



HAWAIIAN HOME LANDS
HAWAIIAN HOMES COMMISSION
DEPARTMENT OF HAWAIIAN HOME LANDS

**Hawaiian Homes Commission meeting
November 2018 – Agenda Item H-2**

**US Department of Agriculture Rural
Development financing for
Ho'olehua water system
improvements**

Recommendations

Recommended actions:

- (1)HHC approves to accept the USDA subsequent \$7.4M loan & \$1.6M grant for the DHHL-owned Ho'olehua Water System (PWS #230)**
- (2)HHC delegates authority to the Chairman to negotiate final loan terms and conditions, including execution of related documents**

Benefits

- ✓ Leverages DHHL resources
- ✓ Allows DHHL to implement much-needed improvements in a timely manner
- ✓ Creates templates to use this USDA RD WEP program for future DHHL water infrastructure for new homestead lots

Map of Water System



**Multiple Improvement Projects
Proposed In Seven Areas**

Ho'olehua Water System Improvements

Need for project:

- Improve system reliability & functionality
- Reduce energy costs
- Achieve 24/7 access to all system components by improving roadways
- Address water pressure issues
- Improve water system safety & security

The Project Scope Bid Package 1 – Ho'olehua portion

- Improve well site compound
- Improve Kauluwai and Ho'olehua water storage tanks; add new 200K gallon tank
- Install above-ground fuel storage tank
- Demolish existing & construct new DHHL Moloka'i maintenance building
- Improve roadways for 24/7 access to water system components
- Other: fencing, fire hydrants, etc.

The Project Scope Bid Package 2 – Kalama‘ula portion

- Improve well site compound
- Replace access road to Kalama‘ula storage tank for 24/7 access
- Install additional 12-inch main to loop the distribution system
- Other: fencing, fire hydrants, etc.

The Project Scope Bid Packages 3 and 4

Bid Package 3:

**Install 1 mega watt PV solar field at
Ho‘olehua well site**

Bid Package 4:

Equipment and Supplies

Project Estimated Costs

	2016	2018	DHHL Update
Construction	\$18,481,503	\$24,013,781	\$20,687,781
Engineering	2,035,444	2,518,663	2,552,225
Contingency	1,768,053	4,799,889	2,068,778
TOTAL	\$22,285,000	\$31,332,333	\$25,308,784

Funds Awarded by USDA

DHHL contribution	\$12,273,250
USDA Grant (2016)	\$10,011,000
USDA Supplemental Grant (2018)	\$ 1,592,333
USDA Supplemental Loan (2018)	\$ 7,455,000
TOTAL	\$31,332,333

USDA Loan Terms & Conditions

USDA loan amount: \$7,455,000

- **35 year period**
- **3.1250% Interest rate***
- **Amortization \$49/\$1000**
- **Estimated annual payments \$365,295***

***Note: actual interest rate and annual payments will be determined at loan closing**

Decisionmaking Options

Option 1 – Accept 2016 USDA RD Grant & Not Accept 2018 USDA RD Loan/Grant

- ✓ **DHHL proceeds with 2016 USDA RD grant (\$10M) and DHHL contribution (\$12.3M)**
- ✓ **Minimize time delays to the project**
- ✓ **DHHL continues to use State documents**
- ✓ **DHHL to find new funds for the estimated \$3M project shortfall**
- ✓ **DHHL to find new funds for (1) unforeseen cost overruns; (2) PV “plan b”; (3) added work items, i.e. tank repairs, protect pumps**

Decisionmaking Options

Option 2 – Accept 2018 USDA RD Loan/Grant

- ✓ Provides complete funding for total project cost estimate
- ✓ Will take time to address USDA RD loan conditions. Time delays may result in higher project costs and/or loss of vendor.
- ✓ DHHL to commit future funds to re-pay the USDA RD loan
- ✓ If project is under budget, un-used USDA RD set-aside grant funds may be returned

Major Challenges with 2018 USDA RD Loan/Grant

USDA RD loan conditions:

- Loan security & collateral
- Interim Financing
- Disbursement & de-obligation of funds
- Federal standard documents - EJCDC

Status and Next Steps

Seek USDA RD concurrence with alternatives for the following:

- **Loan security & collateral**
- **Interim Financing**
- **Federal standard documents – EJCDC**

Disbursement & de-obligation of funds

- **Potential to return un-used USDA RD set-aside grant funds**

Mahalo