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January 29, 2014

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VIA HAND DELIVERY

Duane Kanuha
Director
Planning Department
101 Pauahi Street, Suite 3
Hilo, Hawaii 96720
Attn: Daryn Arai/Susan Gagorik

Re: **Response to October 8, 2013 Defer Action letter (Subdivision No. 13-001285) and request for reversion of Ord. No. 98-063 and revocation of Use Permit 121 and Special Permit 898**
Subdivider: Kealakekua Ranch, LTD./Kealakekua Heritage Ranch, LLC
TMK: (3) 8-2-001:101 and 8-2-012:001 and 012 (collectively the "Property")

Dear Mr. Kanuha:

On behalf of our client Kealakekua Heritage Ranch, LLC ("KHR"), this will respond to your letter dated October 8, 2013, requesting clarification on the Subdivider's intentions with respect to development of the Property pursuant to Use Permit 121, Special Permit 898, and Change of Zone Ordinance No. 98-063.

As you are aware, the Property was entitled in the mid-1990s by Kealakekua Development Corporation ("KDC") to allow for development of a master planned agricultural community, comprised of 500 agricultural lots for farm dwellings, an 18-hole golf course, a 200-acre agricultural park, a 255-acre equestrian center, and a 8,455-acre forest reserve. Use Permit 121, issued on March 1, 1994, allowed the development of the 18-hole golf course and a golf clubhouse with related improvements. Special Permit 898, issued on April 17, 1995, allowed the development of a private recreational center. Finally, Ordinance No. 95-70, issued on May 23, 1995, and amended by Ordinance No. 98-63 on July 2, 1998, rezoned TMK: (3) 8-2-001:001 and 012 from A-20a to A-1a, A-3a, A-200a, A-225a, and A-8000a, to pave the way for the proposed development. In the late 1990s, KDC was forced sell the Property, primarily due to the collapse of the Japanese economy, which resulted in the lack of funds to develop the Property. As you are aware, KHR now owns the Property.

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Since acquiring the Property, KHR has shifted development priorities and made the business decision to abandon the development plans originally proposed by KDC to focus primarily on forest conservation/restoration efforts and agricultural/recreational pursuits. In its quest to pursue this new vision for the Property, KHR voluntarily recorded a Deed of Conservation Easement and Restriction of Development Rights in favor of the State of Hawaii over 9,017.97 acres (the "Conservation Easement") of the approximately 11,470 acres comprising TMK: (3) 8-2-012:001, which is currently owned by KHR (See "Exhibit A").

The scope of the Conservation Easement eliminates any potential for development of residential dwellings within the boundaries of the Conservation Easement and limits intensive commercial forestry and other impacts that would adversely affect the existing forest ecosystem. The Conservation Easement also provides for the preservation of a large tract for open space, together with opportunities for recreational, research and educational endeavors.

KHR also prepared a Multi-Resource Forestry Management Plan for those 9,017.97 acres covered by the Conservation Easement (the "Management Plan"). The Management Plan is intended to restore the lands to an ecologically sound, native flora-dominated forest to eventually provide a sustainable yield of forest products and resources. KHR has committed in the Management Plan to work with the Kohala Center and other partners to develop a KHR Education Research and Recreational Opportunities Plan to help guide activities in the area. The State Department of Land and Natural Resources - Division of Forestry and Wildlife and the State Forest Stewardship Advisory Committee extensively reviewed and approved the Management Plan on August 7, 2013 (See "Exhibit B").

Based on this new focus, KHR hereby requests that the Planning Director administratively petition the Leeward Planning Commission to revoke Use Permit 121 and Special Permit 898, as KHR no longer requires these permits.

Immediately following issuance of Final Subdivision Approval in Subdivision No. 13-001285, the KHR requests that the Planning Director also administratively initiate a zoning reversion for the Property to its original A-20a zoning designation pursuant to Ordinance No. 98-63, Condition Z. Although the Conservation Easement already provides adequate protections against residential development of those lands covered by the Conservation Easement, if the Planning Director determines that it would be more appropriate to only revert those lands outside of the Conservation Easement to its original A-20a zoning, while rezoning the Conservation Easement to A-9,018a, to ensure that portion of the Property is never subdivided in the future, the KHR is comfortable with this action.

We trust that this adequately answers your questions regarding the Subdivider's intentions with respect to Use Permit 121, Special Permit 898, and Change of Zone Ordinance No. 98-63, and this update will allow you to continue the processing of Subdivision No. 13-001285.

Also, please let us know if you require any additional information on our requested Planning Director initiated zoning reversion and permit revocations or if you have any questions regarding any of the information we have provided. If so, please feel free to contact my paralegal Jason Knable at 808-935-6644 at any time. Thank you for your attention to this matter.

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Very truly yours,


for Steven S.C. Lim

SSL/jkk1

Enclosure(s)

cc: Kealakekua Heritage Ranch, LLC