

STATE OF HAWAII  
DEPARTMENT OF HAWAIIAN HOME LANDS

January 27-28, 2020

To: Chairman and Members, Hawaiian Homes Commission

Thru: Jobie M. K. Masagatani, Executive Assistant

From: Peter “Kahana” Albinio, Jr., Acting Administrator  
Land Management Division ~~K~~A

Subject: Approval to Acquisition of Properties from the Trustees of the Estate of Bernice Pauahi Bishop, Moiliili, Island of Oahu, Tax Map Key No. (1) 2-7-011:008, :009 & :053

RECOMMENDED MOTION/ACTION

That the Hawaiian Homes Commission grants its approval to authorize the Chairman to execute the Purchase Sales Agreement (PSA) and all other necessary documents with the Trustees of the Estate of Bernice Pauahi Bishop / Kamehameha Schools (KS) to complete the acquisition of the above-referenced properties on Oahu.

DISCUSSION

Background Information

In the monthly reports provided to the Hawaiian Homes Commission (HHC) the longest waiting list has consistently been the Oahu Residential list. The most recent report provided to the HHC at its December 2019 meeting indicated that this list was at 9,832 applications as of November 30, 2019. Although the waiting list represents applications for a homestead lease to land, the list serves as a good indicator of the high demand for residential on Oahu amongst DHHL’s beneficiaries. Unfortunately, the amount of Oahu acreage within DHHL’s inventory is relatively small, approximately 3 percent of DHHL’s total land inventory. Securing additional lands on Oahu suitable for residential development will help to meet the beneficiary demand for residential on Oahu.

In 2017, the State Legislature pursued an innovative strategy to provide for financial resources to DHHL to purchase lands to add to its inventory while also increasing the inventory of state lands available for agricultural activities.

The State Budget as provided in Act 49, SLH 2017, Section 30 F, Item No. 16, identified the Department of Agriculture (DOA) as the expending agency for **\$6.9 million** in general obligation bond appropriation financing for plans, **land acquisition**, design, construction and equipment for lot development on **Oahu** for the purposes of the Hawaiian Homes Commission Act, 1920.

Comments in the Senate Journal regarding this appropriation identified the legislative intent for this funding stating, “This appropriation for the Department of Hawaiian Home Lands is to acquire real property for the purposes of the Hawaiian Homes Commission Act, 1920. It is our understanding, through the Department’s cooperation, that the fee title on two parcels of land located in Wahiawa, Oahu, will be transferred to the Agribusiness Development Corporation (ADC) prior to the Department of Hawaiian Home Lands expending these funds.” The two parcels referenced in the Senate Journal refer to 52.768 acres near the Whitmore Village in Wahiawa, Oahu, further identified by Tax Map Key Nos. (1) 7-1-002:031 and (1) 7-1-002:033 there were donated to DHHL from Castle & Cooke Hawaii in December 2016. These properties are not considered as “available lands” as defined in Section 203 of the Hawaiian Homes Commission Act, 1920, as amended (HHCA).

The HHC, at its regular monthly meeting of December 18-19, 2017, authorized the Chairman to finalize the Memorandum of Agreement with DOA/ADC regarding the \$6.9 million appropriation and the real estate properties in Whitmore, Oahu. The Memorandum of Agreement was executed on September 30, 2018 stating the desire from both agencies to undertake cooperate efforts in the areas of planning and fiscal coordination to facilitate the release of bond funds and the transfer of the Whitmore lands to ADC and the acquisition of new lands by DHHL.

On April 11, 2019, DOA agreed to delegate the expenditure of funds and release of funds to DHHL. Staff is currently working with the Department of Budget and Finance (B&F) to secure the release of funds.

#### Acquisition of Real Property(ies)

Upon execution of the MOA, DHHL staff began researching potential properties for sale that could be acquired on Oahu utilizing the \$6.9 million appropriation. The criteria for land acquisition included the following:

- (1) Must be residential use, consistent with the beneficiary demand for residential on Oahu;
- (2) Priority to Urban Honolulu, consistent with survey results of applicants completed as part of the Oahu Island Plan development;<sup>1</sup> and

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<sup>1</sup> A survey completed as part of the Oahu Island Plan asked the applicants to identify their preference for locations they would like to receive for their residential award. Kapolei is the preferred location among all income groups. Urban Honolulu, the Windward side and Waimanalo are among the next most desired area. Nanakuli and Waianae are the least desired locations. Since DHHL currently has properties in Kapolei, the focus was looking at potential properties to acquire in Urban Honolulu.

- (3) Vacant residential building with minimal renovation/upgrade costs to be considered, consistent with Commission discussions that encouraged this option to expedite making residential housing available in a quicker time frame and potentially lower cost.

As part of this search, DHHL staff reached out to Kamehameha Schools (KS) staff regarding properties owned by KS. Information regarding the properties of interest to DHHL is included below. The properties are in the Honolulu's urban core and located close to DHHL's Isenberg property (See Exhibit "A"). The properties have vacant improvements that could be utilized as affordable rentals for our beneficiaries or redevelopment for the purposes of the HHCA.

### **PROPERTY 1**

Location: 728 Coolidge Street (See Exhibit "B")  
TMK No. (1) 2-7-011:009  
Area: 0.3439 Acre (14,981 sq. ft.)  
Improvements: Low rise  
20 – 1-bedroom units  
State LUC: Urban  
Property Class: A-2 (Medium Density Apartment) Residential  
Year Built: 1959, with masonry exterior wall  
Infrastructure: Water, sewer, electrical (Need to confirm capacity)

### **PROPERTY 2**

Location: 793 Isenberg Street (See Exhibit "B")  
TMK No.: (1) 2-7-011:053  
Area: 0.1704 Acre (7,422 sq. ft.)  
Improvements: Low rise  
11 – 1-bedroom units  
State LUC: Urban  
Property Class: A-2 (Medium Density Apartment) Residential  
Year Built: 1961, with masonry exterior wall  
Infrastructure: Water, sewer, electrical (Need to confirm capacity)

### **PROPERTY 3**

Location: 720 Coolidge Street (See Exhibit "B")  
TMK No. (1) 2-7-011:008  
Area: 0.4409 Acres (19,205 sq. ft.)  
Improvements: Vacant; use for parking  
State LUC: Urban  
Property Class: A-2 (Medium Density Apartment) Residential

The 2019 Tax Assessed Valuation for the properties was \$7,835,800.00, approximately \$1 million above the appropriation provided by the transfer of the two Whitmore properties. A

full appraisal of these properties is part of the due diligence that DHHL will have to make before finalizing the acquisition. Although the purchase will require additional trust funds to complete, staff believes that this will be a good acquisition for the DHHL program given its desirable location in Urban Honolulu, its very affordable purchase price, and its opportunity to provide a different type of housing option to our beneficiaries other than single family homes. The properties are also in very close proximity to DHHL's current land holding in Moiliili.

A Letter of Intent (LOI) to purchase these properties for the tax assessed value was submitted to KS on August 30, 2019. In evaluating the offers it received for the parcels, it is staff's understanding that KS took into consideration non-financial factors including the desire to collaborate and work cooperatively with DHHL towards enhancing the well-being of our overlapping beneficiary populations. On October 31, 2019, KS accepted the LOI. DHHL shall have up to March 2020 to finalize and execute the Purchase Sales Agreement (PSA) and close escrow prior to June 30, 2020. DHHL has approximately **five (5) months** left to conduct its due diligence analysis, encumber the appropriation, and close the transaction.

#### CHAPTER 343 – ENVIRONMENTAL ASSESSMENT:

Triggers:      Use of State funds

The direct, cumulative, and potential impacts of this action have been considered pursuant to Chapter 343, Hawaii Revised Statutes and Chapter 11-200.1, Hawaii Administrative Rules. Based on the general types enumerated in Chapter 11-200.1-15(c), HAR, Exemption Type 9, this action will have minimal or no significant impact on the environment and is therefore exempt from the requirement to prepare an environmental assessment.

#### ADDITIONAL FUNDING

Additional resources of \$1.75 million dollars will be required to complete the purchase, pay for the due diligence analysis, and complete the initial possible renovations. The request for these resources is included under a different submittal on the H agenda.

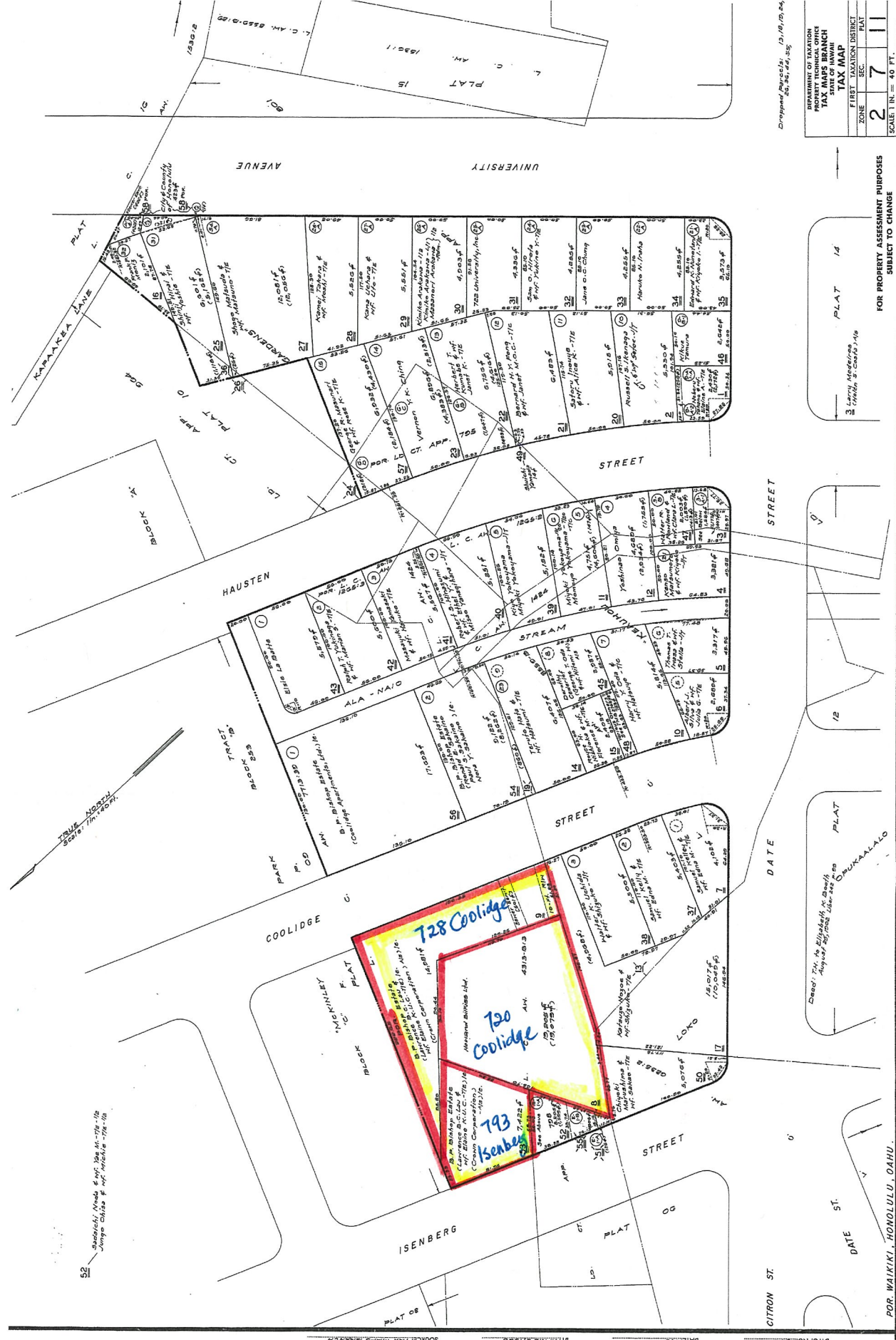
#### RECOMMENDATION

Land Management Division requests approval of the recommended motions as stated.









DEPARTMENT OF TAXATION  
PROPERTY TECHNICAL OFFICE  
TAX MAPS BRANCH  
TAX MAP

ZONE SEC. PLAT  
2 7 11

FOR PROPERTY ASSESSMENT PURPOSES  
SUBJECT TO CHANGE

263

ITEM NO. F-2  
EXHIBIT "B"