

June 6, 2008

## Hawaiian Homes to get \$90M from OHA

Alliance could speed development of up to 500 lots statewide

*By Andrew Gomes  
Advertiser Staff Writer*

The Office of Hawaiian Affairs said it will channel \$90 million to the state Department of Hawaiian Home Lands in a historic partnership to deliver up to 500 residential lots to Native Hawaiians across the state.

The agreement, unanimously approved by OHA's board yesterday, will about double the production of lots on which Hawaiians can begin to build homes in the next 12 to 18 months.

State leaders called the arrangement a bold step between two state-funded trusts that historically haven't worked together despite having common beneficiaries.

"The Office of Hawaiian Affairs has stepped up to make a big impact ... to help the Hawaiian people," Gov. Linda Lingle said at a ceremony announcing the alliance at OHA's Kaka'ako headquarters.

OHA Chairwoman Haunani Apoliona said there has never been a financial partnership of such magnitude with DHHL in OHA's 30-year history. "It is a privilege to join with (DHHL and others) in serving our beneficiaries," she said.

A significant reduction in DHHL's available finances helped lead the two trusts to discuss working together last year. DHHL also will see its single largest source of funding — \$30 million a year it receives from the Legislature as part of a 1994 land settlement — end in 2015, which has made securing new funding sources a top priority.

Under the new partnership, OHA will give DHHL \$3 million a year for 30 years. That commitment will allow DHHL to borrow \$41 million in the form of revenue bonds sold to private investors later this year. OHA's annual payment will pay off the bonds over 30 years.

Part of what made the deal possible was the Legislature earlier this year giving DHHL the authority to float up to \$100 million in revenue bonds for development projects.

The \$41 million will allow DHHL to develop infrastructure such as roads, water and sewer systems necessary to create homestead subdivisions around the state.

Also, \$5 million will finance planning, design and feasibility studies for community-driven projects in 18 DHHL regions statewide.

The financial boost will help the agency whittle down the list of about 20,000 Hawaiians who have been waiting — some for decades — for a land lease.

Micah Kane, DHHL director, said OHA's infusion will make it possible for Hawaiians to build homes on 400 to 500 new lots that otherwise wouldn't have been developed by the end of 2009.

DHHL in each of the past two years has produced about 1,000 lots as part of a goal set by the Lingle administration to provide 6,000 land leases by the end of this year. But the total to date is only about 2,700, and funding constraints reduced the lot development plan this year to 500.

Developing lots that are ready for home construction has been a critical issue for the historically land-rich and cash-poor agency that in the past issued many leases for land that lacked infrastructure such as roads needed for leaseholders to build homes.

Prior to Lingle taking office in December 2002, DHHL had delivered only 5,941 lots in the 82 years since the Hawaiian Home Lands program was created in 1920 when the U.S. Congress set aside roughly 200,000 acres to be leased to anyone with 50 percent or more Hawaiian blood for \$1 a year.

It wasn't until the 1990s that DHHL began to receive significant sums of state money — mainly the \$30 million annual payment — for land development.

The agency's second-biggest funding source for homestead development in recent years has been revenue from leasing land for private commercial development.

DHHL receives about \$12 million a year from its commercial leases, which include Hilo shopping centers Waiakea Center and Prince Kuhio Plaza. Soon, the agency expects to begin receiving rent from the developer of a planned regional mall in East Kapolei on 67 acres as part of a lease that could earn the agency more than \$141 million over the first 25 years of a 65-year lease.

DHHL is exploring other revenue-producing ideas as part of a goal to become financially self-sufficient by 2013.

Lingle said DHHL's partnership with OHA comes at a critical time as state revenues become tighter in a slowing economy, and will help create construction jobs.

Kane said that every dollar DHHL spends on subdivision infrastructure leads to \$4 in addition spending, largely through home construction.

OHA previously has partnered to help make home ownership available to more Hawaiians. Last year, OHA provided DHHL a \$500,000 grant to support a DHHL program begun in 2004 to provides beneficiaries with homebuyer education and financial literacy training classes.

The trust also invested \$500,000 in a start-up company manufacturing low-cost homes in a factory. But that firm, Quality Homes of the Pacific, ran into financial difficulty and failed in 2003 before producing more than a few homes.

---