

# Developers anxious to review Kakaako 'urban village' plans

■ Bishop Estate wants to build mid-priced housing in its redevelopment project

BY ROB PEREZ  
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It's detail time.

Now that Bishop Estate has received approval for its master plan for a 54-acre Kakaako "urban village," developers anxiously are waiting to see how the state's largest private landowner intends to carry out that plan.

The massive redevelopment project calls for the construction over the next 40-plus years of roughly 2,100 residential units and nearly 4 million square feet of commercial, retail and office space. Just the business space, if lumped together, would be about four times the size of Pearlridge Center.

Jack Myers

But with the market for commercial buildings currently in the doldrums, the estate foresees the project's first developments being high-rise condominiums — and even that is probably five years away.

Still, Bishop Estate, to the applause of many in the development community, initially is targeting a market segment where demand is deemed strongest: mid-priced units in the heart of Honolulu. The estate's target: \$250,000 to \$350,000 selling prices.

"The middle market is so often overlooked that it's no wonder Bishop Estate will focus on it," said developer Jack Myers, whose company, Myers Corp., specializes on that segment.

Demand for mid-priced housing is strong enough that the estate already has received inquiries from about half a dozen developers since the Hawaii Community Development Authority approved the Pauahi Place plan last week.

The level of interest is not surprising to Mike Sklarz, research director for Prudential Locations Inc.

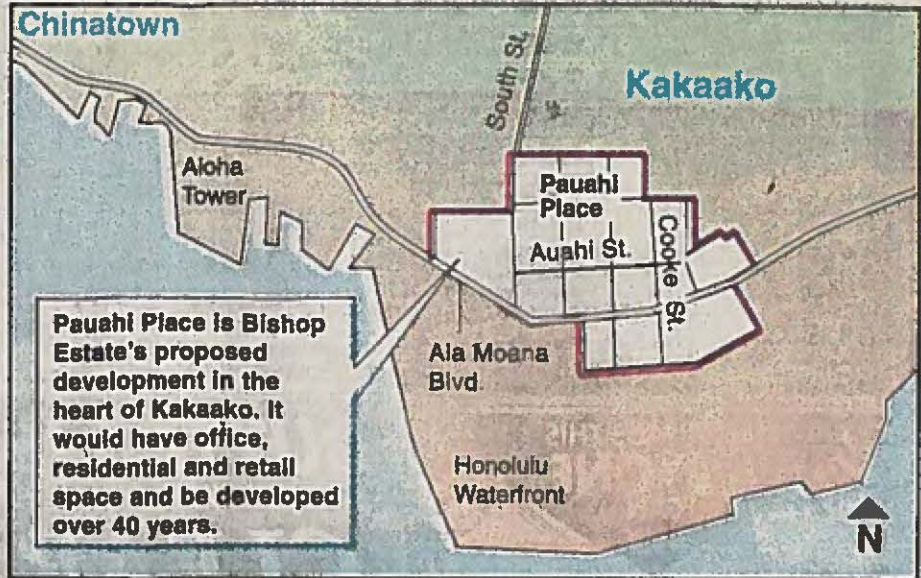
Developers would be attracted to joint-venture deals in which the estate would put up the land — a big chunk of a project's cost — and the developer finances construction, Sklarz said. That would make it easier for a builder to get a construction loan from a bank.

"Most developers are real short on cash or equity," Sklarz said, and they usually don't want to put up their own money to do a deal.

With master-plan approval in hand, Bishop Estate now must decide some key issues in determining how to proceed — the very kinds of details potential partners are awaiting.

"We'll be watching with great interest on what they do and how they go about doing it," Myers said.

For residential projects, for instance, the estate has to determine whether to



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sell land to developers and let them put up the condos or whether it wants to develop the projects through a subsidiary or with a partner.

Such questions will be decided on a project-by-project basis, said Neil Hannahs, Bishop Estate's Kakaako improvement manager.

But however it proceeds, the estate's goal is to produce housing in the mid-market range. Kakaako already has an oversupply of luxury condos and an abundance of entry-level units, Hannahs said. "What we're missing is the middle."

Because the estate has owned the Kakaako land for years, industry experts say it shouldn't be too difficult for the organization to produce condos that sell in the targeted price range.

Jim Turse, president of the nonprofit Path Housing Development Corp., estimated that the estate probably could develop housing at a cost of less than \$200,000 per unit.

"Is it feasible? Yes. Are they going to make money? Yes," Turse said.

But by targeting the middle market, developers say, pricing pressures to some degree will limit the returns the estate can get on its land.

"When you're dealing with middle market, there's not a lot of room for land premiums and that type of thing," Myers said.

Hannahs said a good mix of entry-level, mid-priced and luxury housing is vital to the urban village concept, in which people work, live and shop within the community.

In all, the Pauahi Place plan calls for the development of about 7.8 million square feet of commercial, office, retail, residential and industrial space, transforming an area that currently is a hodgepodge of aging buildings and new high-rises.

Auahi Street, with its shops and restaurants, would be the centerpiece of the project.

More than 1 million square feet, including Restaurant Row and Waterfront Towers condominiums, already is developed.