that we're in the court. Hawaiian Host has taken us there. They are taking us there demanding that we deliver 100 percent of our nuts to them and they're paying us, and if, with due respect to Mr. Schattauer, I share with him the respect for Mr. Takatani and what he has done many years ago to encourage the macadamia nut business in this part of the state; but it's a situation where now the current price of macadamia nut kernels is well over \$3.00 a pound. Dr. Sell can tell us that, many people can tell us that. They are trying to pay and, in fact, are paying at the moment the Co-op \$2.31. Their primary interest is in the farmers, why aren't they paying us the same price they're paying other people? Why aren't they paying us the going price. But this is a matter of argument. This is a matter that's before the court. This is a matter of business, the Commission should not be concerned with it. But these other matters, on exactly what we're getting into in this area as far as noise, industrial activity, expand the plant, that sort of thing, that should be of concern to the Commission.

And again, we're not trying to say they can't process. We're just saying why should they be given the special privilege when, one, they can show no need for it, two, they cannot show that it will enhance the area or enhance the economics of the area and, three, that it establishes a dangerous precedent in a very irreplaceable area. And I think that since this is a privilege, I don't see why the Commission should grant it in this particular case since none of the criteria have been met.

I would invite any of the other people here to testify. I know some of them are farmers and not speakers like I sometimes get paid to do; but nevertheless, I think they're all here out of a genuine concern and not out of any partisan activity.

I agree with Commissioner Hanley that we should concern ourselves solely with the limited issues before us. Those issues are a change of type of activity here from the husking to a much more industrial, much more expansive item, and secondly, why in this area, I don't believe there's any reason that's been presented and backed up with proof to justify this application. In fact, I would like to take the position that there's been, maybe, some either unintentional or misrepresentations or inadequate amount of information presented to the Commissioners and the staff. I'd be happy to answer any questions like that, but basically I'm an attorney, and only a part-time farmer. And if they have questions about, although I do live directly in that area, in my area, in the area Colonel Chun mentioned, but I think if the Commission has any questions about activities of the people who live and do business in that area, they should call on some of these farmers here and try to get to the heart of the matter rather than the politics of it.

CHAIRMAN: Yes, Commissioner Hanley.

HANLEY: Mr. Van Pernis, does your client enjoy the special privilege that you're suggesting be denied to Hawaiian Host on their property?

VAN PERNIS: We do not enjoy that special privilege. We process -.

HANLEY: You cannot process nuts or crack nuts?

VAN PERNIS: We can process nuts on there, we do not, and then as -.

HANLEY: But you do have the right to do it?

VAN PERNIS: Right to process. We have the right to do it, but I would point out that that right was, was not granted to us, but came about long before it became basically illegal to carry on that activity. I think, I would speculate that if we had to do it again, that we would not be allowed to do it in that area. I think that the Commission would probably, if there were no activities down there of this nature, I don't think the Commission would grant any activities down there. The fact that there is one and it's not active now, I don't think is any reason to open up to further similar activities.

The other activities down there other than straight farming and residence down at Napoopoo are the bee keeping operation and the tomato greenhouse operation down there; but I think it's an unfair statement to say that we enjoy the same privilege that Hawaiian Host is asking for because in fact there's a big difference when you're "grandfathered" in. And I don't think we're trying to gloat over the fact that we're down there. I think as was pointed out in previous meetings, previous times, in fact, one of the considerations we had when we moved our nut processing out of there is to limit the smoke and pollution as the noise aspect that we were creating down there. There's a lot more people coming down there, they're making a park down towards the Kealahou Bay now, and that was one of the considerations we had in moving out of that, among many considerations.

I think if we had to come in all over again, I don't think you'd let us in and we wouldn't complain about it.

CHAIRMAN: Commissioner Hanley, did you have any further questions?

HANLEY: No, thank you.

CHAIRMAN: Thank you. Mr. Director .

FUKE: Thank you, Mr. Chairman. I would like to just clarify one point. Just the existing operation over at the Kona Sunset Co-op was previously considered a non-conforming use; however, back in, I guess in, October of 1977, the Land Use Commission did legitimize the coffee and as well as the nut operation. So as far as the County and the State are concerned right now, the present operation is no longer considered non-conforming.

VAN PERNIS: That's right. We are the exception in that case.

CHAIRMAN: Okay, thank you. Commissioners, any further questions of Mr. Van Pernis? Thank you, Mr. Van Pernis, we do ask that you remain in the audience.

Mr. Lee, I will at this time offer you an opportunity to respond directly to anything that Mr. Van Pernis has brought up. Mr. Lee, you'll have to come up to the microphone and I will ask that you speak specifically to Mr. Van Pernis' testimony before the Commission.

LEE: Well, I guess that's an old game between attorneys to yell and shout at each other and I don't want to get into that. We're just trying to do what was being done and is being done by Kona Farmers Cooperative, and also the present site and the present plant was in existence, was operating as a processing plant for some years prior to the time we took over. The only reason we discontinued the use of that plant was on a gentlemen's agreement with the Co-op. Unfortunately, maybe the relationships aren't as good as they should be, but we still feel that we need the farmers and whatever benefits the farmers also benefits us. We offer the same price to Kona Farmers Cooperative as we do to Pacific Co-op. What I'm talking about is, in comparing the record of one, several farmers that I have on hand right now, the record reflects that the farmers in one instance are receiving a net benefit of five cents per pound more because their expenses aren't as great. And it just so happens that it indicates that the savings are notwithstanding the fact that the nuts are being taken over to Hilo to crack. So assuming that we crack it over here, by the Co-op, by the farmers themselves, they're going to save some money.

But the rest of the stuff as far as salted nuts and unsalted nuts, we're still in court on that. Are there any questions?

CHAIRMAN: Questions, Commissioners? Okay, thank you, Mr. Lee. The Chair at this time would like to further invite anyone from the audience who would wish to testify either for or against this application now before the Commission to come forward.

Okay, do you swear to tell the truth and nothing but the truth on this application now before the Hawaii County Planning Commission?

MOTOKI: I do.

CHAIRMAN: Please state your name into the microphone.

MOTOKI: My name is Tojiro Motoki. I'm president of the, and for the record, I'd like to make a correction. In your previous, I think your first statement, you said, you mentioned the name Sunset Coffee Co-op. We are now known officially and legally as the Kona Farmers Co-op. So for the record, Kona Farmers Co-op please, rather than Sunset.

Now, Mr. Lee referred to innuendos, etc., and I'd like to commend Mr. Schattauer for his comments as to the, what Mr. Takatani allegedly has done to help the Kona farmers, especially those in macadamia nuts. I'd like to point out to the members of the Commission that the reason why the price of macadamia nuts has

been raised is not because of a good heartedness of Mr. Takatani, but because we have been forced to go into compulsory arbitration. Every time we go into compulsory arbitration, it costs us \$10,000 and we've been going now for four years into compulsory arbitration. And that \$10,000 per arbitration has been costing the farmers \$40,000. I assume, from past records, track records, that we will again be forced to go into compulsory arbitration to establish the price paid for the nuts. And again, from the past track records, I would assume a cost to the farmers, \$10,000.

Now Mr. Lee mentioned the fact that the PCC is paying on the average five cents a pound more than the Kona Farmers are able to pay; and for the record, I'd like the Commissioners to know that the method of payment insofar as our farmers are concerned is based on the moisture content and spoilage. And based on this, the price paid to the farmers can go as high as forty-six, forty-seven, or forty-eight cents a pound.

Another consideration is that Mr. Tengan used to process their nuts for thirteen cents. He saw fit to lower the price, the processing fee from thirteen cents down to ten cents. And I give the manager of the PCC credit, he insisted that this three cents be rebated back to them. Now, insofar as when Mr. Lee mentioned that the fact that the price that Hawaiian Host pays to us and to PCC is the same, that is true. He was implying, I think, that there was less efficiency; and that cannot be because the machinery that they contemplate putting in, I think is going to be the same machinery that we have and our efficiency ratio has been in excess of 26 percent. Now, one of the reasons why we went to Dr. Sell was because his efficiency ratio was better than that. It came up to about 29 per cent. Because of these considerations, I think it was a wise economic move on our part to process our nuts, from processing our own nuts to go to Dr. Sell; because we got, in essence, three pounds more of grade "A" kernels per one-hundred pounds of nuts in-shell than we were able to achieve under our own method.

As has been stated, we are able, at a moment's notice, to go back into full production. And we are contemplating improvements in our processing methods so that we will be able to at least match and perhaps even exceed Dr. Sell's crack-out ratio of 29 percent per hundred pounds of nuts in-shell.

For these reasons, I personally, and for the Co-op, would like to oppose the granting, we're opposed to your granting of this variance to Hawaiian Host insofar as this special, whatever it is, kind of permit is concerned.

CHAIRMAN: Thank you, Mr. Motoki. Commissioners, do you have any questions? Thank you very much. Anyone else from the audience who wishes to either testify for or against the application before the Commission? Ladies and gentlemen, if there is no further testimony to come before the Commission, Commissioners, the Chair will entertain a motion to close the public hearing.

PARIS: Mr. Chairman, could we take a few minutes recess? I would like to consult with our counsel for a few minutes.

CHAIRMAN: If I can have your attention please, we'll resume the meeting at 8:32, Madam Secretary.

RECESS: The Chair called a recess at 8:20 p.m.

RECONVENED: The meeting reconvened at 8:32 p.m.

CHAIRMAN: If there is no further public testimony to come before the Commission, the Chair will entertain a motion to close the public hearing.

SAKAMOTO: So move, Mr. Chairman.

CHAIRMAN: Is there a second to the motion?

NAKANO: Second the motion, Mr. Chairman.

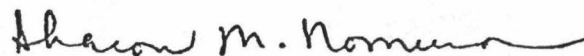
CHAIRMAN: It has been moved by Commissioner Sakamoto and seconded by Commissioner Nakano that the public hearing on the application of Hawaiian Host, Inc. to amend the Special Permit No. 77-269 be closed. All those in favor so signify by saying aye?

COMMISSIONERS: Aye.

CHAIRMAN: Oppose, same sign? Public hearing is closed.

Public hearing adjourned at 8:33 p.m.

Respectfully submitted,



Sharon M. Nomura
Secretary

A T T E S T:



William F. Mielcke
Chairman, Planning Commission

PLANNING COMMISSION

Planning Department
County of Hawaii

MINUTES
July 13, 1978

The Planning Commission met in regular session at 1:00 p.m. in the Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii, with Chairman William F. Mielcke presiding.

PRESENT:	William F. Mielcke	ABSENT:	Shigeru Fujimoto
	J. Walsh Hanley		Lorraine R. Jitchaku
	Bert H. Nakano		Haruo Murakami
	Alfredo Orita		
	William J. Paris, Jr.		Ex-officio Member
	Charles H. Sakamoto		Akira Fujimoto

Sidney M. Fuke, Director
Ilima Piianaia, Planner
William Moore, Planner

Edmund Morimoto, representing Ex-officio Member Edward Harada
Lionel Meyer, Deputy Corporation Counsel

MINUTES: It was moved by Commissioner Paris and seconded by Commissioner Sakamoto that the minutes of June 29, 1978, with the correction on page 9 to add, "The Chair requested a copy of their constitution and bylaws prior to the next meeting" on the application of The Fraternal Order of Eagles, and also page 14 to read, "It was moved by Commissioner Paris and seconded by Commissioner Nakano that the public hearing be continued; motion was carried" on the application of the Department of Public Works, be approved as circulated. Motion was carried.

REPORTS: At this time, the Planning Director commented on the revisions to the in-house draft of the County General Plan and the scheduled public hearings. He pointed out that the public hearing of the Kailua Village Sign Ordinance is scheduled for August 3, 1978; however, the Kailua Village Commission has requested deferral to give them added opportunity to review the matter and that if need be, he will have it rescheduled. The Chair again requested the Commissioners' attendance at all the scheduled General Plan hearings.

At this time, the Chair announced that the variance application of Arthur Ulrich will be deferred as the petitioner is ill and unable to be present.

All those testifying were duly sworn in.

SPECIAL PERMIT
HAWAIIAN
HOST, INC.

Application of Hawaiian Host, Inc. to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing

EXHIBIT GG

KE'EI 1ST,
SOUTH KONA

plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2, which limits the operation to the husking of macadamia nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures. The area involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Kona Farmers Co-operative (formerly Sunset Coffee Co-op of Kona) processing plant complex, Ke'ei 1st, South Kona, TMK: 8-3-04:12.

Staff presented background and recommendation for approval with conditions on file.

It was moved by Commissioner Hanley and seconded by Commissioner Nakano to send a favorable recommendation to the State Land Use Commission with the conditions outlined by the staff. A roll call vote was taken and motion carried with five ayes (Commissioners Hanley, Nakano, Paris, Sakamoto, and Chairman Mielcke) and one no (Commissioner Orita). Commissioner Paris said he voted with reservations as the petitioner did testify originally that they did not intend to crack in-shell macadamia nuts, although he did feel that the husking and cracking of in-shell macadamia nuts did go together. Chairman Mielcke said he also voted with reservations as he agreed with Commissioner Paris, and that he felt Hawaiian Host should have been more thorough in their original application.

At this time, the Planning Director said he was awaiting an opinion from the State Land Use Commission's staff on whether a processing activity is a permitted use within the agricultural district. If it is determined that it is a permitted use, then the Special Permit procedures for petitions, such as Charles T. Onaka, would not be necessary. He recommended, however, that the Commission proceed in the same manner as in the past until an opinion is rendered.

CHANGE OF ZONE
LEE HALL
KAHALU'U,
NORTH KONA

Preliminary hearing on the application of Lee Hall for a change of zone for 15,230 square feet of land from a Single Family Residential - 7,500 (RS-7.5) to a Multiple Family Residential - 3,000 square foot (RM-3) zoned district. The property involved is located at the mauka end and on the southern side of Makole-a Street, Makole-a Subdivision, Kahalu'u, North Kona, TMK: 7-8-14:93.

Staff presented background information on file.

Staff pointed out that the properties mauka of Ali'i Drive are zoned Resort - 1,250 square feet and the areas along Ali'i Drive further north are built up with single family residences. Staff added that mauka of the proposed Ali'i Drive realignment, lands are vacant. The proposed realignment is adjacent to the subject property on the side.

Commissioner Hanley questioned whether the whole area should be rezoned if the requested zone change is considered appropriate for that area. In response, the Planning Director pointed out that if a

STATE OF HAWAII
LAND USE COMMISSION
Suite 1795
Pacific Trade Center
190 S. King Street
Honolulu, Hawaii 96813

July 31, 1978

Mr. Sidney Fuke
Planning Director
Hawaii Planning Department
County of Hawaii
25 Aupuni Street
Hilo, Hawaii 96720

Dear Mr. Fuke:

Enclosed is a Notice of Land Use Commission meeting and the Agenda for the Meeting.

Please note that petitions

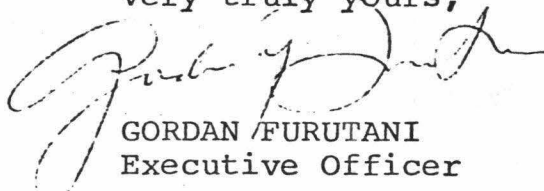
SP78-309 - Paradise Hui Hanalike and

✓ SP77-269 - Inter-Island Engineering, Inc./Hawaiian Host, Inc.(Amendment)

will be acted on at that time.

Should you have any questions on this matter, please contact this office.

Very truly yours,



GORDAN FURUTANI
Executive Officer

Enclosure - Agenda

STATE OF HAWAII
LAND USE COMMISSION
Suite 1795
Pacific Trade Center
190 S. King Street
Honolulu, Hawaii 96813

July 31, 1978

Mr. Daniel F. S. Lee
1221 Kapiolani Boulevard
Suite 1031
Honolulu, Hawaii 96813

Dear Mr. Lee:

Enclosed is a Notice of Land Use Commission meeting and the Agenda for the Meeting.

Please note that petition

SP77-269 - Inter-Island Engineering, Inc./Hawaiian Host, Inc.(Amendment)

will be acted on at that time.

Should you have any questions on this matter, please contact this office.

Very truly yours,



GORDAN FURUTANI
Executive Officer

Enclosure - Agenda

STATE OF HAWAII
LAND USE COMMISSION

NOTIFICATION OF LAND USE COMMISSION MEETING

DATE, TIME & PLACE

August 8, 1978 - 9:30 a.m.
Kahului Library
Kahului, Maui

A G E N D A

I. ACTION

1. SP78-309 - Paradise Hui Hanalike (Hawaii)

To allow the establishment of a community center and related improvements on twenty (20) acres of land situated within the State Land Use Agricultural District at Keaau, Puna, Hawaii.

✓ 2. SP77-269 - Inter-Island Engineering, Inc./Hawaiian Host, Inc. (Hawaii)

To amend conditions 1 and 2 of Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District at Keei Ist, South Kona, Hawaii.

3. A78-437 - Rolph B. Fuhrman and Ulupalakua Ranch, Inc. (Maui)

a. Petition for Intervention by Life of the Land

b. Life of the Land's Motion for Determination of Defective Filing

II. HEARING

1. A78-437 - Rolph B. Fuhrman and Ulupalakua Ranch, Inc. (Maui)

To reclassify approximately 14.699 acres of land presently in the Rural District into the Urban District and approximately 5.5 acres of land presently in the Agricultural District into the Urban District at Makena, Maui for low rise condominium units.

III. MISCELLANEOUS

1. Meeting Schedule

7/31/78 - A COPY OF THIS AGENDA WAS MAILED TO ALL PERSONS AND ORGANIZATIONS ON THE ATTACHED MAILING LISTS:

- | | | | |
|--------------|------------|-----------|----------|
| 1. STATEWIDE | 2. OAHU | 3. HAWAII | 4. KAUAI |
| 5. MAUI | 6. MOLOKAI | | |



COUNTY OF
HAWAII

PLANNING DEPARTMENT

25 AUPUNI STREET • HILO, HAWAII 96720

HERBERT T. MATAYOSHI
Mayor

SIDNEY M. FUKU
Director

DUANE KANUHA
Deputy Director

July 20, 1978

JUL 21 10 31 AM '78
LAND USE COMMISSION
STATE OF HAWAII

Mr. Gordan Furutani
Executive Officer
Land Use Commission
190 South King St., Suite 1795
Honolulu, Hawaii 96813

Dear Mr. Furutani:

Amend Special Permit 77-269 (LUC 366)
Petitioner: Hawaiian Host, Inc.

In accordance with Chapter 205, Section 205-6, Hawaii Revised Statutes, we are transmitting the decision and findings of the County Planning Commission on the above application.

The request was to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2, which limits the operation to the husking of macadamia nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures. The area involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Kona Farmers Co-operative (formerly Sunset Coffee Co-op of Kona) processing plant complex, Ke'ei 1st, South Kona, Hawaii, Tax Map Key 8-3-04:12.

The Planning Commission at its duly advertised public hearings held on May 17, 1978 and June 15, 1978 in the Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii, discussed the subject request. The Commission on July 13, 1978, voted to recommend the approval of the special permit amendment to the Land Use Commission based on the following findings:

That approval of the proposed amendment will not be contrary to the objective sought to be accomplished by the State Land Use Law and Regulations. Special Permit 77-269 allowed the establishment of a macadamia nut processing plant within the State Land Use Agricultural District. At the time of the approval it was determined that the proposed processing plant would benefit farmers in the region and that definite benefits would accrue to farmers in terms of proximity to production, and an alternative market. Based on this, it was further determined that the approval of the Special Permit would further the objectives of the Land Use Law and Regulations by encouraging and strengthening existing and future agricultural activities in the area.

The proposed amendment to the original Special Permit is determined to still be in keeping with the objectives of the Land Use Law and Regulations as well as the findings made in granting the Special Permit. The cracking of macadamia nuts is an integral part of the overall processing of said product. It is directly related to agricultural activities and is, in fact, an essential aspect of agricultural use in that cultivated products are processed prior to their being delivered to the consumer. It should also be pointed out that the proposed use would be allowed if the products were grown on the premises.

The proposed use is consistent with the guidelines for granting Special Permits. It is also consistent with State and County policies of encouraging and supporting agricultural activities. The granting of the proposed amendment is determined to be beneficial to the people of the State of Hawai'i relative to adopted agricultural policies.

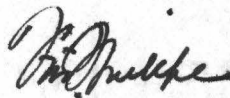
The Commission also recommended that the request for a one-year extension of time to commence construction of proposed improvements be granted to allow the completion of plans for the expanded operations. One year is deemed adequate for the petitioner to prepare all necessary plans and other arrangements and to commence construction. The Commission would like to point out that it is standard practice to recommend that plans be submitted for plan approval within one year of the effective date of approval of a Special Permit and that construction commence within one year from the date of receipt of final plan approval. In this particular case, an oversight was made and the one-year period for submission of plans was not included as a condition.

Mr. Gordan Furutani
Page 3

The Commission further recommended that approval of the proposed amendment and the time extension request be subject to all of the original conditions of approval of the Special Permit.

Enclosed are copies of the Exhibits from the subject docket.

Sincerely,



WILLIAM F. MIELCKE
Chairman, Planning Commission

lgv

Enclosures

cc Mr. Daniel F. S. Lee
Hawaiian Host, Inc.
Land Use Division, DPED

PERMANENT RECORD
500 NORTH 50, U.S.A.
LIST OF EXHIBITS - AMEND SPECIAL PERMIT 77-269
HAWAIIAN HOST INC.

- A. Applicant's letter (3/30/78)
- A-1. Application form
- A-2. Applicant's Reasons
- B. Departmental acknowledge letter (4/5/78)
- C. Memo to agencies
- D. Helco (4/17/78)
- E. Dept. of Education (4/10/78)
- F. Public Works (4/10/78)
- G. Soil Conservation Service (4/10/78)
- H. Dept. of Agriculture (4/11/78)
- I. Dept. of Health (4/12/78)
- J. Fire (4/12/78)
- K. Water Supply (4/13/78)
- L. Police (4/14/78)
- M. Letter to surrounding property owners (4/27/78)
- M-1. Map to surrounding property owners
- M-2. List of surrounding property owners
- N. Letter to the applicant (4/28/78)
- N-1. Public Hearing Notice
- O. Voting Sheet - continue public hearing to next meeting
- P. Minutes 5/17/78
- Q. Transcript 5/17/78
- R. Letter to the application(5/19/78)
- S. Letter to surrounding property owners - continuation of public hearing.
- T. Public Hearing Notice
- U. Letter to the applicant (6/1/78)

LAND USE COMMISSION
STATE OF HAWAII
JUL 21 10 31 AM '78

- V. Letter from Col. Arthur B. Chun
- W. Acknowledge receipt of letter from Col. Chun (6/ 9/78)
- X. Voting Sheet - closed hearing
- Y. Minutes 6/15/78
- Z. Transcript 6/15/78
- AA. Letter to the applicant(6/16/78)
- BB. Letter from Corporation Counsel to the application (6/21/78)
- CC. Letter to the applicant (6/28/78)
- DD. Staff Background
- DD-1. Read into Record at May 17, 1978 public hearing:
 - Letter from Dan Lee, attorney (5/16/78)
- EE. Staff Recommendation
- FF. Voting Sheet
- GG. Minutes 7/13/78

COPY

PLANNING DEPARTMENT
25 AUPUNI STREET

COUNTY OF HAWAII
HILO, HAWAII 96720

July 14, 1978

Mr. Daniel F. S. Lee
1221 Kapiolani Boulevard
Suite 1031
Honolulu, HI 96813

Dear Mr. Lee:

Amend Special Permit 77-269 (LUC 366)
Petitioner: Hawaiian Host, Inc.
Tax Map Key 8-3-04:12

JUL 21 10 31 AM '78
LAND USE COMMISSION
STATE OF HAWAII

The Planning Commission at its regular meeting of July 13, 1978 considered the above application to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2, which limits the operation to the husking of macadamia nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures. The area involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Kona Farmers Co-operative (formerly Sunset Coffee Co-op of Kona) processing plant complex, Ke'ei 1st, South Kona, Hawaii.

The Commission voted to forward a favorable recommendation to the Land Use Commission to allow the completion of plans for the expanded operations. One year is deemed adequate for the petitioner to prepare all necessary plans and other arrangements and to commence construction. The Commission would like to point out that it is standard practice to recommend that plans be submitted for plan approval within one year of the effective date of approval of a Special Permit and that construction commence within one year from the date of receipt of final plan approval. In this particular case, an oversight was made and the one-year period for submission of plans was not included as a condition.

Mr. Daniel F. S. Lee

Page 2

July 14, 1978

The Commission further recommended that approval of the proposed amendment and the time extension request be subject to all of the original conditions of approval of the Special Permit.

In the meantime, should you have any questions, please feel free to contact the Planning Department at 961-8288.

Sincerely,



WILLIAM F. MIELCKE
Chairman, Planning Commission

lgv

cc Hawaiian Host, Inc.
State Land Use Commission✓
Land Use Division, DPED

Daniel F. S. Lee
Walter Schoettle

DL
Daniel F. S. Lee
Attorney at Law *DL*

Offices in Tokyo, Taiwan,
Hong Kong, Brasil.

March 30, 1978

Mr. Sidney Fuke, Director
Planning Department
County of Hawaii
25 Aupuni Street
Hilo, Hawaii 96720

Dear Mr. Fuke:

Herewith enclosed is the Amendment for Application For Special Permit (16 copies) as per the instruction for the Special Permit Procedure, along with our filing fee in the sum of \$100.00.

Should there be any questions regarding the enclosure, please feel free to contact me at your earliest convenience.

Very truly yours,

D. F. S. Lee
Daniel F. S. Lee

/lk

Encls.

P.S. I will be in the Orient and will not be back till the 15th of April, 1978. Please advise my Secretary, Lois, as to the filing of the said Amendment and as to the status of any hearing before the Planning Department.

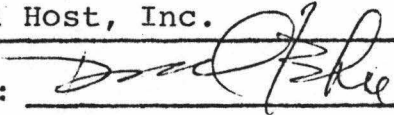
EXHIBIT *a*

AMENDMENT FOR
APPLICATION FOR SPECIAL PERMIT

COUNTY OF HAWAII

PLANNING DEPARTMENT - PLANNING COMMISSION

APPLICANT: Hawaiian Host, Inc.

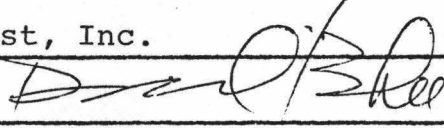
APPLICANT'S SIGNATURE:  Attorney for Applicant

ADDRESS: 2411 South King Street, Honolulu, Hawaii 96826

TELEPHONE: 941-5541

TAX MAP KEY: 8-3-04 Lot F-2 AREA: See attached tax map
(Size of Parcel)

OWNER: Hawaiian Host, Inc.

OWNER'S SIGNATURE:  Attorney for Owner

APPLICANT'S INTEREST, IF NOT OWNER: same as above

REQUESTED USE: Macadamia Nut Processing Plant consisting of
110' x 66' Butler Building and 5 - 10 foot diameter storage
bins.

APPLICANT'S REASON(S) FOR REQUESTING SPECIAL PERMIT: (Please attach)

NOTE: The applicant must show that:

- (a) such use shall not be contrary to the objectives sought to be accomplished by the Land Use Law and Regulations;
- (b) the desired use shall not adversely affect surrounding properties;
- (c) such use shall not unreasonably burden public agencies to provide roads and streets, sewers, water, drainage, school improvements, and police and fire protection;
- (d) unusual conditions, trends, and needs have arisen since the district boundaries and regulations were established;
- (e) the land upon which the proposed use is sought is unsuited for the uses permitted within the district;
- (f) the proposed use will not substantially alter or change the essential character of the land and the present use; and
- (g) the proposed use will make the highest and best use of the land involved for the public welfare.

THIS APPLICATION MUST BE ACCOMPANIED BY:

- (a) 16 copies of the completed application form with attachments.
- (b) 16 copies of a location map.
- (c) 16 copies of a site plan with existing and proposed uses.
- (d) any additional information.
- (e) \$100.00 processing fee.

For Official Use:

Date received _____
120th day _____
Public Hearing date _____
Action date _____
To Land Use Commission _____

EXHIBIT

a-1

SUBJECT: Application for Amendment for Special Management Area
Use Permit for Proposed Macadamia Nut Processing Plant

Applicant respectfully requests amendment to conditions 1 and 2 of SP 77-269, heretofore granted to Hawaiian Host, Inc. through its consulting engineer, Inter-Island Engineering, Inc. (see attached documents). Generally, condition 1 provides for the completion of the proposed plant within one year from the effective date of SP 77-269. Applicant would like to have an extension of one additional year for the reason that it intends to expand the proposed operation to include processing of in-shell macadamia nuts.

Accordingly, applicant likewise requests an amendment to the second condition, namely, that it be allowed to expand the proposed operation from merely husking of nuts to the cracking of in-shell macadamia nuts. The reason for the foregoing amendment is that the macadamia nut processing plant owned by Kona Farmers Cooperative is no longer processing in-shell macadamia nuts.

Accordingly, there is no viable processing plant within the immediate vicinity to serve the farmers in Kealahou, Kona. Therefore, we feel that an expanded operation of our plant to include the total processing of macadamia nuts will serve the interest of farmers in Kona, as well as provide job opportunities to residents in that area and insure the further success of applicant's plant operation.

EXHIBIT

a-2

April 5, 1978

Mr. Daniel F. S. Lee
1221 Kapiolani Building, Suite 1031
Honolulu, HI 96813

Dear Mr. Lee:

Amendment and Time Extension
Special Permit 77-269
Inter-Island Engineering, Inc.
TMK: 8-3-4:12, Lot F-2

This is to acknowledge receipt on April 3, 1978 of the above-described request to amend Special Permit 77-269 to include cracking of macadamia nuts and a one-year time extension to commence construction per condition 1.

The County Planning Commission shall conduct a public hearing on the request within a period of not less than thirty (30) nor more than one hundred twenty (120) days from the receipt of the application. The Planning Commission shall then act on the application not earlier than fifteen (15) days after the public hearing but within a reasonable time thereafter. Should the Planning Commission recommend favorably on the request, it will then be forwarded to the State Land Use Commission for final action.

However, the Planning Commission may deny the request if it is found that the proposed use does not meet the special permit guidelines. In this case, their decision is final. In accordance with the provisions of Chapter 205-6, Hawaii Revised Statutes, a denial by the Planning Commission may be appealable to the Circuit Court of the circuit in which the land is situated, in this case, the Third Circuit Court.

Notice of the time and place of the public hearing shall be forwarded when the application is scheduled for Commission action.

Should any questions arise, please contact Ilima Piianaia or Keith Kato of this department at 961-8288.

Sincerely,

Sidney Duke

SIDNEY DUKE
Director

IP:mmk

cc: SLUC
DPED-Land Use Division

EXHIBIT

13

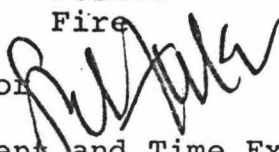
APR 6 1978

MEMORANDUM:

PLANNING DEPARTMENT — County of Hawaii, Hilo, Hawaii 96720

To: DPW Highways Soil Conserv.
DWS Health Dept. of Ag
R&D Police Helco
Fire

Date: April 5, 1978

From: Director 

Subject: Amendment and Time Extension
Special Permit 77-269
Inter-Island Engineering, Inc.
TMK: 8-3-4:12, Lot F-2

The above-subject application is forwarded to you for review. May we have written comments within two weeks. Thank you.

mmk
Enclosures

EXHIBIT C

APR 5 1978

HAWAII ELECTRIC LIGHT COMPANY, INC.

P. O. BOX 1027 HILO, HAWAII-96720



April 7, 1978

County of Hawaii
Planning Department
25 Aupuni Street
Hilo, Hawaii 96720

Attention: Mr. Sidney M. Fuke
Director

Gentlemen:

SUBJECT: Amendment and Time Extension
Special Permit 77-269
Inter-Island Engineering, Inc.
TMK: 8-3-4:12, Lot F-2

We have no comments to the above application as per
your memorandum of April 5, 1978.

Very truly yours,

Jitsuo Niwao, Manager
Engineering Department

JN:cmh

EXHIBIT D

HAWAII DISTRICT
Department of Education

Date: April 10, 1978

TO: Hawaii County
Department of Planning

FROM: Hawaii District
Department of Education

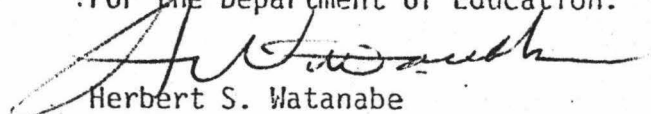
SUBJECT: Amendment and Time Extension, Special Permit 77-269, Inter-Island Engineering, Inc
TMK: 8-3-4:12, Lot F-2

✓ Hawaii District Department of Education has no objection to the application.

 Hawaii District Department of Education recommends the following:

Schools Affected:

For the Department of Education:



Herbert S. Watanabe
Staff Specialist
Business & Facilities

RECEIVED F

DEPARTMENT OF PUBLIC WORKS

COUNTY OF HAWAII
HILO, HAWAII

DATE April 10, 1978

Memorandum

TO : Planning Department

FROM : Chief Engineer

SUBJECT: Application for Amendment and Time Extension, Special Permit 77-269
Applicant: Inter-Island Engineering, Inc.
Location: Napoopoo, South Kona, Hawaii
TMK: 8-3-4:12, Lot F-2

We have reviewed the subject application and we have no comments to offer.



EDWARD HARADA, Chief Engineer

EXHIBIT E

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

P. O. Box 636, Kealahou, Hi. 96750

April 10, 1978

Sidney M. Fuke, Director
Planning Department
County of Hawaii
25 Aupuni Street
Hilo, Hawaii 96720

Dear Mr. Fuke,

Subject: Amendment and Time Extension
Special Permit 77-269
Inter-Island Engineering, Inc.
TMK: 8-3-4:12 Lot F-2

The subject preparation notice has been reviewed and we have no comments to offer at this time.

Thank you for the opportunity to review this document.

Sincerely,

O. M. Mabry
O. M. Mabry
District Conservationist

EXHIBIT G



GEORGE R. ARIYOSHI
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
1428 SO. KING STREET
HONOLULU, HAWAII 96814

JOHN FARIAS, JR.
CHAIRMAN, BOARD OF AGRICULTURE
YUKIO KITAGAWA
DEPUTY TO THE CHAIRMAN

BOARD MEMBERS:

MEMBER - AT - LARGE

ERNEST F. MORGADO
MEMBER - AT - LARGE

Sidney Goo
MEMBER - AT - LARGE

SHIZUTO KADOTA
HAWAII MEMBER

STEPHEN Q. L. AU
KAUAI MEMBER

FRED M. OGASAWARA
MAUI MEMBER

April 11, 1978

MEMORANDUM

To: Mr. Sidney Fuke, Director
Hawaii County Planning Department

Subject: Amendment and Time Extension
Special Permit 77-269
Inter-Island Engineering, Inc.
TMK: 8-3-4:12, Lot F-2

The Department of Agriculture has no objection to the requested amendments to the Special Permit previously granted.

Thank you for the opportunity to comment.

A handwritten signature in dark ink, appearing to read "John Farias, Jr.", is written over the typed name and title.

JOHN FARIAS, JR.
Chairman, Board of Agriculture

EXHIBIT H

MEMORANDUM:

PLANNING DEPARTMENT — County of Hawaii, Hilo, Hawaii 96720

To: DPW Highways Soil Conserv.
DWS Health Dept. of Ag
R&D Police Helco
Fire
Date: April 5, 1978

From: Director *[Signature]*

Subject: Amendment and Time Extension
Special Permit 77-269
Inter-Island Engineering, Inc.
TMK: 8-3-4:12, Lot F-2

The above-subject application is forwarded to you for review. May we have written comments within two weeks. Thank you.

mmk
Enclosures

Department of Health
Hilo, Hawaii
April 12, 1978

COMMENTS

Environmental Health concerns found:

1. Please identify location of existing cesspools on building plans.
2. Preliminary building plans consultation with the area Registered Sanitarian is recommended. Floor plans are required. The reference Public Health Regulation is Chapter 1-A, Food Service and Food Establishment Sanitation Code.

[Signature]
HAROLD MATSUURA
Chief Sanitarian, Hawaii

EXHIBIT I

HAWAII FIRE DEPARTMENT • COUNTY OF HAWAII • HONOLULU, HAWAII 96720

DATE April 12, 1978

Memorandum

TO : Planning Department

FROM : Hiroshi Shishido, Deputy Fire Chief

SUBJECT: AMENDMENT AND TIME EXTENSION
SPECIAL PERMIT 77-269
INTER-ISLAND ENGINEERING, INC.
TMK: 8-3-4:12, LOT F-2

We have no objections to the above application.

Fire hydrants are located within the vicinity of the project and Captain Cook Fire Station is located three miles distant.

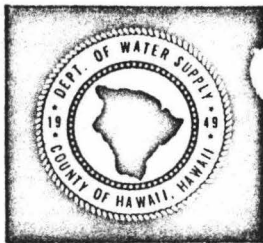
Hiroshi Shishido

HIROSHI SHISHIDO
DEPUTY FIRE CHIEF

HS/mo

EXHIBIT

J



DEPARTMENT OF WATER SUPPLY • COUNTY OF HAWAII

P. O. BOX 1820

HILO, HAWAII 96720

25 AUPUNI STREET

April 13, 1978

TO: Planning Department
FROM: Department of Water Supply
SUBJECT: AMENDMENT AND TIME EXTENSION
SPECIAL PERMIT 77-269
INTER-ISLAND ENGINEERING, INC.
TAX MAP KEY 8-3-4:12, LOT F-2

We have no objections to the proposed amendment and time extension to the subject Special Permit.


Akira Fujimoto
Manager

QA

... *Water brings progress...* ...

EXHIBIT K



POLICE DEPARTMENT

COUNTY OF HAWAII
349 KAPIOLANI STREET
HILO, HAWAII 96720



OUR REFERENCE

GUY A. PAUL

YOUR REFERENCE

CHIEF OF POLICE

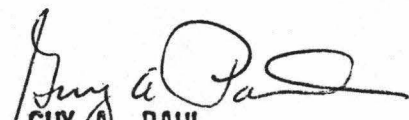
April 14, 1978

TO : SIDNEY FUKU, PLANNING DIRECTOR

FROM : GUY A. PAUL, CHIEF OF POLICE

SUBJECT: AMENDMENT AND TIME EXTENSION - SPECIAL PERMIT 77-269
INTER-ISLAND ENGINEERING, INC.
TMK: 8-3-4:12, LOT F-2

The application submitted by the above applicant has been reviewed and from the police standpoint, we can foresee no adverse effects from the requested land use.


GUY A. PAUL
CHIEF OF POLICE

LG/RLP/k

EXHIBIT L



COUNTY OF
HAWAII

PLANNING DEPARTMENT

25 AUPUNI STREET • HILO, HAWAII 96720

HERBERT T. MATAYOSHI
Mayor

SIDNEY M. FUKU
Director

DUANE KANUHA
Deputy Director

April 27, 1978

Dear Property Owner: TMK:

Amendment to Special Permit 77-269
Keei 1st, South Kona, Hawaii
Tax Map Key 8-3-04:12

You are hereby notified that a request for an amendment to Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District, has been submitted by the petitioner Hawaiian Host, Inc.

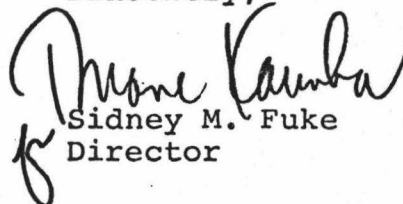
The request is to amend Condition 2, which limits the operation to the husking of macadamia nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures.

The property involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Sunset Coffee Co-op of Kona processing plant complex, Keei 1st, South Kona, Hawaii.

A public hearing on the subject among others will be held beginning at 7:00 p.m. on Wednesday, May 17, 1978, in Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii.

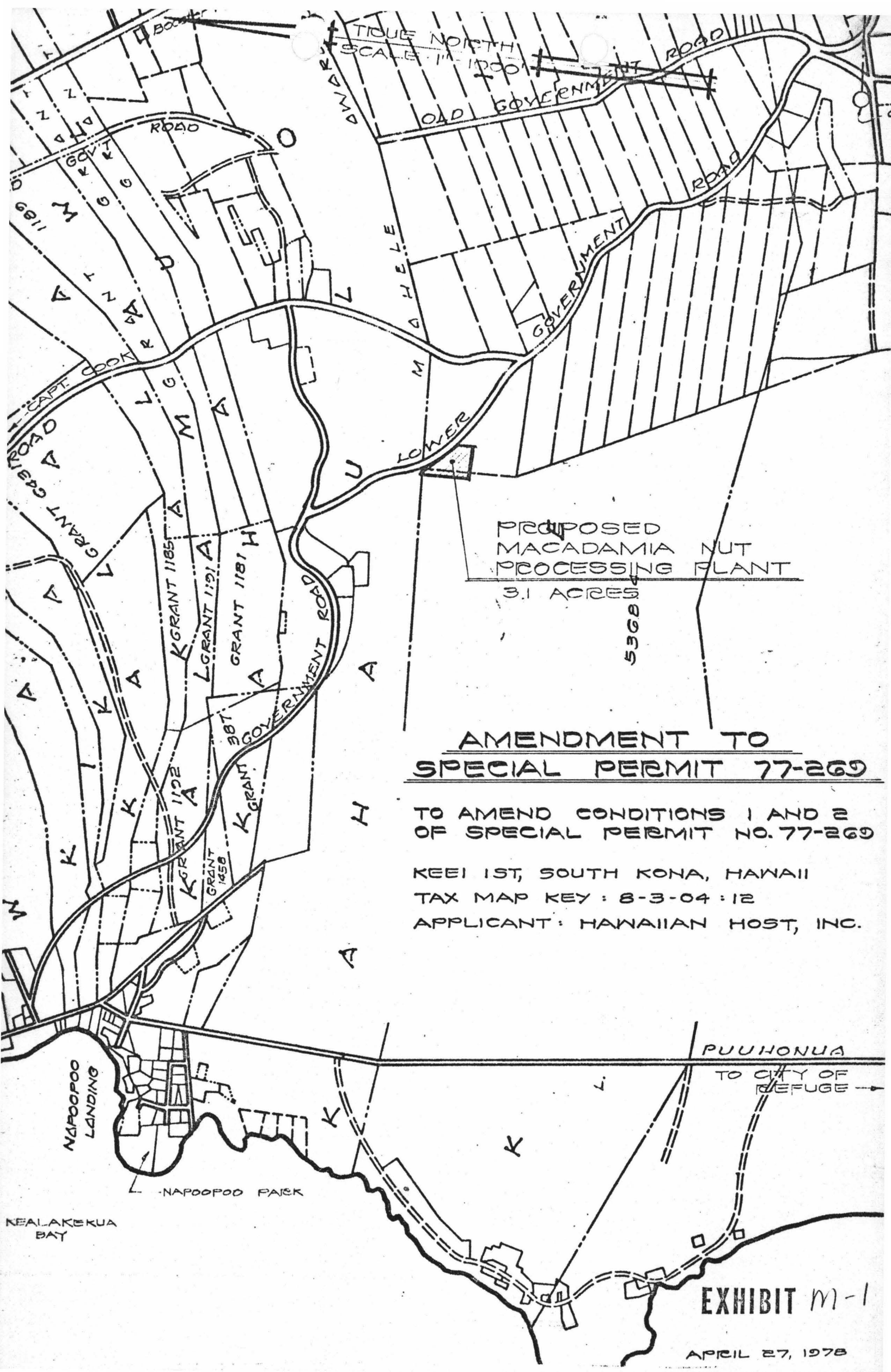
You are invited to comment on the application at the hearing or submit written comments prior to the hearing.

Sincerely,


Sidney M. Fuku
Director

lgv
Enclosure
cc State Land Use Commission
Land Use Division, DPED

EXHIBIT M



PROPOSED
MACADAMIA NUT
PROCESSING PLANT
3.1 ACRES

AMENDMENT TO
SPECIAL PERMIT 77-269

TO AMEND CONDITIONS 1 AND 2
OF SPECIAL PERMIT NO. 77-269

KEEI 1ST, SOUTH KONA, HAWAII

TAX MAP KEY : 8-3-04 : 12

APPLICANT : HAWAIIAN HOST, INC.

EXHIBIT M-1

APRIL 27, 1978

SPECIAL PERMIT

INTER-ISLAND ENGINEERING, INC.
(MACADAMIA NUT PROCESSING PLANT)

8-3-64-12 (3.1 ACRES)

Bishop B.P. TR. Est.

P.O. Box 3466

Honolulu, HI 96801

8-3-04:7

8 Same as #7.

8-3-03:2

Same as #7

8-3-07:19

Same as #7

EXHIBIT M-2

April 28, 1978

Mr. Daniel F. S. Lee
1221 Kapiolani Building
Suite 1031
Honolulu, HI 96813

Dear Mr. Lee:

Notice of a Public Hearing
Hawaiian Host, Inc.
Amendment to Special Permit
Application 77-269
Tax Map Key 8-3-04:12

This is to inform you that the above request has been scheduled for a public hearing. Said hearing among others will be held beginning at 7:00 p.m. on Wednesday, May 17, 1978, in the Kealahou School Cafetorium, Kealahou, North Kona, Hawaii.

The presence of a representative will be appreciated in order that all questions relative to the request may be clarified.

A copy of the hearing notice is enclosed for your information.

Sincerely,

Sidney M. Fuke

Sidney M. Fuke
Director

smn

Enclosure

cc: Hawaiian Host, Inc.
State Land Use Commission
Land Use Division, DPED

EXHIBIT

N

APR 28 1978

Allen Ho, Jr.

PUBLIC HEARINGS

PLANNING COMMISSION
COUNTY OF HAWAII

NOTICE IS HEREBY GIVEN of public hearings to be held by the Planning Commission of the County of Hawaii in accordance with the provisions of Section 5-4.3 of the Charter of the County of Hawaii.

PLACE: Kealahou School Cafetorium, Kealahou, North Kona

DATE: Wednesday, May 17, 1978

TIME: Items 1 & 2: 6:30 p.m.
Item 3: 7:00 p.m.

The purpose of the public hearings is to afford all interested persons a reasonable opportunity to be heard on the following requests:

1. PETITIONER: KONA CHURCH OF GOD

LOCATION: Along the makai side of the Mamalahou Highway, approximately 650 feet north of Kaloko Drive, Kohalaiki, North Kona.

TMK: 7-3-19:24

PURPOSE: Special Permit to allow the establishment of a church on 1.139 acres of land situated within the State Land Use Agricultural District.

2. PETITIONER: HIROSHI MATSUYAMA

LOCATION: Along the mauka side of the Hawaii Belt Road and approximately 500 feet south of Ka'imi Nani Drive, Kalaoa 5th, North Kona.

TMK: 7-3-05:27

EXHIBIT N-1

PURPOSE: Special Permit to allow the establishment of a country general store, a service station facility and a manager's residence on 0.852 acres of land situated within the State Land Use Agricultural District.

3. PETITIONER: HAWAIIAN HOST, INC.

LOCATION: Along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Sunset Coffee Co-op of Kona processing plant complex, Keeli 1st, South Kona.

TMK: 8-3-04:12

PURPOSE: Amendment to Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2, which limits the operation to the husking of macadamia nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1, relating to the commencement of construction of proposed structures.

Maps showing the general locations and boundaries of the areas under consideration and/or plans of the proposed developments are on file in the office of the Planning Department in the County Building

at 25 Aupuni Street, Hilo, Hawaii, and are open to inspection during office hours. All comments should be filed with the Planning Commission before that date, or in person at the public hearing.

PLANNING COMMISSION,
WILLIAM F. MIELCKE, Chairman
By SIDNEY M. FUKU
Planning Director

(Hawaii Tribune-Herald: May 7 and 15, 1978)

Date May 17, 1978

Petitioner HAWAIIAN HOST, INC - Amend Special Permit 77-269

Preliminary hearing ☒ Public hearing ☐ Request ☐ Action ☐

ACTION: Approve

Deny

Defer

Continue to next Kona meeting

Schedule for public hearing

Other: _____

Commissioners	Aye	No	Excused	Abstain
FUJIMOTO, Shigeru			✓	
HANLEY, J. Walsh			✓	
JITCHAKU, Lorraine R.	✓			
MURAKAMI, Haruo			✓	
NAKANO, Bert H.	✓			
ORITA, Alfredo 2nd	✓			
PARIS, William Jr.	✓			
SAKAMOTO, Charles M	✓			
MIELCKE, William F.			✓	

EXHIBIT 0

PLANNING COMMISSION

Planning Department
County of Hawaii

MINUTES
May 17, 1978

EXHIBIT P

The Planning Commission met in regular session at 6:30 p.m. in the Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii, with Chairman Pro tem Lorraine R. Jitchaku presiding.

PRESENT: Lorraine R. Jitchaku
Bert H. Nakano
Alfredo Orita
William J. Paris, Jr.
Charles H. Sakamoto

ABSENT: Shigeru Fujimoto
J. Walsh Hanley
William F. Mielcke
Haruo Murakami

Sidney M. Fuke, Director
Ilima Piianaia, Planner
Keith Kato, Planner

Ex-officio Member
Akira Fujimoto

Edmund Morimoto, representing Ex-officio Member Edward Harada
Lionel Meyer, Deputy Corporation Counsel

and about 19 people at 6:30 p.m. and 28 people at 7:00 p.m.

MINUTES: It was moved by Commissioner Sakamoto and seconded by Commissioner Paris that the minutes of April 27, 1978, be approved as circulated. Motion was carried.

Mr. Buffandeau commented that they were very glad in finding someone as knowledgeable as Mrs. Keliikipi and that they would be very, very pleased to talk with her.

For the record, the Planning Director indicated that the Department is very much concerned about historical preservation. He pointed out that inasmuch as this area is on the State and National Historic Registers, they have, therefore, attached Condition 1. He said that if the petitioner has no reservations, the Planning Department would want to make whatever information available to her. She could then submit her report to the Department and Planning Commission; and if need be, some adjustments to the conditions could be made to accommodate some of the historical concerns that she raised.

It was moved by Commissioner Orita and seconded by Commissioner Sakamoto that the public hearing be closed.

The Planning Director suggested the hearing be continued to allow Mrs. Keliikipi sufficient time to review all of the documents on file and work things out with the staff as well as the petitioner.

Commissioner Orita withdrew his motion and Commissioner Sakamoto his second.

It was moved by Commissioner Orita and seconded by Commissioner Sakamoto that the public hearing be continued; motion was carried.

SPECIAL PERMIT
NO. 77-269
HAWAIIAN HOST,
INC.
KEEI 1ST,
SOUTH KONA

Public hearing on the application of Hawaiian Host, Inc. to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2, which limits the operation to the husking of macadamia nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures. The area involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Sunset Coffee Co-op of Kona processing plant complex, Kees 1st, South Kona, TMK: 8-3-04:12.

Staff presented background information on file.

The petitioner's representative, Daniel Lee, clarified that their request for expanding their operation really meant placing machinery in a quonset hut which would take up about 20 feet; and that if this request is approved, they hope to employ approximately 6 or 7 full-time people, thereby providing employment opportunities to the residents in the area.

Under public testimony, Mark Van Pernis, representing the Kona Farmers Cooperative, spoke against this application. Contrary to the petitioner's statement, he informed the Commissioners that the Kona Farmers Cooperative is processing macadamia nuts and is able to process approximately 100 percent more nuts than Kona

is now able to produce. As to the fact that Hawaiian Host will be adding employees to the working class, Mr. Van Pernis said he thought that if the Hawaiian Host operation does go into effect, other people are going to have to scale down their employees. He said that since there's a limited amount of nuts now available, it will just be a switch of job locations and not the hiring of any new employees.

Mr. Van Pernis also brought up the concern that the additional machinery would be generating heat to dry the nuts, which implies hot air and smoke. He said this is in an agricultural and historical area, and there should be concern for historical preservation.

Mr. Van Pernis referred to the Planning Commission's March 23, 1977, transcript whereby Mr. Lee stated that their operation would not involve the cracking of the nuts themselves and for that reason any fears that anyone may have that this operation is going to interfere with any of the farmer's livelihood is unfounded. Mr. Van Pernis said now that this application would involve the cracking of nuts, perhaps now is the time to have those fears. He also pointed out that at the March 23rd meeting, Mr. Lee tried to assure everyone that this was a husking operation which was meant to facilitate the general macadamia nut economy of Kona and that they weren't trying to put anybody out of business or compete with anybody to an unfair advantage, that they were going to be cooperating and provide a service. Mr. Van Pernis then questioned what is the change of circumstances from the original application and why do they now need the shelling when they were content with the husking, especially when you consider the difference the shelling is going to have. He further questioned if their original application said that their entire operation could get down in 3 or 4 months, is it necessary to give them another 12 months to add 20 feet?

Mr. Van Pernis clarified that Sunset is receiving and husking macadamia nuts in its present facility and then takes them up to a processor in Kealahou who is able to do it cheaper. However, if ever the time comes when there are more macadamia nuts than he can process or chooses not to process, Sunset is always ready to process. They are presently processing nuts every time it's necessary to keep the machine in order, although they are not actively shelling on a day-to-day basis.

With regard to the statement in the background report which Mr. Van Pernis referred to that "...there is no viable processing plant within the immediate vicinity to serve the farmers in Kealahou, Kona", staff clarified that it was a quotation from the applicant's reasons for this request.

Staff entered into the record a letter from Daniel Lee dated May 16, 1978.

Mr. Van Pernis added a final point that he was concerned that the Commission would be setting a dangerous precedent for two reasons - one, as to the method of application and operation,

it being a 100 percent different type of operation; and more importantly, the precedent of putting what he feels is an industrial operation in Napo'opo'o.

In response, Mr. Lee pointed out that it was not going to be an industrial complex, they already have plans to definitely eliminate any type of environmental pollution, and that they will be using butane gas and steam for drying of the nuts. Mr. Lee said that the Kona Farmers were under a private contract with a private processor in Kona to crack its nuts because it's cheaper than if they were to do it themselves, and he agreed that whatever advantages they can give to the farmer, the farmer benefits. He added that they have a tentative agreement with Pacific Co-op to operate the facility for the benefit of its members, and that this facility would obviously save the cost of transportation, which the savings could be passed on to the farmer quite easily in terms of a better return for its product.

Commissioner Paris raised the concern of Mr. Van Pernis that their request was now to expand their operation to include cracking of in-shell nuts. In response, Mr. Lee said at the time they applied for the husking plant they were under the impression that they could take the in-shell nuts and ship it over across the street to the Kona Farmers Co-op to have the nuts cracked. Now after the Kona Farmers Co-op had just rebuilt a new plant and added new machinery, they found it was cheaper to ship the in-shell nuts to another processor. Hawaiian Host now finds that the new processor uses a salt additive system which leaves the kernel with a coating of salt which is quite unacceptable. Mr. Lee added that there seems to be a current dispute among the co-ops regarding the macadamia nut situation and for this reason Hawaiian Host has had to try to take the initiative and perhaps be able to withstand all the current kinds of controversy. He said they were just trying to survive and were willing to put the money in to put the plant up. As far as time constraints, Mr. Lee said that they could live within it, but would like to have a little time to live with.

For the record, staff informed the Commissioners that they will be sending a complete copy of the docket to the two new commissioners.

At this time, Mr. Van Pernis responded to Mr. Lee's point that the present processing method is unacceptable. He said that there is a contract in which Hawaiian Host is buying all of the Co-op's nuts, and since this processing has been going on (many, many months), Hawaii Host has yet to refuse any of the nuts that have been delivered to them. In fact, Hawaiian Host has gone to court to force the Co-op to deliver as many nuts regardless of the processing method. He added that this new processing method is delivering a higher crack-out ratio, such that Hawaiian Host is getting more kernels and the farmers are getting a better return. Mr. Van Pernis informed the Commissioners that the new processing method is in conformity with the requirements of the State of Hawaii; therefore, the nuts that are processed and delivered to Hawaiian Host are in fact nothing less than what is necessary to deliver to them.

It was moved by Commissioner Sakamoto and seconded by Commissioner Orita that the public hearing be continued; motion was carried.

ANNOUNCEMENTS: The next scheduled meeting for Thursday, May 18, 1978, is at 9:00 a.m. in the First Hawaiian Bank Meeting Room, Kailua, North Kona; continuing at 1:00 p.m. in the Civic Center Conference Room, Waimea, South Kohala; and the 7:00 p.m. in Room H-3, Honoka'a High & Elementary School, Honoka'a, Hamakua.

ADJOURNMENT: The meeting adjourned at 8:59 p.m.

Respectfully submitted,

Sharon M. Nomura

Sharon M. Nomura
Secretary

A T T E S T:

Lorraine R. Jitchaku
Chairman Pro-tem, Planning Commission

PLANNING COMMISSION

Planning Department
County of Hawaii

HEARING TRANSCRIPT
May 17, 1978

A regularly advertised public hearing, on the application of Hawaiian Host, Inc., was called to order at 8:20 p.m. in the Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii, with Chairman Pro tem Lorraine R. Jitchaku presiding.

PRESENT: Lorraine R. Jitchaku
Bert H. Nakano
Alfredo Orita
William J. Paris, Jr.
Charles H. Sakamoto

ABSENT: Shigeru Fujimoto
J. Walsh Hanley
William F. Mielcke
Haruo Murakami

Sidney M. Fuke, Director
Ilima Piianaia, Planner
Keith Kato, Planner

Ex-officio Member
Akira Fujimoto

Edmund Morimoto, representing Ex-officio Member Edward Harada
Lionel Meyer, Deputy Corporation Counsel

and about 10 people in attendance

CHAIRMAN: We'll go on with our last public hearing for the evening. Public hearing on the application of Hawaiian Host, Inc. to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2, which limits the operation to the husking of macadamia nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures. The area involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Sunset Coffee Co-op of Kona processing plant complex, Keei 1st, South Kona, TMK: 8-3-04:12. Staff?

KATO: (Presented background information on file.)

CHAIRMAN: Are there any questions of the staff's report? If not, the Chair at this time would like to call upon the representative of the applicant or the applicant forward, please. Would you state your name into the microphone, please.

LEE: My name is Dan Lee and I'm the attorney for Hawaiian Host, Inc.

EXHIBIT

Q

CHAIRMAN: Okay, at this time, Mr. Lee, I'd like to swear you in. Do you swear to tell the truth and nothing but the truth on this matter now before the Hawaii County Planning Commission?

LEE: Yes, I do.

CHAIRMAN: Thank you. You've heard the staff's report and the background, do you have anything further to add?

LEE: I think I just wanted to clarify that the cracking request, our request for expanding the operation really means adding machinery or placing machinery in the quonset hut which would take up about 20 feet in the quonset hut. And we didn't want to proceed on any assumption that we could legally undertake that activity until we had this brought before the Commission and received the Commission's approval. We hope that if the amendment is approved by the Commission that we would be able to employ approximately six or seven people in the cracking process, thereby providing some employment opportunity to the residents of that area. Other than that, I really have no other statements to make.

CHAIRMAN: Commissioners, any questions of Mr. Lee?

SAKAMOTO: Mr. Lee?

CHAIRMAN: Commissioner Sakamoto.

SAKAMOTO: Is it full-time employees you're talking about?

LEE: Yes.

SAKAMOTO: Thank you.

CHAIRMAN: Any other questions? Well, Mr. Lee, have a seat and we'll continue with the meeting. Are there anyone present here who wishes to speak on this application now before the County Planning Commission? Will you come forward please. State your name into the microphone please.

VAN PERNIS: Mark Van Pernis. The last name is spelled V as in Victor-a-n. Capital P as in Paul-e-r-n-i-s. I am the attorney for the Kona Farmers Cooperative. I am with the firm of Sterry, Mah and Gallup here in Kailua town. And I'm also the trustee for the Sunset Coffee Co-op, as appointed by the Department of Regulatory Agencies for the State of Hawaii, Sunset Coffee Co-op having been dissolved and merged into the Kona Farmers Cooperative.

CHAIRMAN: Thank you, Mark. At this time before you continue on, I'd like to swear you in. Do you swear to tell the truth and nothing but the truth on this matter now before the Hawaii County Planning Commission?

VAN PERNIS: Yes, I do.

CHAIRMAN: Thank you.

VAN PERNIS: As the attorney for the Kona Farmers Cooperative, I'm speak for approximately 600 to 800 farmers in the North Kona and South Kona districts. Incidentally, I'm also speaking for myself since I live fairly close to this area in the Napo'opo'o valley.

I think, first of all, that I'm concerned that the Commissioners in this application may be sadly underinformed in this situation as to what's going on here. If I can first address myself to the points brought up in the staff's report and the items mentioned by Mr. Lee. I believe the staff's report in referring to the applicant's application made reference to the fact that the Kona Farmers Cooperative is supposedly no longer processing macadamia nuts, and therefore, there is a need for a macadamia nut processing facility in that area. This is dead wrong; and I think that Hawaiian Host should know that since the fact that they buy the processed macadamia nuts from the Kona Farmers Co-op. Basically, we're in a situation where the, I have the Manager; Mr. Sotero Bailado, of the Kona Farmers Cooperative here to answer any questions relating to this production.

The Kona Farmers Cooperative, their processing facility is, in fact, more capable of processing a higher number of macadamia nuts than they ever have been before. Their facilities are recently newly upgraded. In addition to this, the Kona Farmers Co-op is at the moment processing all their nuts through an additional macadamia nut processor in Kealahou which is the, I believe, it's called the Kona Hawaiian Macadamia Nut Company. In other words, not only is the Kona Farmers Cooperative plant available to process approximately 100 percent more nuts than Kona is now able to produce, but we also have the Kona Macadamia Nut Processing Company now in Kealahou which has gone into operation since this original application was filed, which also has the facilities and ability to process approximately 100 percent more macadamia nuts than the Kona area is currently capable of producing.

So basically what we have here is a situation as when we first appeared here in objection to this application. At that time, the Commissioners were given the impression that there was a need for a husking plant in Kona. I think we produced sufficient information at that time to show the fact there was idle husking facilities all over Kona, basically because the Farmers Cooperative had taken up the slack and was basically handling all processing necessary. So again, we're in a situation here where there's absolutely no need for this facility; and also, I feel basic misrepresentation that the Kona Farmers Cooperative is not capable of processing or there are not processors in the area.

Secondly, Mr. Lee made reference to the fact that he feels he'll be adding some employees to the working class in the Kona area. I think what we're talking about here is where he'll, may be adding six employees or some employees at the expense of other processing facilities who have to let them go. For instance, a good number of our employees in the

macadamia nut processing business in our facility in Napo'opo'o are now, we have now have them go to work for the people in Kealahou. I think if the Hawaiian Host operation goes into effect, it's a situation where if they get any production in there, they're going have to scale down. Other people are going to have to scale down their employment to cover the difference. There's a limited number of nuts available in town and they're already all being processed. And if someone else wants to process, well, everyone else is going to have to scale down. Secondly, I think the employees he may be talking about, in fact, are already employed by the Pacific Coffee Cooperative. You may recall the last time we were here, we had some discussions as to whether the Pacific Coffee Cooperative is in fact legally entitled to be involved in this proceeding; but nevertheless, I think their employees including their manager, Mr. Noguchi, will in fact be the employees down at this operation. So we're just talking about a switch of job locations and not any new employees.

There's another very basic concern that I speak of here, and that is that Mr. Lee, on behalf of Hawaiian Host, testified that he's talking about adding some machinery. It's a little bit more essential than that, and I think it goes to a point that Commissioner Paris raised the last time we were here. What we're talking about when we're talking about husking is a relatively clean operation. What we have in this area is the Kona Farmers Co-op which processes coffee and macadamia nuts, which has been there for generations. We also now have Stanley Tomono's tomato greenhouse operation there. We also have Powers Apiaries, a bee operation. This is all agricultural, quasi-industrial operations. Now when we're talking about the additional machinery that Mr. Lee says he's going to add, what they're adding is smoke because what they're talking about is drying macadamia nuts. Macadamian nuts have to be dried before they can be cracked. You husk them, and you then, after they're husked, they're then put into some sort of a method by which they are dried, into bins or some other method. Hot air and heated air, warm air, is passed over these nuts, and eventually they are dried and then cracked. So what we're talking about is an operation that's going to have to generate heat, in order to generate hot air, in order to dry the macadamia nuts. This naturally implies smoke in the middle of, I think, most people consider it to be a very historic area, and totally agricultural, non-industrial area; and an area that I think should be vitally concerned with historical preserve.

So I think what we're talking about here is something more than additional machinery. We're talking about a whole different class of operations. We're going from passive mechanical operations with macadamia nuts to literally something that's going to be putting processing and hot air and smoke into the air down there, fairly close to the shore and in the agricultural valleys where the winds are not going to dispell smoke that quickly. I don't know what sort of operation they're going to use, whether they're going to use diesel fuel or burning macadamia nut shells or what they're going to use, but obviously this involves a different class of industrial use, I think, than a mere husking operation, which is a relatively simple process that many farmers even do on their own farms.

These are some points that I feel should have been raised or investigated a little bit more thoroughly either in the application or in the staff's investigation in the matter.

Secondly, we were all here before on this application, I'm sure you may recall. I have the transcript of the meeting of March 23rd which the staff referred to. In that transcript, in that meeting of March 23rd, certain representations were made by Mr. Lee on behalf of Hawaiian Host as well as by the engineer of Inter-Island Engineering at that time. And I think the most, rather than rehash the whole idea of what effect this is going to have on the economics of farming in Kona is, of course, the Planning Commission is not in a position to make economic decisions as to how people are or are not going to make money. However, I think some very serious points were raised at those former hearings in regards to the effect on the economy of another macadamia nut processing facility when we're already overloaded, and particularly on a situation like the nonprofit Kona Farmers Cooperative. Mr. Lee in that hearing stated that this facility, well, let me quote, "One, that this facility or plan is the processing or husking of the macadamia nuts. It will not involve the shelling of the nuts themselves, the final shell. For that reason, any fears that anyone may have that this is going to interfere with any farmer's livelihood is certainly unfounded." All right, well, if we take that statement at face value now that they are going into the shelling, perhaps now it is the time to have some fears about the farmers' livelihoods, based on all the information that's brought up at the former meetings, which I don't feel we should have to get into again unless the Commission would like to ask myself or Mr. Bailado as manager of the Co-op about it.

Secondly, Mr. Lee also reiterated that point. He said that, "To correct the record, it is merely for the husking, not the shelling. Any shelling, I believe, we would be more than happy to make arrangements with other nearby plants to send the nuts over to have shelled, both in Kona and in Hilo." In other words, Mr. Lee, at that time, is trying to assure everyone that this was a husking operation which was meant to facilitate the general macadamia nut economy of Kona and that they weren't trying to put anybody out of business or compete with anybody to an unfair advantage, that they were going to be cooperating and provide a service. Now I think that whole situation has changed with this application currently before you. I think this seriously changes the facts that have to be considered by the Commission. Of course, again, I'm not trying to refer strictly to matters of economics, capitalist economics between competing economic energies, what I'm talking about is, first of all, on the original hearing concerning the application, I think it was proven that there was not a need, technically, for a husking facility. Apparently the Commission felt differently, sufficiently enough, to take affirmative action on that application. Now, I'm going to ask the Commission, and the Commission will then naturally have to ask its staff and Hawaiian Host. the applicant, what is the change in circumstances from the first time they were

here? Why do they need the shelling when they were content with the husking, especially when you have to consider the difference the shelling is going to have here? We're starting, with this, it'll be one more step towards making this area an industrial area. We're not engaging in tomato growing, bee activity, or long existing coffee, macadamia nut processing by the biggest Kona, or the biggest cooperative macadamian, coffee club that is in the State of Hawaii, United States for that matter, the biggest independent one. Here we're going to put another industrial plant that's going to be processing. Do we want to put it in this area? Secondly, since this application was originally brought to the Commission's attention, we have a brand new facility up in Kealahou that's producing, has room for producing quite a bit more but just can't get his hands on the nuts. Why do we have to put another industrial facility down in this area when there's other industrial areas available, then when they first came here just saying they just wanted to run a small husking operation? I'm asking the Commission, what is the change in circumstances from the original application that requires now that they start shelling when they were content with husking to begin with?

Of course, as I stated, I'm also concerned with the industrial use here that we're making in an area that is agricultural and historical. Again, it's just basically based upon the report of Mr. Lee in their prior hearing and also on the engineer from Inter-Island Engineering who also made reference to the fact that they were only going to, this is Mr. Minakami of Inter-Island Engineering, who basically said that the entire operation could get down to three or four months. I don't see why they need another year if they could do the whole operation in three or four months. Even if they were going to add 20 feet of machinery, as Mr. Lee says, and they could do the original plan in three or four months, is it necessary to give them another twelve months to add 20 feet? Although I think this 20 feet makes a difference, a substantial difference, in the type of use we're talking about here, basically, I think everyone was assuring the Commission, the applicant's representatives were assuring the Commission, that all this was not necessary. Time has gone by, and now I think they're substantially changing what they want to do down there to the detriment of everyone. And I'd like to know on what grounds they need to make this change.

I think we should, at the first hearings we doubted whether they could justify the need for a husking operation at that time. Since that time, the capacity of Kona to process nuts to the final product has doubled, and now they're coming back again and saying that there's still a need because the Co-op isn't producing, which is a basic misrepresentation. The Co-op is always ready to produce, right at this very moment. The reason we're processing through other facilities is because basically there's not enough nuts to go any further, so we're processing through a facility to our most economic advantages. What we're trading here is a situation that's going to be detrimental to the farmers of the Kona, this particular area specifically, and it'll basically only work to the private advantage of the very few number of people, not that they don't have the right to ask for that private advantage. But I don't see why they shouldn't have to comply with all the rules, everyone else does, and do it in an area where it's allowed.

CHAIRMAN: Thank you, Mark. Are there any questions of Mr. Van Pernis? Commissioner Paris.

PARIS: Mark, you say that Sunset is actively cracking nuts at the present time in their present facility at Napo'opo'o Road?

VAN PERNIS: Sunset is receiving macadamia nuts in its present facility, husking the macadamia nuts in this present facility and then takes them up to the processor in Kealakekua. We run nuts through our processing facilities to keep them active. Basically, why we're taking up to Kealakekua is because economically the man up there has offered us a better deal, he will do it cheaper than what it'll cost ourself. Our employees are up there working for him. If ever the time comes when there are more macadamia nuts than he can process or he choses not to process our nuts, our plant is always ready to process. We process nuts every time it's necessary to keep our machinery in order. So we are not actively shelling on a day to day basis down there. That's basically because there's no need. Our facility is 100 percent ready to shell at the moment's notice if there were enough nuts to put in it and the facility up in Kealakekua as well.

That's another point in relation to the question of environmental concerns. Maybe I'm speaking more for myself here because I live up above that area. The Co-op, of course, is processing its coffee down there but it's not burning any diesel fuel or anything in relation to putting smoke in the air or heat in the air in relation to macadamia nuts this time. This is going up in Kealakekua in an industrial zoned area.

CHAIRMAN: Any further questions of Mr. Van Pernis?

PIIANAIA: Madam Chairman?

CHAIRMAN: Staff.

PIIANAIA: Staff would like to clarify, staff has two points. One is to clarify this background report which Mr. Van Pernis referred to about staff representing that no processing, that was a quotation from the applicant's reasons for this request. And the other thing is, I'd like to enter into the record, a letter dated May 16, 1978, from Daniel Lee and it's testimony by applicant, Hawaiian Host. Staff felt that he was going to read this into the record.

CHAIRMAN: Thank you, Ilima. Do you have any further questions of the applicant, of the attorney here?

PIIANAIA: No, thank you.

CHAIRMAN: If not, Mark, we thank you for your comments. We'll surely have Mr. Lee here to respond to the questions you raised and we'll continue on with the meeting prior to his comments -.

VAN PERNIS: One final point I'd like to point out.

CHAIRMAN: Sure, certainly.

VAN PERNIS: I'm concerned about a dangerous precedent being set here. When the Commission acted favorably on the application originally, it was under the impression that they were going to have a very limited agricultural operation. The fact as was testified in the earlier hearings, the operation, i.e. the husking, was basically not much different than what many farmers did on a smaller scale on their own farms, and to some extent it was represented that this was in fact would be a convenience for the farmers and that the nuts would then be transferred to another facility either in Hilo where Hawaiian Host has processing operations and arrangements or perhaps to the Co-op, I don't know. But basically at this point now, I think we're making up some - they got the foot in the door with that application, I think what we're talking about here is 100 percent different type of operation, which I feel is establishing a dangerous precedent for two reasons. First as to the method of application and operation before the Planning Commission, and more importantly, two, the precedent of putting what I feel is an industrial operation in at Napo'opo'o when there was none there before. The co-op's facility may be similar but, of course, they have been there for generations before the zoning and other regulations were put into effect. And I think the other operations that had been allowed by the Planning Commission down there which is the Powers Apiaries bee operation and Stanley Tomono's tomato operation have been adequately presented to the Commission, the Commission acted favorably on it. Those are agricultural uses. Practically speaking, what we're talking about here is really an industrial use in my book.

CHAIRMAN: Thank you. Please have a seat, Mark, and we'll continue on with the hearing. We'll have Mr. Lee respond to your comments. The Chair would like to call on anyone else here who'd like to speak on this application now before the Commission. There's no other comments from the general public. Mr. Lee, would you come forward, would you like to respond? For the record, Dan Lee.

LEE: I don't know how to best describe this plant, but it's not going to be an industrial complex. First of all, if there's any concern regarding the drying of the nuts, we plan to use butane gas and steam. And we already have the plans to definitely eliminate any type of environmental pollution, even noise pollution, because we have to conform to OSHA requirements regarding noise. I'm sure that Kona Farmers is well aware of that because they once had a very active plant about 100 yards from us.

Secondly, Kona Farmers Cooperative is under a private contract with a private processor in Kailua-Kona to crack its nuts because it's cheaper. And we agree, I think that whatever advantages we can give to the farmer, if we can crack their nuts cheaper, all well and good, the farmer benefits.

Thirdly, we are working with Pacific Co-op. As in the past, we have a tentative agreement with Pacific Co-op that they can operate the facility for the benefit of its members. Again,

Pacific Co-op is a nonprofit corporation. It is for the mutual benefit of the farmer. At present, whatever members we service with Pacific Co-op, we have to husk the nuts and then ship the nuts in-shell to Hilo for cracking. This would obviously save the cost of transportation; but it could be passed on to the farmer quite easily in terms of a better return for its product.

I really hope that I have clarified some of the questions, but if there are any other questions, I'll be glad to try and answer.

ORITA: Madam Chairman?

CHAIRMAN: Commissioner Orita.

ORITA: I have a question. Mr. Lee?

LEE: Yes.

ORITA: The machinery, it says that it has to be locally fabricated, is that correct that -?

LEE: Yes, that machinery if we're permitted to continue would be fabricated in Hilo.

ORITA: In Hilo?

LEE: Yes.

ORITA: May I ask by whom?

LEE: By Mr. Tengan.

ORITA: Is this going to be a new type of machinery?

LEE: It'll be pretty much the normal type of cracking machine.

ORITA: Possibly a little better?

LEE: I hope so.

ORITA: Thank you.

CHAIRMAN: Any further questions? Commissioner Paris?

PARIS: Mr. Lee, you imply, anyway, from your letter that what prompted you people to go about the cracking of the nuts is the matter that the other Kona Farmers Co-op has contracted out their cracking business to another operator - we asked you originally, I remember, if, you know, this wouldn't come about because if you look at the background of this, at one time, it was indicated that there might be cracking there, but you people indicated at our last hearing that you were only interested in the husking. I think this is the matter of concern today. So -.

LEE: Mr. Commissioner, at the time we applied for the husking plant, we were under the impression that we could take the in-shell nuts and ship it over across the street to Kona Farmers

Cooperative to have the nuts cracked. Because they have just finished building or rebuilding a new plant and putting in new machinery, we then found out that they decided that it was cheaper after they put up the plant to ship the in-shell nuts to another processor. We now find that the new processor uses a salt additive system, a flotation system which leaves the kernel with a coating of salt. And we have a contract with Kona Farmers to deliver kernels to us and has been operating for the last five years, and we still have another four or five, I'm not exactly sure, but we have a couple more years left, but we're not standing to receive these kernels which we feel are quite unacceptable and we haven't been able to receive any satisfaction in trying to get the proper type of kernels.

And the other thing is that there seems to be some current dispute among the co-ops regarding the macadamia nut situation and for this reason, we've had to try to take the initiative and perhaps be able to withstand all this different kinds of controversy that's swirled around us. So we're just trying to survive actually, and we're willing to put the money in, put the plant up.

As far as the time, I believe, we can live within the time constraints, if we need to. But we would like to have a little time to live with.

CHAIRMAN: Commissioner Paris, anything else?

PARIS: No.

CHAIRMAN: Any other questions of Mr. Lee? Staff, anything further you want to add?

PIIANAIA: No. Madam Chairman?

CHAIRMAN: Staff.

PIIANAIA: Just for the record, staff will be sending a complete copy of the docket to the two new Commissioners on this Special Permit.

CHAIRMAN: This is a Special Permit and the same procedures as to a regular special permit without amendments would apply in this particular instance. The Chair would like to recommend to the Commissioners that there is a total of five members, three that weren't here at last year's meeting, and I was going to suggest that we continue the hearing to give the two new Commissioners time to study it, and also in all fairness to the three Commissioners that are absent at today's meeting that they also, if they have any chance to raise some questions to the applicant, to raise them at a continued meeting.

VAN PERNIS: Madam Chairman, may I -?

CHAIRMAN: Yes, certainly.

VAN PERNIS: May I interrupt and give some additional testimony?

CHAIRMAN: For the record, Mark Van Pernis.

VAN PERNIS: I feel compelled to come up and respond to a point that Mr. Lee made regarding the necessity of the plant based on

the other processors' current use of a different method that he would like to use apparently regarding processing, such that he refers to a certain salt content in the nuts.

I would like to point out that, again, I'm concerned that the Commission be fully informed on this, as Mr. Lee pointed out, there's a contract under which the Host is buying all of the Co-ops' macadamia nuts. Since this new processing has been going on, which has been for many, many months now, they have yet to refuse any of the macadamia nuts that have been delivered to them. In fact, they have gone to court to force us to deliver 100 percent as much thereof of the nuts that we have to them regardless of the processing method. Thirdly, the new processing method is delivering a higher crack-out ratio. In other words, a higher amount of kernels per macadamia nuts versus the shell and water and other ways, such that Hawaiian Host is getting more kernels, the farmers are getting a better return to their new processing and, generally, I want to make sure that there's no impression that because of the new processing that Host is complaining or not taking our nuts or has to get nuts elsewhere. That is certainly not the case. In fact, they're getting more nuts than they ever had before from us; and are, in fact, taking every one of them; and I want to make sure that there's no question that the processing that is being done is not in fact to every degree in conformity with the requirements of the State of Hawaii as to macadamia nuts in every respect. So I want to make sure that there's no impression that the nuts that are processed and delivered to Hawaiian Host are in fact anything less than what is necessary to deliver to them.

CHAIRMAN: Commissioner Paris?

PARIS: No.

CHAIRMAN: Okay, Commissioners. I think, Mr. Lee, any response? I think it can go on and on tonight -.

LEE: Yeah.

CHAIRMAN: But there'll be no end to the comments and the responses tonight. This is an amendment to a special permit. We have either a chance to continue the hearing and afford the new Commissioners time to evaluate the situation and also for the time for the Commissioners that are not here to raise some questions, or you can close the public hearing and also go through the normal procedures of waiting 15 days. Commissioners, what is your pleasure?

SAKAMOTO: Madam Chairman?

CHAIRMAN: Commissioner Sakamoto.

SAKAMOTO: I make a motion that we continue this public hearing.

CHAIRMAN: Is there a second?

ORITA: Madam Chairman, I second the motion.

CHAIRMAN: It has been moved by Commissioner Sakamoto and seconded by Commissioner Orita that this application be continued. Would you prefer stating which meeting, next Kona meeting?

SAKAMOTO: Yes.

CHAIRMAN: June 15th. All those in favor say aye?

COMMISSIONERS: Aye.

CHAIRMAN: Oppose? The next meeting, Mr. Lee, is June 15th in Kona. You also will be receiving a letter in writing.

Public hearing adjourned at 8:59 p.m.

Respectfully submitted,

Sharon M. Nomura

Sharon M. Nomura
Secretary

A T T E S T:

Lorraine R. Jitchaku

Lorraine R. Jitchaku
Chairman Pro tem, Planning Commission

May 19, 1978

Mr. Daniel F. S. Lee
1221 Kapiolani Boulevard
Suite 1031
Honolulu, HI 96813

Dear Mr. Lee:

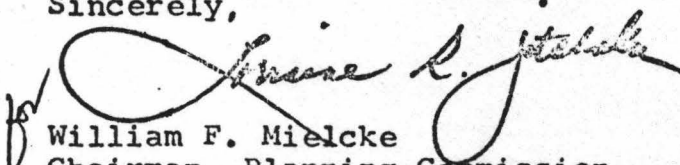
Amend Special Permit 77-269 (LUC 366)
Hawaiian Host, Inc.
Tax Map Key 8-3-04:12

The Planning Commission at its meeting of May 17, 1978, held a duly advertised public hearing on the above application to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District at Keel 1st, South Kona, Hawaii. The request is to amend Condition 2, which limits the operation to the husking of macadamia nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures.

This is to inform you that the Commission voted to continue the public hearing on the above request to allow the newly appointed Commissioners adequate time to familiarize themselves with the background and contents of the original Special Permit. As soon as the agenda is prepared and the meeting date confirmed, we will notify you accordingly.

In the meantime, should you have any questions, regarding the above request, please feel free to contact the Planning Department at 961-8288.

Sincerely,


William F. Mielcke
Chairman, Planning Commission

lgv
cc State Land Use Commission
Land Use Division, DPED
Hawaiian Host, Inc.

EXHIBIT

R

MAY 30 1978



COUNTY OF
HAWAII

PLANNING DEPARTMENT

25 AUPUNI STREET • HILO, HAWAII 96720

HERBERT T. MATAYOSHI
Mayor

SIDNEY M. FUKU
Director

DUANE KANUHA
Deputy Director

June 2, 1978

Dear Property Owner: TMK:

Amend Special Permit 77-269
Ke'ei 1st, South Kona, Hawaii
Tax Map Key 8-3-04:12

You are hereby notified that a request for an amendment to Special Permit 77-269 has been scheduled for a continuing public hearing as applied for by the petitioner, Hawaiian Host, Inc. The property involved is situated along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Sunset Coffee Co-op of Kona processing plant complex, Ke'ei 1st, South Kona, Hawaii.

As previously given notice, Special Permit 77-269 allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2 which limits the operation to the husking of macadamia nuts by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures.

A continuing public hearing on the subject among others will be held beginning at 7:00 p.m. on Thursday, June 15, 1978, in the Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii.

You are invited to comment on the application at the hearing or submit written comments prior to the hearing.

Sincerely,

Sidney M. Fuku
Director

smn

cc: State Land Use Commission
Land Use Division, DPED

EXHIBIT S

PUBLIC HEARINGS
PLANNING COMMISSION
COUNTY OF HAWAII

NOTICE IS HEREBY GIVEN of public hearings to be held by the Planning Commission of the County of Hawaii in accordance with the provisions of Section 5-4.3 of the Charter of the County of Hawaii.

PLACE: Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii

DATE: Thursday, June 15, 1978

TIME: 3:30 p.m. (Item Nos. 1 - 3)
7:00 p.m. (Item Nos. 4 & 5)

The purpose of the public hearings is to afford all interested persons a reasonable opportunity to be heard on the following requests:

1. PETITIONER: MASAJI SAKAMOTO

LOCATION: Immediately south of the Sakamoto Appliance Store on the mauka side of the Mamalahoa Highway, Captain Cook Village, Keopuka, South Kona.

TMK: 8-1-16:08

PURPOSE: Change of zone for 44,870 square feet of land from a Single Family Residential - 10,000 square foot (RS-10) to a Village Commercial - 10,000 square foot (CV-10) zoned district.

2. PETITIONER: CJS GROUP ARCHITECTS/LESTER GAMBLE

LOCATION: On the southerly side of Kealakekua Bay, Kahauloa Houselots, Kahauloa 1st, South Kona.

EXHIBIT T

- TMK: 8-2-06:12
- PURPOSE: Variance to allow a front yard setback of approximately 5'-8" and a shoreline setback of 14⁺ feet in lieu of the minimum requirements of 15 and 20 feet respectively, for a proposed single family dwelling on a 3,940-square foot lot situated within the Single Family Residential - 15,000 square foot (RS-15) zoned district.
3. PETITIONER: KAMEHAMEHA SCHOOLS/BISHOP ESTATE
- LOCATION: On the western side of the junction of the Ke'ei Middle Road and the Government Lower Road, Ke'ei 1st and 2nd, South Kona.
- TMK: 8-3-07:2 and 4.
- PURPOSE: Variance to allow the creation of two lots with areas of 4.62 acres and 2.18 acres, respectively, in lieu of the minimum lot size of five acres as stipulated within the Agricultural 5-acre (A-5a) zoned district.
4. PETITIONER: KONA GARDENS, INC.
- LOCATION: Along the mauka side of Ali'i Drive, across from the Keauhou Beach Hotel, Kahalu'u, North Kona.
- TMK: 7-8-10:35

PURPOSE: Continuation of a public hearing on a Special Management Area (SMA) Use Permit application to allow the establishment of a botanical and cultural park and a nursery on 23.8 acres of land.

5. PETITIONER: HAWAIIAN HOST, INC.

LOCATION: Along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Sunset Coffee Co-op of Kona processing plant complex, Ke'ei 1st, South Kona.

TMK: 8-3-04:12

PURPOSE: Continuation of a public hearing to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2 which limits the operation to the husking of macadamia nuts by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures.

Maps showing the general locations and boundaries of the areas under consideration and/or plans of the proposed developments are on

file in the office of the Planning Department in the County Building at 25 Aupuni Street, Hilo, Hawaii, and are open to inspection during office hours. All comments should be filed with the Planning Commission before that date, or in person at the public hearing.

PLANNING COMMISSION,
WILLIAM F. MIELCKE, Chairman
By SIDNEY M. FUKU
Planning Director

(Hawaii Tribune-Herald: June 5 and 13, 1978)

June 1, 1978

Mr. Daniel F. S. Lee
1221 Kapiolani Building, Suite 1031
Honolulu, HI 96813

Dear Mr. Lee:

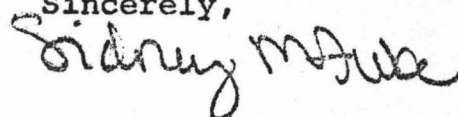
Notice of a Public Hearing
Hawaiian Host, Inc.
Special Permit No. 77-269
Tax Map Key 8-3-04:12

Please refer to our letter of May 19, 1978, in which you were informed of a continuing public hearing on the application of Hawaiian Host, Inc. The continuing public hearing is scheduled for Thursday, June 15, 1978, beginning at 7:00 p.m. in the Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii.

The presence of a representative will be appreciated in order that all questions relative to the request may be clarified.

A copy of the hearing notice is enclosed for your information.

Sincerely,



Sidney M. Fuke
Director

smn

Enclosure

cc: Hawaiian Host, Inc.
State Land Use Commission
Land Use Division, DPED

EXHIBIT

U

JUN 2 1978

22 May 1978.

To: Director, County Planning Department.
County of Hawaii,
Hilo, Hawaii.

Subject: Request for variance by Hawaiian Host, Inc. and Pacific Coffee Co-op to conduct macadamia nut cracking and processing operations on AGRIC. zoned land.

Reference: Our family owned parcel adjoining the Kona Farmers Co-Op Mill in Napoopoo, Tax Map Key 8-2-08-57, comprising 7 $\frac{1}{2}$ acres.

1. Our family wishes to register its objection to the granting of a variance request to Hawaiian Host, Inc. and Pacific Coffee Co-op to conduct macadamia nut cracking and processing operations on agricultural zoned land in the area leading directly to Kealahou Bay. We are the owners of a 7 $\frac{1}{2}$ acre parcel of land adjoining (on the makai side) of the Kona Farmers Co-op Mill and we feel the nut cracking and processing operation by the Hawaiian Host, Inc. would be detrimental to the continuance of our land as an agricultural zoned area. Further, we believe such an operation in the location requested will adversely affect the environment of the area and be a landmark precedent for introduction of additional industrial type operations. There is no greater visual joy that greets a traveler going along the main belt road in Kona than the impressive sight of Kealahou Bay and its surrounding land area. To blight this picture with an industrial type activity right in the middle of the land pocket, visible for miles around, would in our view be almost unforgivable.

2. We ask that this letter be made a part of the Planning Commission's records and that a copy be made available to each member.

3. If at all possible, I plan to be present at the hearing continuance in Kona on June 15, 1978.

For my brothers, Bernard and Ernest Chun.



Arthur B. Chun
Colonel, USA (Ret'd)

phone 329-1925
P.O. Box 597
Kailua, Kona, Hawaii.

EXHIBIT V

100.3
June 9, 1978

Colonel Arthur B. Chun
P. O. Box 597
Kailua-Kona, HI 96740

Dear Colonel Chun:

Amendment to Special Permit 77-269
Hawaiian Host, Inc.
TMK: 8-3-04:12

This is to acknowledge receipt of your letter regarding the amendment to the above cited Special Permit. Your letter will be presented to the Planning Commission as part of the public testimony on this matter.

Thank you for your comments and participation in the planning process.

Sincerely,

Sidney M. Fuke
SIDNEY FUKU
Director

WLM:ak

EXHIBIT

W
JUN 13 1978

Date June 15, 1978

Petitioner Hawaiian Host, Inc. - To amend Special Permit 77-269

Other: _____

Commissioners	Aye	No	Excused	Abstain
FUJIMOTO, Shigeru			✓	
HANLEY, J. Walsh				
JITCHAKU, Lorraine R.				
MURAKAMI, Haruo			✓	
NAKANO, Bert H.				
ORITA, Alfredo				
PARIS, William Jr.				
SAKAMOTO, Charles				
MIELCKE, William F.				

EXHIBIT

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PLANNING COMMISSION

Planning Department
County of Hawaii

MINUTES

June 15, 1978

EXHIBIT

Y

The Planning Commission met in regular session at 1:30 p.m. in the Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii, with Chairman William F. Mielcke presiding.

PRESENT: William F. Mielcke
J. Walsh Hanley
Lorraine R. Jitchaku
Bert H. Nakano
Alfredo Orita
William J. Paris, Jr.
Charles H. Sakamoto

ABSENT: Shigeru Fujimoto
Haruo Murakami

Ex-officio Member
Akira Fujimoto

Sidney M. Fuke, Director
Ilima Piianaia, Planner
William Moore, Planner

David Murakami, representing Ex-officio Member Edward Harada
Lionel Meyer, Deputy Corporation Counsel

and about 8 people in attendance at 1:30 p.m., 8 people at 3:30 p.m., and 15 people at 7:13 p.m.

The staff clarified that the cave Mrs. Keliikipi is concerned about seems to be within the proposed Ali'i Drive realignment. However, archaeological surveys through the corridor, in addition to certain widths outside of the corridor, would have to be undertaken.

The petitioner's representative, Gene Buffandeau, said they are able to comply with the conditions outlined by the staff.

It was moved by Commissioner Hanley and seconded by Commissioner Paris that the public hearing be closed; motion was carried.

It was moved by Commissioner Paris and seconded by Commissioner Sakamoto that the request be approved with the conditions outlined by the staff. A roll call vote was taken and motion carried with seven ayes.

SPECIAL PERMIT
77-269

HAWAIIAN
HOST, INC.
KEEI 1ST,
SOUTH KONA

Continuation of a public hearing on the application of Hawaiian Host, Inc. to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural district. The request is to amend Condition 2, which limits the operation to the husking of macadamia nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures. The area involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Sunset Coffee Co-op of Kona processing plant complex, Keel 1st, South Kona, TMK: 8-3-04:12.

The Chair announced that as this is a continuation of a public hearing, staff will not be reading the background again; and pointed out that the entire docket concerning the application has been made available to the new commissioners, and that transcripts of the last public hearing had been sent to Commissioner Hanley and himself.

The Chair read into the record a letter written by Colonel Arthur B. Chun to the Planning Director dated May 22, 1978, objecting to the subject request.

Under public testimony, Dr. Lou Sell, owner of Kona Hawaiian Macadamia Nut Company said he was here to correct a couple of misrepresentations. He pointed out that although the Hawaiian Host's representative made some derogatory statements about the quality of their product, stating there was a salt residue present to make it unusable, they have used all these so-called unusable nuts. He presented some nut samples taken that day for the Commissioners to decide whether there is a salt taste present. He pointed out that in the original application, Hawaiian Host said that they definitely were not planning on doing any cracking, and now they are planning to crack. He said to the best of his knowledge they have never done any husking yet in that location, so it seemed to be kind of a contradiction. Dr. Sell said he was objecting to the application on the grounds that there appears to be enough processing facilities at present in the North and

South Kona districts. He added that the Kona Farmers facility, although it is not operating at present, is able to start processing at any time.

Hawaiian Hosts' representative, Dan Lee, pointed out that the question of the salt coating on the kernels is now in litigation, and he, therefore, could not comment any further on the matter. He pointed out also that the plant itself was originally a cracking and husking plant for some years; however, when they purchased the plant, they allowed it to remain idle for some time.

Mr. Lee gave some background information to the new Commissioners.

Mr. Lee said he believed that if this plant were to come into effect and Pacific Co-op would operate this plant and crack its own nuts, they certainly would save the cost of transportation. He added that in installing the cracker within the plant, they do not plan to alter the physical terrain in any way, and that obviously OSHA requirements will be imposed as far as noise and other kinds of potential pollution to the environment.

Mr. Lee said it seemed to him that the testimony by the Kona Farmers Co-op is merely saying that they're 700 feet away and they have a plant, and nobody else should have one in the area. He said Hawaiian Host is just trying to see what benefits the farmers can gain and what benefits there might be to the community in general.

Mr. George Schattauer said his personal feeling is that the request should be granted favorably.

Colonel Arthur B. Chun spoke against the request. He urged the Commission that in making their decision, to please consider the questions that if any industrial type activity goes in, what that will do to this whole valley, and what will that effect have on the area remaining ostensibly agricultural.

Commissioner Hanley at this time requested that testimony be limited to discussion on the matter being considered by the Commission.

Under public testimony, Mark Van Pernis responded to some of the points raised and pointed out that there seemed to be a continuing problem of inadequate information presented to the Commission. He pointed out that Mr. Lee made reference to the fact that all they're talking about is a 20 by 10-foot piece of machinery to crack nuts; however, he said you're also talking noise, pollution, heat generated by drying bins, boilers, generators, cracking machinery, a conveyor system, sorting and packaging facilities, and also the trucking operation which is going to go up and down Mamalahoa Highway. He said there's a big difference between a husking operation, which is a small scale operation that many farmers can do on their own farms, and now, the entire gamut of processing.

Mr. Van Pernis said that no one is trying to tell Hawaiian Host that they can't go into the processing business, this is America and anyone can compete in any way that they'd like to that's legal.

He pointed out that Mr. Lee responded to his question as to why they now need to crack by saying that the Co-op couldn't crack, or further process, and that the new processor in town couldn't adequately process. He said he thought that that matter has been thoroughly cleared up, that these two particular representations were, in fact, not accurate representations; that the Co-op can process and Dr. Sell can process. He again questioned why should they be given special privilege when (1) they can show no need for it, (2) they cannot show that it will enhance the area and (3) it establishes a dangerous precedent in a very irreplaceable area.

Mr. Van Pernis said that they have the right to process and speculated that if they had to do it again, they probably would not be allowed; and that if there presently were no processing activities in the area, the Commission would probably not grant any activity at all. He said the fact that there is one now and not active is no reason to open it up further to similar activities. He said he thought it would be an unfair statement to say that they enjoy the same privilege Hawaiian Host is asking for because they are grandfathered in. The Planning Director clarified that the existing operation (Kona Farmers' Co-op) was previously considered a non-conforming use; however, in October of 1977, the Land Use Commission did legitimize the coffee and macadamia nut operation.

At this time, Mr. Lee said that Hawaiian Host is just trying to do what was and is being done by the Kona Farmers Cooperative. He reiterated that the present site was in existence, was operating as a processing plant for some years prior to the time they took over; and the only reason for discontinuing the use at that time was because of a gentlemen's agreement with the Co-op. He added that they still feel that they need the farmers and whatever benefits the farmers also benefits them, and that they offer the same price to Kona Farmers Cooperative as they do Pacific Co-op. He said in comparing the record, it reflects that the farmers in one instance are receiving a net benefit of five cents per pound more because their expenses aren't as great; therefore, if the nuts are cracked over here, by the Co-op and farmers themselves, they are going to save some money.

Also under public testimony, Mr. Tojiro Motoki clarified that Sunset Coffee Co-op is now officially and legally known as the Kona Farmers Co-op, and opposed the granting of the request.

RECESS: The Chair called a recess at 8:20 p.m.

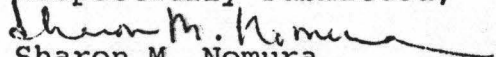
RECONVENED: The meeting reconvened at 8:32 p.m.

It was moved by Commissioner Sakamoto and seconded by Commissioner Nakano that the public hearing be closed; motion was carried.

ANNOUNCEMENT: Next scheduled meeting is June 29th in Hilo.

ADJOURNMENT: The meeting adjourned at 8:33 p.m.

Respectfully submitted,


Sharon M. Nomura
Secretary

A T T E S T:


William F. Mielcke
Chairman, Planning Commission

PLANNING COMMISSION

Planning Department
County of Hawaii

HEARING TRANSCRIPT
June 15, 1978

A regularly advertised public hearing, on the application of Hawaiian Host, Inc., was called to order at 7:30 p.m. in the Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii, with Chairman William F. Mielcke presiding.

PRESENT: William F. Mielcke
J. Walsh Hanley
Lorraine R. Jitchaku
Bert H. Nakano
Alfredo Orita
William J. Paris, Jr.
Charles H. Sakamoto

ABSENT: Shigeru Fujimoto
Haruo Murakami

Ex-officio Member
Akira Fujimoto

Sidney M. Fuke, Director
Ilima Piianaia, Planner
William Moore, Planner

David Murakami, representing Ex-officio Member Edward Harada
Lionel Meyer, Deputy Corporation Counsel

and about 17 people in attendance

CHAIRMAN: We'll move on to Item five on our agenda. Continuation of a public hearing on the application of Hawaiian Host, Inc. to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2, which limits the operation to the husking of in-shell nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures. The area involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Sunset Coffee Co-op of Kona processing plant complex, Keel 1st, South Kona, TMK: 8-3-04:12.

The staff has already given the background report on this application before the Commission. I would like to point out for the benefit of the audience that the entire docket concerning this application has been made available to our new Commissioners, Commissioner Orita and Commissioner Nakano, and Commissioner Hanley and myself the verbatim transcript of the last meeting. And the Commission has received additional correspondence since that meeting. (The Chair read into the record correspondence from Colonel Arthur B. Chun to the Planning Director dated May 22, 1978.)

We will continue the public hearing on this application. I do ask that those of you who have already testified, that we try not to be redundant in our testimony this evening. The Commission is most anxious to hear everyone out and is very conscious to be sure that due process is given to everyone that is in the audience this evening. With that, the Chair will open the floor for testimony.

Would you raise your right hand. Do you swear to tell the truth and nothing but the truth on this application now before the Hawaii County Planning Commission?

SELL: Dr. Lou Sell. I'm the owner of the Kona Hawaiian Macadamia Nut Company and we are processing a macadamia nut processing operation located in Kealahou. We currently have an agreement with the Kona Farmers Cooperative to do a portion of their processing, and we have been doing so for the past six or seven months; and I'm here to correct a couple of misrepresentations that came to my attention, not only in public papers, not only in Hilo and Kona, but also in the transcripts of the last meeting.

The last six months, our plant, well beginning with a year ago, we didn't even exist. We built the whole plant since a year ago this time, plus we processed approximately 750,000 pounds, in-shell pounds, that is. Of the end result, we've sent about 175,000 pounds of kernels to Hawaiian Host and another 25,000 pounds of kernel to four other candy makers that are located throughout Hawaii, on the mainland, and in Japan. We have received no complaints of any sort, at any time, from anyone.

At the last meeting, evidently the Host's representative stated that, he made some derogatory statements about the quality of our product. He also stated that there was a salt residue present in the product to make it unuseable. However, they've used it all, and I have some samples that I took off of our line directly yesterday. Nothing special is done, I just reached down and grabbed a handful and if any of you gentlemen would care to taste, see if you can find any salt in it, you're perfectly welcome.

CHAIRMAN: Dr. Sell.

SELL: This is not too fancy because we're a wholesaler and we are in product as, strictly in fifty pound cartons and so we don't have fancy packages or anything like that.

CHAIRMAN: Dr. Sell, did you have some further testimony that you'd like to offer? You said there were other discrepancies in the testimony that was offered.

SELL: Well, it was primarily, I noticed, the only thing that I noticed as far as the application goes, that in the original application, the transcripts of the meetings in the original application to husk, it was repeated by the Host representative that they definitely were not planning on doing any cracking, and now I see in the last transcript that they are planning on doing cracking. However, to the best of my knowledge, they've never done any husking yet in that location. So that seemed to be kind of a contradiction.

CHAIRMAN: Commissioners, did you have any questions of Dr. Sell?

NAKANO: Yeah, I'd like to ask one question. Are you objecting to this application?

SELL: On the grounds that at this point there appears to be enough processing facilities to well handle all of the nuts in the north and south Kona districts. My facility could handle all of them by itself. The Kona Farmers facility which processed up through January is still operable. They just merely shut it off. It hasn't been dismantled or changed, and so it also is able to process a very large volume of nuts. So on these grounds, it would be my opinion that at this point there is no need for additional processors.

CHAIRMAN: Further questions, Commissioners? Thank you. Dr. Sell we'll ask you to please remain seated in the audience. We might want to call you back. Mr. Lee, would you care to respond to Dr. Sell?

JITCHAKU: Mr. Chairman, could we have Dr. Sell's correct spelling for the record?

CHAIRMAN: Oh, surely.

SELL: S-e-l-l.

CHAIRMAN: Okay. Mr. Lee, we'll swear you in tonight. Do you swear to tell the truth and nothing but the truth on this application now before the Hawaii County Planning Commission?

LEE: Yes, I do. My name is Dan Lee. I'm the representative of Hawaiian Host Candies and the person that testified at the last hearing. Unfortunately, the question of the salt coating on the kernels is now in litigation and I cannot comment any further on the question of whether or not the nuts are satisfactory. I will say as a matter of record before the court that the real issue is what was the status of the kernels at the time the injunction was granted to Hawaiian Host, what was the status of the kernels at the time that we signed the contract, and over the years we've received these kernels in what form, and that is basically the question.

Second, the plant itself was a cracking and husking plant for some years. We came into the picture by buying out the plant and we allowed the plant to remain idle for some time. As a result, we're now before the Commission. We went before the Commission for a variance for the Special Use Permit and now we're asking for an amendment.

The other thing I'd like to bring up while I'm here, to explain, shed some light for those who are newcomers to the Commission. At the time that we went in for the Special Use Permit, we made it clear to the Commission that we had a contract to turn over the plant and the facilities to Pacific Co-op to operate that as a processing plant. Basically, it was to operate merely as a husking plant at that time because we wanted to remove any dispute

that may arise between Pacific Co-op and Kona Farmers Co-op since Kona Farmers Co-op already had a processing plant that was newly rebuilt right after the fire. We understood the economics of the situation. We made it very clear at that time that we wanted to maintain merely a husking plant. During the course of the year and no sooner after the Special Use Permit was granted the Kona Farmers Co-op determined by their executive committee and pursuant to certain documents that I have received in the course of our litigation, that it was much more feasible and economical for them to enter into a private contract with a private processor named Mr. Sell, to have their nuts cracked at Mr. Sell's plant. At the time the injunction came into play, we had no idea that such a contract existed. We subsequently learned that there was such a contract. However, we're still under an obligation to try and bring the plant into play so we can turn it over for the farmers, namely Pacific Co-op.

I had an opportunity today to meet with members of Pacific Co-op and had a chance to review some of their records. And I have a very good example in my briefcase which indicates that at the present time, the farmers of Pacific Co-op are receiving a net per pound price that is approximately five cents more than what is being paid to the members of the Kona Farmers Co-op. Now I only say that because Pacific Co-op presently is delivering their nuts for cracking to a Hilo processor. That would mean that they're expending at least an extra cent per pound to have their nuts cracked in Hilo; but yet they were able to provide a net benefit per pound of five cents more over the Kona Farmers Co-op.

I believe that if this plant were to come into effect and that Pacific would operate this plant and crack its own nuts, we certainly would save the cost of transportation, which would mean instead of five and a half cents or five cents saving and a net benefit to the farmer, perhaps a six or seven cents saving, a net benefit to the farmer.

One last point is this, that in putting in the cracker, we do not plan to alter the physical terrain in any way. The cracker, as you know, is merely a machinery that's about 20 feet long and about maybe 10 feet long, and that will be located within the plant. Obviously, OSHA requirements will come into play and thus reduce the amount of noise, or any other kind of potential pollution to the environment.

I've heard testimony by Kona Farmers Co-op objecting to our plant, but it seems to me that they're merely saying that they're 700 feet away, and they have a plant, and nobody else should have one in that area, perhaps that's just overly simplified. But we're here to try and see what benefits the farmers can gain and what benefits there might be to the community in general.

If there's any questions, I can answer -.

CHAIRMAN: Thank you, Mr. Lee. Commissioners, do you have any questions you'd like to direct to Mr. Lee? Commissioner Sakamoto.

SAKAMOTO: Mr. Lee, your operation of cracking the nuts, is it similar to Kona Farmers, you know, when they were cracking their nuts?

LEE: Yes. It will be similar in some respect, except for our attempts now to use a steam method in blowing hot air into the tank that will be drying the nuts, primarily to reduce any kind of air pollution that may come about. But essentially it'll be the same. As you know, the Kona Farmers Co-op do not operate a cracking plant at this time.

CHAIRMAN: Commissioners, further questions you'd like to direct to Mr. Lee? Okay, Mr. Lee, thank you very much. We ask that you remain in the audience. The Chair at this time would like to invite anyone else from the audience who would like to speak either for or against this application now before the Commission.

Do you swear to tell the truth and nothing but the truth on this application now before the Hawaii County Planning Commission?

SCHATTAUER: I do.

CHAIRMAN: Would you please state your name into the microphone.

SCHATTAUER: George Schattauer.

CHAIRMAN: Yes, Mr. Schattauer, please proceed.

SCHATTAUER: Yes, I'm speaking as a private individual tonight. Maybe I'm walking where angels fear to tread; however, I think it's time to speak what I think is right or wrong.

I've been a member of the Kona Coffee Co-op for a number of years and I know Dr. Sell because I've done some business with him. I've known Mr. Takatani for a few years. I'm affiliated with him? No, nor Dr. Sell. But Mr. Takatani has been associated with the Kona macadamia nut growers for over 30 years and I think if we go back a few years to when just Keaau and Hawaiian Holiday controlled the market, Mr. Takatani came in and raised the price. I think in all fairness to this man, that his request should be considered favorably. I don't think the growers, including those in the co-op can say in any way that Mr. Takatani at any time tried to outdo them. I don't know the ramifications of Pacific Co-op and Sunset. They formed a co-op together and they drifted apart, that I don't know. But I do know Mr. Takatani and his dealings in business, and I say that in my personal feeling that his request should be granted favorably.

CHAIRMAN: Thank you, Mr. Schattauer. Members of the Commission, do you have any questions you'd like to refer to Mr. Schattauer?

SAKAMOTO: I have one.

CHAIRMAN: Yes, Commissioner Sakamoto.

SAKAMOTO: Mr. Schattauer, where are your nuts going to?

SCHATTAUER: Well, we, I work for Kona Property Management and there's several orchards there. Some go to Hawaiian Holiday. We have sent some to Dr. Sell. In past years, we've sent some to Sunset. We've never sent any to Hilo.

CHAIRMAN: Commissioners, any further questions?

SCHATTAUER: Thank you.

CHAIRMAN: Thank you, Mr. Schattauer. Is there anyone else in the audience who would like to speak either for or against this application?

Do you swear to tell the truth and nothing but the truth on this application now before the Hawaii County Planning Commission?

CHUN: I do.

CHAIRMAN: Thank you.

CHUN: I'm Colonel Chun who sent the previous communication objecting to the granting of the variance to the agency that has requested. I thought I'd amplify that statement with a few more comments which I think are appropriate at this time. Do you have a map showing the mill location and the area, or is that the, that's the only one up there? Is there one of the area?

PIIANAIA: No, we don't have an overall location map. It was part of the original exhibit which was forwarded to the Land Use Commission.

CHUN: I see. Well, I wanted to do three things, was to point out our area that is our land, the 7 1/2 acres, so that it would firmly set in your mind that it's exactly where the boundary of the coffee mill that's there now and the macadamia nut plant facing the makai 7 1/2 acres right along the road and it runs down to the water tank and runs back up to a little beyond the coffee mill; and then I wanted to point out the location of this new facility; and what the impact of an approval would do to the community and to the landowner, since we also own some land, just a very small piece, a little over an acre down at Napoopoo. And I also wanted to point out the possible road changes that are going to go in, or may go in, if the villagers agree or disagree.

I also wanted to point out that the noise factor, I have not heard mentioned this evening, just how much noise will be generated by this new facility, and just how much steam - oh, here we are.

PIIANAIA: I'd just like to point out for the record that this is an exhibit from another file, but it's the same location map that is part of the docket that was forwarded to the Land Use Commission.

CHAIRMAN: Thank you, Ilima. Colonel Chun, if you'd like to go to the map and -.

CHUN: Would you mind pointing out where their location is going to be and the coffee mill, just so that I'd be sure?

This is the road that all of us take in going from North Kona, completely to South Kona, to Ka'u, and then on. And then when you hit this area is when you instantly sort of clear the ridge line and then see this panorama below you, which is completely agricultural with old buildings, sort of a distant thing. There is no smoke coming from any buildings that I have seen in going to and from in the last two weeks. And then the biggest building and then the oddest is the coffee mill which is in existence here, up in here, I want to be sure I'm right, based on the grandfather operation. It is sort of a add-on patchwork so it creates a quilt. It's dark wood, unpainted, the same with most of the other buildings that are in the panorama. They're corrugated iron, rusty, and so when you look from above, you see this sort of white thing. They're not painted white. They're just the sun drenched in all through the years. And they sort of fit into this quilt of trees, open area, plumerias and other things; and then you look down and then see the ocean and then very, very pretty big, those of you who have gone to South America or have gone to the South Pacific, there are not too many bays, there are not too many waterways that is that pretty from this here and from this. Now when you come from this side, you sort of wind around, and you don't see much except the shoreline and then suddenly this thing opens before you and you look at this whole bay. There really is no scenic point that you really look over, except this one little place that they have some coffee trees growing where the buses will stop to look at them.

So here this tremendous asset that we didn't develop, that was given to us. And then all through the years, these people putting their fingers in the soil and raising flowers and trees, coffee, and changing with the various economic tendencies so that one day they're up and the next day they're down, and then finally we're here today in 1978 with two really fine co-ops of people that most of you know on both sides, in which you are going to make a landmark decision.

This is a landmark decision, and the reason it is a landmark decision is because these property owners along this road have received the one thing that makes changes, and that is government water. It's along the road, goes all the way down to Napoopoo. And when that went in, with electricity available, it holds the situation in which you are going to have to make decisions on what this valley is going to look like through the next fifty years or maybe a hundred years. And so, that is why this is most important and that's partly why I came this evening.

Now our land is this former Dillingham property that sits, going up over here, and sits in here; and it's 7 1/2 acres and going all the way down here; and then the water tank is here. So we have all this frontage in here. Dillingham at one time wanted to make that a cattle feedlot operation where they fatten the cattle using, I understand, surplus coffee grinds or something, and they built a number of things in there to fit that in. But when they tried it out or brought the cattle in, somehow that thing happened; besides, the thing that they looked for. Perhaps Billy (Paris) would understand a little bit more than I would. But anyway, it didn't work and they gave that up.

Now, then you continue on down the road and then there's a big church down here, that Protestant Church, that's sort of a landmark. It's an old building, but it stands out in that valley the same as Mokuaikaua Church stands in Kailua. It's a spiritual thing that you get that's the difference between us and Europe and some places where they have the medieval cathedrals that once dominated the landscape, and then everything else grew up so that it's lost within. But here, in Hawaii, we have these two little areas still the way with the spiritual thing dominates the community, and that's Mokuaikaua Church in Kailua and this old unused sort of almost half-forgotten church; but it isn't half-forgotten because there are other people that want to now, either rebuild portions of it and resurrect that church so that it becomes another landscape deal. Now, part of that hold up the County from widening this road and either continuing through the village or cutting it up here, and then continuing on, part of that. And the other part are the villagers who are sort of like ourselves, and we have an acre, a little over an acre and a quarter in here, and we're coming before the Planning Commission on a small subdivision.

And in talking with the road people, they suggested we widen, they said if we widen the road, we ruin the village. We would rather kill our subdivision than widen the road, that's the way we felt. Now the same thing applies up here. If you grant this variance, 1700 feet away, what you do is you put another, almost really an industrial type activity, in actuality, a little further up over here and you put another one here. The area in between will either become all industrial or it will sort of begin, you'll begin getting requests for commercial.

We have had requests for our 7 1/2 acres. We had a request last week to offer us a sizeable amount of money in six figures, no not in six figures, yes, in six figures in cash. And I asked, what were you going to do with it. And he said, well, it wasn't going to be what we were thinking of. So we turned it down because we thought in this here, in this valley, that we wanted to retain control a little bit longer and ask for a different type and keep it in agricultural.

So hence, when you're making your decision this evening, please consider the fact that if an industrial type activity goes in over here and a request for an industrial activity request comes in right next to the coffee mill right now and going all the way down, what that will do to this whole valley as far as, this is the only road that comes down, and it's the only road that's going to continue coming down for everybody. And what will that effect have on this valley remaining, if this area remaining ostensibly agricultural? Now if you want to change, tonight is the time. If you want to sort of take another deep look, then perhaps maybe some way or other, just ask in yourself and some of these people who are here tonight and sit down and think not so much of two roaring factions which really, just like the movies, but of the whole valley and its beauty.

Now whatever you do, I hope you put conditions on any type of buildings where it looks like it's going to be industrial with landscaping going in and not small landscaping, but large trees. And to me, the odd

part about it is that the solution to these two people is to understand that the more beauty that they have in here, the better the chance they have to sustain themselves independently and sell all their coffee to everybody that visits here so they won't have to be subject to other people on the mainland buying them out and then going up and down, and the same with their macadamia nuts.

And so our family objection is based on not so much where they sell it or how much money each one of them lost or the other as it is what is the future of this village going to be and what is it going to look like and what chances are you going to sustain in keeping this as a agricultural area all throughout with this big modification that may come up this evening. Thank you very much.

CHAIRMAN: Thank you, Colonel Chun, for bringing your concerns to the attention of the Commission. Commissioners, do you have any questions? Commissioner Paris.

PARIS: I'd like to state to Colonel Chun that conditions have already been imposed. We already granted them the right to have a husking plant, and in that, I moved then, and we imposed it as a condition, that the area would be landscaped. The applicants were agreeable cause the initial application was for a husking plant, and that also, they would be painted with a color or colors to blend in with the background. These were conditions that were imposed when we granted them the permission to husk because I had the same feeling as you do, for the beauty of that area and it is something that the 370,000 plus visitors who go to the City of Refuge every year, plus your unrecorded amount, do see and it's a lasting impression. And it worries me.

CHUN: Thank you. I'm very, very happy to hear that. I'm very grateful; and thank you very much for imposing those conditions.

CHAIRMAN: Commissioner Sakamoto.

SAKAMOTO: Colonel Chun, you're concerned about noise, right?

CHUN: Yes.

SAKAMOTO: If you live near the sugar mill, you'd know about soundproof --.

CHUN: Yes.

SAKAMOTO: You know, the people who live near the sugar mill, they can hear all kinds of noise, and they live right next, I mean right next. Thank you.

CHUN: Let me comment on that. I'm glad you brought that. We also live in Nuuanu Valley, our family. When you go up the highway, before you go over the Pali, to the right is the old road which they call the Nuuanu Pali Drive. It begins there and I think it runs about a little mile and winds around what they call Morgan Corner and continue up. And the buses go by there, see all the different vines and the flowers that the homes have on that road. And in the last three months, the noise commission in Honolulu has taken the matter up and the villagers appeared before the County

Council. And the matter has now almost been adjudicated in which the County of Honolulu will probably enact a law stopping those buses from going up that little road to see this thing because of the noise to the community there.. So the noise that is generated that we have tolerated in the past does not really mean that we're going to tolerate that in the future, and neither are you. Because it increases to a point where it becomes that you say no more.

And what happened is, you see, they go up hill and then they shift gears, these buses, and then they slow down one after the other and we can't hear inside the home, you see. So I appreciate the noise tolerance that lots of people have in the past that lived next to very, very noisy things, like even up here, next to one of the contracting, where they break rocks. But that does not mean that you are going to tolerate that in the future and I doubt if those people, given the choice again, if they had to buy their homes over there wouldn't object to the noise and have not necessarily move - but have them put in something that would cut the noise down.

As I say, I went back home and just over the last few days and several of the Councilmen came up, and we did not initiate to stop the tour buses from hiding in front of our home on Nuuanu Pali Drive. But the people who were there, and there were about 50 or 100 families did, and the County is going to, they said they were going to, and I asked them how would you do that; and they said, very simply, no right turn for buses between 6 a.m. and 6 p.m. and that takes care of the whole day. No right turn for buses. And I said how about the transits, the bus for the transits, and they said they'd work in an exception. So the transit bus would be the only one. They'd go in half way, turn around and come back. But all other buses, they would be cut out. Limousines can, all, you can do anything you want with private cars. Now I have a hunch some of these days your rights thing will be coming before the Planning Commission, too. Thank you.

CHAIRMAN: Thank you. Ladies and gentlemen of the audience, again the Chair would like to invite any of you who wishes to testify either for or against this application to please so identify yourself. Yes, Commissioner Hanley.

HANLEY: Unless I'm missing something, it's my understanding there's already a special permit which allows the construction that's shown there, is that correct?

CHAIRMAN: Correct.

HANLEY: The request is to add an additional machine inside the building?

CHAIRMAN: That is correct.

HANLEY: Would it be out of order to request that testimony be limited to discussion of the matter being considered by the Commission?

CHAIRMAN: Commissioner Hanley, I certainly agree with you; and I think the Chair, in an effort to be fair to anyone who wants to testify, have been a little lenient on considerations concerning noise and some of the other things. I appreciate your concern.

HANLEY: Well, my thinking on it is that I'm sure if people, if they get up and talk, would like to have their testimony considered, and the Commission is considering one issue and any testimony which doesn't bear on that cannot be considered in the deliberations. Thank you.

CHAIRMAN: Mr. Van Pernis, we'll swear you in. Do you swear to tell the truth and nothing but the truth on this application now before the Hawaii County Planning Commission?

VAN PERNIS: I do.

CHAIRMAN: Would you state your name into the microphone please.

VAN PERNIS: Mark Van Pernis, and you've all seen me here before, of course. And I'll try my best to comply with the Chairman's request that I not be redundant. Basically, I'm not trying to add anything on the previous testimony I gave on behalf of my client, the Kona Farmers Co-op, but I do feel I have to respond to some of the points raised, with all respect to Mr. Lee as an advocate to his client. I think what Commissioner Hanley just brought up to some extent indicates to me the continuing problem we're having on this particular application, which is one of inadequate information or not told information.

For instance, Mr. Lee made reference to the fact that all we're talking about is a 20 by 10 foot piece of machinery to crack macadamia nuts. Well, that's fine, that will crack the macadamia nuts. We're also talking about much more than just that piece of machinery. We're talking about drying bins, we're talking about boilers to create steam, we're talking about furnaces or engines or some type of method. I think Mr. Lee referred to butane gas to heat the air and water, whatever the case may be for the drying bins. We're talking about the conveyor system, we're talking about the packaging facilities, the sorting facilities. We're talking about quite a bit more than a 20 by 10 foot piece of machinery. I think that if that was all there was to cracking, I don't think you'd have to have a large warehouse operation that Dr. Sell has, or a large machinery operation that large, several building operations that we have. I think the Commission should be aware that we're talking about lots more than a single cracking machine. And with it, of course, not only whatever noise or pollution or heat is generated by the drying bins and the boilers, and the generators, and the cracking machinery, and the loading, and the sorting and packaging, we're also talking about the trucking operation going up and down that road, up to the Mamalahoa Highway. We're talking about that particular situation. We're talking about a difference between a husking operation which is a small scale operation many farmers can and do on their own farms. And now we're talking about the entire gamut of processing.

I also want to make sure that everyone understands that Hawaiian Host and ourselves may have our differences in our business relationship and that matter may have been, Hawaiian Host is now in fact suing the Co-op and has brought the Co-op to court on the matter. But I don't want to try to place that controversy before this body. It's a matter separate.

What the point I'm trying to make is that no one is trying to tell Hawaiian Host that they can't go into the processing business. This

is America and anyone can compete in any way that they'd like that's legal. We're not trying to tell anyone that they can't go into the processing business. We all feel that there's no need and it'll be detrimental to the economics of farming around here, but that may be a matter of opinion.

What we are saying is that they are asking to process their nuts in an area that is not zoned for that. They're asking for a privilege, they're asking for a special permission to conduct an activity in an area that is not allowed to have that type of activity. What we're saying is that why are they entitled or why should they be granted this privilege. They came before you originally saying that there was a need for this because Kona didn't have the ability to husk nuts. We refuted that. Nevertheless, the permission was granted. Mr. Lee got up here and said that this whole cracking addition was necessitated by various events several months ago, the fire, the arrangement with Dr. Sell, all these, this may be a matter of controversy in the court. But it is blatantly irrelevant as far as this is concerned. They got up in front of you Commissioners, on the record, it's in the transcript, at one of our previous hearings, stated that they did not intend to crack. All they wanted was to husk. And this was said many, many months, after the matters referred to by Mr. Lee, they put it on the record that that's all they wanted to do. They came back later now and are asking to crack.

And as I asked before, why do they need to crack when they didn't need to when they originally filed this application. Well, Mr. Lee responded by saying that, one, the Co-op couldn't crack, further process, and, two, that the new processor in town, Dr. Sell, he couldn't adequately process. I think that that matter has been thoroughly cleared up that those two particular representations were in fact not accurate representations, that the Co-op can process, and Dr. Sell can process. Dr. Sell's operation is a new operation. He put it up in an area that's zoned for in Kealahou. There's areas for processing from Kawaihae to Kailua-Kona to Kealahou and Capt. Cook, and all the way around the island, adequate areas zoned and available and open for this type of processing. Why are they entitled to this special privilege in an area which I think is relatively unique in which Mr. Chun, I think, has thoroughly explained as far as that's concerned.

Mr. Lee has also gotten up here and made the claim that it's for the benefit of the farmers, that PCC is paying their farmers five cents more per pound and that somehow or other this processing plant is going to make that sort of a price to the other farmers. I think that anybody who is familiar with the macadamia nut business of this island, I think Mr. Schattauer could give us some information on this, as well as any of these macadamia nut farmers, and we have several sitting behind us here, can verify the fact that the price that the Co-op pays are in fact equal to or higher than any other entity in the State of Hawaii. Now, there is a difference, for instance, Pacific Coffee Cooperative, since they receive 700 and oh, I'm not sure of the amount, but it's a six figure amount from Hawaiian Host to pay their farmers up front, they get their money 30 days before our Co-op does. But that's a matter of business, whether the Co-op should borrow and carry the overhead interest or not. But what interests me, and I think this is something I think should be cleared up if in fact the money that pays for

Pacific Coffee Cooperative nuts comes from Hawaiian Host. The money that pays for the majority of the Kona Farmers Co-op nuts comes from Hawaiian Host. They're paying our competing Co-op, they're not really our competing Co-op, it's a co-op that's technically merged with ours, they're paying the other processors five cents more. Why are they not paying us the same price? This is one of the reasons, gentlemen and ladies, that we're in the court. Hawaiian Host has taken us there. They are taking us there demanding that we deliver 100 percent of our nuts to them and they're paying us, and if, with due respect to Mr. Schattauer, I share with him the respect for Mr. Takatani and what he has done many years ago to encourage the macadamia nut business in this part of the state; but it's a situation where now the current price of macadamia nut kernels is well over \$3.00 a pound. Dr. Sell can tell us that, many people can tell us that. They are trying to pay and, in fact, are paying at the moment the Co-op \$2.31. Their primary interest is in the farmers, why aren't they paying us the same price they're paying other people? Why aren't they paying us the going price. But this is a matter of argument. This is a matter that's before the court. This is a matter of business, the Commission should not be concerned with it. But these other matters, on exactly what we're getting into in this area as far as noise, industrial activity, expand the plant, that sort of thing, that should be of concern to the Commission.

And again, we're not trying to say they can't process. We're just saying why should they be given the special privilege when, one, they can show no need for it, two, they cannot show that it will enhance the area or enhance the economics of the area and, three, that it establishes a dangerous precedent in a very irreplaceable area. And I think that since this is a privilege, I don't see why the Commission should grant it in this particular case since none of the criteria have been met.

I would invite any of the other people here to testify. I know some of them are farmers and not speakers like I sometimes get paid to do; but nevertheless, I think they're all here out of a genuine concern and not out of any partisan activity.

I agree with Commissioner Hanley that we should concern ourselves solely with the limited issues before us. Those issues are a change of type of activity here from the husking to a much more industrial, much more expansive item, and secondly, why in this area, I don't believe there's any reason that's been presented and backed up with proof to justify this application. In fact, I would like to take the position that there's been, maybe, some either unintentional or misrepresentations or inadequate amount of information presented to the Commissioners and the staff. I'd be happy to answer any questions like that, but basically I'm an attorney, and only a part-time farmer. And if they have questions about, although I do live directly in that area, in my area, in the area Colonel Chun mentioned, but I think if the Commission has any questions about activities of the people who live and do business in that area, they should call on some of these farmers here and try to get to the heart of the matter rather than the politics of it.

CHAIRMAN: Yes, Commissioner Hanley.

HANLEY: Mr. Van Pernis, does your client enjoy the special privilege that you're suggesting be denied to Hawaiian Host on their property?

VAN PERNIS: We do not enjoy that special privilege. We process -.

HANLEY: You cannot process nuts or crack nuts?

VAN PERNIS: We can process nuts on there, we do not, and then as -.

HANLEY: But you do have the right to do it?

VAN PERNIS: Right to process. We have the right to do it, but I would point out that that right was, was not granted to us, but came about long before it became basically illegal to carry on that activity. I think, I would speculate that if we had to do it again, that we would not be allowed to do it in that area. I think that the Commission would probably, if there were no activities down there of this nature, I don't think the Commission would grant any activities down there. The fact that there is one and it's not active now, I don't think is any reason to open up to further similar activities.

The other activities down there other than straight farming and residence down at Napoopoo are the bee keeping operation and the tomato greenhouse operation down there; but I think it's an unfair statement to say that we enjoy the same privilege that Hawaiian Host is asking for because in fact there's a big difference when you're "grandfathered" in. And I don't think we're trying to gloat over the fact that we're down there. I think as was pointed out in previous meetings, previous times, in fact, one of the considerations we had when we moved our nut processing out of there is to limit the smoke and pollution as the noise aspect that we were creating down there. There's a lot more people coming down there, they're making a park down towards the Kealakekua Bay now, and that was one of the considerations we had in moving out of that, among many considerations.

I think if we had to come in all over again, I don't think you'd let us in and we wouldn't complain about it.

CHAIRMAN: Commissioner Hanley, did you have any further questions?

HANLEY: No, thank you.

CHAIRMAN: Thank you. Mr. Director .

FUKE: Thank you, Mr. Chairman. I would like to just clarify one point. Just the existing operation over at the Kona Sunset Co-op was previously considered a non-conforming use; however, back in, I guess in, October of 1977, the Land Use Commission did legitimize the coffee and as well as the nut operation. So as far as the County and the State are concerned right now, the present operation is no longer considered non-conforming.

VAN PERNIS: That's right. We are the exception in that case.

CHAIRMAN: Okay, thank you. Commissioners, any further questions of Mr. Van Pernis? Thank you, Mr. Van Pernis, we do ask that you remain in the audience.

Mr. Lee, I will at this time offer you an opportunity to respond directly to anything that Mr. Van Pernis has brought up. Mr. Lee, you'll have to come up to the microphone and I will ask that you speak specifically to Mr. Van Pernis' testimony before the Commission.

LEE: Well, I guess that's an old game between attorneys to yell and shout at each other and I don't want to get into that. We're just trying to do what was being done and is being done by Kona Farmers Cooperative, and also the present site and the present plant was in existence, was operating as a processing plant for some years prior to the time we took over. The only reason we discontinued the use of that plant was on a gentlemen's agreement with the Co-op. Unfortunately, maybe the relationships aren't as good as they should be, but we still feel that we need the farmers and whatever benefits the farmers also benefits us. We offer the same price to Kona Farmers Cooperative as we do to Pacific Co-op. What I'm talking about is, in comparing the record of one, several farmers that I have on hand right now, the record reflects that the farmers in one instance are receiving a net benefit of five cents per pound more because their expenses aren't as great. And it just so happens that it indicates that the savings are notwithstanding the fact that the nuts are being taken over to Hilo to crack. So assuming that we crack it over here, by the Co-op, by the farmers themselves, they're going to save some money.

But the rest of the stuff as far as salted nuts and unsalted nuts, we're still in court on that. Are there any questions?

CHAIRMAN: Questions, Commissioners? Okay, thank you, Mr. Lee. The Chair at this time would like to further invite anyone from the audience who would wish to testify either for or against this application now before the Commission to come forward.

Okay, do you swear to tell the truth and nothing but the truth on this application now before the Hawaii County Planning Commission?

MOTOKI: I do.

CHAIRMAN: Please state your name into the microphone.

MOTOKI: My name is Tojiro Motoki. I'm president of the, and for the record, I'd like to make a correction. In your previous, I think your first statement, you said, you mentioned the name Sunset Coffee Co-op. We are now known officially and legally as the Kona Farmers Co-op. So for the record, Kona Farmers Co-op please, rather than Sunset.

Now, Mr. Lee referred to innuendos, etc., and I'd like to commend Mr. Schattauer for his comments as to the, what Mr. Takatani allegedly has done to help the Kona farmers, especially those in macadamia nuts. I'd like to point out to the members of the Commission that the reason why the price of macadamia nuts has

been raised is not because of a good heartedness of Mr. Takatani, but because we have been forced to go into compulsory arbitration. Every time we go into compulsory arbitration, it costs us \$10,000 and we've been going now for four years into compulsory arbitration. And that \$10,000 per arbitration has been costing the farmers \$40,000. I assume, from past records, track records, that we will again be forced to go into compulsory arbitration to establish the price paid for the nuts. And again, from the past track records, I would assume a cost to the farmers, \$10,000.

Now Mr. Lee mentioned the fact that the PCC is paying on the average five cents a pound more than the Kona Farmers are able to pay; and for the record, I'd like the Commissioners to know that the method of payment insofar as our farmers are concerned is based on the moisture content and spoilage. And based on this, the price paid to the farmers can go as high as forty-six, forty-seven, or forty-eight cents a pound.

Another consideration is that Mr. Tengan used to process their nuts for thirteen cents. He saw fit to lower the price, the processing fee from thirteen cents down to ten cents. And I give the manager of the PCC credit, he insisted that this three cents be rebated back to them. Now, insofar as when Mr. Lee mentioned that the fact that the price that Hawaiian Host pays to us and to PCC is the same, that is true. He was implying, I think, that there was less efficiency; and that cannot be because the machinery that they contemplate putting in, I think is going to be the same machinery that we have and our efficiency ratio has been in excess of 26 percent. Now, one of the reasons why we went to Dr. Sell was because his efficiency ratio was better than that. It came up to about 29 per cent. Because of these considerations, I think it was a wise economic move on our part to process our nuts, from processing our own nuts to go to Dr. Sell; because we got, in essence, three pounds more of grade "A" kernels per one-hundred pounds of nuts in-shell than we were able to achieve under our own method.

As has been stated, we are able, at a moment's notice, to go back into full production. And we are contemplating improvements in our processing methods so that we will be able to at least match and perhaps even exceed Dr. Sell's crack-out ratio of 29 percent per hundred pounds of nuts in-shell.

For these reasons, I personally, and for the Co-op, would like to oppose the granting, we're opposed to your granting of this variance to Hawaiian Host insofar as this special, whatever it is, kind of permit is concerned.

CHAIRMAN: Thank you, Mr. Motoki. Commissioners, do you have any questions? Thank you very much. Anyone else from the audience who wishes to either testify for or against the application before the Commission? Ladies and gentlemen, if there is no further testimony to come before the Commission, Commissioners, the Chair will entertain a motion to close the public hearing.

PARIS: Mr. Chairman, could we take a few minutes recess? I would like to consult with our counsel for a few minutes.

CHAIRMAN: If I can have your attention please, we'll resume the meeting at 8:32, Madam Secretary.

RECESS: The Chair called a recess at 8:20 p.m.

RECONVENED: The meeting reconvened at 8:32 p.m.

CHAIRMAN: If there is no further public testimony to come before the Commission, the Chair will entertain a motion to close the public hearing.

SAKAMOTO: So move, Mr. Chairman.

CHAIRMAN: Is there a second to the motion?

NAKANO: Second the motion, Mr. Chairman.

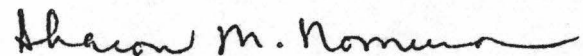
CHAIRMAN: It has been moved by Commissioner Sakamoto and seconded by Commissioner Nakano that the public hearing on the application of Hawaiian Host, Inc. to amend the Special Permit No. 77-269 be closed. All those in favor so signify by saying aye?

COMMISSIONERS: Aye.

CHAIRMAN: Oppose, same sign? Public hearing is closed.

Public hearing adjourned at 8:33 p.m.

Respectfully submitted,



Sharon M. Nomura
Secretary

A T T E S T:



William F. Mielcke
Chairman, Planning Commission

June 16, 1978

Mr. Daniel F. S. Lee
1221 Kapiolani Boulevard
Suite 1031
Honolulu, HI 96813

Dear Mr. Lee:

Amend Special Permit 77-269 (LUC 366)
Hawaiian Host, Inc.
Tax Map Key 8-3-04:12

The Planning Commission at its continued public hearing on June 15, 1978 reviewed the above application to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2, which limits the operation to the husking of macadamia nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures. The area involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Sunset Coffee Co-op of Kona processing plant complex, Keel 1st, South Kona, Hawaii.

In accordance with the provisions of Section 205-6, Hawaii Revised Statutes, the Commission shall act on such petition not earlier than fifteen (15) days after the said public hearing.

We shall notify you when the Commission is ready to take action on your request.

Sincerely,

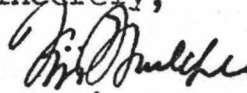


EXHIBIT AA

WILLIAM F. MIELCKE
Chairman, Planning Commission

lgv
cc Hawaiian Host, Inc.
Land Use Division, DPED

State Land Use Commission

JUN 19 1978

COPY

FROM THE OFFICE OF THE
CORPORATION COUNSEL
COUNTY OF HAWAII
HILO, HAWAII 96720

June 21, 1978

Dan Lee, Esq.
1221 Kapiolani Boulevard
Suite 1030
Honolulu, HI 96813

Dear Mr. Lee:

Re: Hawaiian Host, Inc.,
Special Permit 77-269, TMK: 8-3-04:12

Pursuant to our telephone conversation on June 19, 1978, at approximately 11:20 a.m., you agreed to waive the requirements contained within Section 91-11, Hawaii Revised Statutes, by allowing all the members of the Planning Commission who may have not heard and examined all the evidence to cast their vote in favor of or against the above Special Permit Application.

Sincerely yours,

LIONEL D. MEYER
Deputy Corporation Counsel

LDM:bd1

cc: Planning Department ✓
Planning Commission

EXHIBIT BB

Rec'd w/o signature

June 28, 1978

Mr. Daniel F. S. Lee
1221 Kapiolani Building
Suite 1031
Honolulu, HI 96813

Dear Mr. Lee:

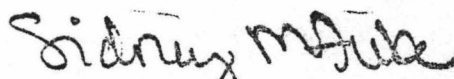
Special Permit Application
Hawaiian Host, Inc.
Tax Map Key 8-3-04:12

The above application will again be discussed on Thursday, July 13, 1978, by the Planning Commission. The meeting will be held at 1:00 p.m. in the Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii.

You will be notified of the Commission's decision.

A copy of the agenda is enclosed for your information.

Sincerely,



Sidney M. Fuke
Planning Director

smn

Enclosure

cc: Hawaiian Host, Inc.
State Land Use Commission
Land Use Division, DPED

EXHIBIT CC

JUN 29 1978

AMENDMENT TO SPECIAL PERMIT: HAWAIIAN HOST, INC.

Hawaiian Host, Inc. has filed a request for amendments to Conditions Nos. 1 and 2 of Special Permit No. 77-269 granted by the State Land Use Commission on July 27, 1977. The Special Permit was to allow the establishment of a macadamia nut processing plant on 3.1 acres of land situated within the State Land Use Agricultural District. The property involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Kona Farmers Cooperative complex, Ke'ei, South Kona, TMK:8-3-04:12.

According to the Special Permit, the proposed plant will consist of a new 7,260 square foot butler building and five (5) 10-foot diameter storage bins. Two (2) existing quonset buildings will also be used for the proposed operation.

Condition No. 1 of the Special Permit stated that "construction of the new butler building and the five (5) storage bins commence within one (1) year from the effective date of the Special Permit and be completed within two (2) years thereafter." The petitioner is requesting a one (1) year time extension in which to commence construction of the new structures.

Condition No. 2 stated that "the proposed operation shall be limited to the husking of the macadamia nuts." The petitioner is requesting to expand the proposed operation by also allowing the cracking of in-shell macadamia nuts. For the Commissioners' information, the original application filed by the petitioner also requested the shelling of the nuts, however, at the public hearing (3/23/77), the petitioner indicated that the proposed

EXHIBIT DD

operation would be limited to the husking of the nuts.

In support of the requests, the petitioner has stated the following:

(READ REASONS)

None of the cooperating agencies had any objections to or comments on the proposed amendments.

Daniel F.S. Lee
Attorney at Law

Offices in Tokyo, Taiwan,
Hong Kong, Brasil.

Daniel F. S. Lee
Walter Schoettle

May 16, 1978

Planning Commission
Planning Department
County of Hawaii
25 Aupuni Street
Hilo, Hawaii 96720

Testimony by Applicant, HAWAIIAN HOST, INC.

Re: Amendment to SP 77-269 to include the cracking of
in-shell macadamia nuts

Gentlemen:

1. The proposed use is an adjunct to the primary approved use of a husking plant for macadamia nuts approved by your Commission and the State Land Use Commission. We are aware that the Land Use laws and regulations thereto are intended to preserve, protect and encourage the development of lands and its uses to which they are best suited keeping in mind the best interest of the general health and welfare of the people of this State. The purpose of this subject request is to allow the placement of approximately 20 feet of machinery within the existing Quonset Hut to facilitate cracking of the husked macadamia nuts. The addition of the machinery will not affect or change the present or proposed physical structures. The addition of this equipment for the processing plant will help to facilitate the purchase of an anticipated 1,000,000 pounds of macadamia nuts for the coming season. The total anticipated payments for these nuts to farmers in the surrounding area will total no less than \$300,000.00. Moreover, the husking and cracking facility will provide employment to residents in the community, assist the macadamia nut farmer in marketing his product soon after harvest, and reduce handling and other indirect transportation costs now paid by the farmer. Accordingly, the proposed use will be a positive benefit and support to the agricultural community in the Kona area.

The Applicant herein, also asks for an extension of time for the reason that the cracking machinery must be locally fabricated. The average fabrication time for such machinery is approximately six to eight months.

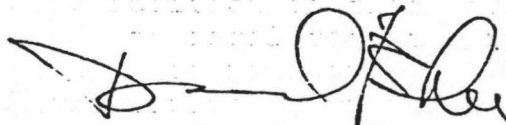
EXHIBIT DD-1

Planning Commission
Page 2
May 16, 1978

2. The proposed use will not adversely affect the surrounding properties and land uses since these properties are either vacant or in some form of agricultural use. Moreover, a complete processing facility in that vicinity will compliment the marketing activities of Kona Farmers Cooperative. It is our understanding that the Cooperative has discontinued the processing of in-shell nuts because of the uneconomical features of the business. This decision was made by the Board notwithstanding the plant was newly rebuilt and housed with modern husking and cracking facilities. Instead, it has decided to contract with a private processor in Kailua-Kona in order to increase the net dollar return to its members. In short, it was cheaper. Therefore, the economics of competition will soon allow the Cooperative and the farmers in close proximity a choice of choosing the processor with the best service at the cheapest rate.

3. All essential utilities and facilities are available for the development of the proposed and amended use. The granting of this request will not unreasonably burden public agencies, nor does it impose any additional considerations not found to have existed under the earlier findings of the Commission in its review of our application for a husking plant. Accordingly, the proposed use is directly supportive of farming activities. The granting of this particular request would be beneficial to the people of Kona and to the State of Hawaii relative to the general plan pertaining to agricultural policies.

Very truly yours,



Daniel F. S. Lee
Attorney for Hawaiian Host, Inc.

DFSL/lk

RECOMMENDATION: HAWAIIAN HOST, INC.

Upon review of the subject request to amend Special Permit 77-269 by allowing the cracking of in-shell macadamia nuts, the staff recommends that it be approved, based on the following considerations:

That approval of the proposed amendment will not be contrary to the objectives sought to be accomplished by the State Land Use Law and Regulations. Special Permit 77-269 allowed the establishment of a macadamia nut processing plant within the State Land Use Agricultural District. At the time of the approval it was determined that the proposed processing plant would benefit farmers in the region and that definite benefits would accrue to farmers in terms of proximity to production areas, cost of production, and an alternative market. Based on this, it was further determined that the approval of the Special Permit would further the objectives of the Land Use Law and Regulations by encouraging and strengthening existing and future agricultural activities in the area.

The proposed amendment to the original Special Permit is determined to still be in keeping with the objectives of the Land Use Law and Regulations as well as the findings made in granting the Special Permit. The cracking of macadamia nuts is an integral part of the overall processing of said product. It is directly related to agricultural activities and is, in fact, an essential aspect of

EXHIBIT EE

agricultural use in that cultivated products are processed prior to their being delivered to the consumer. It should also be pointed out that the proposed use would be allowed if the products were grown on the premises.

The proposed use is consistent with the guidelines for granting Special Permits. It is also consistent with State and County policies of encouraging and supporting agricultural activities. The granting of the proposed amendment is determined to be beneficial to the people of the State of Hawai'i relative to adopted agricultural policies.

It is also recommended that the request for a one-year extension of time to commence construction of proposed improvements be granted to allow the completion of plans for the expanded operations. One year is deemed adequate for the petitioner to prepare all necessary plans and other arrangements and to commence construction. The staff would like to point out that it is standard practice to recommend that plans be submitted for plan approval within one year of the effective date of approval of a Special Permit and that construction commence within one year from the date of receipt of final plan approval. In this particular case, an oversight was made and the one-year period for submission of plans was not included as a condition.

It is further recommended that approval of the proposed amendment and the time extension request be subject to all the original conditions of approval of the Special Permit.

County of Hawaii

Date July 13, 1978

Petitioner HAWAIIAN HOST, INC. - Amend Special

Permit 77-269

 Preliminary hearing Public hearing Request ☒ Action

ACTION: ✓ Approve

Deny

Defer

Continue

Schedule for public hearing

Other: _____

Commissioners	Aye	No	Excused	Abstain
FUJIMOTO, Shigeru			✓	
HANLEY, J. Walsh <i>Moved</i>	✓			
JITCHAKU, Lorraine R.			✓	
MURAKAMI, Haruo			✓	
NAKANO, Bert H. <i>2nd</i>	✓			
ORITA, Alfredo		✓		
PARIS, William Jr. <i>w/R</i>	✓			
SAKAMOTO, Charles	✓			
MIELCKE, William F. <i>w/R</i>	✓			

EXHIBIT FF

PLANNING COMMISSION

Planning Department
County of Hawaii

MINUTES
July 13, 1978

The Planning Commission met in regular session at 1:00 p.m. in the Kealakehe School Cafetorium, Kealakehe, North Kona, Hawaii, with Chairman William F. Mielcke presiding.

PRESENT:	William F. Mielcke	ABSENT:	Shigeru Fujimoto
	J. Walsh Hanley		Lorraine R. Jitchaku
	Bert H. Nakano		Haruo Murakami
	Alfredo Orita		
	William J. Paris, Jr.		Ex-officio Member
	Charles H. Sakamoto		Akira Fujimoto

Sidney M. Fuke, Director
Ilima Piianaia, Planner
William Moore, Planner

Edmund Morimoto, representing Ex-officio Member Edward Harada
Lionel Meyer, Deputy Corporation Counsel

MINUTES: It was moved by Commissioner Paris and seconded by Commissioner Sakamoto that the minutes of June 29, 1978, with the correction on page 9 to add, "The Chair requested a copy of their constitution and bylaws prior to the next meeting" on the application of The Fraternal Order of Eagles, and also page 14 to read, "It was moved by Commissioner Paris and seconded by Commissioner Nakano that the public hearing be continued; motion was carried" on the application of the Department of Public Works, be approved as circulated. Motion was carried.

REPORTS: At this time, the Planning Director commented on the revisions to the in-house draft of the County General Plan and the scheduled public hearings. He pointed out that the public hearing of the Kailua Village Sign Ordinance is scheduled for August 3, 1978; however, the Kailua Village Commission has requested deferral to give them added opportunity to review the matter and that if need be, he will have it rescheduled. The Chair again requested the Commissioners' attendance at all the scheduled General Plan hearings.

At this time, the Chair announced that the variance application of Arthur Ulrich will be deferred as the petitioner is ill and unable to be present.

All those testifying were duly sworn in.

SPECIAL PERMIT
HAWAIIAN
HOST, INC.

Application of Hawaiian Host, Inc. to amend Special Permit 77-269 which allowed the establishment of a macadamia nut processing

EXHIBIT GG

KE'EI 1ST,
SOUTH KONA

plant on 3.1 acres of land situated within the State Land Use Agricultural District. The request is to amend Condition 2, which limits the operation to the husking of macadamia nuts, by expanding it to include the cracking of in-shell macadamia nuts. Also requested is a one-year time extension to Condition 1 relating to the commencement of construction of proposed structures. The area involved is located along the south side of Napo'opo'o Road, approximately 1,200 feet mauka of the Kona Farmers Co-operative (formerly Sunset Coffee Co-op of Kona) processing plant complex, Ke'ei 1st, South Kona, TMK: 8-3-04:12.

Staff presented background and recommendation for approval with conditions on file.

It was moved by Commissioner Hanley and seconded by Commissioner Nakano to send a favorable recommendation to the State Land Use Commission with the conditions outlined by the staff. A roll call vote was taken and motion carried with five ayes (Commissioners Hanley, Nakano, Paris, Sakamoto, and Chairman Mielcke) and one no (Commissioner Orita). Commissioner Paris said he voted with reservations as the petitioner did testify originally that they did not intend to crack in-shell macadamia nuts, although he did feel that the husking and cracking of in-shell macadamia nuts did go together. Chairman Mielcke said he also voted with reservations as he agreed with Commissioner Paris, and that he felt Hawaiian Host should have been more thorough in their original application.

At this time, the Planning Director said he was awaiting an opinion from the State Land Use Commission's staff on whether a processing activity is a permitted use within the agricultural district. If it is determined that it is a permitted use, then the Special Permit procedures for petitions, such as Charles T. Onaka, would not be necessary. He recommended, however, that the Commission proceed in the same manner as in the past until an opinion is rendered.

CHANGE OF ZONE
LEE HALL
KAHALU'U,
NORTH KONA

Preliminary hearing on the application of Lee Hall for a change of zone for 15,230 square feet of land from a Single Family Residential - 7,500 (RS-7.5) to a Multiple Family Residential - 3,000 square foot (RM-3) zoned district. The property involved is located at the mauka end and on the southern side of Makole-a Street, Makole-a Subdivision, Kahalu'u, North Kona, TMK: 7-8-14:93.

Staff presented background information on file.

Staff pointed out that the properties mauka of Ali'i Drive are zoned Resort - 1,250 square feet and the areas along Ali'i Drive further north are built up with single family residences. Staff added that mauka of the proposed Ali'i Drive realignment, lands are vacant. The proposed realignment is adjacent to the subject property on the side.

Commissioner Hanley questioned whether the whole area should be rezoned if the requested zone change is considered appropriate for that area. In response, the Planning Director pointed out that if a