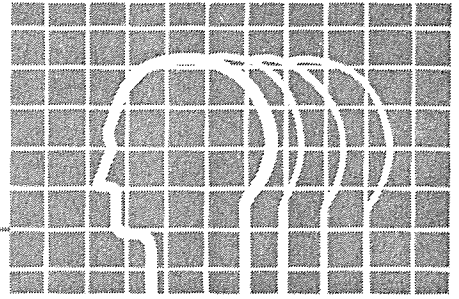


# PEOPLE PROFILE



## Developer Abe Lee: Sharing the Rules of the Game

by Diana Lomont, Staff Writer

Some people might call Abe Lee a minor miracle-worker, seeing him turn a slum into an attractive dwelling and selling it below market.

For Lee, though, it's just a matter of realizing the potential of a property, and then getting through the web of development processes to make his vision become reality.

During the past four years, that vision has transformed 24 single-family lots into condominium housing projects that enable homeowners to sell or rent out separate units. It is such "condominiumization" that has earned Abe Lee Development Inc. the reputation of being "affordable housing specialists."

Now Lee is sharing his experience of how to develop small properties through his own class.

"I've always said that if I could get

paid well for teaching, I'd be a full-time teacher. So this is as close to that as I can get," says the amiable, open Lee.

So far, he has taught 12 classes and more than 300 students who include landowners, realtors, contractors, architects, engineers, appraisers and surveyors.

The only class of its kind in the state, Lee's course brings students as close to the real thing to one day develop their own properties. Lee takes his students through the entire development process, from researching zoning regulations to finding a good contractor, to writing a contract and budgeting right.

All of what Lee teaches is based on his own experiences, including mistakes. For example, students are warned to always make sure the eleva-

tion drawings are correct. Overlooking that once cost Lee \$25,000 to rebuild a driveway.

It's easy to see why Lee is such a valuable source of information. Time and again he's been able to do what other developers couldn't.

"I've had several buyers come back and tell me they should've bought the property at the time when I offered it. They say, 'I couldn't see what you were going to do.'"

One such project was a home on Alu Amoamo Street that had been abandoned for five years. The owners were going to renovate the vandalized, dilapidated house, but ended up going into foreclosure. Lee bought the house in auction.

"I went through it and said, 'Gee, I think something can be done.' Some buyers didn't, and they dropped out. A year later they came back and had to pay \$10,000 more."

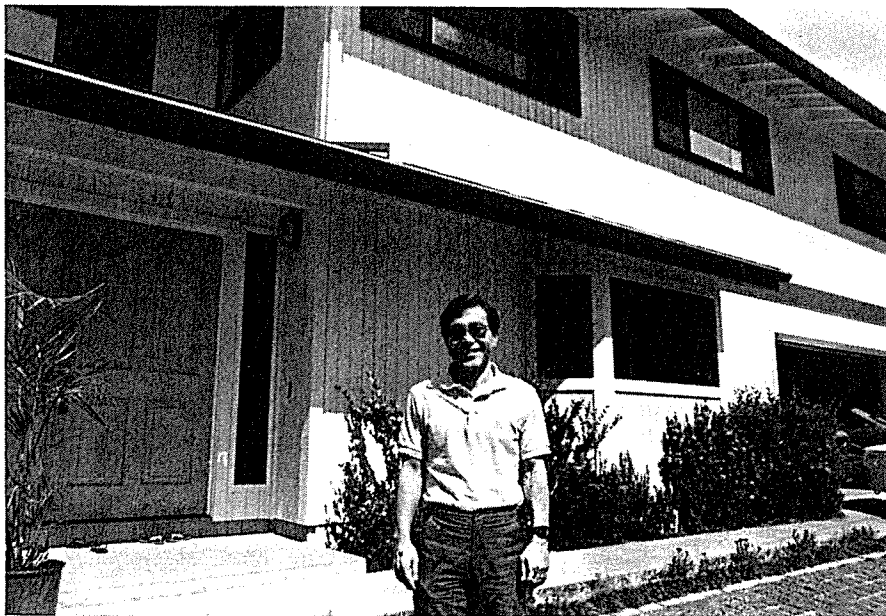
Lee even developed his own house, which he calls his "dream home," a 3,500-sq-ft, two-story house in Manoa with six bedrooms and five baths, enough room for his five children, aged 3 to 13, to grow up in.

He recalled the time three years ago when he told his wife, Sally, about building the house; she thought he was crazy, not knowing how they would pay it off. But, as he developed one successful project after another, his reputation grew as a small developer who helped popularize the concept of "condominiumizing" properties. And soon he no longer had to worry about where his next meal was coming from.

Lee never stops appreciating his success. "I count my blessings everyday," says Lee. "We're still not out of the woods. We still have a lot of debts, but at least I know I can pay them."

Success didn't come early in Lee's life, or easily.

After graduating from the University of Utah with a master's degree in education emphasizing creative think-



Abe Lee, in front of his self-made dream home in Manoa.

ing, Lee returned to Hawaii and undertook a couple of ventures with his brother, John. One was a trucking firm that lasted a year.

Another was Lee's invention of the "skyhook" skateboard attachment, which took him and his brother all the way to Chicago and New York. But the deals fell through when Sears and J.C. Penney's realized how dangerous the device was in encouraging kids to do high jumps.

Lee's entrance into the development industry happened in 1979 when he began working for developer Bob Allen. His three years there included

selling the Executive Centre and investigating potential developments.

"I was like the ambulance chaser. Everytime there was a development or a conversion, I'd go look at it. I knew I wanted to do developments of my own sometime, but then I had no money or experience."

When the market slumped, Lee moved on to work for Hawaiian Telephone Co. where he did sales for a year and a half. After work, he attended night school and earned an accounting degree. His good grades got him a job with Deloitte Haskins & Sells, but Lee decided he didn't like

the "rat race" of being an accountant, and that it would take too long to become a partner.

In the meantime, a friend at church had invited him to help develop her and her husband's property. When Lee saw the problematic ideas of the developer that was brought on, he volunteered to do the project himself. Ed and Kay Yamada were so impressed with the results of Lee's work that they matched the \$22,000 salary he was earning as an accountant to give him a fresh start on his own business.

And it's no wonder, considering what he achieved. Previous developers had offered the Yamadas \$200,000 for a five-year lease of the lot occupied by five cottages and a house. The developers wanted to tear down the houses, which would have forced the Yamadas to find a new home. Lee developed the property into a six-unit condo, let the Yamadas keep their house to live in, and sold off the rest within two months.

"When we finished, we gave her (Kay Yamada) \$400,000 plus her house to live in," said Lee.

Such success stories have become a common characteristic of Lee's work.

"I guess some of it's experience," he says, "some of it's luck, and there may be some foresight to it, knowing the rules of the game and saying, 'How can you fit (a project) in?'"

"And that's what we try to teach in our class, is if you know the rules of the game, then you have a different approach to how you look at property."

When Lee looks at a potential project, he brings a contractor with him to determine if the property can be renovated or if it must be torn down. Then he does zoning research and checks how many homes can legally be built on the site. And he checks the infrastructure to see if there's enough water and sewer facilities. He also has an engineer do a soil foundation test, which can run \$2,000 to \$5,000, but "is worth it," says Lee.

Currently, Lee is working on a 20-duplex project in Mililani in a joint venture with Pan Pacific Development Inc. to be called Mililani Point, his biggest development yet which truly deserves the label "affordable housing."

Each duplex will consist of a two- or three-bedroom/two-bath unit upstairs

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and a one-bedroom, one-bath unit downstairs, each with its own kitchen. A duplex owner will be able to live in one and rent the other, or rent them both out. Living in the upstairs unit, the homeowner will be able to rent the bottom unit out for \$600 a month and pay a monthly mortgage of just \$600, with 20 percent of the cost down.

"So you're actually buying it for less than paying rent, as long as you have 20 percent down," said Lee.

Having started his development career by utilizing Ohana zoning, Lee during the past two years has been doing more projects using horizontal property regime (HPR) condominium documentation. Lee steered away from Ohana zoning because of proposed restrictions being considered by the City Council and Legislature. One restriction would require occupants in Ohana-zoned lots to be related.

Another venture Lee has left is his steel-frame house factory, which lasted four months in 1986. Lee found running a factory was a much bigger operation that he was prepared to take on. But, he has introduced to the local market an Australian steel-house manufacturer, Malcolm Dixon, "the Tom Gentry of Australia," who wants to set up a factory in Hawaii.

"If he makes it, I'll probably be one of his customers," Lee said.

Now that Lee has taken the risks to get himself established, he says he's going to pursue more conservative undertakings, such as joint ventures with other developers and landowners.

And keep on teaching. While most of his students are realtors, he encourages other building professionals, especially contractors, to learn how to develop property. He's disappointed that no homeowners have yet taken his class.

"It's funny. They want to buy a home, but they're not willing to pay \$125 to learn how to get it."

Lee has seen some rewarding results from his classes, however. Some of his students have undertaken their own projects with help from Lee, and one already has a property in escrow.

"A lot of people say, 'Why are you sharing it? You worked so hard to get it.' I just think there's an untapped source, a tremendous amount of development that can be done, and done nicely." □

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