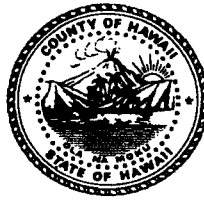


Harry Kim  
Mayor



Michael Yee  
Director

Daryn Arai  
Deputy Director

West Hawai'i Office  
74-5044 Ane Keohokalole Hwy  
Kailua-Kona, Hawai'i 96740  
Phone (808) 323-4770  
Fax (808) 327-3563

**County of Hawai'i**  
**PLANNING DEPARTMENT**

East Hawai'i Office  
101 Pauahi Street, Suite 3  
Hilo, Hawai'i 96720  
Phone (808) 961-8288  
Fax (808) 961-8742

December 27, 2017

Mr. Steve Shropshire  
P.O. Box 1146  
Hilo, HI 96721

Dear Mr. Shropshire:

**SUBJECT: Special Management Area Use Permit Assessment Application  
(SAA 17-001574)**

**Special Management Area Minor Permit No. 17-000378**

**Applicant: Shropshire Group, LLC**

**Land Owner: Shropshire Group, LLC**

**Request: Consolidation and Resubdivision of Two Lots into Two Lots  
and Establishment of a Distillery, Food Manufacturing and  
Processing Operation, Watchman's Quarters, Brewery, Tasting  
Room, Restaurant, and Related Improvements including  
Fencing of the Arsenic Contamination Area, Landscaping, and  
the "As-built" Carport**

**TMK(s): (3) 2-9-002:079 & 081, Hakalau, Hawai'i**

This is to acknowledge receipt on December 8, 2017, of the Special Management Area Use Permit Assessment Application for the consolidation and resubdivision of two lots into two lots and establishment of a distillery, food manufacturing and processing operation, watchman's quarters, brewery, tasting room, and restaurant within the two existing buildings and related site improvements on the subject parcels. Also acknowledged is receipt of additional information for proposed exterior improvements consisting of fencing, landscaping, and the "as-built" carport. Upon receipt of the enclosed revised site plan and additional information on December 21 and 26, 2017, the subject application was deemed complete.

Proposed is the consolidation and resubdivision of two lots into two lots, confining all building uses to one parcel. Also established would be a distillery, food manufacturing and processing operation, watchman's quarters, brewery, tasting room, restaurant, and related improvements. However, the proposed locations for these specific uses will be flexible and may shift between Buildings A and B based on tenant requirements. The fencing of the arsenic contaminated area, and landscaping improvement are proposed along a portion of the north and west sides of the project area. Finally, the additional "as-built" structure is a carport with gravel.

**DEC 27 2017**

Parcel 079, consisting of 5.117 acres, and Parcel 081, consisting of 3.597 acres, are both designated Urban by the State Land Use Commission and zoned General Industrial (MG-5a) by the County. In addition, the Hawai'i County General Plan Land Use Pattern Allocation Guide (LUPAG) Map designates both parcels as Industrial and Open. They are also both located in the Special Management Area (SMA) and have frontage along the coastline. We find that the proposed development is located a considerable distance from the shoreline and therefore waive the need to submit a shoreline survey.

According to Hawai'i County Code, Chapters 25-5-150 and 152, respectively, Permitted Uses in the General Industrial (MG) district, areas are noted for uses that are generally considered to be offensive or have some element of danger, and include the following:

- (a) (12) Breweries, distilleries, and alcohol manufacturing facilities
- (30) Food manufacturing and processing facilities
- (52) Restaurants
- (d) (1) Permitted as incidental and subordinate to any permitted use: Living quarters for watchmen or custodians in connection with the operation of any permitted use.
- (e) Buildings and uses normally considered directly accessory to the uses permitted in this section shall also be permitted in the MG district.

Our files include a Final Removal Action Report, dated June 18, 2014, that was prepared to address elevated soil arsenic on the subject parcels. Although the required Remediation Implementation Work Plan has not yet been submitted to the HDOH HEER Office, we understand that your intention is to continue with remediation of the contaminated areas on the subject parcels. Pursuant to the March 7, 2017, email from the Department of Health, we received confirmation regarding the requirement of fencing around the arsenic contamination area. In addition, HDOH HEER Office expressed concerns about the pressure washing of Building B, which reportedly resulted in potential lead-based paint chips on the ground. Therefore, they are also requiring testing for lead in the area around this building.

**Special Management Area Determination:**

According to Hawai'i Revised Statutes (HRS) Chapter 205A-22 and Planning Commission (PC) Rule 9-4(e) (1), "Development" includes the following:

- (A) *Placement or erection of any solid material or any gaseous, liquid, solid, or thermal waste;*
- (B) *Grading, removing dredging, mining or extraction of any materials;*
- (C) *Change in the density or intensity of use of land, including, but not limited to the division or subdivision of land; and*
- (D) *Change in the intensity of use of water, ecology related thereto, or to access thereto.*

Therefore, the proposed improvements and "as-built" structure, as presented, are not exempt from the definition of "development" and will require a review against the Special Management Area rules and regulations.

According to PC Rule 9-10 (h), when considering the significance of potential environmental effects, the Director shall consider the sum of those effects that adversely affect the quality of the

environment and shall evaluate the overall and cumulative effects of the action. Although most of the proposed actions are primarily interior improvements to Buildings A and B, the fencing of the arsenic contamination area, landscaping, and the "as-built" carport are not expected to affect the project area involved and the surrounding areas, nor have a cumulative impact or a substantial adverse environmental or ecological effect on the SMA.

Based on the foregoing and pursuant to Planning Commission Rule Section 9-10(e), Special Management Area Minor Permit No. 17-000378 is hereby issued for the SMA approval of the consolidation and resubdivision, establishment of a distillery, food manufacturing and processing operation, watchman's quarters, brewery, tasting room, restaurant, and related improvements which include fencing of the arsenic contamination area, landscaping, and the "as-built" carport on the subject parcels. It is the applicant's responsibility to read and comply with the conditions listed in the enclosed permit. Please note that any substantive changes to the project as proposed in this application will require further review and approval as provided under Chapter 205A, HRS, and Rule 9, Planning Commission Rules of Practice and Procedure.

Finally, in issuing this permit, the Department has relied on the information and data that the applicant has provided in connection with this permit. If, subsequent to this permit, such information and data prove to be false, incomplete or inaccurate, this permit may be modified, suspended or revoked, in whole or in part, and/or the Department may, in addition, institute appropriate legal proceedings.

If you have any questions, please contact Esther Imamura of this office at (808) 961-8139.

Sincerely,



MICHAEL YEE  
Planning Director

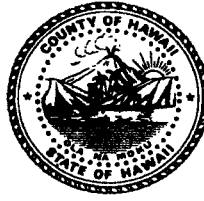
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Enclosures: SMM No. 17-000378  
DPW Memorandum dated January 3, 2017  
Revised Site Plan received December 21, 2017

cc ltr. only: Mr. Leo Asuncion, Director  
Office of Planning, DBEDT  
State of Hawai'i Department of Business, Economic  
Development & Tourism  
P.O. Box 2359  
Honolulu, HI 96804-2359

Harry Kim  
Mayor



Michael Yee  
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74-5044 Ane Keohokalole Hwy  
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## County of Hawai'i

### PLANNING DEPARTMENT

East Hawai'i Office  
101 Pauahi Street, Suite 3  
Hilo, Hawai'i 96720  
Phone (808) 961-8288  
Fax (808) 961-8742

### **Special Management Area Minor Permit No. 17-000378**

**Project:** Consolidation and Resubdivision of Two Lots into Two Lots and Establishment of a Distillery, Food Manufacturing and Processing Operation, Watchman's Quarters, Brewery, Tasting Room, Restaurant, and Related Improvements including Fencing of the Arsenic Contamination Area, Landscaping, and the "As-built" Carport

**Applicant:** Shropshire Group, LLC

**Landowner:** Shropshire Group, LLC

**Location:** Hakalau, Hawai'i

**TMK(s):** (3) 2-9-002:079 & 081      **Land Area(s):** 5.117 acres & 3.597 acres

#### **Applicant's Request**

**1. Project Description:**

Proposed is the consolidation and resubdivision of two lots into two lots with no associated construction costs. Also established would be a distillery, food manufacturing and processing operation, watchman's quarters, brewery, tasting room, restaurant, and related improvements. However, based on tenant requirements, the proposed locations for these specific uses will be flexible and may shift between Buildings A and B. Additional exterior improvements include fencing of the arsenic contamination area, landscaping, and the "as-built" carport.

**2. Purpose of Project:**

The applicant is proposing to contain the project area within one lot, Lot 2-A, and utilize it in accordance with its General Industrial (MG-5a) zoning, which would include commercially viable means to adapt and reuse the two warehouse buildings.

**3. Project Valuation:** \$439,119

**4. Determination:**

According to Hawai'i Revised Statutes (HRS) Chapter 205A-22 and Planning Commission (PC) Rule 9-4(e)(1), "Development" includes the following:

- (A) Placement or erection of any solid material or any gaseous, liquid, solid, or thermal waste;
- (B) Grading, removing dredging, mining or extraction of any materials;
- (C) Change in the density or intensity of use of land, including, but not limited to the division or subdivision of land; and
- (D) Change in the intensity of use of water, ecology related thereto, or to access thereto.

Therefore, the proposed project is considered "development" and requires an SMA Minor Permit.

### State and County Plans

1. **State Land Use District:** Both parcels are located in the State Land Use Urban District.
2. **General Plan:** The parcels are designated as Industrial and Open by the Hawai'i County General Plan Land Use Pattern Allocation Guide (LUPAG) Map.
3. **County Zoning:** The parcels are zoned General Industrial (MG-5a) by the County.
4. **Special Management Area:** The subject properties are located entirely within the SMA and have frontage along the coastline.
5. **Flood Zone:** X

### Compliance with Objectives and Policies of Chapter 205A, Hawai'i Revised Statutes (HRS), Regarding the Special Management Area

Check all objectives and policies found to be consistent with proposed development. Issuance of SMA Minor Permit requires that activity be consistent with all objectives & policies.

The proposed development is consistent with the following objectives and policies:

- ☒ Development will not have any significant adverse environmental or ecological effect, except as such adverse effect is minimized to the extent practicable and clearly outweighed by public health, safety, or compelling public interest. Such adverse effect shall include, but not be limited to the potential cumulative impact of individual developments each one of which taken in itself might not have a substantial adverse effect and the elimination of planning options.
- ☒ The proposed development is consistent with the Hawai'i County General Plan and the Zoning Code.
- ☒ The proposed development does not conflict with the following objectives of Chapter 205A, HRS, to:
  - ☒ Provide coastal recreational opportunities accessible to the public.
  - ☒ Protect, preserve, and where desirable, restore those natural and man-made historic and pre-historic resources in the coastal zone management area that are significant in Hawaiian and American history and culture.
  - ☒ Protect, preserve, and where desirable, restore or improve the quality of coastal scenic and open space resources.
  - ☒ Protect valuable coastal ecosystems from disruption and minimize adverse impacts on all coastal ecosystems.
  - ☒ Provide public or private facilities and improvements important to the State's economy in suitable locations.
  - ☒ Reduce hazard to life and property from tsunamis, storm waves, stream flooding, erosion, subsidence and pollution.
  - ☒ Improve the development review process, communication, and public participation in the management of coastal resources and hazards.
  - ☒ Stimulate public awareness, education, and participation in coastal management.

- ☒ Protect beaches for public use and recreation.
- ☒ Promote the protection, use, and development of marine and coastal resources to assure their sustainability.
- ☒ The proposed development is consistent with the following policies of Chapter 205A, HRS, relating to:
  - ☒ Recreational Resources
  - ☒ Historic Resources
  - ☒ Scenic and Open Space Resources
  - ☒ Coastal Ecosystems
  - ☒ Economic Uses
  - ☒ Coastal Hazards
  - ☒ Managing Development
  - ☒ Public Participation
  - ☒ Beach Protection
  - ☒ Marine Resources
- ☒ The proposed development conforms to the requirements of Chapter 343, HRS, regarding Environmental Impact Statements.

<b>Findings</b>
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1. As discussed above, the proposed development will not have any significant adverse environmental or ecological effect, except as such adverse effect is minimized to the extent practicable and clearly outweighed by public health, safety, or compelling public interest.
2. The proposed development is consistent with the Hawai'i County General Plan and Zoning Code. The proposed development is also consistent with the objectives, policies, and SMA guidelines of Chapter 205A, HRS.
3. The estimated project cost of \$439,119 is not in excess of \$500,000.
4. The enclosed Department of Public Works, Engineering Division memorandum dated January 3, 2017, states the following:

*"We have reviewed the subject application for compliance with Chapter 27, Floodplain Management, forwarded by your memo dated December 16, 2016 and offer the following comments for your consideration.*

*All development-generated runoff shall be disposed of on site and not directed toward any adjacent properties. A drainage plan may be required by the Plan Approval process in accordance with Section 25-2-72(3) of the Hawai'i County Code.*

*The subject parcels are in an area that is not mapped by the Federal Emergency Management Agency and is identified as an area of "minimal tsunami inundation." The parcels, at elevation 80 feet, are designated as Zone X (an area determined to be outside the 500-year floodplain). The Federal Government and the County of Hawai'i do not*

*have any regulations for developments within areas of minimal tsunami inundation and Zone X.”*

Pursuant to PC Rule Section 9-10(e), the Planning Director hereby approves the consolidation and resubdivision of two lots into two lots and the establishment of a distillery, food manufacturing and processing operation, watchman’s quarters, brewery, tasting room, restaurant, and related improvements including fencing of the arsenic contamination area, landscaping, and the “as-built” carport, as presented in SAA 17-001574, subject to the applicant’s compliance with the conditions of approval as specified below.

<b>Conditions of Approval</b>
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**This SMA Minor Permit is subject to the following conditions:**

1. The applicant, its successors or assigns shall be responsible for complying with all stated conditions of approval.
2. The applicant shall secure all necessary approvals and permits from other affected federal, state, and county agencies as necessary to comply with all applicable laws and regulations.
3. The applicant shall secure final approval of the consolidation and resubdivision within one (1) year from the date of this permit.
4. The applicant shall secure Plan Approval from the Planning Department prior to the construction or establishment of the proposed uses and within one (1) year from the date of this permit.
5. All construction activities in connection with this project shall be completed within two (2) years from the date of Final Plan Approval.
6. Prior to applying for Plan Approval, the applicant is required to submit a copy of the approved HDOH HEER Remediation Implementation Work Plan that addresses soil arsenic contamination.
7. Prior to issuance of the Certificate of Occupancy, submit HDOH HEER documentation that the proposed remedy has been completed. Further, lead contamination remediation, if applicable, must also be documented.
8. The applicant shall comply with the Department of Land and Natural Resources, State Historic Preservation Division’s “Site 26591 Preservation Treatments” required by the approved Architectural Preservation Plan for Site 26591 Feature A and Feature B.
9. The disposal of waste material is subject to the requirements of Chapter 20 - Refuse, of the Hawai‘i County Code and may require a Landfill Disposal Permit from the Department of Environmental Management. Please contact the Department of Environmental Management, Solid Waste Division at (808) 961-8339 for more information.

10. To confirm the total project valuation, the applicant shall submit a written construction bid for all construction activities, provided by a contractor(s) licensed to do business in the State of Hawai'i, prior to the submittal of any building permit application. Should any revisions/additions to the construction plans for the project be required, the applicant must provide a revised construction bid. In the event the total valuation of the project exceeds \$500,000, this Special Management Area Minor Permit shall be deemed null and void and the applicant shall be required to secure approval of a Special Management Area (Major) Use Permit from the Windward Planning Commission.
11. According to Hawai'i County Code, Chapter 25-5-152 (d), only watchmen or custodians are permitted to occupy the proposed watchman's quarters as incidental and subordinate to the permitted uses.
12. Any further grading, grubbing, filling or other construction activity, including but not limited to the construction of additional structures of any type shall require further review and approval as provided under Chapter 205A, HRS, and Rule 9, Planning Commission Rules of Practice and Procedure.
13. Neither the landowner nor any agent of the landowner or its successors shall at any time impede or otherwise restrict public access within the public access easement as provided in the previously recorded declaration of public access easement.
14. Artificial light from exterior lighting fixtures, including but necessarily limited to floodlights, uplights or spotlights used for decorative or aesthetic purposes shall be prohibited if the light directly illuminates, or is directed to project across property boundaries toward the shoreline and ocean waters, except as may otherwise be permitted pursuant to Section 205A-71(b), Hawai'i Revised Statutes.
15. No structure or land alteration, including landscaping activity shall occur within sixty (60) feet of the top of cliff without securing prior written approval from the Planning Director.
16. In the unlikely event that subsurface historic resources, including human skeletal remains, structural remains, cultural deposits, sand deposits, or sink holes are identified during the demolition and/or construction work, cease work in the immediate vicinity of the find, protect the find from additional disturbance, and contact the State Historic Preservation Division at (808) 933-7651.
17. An extension of time for the performance of the conditions contained herein may be granted by the Planning Director upon the following circumstances:
  - a) The non-performance is the result of conditions that could not have been foreseen or are beyond the control of the applicant, successors or assigns, and that are not the result of their fault or negligence;
  - b) Granting of the time extension would not be contrary to the original reasons for the granting of the permit; and

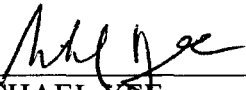


- c) The time extension granted shall be for a period of not to exceed the period originally granted for performance (i.e., a condition to be performed within one year may be extended up to one additional year).

18. Should any of the conditions not be met or substantially complied with in a timely fashion, the Planning Director shall initiate procedures to revoke the permit.

If you have questions, please contact Esther Imamura of this department at (808) 961-8139.

APPROVED:

  
\_\_\_\_\_  
MICHAEL YEE  
Planning Director

12/27/17  
\_\_\_\_\_  
Date

2017 JAN 3 PM 11 54

DEPARTMENT OF PUBLIC WORKS  
COUNTY OF HAWAII  
HILO, HAWAII

NT

DATE: January 3, 2017

**Memorandum**

TO: Michael Yee, Planning Director

FROM: *for* *by* Department of Public Works, Engineering Division

**SUBJECT: SMA USE PERMIT ASSESSMENT APPLICATION (SAA 16-001461)**

Applicant: Shropshire Group, LLC

Request: Establish a Distillery, Food Manufacturing & Processing Operation

Location: Hakalau, Hawaii

Tax Map Key: 2-9-02: 079 & 081

We have reviewed the subject application for compliance with Chapter 27, Floodplain Management, forwarded by your memo dated December 16, 2016 and offer the following comments for your consideration.

All development-generated runoff shall be disposed of on site and not directed toward any adjacent properties. A drainage plan may be required by the Plan Approval process in accordance with Section 25-2-72(3) of the Hawaii County Code.

The subject parcels are in an area that is not mapped by the Federal Emergency Management Agency and is identified as an area of "minimal tsunami inundation." The parcels, at elevation 80 feet, are designated as Zone X (an area determined to be outside the 500-year floodplain). The Federal Government and the County of Hawaii do not have any regulations for developments within areas of minimal tsunami inundation and Zone X.

Questions may be referred to Kelly Gomes at ext. 8327.

**109185**

\* - LANDSCAPING

■ - FENCING

▨ - CARPORT

