

TOP NEWS

# Ke Kilohana condo owners sue Kakaako tower's developer over maintenance fees, alleged construction defects

By [Andrew Gomes](#) • March 3, 2020

Residents in a new condominium tower at Ward Village in Kakaako have sued the project's developer over alleged maintenance expense low-balling, building code violations and construction defects.

The board representing owners in the 10-month-old Ke Kilohana tower, where most units were sold at moderate prices to satisfy a state affordable-housing requirement, filed the complaints in state Circuit Court on Friday and Monday against Texas-based Howard Hughes Corp.

In the complaint over maintenance fees filed Monday evening, the board alleges that Hughes Corp. grossly underestimated costs for operating the building "to artificially make (condo) units appear affordable."

This lawsuit also said that as a result of higher-than-projected operating costs for the 43-story building at the corner of Halekauwila Street and Ward Avenue, no portion of maintenance fees paid by Ke Kilohana condo owners through January have gone toward financial reserves that were supposed to grow by about \$14,000 a month.

In a separate written statement, the condo board for Ke Kilohana excluding one member from Hughes Corp. said expenses to operate the building have exceeded maintenance fee revenue by \$40,000 to \$50,000 a month at the tower, which opened in May after two years of construction and a lottery that quickly sold out the 375 below-market units in the 425-unit tower.

"Our journey to homeownership started in 2016, when we were marketed an affordable building with low maintenance fees in the heart of Kakaako," the statement said. "Less than one year after moving into Ke Kilohana, it became apparent that we had been deceived by Howard Hughes Corp., which provided us with a flawed budget, along with a litany of construction defects that put the

safety of residents at risk."

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Buyers of below-market Ke Kilohana units had to meet moderate-income limits, and some of these unit owners had to get additional jobs to pay for extra maintenance costs, the statement said.

A Hughes Corp. representative was not available for immediate comment this morning.

In the lawsuit over construction filed Friday evening, the board alleged that more than 60 defects exist in the building, including plumbing that allows sewer odors and potentially poisonous hydrogen sulfide gas into homes, windows that won't stay open in typical wind conditions, excessive lobby floor cracking and inadequate size and access to compact parking spaces.

This complaint, which also names general contractor Nordic PCL Construction as a defendant, also alleges some building code violations, including support curbs that effectively reduce the height of railings in the tower's two "sky lanai" recreation spaces and improper pressurization of fire stairways.

A Nordic representative was not immediately available to comment.

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The statement from board members said condo owners don't have the resources to fix the problems and felt they had to take legal action after an unsuccessful effort to resolve issues with the developer.

"After good faith efforts by the residential board to negotiate fell through, we no longer trust that Howard Hughes Corp. will act in the best interests of our residents without legal action," the statement said. "We understand what we are up against – Howard Hughes Corp. is a multibillion-dollar corporation – while we are local Hawaii families now faced with extreme and unexpected financial hardship."

Hughes Corp. in January issued a statement addressing maintenance fee issues that said: "Since before Ke Kilohana opened its doors on May 15, we have offered our assistance with solutions on operations practices as well as other cost savings measures, and we look forward to continuing to collaborate with the association. We want to see every property in Ward Village flourish, especially for the residents of Ke Kilohana who were able to take advantage of HCDA's Reserve Housing Program."

HCDA refers to the Hawaii Community Development Authority, a state agency that regulates development in Kakaako and requires that 20% of new homes be affordable to residents with moderate incomes.

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Hughes Corp. has a master plan to develop up to around 4,500 residential units in 16 towers along with about 1 million square feet of retail space on 60 acres it owns in Kakaako.

To date, the company has built four towers at Ward Village, including three with average unit prices over \$1 million. Two more towers are under construction. A seventh tower, Victoria Place, has been approved and as of last week 185 of 350 units had been sold.

Two existing towers at Ward Village, Waiea and Ae'o, had construction issues that led to litigation between Hughes Corp. and contractors. One case involving Ae'o was settled.

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