

Article URL: <http://starbulletin.com/2007/12/22/news/story04.html>
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Vol. 12, Issue 356 - Saturday, December 22, 2007



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The future of the Kailuan is unclear since talks between leasehold owners and landowner Kaneohe Ranch broke down.

Leasehold owners face eviction

Kailuan residents worry about the future after talks with their landowner break off

STORY SUMMARY »

Talks have broken down between unit owners at the Kailuan, a leasehold Kailua cooperative built in 1959, and landowner Kaneohe Ranch, only days before the ground lease is due to expire.

If a settlement is not reached with Kaneohe Ranch by Dec. 31, Kailuan shareholders will be forced to surrender their properties or face eviction.

Kaneohe Ranch turned down a multimillion-dollar offer from residents on Wednesday because it was not satisfied that Kailuan residents could come up with the money. Residents say they will seek some form of legal intervention.

[FULL STORY »](#)

By Allison Schaefer

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Negotiations over the expiration of the ground lease at the Kailuan, a Kailua cooperative built in 1959, have broken down.

If a settlement is not reached with landowner Kaneohe Ranch by Dec. 31, Kailuan shareholders will become the first set of multifamily owners in modern times to be forced to surrender their properties or face eviction.

Kaneohe Ranch "walked away from the table last night (Wednesday)," Vishaka Devi Jokiel told a news conference yesterday.

While the Kailuan leasehold co-op has troubles that are unique to its own circumstances, in other ways it is a forerunner of the problems that many leasehold condominiums will face in the years ahead of their expiration dates. Property records show that another 1,500 or so lessees and lessors will face critical decisions in the next decade as the terms of their leases begin expiring in 2010.

"What happens here will make a difference for thousands of people living on Oahu," said Jokiel, a single mother who has owned a unit in the cooperative since 2000.

The uncertainty has already begun to affect real estate purchasing decisions and pricing on Oahu and has caused considerable angst about who will ultimately pay the price as the leasehold era comes to an end in the next 20 or so years.

The situation has forced Kailuan owners like Jokiel to decide whether to stay and fight to remain in their properties or find alternate housing before they are evicted.

Meanwhile, landowner Kaneohe Ranch has had to risk public censure to enforce its property rights.

Kaneohe Ranch said that it closed negotiations with Kailuan's shareholders because it was not confident in the ability of co-op shareholders to close a transaction before the end of 2007.

The site also contains a cesspool that is in violation of the federal Environmental Protection Agency's Clean Water Act, and it is not clear that regulators will forgive the situation or extend the term for compliance, said Mitchell D'Olier, president and chief executive officer of Kaneohe Ranch.

"We are especially concerned because the shareholders do not have a loan commitment to finance the purchase," D'Olier said. "Simply put, closing the transaction after the term of the current lease is unacceptable. In fact, we are concerned that (Kailuan shareholders) may never be able to close such a transaction."

James Severson, a longtime resident of the Kailuan, said that residents did have a firm commitment letter from a lender that he declined to name and had offered Kaneohe Ranch \$3.2 million

about \$1 million more than developer D.R. Horton had paid for similar lands. Shareholders also had procured an additional \$1.3 million loan to fix the cesspool and improve the property so that it would be in keeping with other neighborhood improvements, he said.

"We would have closed by the end of the year, and we would have been able to fix the cesspool and hook into the city sewer system," Severson said.

Since Kaneohe Ranch has closed negotiations, Kailuan residents say that they face an uncertain future. When their lease expires, they will have to seek legal intervention if they hope to remain in their homes, Jokiel said.

"The threat of eviction is high," she said. "Mitch D'Olier told our negotiators that they would shut off our water on the 1st. It's very troubling."

The Kailuan's cooperative owners have dealt with the possibility of eviction in a variety of ways. Some have sold their interest in the co-op for next to nothing or taken advantage of an offer from Kaneohe Ranch to compensate them for leaving early. But the bulk of owners have stayed to fight.

"Few of us know where we'll go," Severson said, adding that he might be forced to move in with his parents.

"We don't have other plans. When you use your hard-earned money to buy a place, you don't expect to have it taken away," he said.

Concern for the Kailuan shareholders brought Malia Thayer, a Kailua resident, to the press conference yesterday.

"People have been talking about this in our community," Thayer said. "It's one thing when development brings a Whole Foods or a big corporation into a community. It's another when people are losing their homes. Our hearts go out to these people."

The event also brought Calvin Santos, a native Hawaiian resident from Waianae.

"The rich gon' get rich and the poor get poorer," Santos said. "It's a sad thing to see people thrown out of their place."

Kaneohe Ranch said that it has offered Kailuan residents relocation assistance and support services through Catholic Charities, brokers engaged by Kaneohe Ranch and other resources Kaneohe Ranch has at its disposal.