

Puainako Heights



The Property

Puainako Heights is a fee simple, residential real estate development project located approximately five miles above the town of Hilo, on the Big Island of Hawaii. Decades of incapable ownership have resulted in the properties' current state, as the subject of a court-ordered foreclosure sale. This circumstance presents a unique opportunity for an experienced real estate developer or long-term investor. Puainako Heights is now offered for sale, asking \$6,340,000, or just under \$50,000 per-acre.

The site is made up of 57 separate parcels, encompassing approximately 130 vacant, usable acres. County Zoning allows between 440 and 820 units, in single- and multi-family configurations. A commitment of 317 water meters is reserved for Puainako Heights, which represents a significant portion of the available municipal water in the area.

State Land Use Designation is Urban; County Zoning is Residential, Single-Family, 7,500-square-foot minimum lot size (RS-7.5) and Residential, Multi-Family, 1 unit per 4,000 square-feet of land (RM-4). The project is zoned in three Phases.

Potential

Puainako Heights is currently zoned for up to 440 residential units, in both single- and multi-family configurations. This may be increased to 820 units with approval from the County.

The current limiting factor to development is the water commitment of 317 units. To realize the full potential of the project, private water and wastewater systems must be developed.

Puainako Heights is likely to be developed in one or more of the following configurations:

- Build-to-Rent Community, up to 317 units without water improvements; between 440 and 820 units with water improvements
- Fee Simple, Residential Neighborhood, up to 317 units without water improvements; between 440 and 820 units with water improvements
- Fee Simple, Residential Agricultural Lots, each at least one acre in area; approximately 100 to 110 units, this requires "down-zoning" the project

Long-Term Value

I believe the factors listed below position Puainako Heights as a favorable long-term investment, and will both preserve, and cause appreciation in, the value of the asset:

- Puainako Heights is the only available residentially-zoned project in the Hilo area with a significant commitment of service from the Department of Water Supply. The

limited availability of municipal water service is the primary impediment to residential development on the Big Island.

- Limits on water service, scarcity of usable land, and an onerous County entitlement process make Puainako Heights possibly the last available site for medium-density residential development in Hilo.
- Limited availability of homesites, long construction times, and a competitive housing market have created an environment that is favorable to Sellers and Landlords.
- Disproportion between wages and home prices on the Big Island has created a situation where a significant percentage of working residents are long-term tenants. Stagnant wages, a limited local economy, and competition from outside Buyers make this scenario unlikely to change.

RM Zoning Uses to Consider

- Single- or multi-family housing
- Adult day care homes
- Boarding facilities, rooming, or lodging houses
- Care homes, with a County Use Permit
- Community Buildings, as permitted in Hawaii County Code Section 25-4-11
- Day care centers, with a County Use Permit
- Group living facilities
- Medical clinics, with a County Use Permit
- Meeting facilities
- Short-term vacation rentals, within a condominium property regime

Required Infrastructure Improvements

- Water: The property has a commitment of 317 water meters from the Department of Water Supply. It is unlikely this commitment can be increased, so development with water demands beyond 317 units will require the construction of a private system. Water for fire hydrants and coverage does not impact the commitment of 317 units.
- Electricity: Electric service is available through the local municipal provider, Hawaiian Electric Light Company (HELCO).
- Wastewater: Development of 50 or more lots, each measuring less than one acre in area, will require the design and construction of a private wastewater system. Lots one acre or more may be serviced by individual septic systems.
- Streets: All streets must be designed and built.
- Public Benefits: Puainako Heights is required to provide two 4-acre sites for parks, one for active use and one for passive use. The construction schedule of the parks is determined by the re-zoning ordinance.
- Affordable Housing Requirement: The Developer is required to provide credits equal to %20 of the units created.

- Other likely requirements: Drainage study; archaeological survey, depending on development plan; environmental assessment for wastewater system

Zoning Schedule, Described in County of Hawaii Ordinance 96 113, September 1996

Puainako Heights is zoned in three Phases, as follows:

- Phase 1 is zoned in four Increments, as follows:
 - Increment 1: 20 acres, RS-7.5
 - Increment 2: 20 acres, RS-7.5; effective when %25 of roofs on Increment 1
 - Increment 3: 20 acres, RS-7.5; effective when %25 of roofs on previous Increments
 - Increment 4: Remainder of approximately 8 acres, RS-7.5; effective when %25 of roofs on previous Increments
- Phase 2 is zoned in two Increments, as follows:
 - Increment 1: 18 acres, RS-7.5
 - Increment 2: Remainder, RS-7.5; effective when %25 of roofs on Increment 1
- Phase 3 is zoned in two Increments, as follows:
 - Increment 1: 20 acres, RM-4
 - Increment 2: Remainder of approximately 14.6 acres, RM-4; effective when %15 of units planned for Phase 3 are completed

Other Requirements:

- 8 acres shall be set aside for 2 parks, one for active use and one for passive use:
 - 4 acres shall be improved upon construction 300 units, including existing units
 - 4 acres shall be improved upon completion of the development
- Master plan and roadway map for the entire Project
- Drainage study for the entire Project
- A 25-foot buffer between the area zoned RM and the existing neighborhood

Documents Available for Review:

Ordinance 96 113, September 1996

Ordinance 218, August 1976

Ordinance 42, May 1974

Ordinance 204, May 1976; REPEALED

Tentative Subdivision Approval, April 2005

Amendment to Tentative Subdivision Approval, September 2005

Subdivision Agreement and Negative Pledge, November 2018

Correspondence from Department of Water Supply, April 14, 2021

Debt

Puainako Heights is in foreclosure, under the jurisdiction of the District Court of the Third Circuit. The case number is 3CCV-22-0000418.

As of November 2024, the Plaintiff was owed approximately \$5,200,000. Daily interest is \$1,775. Additional costs will be incurred by the Debtor.

The water commitment fee has not been paid to the Department of Water Supply since 2022 and is currently \$124,200. This amount must be paid to maintain the water commitment.

Real property taxes have not been paid since 2022. The amount due is estimated to be approximately \$380,000 as of September 30, 2024.

Disclosures Required by the District Court of the Third Circuit:

- Real property taxes, including penalties and interest are past-due and owed to the County of Hawaii. Please contact the County of Hawaii Real Property Tax Office at (808) 961-8165 for additional information.
- The Facilities Charge for the initial phase of development has been paid to the Department of Water Supply. The remaining water commitment of 276 units expired on January 31, 2022, and a deposit of \$124,200.00 is required to bring it current. This amount must be paid before the planned development can be created. These amounts may be affected by changes to the development plan. Please contact the Department of Water Supply's Water Resources and Planning Branch at (808) 961-8070 for additional information.
- A new subdivision agreement and bond must be put in place with the County of Hawaii. Please contact the Planning Department at (808) 961-8282 for additional information.
- A deposit of %10 is required from any prospective Buyer. This deposit shall be subject to forfeiture upon the expiry of the Due Diligence or Inspection Period in the Purchase Contract.
- Any sale shall be subject to review, approval, and confirmation by the Court. At the confirmation hearing, interested parties, including the Plaintiff, are allowed to re-open the sale price should there be a bid of %5 or more of the private purchase price. An overbidder shall have and tender to the commissioner a %10 deposit of the sale price which shall be by certified or cashier's check. The Plaintiff is allowed to credit bid up to the debt owed. The purchaser shall close within Fifty (50) days of the filing of the order confirming the sale or as otherwise ordered by the Court.
- All parcels shall be conveyed "as-is, where-is" and without any warranties or representations of conditions.

Offered by Aaron Lee, RS-66535, and RE/MAX Properties, RB-19409. Call (808) 960-3138 or e-mail aaron_lee@live.com with questions or for more information.