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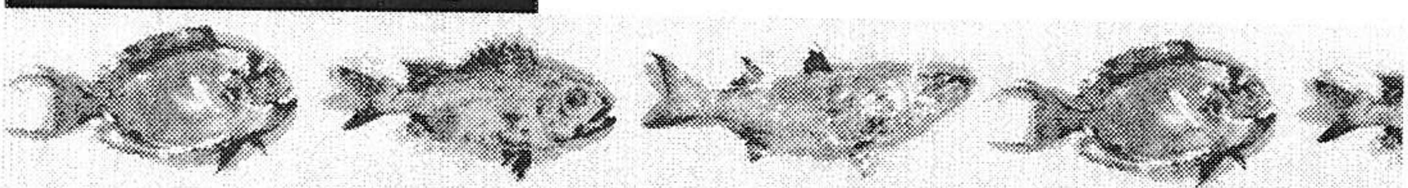

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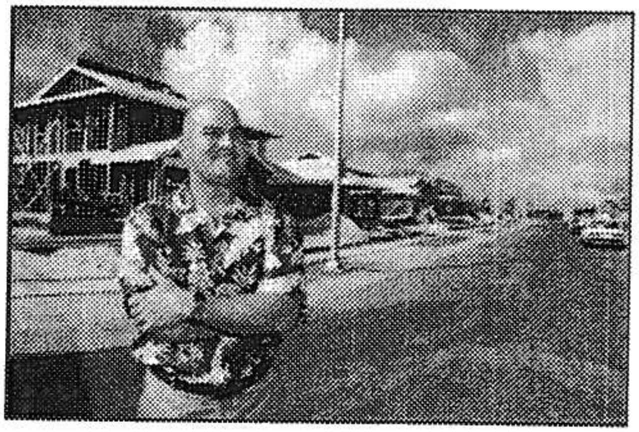
Hawaiian Homeland Improvement

Micah Kane presides over the biggest housing push in Hawaiian Homes history

by Joan Conrow, Photos by Malia Leinau / 08-30-2006

Exhibit 11



If you build it: Micah Kane of Hawaiian Homes

Micah Kane can still recall the sinking feeling in his stomach when Linda Lingle asked him to head up the state Department of Hawaiian Homelands (DHHL).

It was 2 o'clock in the morning, the night after Lingle was elected governor in 2002, and she was talking about staffing her administration. Kane, then head of the Hawaii Republican Party, had worked tirelessly on Lingle's campaign, and as a longtime political ally, was a natural choice for her cabinet.

But when Lingle said she was eyeing him for the top spot at DHHL, Kane wondered what he'd done to piss her off. "I thought you were my friend," he remembers saying, only partly in jest.

Kane knew that DHHL, like the Department of Land and Natural Resources, had long been one of the state's more troubled children. Poorly funded and marred by ongoing, ugly disputes with its beneficiaries, the agency was a magnet for controversy and bad publicity.

Worse, it had a dismal track record in managing the trust created by Congress under the Hawaiian Homes Commission Act of 1921, which set aside 200,000 acres as a land trust for homesteading to help "rehabilitate" impoverished native Hawaiians. Some Hawaiians had died waiting for a homestead award; others were sold substandard housing. Evictions kept conflict levels high; mortgage loan defaults kept funding reserves low.

Kane also knew that Hawaiian issues are emotional, and thus a potential political minefield, and as a result, Lingle would hold the agency's director strictly accountable. He asked for something else, but Lingle said no, so Kane said yes.

That was four years ago, and by nearly every measure, Kane, who serves in a dual capacity as agency director and chairman of the Hawaiian Homes Commission, has proven he was up to the task. Some 6,000 leases have been awarded during his tenure, compared to 7,200 over the history of the department. Loan delinquency rates among beneficiaries have been halved.

An agency strategic plan also has been implemented, and master plans for Hawaiian Homes communities across the state are in various stages of completion. And key lands have been exchanged with other state agencies, opening up new housing opportunities for beneficiaries.

Kane can't, and doesn't, claim all the credit. For the first time in its history, the agency has serious money: $30 million a year. Lawmakers in 1995 approved paying the agency $600 million over 20 years to settle a dispute over state use of DHHL lands; previously, the department relied upon lease payments for its funding.

Kane also has detonated a few mines along the way, although both he and Lingle managed to avoid picking up any shrapnel in the explosions.

The biggest blow-up incinerated his plan to acquire 750 acres of land in Waiahole Valley from the Housing and Community Development Corporation of Hawaii. HCDCH first backed the deal, then backed out under pressure from the Waiahole-Waikane Community Association, which criticized Kane for failing to discuss the trade with the community.

Kane acknowledges the misstep, but says his plan to swap another 1,100 acres elsewhere around the state did succeed, allowing the agency to reduce housing costs by sharing infrastructure and consolidating some of its fragmented holdings.

As a result, the agency is moving ahead to provide homes for its beneficiaries in places where affordable housing is otherwise non-existent or scarce, like Lahaina, Wailuku and Upcountry Maui, and Kailua-Kona on leeward Big Island.

Private contractors build most DHHL homes, but about 5 percent are owner-constructed under self-help housing programs run by various nonprofit agencies. One of the oldest groups is the Self-Help Housing Corporation of Hawaii, which has built about 540 homes statewide over the past two decades "with not one failed project," according to its director, Claudia Shay.

But the organization's 17-year relationship with DHHL recently crashed and burned in a dispute over a self-help housing project at Waiohuli, Maui, and Shay emerged from the breakup as perhaps Kane's sharpest critic. She's still bitter over the agency's failure to renew her contract to complete the 21-unit project, which she says fell into disarray when Kane intervened after receiving complaints from some of the beneficiaries.

One worksite
Malia Leinau

"He acted like an uncle protecting the families," she says. "He ended up turning all the families against us. Then he began micromanaging it and he never got out of the project."

Depending on who is telling the story, the complainers were either voicing legitimate concerns over questionable building practices and harassment by SHHC staff, or crybabies who failed to do their share of the work and were rightly kicked out of the project.

DHHL spokesman Lloyd Yonenaka says the agency "had a number of meetings" with beneficiaries, the Self-Help Housing board and others in an attempt to end the discord.

But ultimately, he said, the agency decided not to extend Shay's contract because the project was languishing badly. Some of the houses were not even half done when the contract ended in December 2005.

"It raised a lot of concerns with us and we felt at this point it would be best to have someone else finish the homes," he says. "I think any time you cannot deliver the homes when you are promised, that is always a problem."

Shay says she's still owed $70,00 for the Maui project and DHHL has refused to pay. But Yonenaka says, "I think there is a discrepancy and we've asked them to provide verification. From our standpoint, the outstanding balance is more like $7,000."

Shay also alleges that Kane terminated a contract for a Kaua'i self-help project "in retaliation for what was going on in the Maui project" and because she had gone over his head and complained to the governor and Hawai'i's Congressional delegation.

"He's screwing over the people he's pretending to be helping," she says, blaming Kane for the delays that prevented the Maui families from completing their homes on schedule. Shay also contends the contract cancellation set back the Kaua'i project six to nine months and added $100,000 to the cost.

"I think it's pretty clear where the problem lies," she says. "It's Micah Kane."

"I don't think it's a personality clash at all," Yonenaka says. "We tried very hard to make things work. It takes a long time to get to the point where we are now. But I can assure you, we took every opportunity to try and work it out in the best interests of everyone. Because face it, we want the houses built. Sometimes you have to make a tough decision and move forward."

Yonenaka says another group took over the Maui self-help project and the Kaua'i project is ready to go. "I don't believe there were any substantive delays."

Kane rejects the idea that he is dictatorial. "About 40 percent of our staff participated [in the strategic planning process] and from clerk to chairman, everybody had equal say," he notes.

As further evidence of his ability to be a team player, Kane points to his record of working with state and county agencies, as well as business and community leaders, to conduct comprehensive regional planning for DHHL projects and surrounding lands.

Some 6,000 leases have been awarded during [Kane's] tenure, compared to 7,200 over the history of the department.

"You go out there and you take your licks and at the end of the day, if you listen and build trust, you're gonna be successful," he says.

Coordinated planning can help identify opportunities for shared infrastructure development, which lowers housing costs, prioritize road projects to minimize traffic snarls and ensure compatible uses in lands adjoining DHHL projects, Kane explains.

It also serves to advance one of his own goals: integrating DHHL projects into the greater community, which he sees as building self-esteem among Hawaiians and more respect for the culture among non-Hawaiians. That's why he's partnering with the University of Hawai'i-Kapolei, where DHHL is building homes, and designing Homelands projects with facilities and commercial services non-Hawaiians can use.

"The way we build our communities will determine the preservation of our culture," he says, noting that it's easy for non-natives to pick up aspects of the host culture informally when they're regularly interacting with Hawaiians.

Kane's master-plan approach to development has thrust the agency into a new leadership role, especially on the Neighbor Islands, building Kane's visibility and connections. He also was prominent in the failed push to get the Akaka Bill approved and has been carefully cultivating good relationships with key lawmakers, prompting some to speculate he's grooming himself for the governor's job.

Although Kane rejects that contention, he doesn't flat out reject the notion of running for governor, saying only, "That's not my ambition."

While it's true Kane's hands-on management style and aggressive development campaign has widened his network of contacts, he came into the job with plenty of his own. Some of them date back to his five-year stint as government affairs liaison for the pro-development Building Industry Association, and some of them were called in to help prescribe a cure for the ailing agency.

Kane remembers "just feeling really, really overwhelmed" when he started the job and was faced with the reality of bringing the agency into shape and fulfilling the governor's pledge to provide more native Hawaiian housing.

"I thought, what would [Ko Olina developer] Jeff Stone do if he was in my shoes, or [real estate vet, Beach Walk developer] Dick Gushman or Stanford Carr [developer of Hawaii Kai Peninsula]?" So Kane asked them, creating a volunteer advisory board staffed with some of Hawai'i's top private developers and building supply firms—none of which do business with the agency.

Homies: (from left, front row) Kamuela Cobb-Adams, Micah Kane, Larry Sumida. (Back row) William Makanui, Ben Henderson, Connie Kita, Darrell Ing, Ken Harada, Stewart Matsunaga.
Malia Leinau

"You've gotta be willing to say what you don't know and ask for help when you need it, and know where to get it," Kane says.

The group met monthly to help create an agency strategic plan, and still meets quarterly, offering advice that has reshaped the way DHHL does business, Kane says.

Chief among those was the master-planning approach to development and a move toward larger projects, which prompted the need for more land and led to the land swaps and regional planning efforts.

The group also urged the agency to streamline its notoriously slow vendor payment process, boost its revenues by issuing commercial leases and operate more professionally. As a result, Kane says, the agency is now able to hire the state's top contractors for its projects. "You're not gonna see shoddy work on Hawaiian Homes any more," he vows.

The agency cleaned up its own act, too, Kane says. "The first year was an internal purge." And it also took a closer look at how well it was serving the trust's beneficiaries.

It soon became clear that some persons were languishing on the waiting list because they could not qualify for home loans. "If you've been on the list 30 years, you probably had a half-dozen offers and couldn't qualify," Yonenaka says. Some made enough money to swing the monthly mortgage, but had no credit, or too much debt.

In response, the agency implemented the Home Ownership Assistance Program (HOAP) to provide beneficiaries with financial literacy training, debt management assistance and details on the home-buying process.

Yonenaka says the program is already seeing results and recent graduates have been awarded homesteads. "In truth, that's the rehabilitation. It's not the house. It's the lifestyle."

As more beneficiaries qualify for private loans, demand is eased on the agency's $50 million revolving loan program, which provides super low interest financing to some high-risk beneficiaries. Kane also cracked down on enforcement and cut the loan delinquency rate from 44 to 20 percent, with plans to trim it an additional 5 percent per year.

Ironically, despite the record number of recent homesteads awards, the beneficiaries list—currently about 18,000 persons—keeps growing. That's due in part to recent changes in federal rules, which reduced the blood quantum level required for eligibility from 50 percent to 25 percent Hawaiian ancestry.* (*DHHL Note: This statement is incorrect. The blood quantum requirement remains 50% for all applicants. The requirement has not been reduced).

Yonenaka says there's also more interest in the program because Hawaiians are starting to see some action on long vacant Homelands. "For every one award we make, we get five new applications," he says.

There's no doubt Hawaiian Homes is finally on a roll. The question now is whether Kane's policies and plans will keep the good times rolling when he's gone and the $30-million-a-year state money runs out.

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