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BUSINESS

Posted on: Wednesday, August 26, 2009

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Big Isle project files for bankruptcy

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By Andrew Gomes Advertiser Staff Writer

A development company involving former Gov. John Waihee that sought to sell luxury residential lots as coffee farm estates on the Big Island has filed for bankruptcy.

Sunra Coffee LLC sought Chapter 11 protection last week listing assets and debts both in the range of \$10 million to \$50 million.

The company led by Japan-based economist and businessman Toshio Masuda had been working for about seven years to develop 220 acres of agricultural land near Kailua, Kona, into a 40-lot subdivision called Royal Hualalai Gardens.

Waihee is a minority partner in the company along with local businessman Michael Nekoba. Mariko Ejiri is another partner in Sunra and is the wife of Masuda, an author and media commentator in Japan who also sold Hawai'i real estate in the 1990s.

Don Gelber, a local bankruptcy attorney representing Sunra, said the company was beset by long delays in obtaining government approvals that resulted in development loans coming due before lot sales could be completed.


Gelber said three initial lot sales were pending when project lender Hawaii National Bank filed a foreclosure suit in December. The suit prompted buyers to cancel, and now Sunra has derailed the foreclosure by filing for bankruptcy.




Sunra Coffee LLC luxury buyer subdivision

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"It required the company seek Chapter 11 protection so as to preserve the project for future sales efforts," Gelber said.

Gelber said that while Sunra is in bankruptcy it will try to either sell the entire project to a single buyer or resume lot sales in an effort to pay its debts.

The company owes Hawaii National close to \$10 million under two mortgages secured by the property, according to Gelber. The bank declined to comment on its lawsuit.

Sunra's filing also indicated it owes unsecured creditors about \$720,000, of which the largest debt is \$250,420 owed to Honolulu-based Takano Nakamura Landscaping Inc.

Other unsecured creditors include Hawai'i County, which is owed about \$89,000 for property taxes, and a Jamaica-based coffee plantation management firm owed about \$60,000.

Sunra's main asset is its Big Island property, but the company also owns a 138-acre coffee farm in Jamaica.

Sunra acquired the Big Island property in 2002 for \$7.8 million with intent to develop an agricultural subdivision — a strategy pursued by many developers during the booming housing market by selling home sites on land

zoned for agriculture.

Such projects avoid the costly, lengthy and sometimes unsuccessful process of rezoning land for residential use, but are controversial because they exploit a loophole in state law permitting one or two "farm dwellings" on lots as small as 2 acres if they are accessories to a primary agricultural operation.

Sunra's Royal Hualalai Gardens, previously known as Royal Kamehameha Gardens, was divided into 40 mostly 5-acre lots, some of which were priced at \$750,000.

Gelber said the developer invested \$29 million to buy the land and add roads, underground utilities, landscaping, coffee trees, a 3,400-square-foot model home and other improvements.



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The gated project listed for sale by Island Land Co. tried to lure buyers by touting an opportunity to create a "private 'Gentleman's' Kona Coffee farm estate."

Hawai'i County granted final subdivision approval for the project in May 2008, just about when the Hawaii National loan came due. After an extension, the lender filed its foreclosure suit.

Reach Andrew Gomes at agomes@honoluluadvertiser.com.

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herbfarmer wrote:

like dominos falling big island projects are cancelled or bankrupt. no jobs just hard times ahead.

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bigmacattack wrote:

"...controversial because they exploit a loophole in state law permitting one or two "farm dwellings" on lots as small as 2 acres if they are accessories to a primary agricultural operation."

This isn't really a loophole, but what is questionable is how an estate with some old money bags sipping his scotch and reading the WSJ has anything to do with a "primary" ag operation apparently created by planting a couple ill-adapted coffee trees (to keep the view, of course). Anyone up for some skeet shooting?

08/26/2009 1:43:18 a.m.

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