



HAWAIIAN HOME LANDS  
HAWAIIAN HOMES COMMISSION  
DEPARTMENT OF HAWAIIAN HOME LANDS

**Joint Meeting of the  
Hawaiian Homes Commission and  
the Office of Hawaiian Affairs  
Board of Trustees**

**March 18, 2014  
Hale Pono'i**



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# 2014 Initiatives

# **2014 Initiatives**

## **Focus Area 1: Affordability**

- **HALE Program launch**
- **More options for families with new lease offerings**
- **“Rent with Option to Purchase” project in Kona (La’i’opua)**

# 2014 Initiatives

## Focus Area 1: Affordability (cont.)

### Under Development -- Exploring How To

- “Ohana Zoning” allowing more than one unit on a residential lease
- Break in pricing for package homes (e.g. Honsador, HPM, etc.)
- Kupuna Rental Housing (Oahu)
- Assisted Living Facility (Molokai) – Pilot Project

# **2014 Initiatives**

## **Focus Area 2: Agriculture**

- **Use the land already developed**
- **Assessment of existing unawarded agricultural lands in DHHL's inventory**

### **Under Development -- Exploring How To**

- **Partnerships with Dept of Agriculture/Agricultural Development Corporation**

# **2014 Initiatives**

## **Focus Area 3: Natural Resources – Energy/Water**

- **DHHL Water Policy**
- **Water Assessment Studies – Existing communities**
- **Water Rates Study (target summer launch)**
- **Assert DHHL's water rights**
- **Maui Energy Opportunities**

# 2014 Initiatives

## Focus Area 4: Financial Stability/Improved Operations

- Clarification on county roles/responsibilities / Reduce burden on DHHL financial resources
- Increase earnings -- real estate assets
- Improve servicing for the beneficiary

### Under Development -- Exploring How To

- Increase earnings – Financial assets

# **2014 Initiatives**

## **Focus Area 5: Community Development**

- **Evaluation of Kulia and economic development grants**
- **Focused capacity building (due to limited funds)**
- **Native Hawaiian Development Program revisions – What is DHHL's role?**



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# Kapili Loan Fund



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Presentation to the  
Joint DHHL / OHA Meeting

**KAPILI INTERIM LOAN FUND**

**MARCH 18, 2014**

# DESCRIPTION OF PROBLEM

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1. For “turnkey” or developer built homes, the financing for the homes is the responsibility of the developer.
2. The developer either uses their own internal funds or finances the cost of construction through a lending institution.
3. The cost of these funds is included in the price the buyer pays for the home.

# DESCRIPTION OF PROBLEM

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4. Once the buyer secures a mortgage and closes on the sale, the funds from the mortgage are used to pay for the interim construction loan
5. If the house sits and is not sold quickly, the developer's cost goes up since funds for construction are incurring interest.

# **KAPILI LOAN FUND OBJECTIVES**

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- 1. Increase the percentage of native Hawaiians owning a home.**
- 2. Provide additional opportunities for DHHL and OHA to jointly support affordable homeownership for native Hawaiians.**
- 3. Lower the cost of affordable homeownership for native Hawaiians.**

# OPPORTUNITIES

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- 1. Create an Interim Loan Fund that funds the costs of construction for developments.**
  - This fund would reduce the risk and interest costs for the developer.
  - This should result in lower cost to build.
  - The savings would result in lower cost to the native Hawaiian buyer/beneficiary

# OPPORTUNITIES

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2. **Both Trusts – DHHL and OHA – could place funds in an interim loan fund to be used for interim construction financing**
  - **If both trusts do not charge interest on the funds, the savings in lower costs will benefit the native Hawaiian buyer/beneficiary**

# OPPORTUNITIES

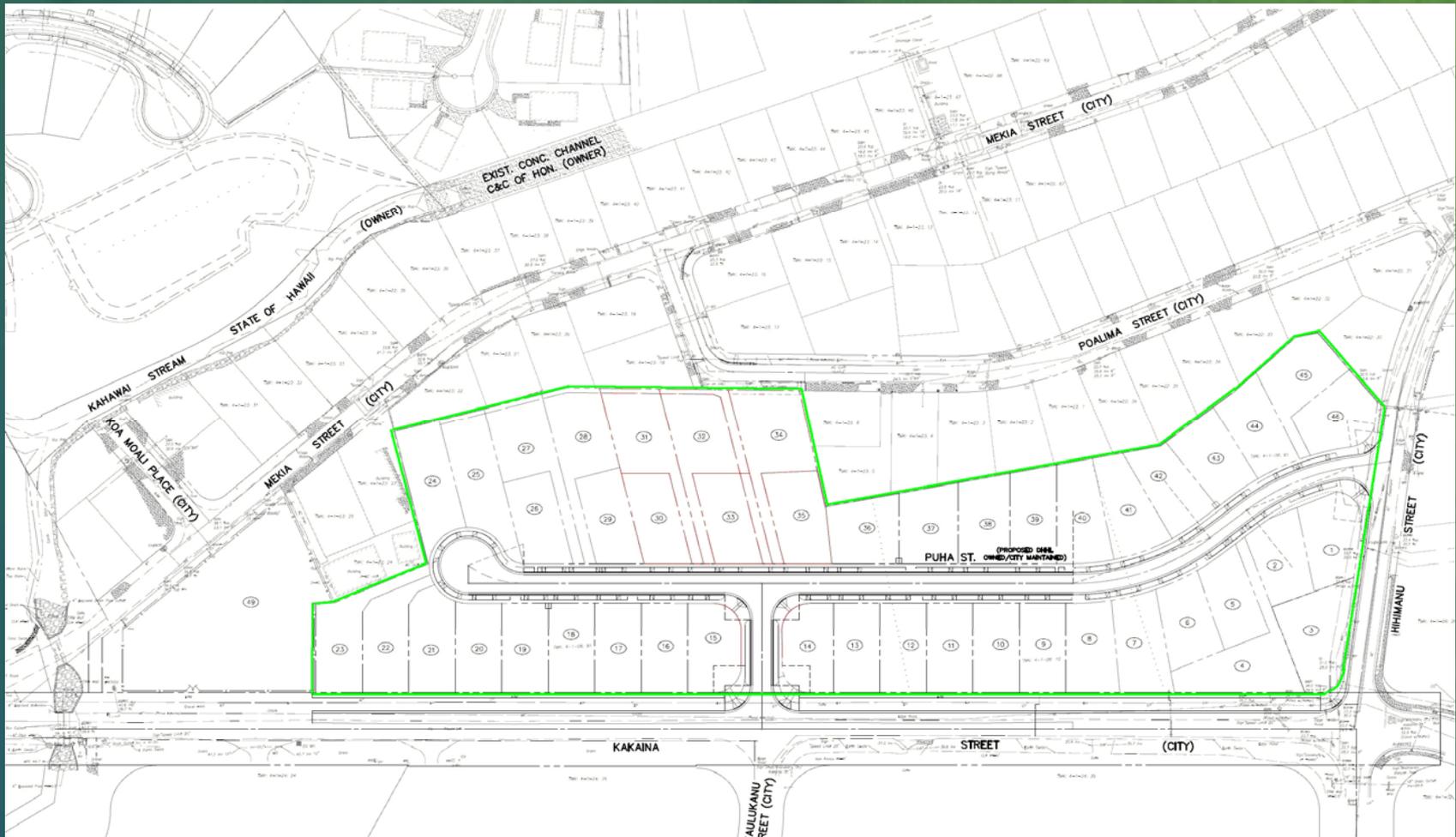
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3. The fund would be repaid as individual mortgages close for each completed house.
  - Funds can be returned to the funders (DHHL and OHA) or
  - Remain in the fund for other opportunities.

# AN EXAMPLE - KAKAINA

DHHL has site work in progress for a 45 unit subdivision in Waimanalo – Kakaina



# **AN EXAMPLE - KAKAINA**

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- **The department will issue an RFP for 15-40 turnkey homes in the next few months.**
- **The construction costs will be based on the size of the houses**
- **For the purposes of this example, we will assume that each home costs \$200,000.**

# AN EXAMPLE - KAKAINA

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The funds required to fund this project would vary depending on the number of units constructed and where the mortgage loans have not closed

No. of units	15	30	45
Assume \$200K/unit	\$3,000,000	\$6,000,000	9,000,000

The amount of units released to the turnkey developer would vary depending on factors including the number of lots set aside for owner/builder and the ability of applicants qualifications

# AN EXAMPLE - KAKAINA

## Potential Savings to the Individual Buyers

Interest Rate	6%	7%	8%
For a \$200K unit, Avg construction time 4 mos			
Simple Interest – 4 mos	\$2,000	\$2,333	\$2,667
Simple Interest – 6 mos	\$3,000	\$3,500	\$4,000

# AN EXAMPLE - KAKAINA

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If OHA and DHHL each funded 50% of an Interim Loan Fund, the amounts would be as follows:

No. of units	15	30	45
DHHL	\$1,500,000	\$4,000,000	4,500,000
OHA	\$1,500,000	\$4,000,000	4,500,000
TOTAL	\$3,000,000	\$6,000,000	9,000,000

# AN EXAMPLE - KAKAINA

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## Potential Savings to the Buyers in Total

Interest Rate		6%	7%	8%
4 mos	15 units	\$30,000	\$35,000	\$40,000
	30 units	\$60,000	\$70,000	\$80,000
	45 units	\$90,000	\$105,000	\$120,000

# AN EXAMPLE - KAKAINA

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## Potential Savings to the Buyers in Total

Interest Rate		6%	7%	8%
6 mos	15 units	\$45,000	\$52,500	\$60,000
	30 units	\$90,000	\$105,000	\$120,000
	45 units	\$135,000	\$157,500	\$180,000

# NEXT STEPS

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- **Agree to partner for the purposes of lowering housing costs.**
- **Agree that this initiative has merit and should be funded**
- **Agree on the percentages of participation**
- **Structure the RFP to have developers price the savings to buyers**
- **Create the framework to receive funds and service the loans**