

Favoritism is charged at state industrial park

□ Two say directors of Sand Island group aren't dealing fairly

By Ian Y. Lind
Star-Bulletin

Competition for space in a new state-sponsored industrial park on Sand Island has ignited charges of political favoritism and insider-dealing.

At least two small business owners say directors of the Sand Island Business Association have grabbed benefits for themselves rather than for the association's 111 members.

Association members, led by a 10-member board of directors, and their

related companies have contributed more than \$500,000 to political campaigns since 1987 while lobbying for the project. The association came up with the idea and promoted necessary legislation, and is now managing the \$20 million redevelopment of the Sand Island Industrial Park.

Association President Walter Arakaki dismisses the complaints.

"We've been nit-picked from here and there by people who don't get things their way. Then they always try to attack the people that's there, like a policeman being attacked because he's trying to enforce the law. Same principle."

A federal lawsuit last month charges
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Sand Island political donations

Campaign contributions by the Sand Island Business Association and related businesses since 1987.



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that key officers and directors of the association are attempting to illegally increase their holdings of the valuable land. The suit was filed on behalf of Al Griffin, owner of Thrifty Builders, who has had a lease on Sand Island since 1988.

The suit alleges that Griffin's business is being displaced to give an additional acre to Honolulu Disposal Service, headed by Clyde Kaneshiro, one of the directors. Kaneshiro could not be reached for comment.

Earlier this year, an attorney for Greg Wongham, another former Sand Island tenant, asked the state to investigate whether "one or more of SIBA's directors and/or their close friends have continued to accumulate more lots and land area for themselves, directly or indirectly."

New tenants are supposed to be selected from a waiting list of more than 160 companies that signed up before 1990.

Although the state is requiring tenants to pay for improvements, including new roads, sewers and underground utilities, a variety of state subsidies worth tens of millions of dollars makes the project attractive.

For example, the state agreed to heavily discounted lease rents for the first 25 years of the 55-year master lease, providing more than \$13 million in savings during the first five years alone.

The Legislature allotted more than \$6 million to upgrade Sand Island Access Road and authorized the state to issue \$25 million in tax-exempt bonds so that the Sand Island Business Association can repay construction costs at lower interest rates.

Board of Land and Natural Resources Chairman Keith Ahue told legislators earlier this year that the association was being offered too much state aid. Ahue told legislators that the agency had already taken the construction costs into account, resulting in the "very favorable lease rent."

"We do not believe it would be appropriate for any private entity to benefit from favorable lease rents and the low-interest rates that this bond issue would allow," he testified.

Earlier, during an April 1992 meeting, Land Board member T.C. Yim also said the state might

be giving the Sand Island group too much. "What they're receiving is very, very generous," Yim said.

The association is in charge of transferring tenants from the previous month-to-month revocable permits to new, long-term leases. It also will select new tenants to fill vacancies. This is the first time that the state has given up such day-to-day control of state property.

Yim said, "It's not a third-party group watching the activities of you know that SIBA is calling a spade a spade and not covering up anything?"

Edgar Hamasu, executive director of the Sand Island Business Association and former deputy director of the Department of Land and Natural Resources, said construction of improvements requires moving most tenants and redrawing many boundaries. These changes are allowed by the master lease from the state, Hamasu said.

"There are going to be some winners and some losers," acknowledged Dean Uchida, supervising land agent for the Department of Land and Natural Resources.

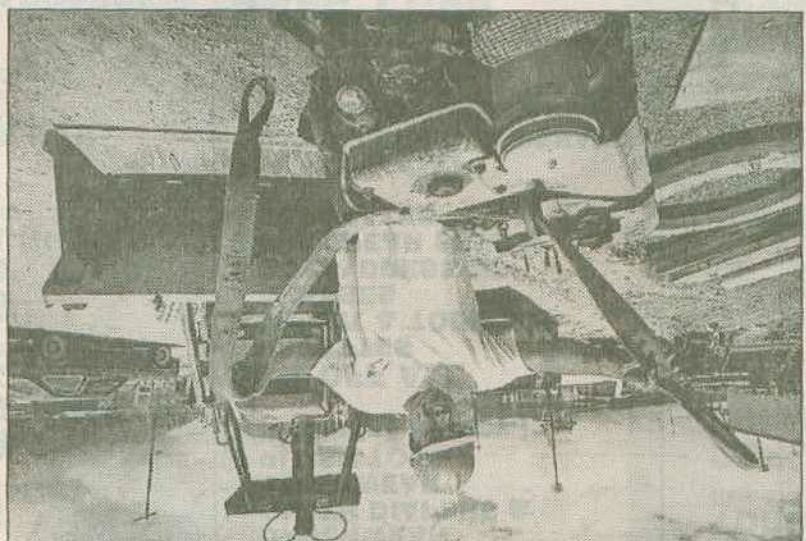
Unofficial figures made available to the Star-Bulletin by Wongham allege that all of the five biggest winners in the realignment, and six of the top 10, are association directors or former directors.

According to the data, Honolulu Disposal will increase the size of its lot from 51,599 square feet to more than 96,000 square feet. Arakaki confirmed that the size of his lot will triple, increasing to nearly 33,000 feet.

Harold Kaneshiro, another director, will gain more than 20,000

Jay Perkins, a heavy equipment operator with Koga Engineering, is one of the many people working along busy Sand Island Access Road.

By Dean Senau, Star-Bulletin



feet for his company, Imperial Trucking. Kaneshiro said Sand Island Business Association allowed his lot to expand after plans for a Hawaiian Telephone substation were dropped.

Hamasu said the list of top winners had "some major discrepancies," but repeatedly declined to provide specifics.

Wongham also believes that as- sociation management decisions have favored board members like Arakaki. Wongham said other tenants are also unhappy, but that they are afraid their new leases will be in jeopardy if they make any public comments.

Wongham's business, Hawaiian Oil Products, operated from a building on Sand Island leased by his business partner. After a dispute arose between them, Sand Island Business Association determined that Wongham had no legal claim to any portion of the lease because the state's permit had been issued in the name of the other business.

But Wongham said Arakaki has been allowed to operate on Sand Island using the permit issued to another company, Beneficial Builders.

The Land Board revoked Arakaki's permit for that lot in 1986 after an inspection found that Beneficial Builders was illegally operating there. The permit was then reissued to Beneficial over Arakaki's objections.

Uchida said Beneficial Builders is still the only company with a valid permit to do business there, but the company's contractor's license expired in 1988. State records now list the company as "inactive," and another Arakaki-owned roofing company operates at that Sand Island loca-