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PLANNING DEPARTMENT
COUNTY OF HAWAII

March 12, 2006

Mr. Christopher J. Yuen
Director
County of Hawaii Planning Department
101 Aupuni Street, Suite 3
Hilo, Hawaii 96720-3043

Re: Kealakekua Development Corporation (Kealakekua Heritage Ranch, LLC) Tax Map
Key: 8-2-012:012 and Portion 001

Dear Mr. Yuen,

I am writing to provide you and the County with additional information regarding the process to date and progress of the Kealakekua Heritage Ranch, TMK 8-2-012:012 and Portion 001 (the "Ranch") and Ordinance 98-63 (the "Ordinance"), and ask you to reconsider your decision regarding the status of entitlement on the Ranch included in your March 1, 2006 correspondence to Tom Pace, and to provide the owner with an extension of time to rectify any concerns that you may have with their submissions.

I have been involved with the planning of the project and the adjacent Hokukano Ranch property for the last two years, having been asked to assist the owners in planning for the conservation and place-appropriate inhabitation of the land they steward. I was introduced to the property and the Pace family by the Kohala Center, for whom my firm was at that time providing strategic and campus planning services in support of their mission to bring ecologically sustainable and culturally supportive education and scientific research program to Hawaii Island. My company has significant experience in the conservation-based planning of culturally and ecologically significant lands, including projects involving large ranches. Given that background and the Pace's track record of sensitive land use (having won environmental awards for their development of Pace Island in Florida) the Kohala Center thought that I might share some interests with Tom Pace, and so arranged a tour of the land under the care of the Pace family, at that time limited to Hokukano and Ka'awaloa. On that tour, Tom indicated his dismay that the Kealakekua land on his southern border was slated for development of "500 luxury houses and a golf course". He said that he would probably be forced to buy a number of the adjoining lots just to protect his parents' house from encroaching development. I pointed out to him that if he bought such property and then chose to retire the development rights to protect his parents' forest habitat and view-shed, that the value of that donation might lead to a tax deduction, at least. I also suggested that a buyer (or buyers) with the right combination of conservation mindset and tax burden might be able to purchase an entitled property like this and retire most or even all of those development rights and continue to operate it as an agricultural or agro-forestry operation that could still make after-tax economic sense.

Tom called me a month or two later to say that he needed help with conservation land planning, a forest management plan, and conservation easement design, as he now had the ranch in escrow. He ultimately closed on the purchase with partners, forming

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Kealakekua Heritage Ranch LLC. I have been engaged in developing conservation-based land use alternatives for all of the Pace lands since that time, and early in the process brought in Greg Hendrickson, a nationally respected leader in the field of conservation easement law and author of a number of forest management plans involving easements, to consult on a conservation easement approach and to help make the overall land use plan an ecological, social and financial success. Given the pending entitlements on Kealakekua, conditions for which we yet maintain have been met (capacity for sufficient water supply being shown by two well permits back on July 2, 2004), the project represented such a rare opportunity for an economically viable conservation of critical existing and converted forest lands that Mr. Hendrickson ultimately accepted a full-time position with the Pace family company and brought his family to Kealakekua. Greg's work before and since that time has among other significant achievements led to identification of the property as the sixth-highest rated project in the nation for preservation under the Forest Legacy Program, with funding (and establishment of conservation easement value) slated for this year's budget.

Unfortunately, loss of the entitlements provided by the ordinance would at this late date change the economics of the project significantly, and jeopardize the Forest Legacy Program funding of permanent protections on both Ka'awaloa and Kealakekua forest lands. It also would eliminate the existing 8,000 acre zoning protecting the koa-ohia and mamane forest areas and the economic viability of additional conservation easements extending below that large parcel. Reverting to A-20 zoning would support only a homogenous and likely more fragmentary approach to subdivision, while the ordinance entitlements can allow for place-appropriate clustering of inhabitation within site-specific areas of the small lot zoning, reducing the development footprint considerably and allowing for a more socio-economically diverse mix of agricultural ownerships while preserving large remainder parcels of agricultural and forest lands in a functionally continuous and legally undivided state. Continuity of forest and productive agricultural land is not only critical to the state of the landscape, but also to the cultural resource access and educational approach researched, conceptualized, and now being developed in collaboration with the Kohala Center.

All of the significant design and planning efforts to date have been done in the letter and more importantly the spirit of the ordinance, and with the assumption of its ultimate validity. Indeed our understanding of the spirit of the ordinance has allowed us to proceed with plans that would voluntarily extend its conservation intentions. Our full and open communication with the county has to some extent been limited by the requirements of obtaining a valid and defensible conservation easement: The problem with presenting a forest management plan to you or any county official prior to the entitlements of the ordinance taking effect is that any increase in forest restoration and conservation lands (and therefore reductions in development footprint, numbers and "amenities" such as a golf course) would jeopardize the tax value of the potential conservation easements that such reductions and restrictions would provide. This requirement to avoid implicit approval conditions on the ordinance re-zone is the primary reason that we have been so keen to get the word that we have indeed met the conditions of the ordinance, and have made so many requests to learn the status of our submissions. The forest management plan is well under way, and we were confident that since it is not yet on the critical path for satisfaction of the conditions of the ordinance, that we could safely work with the county as on its specifics as soon as the entitlements vested and maintain our prospects for the tax value of



the future easements. In light of two years of such careful planning, to get word of your decision not to vest those entitlements a full year and a half after our submission of the materials in satisfaction of its conditions is generally unfortunate, on a financial investment level for the owner very problematic; on a personal level as a conservationist, it is heartbreaking.

The change in that entitlements suggested by your recent correspondence will put a great deal of careful planning, and the opportunity to create an exemplary conservation-based project at great risk of being lost, and could easily result in a new owner- likely without the commitment to proper stewardship of the mauka lands of the Kealakekua ahupua'a displayed to date in my experience working with the Pace family. While we understand the significant challenges you face as the planning director of the growing island and county, we hope that you can understand the reason for the approach the planning team has taken to date. For all of the reasons outlined above, I urge you to reconsider the decision set forth in your March 1, 2006 letter, and provide the owners with an extension of time to rectify any concerns that you may have with their submissions in satisfaction of the ordinance conditions.

I look forward to working with you in the future on this truly exceptional opportunity to set a very high standard for the stewardship of Hawaii's mauka lands.

Best regards,

Clark P. Stevens, AIA, APA
President

cc: Mayor Harry Kim
Councilwoman Virginia Isbell
Greg Hendrickson, Kealakekua Heritage Ranch
Tom Pace, Kealakekua Heritage Ranch
Matthews Hamabata, Director, The Kohala Center
R. Ben Tsukazaki
Department of Water Supply