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PLANNING DEPARTMENT
COUNTY OF HAWAII

January 14, 2008

Mr. Christopher J. Yuen, Planning Director
County of Hawaii Planning Department
Mr. William Graham, Chairperson
County of Hawaii Planning Commission
Aupuni Center
101 Pauahi Street, Suite 3
Hilo, Hawaii 96720

ATTENTION: NORMAN HAYASHI

**Subject: 2008 Annual Report
Development Agreement No. 1
Change of Zone Ordinance No. 96-7
Change of Zone Ordinance No. 96-8
Special Management Area Use Permit No. 356**

Dear Mr. Yuen & Chairperson Graham:

I am pleased to submit the following annual report for Development Agreement No. 1 ("Agreement") by and between the County of Hawaii ("County") and Oceanside 1250 ("Oceanside"), in accordance with Item 24 of said Agreement, Condition No. R of Change of Zone Ordinance No. 96-7, Condition No. V of Change of Zone Ordinance No. 96-8 and Condition No. 13 of Special Management Area Use Permit No. 356. This letter is intended to supplement the prior annual reports. However, if there are any issues which you believe are not covered within the attachments, please do not hesitate to contact me so that we can fill in any perceived gaps with this report.

In April of 1998, Oceanside 1250 and the Hawaii County entered a Development Agreement to identify the obligations of Oceanside, to provide assurance that these obligations are met in a timely manner, to provide assurances to Oceanside that it may complete full development of the Hokuli'a Project ("Project"), to provide assurance to the County that the Mamalahoa Highway Bypass ("Bypass") and other public benefits set forth in the Development

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Agreement are completed, to allow Oceanside and the County to enter a reimbursement agreement for costs associated with the Bypass and to reduce or eliminate uncertainty in the responsibilities of Oceanside and the County relating to the development of the Project and the Bypass. The scope and purpose of the Development Agreement is consistent with Ordinance 93-37, the Development Agreement Code and Rule 1, which implements procedures for the application, preparation and administration of development agreements as provided by Ordinance 93-37. The Development Agreement was executed and approved by the Mayor on April 20, 1998.

Golf Course

The Golf Course was completed in July of 2002. Details regarding compliance with the conditions of approval of Use Permit No. 115 and SMA Permit No. 345 for the golf course will be provided in the 2008 annual reports for these permits. We will continue to monitor Oceanside's compliance with the conditions of approval of Use Permit No. 115 and SMA Permit No. 345.

Mamalaho Highway Bypass

The Mamalaho Highway Bypass is in part designed to address existing traffic conditions in the area and to provide an alternative route for interregional traffic between North and South Kona in support of the County's long-range traffic plan. The Draft Environmental Impact Statement and Final Environmental Impact Statement (DEI and FEIS) were both approved and accepted by Department of Public Works. Construction of the Bypass Highway commenced in January 2001. However, completion of the Bypass Highway has been prevented by the ongoing Richards lawsuit.

Oceanside acquired or completed a purchase agreement with each of the landowners for the necessary right-of way along the Bypass route except for the owners at the south end of the alignment who are still reviewing their documents, and the owners of the Coupe/Richards property. That latter property is the subject of a condemnation action (County of Hawai'i v. Robert Nigel Richards, Trustee, etal, Civ. No. 00-1-0181K). As you know, in December 2007, the Third Circuit Court granted an Order of Possession in favor of the County, but one of the co-owners of the property (referred to as the "Coupe Parties", who held an undivided 72% in the property) filed an appeal of the court's judgment and order of possession. We do not know when the appellate court will decide on the Coupe Parties' appeal.

As a result of the delay caused by the opposition and appeal of the Coupe Parties, as well as the delay caused by prior Kelly case, Oceanside has been meeting with landowners who completed purchase agreements for the necessary right-of-way along the Bypass route to discuss estimated dates of construction and related matter of concerns to the landowners.

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Shoreline Park

Oceanside obtained approval of the Public Access and Shoreline Management Plan on January 29, 1999. This plan addresses the public access areas, perpetual access covenants, archaeology, marine resources and related improvement measures. Details of the provisions for historical sites were developed and will be implemented as part of the comprehensive archaeological mitigation plan that was approved by SHPD on September 7, 1999 and September 15, 1999. We are in the process of completing an Archaeology Inventory Survey for the State Parcel at Hokukano Village which is situated next to the shoreline park. In addition, Oceanside obtained approval of both CDUA HA-2977 and SMA Permit No. 401 that outline the proposed facilities to be developed in the Shoreline Park. We are in the process of preparing the necessary documents as required and anticipate the preparation of construction plans as required by the conditions of approval of both permits to ensure that they are complied with. The annual report required by SMA Permit No. 401 will provide greater detail of our progress on this component of the Project.

The first phase of the shoreline park with the required public parking stalls was opened on August 1, 2002.

Archaeology

Oceanside obtained approval from SHPD on September 7, 1999 and September 15, 1999 of the Archaeological Mitigation Plan that includes a data recovery plan, an interim protection/preservation plan, interpretive plan and a monitoring plan. We are currently in the process of preparing the final Preservation Plans in consultation with DLNR and Hawaiian community organizations. As required by the terms of the land use entitlements for the Project, approved mitigation measures are being implemented prior to or in conjunction with land alteration on the property.

Subdivisions

On September 18, 1999, the County issued Final Subdivision approval for Phase I and on December 1, 2000, the County issued Final Subdivision approval for Phase II of the project and related subdivision improvements. On July 10, 2007 the County issued tentative subdivision approval for Phase 3, North and South.

Other Items

There are no other items to report that affect the status of the Project or the Bypass as it relates to the terms of the ordinances.

Subject to the foregoing, Oceanside 1250 intends to meet all of the terms and comply

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with all of the conditions that are specified within each ordinance. To date, however, we believe that this letter and the actions described herein constitute full compliance with all of the terms and conditions contained in the ordinances and Agreement and that Oceanside 1250 is in good standing under its obligations.

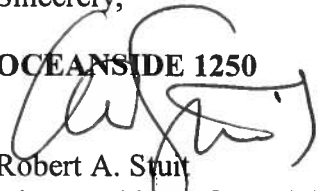
For your reference, we have attached matrix charts for Development Agreement No. 1, Change of Zone Ordinance No. 96-7, Change of Zone Ordinance 96-8 and Special Management Area Use Permit No. 356 that indicate the status and compliance for each condition for the Development Agreement, the two change of zone ordinances and the SMA permit.

Oceanside requests, per the terms of Paragraph 49 of the Development Agreement, that when the Planning Department finds compliance by Oceanside with the terms of this Agreement, the Planning Department shall issue a certificate of compliance in recordable form that Oceanside may record in the Office of the Assistant Registrar of the Land Court of the State of Hawaii and/or the State of Hawaii Bureau of Conveyances.

I trust the above provides a useful description of the status of development and compliance with the conditions of approval for the ordinances. Should you have any questions regarding this report, or if you require further information regarding the Project, please contact me at (808) 324-4212.

Sincerely,

OCEANSIDE 1250


Robert A. Stuit
Vice President of Special Projects

Attachments

cc: Josh Skevington w/attachment
Michael Matsukawa w/attachment
Phil Schneider w/attachment