

Preliminary Strategic Approach to Implement Act 279 of 2022

July 2022



HAWAIIAN HOME LANDS TRUST

Department of Hawaiian Home Lands

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INTRODUCTION

Purpose of This Document

The mission of the Department of Hawaiian Home Lands (DHHL) is to develop and deliver land to native Hawaiians. The trust, created by Congress through the Hawaiian Homes Commission Act (HHCA), set aside lands to be used for the benefit of native Hawaiians.

As required by the Admission Act and as a compact with the United States, the State of Hawaii and the people of Hawai‘i adopted the HHCA as a provision of the Hawai‘i State Constitution and agreed to faithfully carry out the spirit of the HHCA for the rehabilitation of the Hawaiian race. These trust responsibilities remain to this day.

The purpose of this document is to communicate DHHL’s broad preliminary strategy to utilize the \$600,000,000 (\$600M) in funds to implement Act 279 of 2022. The purpose of Act 279 as stated in the legislation is to provide a multi-pronged approach to reducing [the DHHL] waitlist. The \$600M will address the needs of those on the DHHL waitlist and those beneficiaries still waiting to get on the land.

Framework of this Document

Section 4 of Act 279 identified two main waitlist applicant preferences from the 2020 DHHL Beneficiary Study Applicant Report:

1. Applicant Preference for Homeownership
2. Applicant Preference to continue Renting or access Rent with Option to Purchase Opportunities

As such, this document is organized around projects and programs that will provide **homeownership** or **rental** opportunities for waitlist beneficiaries.

Act 279 also directs DHHL to organize its proposed actions to utilize the \$600M by County. Accordingly, new lot development projects are organized by County when applicable. Individual assistance programs in this document are meant to be statewide and span across multiple Counties.

Approach to Budgeting in Uncertain Times

Given recent world events that have transpired over the previous two years such as the COVID-19 Pandemic and Ukrainian-Russia War, U.S. economic inflation and supply

chain disruptions may impact costs of labor and construction materials. Therefore, to account for the current climate of price variability and uncertainty, new lot development identified in this document may change over time. DHHL will revise its budget outlook each fiscal year to accommodate for these uncertain factors over the three-year period of this Act. Updated budgets will be presented to the HHC for approval and to the Legislature as an informational progress report.

Policy Considerations to Allocate Resources

This document is the initial articulation of the preliminary strategic approach that the Hawaiian Homes Commission and DHHL will employ to allocate the resources provided by the Legislature to benefit waitlist applicants. The following core policy considerations were identified to guide decisions to allocate resources and guide spending.

Policy Consideration #1: The majority of resources provided under Act 279 should go to homeownership activities rather than rental activities.

Rationale

The 2020 DHHL Beneficiary Study Applicant Report reported that the majority of applicants prefer a lot with a single-family home or a vacant lot for a house (76 percent) vs. those applicants that preferred to rent or rent with the option to buy in the future a single-family home, duplex, apartment, or townhouse (16 percent). (See 2020 DHHL Beneficiary Survey pages 6-8)

Projects and programs that provide homeownership opportunities will reduce the waitlist more quickly than rental opportunities or programs because an Applicant who rents remains on the waitlist.

Policy Consideration #2: Resources provided for homeownership activities should prioritize new homestead lot development.

Rationale

New homestead lot development and award of new homestead leases are existing DHHL functions that DHHL is currently set-up to do.

There are more unknowns regarding individual assistance programs. Some of the individual assistance programs identified in Act 279 by the Legislature are forms of assistance that DHHL has not previously offered widely to waitlist applicants. Additionally, DHHL beneficiary communities may identify new and innovative programmatic ideas to address the waitlist over the course of the next 12-months. Therefore, DHHL should approach these new programs as “pilots” i.e. start small and scale-up over time.

Relatedly, it will take DHHL time to stand-up the individual assistance programs. New procedures, and applications need to be created and waitlist education and orientation products related to these programs need to be developed.

Criteria to help vet potential real estate acquisitions, including land and improved real estate, should be developed to streamline the process, given the limited time-frame in which DHHL is required to encumber these funds provided by the Legislature.

Policy Consideration #3: Prioritization of homestead lot development projects should be based upon: (1) timing/position in the DHHL "production pipeline"; (2) Priority areas for new homestead development identified in DHHL Island Plans; (3) Waitlist demand on each island.

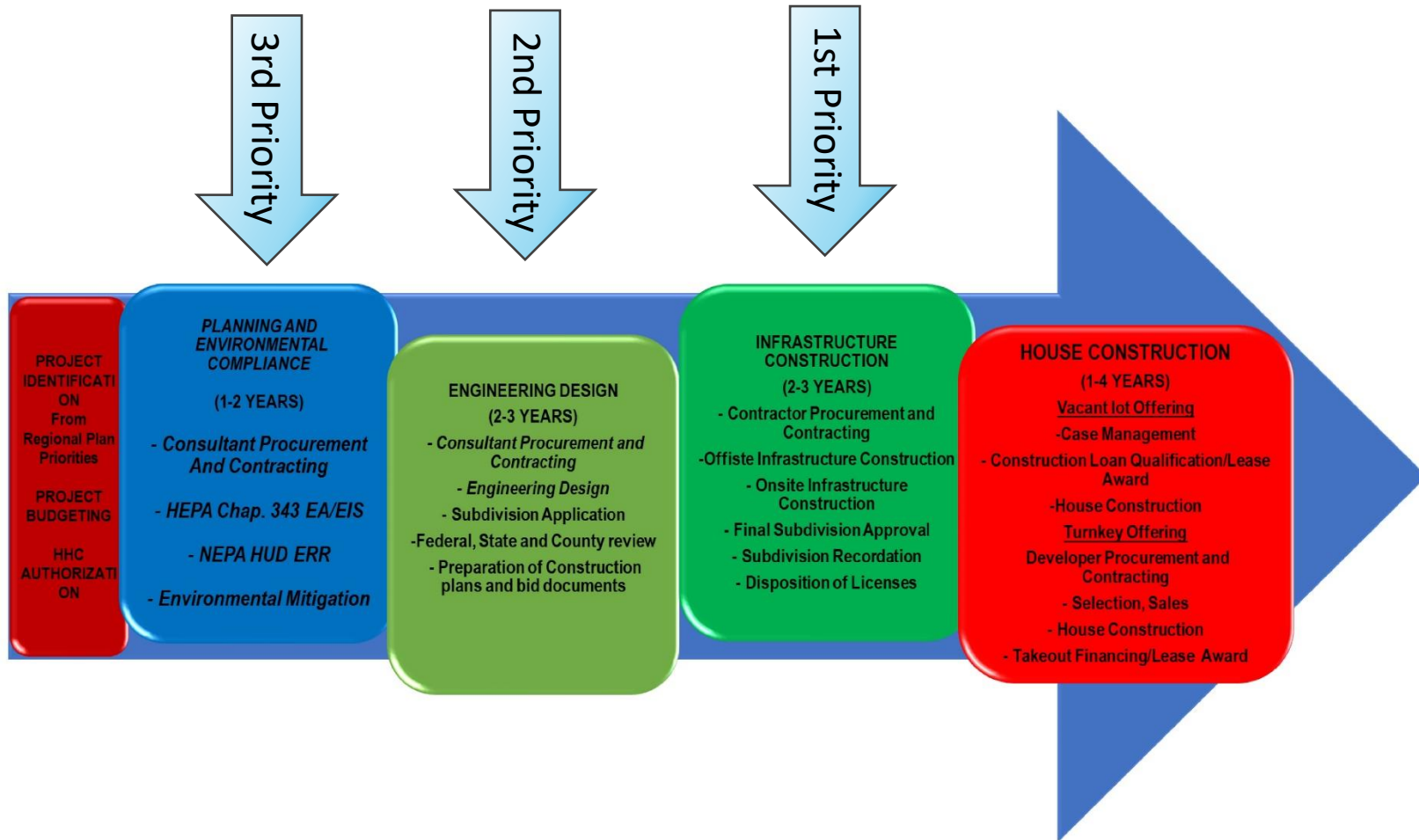
Rationale

Lot development projects that are further ahead in the DHHL production pipeline are closer to being shovel ready.

Land areas identified as priorities for new homestead development were based on the Island Plans which reflect beneficiary priorities.

The island waitlists are indicators of beneficiary need and preference.

Figure 1. DHHL Homestead Lot Production Pipeline Diagram



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HOMEOWNERSHIP OPPORTUNITIES

The next section identifies the following allocation of resources to provide more homeownership opportunities to DHHL waitlist applicants:

1. New lot development
2. Real estate acquisition
3. Homeownership individual assistance program preliminary considerations

Lot development and land acquisitions are identified by County, while homeownership individual assistance programs are statewide initiatives and organized by program type.

New Homestead Lot Development

A **preliminary** listing of new homestead lot development projects by County is below. For Maui County, projects are further identified by island. For projects in the Engineering Design Phase, DHHL will explore **Design-Build contract agreements** utilizing **Developer Agreements** with private developers to expedite development timeframes.

At this time, the determination whether new lots will be turn-key, owner-builder, or self-help has not been made. Those decisions will be made as the project progresses further through the production pipeline prior to actual lease award.

Hawai'i County Lot Development Projects		
Project	Number of Lots	Production Pipeline Status
Honomū Subsistence Ag Lots, Phase 2	40	Engineering Design
La'i'ōpua Village 2 and Water Source Development	200	Planning & Environmental Compliance (Water Development) Engineering Design (Lot development)
La'i'ōpua Village 1	200	Engineering Design
TOTAL	440	---

Maui County Lot Development Projects		
Project	Number of Lots	Production Pipeline Status
Lānaʻi Residential Lots	75	Engineering Design
Molokaʻi Hoʻolehua Scattered Lots	20	Planning and Env. Compliance
Molokai Nāʻiwa Agriculture Subdivision	16	Planning and Env. Compliance
Maui Puʻunani Homestead Subdivision Phase 1	161	Engineering Design
Maui Honokōwai Subsistence Agriculture Phase 1	50	Engineering Design
Maui Leialiʻi 1B – Off-site Water Source Development	---	Planning and Env. Compliance
Maui Leialiʻi 1B - Subdivision	250	Engineering Design
TOTAL	572	---

City & County of Honolulu Lot Development Projects		
Project	Number of Lots	Production Pipeline Status
Kaupeʻa, Phase 2	60	Engineering Design
East Kapolei II Backbone Infrastructure	--	Engineering Design
East Kapolei IIA	300	Engineering Design
East Kapolei IID	124	Engineering Design
East Kapolei IIE	142	Engineering Design
East Kapolei IIF	155	Engineering Design
Māʻili Development	144	Engineering Design
Ewa Beach	600	Planning & Env. Compliance
TOTAL	1,525	---

Kaua‘i County Lot Development Projects		
Project	Number of Lots	Production Pipeline Status
Hanapēpē Residence Lots, Phase 2	75	Engineering Design
Anahola Kuleana Homestead Lease Agriculture & Pastoral	115	Engineering Design
TOTAL	190	---

Summary of Lot Development Projects Statewide	
County	Number of Lots
Hawai‘i	440
Maui	572
City and County of Honolulu	1,525
Kaua‘i	190
TOTAL	2,727

Land acquisition for homestead lot development or water source development

At present, DHHL is currently pursuing an acquisition of a 9-acre parcel in Kapolei next to DHHL's Kaupe'a homestead from the State Housing and Finance Development Corporation. The parcel is in an area that is surrounded by existing residential use and off-site infrastructure (sewer, water, telecommunication, electricity) is available. Over the course of the implementation of Act 279, DHHL will entertain opportunities to acquire new lands with similar characteristics (i.e. close to existing infrastructure and suitable for residential use).

DHHL may also entertain acquiring property needed for water source development in areas where DHHL lands do not have sufficient source.

Homeownership Individual Assistance Program Preliminary Considerations

In addition to its traditional homestead lease program, Act 279 also authorized DHHL to explore new alternative individual assistance programs to assist waitlist beneficiaries with their housing needs. Per the policy considerations discussed in the Introduction of this plan, the majority of funding will go to new homestead lot development. However, DHHL also plans to set-aside roughly 10 percent of Act 279 Funding for new and innovative programs that may be identified by beneficiaries and/or housing stakeholders that could help individual waitlist applicants address barriers to homeownership. Also mentioned previously, the actual cost to develop and construct new homestead lots may vary depending upon current and future world events. As such, the amount of potential funding that could be available for individual assistance programs is dependent upon actual construction costs and amount of available funds remaining.

Participation in these potential future programs would be entirely voluntary and no change to an individual's DHHL application will occur if they choose not to participate.

Common barriers that may prevent beneficiary homeownership include:

- Lack of sufficient savings for a down payment
- High debt
- No credit history or low credit score
- Periodic challenges with monthly mortgage payments and/or past due mortgage payments because of unemployment or other unfortunate circumstances affecting household income or household expenses.

Additional programmatic ideas from the beneficiary community to identify and address barriers to homeownership can be put forth by the community and housing assistance stakeholders for DHHL and the Hawaiian Homes Commission's consideration over the next 12-months.

A **preliminary** idea that would provide programmatic assistance to individual waitlist applicants currently being considered by DHHL staff include a Down Payment Assistance Program. A Down Payment Assistance Program could assist interested waitlist applicants who are first-time home buyers with the down payment associated with the mortgage for a turn-key home or owner-builder project on a homestead lot. Program participants could be eligible to receive a "to be determined" amount for down payment assistance. However, program participants would be expected to make their own contribution to the down payment amount as well.

Innovative Partnerships

DHHL will also consider innovative partnerships with other county and state entities that could expedite development schedules for DHHL projects. An example could be upsizing an ongoing county off-site infrastructure project and sharing in the cost

RENTAL OPPORTUNITIES

While the majority of waitlist applicants indicated a preference for homeownership opportunities compared to rentals, a portion of the waitlist applicant pool (16 percent of applicants) identified that they desired some form of rental housing as a stepping stone to homeownership. The following section identifies the types of rental products DHHL intends to provide via the Act 279 funding. These rental products include:

1. New construction units for rental housing
2. Renovation of existing units
3. Rental assistance program preliminary considerations

It is important to note, that unlike the homeownership opportunities identified under the previous section that have programmatic actions to reduce the waiting list, *none of the rental opportunities identified below will immediately reduce the waitlist. Applicants who elect to participate in these rental opportunities will remain on the waitlist and keep their waitlist rank-order.* Nonetheless, DHHL felt it important to offer these rental opportunities to its waitlist applicants as it will offer more immediate housing security to these beneficiaries and may eventually enable these waitlist applicants to become homeowners.

New Rental Unit and Renovated Unit Development

A listing of new rental unit development is below. At this time, only a portion of the Mā‘ili Development in Wai‘anae, O‘ahu is slated for rentals. Also at this time, the determination whether new rental units will be rent-to-own, long-term rentals, or transitional housing has not been made. Those decisions will be made as the project progresses further through the production pipeline.

City & County of Honolulu Rental Unit Development Projects	
Project	Number of Units
Mā‘ili Multi-Family	136
Coolidge Street	31
TOTAL	167

Rental Assistance Program Preliminary Considerations

The following section provides a brief overview of preliminary considerations regarding potential future rental assistance programs that could be offered by DHHL. As previously noted in the discussion of homeownership individual assistance programs, a small percentage of the Act 279 funding will be reserved for individual assistance programs with the majority of funding being utilized for new homestead lot development.

Common issues that impact beneficiaries who are currently renting include:

- Potential housing insecurity due to fluctuations in rental prices
- Periodic challenges with monthly rent payments and/or past due rent payments because of unemployment or other unfortunate circumstances affecting household income or household expenses.
- Access to personal finance training and education to build savings and wealth

Additional new and innovative ideas put forth by beneficiaries and other affordable housing stakeholders to address some of these rental housing barriers or address some of the financing barriers faced by affordable rental housing developers may be considered in the next 12-months by DHHL and the Hawaiian Homes Commission.

Housing counseling is a **preliminary** idea being considered by DHHL staff that would provide programmatic assistance to individual waitlist applicants that are currently renting. Through a potential housing counseling program, waitlist beneficiaries that are renting would be provided opportunities to work with a service provider that would mentor them on personal finance decisions and budgeting.