

STATE OF HAWAII

DEPARTMENT OF HAWAIIAN HOME LANDS

November 18, 2019

TO: Chairman and Members, Hawaiian Homes Commission

FROM: Paula Aila, Finance and Development Specialist

SUBJECT: Authorization to establish limited financing program to cover unanticipated costs associated with the provision of telecommunication and broadband services for lots offered between October 8, 2016 and December 31, 2019.

RECOMMENDED MOTION/ACTION

Authorization to Chairman to establish a limited financing program, not to exceed \$1,000,000 to assist lessees in specific subdivisions offered between October 8, 2016 to December 31, 2019, to cover the unanticipated costs to connect telecommunication services to their homes.

DISCUSSION:

BACKGROUND:

In 1995, the Department of Hawaiian Home Lands issued License No. 372, to Waimana Enterprises, Inc., operating as Sandwich Isles Communications (SIC), in perpetuity beginning in May 1, 1995. This license provided for statewide telecommunication services, both wire and wireless. Sandwich Isles Communications first began telecommunications infrastructure installation in the Waimanalo Unit 9 subdivision; under the subject license, SIC funds the materials and installation of underground cabling, wiring and appurtenances. SIC also began establishing its statewide network of central offices on all islands.

SIC also funds and provides for connections from pull boxes within the road right of way to houses. Lessees are responsible to pay for the junction box attached to the home, as well as the internal wiring. Likewise, in turnkey house development, SIC pays for the direct drop or conduit drop from the street to the house, while the contractor includes the cost of the junction box and internal house wiring in the sales price of the turnkey home. In many instances, SIC contracted with the house contractor to install the direct drop or conduit from the street to the house.

Pursuant to License No. 372 and the practice and responsibility of SIC providing the costs of telecommunication facilities and installation to the homes, the Department coordinated orientations and lot selections with this understanding, beginning with the Waimanalo Unit 9 subdivision.

TIMELINE OF EVENTS:

The department hosted a series of orientation and lot selection meetings to offer lots in new subdivisions starting in October 2016. At the meetings SIC provided collateral to beneficiaries with information about setting up telecommunication services (Exhibit I).

In February 2018, the DHHL notified SIC of the next Turn Key development in Kapolei to prepare them for families who would need telecommunication services. SIC responded, “SIC is not presently able to construct new telecommunications infrastructure for new projects on Hawaiian Home Lands.”

The timing of this notification was very problematic as it affected families who were offered vacant and Turn-Key lots in (5) five subdivisions with more offers of lots to follow. In order to mitigate an urgent situation at the time, the department was able to assist some families to obtain telecommunications service. In addition, beginning in June 2018, SIC started to inform beneficiaries directly that they would have to pay for telecommunications connection costs which caused a lot of confusion and frustration for beneficiaries. The department received many complaints and continues to receive calls on a regular basis requesting help to establish telecommunications service.

If the beneficiaries knew they had to cover telecommunications start-up costs before building the home, that amount would have been included into the construction loan. However, the beneficiaries are now left to fund the expense out of pocket with estimates ranging from \$1500 to \$7,000 depending on the subdivision, size of the lot, and distance from the home to the connection line.

The following is a list of subdivisions and the number of lots affected by this situation:

Subdivision	Area	Number of lots
Kakaina	Waimanalo, Oahu	45
Pi'ilani Mai Ke Kai	Anahola, Kauai	22
Keokea-Waiohuli, Maui	Kula, Maui	45
Lanai	Lanai	16
Ka'uluokaha'I	Kapolei, Oahu	23
Total		188

Due to the urgency of this situation, the department is requesting authorization by the Hawaiian Homes Commission to establish a limited financing program, not to exceed \$1,000,000 to assist the families in these specific subdivisions to cover the unanticipated costs to connect telecommunication services for their homes.