

HAWAIIAN HOMES COMMISSION BUDGET WORKSHOP

Minutes of June 14, 2022

Hale Pono`i, 91-5420 Kapolei Parkway, Kapolei, HI,
and Interactive Conferencing Technology (ICT)

Pursuant to proper call, the meeting of the Hawaiian Homes Commission was held both in person and via Interactive conferencing technology, beginning at 9:30 a.m.

PRESENT William J. Ailā Jr., Chairman
Randy K. Awo, Maui Commissioner
Zachary Z. Helm, Moloka`i Commissioner
David B. Ka`apu, West Hawai`i Commissioner
Michael L. Kaleikini, East Hawai`i Commissioner (arrived 10:05 a.m.)
Russell K. Ka`upu, O`ahu Commissioner
Dennis L. Neves, Kauai Commissioner
Pauline N. Namu`o, O`ahu Commissioner (ICT)

EXCUSED Patricia A. Teruya, O`ahu Commissioner

COUNSEL Alyssa-Marie Kau, Deputy AG

STAFF Tyler I. Gomes, Deputy to the Chairman
Leah Burrows-Nuuanu, Secretary to the Commission
Andrew Choy, Acting Planning Manager
Kahana Albinio, Acting Land Management Division Administrator
Juan Garcia, Homestead Services Division Administrator
Cedric Duarte, Information & Community Relations Officer
Stewart Matsunaga, Acting Land Development Division Administrator
Paula Ailā, Acting Contact and Awards Division Administrator
Jamilia Pacheco, Information Specialist
Michael Lowe, Information Specialist

ORDER OF BUSINESS

CALL TO ORDER

Chair Ailā called the meeting to order at 9:30 a.m. seven (7) members were present in person at roll call, establishing a quorum.

APPROVAL OF AGENDA

MOTION/ACTION

Moved by Commissioner Helm, seconded by Commissioner Ka`apu, to approve the agenda.
Motion carried unanimously.

Executive Assistant Jobie Masagatani and Administrative Services Officer Rodney Lau presented the following workshop.

J. Masagatani said staff finished the final touches last night and anticipated questions from Commissioners. The Department will seek the Budget's approval at the Hawaiian Homes Commission meeting next week.

With the unique funding opportunity the Department received with the Waitlist Reduction Act, this Budget does not include those fundings but will be included as a separate budget when the Commission reviews the strategic plan. Those discussions are occurring with the Permitted Interaction Group.

R. Lau presented the Budget to the Commission

WORKSHOP DISCUSSION ON DHHL FY 2022-23 HAWAIIAN HOME LANDS BUDGET

A. DHHL Sources of Funding: Federal, General Fund, General Obligation Bond, Trust Fund, Special Fund, Loan Funds

Financial Structure

- Made of internal and external funding

Internal Funds - Funds from available lands – from the Organic Act to present

- Hawaiian Home Administration Account (1941)
 - This resource funds the Administration and Operating costs in the absence of General funding
 - It brings in \$17 million annually
 - Excess balances (excess of the State Budget) – in the absence of no general funding. Ex: when the State provides sufficient funds for general funding, the excess funds can be transferred into the Operating Fund
 - The revenues from the available lands are pledged first to the repayment of the Bonds that were floated back in 1991
- DHHL Revenue Bond Special Fund (1989)
 - Started floating bonds in 1991
 - 2009 floated additional bonds - \$42.5 million
 - OHA promised and pledged the repayment of those bonds and has been faithful in repaying those bonds since 2009
 - In 2017 DHHL refunded the bonds - \$30.94 million
- Hawaiian Home Lands Trust Fund (T-902)
 - Created to receive the first Act 14 settlement payments – claims that were from 1959 – 1988.
 - Claims related to the land
 - Required the State to make twenty annual deposits of \$30,000,000, or discounted equivalent to the Hawaiian Home Lands Trust Fund. Payments ended in 2015.
 - Used primarily for Capital Improvement Projects. The Act allows DHHL to use the money for DHHL purposes
- Hawaiian Home Operating Fund (T-905, T-915)
 - The Hawaiian Home-Development Fund (1941) and the Hawaiian Home Operating Fund (1948) were merged into one fund, the Hawaiian Home Operating Fund (1986)
 - Funds administered separately
- Native Hawaiian Rehabilitation Fund (T-924)
 - Created by the 1978 Constitutional Convention intended exclusively to benefit native Hawaiians (educational, economic, political, social, and cultural purposes)
- Native Hawaiian Trust fund (T-917)
 - Used for public purposes to further the Hawaiian Homes Commission Act

- Used as a reserve for loans insured or guaranteed by the Federal Housing Administration
- Hawaiian Home Receipts Fund (T-916)
 - Monies from loans or investments authorized by the different loan funds
- Hawaiian Home Loan Fund (S-302)
 - A revolving loan fund created in 1921
 - Used for the Section 209 type actions, principally to pay the net proceeds when a homestead is canceled or surrendered or when a lessee dies without leaving a qualified successor.
- Hawaiian Home General Loan Fund (S-323)
 - A revolving fund created by the State by a series of appropriations
 - Used for repairs, replacements, new home construction, and farm loans not to exceed \$200,000

External Funding Sources

- General Funds
 - This past Legislation, HB1600 appropriated \$15 million for DHHL’s Administration and Operation Costs
 - HHL 602 is linked to the line divisions; Land Management Division, Land Development Division, and Homestead Services Division – Legislature infused a one-time appropriation of \$10 million which will lapse on June 30, 2023
- General Obligation Bonds
 - HB1600 appropriated \$37 million; \$20 million for lot development; \$5 million for repairs and maintenance; \$3 million for Pulehunui; and \$9 million for Lei Ali’i
- Revenue Bonds
 - \$30 million in outstanding revenue bonds
 - Paying debt service of \$3 million, which OHA has been paying the debt
- Federal Funds
 - HB1600, the Legislature created a separate revolving loan fund of \$7 million because DHHL was accounting for NAHASDA loans with the Trust Funds. So, the Legislature created a separate revolving federal fund to account for those monies.
 - The Legislature increased DHHL’s federal fund authorization to \$58.3 million; up from \$23.3 to \$58.3

B. Presentation on DHHL Budget Sections as follows:

- Administrative and Operating Expenses Section
- Loans Section
- Rehabilitation Projects Section
- Developing Budget Section (page 10)
 - Repairs and Maintenance (page 11)
 - Not inclusive of Waitlist Reduction Act

Lot Development Projects Presentation

Acting Land Development Division Administrator Stewart Matsunaga and Real Estate Development Specialist Darrell Ing presented the PowerPoint for the Lot Development Projects.

Total Budget Amount: \$101,961,000 (page 11 break down)

O`ahu Lot Development Projects presented by D. Ing and S. Matsunaga

- East Kapolei, O`ahu – provide housing for beneficiaries and get ready for homeownership
 - Kanehili 404 lots
 - Kauluokahai II B 160 lots
 - Kauluokahai II C 130 lots
 - Kauluokahai II A 32.6 acres of multi-family rentals
 - Kauluokahai II E 142 lots
 - Kauluokahai II D 124 lots
 - Kauluokahai II F 155 lots
 - Low-Density Apartments 3 28.8 acres of multi-family rentals
- Ewa Beach Former NOAA Site – 80 acres
 - Plans: \$1,000,000
 - Designs: \$4,000,000
- Keokea – Waiohuli Subdivision, Maui
 - Phase 2A 44 lots
 - Phase 2B 76 lots
- Villages of Leialii 1-B
 - Up to 250 residential lots, including multi-family
- Honokowai Subsistence Ag Lots Phase 1
 - 50 Sub AG lots
- Pulehunui Development, Maui
 - Wastewater System encumbered \$17.5 million
 - Water System, \$17.0 million
- Pu`unani Homestead Subdivision, Maui
 - 137 Turnkey lots
 - 24 Vacant lots
- Kahikinui Roadway, Maui (no slide)
 - Continuation of roadway improvement, extend roadway above about half mile
- Lanai Residence Lots Phase 2B73
 - 75 lots
 - Project lacking water and sewer
 - Pulama Lanai committed to having enough water for DHHL
- Kalamaula Ag Lots (Acceleration)
 - 45 2-acre lots
- Ho`olehua Agricultural Lots
 - Scattered lots, minimum 12 new Ag lots
 - Naiwa Ag Subdivision, 8 Unencumbered lots
 - 10-12 lots looking to subdivide into smaller lots
- Kaumana Subdivision Lot Rehabilitation
 - \$450,000 encumbering for further design
- Ka`u Water System Improvements Phase 2
 - Designs \$825,000 (Trust Funds)
 - Construction \$2,900,000 (Legislative Funds)
 - Ka`u Agricultural Lots (Pu`ueo)
 - 25 lots
 - \$3,000,000 (Legislative Funds)
- Lalamilo Housing Phase 2A, Increment 1
 - Carry over \$950,000 in Trust Funds

Purpose 4 – Repair, maintenance, and Operating Costs Promoting thriving, healthy communities

S. Matsunaga stated that a lot of the work includes sewer systems, sewer line replacement, water systems, drainage, landscaping, and slope improvement.

- Papakolea Sewer Remediation
 - Total cost: \$13 million – Phase 1
 - Proposed FY 2023 budget – Construction \$5 million (DHHL Trust)
 - Due to lack of funding, DHHL has to do work in phases
 - Sewers are under DHHL maintenance, so DHHL wants to bring sewer systems up to current City & County standards so DHHL can turn it over to the city, so they become responsible for the maintenance

Commissioner Ka`apu asked if the Department could turn any of them over to the City & County. S. Matsunaga stated they have turned over Kaupuni Village in Waianae; a month ago, the Department submitted the sewer camera work, the bill of sale, and the license easement to the city for Kakaina and Kumuhau subdivisions. The Department is preparing to submit other subdivisions as the camera work is done, and the documents, sales bills, and license easements are in preparation to the city.

Commissioner Ka`apu asked when will Papakolea get turned over as it has been going on for a long time. S. Matsunaga stated it would take funding, estimated at \$50 million. Department must push for repair and maintenance funding in the next legislative session. Kaupea and Malu Ohai are up next to be submitted.

- Nanakuli Sewer Improvements (required)
 - 120 lot impacted
 - Inspections completed in 2020
 - The estimated cost of construction is \$38.3 million
 - Proposed FY 2023 budget for designs is \$800,000
- Waianae Sewer Improvements
 - 100 lots impacted
 - Inspections conducted mid-2020
 - Design complete
 - Proposed FY 2023 budget is \$5,000,000 (Legislative Funds)
 - Alleged sewer violations found
- Waimanalo Flood Control Channel Improvements
 - Concrete-lined channel (approximately 2,000 linear feet)
 - It runs from Kamauna Place down to Kalaniana'ole Highway
 - Improvements include: spall work, crack repair, fence repair, tree removal, and lining
 - The low bid is \$2.36 million (Legislative Funds)
- Waimanalo Sewer Improvements
 - Fix sewer deficiencies
 - Upgrade existing DHHL sewers to current City standards
 - Convert cesspools as required by Act 125 (SLH 2017) by 2050
 - 650 lots are connected to the city sewer system
 - 80 individual onsite sewage disposal systems
 - Repair and replace existing DHHL sewers (\$18 million)

- Conversion of OSDS with pump station and new collector (\$12+ million)
 - Proposed FY 2023 budget, designs \$500,000 (Trust Funds)
- Keaukaha Phase 1 Sewer Improvements
 - In design
- Hawai`i Island Projects
 - Maku`u site remediations
 - Design for the Ka`u water system improvements to install a new line within South Point Road
 - Lalamilo continuation of the Kawaihae road channelization. Working with Hawaiian Telcom to move the existing utility poles. We need to be careful as there are existing fiber optics on the road
 - Infrastructure improvements in Lalamilo 2A increment 1
 - La`i `Opua has brush clearing and maintenance work
- Anahola Dam & Reservoir Improvements
 - DHHL Trust Funds \$1,618,000
 - Improve upper Anahola and Kealia Field #1
 - No source of water to lessen DHHL`'s liability for any dam breakage
 - Proposing to remove the Fields so they become unregulated; still has a maintenance requirement
- There are other Statewide projects

DISCUSSION

Commissioner Helm asked what was happening with the Naiwa Subdivision. S. Matsunaga stated they are trying to complete the Draft Environmental Assessment for the project. When the lots were constructed in the mid-1980s, a drainage study was not conducted, so the Department needs to consider the required improvements. Commissioner Helm asked about the cost of doing the work. S. Matsunaga stated they are proposing a budget of \$20 million. Naiwa and the scattered lots were included in the calculations for the water reservation.

A. Choy stated the Department just entered a Memorandum of Agreement (MOA) with Pulama Lanai to coordinate access to the existing off-site infrastructure that both entities will be utilizing. The MOA stipulates if their development exceeds a certain amount, they will partner with the Department to cost-share off-site improvements to accommodate both developments. The MOA was executed in October 2021.

A. Choy stated without the MOA if Pulama Lanai develops first and uses all the available capacity of the existing infrastructure. DHHL comes in after. DHHL will be solely responsible for improving and upsizing the infrastructure. With the MOA, Pulama Lanai agrees to cost-share in upsizing the infrastructure to accommodate both developments.

Chair Aila asked what did the Department file in the land use reclassification.

DAG Alyssa Kau stated that in October 2021, Pulama Lanai filed an application with the Land Use Commission (LUC) to amend their district boundaries for constructing a 201H project. The Department filed, as an intervener, into the project with the LUC. That is when Pulama Lanai approached the Department with Counsel, and both discussed and executed an MOA described by A. Choy earlier. 201H projects are on an expedited timeline for the Land Use Commission.

Chair Aila stated the Department's filing opened up the communications. The Department is being a bit more assertive but needs to be careful with its development because there is someone with the means to do many things.

Commissioner Ka`upu asked about the Waitlist Reduction Act Permitted Interactive Group and whether there would be a plan for the \$600 million. J. Masagatani stated the Budget is CIP that is carried over, so staff is asking that it be carried forward to the current fiscal year.

Commissioner Kaupu asked if the discussion relating to repair, maintenance, and development is an opportunity to use the Waitlist Reduction Act monies to fund the development projects. The purpose of the Waitlist Reduction Act is clearly to reduce the waitlist. J. Masagatani state it is at the Commission's discretion to establish the Budget.

Commissioner Helm asked what the \$17 million annual revenue could be used for. R. Lau stated that \$3 million is pledged to the revenue bonds; however, OHA has been paying those bonds, and if they continue to pay for the bonds, DHHL can use those monies for the Operating Funds.

Commissioner Awo asked about HHL Trust Fund. R. Lau stated it is about \$11 million and is reserved. The Department has about \$500 million in loans outstanding. Commissioner Ka`upu asked how does the Department set its reserves. Chair Aila explained that if there was a catastrophic economic situation and loans go belly up, the reserve helps to cover. J. Masagatani stated there is a Memorandum with HUD to set aside \$2 million.

Chair Aila asked to go over the refinancing and the shortening of the term. J. Masagatani stated that the Department borrowed \$44 million from the Market for the Revenue Bond Special Fund under Micah Kane's Administration. It was a 25-year Bond, and the payment was \$3 million per year. The Office of Hawaiian Affairs agreed to pay the debt service for 25 years. Approximately five or six years ago, the Department refinanced the Bonds and shaved seven years off the repayment period, a \$21 million savings. The payment is still at \$3 million but for a much shorter time. When the Department went to the Market, all its earnings off available lands were pledged, so there is the first position on all the Department's earnings. The Department did not have a problem selling Bonds and is a known entity in the Market should it want to go back out again.

Chair Aila credited Rodney and Jobie for recognizing the timing in the interest rates resulting in \$21 million in savings for the Department.

Commissioner Helm asked about the HH Operating Funds for upgrading the water system. Is it just for maintenance? R. Lau stated there are over five water systems. Statewide, the biggest being Moloka`i, and the Funds pay for the electricity. The Budget for electricity on Moloka`i in 2022 was \$393,000. The Moloka`i budget request increased by an additional \$225,000. Because the homesteaders were affected, the \$225,000 electricity increase was applied to the \$10 million one-time General Fund appropriations.

J. Masagatani apologized that the detail of the Operating Budget was not in front of the Commissioners. She stated the details would be available before the Commission meeting. That is being refined, and the Department rather be accurate because once that information goes out, it is hard to recall.

R. Lau walked the Commissioners through the budget printout from pages 10 through 16.

Regarding the exempt positions, J. Masagatani stated she could get the information to Commissioner Ka'upu by Tuesday.

RECESS 11:30 AM
RECONVENED 11:56 AM

MOTION/ACTION

Moved by Commissioner Neves, seconded by Commissioner Helm to convene in an executive session pursuant to Section 92-5(a)(4), HRS, to consult with its attorney on questions and issues pertaining to the Commission's powers, duties, privileges, immunities, and liabilities. Motion carried unanimously.

EXECUTIVE SESSION IN 11:59 AM

The Commission anticipates convening an executive meeting pursuant to Section 92-5(a)(4), HRS, related to consult with its attorney on questions and issues pertaining to the Commission's powers, duties, privileges, immunities, and liabilities on the following matters:

- A. DHHL Budget (portion) funded from DHHL Special and Trust Funds

EXECUTIVE SESSION OUT 12:19 PM

ANNOUNCEMENTS AND ADJOURNMENT

NEXT MEETING

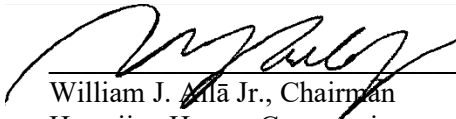
The next HHC meeting will be held on June 20 & 21, 2022, Hale Pono'i and ITC (Zoom)

MOTION/ACTION

Moved by Commissioner Helm, seconded by Commissioner Kaleikini, to adjourn the meeting. Motion carried unanimously.


ADJOURNMENT 12:20 PM

Respectfully submitted:



William J. Ala Jr., Chairman
Hawaiian Homes Commission

Prepared by



Leah Burrows-Nuuanu, Commission Secretary
Hawaiian Homes Commission