

HAWAIIAN HOMES COMMISSION/BUDGET WORKSHOP

Minutes of June 16th, 2023

Hale Pono`i, 91-5420 Kapolei Parkway, O`ahu, Hawaii, and
Interactive Conferencing Technology (ICT) Zoom

Pursuant to proper call, the meeting of the Hawaiian Homes Commission was held both in person and via Interactive conferencing technology, beginning at 10:00 a.m.

PRESENT Randy K. Awo, Vice-Chairman, Maui Commissioner
Makai Freitas, West Hawai`i Commissioner (ICT)
Zachary Z. Helm, Moloka`i Commissioner (ICT)
Michael L. Kaleikini, East Hawai`i Commissioner
Russell K. Ka`upu, O`ahu Commissioner
Dennis L. Neves, Kauai Commissioner (ICT)
Patricia A. Teruya, O`ahu Commissioner

EXCUSED Kali Watson, Chairman
Pauline N. Namu`o, O`ahu Commissioner

COUNSEL Alyssa Kau, Deputy Attorney General
Jordan Ching, Deputy Attorney General

STAFF Katie L. Ducatt, Deputy to the Chairman
Leah Burrows-Nuuanu, Secretary to the Commission
Richard Hoke, Executive Assistant to the Chairman

Andrew Choy, Planning Manager
Kahana Albinio, Acting Land Management Division Administrator
Juan Garcia, Homestead Services Division Administrator
Stewart Matsunaga, Acting Land Development Division Administrator
Paula Ailā, Acting Contact, and Awards Division Administrator
Lehua Kinilau-Cano, NAHASDA Manager
Michael Lowe, Information Specialist

ORDER OF BUSINESS

CALL TO ORDER

Vice Chair Randy Awo called the meeting to order at 10:26 AM. Four (4) members were present at the meeting location, and three (3) via ICT, establishing a quorum.

Vice-Chair Awo asked that public testimony will be restricted to 3-minutes to allow all to be heard and to get through the budget presentation in a timely manner.

PUBLIC TESTIMONY ON AGENDIZED ITEMS

PT-1 Germaine Meyers

G. Meyers testified there was no line item for geothermal on the budget as she supports geothermal. The Hawai`i Energy did a presentation on hydrocarbon at their Community Board meeting. Windmills and solar are not reliable, and geothermal is the most reliable. She asked that

DHHL investigate supporting geothermal as she noted that there may be matching funds from government entities. She asked that the Commission add a line item of \$3-\$6 million towards geothermal.

ITEMS FOR INFORMATION AND DISCUSSION

WORKSHOP

ADMINISTRATIVE SERVICES OFFICER

Acting Administrative Services Officer Brian Furuto presented the PowerPoint slides for the Hawaiian Homes Commissioner Budget Workshop. The purpose is to introduce the DHHL's budget process, an overview of funds, and the development budget process, which will be presented by the Land Development Division's Real Estate Development Specialist Darrell Ing. Today, only a summary of the FY 2024 request will be presented as more details will be discussed in June Commission meeting.

Presentation Agenda

1. State budget process
2. Article XII, § one purposes
3. Funds summary
4. Development budget
5. Loans budget
6. Operating budget
7. Projected fund balances EOFY23

Budget Process Basics

- State fiscal year is July 1st to June 30th of each year
- State budgets on a biennium basis (2 fiscal years); current FB is 23-25
 - Encompasses FY23-24 (FY24) and FY24-25 (FY25)
- The legislature appropriates funds, and Governor allocates funds
 - Two separate actions that require two different request processes
- Appropriation period: Operating funds 1-year and CIP funds three years
- Funds lapse on June 30th in the year that the appropriation period ends
- Budget prep/development, appropriations, and allocations are all based on Council on Revenues (COR) projections
 - The COR is a body appointed by the Governor, Speaker of the House, and the Senate, who come up with four projections per year
- The budget process revolves around the COR projections:
 - REQUEST: Governor, Chief Justice, and OHA Chair (through BUF) use a 9/10 forecast to a base budget request
 - APPROPRIATE: The legislature uses a 1/10 forecast to plan and a 3/15 forecast to base appropriations
 - ALLOCATE: Governor (through BUF) uses a 6/1 forecast to make allocations (budget execution)
- Executive/Judicial/OHA
 - June: Budget execution policies issued by Governor (through BUF)
 - August: Budget prep instructions issued by BUF – for upcoming budget selection
 - October: Departments submit budget requests to BUF for review
 - November: Governor's recommendations made to departments for what he will allow. Departments appeal (as necessary)

- December: Final budget request submitted to the legislature
- Between September and November is an important action by the Commission to ask the Governor and the legislature what it is asking for
- Article XII, Section I, Hawai'i State Constitution
 - This is what the Department builds its budget around, and the Constitution requires that the legislature provide sufficient sums to the Department for the following four purposes:
 1. Development of home, agriculture, farm, and ranch lots;
 2. Home, agriculture, aquaculture, farm, and ranch loans;
 3. Rehabilitation projects to include, but are not limited to, educational, economic, political, social, and cultural processes by which the general welfare and conditions of native Hawaiians are thereby improved;
 4. Administration and operating budget of the Department.
- Funds Summary
 - 2 Special Funds – Hawaiian Homes Administration Account, DHHL Revenue Bond Special Fund
 - 5 Trust Funds – HHL Trust Fund, H.H. Operating Fund (Operating and Development portion), Native Hawaiian Rehabilitation Fund, HH Trust Fund, and HH Receipts Fund
 - 2 Revolving Funds – HH Loan Fund and HH General Loan Fund
 - 4 External Funding Sources – General Fund, General Obligation Bonds, Revenue Bonds, and Federal Funds

Real Estate Development Specialist Darrell Ing presented the FY24 Development Budget.

Discussion

Commissioner Awo asked about the Leiali'i 155 multi-family townhouse units. D. Ing stated that is an option for Increment 2, 95 single-family residential lots or 155 multi-family townhouse units. The decision has not been made. Commissioner Awo stated the Maui survey submitted by most people want single-family lots. They have learned they are raising more generational families, and the smaller lots have not served them well. D. Ing stated the environmental assessment would be starting soon, which is the time for the beneficiaries to give their mana'o and state their preference for single-family homes.

Commissioner Teruya asked regarding the proposed Acquisition-A on Ewa Village, the budget on the spreadsheet in February was \$17.6 million. There was a revision in March for Ewa Village-A/Haseko, which was at \$17.6 million, with no changes. She asked why the development numbers had changed. D. Ing stated LDD is still negotiating the purchase and development agreement with Haseko. The original numbers Haseko gave included some predevelopment costs they already spent. The Department is looking at NAHASDA funds for the acquisition and Act 279 for the development.

Commissioner Teruya attended two community meetings in Ewa where Haseko did the presentation. She asked why there was no one from the Department at these meetings. Manager Lehua Kinilau-Cano stated the agreement has yet to be finalized. Although Haseko has responded, there is nothing in writing, but Haseko wanted to go out because they went through their process to develop the lot. At this point, the intention is not to change Haseko's plans as they are far into development. It was Haseko asking to go and follow up with the community and elected officials. DHHL felt it was not appropriate at this time because there is no agreement in place, and the process for the Department is to go to its beneficiaries first, so the Department did not feel comfortable going out to the community without going to its beneficiaries first. There is a

Section 106 to use NAHASDA funds; the Department has to go through the process, any native Hawaiian organization will get notice of this potential development, and through the Section 106 process, there will most likely be conversations about the parcel. The attention is to finalize the agreement.

Commissioner Teruya asked if the Department would still be responsible for the VOKA payments. D. Ing stated the VOKA payments are for the homeowner's association's use as VOKA claims that the Department had a lower density than originally planned. Their budget is running short because there are many households they are collecting dues from. The new Kaupea with 60-lots should bring the payment down a little bit. The Department is still committed to building lots that were not built.

Commissioner Ka'upu asked about acquiring Hawai'i Kai from Kamehameha Schools (KS). The Department has \$1 million from Act 88 but must negotiate a purchase price. D. Ing stated they are still negotiating, which might be \$4-\$5 million. Commissioner Ka'upu asked if there is an agreement with KS that the Department will buy it upon its appraised value. The Department would do an appraisal, and the Department and KS would have to agree. He asked how many units of development on that parcel could be. D. Ing stated that it has not been looked at, but it has been considered for commercial as it is across the Hawai'i Kai post office.

Commissioner Ka'upu asked about Slide 28 for Kahikinui current, which notes 28 unencumbered lots surveyed and ready for award. D. Ing stated he believes that is current. Commissioner Ka'upu asked about Slide 33, the \$1 million in trust funds to fund delayed costs because of the UXO issue. Does this represent one budget year of delayed costs? D. Ing stated seven years. Can the Department cancel this part of the contract when UXO shows up? Engineer/Project Manager Kelbert Yoshida stated Goodfellow was awarded the work. When they were 80% completed, the UXO presented a challenge, and they had to have construction support to mitigate that issue, and the delayed claim is mounting yearly. To negotiate for a new contractor to assume the liability outweighs the delayed claim. The total amount to complete the work and the delayed claim is about \$1 million.

Commissioner Ka'upu asked about Slide 42 for the Kapolei sewage repair deficiencies. Is it because the requirements have changed to upgrade the system since the deal was made? The developer gives a 1-year warranty. The Act that requires the City to take over the improvements was just passed a few years ago. From now on, the Department will fix the sewage repairs as quickly as possible.

Commissioner Neves stated he was concerned about how much the Department spent on remedial work over the years. Referring to the maintenance budget for the Anahola kuleana, he asked if D. Ing knew specifically what the \$250,000 was for. D. Ing stated he thought it was for filing purposes. Commissioner Neves asked if the Anahola Dam Reservoir's additional improvements were for a retention pond for the kuleana ag water. D. Ing stated he was not sure what that specific request was for.

Commissioner Freitas asked if the \$1 million is tied into the Kawaihae road cost or if it is separate and what the Department has for the Kawaihae road. K. Yoshida stated it is for the Lalamilo Phase 1 intersection and is a separate contract that is still under negotiations and stopped because of the UXO requirements. Commissioner Freitas asked if that was the unfinished road from the subdivision turning back to Kawaihae Road. K. Yoshida stated yes, the right turen lanes on Kawaihae Road must be installed. The Department has to work with Hawaiian Telcom to relocate several utility poles.

Commissioner Freitas asked about the Ka`u lots and water and the Pu`ukapu water and if the funds have already been acquired or if the Department is asking for those funds. He thinks it was said that the Department is looking for legislative funds to finish off those projects.

Engineer/Project Manager Sara Okuda stated they do have Phase-1 as ongoing, and they did ask for Phase 2 but have been unable to put that into the contract. The ask is for the long-term phase for the water line to be relocated to the roadway and for the pastoral lots. Commissioner Freitas asked if the Pu`ukapu funds have been acquired or asked in the next legislative session.

Homestead Land Development Specialist/Project Manager for Pu`ukapu Rick Speers stated the Department would have to secure those funds. It is ready to bid, and then they will go out for eight major items to be replaced.

Commissioner Helm asked if the funding was in place for the 49 subsistence ag lots and the 29 residential lots in Waimanalo and if they also use Act 279 funding. It was indicated that the construction would start in 2025. D. Ing stated the current plan contract is through legislative funding and will expire at the end of the year. The Department is looking for new funds to continue whatever comes out of the environment assessment process for the new roadways. When completed, the Department will return for construction funding from the legislature or trust funds.

Commissioner Helm asked if the \$1 million request for the Kalama`ula lots is for design. D. Ing stated that would be for the Engineering contract that is currently being negotiated. Commissioner Helm asked when will the project start. D. Ing stated it should start before the end of the year.

Commissioner Helm asked if the 66 lots for Na`iwa were already awarded or if they are additional lots to be developed. D. Ing stated he believes some were awarded during acceleration. Commissioner Helm asked if Kalama`ula, Kapaakea, and One Alii's request for funding for drainage improvements will be requested at the next legislation. D. Ing stated the funds are for planning and design.

Commissioner Kaleikini asked that this is the development budget for 2024. Eventually, the budget must come back to the Commissioner for approval. D. Ing stated right, which will be a separate action for approval at the next Commission meeting. Commissioner Kaleikini told Honomu he did not see Phase II and asked if that would come under Act 279. Act 279 is separate from what the Commission talks about. D. Ing confirmed.

Commissioner Kaleikini stated one of the testifiers talked about a line item for geothermal, and he would support that. Two sessions ago, the legislature appropriated \$500,000, and a contractor is surveying geothermal resources on DHHL lands. It would make sense to have something for 2024. D. Ing stated that what is being shown here has already been approved by the legislature for 2024. If the legislature gives for something specific, like the Hawai`i Kai acquisition, it will show as a specific line item on the budget. Commissioner Kaleikini stated he hoped the Department could make a new line item separate from what the Department is proposing. D. Ing stated the Department is still finalizing the budget for submittal and approval, so he stated that the Department could add a separate line item and move some monies around. He does not know what amount Commissioner Kaleikini has in mind. Commissioner Kaleikini stated \$6 million. D. Ing stated when Stewart gets back, it can be discussed. Commissioner Kaleikini stated he does not want it to impact what has already been proposed adversely. Commissioner Ka`upu stated that it will because you have to take from one to fund another. It is not like going back to the legislature to ask for \$6 million more. If anything, it will be next fiscal. D. Ing stated we could also add it to the wish list and submit it to the legislature.

Commissioner Teruya asked the legislature to allocate, for FY 2023-2024, \$10 million for projects like this moving forward. B. Furuto stated it was last year and the current fiscal year and for the period beginning July 1st. The question is, what would the funding be used for? Is it for construction? We are talking about two very separate types of budgets. One is for the operating side which the Department did get \$10 million. The other is for grants through the RFP process for the homesteads for repair and maintenance and the district offices for repair and maintenance for this Kapolei location. She asked for a breakdown. B. Furuto states a more accurate breakdown will be given at the Commission meeting. He stated for the geothermal. He asked what the monies would be used for because if it is for construction, it would be a CIP item that bonds would fund. Generally, the Department does not do cash CIP, which means general funds CIP. Anything that will last 20 years can be charged to the CIP budget.

Commissioner Kaleikini stated the appropriation of \$500,000 being used right now is to do surface studies, and the \$6 million would be for subsurface work. B. Furuto stated it is a feasibility study that could come through CIP. Commissioner Kaleikini stated at least we'll get the discussion on the table.

Commissioner Awo went back to slide 28 for Kahikinui regarding the pending awards and asked for an update on that. Acting Contacts and Awards Division Administrator Paula Aila stated they are, along with the Chairman, looking at all the awards and prioritizing them. She has only approval for the subsistence ag lots for Pana'ewa, which will be awarded by the end of July. She thinks the Chairman will speak with the Commissioners regarding the Kahikinui lots because it came up at the Waimea meeting.

B. Furuto continued with his Loans Budget presentation for FY24. Five different funds provide loans to the beneficiaries.

1. Hawaiian Homes Loan Fund – used for Section 209 and transactions which include surrenders, cancellations, and re-awards
2. Hawaiian Homes General Loan Fund – similar to the Hawaiian Homes Loan Fund as it funds the same transactions but also funds direct loan financing and real property taxes, and guaranteed loans.
3. Hawaiian Home Trust Fund – used for government-insured and guaranteed loans like the FHA 247 and the USDA.
4. Hawaiian Home Trust Fund - The other portion is used to write off low-interest and loan receivables in case a home needs demolishing, or the borrower still has a loan amount on the lease.
5. NAHASDA

Operating Budget

- The Department got the same amount it did in prior years
- Unfunded positions are still an issue. The Department has 200 authorized positions, and 19 of them are not funded, so that the Department can fill 181 positions.
- For the Administration account, the request is the same, \$4.8 million

Fund Balances. Overall, the Department is healthy.

DISCUSSION

Commissioner Ka'upu asked about the \$7,074,023 is an odd number on the Operating Budget, Hawaiian Homes Operating Fund, which rolled into FY 2024 and 2025. He asked what it was. B. Furuto stated a lot of the numbers did not change. He stated there was a reduction of \$416,000 largely because the current positions are not budgeted at the current salary levels, so the Department needed to ensure that it could accommodate the salaries for employees.

Note: Slide presentation attached. (65 slides)

ANNOUNCEMENTS AND ADJOURNMENT

NEXT MEETING

The next HHC meeting – June 26 & 27, 2023, Hale Pono`i, Kapolei, O`ahu

MOTION/ACTION

Moved by Commissioner Watson, seconded by Commissioner Teruya to adjourn the meeting.
Motion carried unanimously.

ADJOURNMENT


12:11 PM

Respectfully submitted:



Kali Watson, Chairman
Hawaiian Homes Commission

Prepared by:



Leah Burrows-Nuuanu, Commission Secretary
Hawaiian Homes Commission