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HAWAII DEVELOPERS' QUARTERLY

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

HAWAII DEVELOPERS' COUNCIL

Army Housing Privatization Subject of January Luncheon

The members of Hawaii Developers' Council had a chance to preview an effort to privatize the ownership and management of the Army's 7,700 family housing units on Oahu. Speaking at the January 21 luncheon, Bruce Tsuchida, of Townscape, Inc. outlined the process that the Army will be taking over the next year or so to select a partner for this long term project.

"The Army wants to leverage a \$100 million annual cash flow into a 50 year, \$5 billion deal with a World Class Developer", said Bruce. "The vision is to provide quality homes and communities for Army families that are attractive, affordable and secure."

One of the goals of the Residential Community Initiative is to provide a balance between personal privacy and community interaction. So, in addition to managing the Army's

family housing, the developer team selected will be building parks, shopping centers and other recreational facilities.

Over the coming months, the Army will select the best qualified Partner for the project. The Partner will then prepare a Community Development and Management Plan with input from the Army and other stakeholders.

Once this process is complete, the Army will transfer the houses and lease the land to the partnership. The Developer will improve the housing in about 5 years and then will operate them for the next 50 years.

"This project should benefit a wide range of Hawaii's development and construction industries," concluded Bruce.



HDC January Luncheon speaker Bruce Tsuchida of Townscape, Inc, the company providing consulting services to the Army for the Residential Community Initiative.

UPCOMING EVENT

Networking Breakfast:

Meet The Honolulu City Council Members

Tuesday March 25, 2003

The Pacific Club

7:00 AM Registration

7:30 AM to 9:00 AM
Breakfast & Program

\$18 in advance for members
\$25 in advance for non-members

Dan Davidson Appointed DLNR Deputy Director

The Lingle Administration has tapped Dan Davidson be the Deputy Director for the Department of Land & Natural Resources.

Since 1987, Dan was the Executive Director for the Land Use Research Foundation of Hawaii (LURF), a non-profit research and trade association whose members are Hawaii landowners and developers.

Dan has been the luncheon speaker for Hawaii Developers' Council on a number of occasions.

We wish him the best in his new position.

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President's Message

With the legislative session in full swing at the time of this writing, your Board has been directing most of its attention to tax credits and tort reform, both of which we generally favor.

Updating us on these and other happenings at the State Capitol – and at City Hall – have been committee chair Andres Albano and ex-officio member Dan Davidson, head of the Land Use Research Foundation. Also, I have been getting reports on State matters from Brian Lee of the Hawaii Construction Industry Association. From what I gather, as of March 10, the key tax credit bills are still alive – HB1394 for commercial construction, HB1400 for hotel construction, and SB377 on Ko Olina.

The administration has supported Ko Olina but has taken “no position” on the other two. The hotel credit may be easier for the legislature to swallow, as it is a continuation of an existing credit and is probably less of a tax hit. The commercial credit bill is broader based and probably more expensive, covering hotels and Ko Olina. Combining the three has been an intriguing idea suggested by some but will be difficult to work out from a practical viewpoint.

One main problem encountered in getting the tax credit bills through has been a lack of reliable “impact” information from the State Tax Department. Their estimate of \$30 to \$42 million a year appears to be a high top-of-the-head estimate. In contrast, Ko Olina worked with Price Waterhouse last year on an economic impact analysis, which was later confirmed by

DBEDT. Passage of the bills will undoubtedly hinge on supportability of data concerning the impact of the tax credits on our State budget. Whatever happens with regards to the tax credit bills will have a direct or indirect effect on some if not many of us in development, but for better or worse and to what degree remains to be seen.

On the County side, our plan is to let you talk directly to members of the Honolulu City Council at our next get-together scheduled for the Pacific Club on March 25. Registration for this breakfast meeting is from 7 to 7:30am. The council members will be seated at different tables so you will have the opportunity to meet and speak to at least one. Since most are newcomers, this will be a great chance for us to educate each other. Please RSVP.

The continued success of our organization hinges on many who dedicate their time and expertise to its programs. Each time, I would like to recognize a few. This time, kudos to Catherine Camp, our most capable program chair, Gary Wiseman, our administrative manager and membership chair, Howard Bilkiss, founder and chair of the Boardroom series and current VP, and Dana Peiterson, past president and current chair of our big event, the Mid-year Review and Forecast. Their dedication and assistance have been invaluable.

Lookup the text of the Bills mentioned in Ken's article by going to the following internet link:

<http://www.capitol.hawaii.gov/site1/docs/docs.asp?press1=docs>



World Trade Centers - A Great Idea for Honolulu!

By: Andres Albano -
HDC Legislative
Committee Chair

Our current economic crises again amplify the need and urgency to diversify our economy.

While the tragedy in New York may in the near term dampen the enthusiasm to develop a **World Trade Center** (WTC) in Honolulu, it cannot be denied that the development of a WTC or a similar facility represents an solution which is more powerful and more needed than ever before.

The initial knee-jerk reaction is to assume that because of the attack on the WTC in New York, it would be foolish to even consider the development of a WTC in Honolulu.

The towering twin towers WTC in New York were targeted because the terrorists wanted to destroy the symbols of western economic wealth and dominance and not because of the "name" of the facility.

A WTC is a business "shopping center" complementing and supporting the existing services of private and government agencies. The primary goal of any trade center is to bring together, under one roof, the businesses and agencies involved in international commerce, and provide them with the services they need to be successful.

The WTC provides businesses with access to a diverse array of state-of-the-art international trade services and facilities, enabling them to pick and choose among the services that can help

them increase international sales. By gathering together in a single space international businesses, international trade service providers, and its own in-house international trade services, WTCs create a "critical mass" of international business expertise that attracts leading companies from within and outside the state to the project and stimulates economic growth throughout the community.

Furthermore, WTCs serve as institutions of peace. Companies, organizations and agencies that are engaged in various endeavors of commerce, philanthropy, art and humanitarian causes are tenants of WTCs worldwide.

There currently are over **300** WTCs in the world spanning **97** countries on **6** continents. These WTCs house over **750,000** international businesses.

Recent discussions with other WTCs reveal that there is no evidence that the centers are in danger of being targeted for destruction by terrorists.

Legg Mason, a very well respected investment-consulting firm, reported that of the top 100 largest metropolitan areas in the United States, regions with WTCs experienced export sales that were **270%** higher than those regions without WTCs.

C.H. Johnson Consulting, Inc. recently completed a case study analyses for the World Trade Centers Association and identified five basic advantages, which a WTC provides for investors and their community marketplaces.

1. Brand Naming Rights. WTCs, like convention centers or arenas, become recognizable public assembly points. The name itself tends to increase the volume of business involved in global business services.

2. Concentration of International Services. Governments as well as private sector firms frequently endorse WTC projects, and use the facility to concentrate and consolidate agencies and services. This enhances the value of the facilities by making it easier for both the tenants and their clients to conduct "one-stop-shopping" global business at WTCs.

3. Real Estate Premiums. In cases where facilities have been developed, the WTC name usually enhances both rental rates and occupancy levels. In many cases the facilities outperform the market as a whole, and in all instances, WTCs are among the highest identity projects in the local marketplace. This includes office, retail and hotel space.

4. Redevelopment Impact. Because of the scale or government sponsorship, or both, WTCs in most cases dramatically increase the value of adjacent real estate - especially in areas where the WTCs have acted as urban pioneers.

5. Economic Impact. Many WTC projects include hotels, conference and exhibition facilities, which attract out-of-town business clientele. These visitors introduce new spending resulting in a positive fiscal impact on the host community.

I have been studying the economic impact of WTCs for the last 3 years. I am thoroughly convinced that a WTC in Honolulu is the much-needed "bridge" between East and West and the perfect catalyst to diversify our local economy by facilitating the introduction of international companies into our community.

Board Room Series Still Packing 'Em In

Hawaii Developers' Council Board Room Series continues to be a popular educational tool for our members. Two classes were held in recent months and both were well attended.



Joe Mastrantonio

Look Before You Leap was the title of the Board Room Series held on December 10, 2002. It featured three knowledgeable developers

who have been long time members of Hawaii Developers' Council. Andy Albano along with Joe Mastrantonio shared their wealth of knowledge while Howard Bilkiss moderated the discussion. Some of the topics covered included Special

Design Districts, Encroachments and Building Permits.

The seminar was held for the last time in GE Capital's meeting room. We would like to thank GE Capital for the use of this room for the past year and for providing coffee for each program. Special thanks to GE's Millie Taguma for making the arrangements and the coffee.



Howard Bilkiss

Loan Packages and Marketing was the subject of the Board Room Series held on March 6. Approximately 25 members heard from Francis Aoki, Co-managing member of Pan Pacific Mortgage, LLC and Joett Colgan, Principal Broker for Colgan & Associates, LLC. Howard Bilkiss moderated the seminar.

Francis Aoki shared a wealth of information - and some secrets - to

a smooth developer's loan package. Joett Colgan gave members a different look at marketing from a design prospective - reminding us all to "think outside the box."

We would like to thank Title Guaranty for their generous contribution of their training room and coffee.

The Council would like to thank the panel of participants for both of these seminars along with Dana Peiterson for helping us to put together these informative and educational venues.

Watch for details of our upcoming Board Room Series VIII.

Hawaii Developers' Council

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Address Correction Requested