By Jerry Tune  
Star-Bulletin Writer

Amfac Financial Corp. has stepped in to save the day for a floundering development company on Molokai and averted possible down-zoning of 183 acres at Puahala.

It was disclosed yesterday that Amfac is making a large interim loan to the Puahala Co., headed by Herbert and Elroy Austin. After Herbert Austin explained the new financial arrangements, the State Land Use Commission voted unanimously to drop down-zoning on the land.

It was in August that Commission vice chairman Eddie Tangen moved to strip urban zoning from the land because of what he called a "flagrant" lack of performance by the developers.

SINCE THAT time the floundering Friendly Isle Inc., has completed negotiations with the Puahala Co., the original developers of the land.

Puahala had sunk $1 million in land costs and $500,000 in site work and planning before selling out to Pacific Basin Land Corp.

Friendly Isle Inc. came in later after another switch, but very little was done to move toward construction of a planned 250-room hotel and marina.

(The Land Use Commission first placed the land in urban use in 1969.)

Austin said yesterday that Amfac would participate in the project with interim financing. The revamped development plans now call for construction of a 200-unit subdivision, possibly with Federal Housing Administration assistance.

The hotel would be constructed later.

Land Use Commission members told the Star-Bulletin after the meeting that it is their understanding Amfac is putting up $350,000 in financing.

BUT, according to the commission members, it was not perfectly clear who would be providing the financial backing for the hotel.

Tangen made the motion to drop the down-zoning action. The vote keeps the commission's record intact—it never has down-zoned property for lack of performance by a developer.

Only once in the past has this type of situation come to a vote. That action, also moved by Tangen, involved a housing development in Kailuau, but it fell one vote short of approval.

The Molokai land was previously a fishpond. Since 1969, dredging work in the area has marred the landscape but left unfinished.