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# LAND AND POWER IN HAWAII

## The Democratic Years

GEORGE COOPER    GAVAN DAWS

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But Mehau and others steadfastly denied that his involvement went any further, a denial bolstered by the fact that vigorous criminal investigations from about 1978 till 1980 by three separate law enforcement agencies, coordinated by the federal Organized Crime Strike Force and including a hearing of evidence by an investigative grand jury, resulted in no charges being brought.

As with what Mehau told the *Los Angeles Times*, the criminal investigators and prosecutors found that Mehau had underworld associates, but apparently no underworld activities *per se*. *Honolulu Advertiser* reporter James Dooley wrote: "Investigators found Mehau to have created a remarkable network of personal ties with rich and powerful figures of high and low repute throughout Hawaii and the Pacific Basin." But, as Dooley added, "personal associations are hardly ground for prosecution . . ."

Far from dispelling the suspicions harbored by some, the investigations, as Dooley wrote, "if anything . . . may have served merely to broaden the mystique which has built up around the physically imposing Mehau since he began to make a name for himself as a tough, no-nonsense cop in the 1950s."<sup>58</sup>

If questions lingered, however fairly or unfairly, about Larry Mehau as some kind of organized crime godfather, this was true of organized crime in general. The local syndicate was like a guerrilla force of unknown strength. It was known to be out there, a factor to be reckoned with in the equation of modern Hawaii. But how big it really was, what territories it controlled, what high ground it might be seeking to occupy—these were things that few or none outside of organized crime knew. And as of early 1985 no highly placed organized criminal had spoken comprehensively on the public record.

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HAWAII: SUBDIVIDING  
LAVA FIELDS

HAWAII'S real estate boom was brought to the Big Island in 1958 by two mainland businessmen from Denver, Colorado.

Glen I. Payton and David F. O'Keefe organized a Hawaii corporation called Tropic Estates Ltd., which included several local-Asians among its members. In 1958 Tropic Estates bought 12,000 acres of land between Kurtistown and Mountain View in Puna from Big Island Democratic politician and businessman Robert M. Yamada. The land was cut up into 4,000 lots which were put on the market for \$500-\$1,000 with terms as low as \$150 down and \$8 a month. The project was named Hawaiian Acres. The lots sold spectacularly well.<sup>1</sup>

The effect of this success was electrifying. A Big Island subdividing boom was on. For the next nine years new large-scale subdivisions were approved one after the other by Hawaii County.

There was substantial development of other kinds all over the Big Island then and later that had counterparts elsewhere in the Islands: resort hotels at Hilo, with an international-size airstrip to serve them; heavy hotel and condominium building at Kailua-Kona; and an ambitious attempt, spearheaded by Gov. Burns, to transform the whole northern stretch of the west coast into a regional resort complex, making it, in Burns' words, a "Gold Coast."<sup>2</sup>

But the developments unique to the Big Island were in the mold of the one in Puna that set off the boom: sizable acreage in remote areas, of little or no real economic use value, subdivided into house lots on which practically no one ever actually built homes.

Only on the Big Island was there so much empty space that had no foreseeable economic use. Thus nowhere else were there speculative subdivisions.

Most of the really big subdivisions of this sort were done in the vast, sparsely populated southeast and southern districts of the island, in Puna, Ka'u, and South Kona.

By the time the Big Island boom came to a halt in the mid-1970s, something like 80,000 lots of this kind had been created—on an island whose population at the time was somewhat less than 80,000.

Participation by local people in this subdividing boom was remarkable. Probably one Big Island family in four put money into a lot in one of these subdivisions.<sup>3</sup>

But even with such heavy participation, Big Islanders bought fewer than 12% of the roughly 65,000 lots sold by 1975.<sup>4</sup> This meant that the rest of the buyers were outsiders—some 35% from Oahu, and most of the rest from the US mainland. And this in turn meant that a nationwide phenomenon had made its way to the Big Island.

The post-World War II middle class of the United States in the national boom years of the late 1950s and 1960s had money to spend, and they also had increased leisure time. It was now within the financial reach of a great number of people to spend this time in vacation and retirement communities. In the country's sunnier states developers stepped in to make possible a logical next move: actually investing in vacation and retirement real estate. By the mid-1970s, one American family in 12 owned a piece of this sort of land.<sup>5</sup>

There were, to be sure, serious developers and serious buyers on the mainland. Over the boom years millions nationwide bought lots in planned communities that evolved more or less as promised.

But at the same time among both developers and buyers there were also speculators—meaning that millions bought into subdivisions which 25 and 30 years later remained largely vacant and without even minimal site improvements.

Most Big Island subdivisions of the boom years in the Puna, Ka'u and South Kona districts fell into the speculative category.

The distinction between investment and speculation made no difference to most people on the Big Island, at least in the early years of the boom. Overall the lots appreciated in value, meaning that many Big Island families did well, at least in terms of paper gains. And Hawaii County did well too, at least on the face of things. Right from the first boom year, the county's revenues increased because these subdivisions came onto the tax rolls.

In the middle of that euphoric first twelve months, the *Hilo Tribune-Herald* editorialized: "This newspaper goes along with the optimists, confident that the eager buying of land, much of it sight unseen, means that the Big Island is finally coming into its own, and that we are on the threshold of development that has kept Oahu singing with prosperity . . . Here on the Big Island we don't much care what brings them in as long as they come and as long as they buy . . ." <sup>6</sup>

\* \* \*

Not everyone on the Big Island liked the new speculative subdivisions. As early as 1960, Hawaii County Planning Director Hiroshi Kasamoto called the existing subdivision ordinance "a bad law." He wanted to "control development and stop speculation."<sup>7</sup> County Attorney Yoshito Tanaka in the same year described the situation simply as "a mess."<sup>8</sup>

The ramifications of speculative subdividing on the Big Island went beyond the county, affecting attitudes to development statewide. In fact this sudden rush to subdivide on Hawaii generated part of the momentum for the statewide Land Use Law of 1961. Big Island subdivisions were springing up wherever developers could acquire large parcels cheaply. Usually this was far from established population and employment centers, and the parcels were not necessarily near each other. Puna alone was the size of the entire island of Oahu. The projects were thus dotting remote, huge districts. The Land Use Law's preamble decried "scattered subdivisions with expensive, yet reduced, public services"—exactly what was appearing all over the south and southeast parts of the Big Island.

Once the law was in place, the Land Use Commission it brought into being tried to close a crucial loophole allowing the creation of speculative and urban-type subdivisions on agricultural land. The LUC adopted a rule forbidding the subdivision of land in the agricultural district—where most of the speculative subdivisions were—into lots smaller than five acres, on the argument that even subdivided lots on agricultural land ought to be used for *bona fide* farming, and most viable farms demanded at least five acres.

But the state attorney general ruled the LUC out of bounds. He said agricultural lot sizes were the jurisdiction of the counties.<sup>9</sup> Counties were thus allowed to continue setting minimum sizes in the agricultural district. And Hawaii County was happy to allow lot sizes well under five acres, in fact all the way down to about one-sixth of one acre. (Not till 1969 was a uniform statewide minimum set by the Legislature—one acre.)<sup>10</sup>

Evidence of Hawaii County's real attitude in the early boom years toward controlling or restricting development in general could be seen in a Big Island Planning Commission move in 1962 on the eve of the effective date of the Land Use Law, when on a single day 42 new subdivisions involving 3,500 lots were approved, "in order to beat the [Land Use] law deadline," according to the *Honolulu Star-Bulletin*.<sup>11</sup>

Beyond that, state legislators from the Big Island were active in attempts to actually get rid of the Land Use Law, which had created a step in the construction approval process that many in the business disliked. In 1963, only two years after the law was adopted, a Senate bill for repeal was introduced. Four of the nine introducers were Big Islanders. A second attempt at repeal followed the next year, when the Senate Lands Committee unanimously reported out a bill that would have done away with the Land Use Law. The committee report called it a "barrier to economic development."<sup>12</sup> Three of the committee's eight members were from the Big Island, including the chairman, Kazuhisa Abe.

In short, on the Big Island there was both political muscle and substantial public backing in favor of large-scale, virtually unrestricted development, and this continued to be so for several years.

\* \* \*

How were these Big Island subdivisions promoted and sold? Who were the sales campaigns aimed at? What did the buyers think they were getting? And what did they actually get?

"Along the southern shores of the Big Island, Hawaii, largest of the Hawaiian chain," read a brochure for one typical development, "lies the historic and legendary lands of Kalapana. This is the setting for Royal Gardens, a fertile area directly adjacent to the Hawaii Volcano National Park with its spectacular attractions, yet only walking distance away from lovely beach and shore areas. Royal Gardens lots are all one acre in size, making it possible for the owners to have a small orchard or truck garden, or a magnificent garden, as well as a home and a haven for retirement."<sup>13</sup>

Royal Gardens started selling its one-acre lots in the early 1960s for \$995—only \$100 down and \$15 a month, plus 6% interest on the unpaid balance. The development was widely and heavily promoted, locally and on the mainland. For example, in 1961 a Royal Gardens lot was given away as a prize to ABC-TV's Queen For A Day, plus a trip to visit the place.<sup>14</sup>

This was in the world-famous tropical paradise of Hawaii, now the fiftieth state of the Union, only five hours by commercial jet from the West Coast. The price seemed amazingly low.

At Royal Gardens and elsewhere on the Big Island, people by the thousands, by the scores of thousands, were ready to buy—and even to buy from a distance. A sizable majority, in fact, bought sight unseen: well over half, perhaps as many as two-thirds.<sup>15</sup>

Here there was a loud echo of the classic American story of speculative land development, going back far beyond the Hawaii boom, back to the mainland, back to the original boom in subdivided vacation or retirement house lots—Florida in the 1920s.

The formula as perfected in Florida went like this: acquire cheap raw land with little or no economic use value, even waste land. Subdivide it with little or no site improvement. Promote it heavily nationwide. Advertise in terms that make the house lots sound simultaneously like a place to be enjoyed on vacation, a haven for old age, a prudent investment, and an exciting bit of speculation offering quick return. And sell sight unseen if possible, to first-time buyers if possible—in other words to real estate amateurs.<sup>16</sup>

Florida was worth millions to developers. And from then on, between the 1920s on the mainland and the 1960s on the Big Island, any number of similar developments were floated, especially in states with a high number of sunny days per year.

One characteristic common to many of these subdivisions was that they were located on land that had virtually no productive value, remote, often essentially waste land, sometimes totally unlivable.<sup>17</sup> In Florida, so intense was the speculation—and so frequent the fraud—that a purchaser who had bought a lot through the mail, sight unseen, might arrive to take a first look at his "beachfront" real estate and find that it was even closer to the sea than he

would ever have dreamed possible, actually underwater at high tide.

The Big Island version of a Florida development was a subdivision laid out on volcanic lava.

Royal Gardens was an example of this. It covered part of the old Hawaiian *ahupua'a* of Pulama, which made a kind of boundary from the mountains to the sea between the habitable areas of Puna and the uninhabitable lava fields of Kilauea Volcano.

The land of Royal Gardens was about 40% covered with *a'a*. *A'a* was defined by the US Soil Conservation Service as loose lava rocks, "rough and broken . . . a mass of clinkery, hard, glassy, sharp pieces [of lava] in tumbled heaps." About 20% was *pahoehoe*, solid thick sheets of lava, hard and smooth-surfaced, with "no soil covering," usually "bare of vegetation" except for mosses at lower elevations, and scrub bushes and trees growing in cracks higher up. The remaining 40% was *opihikao*, "extremely rocky muck," with *pahoehoe* underneath. Water was chronically scarce—no streams, just a few widely scattered waterholes.<sup>18</sup>

When a private property system was introduced in the Hawaiian kingdom in mid-nineteenth century, the area became the property of the king. It had no great value because it had no real usefulness. In 1864 1,179 acres of what later became Royal Gardens were sold by the government for \$110.50; and in 1894 the balance of 628 of the future subdivision's 1,807 acres were sold for \$680. Early in the twentieth century a Portuguese rancher put some of the land to extremely limited pasture use. But a trust company officer who later helped administer the rancher's estate said the land had essentially "no value for pasturage . . . I doubt a cow could walk far enough in a day to get enough to eat."<sup>19</sup> In loose *a'a* Hawaiians used to grow sweet potatoes. As well, some kinds of fruit trees, like papaya, and ornamentals like the Hawaiian Christmas berry, could grow. Overall, though, the Soil Conservation Service gave *a'a* the lowest possible soil productivity rating. *Opihikao* contained some organic matter, but the SCS classified it as having "very severe limitations that make [it] unsuitable to cultivation."<sup>20</sup> On *pahoehoe* nothing would grow, except in the cracks, though it was possible to use a bulldozer to rip up *pahoehoe* and then plant it as if it was *a'a*. One thing was certain—there were never "royal gardens" on the land that became Royal Gardens. There never could have been. And in the twentieth century, to have a truck garden or a "magnificent" home garden of the kind the brochures talked about, a lot owner would have to catch his own water, possibly haul in his own soil, and anyway use chemical fertilizer.

All this was so because Royal Gardens was on volcano land, recent lava. A brochure described the development as being "directly adjacent to Hawaii Volcano National Park with its spectacular attractions."<sup>21</sup> Another way of putting this would be to say that Royal Gardens was only 12 miles to the east-southeast of an active volcano, Kilauea.

Kilauea's east rift zone stretched from the volcano's crater to about 30

miles northeastward to Kapoho, passing about a mile-and-a-half from the rear of the Royal Gardens subdivision.

The US Geological Survey in 1974 rated all areas of the Big Island for vulnerability to volcanic hazard. According to the USGS, Kilauea and its rift zones "must be expected to erupt repeatedly in the future," and "all areas downslope from volcanic vents should be considered vulnerable to eventual burial by lava flows."<sup>22</sup> From 1955 the east rift zone had been the source of most of the Big Island's volcanic activity. There were several major eruptions within the zone, sending lava flows downslope toward the sea. In 1960 a lava flow covered much of Kapoho, destroying the village of that name. In 1977 an eruption nearly destroyed the village of Kalapana, about three miles northeast along the coast from Royal Gardens, and at one point it seemed as if Royal Gardens itself might be covered with lava. Then, in 1983, 1984, and 1985, a total of seven lava flows entered Royal Gardens, destroying altogether 22 homes, or about one in three of all residences so far built in the subdivision.<sup>23</sup>

Associated with volcanic activity was earthquake risk. Royal Gardens lay entirely within the Hilina Fault Zone, an area that the USGS said was especially prone to surface ruptures because of land movement within the fault.

Here again there was a repetition of the pattern of large-scale speculative subdivision on the mainland, where often it was natural hazards that made subdivision areas wastelands from an economic standpoint. When the authors of a multi-volume national study of rural speculative subdivisions like those on the Big Island selected 10 mainland projects as case studies, they found that seven out of the 10 "subdivided and allowed building on highly hazardous land—near an earthquake fault, within the 100-year floodplain, and on very steep slopes."<sup>24</sup> This was true for the Big Island. Not just Royal Gardens but a majority of the Big Island's speculative subdivision lots—as many as 60%—lay within USGS "high risk" or "highest risk" zones.<sup>25</sup>

Beginning in 1971 the US Department of Housing and Urban Development refused to insure residential mortgages in the east rift zone and downslope from it, and in most areas at risk from eruptions of Mauna Loa flowing south and west—meaning that 60% of speculative subdivision lots on the Big Island were excluded from coverage.

\* \* \*

Did lot buyers know what they were getting?

Most of them really did not, at least at Royal Gardens, where at the time of purchase, according to a sample survey done for this book, some 72% believed their lot had fertile soil, and 69% did not know their lot was in a zone of serious volcanic hazard.

In the developer's public offering statements (required by state law since

1968), there was no discussion of hazard until sale began in late 1972 of Unit V of the subdivision.<sup>26</sup>

And in none of the Royal Gardens sales brochures on file with the Hawaii County Planning Department and the State Department of Commerce and Consumer Affairs (DCCA) was there any mention of volcanic hazard. In general these were the two government agencies most responsible for regulating development and sale of Royal Gardens and the two with which the buying public would have had the most contact.

There were other omissions as well in the Royal Gardens promotional material:

Lots in the subdivision were being sold with no water lines, no power, and no sewerage. Some roads were county standard, some were not. When the Hawaii County Planning Commission in 1960 granted Royal Gardens preliminary subdivision approval, this condition was imposed: "Subdivider shall notify buyers of land in this subdivision about the use of oil-treated surface for roads [these were sub-standard roads that the County would allow to be built but not permit to be turned over to the County for maintenance at public expense] and the present lack of water and sewer systems and the lack of electrical power. All advertising shall call attention to the above-mentioned modification of standards and the lack of facilities."<sup>27</sup>

Although public offering statements in general noted these deficiencies, no advertisement for Royal Gardens on file with the Big Island Planning Department or DCCA pointed them out.

Royal Gardens was not alone in such matters. More than once during the boom years, Big Island subdivisions which advertised nationwide were banned for sale in California, either because they were not registered there as required by California state law or because their sales brochures were found to be deceptive, suggesting that the developments had government-standard roads and other improvements when in fact they did not.<sup>28</sup>

Yet the Big Island subdivisions kept on advertising and kept on selling without county-standard roads, water, or utilities, or even easy access to beaches. Though the Royal Gardens brochures talked about being "only walking distance away from lovely beach and shore areas,"<sup>29</sup> in fact the average Royal Gardens lot was one or two miles from the sea, usually along hot, dusty roads, and a six-mile drive from the nearest sand beach at Kalapana. A Bishop Museum study done in 1959, just as the Big Island subdivision boom was getting under way, described the coast nearest to Royal Gardens as a "shoreline of low, black, lava cliffs, battered continuously by windward waves . . . This coast bears witness to the great volcanic forces underlaying it through numerous earthquake-opened fissures, and to the violence of tidal waves through huge blocks of lava which have been ripped from the ocean cliffs and hurled inland."<sup>30</sup>

To those with some sophistication in real estate, the overall effect was strange, almost hallucinatory. As financial columnist Sylvia Porter wrote

after touring several subdivisions in 1961: "I spent a day destroying a pair of shoes walking over these lava 'developments,' taking pictures to remind myself that they had no irrigation, no roads, no essential utilities, no beaches, no buildings—nothing except lava."<sup>31</sup>

If there was some distance between Royal Gardens and the beach, and some distance between the advertising brochures and reality, there was also some distance between what Royal Gardens was supposed to do under county law and what the developers actually did.

For example, lots were sold in the second increment for three years without county permission. The County Planning Department staff wrote in 1966 that "the subdivider sold lots to individuals within Unit II of Royal Gardens Subdivision which was declared null and void by the Commission in October, 1963, and any sale transaction within this unit is considered illegal."<sup>32</sup> In other ways there were indications that the emphasis was so strictly on mass selling of purely investment or speculative real estate that rational quality control procedures were not initially adopted:

After the experience of the first few years of the boom, subdividers were required to post a performance bond on their promise to build site improvements. Usually these improvements were nothing more than roads, and substandard at that. But even so, in the case of Royal Gardens, the County for years was prepared to accept a letter of credit from an affiliate of the subdivider, rather than requiring an actual bond from an unaffiliated company.

This practice was not halted until 1973, following a memo from the County Department of Public Works: "Letters of credit should generally not be accepted in lieu of a performance bond because the future worth of the letter of credit is tied directly to the applicant's financial stability. In order to avoid such problems, we recommend that performance bonds insured by a financial institution not connected with the applicant be required."<sup>33</sup>

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With all this as background, what was the connection on the Big Island between speculative subdividing and politics?

The public record shows that if a large number of Big Island families were buying lots, their political leaders were heavily involved in creating those lots for sale.

Most of the island's most influential legislators of the 1960s and 1970s were involved with companies doing speculative subdivisions, as partners, corporate officers, shareholders or attorneys.

Included were Democrats Kazuhisa Abe, who became Senate president and later an associate supreme court justice, who as a corporate officer helped direct the creation of Orchid Land Estates and Vacationland Hawaii; Nelson K. Doi, also a Senate president who later became a circuit court

judge and then lieutenant governor, who served as the attorney for Glenwood Subdivision and for Kalapana Corporation, which bought and sold land that later became Kalapana Vacation Lots; and Jack K. Suwa, who for much of the 1970s chaired the powerful House Finance Committee, and who was a shareholder in Kalapana Corporation, also a limited partner in Vacationland Associates, the developer of Vacationland Hawaii.

Other Democratic politicians involved were former senator William J. Nobriga as the developer of Aloha Estates; Stanley I. Hara, a Democratic representative and later a senator, who as a corporate officer and partner was involved with Orchid Land Estates and Vacationland Hawaii; and Robert M. Yamada, Democratic member of the Board of Supervisors, County Council, and Planning Commission, who in 1958 sold the 12,000 acres that became the first such subdivision, and who as a developer or road building contractor took part in the creation of a 413-lot project near Kalapana Beach, of Eden Roc, Hawaiian Ocean View Estates, and of a subdivision called Hawaiian Parks, Beaches and Shores.

Another prominent member of the Big Island Democratic establishment, though not a politician, who was a partner in Vacationland Associates and a shareholder in Kalapana Corp., was Yoshio Yanagawa. From 1960 through 1966 he worked for county and state urban renewal and housing agencies, and in 1966 was appointed executive director of the state's Hawaii Housing Authority.

One Big Island Republican involved was Sen. William H. Hill's protege, Richard Henderson, as a director of a company developing Kapoho Beach Lots. (Henderson became a senator himself in 1970.)

Henderson also was president of The Realty Investment Co. Ltd., which in 1969 petitioned the Land Use Commission for the redistricting to urban of 428 acres of what ultimately was to be a 6,000-acre resort-residential complex in the Kapoho area of Puna. Bishop Estate trustee and former Republican senator Richard J. Lyman Jr. was president of the Kapoho Land & Development Co. which owned the land involved in the petition.

The LUC staff believed the project to be essentially one more Puna land sale scheme, and wrote in recommending denial: "Approval of this petition would contribute to the already scattered residential developments which are so evident in the Puna District and would therefore be contrary to the intents and purposes of the Land Use Law."<sup>34</sup> (This LUC application was surely one of the most extreme ever filed. The petitioners' planning consultant wrote that the project's "major tourist attractions include . . . the 1960 lava cone and surrounding lava field providing visitors with an opportunity to experience the awesome forces of nature."<sup>35</sup> Indeed. The project would sit directly on top of an active volcanic rift zone. About half of the total project area had been inundated by eruptions in 1955 and 1960. More eruptions were almost certain to come, making it likely that residents would experience the awesome forces of nature at very close quarters, for instance

in their front yard. The application was supported by the Big Island Planning Commission and the island's two Land Use Commission members. It was turned down.)

Political figures from Oahu also invested in Big Island speculative subdivisions. Republican US Sen. Hiram L. Fong's Finance Realty Co. was the developer of Fern Forest Vacation Estates and Royal Hawaiian Estates. Democratic State Rep. Robert C. Oshiro (later a leading campaign coordinator for Gov. Burns and a confidant of Gov. Ariyoshi) was one of the attorneys for Kalapana Corporation. Republican legislator Ralph K. Ajifu, first chairman of the Land Use Commission, invested in Milolii Syndicate.

Kauai Republican politician Clinton Shiraishi also invested in Milolii Syndicate.

As for the company that developed Royal Gardens, the following table (Table 16) shows that investors included several state legislators, among them future Gov. George Ariyoshi, who obtained his partnership share in trade for drafting the partnership registration statement. Another investor was the wife of an associate justice of the Hawaii Supreme Court. The parents of County Supervisor Herbert T. Matayoshi, who later became the island's mayor, invested, as did university agricultural extension agent Yukio Kitagawa, who later became deputy director of the State Department of Agriculture and chairman of the Honolulu Planning Commission. The attorneys who represented Royal Gardens before county agencies included the law firm of State Sen. John T. Ushijima and an attorney who was simultane-

TABLE 16

PUBLIC OFFICIALS, PUBLIC EMPLOYEES AND FAMILY MEMBERS  
INVOLVED WITH ROYAL GARDENS AS INVESTORS, ATTORNEYS,  
CONSULTANTS

Note: Governmental position is as of the time of the work on behalf of Royal Gardens or during the period that the investment was held.

ARIYOSHI, GEORGE R. State senator, lieutenant governor. Attorney who drafted partnership registration statement in part for share as limited partner.

HIROTA, SAM O. Former deputy director State Dept. of Transportation. Engineering consultant.

INABA, ALBERT Y. Principal Molokai High and Intermediate School. Limited partner.

INABA, YOSHIO. Former Hawaii County chief engineer. Engineering consultant.

ISHIMOTO, ARTHUR U. Hawaii National Guard staff supervisor, later state adjutant general. Limited partner.

KITAGAWA, YUKIO. Assistant extension agent, University of Hawaii Agricultural Extension Service. Limited partner.

KUSHI, MASANORI. District court magistrate. Attorney.

MATAYOSHI, MIDORI and ZENKO. Parents of County supervisor and then councilman Herbert T. Matayoshi. Limited partners.

MIZUHA, MRS. JACK H. Wife of Supreme Court justice. Limited partner.

NAKASHIMA, SUMIO. Former Territorial representative, district court magistrate. Limited partner, attorney.

USHIJIMA, JOHN T. State senator. Law firm represented company before Hawaii County government.

Sources: Hawaii County Planning Department files on Royal Gardens; Gwenfreed E. Allen, ed., *Men and Women of Hawaii: A Biographical Directory of Noteworthy Men and Women of Hawaii* (Honolulu, 1966); Betty F. Buker, ed., *Men and Women of Hawaii 1972: A Biographical Directory of Noteworthy Men and Women of Hawaii* (Honolulu, 1972); Department of Commerce and Consumer Affairs, Business Registration Division; State of Hawaii, Legislative Reference Bureau, *Directory of State, County and Federal Officials: Supplement to Guide to Government in Hawaii* (published occasionally, most recently annually); Chamber of Commerce of Hawaii, *Who's Who in Government State of Hawaii* (various years); Hawaii State Archives; miscellaneous references in newspapers and periodicals.

ously a part-time judge. Engineering consultants included the former chief of the Hawaii County Department of Public Works, and a former deputy director of the State Department of Transportation.

As mentioned, lava flows entered Royal Gardens beginning in 1983 and destroyed 22 homes. With this in mind, it is ironic to note that among those who invested in Royal Gardens in the 1960s were several people connected directly or indirectly, then or later, with government response to natural disasters such as volcanic eruptions.

Investor Arthur Ishimoto was in 1983 state director of civil defense. Engineering consultant Yoshio Inaba had approved Royal Gardens creation as county engineer. As county engineer he also had some responsibility for Big Island civil defense plans and operations. One of Royal Gardens' lawyers, George Ariyoshi, was the state's chief executive when the volcano erupted. The son of two other investors, the Matayoshis, was the Big Island's chief executive in 1983. Thus, in a small way, these people in the early 1960s helped to bring into existence a subdivision in a US Geological Survey high-risk zone that was repeatedly hit by lava beginning in 1983, requiring repeated evacuations and continual civil defense help. This is not to say that these people acted cynically in putting their money into or working on Royal Gardens—it was just that back at the start of the Big Island boom most of those involved, all the way from individual investors to the government bodies that approved such subdivisions, had their eye on real estate profits rather than natural hazards.

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Besides natural hazards, also ignored in at least one Big Island speculative subdivision were native Hawaiians:

Developer Norman Inaba had a project in South Kona called Milolii Beach Lots Subdivision, for which Sen. George Ariyoshi prepared the partnership papers as he had for Royal Gardens. As with Royal Gardens, Ariyoshi took as his fee a limited partnership interest worth \$1,000.

Abutting the subdivision on the north was a lava flow that in 1926 wiped out the Hawaiian fishing village of Hoopuloa. The residents of the village who chose to remain in the immediate area moved into another tiny village, on territorial government land a little to the south.

This village was called Milolii. It still existed in the 1980s, home to 60–70 people, mostly Hawaiian and part-Hawaiian. It was the only such fishing village left in the Hawaiian Islands.

From the 1926 destruction of Hoopuloa until 1982 there were ongoing efforts to give the residents of Milolii some kind of secure land tenure, in recognition of the uniqueness of their community. Finally in 1982 the Legislature passed a law which the governor signed, creating a subdivision with long-term leases available for the residents.

Norman Inaba in 1960 bought from Onomea Ranch Ltd. 423 acres between Milolii Village and the 1926 lava flow. Remote from existing population and employment centers, very hot, with little rainfall, almost totally covered in lava, with virtually no soil, and down about 1,200 feet in elevation from the government access road, the land was nearly worthless as far as Onomea was concerned. Inaba thus had to pay only about \$137,000. He then cut it up into about 1,000 lots, provided virtually no site improvements, and sold at prices which research for this book suggests brought a gross return of some \$3.5 million.

When Inaba started out he announced that Milolii was to be an “exclusive subdivision for retired military officers.”<sup>36</sup> In the first four months on the market some 30% of the lots were sold, most of them presumably to active duty officers, since a community association formed shortly thereafter was headed entirely by active duty officers. (The association secretary-treasurer was Gen. Robert Lee Scott, author of *God Is My Co-Pilot*.)<sup>37</sup>

In his early public statements Inaba also said there would eventually be a beach club and a 60-acre park.<sup>38</sup>

As with the Royal Gardens sales brochures, which said the subdivision was “only walking distance away from [a] lovely beach,” there was a problem with the beach at Milolii. Despite the subdivision’s name there was no real beach, only a gravelly shoreline area directly in front of the Hawaiian fishing village, which also had the only good boat launching place in the area.

Inaba’s 1,000-lot subdivision had in the mid-1980s only a 2% buildout rate—15–20 houses, several of which looked like weekend homes.<sup>39</sup> The military retirement community never materialized. Nor did the beach club. Nor did the park. In an exceedingly hot and dry area, with non-county standard roads, no phone service nor electricity, and with the need during much of the year of having to haul potable water, not to mention oneself,

down a steepish mountain side to a lava homesite, there seemed little likelihood of many people ever living there.

How could a reasonable balance sheet be drawn up between Inaba’s development at Milolii and the Hawaiian village?

On the one hand, had Inaba’s promises materialized—1,000 house lots occupied by retired military people abutting 60–70 Hawaiians—the subdivision could well have obliterated the last Hawaiian village of its kind, meaning that this kind of life would have become extinct.

On the other hand, all the subdivision ever amounted to was a set of streets laid out in perfect grid patterns on a baking lava field and a sales strategy that yielded the developer a gross profit in the millions of dollars.

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In the rush to subdivide places like Milolii, it was not only the interests of native Hawaiians that were ignored but also the spirit of the State Land Use Law of 1961.

The law specifically attacked the Milolii kind of subdivision. Yet the attorney who prepared the subdivision’s partnership registration papers, in payment for which he received a *hui* share, was George Ariyoshi, a state senator who had voted in favor of the law. One of the *hui*’s limited partners, Ralph K. Ajifu, had before investing served for a year as the first chairman of the Land Use Commission. In an interview for this book Ajifu said he believed then and now that Milolii was a proper place for a residential subdivision and its existence was not contrary to the Land Use Law, because the land had no agricultural value nor any viable economic use other than to be subdivided.

\* \* \*

Norman Inaba, who brought Milolii Beach Lots Subdivision and Royal Gardens into existence, was among the biggest of Hawaii County’s developers. In 1964 the *Honolulu Star-Bulletin* described him as “the Big Island’s most diversified if not biggest subdivider with nine developments around the island covering some 7,000 acres.”<sup>40</sup>

Just as on other islands where strong family/business/political interconnections grew up in the Democratic years, so on the Big Island Norman Inaba and his immediate family interlocked with the Democratic leadership, and with investors from outside the mainstream Democratic ranks as well.

Inaba, for example, was a limited partner in the Kona Highlands Development Co., registered with the state in 1968 to undertake a 250-lot project in Kalaoa, Kona. Unlike most Puna-Ka’u-South Kona subdivisions, this one had county standard roads and conventional utilities. Partners with government positions held at various times during the life of the venture were:

Sen. John T. Ushijima; former Supervisor Richard M. Jitchaku, who was also an aide to Ushijima; the chief of the State Department of Taxation for the Big Island, Sanford Y. Yanagi; Honolulu Police Commissioner William C. H. Chung, whose brother was the chief fundraiser for Honolulu Mayor Frank F. Fasi; the number two man in the county corporation counsel office, George S. Yuda; and District Court Magistrate Roy K. Nakamoto.

Inaba also invested in real estate through his Great Hawaiian Realty with Republican Richard Henderson's Realty Investment Co., to form Leilani Estates Inc.

Inaba's family was deeply involved in government. One brother, Yoshio, was chief of the Hawaii County Department of Public Works 1953–1963. Goro, another brother, was Kona District representative on the State Land Use Commission 1963–1973. A third brother, Minoru, an educator for much of his adult life, served in the State House 1969–1972, then again 1975–1980. A fourth brother, Albert, was a public school principal, and a civic and political leader on Molokai for nearly 30 years.

At times the brothers worked together. After Yoshio, the engineer, retired from government, he did consultancy work for Norman. Minoru, after retiring from the Department of Education but while he was in the Legislature, worked for one of Norman's development company affiliates. Albert, the public school principal, invested in the Royal Gardens *hui*. Land Use Commissioner Goro was once sold a lot in Milolii at a low price—\$500—when buyers of comparable lots were paying several thousand.

At times the Inabas' public and private activities overlapped. Yoshio twice 1959–1960 was found to be in conflict-of-interest situations for drawing up subdivision plans as a private engineer that he then approved as county engineer. Goro three times as a land use commissioner, once in 1969 and twice in 1971, voted to approve redistricting applications in which Yoshio was involved as a private engineer. In one case Goro made a disclosure of interest, in the other two he did not. (In all probability Goro's votes did not violate the state ethics law. In general to be in conflict a commissioner had to vote on matters directly affecting his or her own financial interests, or those of a spouse or dependent child.)

The Inaba family, from about the time of statehood, had a close working relationship with George Ariyoshi, a rising Democratic politician, a legislator 1955–1970, and thereafter lieutenant governor and a three-term governor. Ariyoshi in 1960 represented Norman Inaba before the State Board of Agriculture and Forestry on a forest reserve matter in connection with Inaba's Hilolani Acres (now Kaumana City). In 1963–1964, as mentioned, Ariyoshi drafted for Norman the partnership registration statements for Royal Gardens and Milolii Syndicate. Norman's son Rodney worked for Ariyoshi in the Legislature 1966–1967, first as a committee clerk and then as a research assistant. About this time Ariyoshi's law firm handled for Rodney the registration of Great Hawaiian Realty Inc. with the State Department of

Regulatory Agencies. In 1969 Ariyoshi was the attorney for the construction of the Waikiki Gateway Hotel, one of whose developers was Rodney Inaba. In 1981 Norman Inaba on behalf of Milolii Syndicate contributed \$500 to Ariyoshi's re-election campaign.

Norman Inaba was thus solidly part of Hawaii's power structure in the Democratic years. He was known and trusted, someone to be accommodated. His dealings with government were normally smooth. For example, when in 1972 he filed a subdivision registration statement for an increment of Royal Gardens, a mid-level official in the State Department of Regulatory Agencies wrote in an intra-office memo: "Norman Inaba has done a good job of filing papers and gave us no problem all these years. This new increment is like the previous ones. (I haven't seen any documents, but they should be in order.) They just filed yesterday. But can you give a fast look. Let's try to accommodate them. Let's give them the approval as of today."<sup>41</sup>

\* \* \*

Without question there was money for Big Island developers in speculative subdivisions.

Norman Inaba's Royal Gardens was 1,807 acres, bought in 1961 from Bishop Trust Co. for \$200,000, as determined from the tax he paid at the time of conveyance. In a prospectus Inaba gave to potential *hui* investors in 1961, he estimated that total costs to subdivide and sell would be \$940,000.<sup>42</sup> Of the approximately 1,500 lots, 90% were sold by the mid-1980s, according to a realtor associated with the project. The realtor also said that prices ranged from \$1,000 in the early 1960s to \$16,000 in the late 1970s and early 1980s. He believed that an average price was probably \$12,000, meaning a gross return of something like \$16.2 million. Inaba's net was never made public, though presumably it was substantial, since there were so few site improvement costs.

As mentioned, land for the Milolii Beach Lots Subdivision cost Inaba about \$137,000 in 1960. Most of the 1,000 lots, only minimally developed, were sold by the end of the 1960s, for a gross return of an estimated \$3.5 million.

As for buyers of individual lots, probably the great majority showed a paper gain. On the Big Island most first buyers were able to resell if they wanted to, by contrast with some speculative subdivisions on the mainland where first buyers got stuck. On the other hand, in later years the rate of appreciation was less (in some cases considerably less) than the rate on properties with an immediate and actual use value as well as just an investment or speculative value—for example a house and lot in Oahu's Manoa Valley.

But if there was price appreciation, as there was on residential property throughout Hawaii, still, in the matter of actual construction on individual lots, a strange picture emerged:

In 1975, after the subdividing boom had come and gone, 97.5% of all lots in Puna in subdivisions of 100 or more lots were still vacant. By the end of 1983, a quarter-century after the start of the boom, no more than about 5% of lots held residences.<sup>43</sup>

So whatever the Big Island boom was about, it really was not about actually providing homes.

It was not even about developing subdivisions fully. After all those years, many subdivisions still did not have adequate roads and functioning utilities.

Perhaps, in an ironic sense, it was best that the subdivisions never did fill up beyond radically low levels, because what would have happened if they became even so much as 25% full in, say, 30 years? What would the costs have been to the county and the state governments to provide normal public services to these home owners, living so far from existing population centers and not even close to each other?

So appalling was this fiscal prospect that consultants to the Land Use Commission wrote in 1963 that "when the provision and maintenance of public facilities and services are requested and demanded by property owners in these subdivisions . . . both the solvency of the investment and the government are threatened."<sup>44</sup>

This view was supported by University of Hawaii Land Study Bureau researchers, who wrote two years later: "The people of the county can only hope that these and subsequent developments in the area do not have sufficient construction activity to necessitate the provision of normal urban services, for the costs of their installation and operation would be a fantastic burden for the county to assume."<sup>45</sup>

In the late 1960s Big Island Planning Director Raymond Suefuji said that it would actually be cheaper for the County to buy up all those scores of thousands of vacant lots to forestall any more house-building than it would be to face the financial disaster of having to service a significant percentage of them some day.<sup>46</sup>

\* \* \*

For nine years, 1958–1966, Hawaii County routinely approved speculative subdivisions. And development of subdivisions approved during that period continued into the 1970s. Reform was a long, hard-fought process. It took a rising tide of alarm over how to finance services if people should ever come in large numbers to live on their lots; a threat from the County Planning Commission to void a large subdivision because the developer for years had refused to meet his road-building schedule; weeds growing in many roads because maintenance arrangements did not function; embarrassment over sales injunctions issued in California; and a federal land fraud prosecution involving the owners of one Big Island project.<sup>47</sup> It was

principally the efforts of then-County Planning Director Suefuji in rewriting the county subdivision ordinance that choked off the creation of new speculative developments.

The new ordinance shifted approval of subdivisions away from the County Planning and Traffic Commission to the Planning Director. Where it had been a simple matter for the Commission to grant variances from the road paving requirements, it was now made mandatory for the director to require paving, and it was made very difficult for the commission to override him. Where water lines had not been required if a subdivision was more than 1,500 feet from a county line, now water lines were mandatory wherever the subdivision might be. The director enforced this provision, and here again variances were made extremely difficult. The new ordinance also forced subdivisions to conform to county zoning and the county general plan. If county land use maps did not show a certain area for residential use, then a residential-type subdivision there would be disallowed.

Suefuji's ordinance was eventually adopted by the County Board of Supervisors in December 1966.<sup>48</sup>

The era of ever-expanding Big Island speculative subdivisions, with substandard roads, without water or electricity, below a volcano, in the middle of a lava field, without houses, had come to an end.

\* \* \*

In the mid-1980s, those boom-time subdivisions were a kind of spectacle the Big Island possessed, along with active volcanic craters, snowcapped volcanic peaks, papaya trees growing in lava, and the simple vastness of the island compared to the rest of the state. If they wanted to, tourists on their way from Hilo to Volcano National Park could wander along rutted roads laid out in perfect grid patterns regardless of the landscape, looking at dilapidated street signs in semi-wilderness, aware of the strangeness of being in a lava field, and seeing, every once in a great while, a house.

The few tourists who actually did venture into a Puna subdivision, particularly those farthest from the county seat of Hilo, might also encounter something else: a close, sometimes hostile scrutiny from people living there.

Beginning in the mid-1970s and continuing into the 1980s, many Big Island speculative subdivisions came to have as their major economic use something no one could have foreseen at the time of their creation: the criminal activity of growing marijuana.

Marijuana being an illegal crop, its total value never turned up in the state's economic data book. Still, by all sorts of accounts, it had come to be very big business in Puna and other districts of the Big Island, as in the state at large. Most estimates of the early 1980s ranked marijuana as the Islands' third largest revenue producer, behind only tourism and military spending—but as big

as sugar and pineapple combined. *Newsweek* in October 1982 wrote that the Hawaii marijuana business "by most estimates . . . now tops half a billion dollars annually." In 1982 sugar was worth \$352 million and pineapple \$206 million. In October 1984 the state attorney general estimated that the annual marijuana crop value was \$3 billion, about the highest estimate so far. If accurate this would probably make marijuana Hawaii's number two industry in annual revenues.<sup>49</sup>

The Big Island, with all those remote places for growers to hide their operations, was the state's marijuana capital. Extrapolating from the amount of marijuana seized by law enforcement officers county by county, in 1982–1983 the Big Island accounted for about two-thirds of the state's crop. Moreover, by one reliable estimate, marijuana by the early 1980s had become the Big Island's single largest industry. *Hawaii Business* in 1982 estimated the value of the Big Island's 1981 crop at \$300–\$500 million, as against revenues for Big Island tourism in 1981 of \$180 million and \$160 million for lawful agriculture.<sup>50</sup>

If the Big Island was Hawaii's marijuana headquarters, then the speculative subdivisions of Puna were the center of the center. Extrapolating from Big Island police estimates on the percentage of the Big Island crop grown in Puna, and from amounts of marijuana seized county by county, Puna in 1982–1983 accounted for about 40% of the total state crop.<sup>51</sup> According to police most of this was grown by people living in the subdivisions.

The creation of speculative Puna subdivisions required dirt-cheap land in large parcels, to attract amateur first-time buyers on a mass scale. This in turn meant the subdivisions were relatively cheap residential areas to move to, a fact of importance to prospective marijuana growers who were often young mainlanders with relatively little capital. In fact, moving in might even be free. So little did the average Puna absentee owner care about his lot, aside from its appreciation value, that there were occasional squatters—people who just appeared on a lot and lived there without benefit of the law.

As noted, speculative subdivisions commonly existed only in places far from other people and jobs, on land usually valueless for other purposes, waste land or even hazardous. In other words, places where ordinary people would not really want to live and where indeed few built homes.

All this was desirable to marijuana growers. They needed to be as nearly invisible as possible, they liked to have very few other people in the vicinity, and they needed to know by sight everyone else who had business being in a certain place. And they liked to be able to shift around if they had to. Puna had the remote spaces for this. With an area as big as Oahu, Puna in 1980 had a population only 1.5% of Oahu's.

Although beginning in the late 1970s there was police pressure on marijuana growers, mostly in the form of crop seizures but with occasional arrests, the main response into the mid-1980s was simply to move the principal cultivation areas away from growers' dwellings and deeper into Puna's empty spaces:

In 1978 a Big Island realtor placed a general advertisement in a drug culture magazine called *High Times*. Noting that two and three-acre lots in Puna could be had for as low as \$1,500, the advertisement said: "Yes, Hawaii's Gold Rush is not only in its smoke, but also in its land. On the Big Island [Hawaii], which has gained international fame for its sacred herbs, fantastic land values are still available, but for how long?" "Think," the ad prodded, "what land prices will do when legalization occurs."

With the discreet buyer in mind, the ad also said that sellers would finance "with no questions asked," and there would be "total confidentiality on your purchase."<sup>52</sup>

Among the consequences of the ad were telephoned death threats to the realtor. In an interview for this book, he said he assumed the calls came from marijuana growers who did not want more people in Puna.