

HAWAII'S NEIGHBOR ISLANDS – THE EVOLUTION OF MASTER-PLANNED INTEGRATED RESORTS

**A STUDY OF THE DEVELOPMENT OF MASTER-
PLANNED INTEGRATED RESORTS ON THE ISLANDS
OF MAUI AND HAWAII AND THE LIFE-CYCLE MODEL**



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EXECUTIVE SUMMARY

1.0 General Overview

Since the 1900s, the tourism industry has flourished in Hawaii. Much of this growth has occurred in Waikiki, Hawaii's most famous resort destination located on the island of Oahu. When Hawaii's tourism industry expanded beyond Oahu in the 1950s and 1960s, however, an alternative type of resort destination took shape. Rather than replicating Waikiki's "urban" resort pattern, developers sought to create "integrated" resorts which through the centralized control of land development attempted to provide a comprehensive, quality destination experience within the confines of a single property. To achieve this type of resort pattern, the formulation and implementation of a master plan was required.

This study describes the master-planning process of integrated resorts using selected resorts in Hawaii for analysis. Three of the resorts -- Kaanapali, Kapalua, and Wailea are located on the island of Maui - and three -- Mauna Kea, Mauna Lani, and Waikoloa are located on the island of Hawaii. Although each resort has encountered its own set of unique circumstances which has impacted its development, their historical evolution reflects basic stages in the master planning process which they share in common: pre-development considerations, early implementation of the plan, and later refinement of the plan.

2.0 Integrated Resort Master Plan Considerations

Master plan considerations for integrated resorts can be divided into three categories: socio-economic factors, physical factors, and political factors. Socio-economic factors shape the resort product, its market, and the impact of resort development on the community. Social considerations involve demographics, community attitude and aesthetic values which affect development. Economic considerations have entailed an analysis of historic visitor trends and characteristics, land ownership patterns, and available sources for financing the project with much of the start-up capital coming from foreign investment.

Physical factors help to determine the type and size of the resort. These factors have included an in-depth study of infrastructure development, in particular, water access, sewage disposal, and road construction. In addition, by law an environmental impact assessment has been required for any proposed project that has involved the rezoning of land. It is a comprehensive analysis of all areas affected by the proposed development, undertaken by a broad-based team of specialists and reviewed by all interested parties. This document also has served as a resource manual for further resort development.

Primary political responsibilities related to master planning in Hawaii are divided between the state and county governments. At both government levels, general plans have been devised by policy makers to help guide tourism development and assure overall compatibility with state and county economic development goals and objectives. In Hawaii, both levels of government have actively supported resort development through market research, capital improvement projects, and land-use planning. The state has traditionally enforced its control over such development through broad land-use designations while the county has administered specific zoning ordinances within the state's land-use designations.

3.0 Integrated Resort Master Plan Implementation

The basic land uses associated with the layouts of integrated resorts in Hawaii include hotel, recreation, residential, and commercial development. The location and time frame for development of each of these four land-use activities have been based on maximizing the use for the resort overall. Thus, hotels have most often been located nearest to the shore, while residential and recreational areas have been mixed together further inland, with the commercial center located near the entrance of the main road leading into the resort. In Hawaii, this configuration can be illustrated using resorts at various stages of development on the islands of Maui and Hawaii.

On the island of Maui, Kaanapali became the first major resort outside of Waikiki. In the late 1950s, developers transformed what was originally a pineapple plantation into a 1,169-acre (473-ha.) resort with seven major hotels, eight condominiums and two 18-hole golf courses. The Wailea Resort is located on Maui's southern coastline occupying 1,450 acres (586.8 ha.) of land. After opening in 1968, the resort eventually expanded to include six hotels, six condominiums, and two 18-hole golf courses. In 1978, the Kapalua Resort opened just north of Kaanapali on 750 acres (304 ha.) of beachfront property. Today, the resort has two hotels, four condominiums, and three 18-hole golf

Integrated resort development on the island of Hawaii began in 1965 with the completion of the 1,800-acre (720-ha.) Mauna Kea Beach Resort which today has two hotels, a condominium complex, and two 18-hole golf courses. The Waikoloa Resort, the largest of the island of Hawaii's three major resorts, encompasses 32,000-acres (12,800-ha.). After plans for the resort were first unveiled in 1969, the resort eventually supported two hotels, four condominiums, and two 18-hole golf courses. The 3,200-acre (1,280-ha.) Mauna Lani Bay Resort was initiated in 1972 and today has two hotels, three condominiums, and two 18-hole golf courses.

Two important characteristics regarding the master plan implementation process have become apparent in the development of all six Neighbor Island resorts. First, the prioritizing of development has favored the completion of the resort's golf course, followed by its first hotel and then by several residential projects. Eventually, other hotels have followed, more residential subdivisions have been built, and additional recreational amenities have been added. Second, development delays often have postponed

implementation of the master plan beyond initial time-line forecasts. In the process, public controversy over development has also arisen resulting in the need to address community concerns and to make subsequent adjustments to the master plan.

4.0 Integrated Resort Master Plan Refinement

By the 1980s, occupancy levels at some of Hawaii's integrated resorts began to decline due to over-building and increased competition from abroad leading to questions of long-term sustainability of these types of resorts. Broadening the market base and diversifying the product mix have been seen as alternatives to the exclusive single-market orientation based on upscale travelers. The changes have been reflected in the refinement of master plans and the refurbishing of properties.

From the demand side, the visitor market has become increasingly price-sensitive and resort properties have attempted to respond. Upscale properties have lowered rates and expanded their amenity packages to help widen their visitor appeal while luxury properties have continued to attract high-spending independent travelers as well as business and incentive groups. Family packages and active itinerary vacations (i.e., hiking, cycling, etc.) are two examples of niche marketing that have become more prevalent in the promotional campaigns of these resorts.

From the supply side, Neighbor Island resorts have undergone a period of heavy foreign investment which has contributed to speculation buying and over-building in surrounding areas. With the in-migration of resort workers, real estate prices have escalated and infrastructure has become over-burdened. In many cases, public perception of tourism development has changed from ready acceptance to increased concern over further growth. New resort projects have been deferred, and properties have taken advantage of the slower period to renovate rather than expand. Mega-resort hotels which arose in the mid-1980s focusing on the highest-paying visitors to support their ostentatious operations have experienced severe losses requiring major master plan overhauls and product redevelopment.

5.0 Analysis

The analysis of the master planning process of Neighbor Island integrated resorts reveals destination-wide issues that must be addressed as part of successful resort planning. A strained relationship between the integrated resort and the island destination where it is located has become increasingly evident. In particular, land-use patterns which were not originally envisioned, have resulted in an inappropriate scale of facilities and the dispersion of development. These factors have contributed to the "urbanization" of areas around integrated resorts, a phenomenon which was intended to be avoided based on Waikiki's experiences as an urban resort.

The transformation of Hawaii's master-planned integrated resorts reflects a product life-cycle process which has been commonly applied to urban resort development, with stages represented as: discovery, growth, maturity, and decline. However, the

application of the urban resort life-cycle model to integrated resorts is limited and cannot be readily used as a basis for analysis. The evolutionary processes involved in Neighbor Island integrated resort development as outlined in the master plan suggest that an alternative product life-cycle may occur with the following stages: establishment, growth and development, and repositioning. In the first stage, the integrated resort is established before the tourists arrive. Growth is staged and occurs rapidly at first as new stages of the integrated resort are completed and phased in. Eventually, the resort may have to reposition itself because of changing visitor preferences. Like the urban resort life-cycle model, this product life-cycle analogy while simplistic and limited in application, may still provide a means for better understanding the complex and ever-changing environment in which these integrated resorts have evolved.

The future sustainability of Hawaii's master-planned integrated resorts must be assessed in the context of the impacts that have occurred to the destination as a whole as well as the impacts of increased competition from abroad. This assessment involves a re-evaluation of the "product" including: 1) alternative resort design configurations which emphasize the importance of different land uses; and 2) the need for destination-wide planning to help prevent over-development around the resort which can lead to the demise of the destination as a whole. In this way, controlled growth can occur while preserving the uniqueness of the destination and the appeal of its individual resorts.

The success of integrated resorts will lie in their ability to be distinct from the competition, incorporating a genuine "sense of place" whereby guests really feel that they are experiencing the place they are visiting. This will require: 1) leadership on behalf of government to ensure that what gets planned at the destination level is as good as what gets planned at the resort level; and 2) cooperation between public and private sectors in arranging a long-term, sustainable tourism development agenda.