

(Continued from page 1)

performance exceeded expectations held by businesses about their own sales performance," said O'Neill.

"But consumer confidence has dropped!" he continued, "It doesn't match the reality of a strong economy." O'Neill then described other trends that leads him to believe that we can look forward to more good news, growth in Asia and growth in our tourism industry.

The Bank chairman spent the remainder of his time describing trends he sees in the financing and development portion of the bank's business. "I see a shift from residential to nonresidential lending. If you get into residential now, you will be hitting the top of the market!" He believes that we still have a lot more retail opportunity. The fact that office vacancies are down

means that office projects will be more attractive in the coming years. The fact that no new hotels are being built is going to restrict growth in the visitor industry.

"Dealing with the Banana people is our biggest challenge to sustained growth," he said with a grin. "These people are worse than those that don't want something built in their back yard. The Banana

people credo is "Build Absolutely Nothing Anywhere Near Anything!"

O'Neill predicted an increase in construction costs and in interest rates. "We will see good projects continue to be built, but the bad ones will be postponed."



**Presidential Handshake**

**Hawaii Developers' Council President Howard Bilkiss greeting Bank of Hawaii Chairman Michael O'Neill during the April luncheon at Oahu Country Club.**

**Hawaii Developers' Council**

P.O. Box 2537  
Honolulu, Hawaii 96804

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# HAWAII DEVELOPERS' QUARTERLY

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

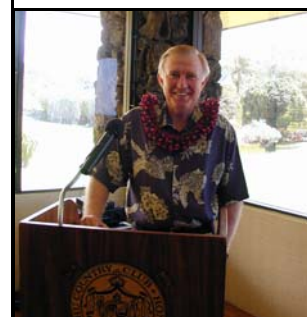
## HAWAII DEVELOPERS' COUNCIL

### HDC Hears From Two Community Leaders

#### Bank of Hawaii Chairman attends April Function

Bank of Hawaii Chairman of the Board Michael O'Neill shared his observations on Hawaii's economic opportunities during a luncheon at the Oahu Country Club on April 13, 2004. His speech dealt primarily with two subjects, attitudes about Hawaii's economy and the Bank of Hawaii's current trends in financing.

O'Neill started his talk by highlighting the fact that all economic indicators seem to say that our economy is expanding in Hawaii. But



our perception of this fact is not quite there. He surmised, "If we can weather a disease, a terrorist attack and a war, then there must be something fundamentally strong about our state."

He then described the results of the Bank's recent survey of business and consumer confidence. "For the first time in the survey's history, business leader's expectation of Hawaii's overall economic

(Continued on page 8)

#### Department of Hawaiian Homelands subject of June Luncheon

Historically, the Department of Hawaiian Home Lands (DHHL) has focused on small developments between 10 to 50 homes. That is changing according to their Director, Micah Kane, who spoke at the luncheon for Hawaii Developers' Council on June 8 at the Oahu Country Club.



Kane outlined four goals that DHHL has made to guide its efforts in the coming years. These goals are:

1. Accelerate the awarding of lands to their beneficiaries. DHHL hopes to provide beneficiaries on their waiting list the opportunity to own a home or be a steward of some land. Accordingly, we will be seeing the Department developing much larger housing projects, usually with a local developer as a partner.

2. Address the findings of the Legislative Auditor – The auditor identified several areas of operational improvements that the Department should address. At the top of

(Continued on page 7)

### UPCOMING EVENTS

#### Mid Year Real Estate Review

Thursday July 15

Hawaii Prince Hotel

7:30 AM to 11:00 AM

\$30 for members

\$40 for non-members

#### Meet the Four County Planning Directors!

Wednesday, August 18

Ilikai Hotel

7:30 AM to 12:30 PM

#### Breakfast With Honolulu Mayoral Candidate Mufi Hannenman

August 24

The Pacific Club

### 2003-2004 HDC Officers and Directors

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Howard Bilkiss

### Presidents Message

By the time most of you read this article, our 2004 Mid Year Real Estate Review Conference at the Hawaii Prince Hotel will be over and done. This prominent and well received conference will give members a forecast for the coming year. The panel of speakers include experts in the fields of industrial, retail, residential and investment real estate, as well as a general review of the Hawaii Economy. For those of you that attended, I trust that you got your money's worth of information.

I really enjoyed our June 23<sup>rd</sup> Board Room series on the pros and cons of using steel or lumber for construction projects in Hawaii. Jim Pappas and Wayne Lincoln from Honsador are both excellent speakers and I feel that they gave us an informative presentation.

In August, we will be hosting two events for our members that will fill out the summer months. The first is a workshop that brings together the planning directors from each of the four counties. They will be sharing their views of what is happening with development issues within their respective counties.

Finally, we have lined up 2004 Honolulu Mayoral candidate Mufi Hannemann to speak to our members at a breakfast meeting at the Pacific Club in late August. Unfortunately, Duke Bainum turned down our invitation to join us that day.

It goes without saying that the HDC Board of Directors has been working hard this year to educate developers and the public about issues of importance to our industry.

### ARE YOU DIRECTOR MATERIAL?

The Nominating Committee is searching for members willing to serve a two year term on the Hawaii Developers' Council Board of Directors.

The two year term starts in October and Directors meet once a month during the lunch hour.

The Board establishes policy, monitors legislative and regulatory actions and plans the events for the Association.

Express your interest by contacting Howard Bilkiss at 524-4024

### Get Noticed by Your Fellow HDC Members!



Write an article for our Quarterly newsletter!

Next Publication Date is September 15!

Call Gary Wiseman at 845-4887

*(Continued from page 1)*  
 the list was the 40% delinquency rate of homeowners defaulting on their loans. Kane said that they want to take a more active role in helping their homeowners avoid getting behind in their payments.

3. Become Self-sufficient- "We need to emulate Kamehameha Schools and shift from being a land holder to being a development partner," said Kane, "We are looking for partners and ideas for what we can do with our available land." DHHL's recent agreement to lease 200 acres of land in West Hawaii for commercial use adds assurances that DHHL will continue to generate revenue on behalf of their beneficiaries.

4. Manage Our Trust To Perpetuity – Micah explained that the department is being challenged by parties that don't believe in the mission of DHHL. He stressed how important the passage of the Akaka bill will be for DHHL's efforts to provide home ownership for native Hawaiians. "We spend 20% of every day defending our right to exist," he added.

Micah conclude by expressing his personal commitment and the Lingle Administration's desire to achieving these goals.

*(Continued from page 6)*  
 families have the option to transfer earlier and build their homes now."

Kane also said the rule change fits in with the department's strategic plan. "We want to accelerate the awarding of leases and this will allow more people to qualify for loans," said Kane. "It will also help with our delinquency rate. The state auditor identified that area as needing improvement and we agree. Because more people will be able to qualify for a loan, they will be better able to help their families maintain their mortgages."



Peter Savio

### Developers' Council Member To The Rescue

The residents of Central Oahu's Poamoho Camp are pleased that local developer and Hawaii Developers' Council board member Peter Savio have enabled them to avoid being evicted from their homes.

Most of the 300 residents are either employed with or retired from Del Monte and they are ecstatic that Savio arranged to extend



their leases through October. He has an agreement in principle with the landowner, the George Galbraith Trust, to buy 90 acres under and around the 90-acre camp site.

The small camp is located in a valley across the road from the



Dole Pineapple Plantation and is easily missed by travelers heading for the North Shore of Oahu. Most of the homes were built in 1930 and are in good condition and worth saving.

The camp occupies only a third of the 90-acre parcel. Maui Land & Pineapple Co. will harvest the crop and maintain the fields until Savio is able to find a buyer for the 60 acres.



"I'm not doing this for the money," said Savio. "The proceeds from the sale of 60 acres of pineapple fields will allow us to make some needed repairs to the homes and then sell them at an affordable price to the residents."

Savio added, "The project is being done under our community service division where the profits are restricted to 5% of the project's value. In effect, the developer's profit is given back to the buyers in the form of a lower price.

**DO YOU HAVE A PROJECT THAT YOU'D LIKE TO FEATURE IN THIS NEWSLETTER?**

**SEND YOUR TEXT AND PHOTOS TO:**

**GARY@ABCHAWAII.ORG**

### Welcome New Members

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 F: 538-0363  
 cyokoyama@mwgroup.com

### HDC Member Expanding In Texas

The Gretzinger Corporation is pleased to announce its recent acquisition of the 290 Northwest Village Center in Houston, Texas. This retail center is adjacent to US Highway 290 in the Jersey Village suburb of Northwest Houston. Purchase price was just under \$3 million.



The 38,000 square foot complex contains eleven tenants on over 2.3 acres of land. Prominent tenants include, The National Lending Company, Churches Chicken, German Glass Co. Huper Optik and Super K Food Store.



Executive Vice President and Principal John D. Nielsen stated "This transaction reflects our continued confidence in the growth now underway in Texas and our belief in the growth potential in the Northwest Houston market." The Gretzinger Corporation now owns five industrial and retail buildings in Texas.

The Gretzinger Corporation is a Honolulu based commercial real estate investment-company formed in 1991. The company focuses on retail and industrial investment properties located primarily in California, Colorado, Texas, Maryland and Hawaii.

For more information please call Thelma Gretzinger at 808-926-3430, email: [tgretz@hawaii.rr.com](mailto:tgretz@hawaii.rr.com) or John Nielsen at 808-924-2300, email: [gretz-corp@email.com](mailto:gretz-corp@email.com)

### More Home Ownership Opportunities for Native Hawaiians

Hawaiian Home Lands' beneficiaries received good news recently when the Department of Housing and Urban Development (HUD) released new rules that enable lessees who are at least 25% Hawaiian blood to be eligible for Federal Housing Administration (FHA) insured mortgages.

The original lessee of a Hawaiian Homestead Lease must be at least 50% Hawaiian blood and upon the death of that lessee, the lease can be succeeded to by a spouse, child, or grandchild, who is at least 25% Hawaiian blood, and other members of the deceased lessee's family who are at least 50% Hawaiian blood. All successors, including those of 25% Hawaiian blood, are eligible for FHA insured mortgages.

In 1999, the law was amended to allow a homestead lessee to transfer their lease while still living to a spouse, child, or grandchild, who is at least 25% Hawaiian blood, or any individual who is at least 50% Hawaiian blood. However, the 25% Hawaiian transferee was not eligible for a FHA insured mortgage.

With the new rules, which take effect on July 15, 2004, ALL lessees are now eligible to obtain an FHA insured mortgage, including all 25% Hawaiian lessees, provided the Department of Hawaiian Home Lands certifies that the individual applying for the loan is a lessee in good standing and the lessee has the financial ability to repay the loan.

"This is significant because you had to wait until someone passed away before you could qualify for these loans," said Kane. "Now

*(Continued on page 7)*



### Disclosure Requirement for Residential Developers

By: Gary Wiseman  
 Associated Builders

and Contractors

If your company develops new residential projects or performs new construction or renovation work for residential properties, as of July 1, 2004, you have a new disclosure requirement. Mandated by the enactment of SB 2358, the Notice to Repair bill, this disclosure will set into a place a new procedure for resolving construction disputes.

SB 2358, signed into law by the Governor in mid-June is an attempt to ease the insurance crisis that has been hampering development in Hawaii in recent years.

The notice shall be conspicuous and included as part of the contract and shall be in substantially the following form:

"CHAPTER \_\_\_\_ OF THE HAWAII REVISED STATUTES CONTAINS IMPORTANT REQUIREMENTS YOU MUST FOLLOW BEFORE YOU MAY FILE A LAWSUIT OR OTHER ACTION FOR DEFECTIVE CONSTRUCTION AGAINST THE CONTRACTOR WHO DESIGNED, REPAIRED, OR CONSTRUCTED YOUR HOME OR FACILITY. NINETY DAYS BEFORE YOU FILE YOUR LAWSUIT OR OTHER ACTION, YOU MUST SERVE ON THE CONTRACTOR A WRITTEN NOTICE OF ANY CONSTRUCTION CONDITIONS YOU ALLEGE ARE DEFECTIVE. UNDER THE LAW, A CONTRACTOR HAS THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR AND/OR PAY FOR THE DEFECTS. YOU ARE NOT OBLIGATED TO ACCEPT ANY OFFER MADE BY A CONTRACTOR. THERE ARE STRICT DEADLINES AND PROCEDURES UNDER THE



### Opportunities for Development

By Dean Uchida, LURF

The Land Use Research Foundation of Hawaii (LURF) attended the forum, put on by the Urban Land Institute (ULI), with the Mayor's from each of the four counties to discuss the following topics: 1) Transportation; 2) Affordable Housing; and 3) Tourism.

All four Mayors agreed that transportation infrastructure is a state-wide problem. There appears to be a shift in philosophy from building more and more roads to accommodate growth to having land use planning drive transportation infrastructure planning. Using Smart Growth concepts to increase density in existing urban areas and providing more mixed use zoning to allow for people to live and work in the same location and thus minimize the need to drive, seems to be one of the ways of dealing with transportation infrastructure issues.

As is the case in the cyclical real estate market, we again find ourselves with a huge demand for affordable housing. In this cycle, there seems to be less government involvement than in the past and more of a reliance on the private sector to fulfill this need. Although the Mayors recognized that we are in an affordable housing crisis, there is no system in place for the Counties to use to expedite the development of affordable housing to meet the demand. The Mayors from both Maui and Kauai indicated that they are working on expediting the entitlement process for affordable housing developments.

It seems that government involvement in affordable housing development is limited to either funding infrastructure costs (i.e. roads, water, sewer, etc.) or land use entitlements. Given the fact that all levels of government seem to lack adequate resources for infrastructure improvements, it maybe more cost effective to create incentives for the private sector to provide affordable housing through lessening, streamlining or eliminating the land use entitlement process for affordable housing developments.

The anticipated rise in interest rates will surely cut into the pool of eligible buyers; however, it appears that demand for affordable housing will remain high simply due to the current limited supply.

The challenge or opportunity presented to the Development Community is how to bring housing products (specifically first time buyers, senior and assisted living senior housing), to the market at affordable prices. Working with government to find appropriate areas for these types of projects recognizing the limited transportation infrastructure, and reducing or eliminating the risk and time it takes to obtain the land use entitlements for these types of projects may create the proper incentives to make these projects feasible. The time is ripe for the development community to step up and address the affordable housing crisis in Hawaii.

LAW, AND FAILURE TO FOLLOW THEM MAY NEGATIVELY AFFECT YOUR ABILITY TO FILE A LAWSUIT OR OTHER ACTION."

Although this requirement adds an additional paperwork burden on residential contractors, the

hopes of the industry is that this new set of procedures will eventually reduce expensive litigation and enable insurers to feel more comfortable insuring developers and construction companies in Hawaii.

# MARK YOUR CALENDARS!

**FOR A PANEL DISCUSSION FEATURING THE COUNTY PLANNING DIRECTORS**

**Wednesday, August 18, 2004 Ilikai Hotel**

This panel discussion is being jointly sponsored by several real estate and development organizations. It will provide attendees with the opportunity to learn about what is happening in each of the Counties on certain critical development related issues. Participants are also encouraged to ask questions regarding real estate development in each of the counties. The forum will bring together all of the County Planning Directors at the same time discussing similar topics.

**Panelist:**

**Mr. Chris Yuen**

Planning Department, County of Hawaii

**Mr. Eric Crispin**

Dept. of Planning and Permitting, City and County of Honolulu

**Mr. Ian Costa**

Planning Department, County of Kauai

**Mr. Michael Foley**

Planning Department, County of Maui

## Fed Rate Hike Affects Hawaii Borrowing

*This article appeared in Pacific Business News on June 30, 2004*

What the Federal Reserve governors did on June 29 will make it cost more to borrow, generally speaking, but not all interest rates will be affected.

The quickest and most direct effect was on the interest rate that banks charge their most valued customers. Within a couple hours of the Fed hiking the federal funds rate from 1 percent to 1.25 percent, Bank of Hawaii, First Hawaiian Bank, American Savings Bank, Central Pacific Bank and City Bank had all hiked their prime lending rates from 4 percent to 4.25 percent.

Some lending rates are not significantly more complicated than that. Bankers use their prime rate as a guide for the higher rates charged to other customers. But three of the most common forms of borrowing by consumers, home mortgages, car loans and credit card charges, don't track what the Fed does in such a simple manner.

Credit card companies charge for convenience, and some charge a lot more than others. Their profit margins are large, and they can usually afford not to raise rates when the Fed does. So their rate changes tend to be determined less by the direction of other interest rates than by what the market will bear and how much competition there is. Hawaii is not quite as competitive a market for credit cards as some mainland states, but it is unlikely that credit card interest rates will change.

Car loans are also anomalous, but for a different reason. Automakers use low interest rates to subsidize the sale of vehicles. They also have the option of recouping their finance costs through the actual price of the vehicles themselves. In Hawaii, where economic conditions have lately been better than on the mainland, car sales have been very strong, but no important changes in car finance rates are expected.

Mortgage rates are the most complex, and the most interesting. They closely track something. But it isn't what the Fed does. It has to do with the bond market, and with the flow of good and bad economic news.

Most homeowners have noticed that their mortgage passes through two or more sets of hands while they're paying it off. Banks don't generally hold onto home loan notes any more, but package them and resell them to investors. A typical 30-year fixed-rate mortgage actually lasts only about 10 years before it's paid off early as the homeowner moves. So packages of mortgages are viewed by investors as similar to 10-year Treasury notes. The incentive to buy mortgages instead of Treasury notes: a slightly higher rate of return. So when Treasury returns rise, mortgage packages have to offer a higher return, too. Banks finance that by raising their mortgage rates.

The bond market is a safe harbor in uncertain times, so it rises on worrisome news and weakens when everything else is strong. For the Fed to start hiking interest rates after years of decline qualifies as something worrisome. On Wednesday, concern about it inspired more buying of bonds, a safe investment in uncertain times. The more people want to buy bonds, the less return the Treasury Department has to offer to sell them. So bond prices rose, and the yield on 10-year Treasury notes fell, from 4.69 percent the day before the announcement to 4.59 percent afterwards.

If that trend keeps up, the Fed interest rate hike could actually lead to lower mortgage rates for awhile. But most economists think the longer-term trend will be up.

## Mid-Year Real Estate Review & Forecast

Thursday, July 15, 2004

Full Breakfast: 7:30-8:30 am; Program 8:30 –11:00 am

Hawaii Prince Hotel near Ala Moana Blvd & Hobron, Waikiki

Parking: Valet or self parking at Prince Hotel or Ilikai Marina next door

**Moderator: Howard Bilkiss**

President of Hawaii Developers' Council

**Panelists:**

- ✓ **Residential – Harvey Shapiro**, Honolulu Board of Realtors
- ✓ **Investments – James Kehoe**, Belrad Group
- ✓ **Governmental – Dean Uchida**, LURF
- ✓ **Industrial – C. Mark Ambard**, Ambard & Company
- ✓ **Retail –Roger Lyons**, CB Richard Ellis
- ✓ **Economic Overview- Paul Brewbaker**, Bank of Hawaii

Members \$30 # Attending: \_\_\_\_\_ Amount \_\_\_\_\_

Non-Members \$40 # Attending: \_\_\_\_\_ Amount \_\_\_\_\_

Total Owed \_\_\_\_\_

Name(s): \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

Ph. No: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**RSVP: By Friday, July 9, 2004. Ph# 845-4004 / 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 9 will be charged and invoiced.**

+++++

We accept Visa or Mastercard! Please complete the following information and fax this form to 847-7876:

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