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More are realizing homestead dreams

• Suit against DHHL cleared by high court

By Gordon Y.K. Pang
Advertiser Staff Writer

After decades of only marginal success at getting Native Hawaiians onto the land promised them, the Lingle administration points with pride to the nearly 2,300 residential leases it has awarded since taking office in December 2002.

The number is impressive given that only 5,941 lots had been awarded in the 82-year history of the Hawaiian Home Lands program prior to that.

Critics, however, point out that more than half of the awards made are simply promises for a future lease and that only about 350 homes actually have been built in the four years since Gov. Linda Lingle took over the program.

The Hawaiian Home Lands program has been a magnet for controversy since the U.S. Congress set aside roughly 200,000 acres in 1920 to be leased at \$1 a year to anyone with 50 percent or more Hawaiian blood.

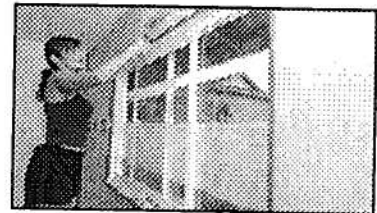
While thousands have applied for the plots, only a small percentage have been awarded.

FIVE-YEAR GOAL

The Lingle administration set a five-year target of handing out 6,000 leases by the end of 2008.

If successful, the number of leases issued would equal all the previous awards in the eight-decade history of the Hawaiian Home Lands program.

"When you think about it, the trust awarded in its ... life, prior



Claudia Quintanilla painted her daughter's room last month before the family moved into their new house in Kaupē'a Village in Kapolei.

Photos by GREGORY YAMAMOTO | The Honolulu Advertiser



New homesteader Claudia Quintanilla checks her plans for painting her house while daughter Jenna Lo, 17, hangs out in the living room.

ABOUT THE

Exhibit C

to us coming on board, 5,941 units," said Micah Kane, director of the Department of Hawaiian Home Lands, and a Lingle appointee. "So we're trying to (match) that ... in a five-year period, and I think it's achievable."

DHHL is the state agency charged with managing the land.

Kane took over an agency stymied by its land-rich but cash-poor nature, and has embarked on an ambitious agenda designed to give as many Hawaiians as possible a chance at a home.

The DHHL says the 6,000 target is merely a vehicle to achieve its primary mission, to "within five years provide every qualified native Hawaiian beneficiary on the waiting list an opportunity to home ownership or land stewardship on homestead lands."

To do so, the agency has become more aggressive than ever at ramping up the partnerships it forms with commercial interests as well as other government agencies to finance infrastructure vital to housing projects. Its strategy also involves awarding an unconventional type of lease that the DHHL says is needed to help beneficiaries who have had problems qualifying for a loan. Those leases are on undeveloped land that still need the roads, water lines and other infrastructure required to build a home.

To meet its goal of 6,000 leases handed out by the end of 2008, DHHL will have to award a total of 3,700 leases over the next two years.

"We're not going to achieve everything we want to achieve, no question," Kane said. "But we're going to work hard doing it. And we're going to leave this trust better off than when we started, serving a lot more Hawaiians."

While the push under Kane has resulted in the most leases issued in at least 20 years, the use of promised home sites — in DHHL jargon, an "undivided interest lease" — as part of those numbers draws skepticism.

WAITING FOR HOMES

Leona Kalima, a claimant in a lawsuit by beneficiaries against DHHL, said that undivided interest awards don't necessarily

PROGRAM

History: Under the Hawaiian Homes Act of 1920, the U.S. Congress put roughly 200,000 acres of Hawaiian land in a trust to provide land for those with 50 percent Hawaiian blood or more and assure the perpetuation of Native Hawaiians.

Administration: Initially, a federal Hawaiian Homes Commission was set up to administer the program. After statehood in 1959, the Department of Hawaiian Home Lands took over administrative duties. DHHL takes its policy directions from a new state-level Hawaiian Homes Commission. It has nine members appointed by the governor, including Micah Kane, who wears dual hats as commission

translate into homes.

"It's more like accelerated leases, without the infrastructure or commitment to build," Kalima said. A previous administration had tried the same thing two decades ago and some beneficiaries are still waiting to build, she said.

Blossom Feiteira, president of Hui Kako'o 'Aina Ho'opulapula, which was established to represent families on the waiting list, said she appreciates Kane's ambitious goals and enthusiasm but worries whether there will be enough money available to DHHL to make the promised lots a reality.

"It's all good and well to go out there and talk about this and start making all these wonderful awards, but if you don't have the money to back you up, how long are we going to have to wait for these awards?" Feiteira said.

Still, few will dispute that under Kane, the number of lots awarded and homes being built are on the rise.

Tony Sang, chairman of the State Council of Hawaiian Homestead Associations, praised the DHHL's plans.

"The last couple of years, we've seen a lot of growth in terms of the program itself," said Sang, who has been involved with Hawaiian homestead issues the past four decades. "It's not only words that are being said, but we can see the increase in the number of homes being developed for our people."

LITTLE MONEY TO BUILD

Initially the Hawaiian Homes Commission was given only small increments of land at a time to administer, to ensure that the program was manageable. The bulk of the inventory was eventually turned over to the commission in 1965.

Over the years, thousands applied for their land.

But those charged with parceling it out were not given any money to develop roads, water lines, sewer and other infrastructure necessary to build homes, at least not until the 1990s. It did not help, DHHL officials said, that much of the lands were in remote or otherwise simply undevelopable areas.

In 1923-24, 37 applicants became the first recipients of

chairman and DHHL director.

Beneficiaries: A beneficiary must prove 50 percent Hawaiian blood or more, in order to qualify for a residential, agricultural or pastoral lease.

Leases: DHHL leases the land to a beneficiary for \$1 a year. Leaseholders can transfer their leases to any adult successor with at least 50 percent Hawaiian blood, or to a direct descendant with at least 25 percent Hawaiian blood.

What about homes? In some cases, DHHL hires a contractor to build "turnkey" houses — ready to move into — which are then financed by the leaseholder. In other cases, leaseholders are left to develop houses on their own. The agency provides

Hawaiian Home Lands. The lands they were awarded on Moloka'i contained no infrastructure. Ultimately they had to relocate when the wells they drilled produced water that was unusable.

"You want people to succeed," said Lloyd Yonenaka, a DHHL spokesman. "This means providing the basic infrastructure we all take for granted such as water, roads and electricity."

And as more people have applied over the years, the list has also not gotten any smaller because many of those offered lots have not been able to obtain the financing to purchase a home, and they remain on the list.

Today the residential waiting list stands at its peak — more than 19,000.

The number of applications has even grown as more people have found out about DHHL's successes, Kane said. At the beginning of 2003 there were 17,392 applications, but despite issuing more than 2,200 leases, the waiting list at the end of 2006 had climbed to 19,068.

Yonenaka said that what's more important than the raw numbers is that, at this point, those on the list 10 years or more have had at least one or two opportunities at a home or lot, while those on the list for two decades may have seen half a dozen.

But the recipient still must be able to buy the house.

Claudia C.K. Quintanilla's family didn't have the financial means to buy a DHHL house when first approached 11 years ago. A few years later, she declined a second opportunity because her family had purchased a home on its own.

When DHHL came knocking a third time in November 2005, for a lot in Kapolei, Quintanilla and her family were finally ready.

Quintanilla took time off to move into her new, two-bedroom house in the Kaupe'a Village subdivision last month. On Jan. 23, the 45-year-old educator was painting a wall in the room for her 17-year-old daughter Jenna.

Quintanilla believes DHHL is doing its best to provide homes

the roads, sewers and other infrastructure, which are often the major hang-up to development. To help pay for that, DHHL partners with other government agencies or commercial entities. Sometimes, DHHL leases commercial land to generate revenue to pay for the infrastructure.

Length of lease: A lease is for 99 years, and it can be renewed for an additional 100 years, regardless of transfers. A person on the waiting list can name a successor, but that person has to be a direct descendant and 50 percent Hawaiian.

Location: Who gets offered a lease depends on where they live. The demand on O'ahu is much larger than on the Neighbor

and she urged potential leaseholders to be prepared financially when DHHL comes calling.

"Because when that opportunity comes and they don't have the finances or the good credit, it's going to be hard for them," she said.

HELP TO AFFORD A HOME

To help families meet the financial requirement, Kane's agency set up the Home Ownership Assistance Program. The program provides homebuyer education and financial literacy training classes for beneficiaries, as well as case management.

That program is working in tandem with the Undivided Interest Award Program, which provides an interest-only lease in a large and, as yet, undeveloped parcel of land.

Once the property is developed and split into house lots, typically one to three years, the undivided interest lease is replaced with a standard lease to a specific house-lot, Yonenaka said. In the meantime, it's assumed the beneficiary is securing financing by saving, improving their credit or other means, possibly with the help of the HOAP program.

In fact, of the 2,253 awards since 2003, 1,230 are for undivided interest leases, Yonenaka said.

That is essentially the promise of a home later that some have criticized. But the DHHL defends the practice, saying the new program is different than in the past, noting that construction of roads, sewers and other infrastructure in three of the five projects is under way.

"The difference is we won't hand out an undivided interest award until we know the funding is secure," Yonenaka said. "They have a timeline."

The main purpose of the program is to ensure that beneficiaries who have been on the list the longest can accept an award, even if they are still not qualifying financially, he said.

Kali Watson, DHHL chairman for four years under former Gov. Ben Cayetano, called undivided interest leases innovative and a smart approach because they give beneficiaries a tangible goal.

"Now, you've got a whole ton of homesteaders that are excited and looking forward to that date and positioning themselves to make their dreams a reality versus just sitting on the waiting list, dying, and having nothing to pass on," said Watson, who is involved with several nonprofit groups partnering with DHHL to provide housing opportunities.

Islands. Moloka'i has the shortest list.

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HOW DHHL GETS ITS CASH

The agency itself is certainly better off financially than it used to be, but is still working to improve its "cash poor" position.

A 1994 settlement with the Legislature over misuse of homelands properties assures the agency an annual allotment of \$30 million through 2013. It also gets about \$8 million in federal dollars specifically for low-income housing. DHHL last year received close to \$10 million in commercial lease rents. It receives only about \$500,000 annually in general funds from the state.

DHHL is working on other deals expected to land the agency some cash. Most notably, the department announced last fall that it is negotiating to lease 67 acres in Kapolei to Florida-based DeBartolo Development LLC for a shopping and business complex that could rival Ala Moana Center.

Leasing land to private developers to raise cash for housing development is not new for DHHL and is something encouraged by lawmakers. But it isn't a practice that has the full support of the Native Hawaiian community, especially when such dealings involve lands that some feel should go directly to beneficiaries.

Feiteira, the Hui Kako'o 'Aina Ho'opulapula president, said that she and others are questioning a plan to allow a developer to put up time-share and commercial development on 200 acres of DHHL property in Honokohau on the Kona side of the Big Island.

LEASES CRITICIZED

"From a beneficiary perspective, those lands were designated under the department's general plan for residential development," said Feiteira, who lives on Maui. Kane said the commercial leases from the Honokohau development could generate up to \$5 million annually.

Revenue generated will be used to develop homes elsewhere, he said.

Meanwhile, the agency has built itself a new home in Kapolei, in the leeward region where more than half of its O'ahu beneficiaries reside.

Sang said he recalls when the DHHL office was in a small building on a quiet Kaka'ako street. Last month, the agency broke ground on a two-story, \$21 million headquarters building in Kapolei.

Besides working with private developers, DHHL is partnering with other government agencies in the quest to put up the most housing as quickly as possible.

In Kapolei, DHHL is working with the state Department of Transportation to lobby the

Legislature to front \$17.3 million for an "east-west" road that would connect Fort Weaver Road in 'Ewa with the impending North-South Road extension. Others would reimburse the state, including the University of Hawai'i West O'ahu campus and neighboring private developers.

"We're looking for creative measures to succeed," Kane said.

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HOMES FOR HAWAIIANS

DHHL officials say Quintanilla's house is one of about 350 homes built on DHHL land since 2003. Another 500 are expected to be built in the next 12 months. Meanwhile, the agency has awarded 1,230 leases for shares in large, undivided lots to be developed in the next 1 to 3 years. While supporters say such leases help families get their financing together, critics question whether the funding is available to develop the properties. DHHL officials insist they won't award leases until money for roads, water and other infrastructure is secured.

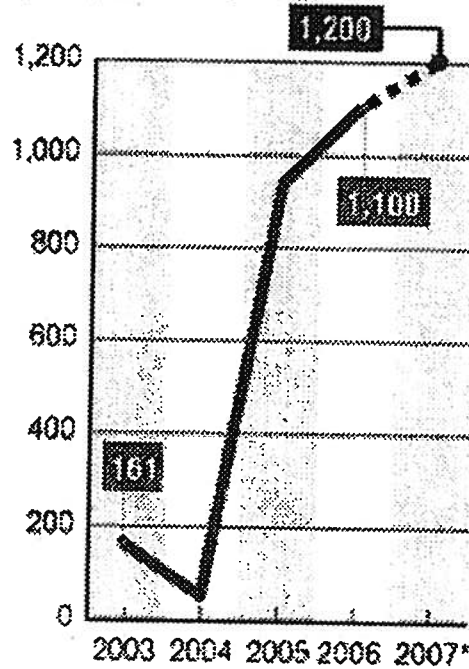
Year	Turnkey Lot	Vacant Lot	Rural Lot	Undeveloped Interest Lot
03	127	34	0	0
04	53	0	0	0
05	272	47	0	620
06	480	0	0	610

Source: Department of Resources Home Lands

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HAWAIIAN HOME LANDS LEASES

The number of residential leases awarded each year by the Department of Hawaiian Home Lands is on the rise.



*Projected awards

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