



July, 2002

Volume XII, Number 2

HAWAII DEVELOPERS' QUARTERLY

Dedicated to the promotion, protection and improvement of real estate development in Hawaii.

HAWAII DEVELOPERS' COUNCIL

Developers Taken Aback by Governor's Vetoes

By: Kenneth Chong



Governor Cayetano's veto of the \$75 million dollar tax credit for Ko Olina and the 4% tax credit for other commercial construction and deletion of \$31.7 million in capital improvements over the next biennium

came as a blow to development and building interests in Hawaii.

In his veto message, the governor stated that the Ko Olina bill would not achieve its stated purpose, did little to ensure additional economic growth, was difficult to administer and vague as to application, and was unfair to "other tax payers" who are asked to shoulder the tax burden for the benefit of those in one area or a group of developers.

The proponents of the Ko Olina bill felt that it would have helped private developers build an upscale aquarium and marine science facility in conjunction with a Hilton Hotel, vacation club resort and other amenities, thereby jump-starting a sluggish Leeward and Oahu construction and tourism economy. If passed, it was expected that over 1,000 new jobs would be created.

Besides Senator Colleen Hanabusa, who sponsored and lobbied vigorously for the bill, gubernatorial candidates Anderson (D) and Linda Lingle (R) and HDC member Jeff

Stone all expressed disappointment over the governor's veto.

As to the 4% tax credit for commercial construction, which would have also expanded the existing hotel tax credit to include other facilities, the governor felt that the bill defined eligible projects too broadly. Also, he pointed out the state already allows a 10% tax credit for hotel construction on renovation and projects may also be eligible for city tax credits as well. It does not appear likely that the vetoes will be overridden.

Sakumoto Appointed to LUC

Congratulations to Randall F. Sakumoto, HDC Board member and Secretary, for his appointment to the Land Use Commission.



Randall is a partner at McCorriston, Miller, Mukai and McKinnon who specializes in real estate related law. He was also instrumental in the rewrite of the City and County of Honolulu's Land Use Ordinance.

His term on the LUC runs from July 1, 2002 to June 30, 2006.

His term as our Secretary expires at the end of September.

UPCOMING EVENTS

Mid Year Real Estate Review

Tuesday July 23, 2002

Hawaii Convention Center

Breakfast
7:30 am to 8:30 am
Program
8:30 am to 10:45 am

Members \$25
Non-members \$35

Board Room Series Condominium Statutes

Thursday August 8, 2002
7:45 AM

Location:
GE Capital Board Room

Free
For Members Only!

Annual Membership Luncheon

Watch for details about this annual members only event scheduled for September.

2001-2002 HDC Officers and Directors

President

Dana Peiterson
CB Richard Ellis

Phone: 541-5189 Fax: 541-5155
dpeiterson@cbrichardellis.com

Vice President

Kenneth Chong

Pacific Realty Consultants
Phone: 524-1505 Fax: 524-1367

Treasurer

John Michael Rose
City Bank

Phone: 535-2861 Fax: 535-285
mrose@cb-hi.net

Secretary

Randall F. Sakumoto

McCorriston Miller Mukai MacKinnon
Phone: 529-7300 Fax: 524-8293
sakumoto@m4law.com

Directors

Alan Arakawa

Castle & Cooke Homes Hawaii, Inc.
Phone: 548-4801 Fax: 548-6690
alan.arakawa@castle-cooke.com

Howard Bilkiss

Howard Bilkiss, Ltd.

Phone: 524-4024 Fax: 545-195
kbilkiss@msn.com

Catherine Camp

A & B Properties, Inc.

Phone: 525-6606 Fax: 525-844
ccamp@abprop.com

Peter Cooper

Construction Mgmt & Development

Phone: 479-5357 Fax: 545-2695
pcooper@CMDINTL.Com

Bob Griffith

Maryl Group, Inc.

Phone: 533-0522 Fax: 538-617
bobgriffith@marylpacific.com

Warren Ho

Lani Properties Corp.

Phone: 521-0081 Fax: 533-388
lanip@aol

Kathryn Inouye

General Services Inc.

Phone: 535-2130 Fax: 524-0766
kinouye@emailhawaii.com

Michael Scarfone

MNS Consulting Services, LLC

Phone: 535-3528 Fax: 599-395
scarf9000@aol.com



Dana Peiterson,
CB Richard Ellis

President's Message

It seems only yesterday that I was writing you with an update of Hawaii Developer's Council's latest activities but, in fact, it was over two months ago. Once again, it's been a busy time with planning and executing different activities. Our government affairs group, under Andres Albano has worked hard to keep you all informed of legislative actions that may affect your businesses. Please see Andres' article in this newsletter for a synopsis. At the same time, Pete Cooper and Ken Chong and Howard Bilkiss have been jumping to keep a quality series of programs on the calendar for our membership.

Programs

Attendance at the luncheon meetings seems to increase with each meeting as we threaten to outgrow the card room at the Pacific Club with overflow crowds. April's meeting with Dan Davidson of the Land Use Research Foundation (LURF) was no exception as Dan discussed the intent, impact and status of 12 major state and city bills that affect our business and provided each attendee a written synopsis for reference.

The boardroom series of educational programs also continue to be well received with smaller but more interactive crowds. Thanks again to our most recent speakers Lorrin Hirano of Title Guaranty and Lui Samsonas of Old Republic Title for their talk on the changes and pitfalls in land title. Thanks also to Title Guaranty for the use of their

training room and all that free coffee.

We have three new programs in the pipeline:

Next on the roster is our Mid-Year Review and Forecast the morning of July 23rd. Much of our effort since the last newsletter has been focused on ensuring that this event is a fun and informative one for our members. We have assembled a dream panel of six speakers, each an expert in his or her field to be presented at a dream venue in the Hawaii Convention Center. Thank you to City Bank for helping to defray the costs through their sponsorship of our program. This is historically our largest presentation of the year and we expect a sell out crowd.

Following the Mid-Year program is the fifth in the boardroom series to be presented August 8th. This program will update members on the recent changes to the condominium laws. For more details, please see Howard Bilkiss's article in this newsletter.

Our final program of the year will be held in early September. This is our annual meeting where we provide the proverbial free lunch to members and elect our board for the following year. Look for an announcement of the date and speaker soon.

Membership

More and more folks are recognizing the excellent benefits (and value) of membership as we continue to grow in numbers. Our membership now stands at 182 with 39% developer members and 61% associate members.

Aloha,
Dana Peiterson

Timeshare: The Next Real Estate Boom?



By: Lynn Kaneshiro

The latest evolution in the Real Estate industry is proving to be a "Diamond in the Rough" during these cautionary economic times.

It is called Timeshare, and the State of Hawaii is primed to reap the benefits of this emerging industry. Gone are the days where elderly couples purchased blocks of time at a Florida condominium complex. What was once viewed as a way to secure a place for vacation is now one of the smartest ways to invest in Real Estate. This evolution coupled with improvements in consumer protection legislation has opened the doors to increased timeshare opportunities in Hawaii, and the industry is finally starting to spread its wings.

From its roots in 1960's Europe, Timeshare has grown into a multi-national billion-dollar industry. In its infancy, Timeshare was hounded by a negative reputation based on questionable marketing campaigns and high-pressure sales tactics. Here in Hawaii, the Timeshare industry suffered additional setbacks due to the lack of government regulations for this complex business. Timeshare owners were "sold" blocks of time at a given project, with only a letter or unofficial certificate to prove ownership. Many transactions did not record deeds with the Bureau of Conveyance, and problems were compounded when the principal in question was on a land court property. This chaotic business practice placed a "black eye" on the industry, and po-

tential Timeshare owners became increasingly cautious about participating.

As the legitimacy of the Timeshare industry has blossomed, so too has the nuances of the business. No longer are you required to purchase time at a single Timeshare location. The business has evolved to a system where consumers now buy blocks of "points" that can be used at various destinations around the world. To increase the flexibility of the program, as well as increase consumer interest, the point system was expanded to include redemption in airline fares, ground transportation and restaurant accommodations as well. This product diversification accompanied by government protection has led to an explosion in the marketplace, and encouraged Multi-National organizations including J.W. Marriott, Disney, Starwood and Hilton to invest tens of millions of dollars in the Timeshare industry in Hawaii.

If you have any questions regarding Timeshare and all of its nuances, please contact Ginger Matsukawa, Chief Operating Officer – Timeshare of Island Title at 531-0216. Island Title Corporation is a primary consultant to Timeshare projects in the state of Hawaii. Headed by President and CEO Lynne Kaneshiro Island Title Corporation is celebrating its 20th Anniversary providing quality statewide Title and Escrow Services with "The Touch of Aloha".

Government Affairs Report

By Andres Albano

HDC is well represented on the City and County of Honolulu's Subdivision and Building Permit Streamlining Process Task Force, formed by DPP Director Randy Fujiki. HDC members Andy Albano (CB Richard Ellis), Cathy Camp (A&B Properties) and Pete Cooper (CM&D) are on the Task Force. This is an opportune time for HDC members to provide comments and feedback on issues that have been delaying the approval of their projects. If you have experienced unwarranted delays or have constructive comments to improve the processing based on historical experience, please share them with us.

Another City issue that HDC has been tracking was the City administration's efforts to set aside agricultural land in perpetuity. HDC submitted testimony to support the Council's resolution to defer this action until a task force is established to consider the resulting impacts of such an ordinance. HDC will continue to monitor this issue.

At the legislature the Governor vetoed the 4% commercial tax credit along with the tax credit proposed for the Ko Olina Resort developments. Members are encouraged to contact their legislators to bring the bill back for consideration during the next legislative session. You can e-mail me at aalbano@cbre.com or call 541-5190 to discuss any City or State related government issue that you want HDC to review.

Andres Albano Jr.
Partner and Vice President
Investment/Development/
Consulting Group
CB Richard Ellis Hawaii, Inc.



Residential Market

Harvey A. Shapiro
Honolulu Board of REALTORS®

Harvey Shapiro is the Research Advisor to the Honolulu Board of Realtors® and has the responsibility of leading the Board's research efforts. He became a consultant in February 2001 after completing a ten-year stint as the full-time HBR Research Chief.

Before relocating to Hawaii in 1986, Mr. Shapiro was on the staff of Oakland University in Rochester, Michigan, for 15 years where he held various staff positions including Assistant Dean of the Management School, Administrative Director of the Graduate Business Program and Special Assistant to the Senior Vice President for Academic Affairs.



Office Market

Jamie M. Brown
Colliers Monroe Friedlander

Jamie joined Colliers in 1992 and has been the company's top-producing office agent since 1995.

Jamie specializes in the leasing and sales of office properties, with an emphasis on class "A" office product and the tenants that occupy that type of space. He also has established himself as Honolulu's expert in technology tenants.

His experience has included landlord and sub-landlord representation, tenant representation assignments with both local companies and large corporations on the Mainland, and the sale of both small and large office buildings.

Mr. Brown has been responsible for the leasing program at 1132 Bishop Street since 1996, increasing the occupancy from 59% to 88%.



Industrial Market

C. Mark Ambard, CCIM (R) GRI
Ambard & Company

Mark is the Principal Broker/President of Ambard & Company, a commercial real estate leasing, sales and consulting firm established in 1994.

Prior to that he spent 10 years as an industrial and investment sales agent and Associate Vice President with one of Hawaii's leading corporate commercial real estate firms. Mr. Ambard has been actively practicing real estate sales and brokerage in Hawaii for the past 20 years.

Current projects include the Halawa Center, Stadium Mall, Dillingham Trade Center, Waiakamilo Properties, Kokea Center and portions of the Pearl City Industrial Park.



Investments

Christine H. Camp
Avalon Development Co.

Christine Camp is the principal and Managing Director of Avalon Development Company LLC, a real estate development and acquisition consulting firm.

Ms. Camp has over 18 years of experience in real estate development, including working for two of the largest and most well capitalized real estate companies in Hawaii. She was part of the initial Mililani Mauka development team of Castle & Cooke. She was also the vice president of development for A&B Properties prior to launching Avalon Development Company.

Christine is currently the Chair of the Urban Land Institute's District Council for Hawaii and past-President of the Hawaii Developers Council. The Governor recently appointed her to the board of Hawaii Community Development Authority.



Retail Market

Roger B. Lyons.
CB Richard Ellis

Roger is the Vice President and Department Manager of the Retail Services Division at CB Richard Ellis Hawaii, Inc.

Roger has spent thirteen years with the company, working exclusively in retail tenant and landlord representation throughout the state of Hawaii.

Some highlights include: pre-leasing development projects, re-configuring tenant mixes within existing centers, negotiating multiple market requirements by tenants, as well as land sales and ground leases on behalf of investors, developers, and retailers.

Roger is an active member at retail conferences in Hawaii and the Mainland U.S. to stay abreast of the continuous change in the retail industry, and its application to his local market.



Economic Overview

Paul Brewbaker
Bank of Hawaii

Paul H. Brewbaker is Vice President and Chief Economist with Bank of Hawaii. He is responsible for research on financial and economic risk, working with the bank's Treasury Group.

He serves as a lecturer in economics at the University of Hawaii.

Mr. Brewbaker began doing research as a student for the International Banking Division at Bank of Hawaii and joined the bank's Economist Department as an economist in 1985.

Mid-Year Real Estate Review & Forecast

Tuesday, July 23, 2002

Full Breakfast: 7:30-8:30 am; Program 8:30 -10:45 am

Hawaii Convention Center, Room 312

1801 Kalakaua Ave., Waikiki

Speakers:

- ✓ *Residential – Harvey A. Shapiro, Honolulu Board of Realtors*
- ✓ *Office – Jamie M. Brown, Colliers Monroe Friedlander, Inc.*
- ✓ *Industrial – C. Mark Ambard, Ambard & Company*
- ✓ *Investments – Christine H. Camp, Avalon Development Co.*
- ✓ *Retail – Roger B. Lyons, CB Richard Ellis*
- ✓ *Economic Overview- Paul Brewbaker, Bank of Hawaii*

Event Sponsor: City Bank

Members \$25

Non-Members \$35

Attending: _____

Attending: _____

Amount _____

Amount _____

Total Owed _____

Name: _____

Company: _____

Address: _____

Contact Ph. No: _____ Fax: _____ E-mail: _____

RSVP: By Friday, July 18, 2002. Ph# 845-4887 / Fax# 847-7876

Make check out to: Hawaii Developers' Council

Mail to: P.O. Box 2537 Honolulu, HI 96804

Please note: No shows and cancellations after July 20 will be charged and invoiced.

Welcome New Members

Jeff Apitz

Actus Lend Lease
1132 Bishop St. #1915
Honolulu, HI 96813
Developer
536-8886
fax 536-8825
jeff.apitz@lendleaseactus.com

Tito Castillo

Blue Hawaii Properties, Inc.
4356 Kuhio Hwy Suite A-1
Kapaa, HI 96746
823-8375
fax 822-9117
dream@hawaiian.net

Tom Foley

OBDC
55 Merchant St., Suite 1900
Honolulu, HI. 96813
550-4661
fax 550-4605
foley@hawaii.rr.com

Dawn Matsuyama

Wimberly Allison Tong & Goo
700 Bishop St. #1800
Honolulu, HI 96813
540-4605
fax 540-5222
dmatsuyama@watg.com

Craig Watase

Mark Development
3165 Waialae Ave.
Honolulu, HI 96816
735-9099
fax 737-5633
cwatase@pixi.com

Meet a New Member

Craig J. Vallely - Managing Member Bay West Investment Company, LLC



Craig J. Vallely, age 53, has been engaged in the raising of capital through private offerings of securities for real estate and other projects since 1974. He and his affiliated entities have formed and managed, as general partners or otherwise, a substantial number of privately funded investment vehicles. Mr. Vallely earned his B.A. degree from the University of Detroit. He was on active duty with the U.S. Navy from 1971-1974.

Mr. Vallely is a 50% owner of Bay West Investment Company, LLC (BWIC) that he formed with Jerry Lynch in 1998. Prior to the formation of BWIC, they collaborated as co-general partners on the acquisition of over \$80,000,000 of institutional quality apartment buildings and mobile home parks.

In 2001 Craig and Mr. Lynch formed Bay West Equities LLC with the inclusion of a new partner, Patrick Sammons to head up new acquisitions. BWE plans to build the portfolio with focus on strategic investment opportunities in select markets which currently include California and Hawaii. The firm has a current acquisitions goal of \$50-75 million for 2002, and recently concluded its first acquisition in Stockton, California. Bay West investment and development activities include Diamond Head Circle Apartments (110 unit project), Royal Palm at Waipio (314 unit project), Kailua Bay Resort (95 unit project) and the Bamboo Hotel on Kuhio Ave., a 96-room boutique hotel.



Stacy Sur, Vice-President Hawaii Investors for Affordable Housing, Inc.

Stacy Sur was born and raised in Honolulu. He left the islands to attend the University of Southern California, where he graduated with his bachelors degree in business, and completed the Certificate Program in Real Estate. After college he went to work with The Koll Company at their

Newport Beach headquarters and their Los Angeles office. Stacy completed the financing and acquisition of several office buildings and light industrial business parks for the Koll portfolio before returning to graduate school.

Stacy received his MBA from the University of Connecticut's Graduate School of Business. His concentration was the management of non-profit organizations and real estate finance.

In 1993, Stacy returned to the islands to accept a position with the Housing and Finance Development Corporation, the state's housing finance agency. During his tenure, he managed the state's affordable rental housing financing programs. After working with the state, he left to join the Hawaii Investors for Affordable Housing, Inc. (HIAHI). He is currently Vice President of the organization.

HIAHI is a wholly owned subsidiary of the Hawaii Community Reinvestment Corporation. HIAHI manages three investment funds dedicated to the low-income housing tax credits market. To date, HIAHI has invested and committed funds to 11 affordable rental housing projects with a total development value in excess of \$99 million.

HAWAII SUPREME COURT CLARIFIES THE APPLICATION OF THE "LEASE TO FEE" CITY ORDINANCE

by **Shaun M. Mukai, Esq.**
McCorriston Miller Mukai
MacKinnon LLP

The Hawaii Supreme Court in Coon v. City and County of Honolulu recently limited the application of Revised Ordinances of Honolulu (ROH) Chapter 38 which empowers the City to acquire a private landowner's interest in the land beneath condominium units through condemnation and convey fee simple title to those condominium unit owners who desire to own, rather than lease the fee interest in the land. The Court held that Rules § 2-3 of the Department of Housing and Community Development implementing Chapter 38 impermissibly reduced the minimum number of applicants required to trigger condemnation proceedings for lease-to-fee conversion.

In Coon, the City attempted to condemn the land (owned by Kamehameha Schools) underlying the Kahala Beach and Kuapa Isle condominium developments pursuant to Chapter 38 and the Rules. The Rules authorized the Department to designate leased fee interests for condemnation when it receives applications from "25 condominium owners by number, or 50% of the condominium owners of a development, whichever shall be the lesser number." However, the Rules conflicted with Chapter 38 by authorizing designation for condemnation based on the application of fifty-percent of the owner-occupants rather than fifty percent of the owners of all the condominium units. Finding that Chapter 38 promotes lease-to-fee conversion by means of condemnations in bulk rather than on a unit-by-unit basis, the Court held that the Rules are invalid and exceeded the authority afforded the Department under Chapter 38.

Nimitz Center: How MW Group, Ltd. is turning dysfunctional property into hot commodity

The Nimitz Center, on Nimitz Highway near the Home Depot and Costco, is undergoing quite a change. Vivid "space trees" and vibrant, color-coordinated awnings recently have appeared as the MW Group completes an intensive property overhaul.

"Enhancing properties is an important part of our business, one I've been in for more than 20 years," said Mike Wood, MW Group, Ltd. principal. "We've taken an unattractive, dysfunctional building and are creating a functional, desirable property for retail and office tenants alike."

"There is 160,000 square feet of space, and 450 parking spaces, but all people see is the front 40,000 square feet and the pittance of parking out front," Wood said. "We launched a three-part renovation, focusing on access, parking and aesthetics."

MW Group worked with the State Department of Transportation to add a direct entrance from the downtown direction, which should open in late July, greatly enhancing access. Next, construction crews punched through the building's center, allowing for very visible access to back parking lots. Finally, landscape and design architects consulted to provide a dynamic storefront; a ribbon of color caps the length of the building, sewing together the five storefront color schemes, while shrubbery and palm trees soften the building's exterior.

Other improvements include eliminating the parking toll booth, easing access to the second floor parking, and providing customer and tenant seating areas.

The result: MW Group has signed several new tenants, and expects more as the renovation nears completion.

MW Group develops and manages 15 properties, including Pioneer Plaza downtown, Salt Lake Self Storage, and the Azeka Shopping Center in Kihei, Maui. For more information, please call (808) 533-7468.



The effect of Coon is that condominium developments are eligible for lease-to-fee designation if applications are received from at least twenty-five owner-occupants. However, developments with fewer than twenty-five owner-occupants are eligible only if applications are received from owner-occupants that constitute at least fifty percent of the total number

of condominium units in the development.

Shaun Mukai is an attorney at McCorriston Miller Mukai McKinnon. His areas of expertise is in real estate law. He can be reached at 529-7300; or email smm@m4law.com

BOARDROOM SERIES – A Major Success!

The Boardroom Series, a novel and creative idea of President Dana Peiterson and Director and Past President Howard Bilkiss, has developed into a very popular and successful seminar. The purpose of the Boardroom Series is to educate and inform members on important topics in today's real estate industry. The following is a list of our previous boardroom series and the topics that were covered:

Boardroom Series I	February 22, 2001	<i>Condominium Issues</i>
Boardroom Series II	April 19, 2001	<i>Construction Lending</i>
Boardroom Series III	January 15, 2002	<i>Park Dedication & Existing Use Permits</i>
Boardroom Series IV	May 15, 2002	<i>Title Insurance</i>

On each occasion there have been at least thirty signups. Members that attend walk away feeling better informed about issues that affect developers.

Come join us for the next Boardroom Series, which will address the revision of condominium statutes, on August 8. Be on the watch for more information—seats are limited!

Hawaii Developers' Council

P.O. Box 91077
Honolulu, Hawaii 96835

Address Correction Requested