

of Kobayashi Group LLC, although there are common elements of ownership between various individuals. Kiahuna Golf Club, LLC, and KG Kau'i Development, LLC believe they qualify as small businesses. Because the DEA indicates that there will be substantial adverse impacts on small landowners such as KG Kaua'i Development, LLC and Kiahuna Golf Club, LLC there should be a Regulatory Flexibility Analysis performed on the designation of critical habitat.

Our Response: The Addendum lists KG Kaua'i Development, LLC (KGKD) as the owner of the land that is planned for the Kiahuna Golf Village Expansion and the Kiahuna Golf Course Expansion. No impacts are anticipated for the continued operation of the existing Kiahuna Golf Course by Kiahuna Golf Club, LLC.

RFA/SBREFA regulations state that the Small Business Administration (SBA) counts the receipts or employees of the business whose size is at issue and those of all its affiliates in determining the business' size. Businesses are affiliates of each other when one concern controls or has the power to control the other, or a third party or parties controls or has the power to control both. The SBA considers factors such as ownership, management, previous relationships with or ties to another business, and contractual relationships, in determining whether affiliation exists. Finally, RFA/SBREFA regulations state that a firm will not be treated as a separate business concern if a substantial portion of its assets and/or liabilities are the same as those of a predecessor entity. In such a case, the annual receipts and employees of the predecessor will be taken into account in determining size (13 CFR part 121).

KGKD states that it is affiliated with Kobayashi Group LLC through common ownership by certain individuals. In addition, KGKD was recently established by the Kobayashi Group LLC for the purpose of acquiring the properties surrounding the golf course. As such, Kobayashi may be considered a predecessor entity of KGKD. Due to its affiliation with Kobayashi Group LLC, KGKD is not considered separately in the RFA/SBREFA analysis in the Addendum.

(41) *Comment:* The level of effort to document and analyze the potential economic impacts resulting from critical habitat designation greatly exceeded the level of effort to document and analyze potential economic benefits due to designation, resulting in an unbalanced overestimation of detrimental economic impacts, and an unfair underestimation

of economic benefits due to designation of critical habitat.

Our Response: See response to comment 42 below.

(42) *Comment:* The benefits of species protection are overstated and speculative. The DEA does not present the expected circumstances or timeline for delisting the species, nor is there a quantifiable estimate of the economic benefits of delisting. In addition, one commenter states the species themselves have no economic value; any estimate of economic benefit derived from not fully developing lands proposed for critical habitat are speculative and unquantifiable.

Our Response: This responds to comments 41 and 42 above: Even though the material presented in the DEA and in the Addendum regarding benefits is not as extensive as the material on costs, this does not result in overestimated costs and underestimated benefits. The less extensive analysis of the benefits is due to (1) a lack of scientific studies on environmental and biological changes that would be attributable to the section 7 implementation for the cave animals, and (2) the lack of existing economic studies on the economic value of these changes. However, the Addendum presents an expanded discussion of benefits, including the estimated value of retaining land in open space due to critical habitat.

The expected circumstances and the potential timeline of delisting the cave animals will be presented in the Service's final recovery plan for the cave animals. The DEA does discuss the reduced costs due to successful preservation and the existence value of the cave animals in the Benefits section of Chapter VI; however, these benefits are not quantified given the lack of information as described above.

(43) *Comment:* Based on 6,000 acres of undeveloped land bounded by Haupu ridge, and using pro rata estimates of ecological values from a University of Hawaii study of the value of the Koolau Range on Oahu (<http://www2.hawaii.edu/~uhero/workingpaper/HawaiiEnviroEvaluation.pdf> Environmental Valuation and the Hawaiian Economy, by Brooks Kaiser, Nancy Krause, and Jim Roumasset), the Koloa/Poipu viewscape is worth \$29 million per year (at \$0.23 per acre per household for Kauai's 21,000 households). Over 18 years (comparable to FWS estimates), this sums to \$521 million. The annual stream of benefits from the conservation district is \$10.1 million annually (at \$1,690 per acre), summing to another \$182.5 million on a comparable basis.

The net present value of the undeveloped land is \$456.9 million (at the UH lower estimate of \$76,146 per acre). Degradation scenarios combining urban creep, invasive species, and human/animal disruption resulting in recharge loss could cost another \$3.6 million annually (at \$600 per acre), or a total of \$65 million. That is only a start at estimating the ecological benefits and savings associated with preserving this undeveloped land, and we are at \$1.225 billion already.

Our Response: The suggested benefits analysis would yield inaccurate results for several reasons. First, the proposed critical habitat for the cave animals as described in the proposed rule covers 4,193 acres. Since the publication of the proposed rule, the Service has identified several areas of the proposed critical habitat that it intends to remove for biological reasons, which would reduce the critical habitat to 272 acres. Basing the benefits analysis on 6,000 acres would overstate the economic benefits attributable to the implementation of section 7 for the cave animals.

Second, the commenter uses an incorrect value of open space. As stated in the University of Hawaii study, a recent survey found that Oahu residents are willing to pay \$0.0023 per acre (0.23 cent per acre) for the preservation of open agricultural land on O'ahu. The commenter's use of \$0.23 (23 cents) per acre overstates the benefits associated with open space by a factor of 100. The Benefits section of the Addendum uses the 0.23 cent per acre figure, corrected for (1) inflation; (2) the income levels on Kauai; and (3) the amount of existing open space on Kauai compared to Oahu. To calculate the value of additional open space, the corrected figure is then applied to the amount of land that may no longer be developed due to critical habitat.

Third, the University of Hawai'i (UH) study on the Koolau Range on Oahu focuses on the economic benefits provided by a mountainous region covered by dense forests and many native Hawaiian plants. The proposed critical habitat is in a gradually sloping and relatively dry area that contains many nonnative plant species. Since the ecosystems of these two areas are vastly different, the ecosystem services provided by these areas will also be different. As such, the economic valuation of the ecosystem services provided by the Koolau Mountains is generally not transferrable to the proposed or intended critical habitat. For example, the value of water recharge in the UH study reflects projected water supply and demand conditions on Oahu—an island which is nine percent