

**BENEFICIARY CONSULTATION
WITH
HOMESTEAD LEADERS**

**DHHL AFFORDABLE HOUSING
CREDIT POLICY**

CONDUCTED BY:

**OFFICE OF THE CHAIRMAN
DEPARTMENT OF HAWAIIAN HOME LANDS**

REPORT PREPARED BY:

**PLANNING OFFICE
DEPARTMENT OF HAWAIIAN HOME LANDS**

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ACT 141, SLH 2009

**DHHL AFFORDABLE HOUSING
CREDITS POLICY**

**Beneficiary Consultation Homestead Leaders Meeting
Maui; Paukukalo Community Center
Monday, November 30, 2009 6:00 – 8:00 pm**

Presentation: Affordable Housing Credit Policy

Attendees: 8 Homestead Associations

Waiehukou 3: Roy Olivera; President, Chad' Newman, Edward K. Alves, Cal Ah Loy

Waiehukou 4: Leanord Kahuhu; President, Danny H. Kanahele

Keokea Farmers: Robin Newhouse; President, Steven Newhouse, Gladys Cachola-Gross, Mike Gross, Stephen Park, Karen Park

Kahikinui Guyleen, Harry Newman

Waiohuli: Joylynn Paman, Doreen Pua Gomes

Paukukalo: Olinda Aiwohi; President, Jared Aiwohi, Clyton Kana'e

Leiali'I Toddy Lilikoi

DHHL Staff: Kaulana Park (via phone), Mona Kapaku, Gigi Cairel, Jan Burns

Q: Would this be applicable to Keokea/Waiohuli (undivided interest) Homestead?

- A: Yes, however keep in mind that the decision to apply for credits is from the developer.
- Q: What kind of liability does the Department assume if something goes wrong after the fact, when the development is pau? Is the land subject to liability, can it be taken from the trust?
- A: No liability absorbed by the Department, referencing handout of ACT 141 Section 1 under paragraph (b) Each county shall issue affordable housing credits to the department of Hawaiian home lands with respect to existing and future Hawaiian home lands projects upon a request for such credits by the department of Hawaiian home lands. The credits shall be transferable and shall be issued on a one-unit for one-unit basis. The credits may be applied county-wide within the same county in which the credits were earned to satisfy affordable housing obligations imposed by the county on market priced residential and non-residential developments.
- Q: Maui has a request for housing credits, who is it?
- A: Everett Dowling.
- Q: Is the credit going to be given to Dowling for the Makena Resort?
- A: Have not seen anything in writing concerning Dowling's request.
Know that we will notify the beneficiaries of a request prior to approval.
- Q: Where is the ordinance and can we see it?
- A: Not sure what you're referring to, will need to research this and get back to you.
- C: Glad to see there are provisions for elders and low income families - grateful for that.
- C: Would like to arrange a follow up meeting with you and Leialii homestead leaders.
- Q: Do housing credits apply to individuals for owner-builder of private residences?

Q: Are credits applicable to non-profit organizations who partner with a developer?

Q: Clarify who is eligible for credits besides the developer?

**Beneficiary Consultation Homestead Leaders Meeting
East Hawaii: DHHL District Office, Hilo
Tuesday, December 1, 2009, 6:00 pm – 8:00 pm**

Presentations: Affordable Housing Credit Policy

Attendees: 5 Homestead Associations

Keaukaha-Pana'ewa Farmers Assoc. Mele Spencer, Milnor Lum, Edward Bamatay, Robert Yamada, Jeryl Mauhili, Maile Lu'uwai, Luahiwa Namahoe

Maku'u Farmers Assoc.: Paula Kekahuna, John Kekahuna, Shirley Pedro

Keaukaha Comm. Assoc.: Patrick Kahawaiola'a

Kaumana: Hokulani Haliniak

Kailapa Community Assoc.: Jeannette Kaulukukui

DHHL staff: Bob Hall (OCH), Gigi Cairel (PLO), Bill Davis (District Office)

Q = Question

A = Answer/response

C = Comment

Q: Is there a cash value to the credits? What is it?

A: Counties have a scale they use for cash value. It will vary from county to county

Q: If value is \$150,000 and they (developer) will pay DHHL, does DHHL have authority to bargain on the value?

A: This policy applies to existing developments. Yes. For new developments, we go with the highest bid.

Q: These credits can be sold?

A: Yes.

Q: But, house on Oahu costs way more than elsewhere in the state

A: Credits to be used within same county

Q: Not just cash, does this affect land too?

A: Yes.

Q: Seems we're giving developers a lot. Example: in Kapolei, developers telling us what to do, how to live
A: Kapolei and other areas are part of a master planned community where DHHL was able to acquire land. These areas have DCCR's. This is a different issue from the Affordable Housing Credits issue. DHHL acquired these lands knowing the conditions (DCCR's), so we went into it with our eyes open

A: DHHL Planning Office working with these particular communities to gather community input and develop community-based DCCR's, so not totally controlled and dictated by the developer

C: Still don't have an answer about Agriculture. We see lot size cut down to 2 acres and turned into Residential. We don't discuss this with the community. We're not seeing people farming on the land. We don't have an affordable housing program.

C: When agencies re-zone, there's requirements for public meetings. When DHHL re-zones, this should be brought to the public like public hearing process. We have rights, we're entitled to consultation, like any other citizen. There's not an official mechanism to guarantee such a process.

I'd like to see an official notice clearly stating "we're having a public hearing/consultation (or whatever) to inform the public that we're changing rules"

A: We do have community meetings; we've done workshops and we have a beneficiary consultation policy and process

- Q: This is Department of Hawaiian HOME LANDS. The Act doesn't say "give a house". I worry with the (earlier) answer that land could change hands (under this new Affordable Housing credit policy). These are TRUST lands. What would happen in a default, ie Fredco situation where a developer went bankrupt. What happens to the Credits?
- A: It's a fair question. Same question came up at last night's meeting on Maui - what happens if a developer goes back on his word to provide affordable housing?. We don't have it fully answered yet. In regards to Fredco, that happened during a time where the Department was aggressively building all over the state
- A: This Affordable Housing credit policy is an implementing process to help us to try to make the best decision. Keep in mind that even with the concerns throughout the legislative process, the legislation still passed. Technically, we don't have to ask the Counties, we can just take the credits. But, we're not doing that. We are talking to the Counties and trying to work together on this.
- Q: Any idea on what dollar amounts we're talking about?
- A: Example: \$4 million in 3 years for one potential developer on Maui. Seems like a good deal to developers for them to address affordable housing
- C: Let's be careful, though. May be a good deal for developer, but what about us on the other end?
- Q: Any other government agency can benefit from these credits?
- A: Yes, State Hawaii Housing and Finance Development Corporation agency also has authority to issue and receive these credits
- C: I'm afraid. What I fear is if we don't use it, we lose it. The Department has done tremendous things for residential and I don't want to see this Credits policy jeopardize that or hamper Department's ability to continue with residential. On the Ag side, I'd like to see something on paper. After today's consultation, I'd like to see what's going to happen with farm lots. Also, get Ag assistance adequately funded.

- Q: Has the Department hired the Ag Specialist yet?
- A: No, not yet.
- C: On this Credits policy, I'd like to see something on paper. Everything seems to be done verbally. We want to see how the Department uses these credits and see it on paper.
- C: We have voiced concerns before. We participated in previous consultations. With changes in administration and staff, how do we continue on the dialogue without slipping back to square one every time there's a change in administration and personnel?
- C: Let's not forget, the Department has made great strides in putting people on the land
- A: We (the Department) still have a long way to go. We're taking baby steps, doing consultations with the community. Department chose to focus on residential. We have to start to focus on Ag.
- Q: Who do we speak to about Ag? Who is the Department's point of contact?
- A: Ultimately it is the Commission. At staff level, you can contact the Planning Office. We understand residential, we know how to do that. We have to now focus on Ag.
- Q: There are homesteaders that want to develop their property but cannot afford to. Can the Task Force look into low-interest loans and other funding? Help us with how to put together a proposal, project plan.
- I heard about low interest loans available for new homeowners for energy efficiency, but this resource is not available to existing homeowners, yet they pay the same high electric bills as the new homeowners.
- A: DHHL partnership with DBEDT for energy funding. Scheduled to be available beginning of next year.
- Q: Many programs are for "low income household families". Can you look beyond the household income statistic? Consider the mortgage amount as % of income, that may give a better picture of that family's financial situation.

- Q: What about Self Help? I heard that's a good program. HICDC on the Big Island has a great program and has helped a lot of families
- A: Yes. We signed a 3-year agreement with the statewide Habitat Association, which is the umbrella that oversees all Habitats on each island.
- Q: Can the Department consider hiring 1 person versatile in construction, infrastructure, etc. instead of having the developer always in control?
- A: We do have staff. They are the "project managers" and that is their role
- C: Fredco - no one was watching
- A: If we don't have staff, we hire out. Fredco was a hard lesson learned for us. It came at a time when we were building across the state

**Beneficiary Consultation Homestead Leaders Meeting
DHHL District Office, Lihue, Kauai
Monday, December 7, 2009, 6:00 pm – 8:00 pm**

Presentation: Affordable Housing Credit Policy

Attendees: 3 Homestead Associations

Anahola Hawaiian Homes Association: Lorraine Rapoza, Robin Danner

Kekaha Hawaiian Homestead Association: Leah Perreira

Anahola Town Center Committee: John Kaohelaulii, Mariyln Anui, Makana Bacon

DHHL Staff: Kaulana Park (OCH), Anita Wong (OCH), Gigi Cairel (PLO), Roland Licona (District Office), Erna Kamabayashi (District Office)

Q = Question

A = Answer/response

C = Comment

- Q: What are "credits"?
- A: Example: 10 units of \$1 million condos. Developer required by county to provide 30% affordable housing . . . or 3 units. These "3 units" are either in the form of cash going to the Trust or in the form of land donated back to the Trust.
- C: Note on p. 4 #E, cash can go to NHRF fund to benefit native Hawaiians
- C: Note bottom p. 3 #D3 - "negotiate with native Hawaiian entities"
- Q: Who does this benefit?
- A: This benefits us, the Department, may bring cash to the Trust
- Q: 100 homes at \$140,000 each?
- A: We build 36 units in Piilani. We can offer that as credit to a private developer
- C: Some Counties may not like this. We have to stand up and fight for our credits. What's "The Process"? If Someone is interested in the credits, we have a committee to review it, Chair takes recommendation to Commission. We take credits to County, who then turns them into cash.
- Q: How do you determine the cash value?
- A: Committee determines. Will need to look at each county's formula
- Q: P. 1 # IVC, Piilani and Kapolei? Are these included in this new Affordable Housing Policy?
- A: Yes.
- Q: Will self help homes be included as well?
- A: Yes.

- Q: This is cash. What about those families that have been approved? Now their credit is no good or does this affect only developers?
- A: It only affects developers. This is not a credit to families.
- Q: Does the house have to be tied to an "affordable" family? If the family does not qualify, still need to give house to a low-income family anyway?
- A: Yes.
- C: It works both ways. It provides incentive to developers to build affordable housing.
- C: The price of the credit will change. Value will be determined by the developer, but how badly does the developer want his development?
- C: Money could be available to fund HOAP.
- Q: Any idea on how much a housing credit is worth?
- A: \$75,000 - \$125,000 - range in all counties.

**Beneficiary Consultation Homestead Leaders Meeting
DHHL District Office, Waimea, West Hawaii
Tuesday, December 8, 2009, 6:00 pm – 8:00 pm**

Presentation: Affordable Housing Credit Policy

Attendees: 2 Homestead Associations

Waimea Hawaiian Homestead Association: Kanani Kapuniaia

LaiOpua 2020: Bo Kahui, Isaac Sylva

DHHL staff: Kaulana Park (OCH), Gigi Cairel (PLO), Jim DuPont (District Office)

Q = Question

A = Answer/response
C = Comment

Q: Do you have to be a developer?

A: Technically, no; doesn't have to be a builder. Could be a 501c3. Give chance to native Hawaiian organizations to get these credits. Example: Bo can be a partner with Forest City who may need the credits. LaiOpua would receive the credits.

Q: Do the developers build homes for DHHL projects.

A: Example: if completed development on Hawaiian home lands prior to 06/30/09, then CANNOT be considered as credits. LaiOpua villages 1 - 5 - Developer built 4 out of the 5. Halfway through constructing Village 5, then completed post 07/01/09, can be considered as credits. A deadline was drawn to prevent developments from the 1980's to drain credits.

Q: Did bankruptcy (FredCo) give DHHL exposure?

A: Yes, it was a wake up call.

Q: What is "affordable housing"? Define it. Who's it for? This kind of scares me. Exchange of lands with private lands.

A: If private owner wants to donate 100 acres, in exchange, we give them these credits.

Q: Why would a private owner donate land?

C: We should probably look at the land now.

Q: What is the definition of affordable housing to native Hawaiians who have built on Hawaiian home lands?

C: I'm hesitant about all these changes for Hawaiian Homes. We get harassed if we don't build within 3 Years.

Q: You use the term "credits". Define "credits". This is not acceptable. Housing credits - is there an \$ amount attached to this definition or is there a % amount attached? Example: developer donates 100 acres. He

fulfills, what, 10% of the requirement? Or is there a dollar amount?

C: So talking about a % percentage?

Q: Where does it leave the recipients in terms of these credits? What's "Affordable housing" - \$200,000? \$400,000? \$1 million? Where's the definition of "Affordable Housing" ?

A: We have a development on Kauai near Anahola. Housing prices are \$195,000 - \$250,000. That's DHHL's Affordable Housing price. For the County, their Affordable Housing price is in the high \$200,000's. Depends on who the entity is.

C: Why are you talking about Affordable Housing. This isn't Affordable.

C: Example: bought house at \$25,000. DHHL sold to individual for \$128,000. Housing is falling apart. What's affordable? Here's a house now at \$128,000.

C: Give the housing credits to the recipients, give to the Associations.

A: When Department gets a house back, DHHL does an appraisal at the time. The Department looks at how much it costs in today's dollars?

Q: Do you sell the home at appraised value?

A: Yes.

C: I don't think this is fair. Why can't you sell at \$25,000? Why does it now have to be \$128,000?

C: In this example, this was a drug house. After the house was given back to the department, recipient passed away.

C: This credits is a western ideology.

C: Like the people who bought in Lalamilo, people cannot afford it . . . so they're selling their houses.

C: If developer gives us 100 acres, we can get cash for it and/or build the homes on it ourselves.

- C: Credits don't work that way. It's about supply and demand. What's the demand? And what's the supply? They (the credits) are going to mess with this supply/demand curve.
- Q: For that developer who builds on Hawaiian home lands, who determines the % of affordable housing?
- A: Each county has a set % requirement.
- C: Department says it has affordable housing.
- A: ALL of the Department's developments are affordable housing compared to the private sector/market.
- C: What I want to see is that the credits the developer gets is really used for Affordable Housing.
- C: In the Counties, \$75,000 - \$150,000 is for 1 credit.
- C: Why can't DHHL give the credits to the homeowners to bring down the cost of my house? So if credit goes to the homeowner, and homeowner sells the home, what happens?

**Beneficiary Consultation Homestead Leaders Meeting
DHHL Hale Pono, Kapolei
Wednesday, December 9, 2009, 6:00 pm – 8:00 pm**

Presentation: Affordable Housing Credit Policy

Attendees: 6 Organizations

Maluohau Residents Association: Shirley Swinney, Homelani Schraedel

Waimanalo Hawaiian Homes Association: Paul Richards

Waiane Valley: Lokana Keliikoa

Papakolea Community Development Corporation: Puni Kekauoha

Princess Kahanu Estates: Olivia Aquino, Lori Nordlum

Hui Kako'o Aina Hoopulapula: Kaipo Kincaid

DHHL Staff: Kamanao Mills (OCH), Gigi Cairel (PLO)

Q = Question

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Q: How much is each tax credit worth?

A: We're still grappling with this. It differs from county to county. Each county has a sliding scale. In some cases, it's negotiable.

C: If they didn't need the tax credits, if they don't know how much it's worth, then they wouldn't use it.

A: It was more cost-effective to pay the fee than the credit.

Q: What is affordable? Define affordable.

A: It goes by HUD median income guidelines. For Hawaii County - 3 members in a household, 80% MFI is \$58,000

C: Hard to get an answer

C: p.3 #D Public Auction. "Unclaimed credits" can be auctioned out. p. 4 #E - portion of cash payments deposited into NHRF, which can be used by community Associations.

Q: Is this policy in its infancy?

A: No, HHC approved Policy in October this year.

Q: Has it been RFP'd?

Q: Is the lot size determined by DHHL?. On Oahu, it's 5,000 sq. ft.

A: Don't know

C: 5,000 sf on Oahu is acceptable, but not on neighbor islands. Market is not acceptable.

Q: would this affect developments such as Makaha / Jeff Stone?

A: Yes.

Q: would this affect old developments?

A: No.

C: I understand there was concern on Maui re: Everett Dowling's development in Kihei. The developer is not going to build affordable housing. If developer builds affordable housing on DHHL, then non-native Hawaiians wouldn't have access to these affordable homes.

Q: Who's developing?

A: Horton, Gentry, lots of people

Q: Developer wants to develop 100 homes in Makakilo. Requires 25 credits. He can build the 25 units. Does developer have to go through a bid process to receive the credits? Sounds like he's required to build the xx number of units.

A: We're not clear on how credits get awarded

Q: These credits go to the developer. When does Department negotiate with the developer? The credits don't all necessarily go to DHHL, do they?

Q: Regarding the "donation of improved lots", would there an issue of private land being donated/converted to Trust land? There could be old land with old housing stock on it. Similar to Princess Kahanu. P. 3 #3 at top

Q: Can an international developer access these credits? Or does it only have to be a domestic developer?