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HAWAII NEWS

Uncertainty over demand lingers for rental tower for Native Hawaiians

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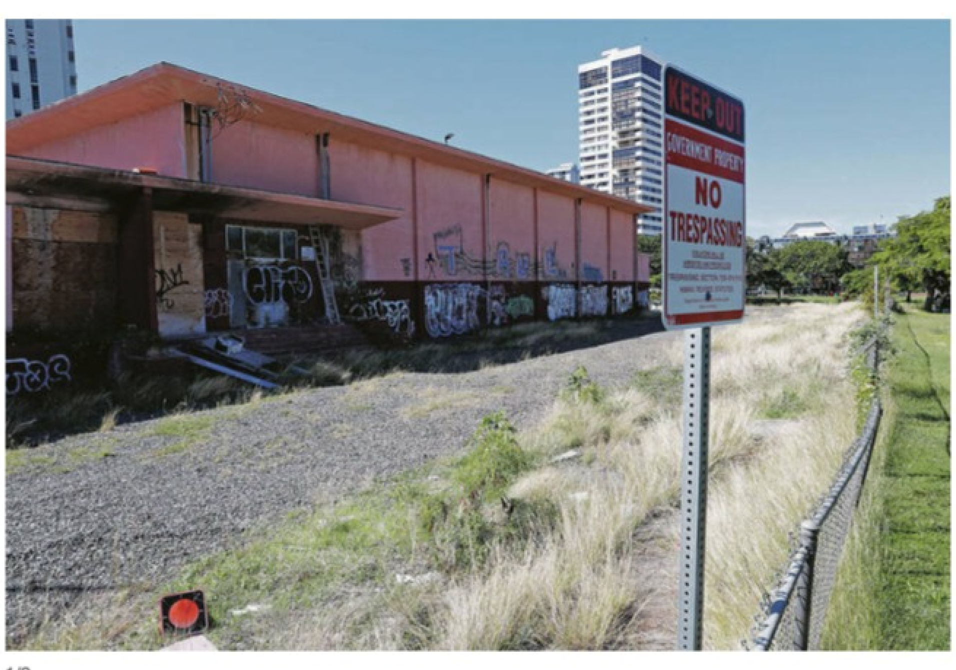

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The state Department of Hawaiian Home Lands owns site the Hale Moiliili site that was once occupied by Stadium Bowl-O-Drome.

About two years from now, a new Honolulu high-rise will become the first rental apartment tower serving state Department of Hawaiian Home Lands beneficiaries, and a divisive question will be answered.

The question is whether enough beneficiaries of DHHL — an agency established to return Native Hawaiians to ancestral lands under residential, agricultural or pastoral land leases — will move into the apartment tower.

Stanford Carr Development, a local firm developing the 23-story Hale Moiliili project with 278 units in Oahu's urban core, is highly confident that more than enough demand will exist for the project featuring studios to three-bedroom units where monthly rent is estimated to range from $675 to $3,461 and will be reserved for households with very low to moderate incomes.

The firm also believes that Hale Moiliili can be a template for additional similar projects on DHHL land well-suited for multifamily rental housing.

Earlier this year, however, the federal Department of Housing and Urban Development, which is insuring a $59 million loan that is helping finance the $154 million tower, was very concerned about some units remaining empty when Hale Moiliili opens.

To mitigate this perceived risk, HUD pushed to make units available to nonbeneficiaries if demand from beneficiaries fell short.

What was described as a condition of HUD's financing was presented to the Hawaiian Homes Commission in March, stirring considerable debate.

"We have not navigated these waters before," Kalani Fronda, a DHHL special projects official, told the commission while describing the first-of-its-kind project. "Multifamily (housing) is a different language for us. We are very ma'a (accustomed) to moving forward on single-family (home) development."

Surprise condition

At the meeting, commissioners were asked to approve a 65-year ground lease, under which the developer would build, own and operate the tower on the DHHL-owned site that was once occupied by Stadium Bowl-O-Drome.

Information provided to commissioners didn't mention the broader tenant eligibility sought by HUD, but commissioner Dennis Neves noticed that written meeting materials described the project's tenant profile as "primarily" Native Hawaiian beneficiaries.

"What does that mean?" Neves asked.

State Deputy Attorney General Alana Bryant explained that the commission should decide whether Hale Moiliili units can be rented to nonbeneficiaries if there's not enough demand from beneficiaries. This backup eligibility, she said, could first go to Hawaiians who don't meet the 50% minimum blood quantum for DHHL, and then to the general public.

Randy Awo, a commissioner at the time, said he wasn't inclined to vote for such an option.

"This raises concerns for me because it opens the door for nonbeneficiary use," Awo said. "I can't imagine that happening, given the current situation for our waitlisters."

DHHL has a waitlist of roughly 28,700 beneficiaries seeking homesteads, including about 11,500 wanting residential leases on Oahu. Many have waited for decades, and more than 2,000 applicants have died while waiting.

Unique project

Tenants at Hale Moiliili wouldn't be removed from the homestead waitlist if they move into the rental tower. Partly because of this, DHHL doesn't consider broader eligibility for tower tenants to be a violation of the federal Hawaiian Homes Commission Act governing DHHL and reserving homestead leases for beneficiaries, who are allowed to pass $1-a-year leases to certain family members who are at least 25% Hawaiian.

DHHL also regards Hale Moiliili, which the agency is not funding, as more akin to one of its commercial property leases where the agency leases its land to private developers for retail, industrial or other commercial uses that generate income for the agency to support homestead development.

For Hale Moiliili, though, the developer is paying $1 a year for the land lease.

Neves declared at the March meeting that he wasn't going to approve broader tenant eligibility for the tower project.

"Our responsibility is to ensure that the trust is being maintained," he said. "Our fiduciary responsibility is to provide homes for 'small-n native Hawaiians' (at least 50% Hawaiian), and I'm not in favor of going outside of that."

Kaloa Robinson, a Stanford Carr Development project manager, told commissioners the company regards broader eligibility as unnecessary. But Robinson also said the commission's decision could determine whether the tower gets built because HUD wasn't willing to back the loan, a critical piece of financing, without the provision.

Robinson explained that HUD saw Stanford Carr Development as facing too much risk of defaulting on the loan without a broader pool of potential tenants.

"HUD is scared," he said, also acknowledging that 10 empty units for such an affordable-housing project is the difference between defaulting or not defaulting. "The vacancies are razor thin."

DHHL Director Kali Watson, who is also commission chair, encouraged approving the broader eligibility.

Commissioner Michael Kaleikini said providing affordable rental housing for at least some beneficiaries on the old Bowl-O-Drome site would be better than none, especially given that the property has been owned by DHHL since 1995 and hadn't been put to much good use since bowling operations ceased in 2004.

Commissioners voted 6-3 to approve the broader eligibility.

HUD flip-flop

Yet sometime after the March meeting, HUD abandoned the provision it pushed to obtain. Agency officials would not publicly say when the change was made or why.

In a statement, HUD said, "We worked closely with the DHHL to ensure that the property will provide affordable homes to DHHL beneficiaries in alignment with applicable laws. FHA (part of HUD) is insuring the mortgage with the requirement that occupancy of (Hale Moiliili) will be restricted to (Native) Hawaiian beneficiaries as defined by DHHL, in compliance with Hawaiian State law."

The federal Hawaiian Homes Commission Act also governs DHHL and is overseen by the U.S. Department of the Interior.

Kaiini Kaloi, director of the Office of Native Hawaiian Relations within the Interior Department, said in an interview that opening DHHL rental housing to nonbeneficiaries gets into a breach-of-trust area under federal law.

"DOI has been consistent that housing on Hawaiian home lands is for beneficiaries and no one else," he said. "Our position is really plain."

Some members of the Hawaiian Homes Commission are uncertain about whether enough beneficiaries will move into Hale Moiliili when it opens. The eligible pool will be smaller than the waitlist total because households will need to meet income limits to live in the tower.

Of the 278 units, 183 will be reserved for beneficiary households earning up to 60% of the median income on Oahu. That equates to $58,500 for a single person, $66,840 for a couple and $83,250 for a family of four.

Another 14 units are for households earning up to 30% of the median income, along with 53 units at an 80% limit and 28 units up to the median income.

Hale Moiliili should appeal to beneficiaries who can't accept a homestead lease because they can't afford to buy or build a home. The project also may appeal to elderly beneficiaries who don't want homeownership responsibilities.

About 20 years ago, DHHL had major problems filling a rental townhome complex reserved for seniors earning between 30% and 100% of the median income. That 86-unit project in Waimanalo, Kulanakauhale Maluhia O Na Kupuna, was 56% vacant about a year after opening and took more than two years to reach 90% occupancy.

DHHL at the time attributed the results to paperwork issues and a lack of publicity.

Stanford Carr Development plans to elevate leasing efforts for Hale Moiliili and asserts that high demand for affordable rentals among beneficiaries will make the tower successful.

Watson also recently expressed strong confidence there will be more than enough demand from beneficiaries. "We don't anticipate a problem filling the units," he said in an email.

Construction is expected to begin in December and finish about two years later.

35 COMMENTS