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WAIĀHOLE VALLEY COMMUNITY STRATEGIC PLAN

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Waiāhole at Kāneʻohe Bay

Source: The Trust for Public Land (photo by Douglas Peebles)

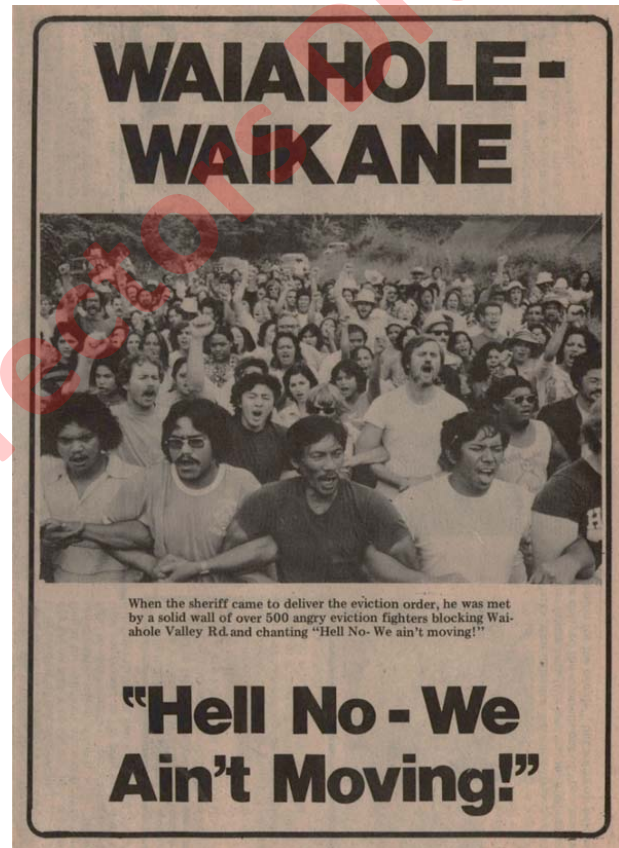
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HISTORICAL BACKGROUND

Waiāhole Valley has long been an agricultural community. At the time of Captain James Cook's arrival in 1778, there were over 500 Kānaka Maoli cultivating the Valley, living sustainable lifestyles in the 'Ahupua'a system.¹

During the boom of Hawaii's Plantation Era in the 1890s, Lincoln "Link" Loy McCandless oversaw the boring of a tunnel (commonly referred to as the McCandless tunnel) through the Ko'olau mountain range at the back of Waiāhole Valley to provide water for private agricultural business interests in the Central and 'Ewa regions of O'ahu. In 1903, just 10 years after the end of the Hawaiian Monarchy, McCandless was a key influencer in the passing of the Torrens Land Court Law by the Territorial Senate that allowed the wealthy businessmen who controlled the Territorial Government to acquire Kuleana Lands through Acts of Law that they created. It was through this process that Link McCandless came to own 40 Kuleana in Waiāhole and Waikane Valleys alone. He eventually acquired 200 Kuleana (comprising 36,000 acres), making him the 13th-largest private landowner in Hawaii. In 1959, the McCandless heirs (the Marks family) began to actively pursue development options for their land holdings in the Valley and began converting all of their tenancies to month-to-month leases. In the mid-1970s, Elizabeth Loy McCandless Marks entered into an agreement to sell Waiāhole and Waikāne lands to a hui led by developer Joe Pao. Mr. Pao planned to upzone valleys and construct approximately 4,000 homes. Community protests started related to the planned evictions of month-to-month tenants. In April of 1974, the Waiāhole-Waikāne Community Association (WWCA) was formed to share information and organize community opposition to the proposed development. After more than a three-year struggle to protect their rural lifestyle and the agricultural integrity of the Valley, the threat of eviction and development ended with action taken by the State of Hawaii.²



Community Newsletter ca. 1977

In 1977, Hawai'i Housing Finance and Development Corporation (HHFDC)'s predecessor the Hawai'i Housing Authority acquired 795 acres in Waiāhole Valley from Mrs. Marks. The \$6 million acquisition cost was paid by the Dwelling Unit Revolving Fund (DURF), and the purchase was made under threat of condemnation. The public purpose of this acquisition was to preserve

¹ Waiāhole-Waikāne Community Association. *Waiahole and Waikane Valleys, the people the land*. Waiāhole: Waiāhole-Waikāne Community Association, 1976.

² Ibid.

the rural, agricultural nature of the Valley. The State agreed to issue long-term ground leases: priority was first given to Mrs. Marks' Waiāhole Valley tenants, and second priority was given to Waiāhole and Waikāne tenants threatened with eviction by Mrs. Marks in the 1970s.

From the late 1980s to 1991, road, bridge, drainage, utilities, and potable-water system improvements were made by the State at a cost of \$11 million. During this time, the City and County of Honolulu (the City) granted development exemptions pursuant to Chapter 359G (now 201H), Hawai'i Revised Statutes (HRS). The exemptions require that the State maintain and operate the roadways, streetlights, and potable-water system.

In 1993, Act 330 was enacted by the Legislature whereby the Department of Land and Natural Resources (DLNR) was directed to transfer 108 acres of ceded lands in Waiāhole to Housing Finance and Development Corporation (HFDC), a predecessor to HHFDC. Leases were required to be offered to DLNR permit holders.

In 1995, the Declaration of Restrictive Covenants for Waiahole Valley Agricultural Park and Residential Lots Subdivision and Homestead Road Lands (the Declaration) was recorded by HFDC, designating lots for agricultural, residential, and other uses. The Declaration stated:

Recognizing that there is a growing scarcity of agricultural lands caused by urban encroachment which has made it difficult for agricultural enterprises to survive and that the acquisition of private property for agricultural purposes is a public purpose or use necessary to facilitate sound agricultural land-use planning Housing Finance and Development Corporation acquired or received in fee simple and this Declaration encumbers the following real property in Waiāhole Valley, District of Koolāupoko, City and County of Honolulu, State of Hawai'i.

The stated purposes of the Declaration were to:

- Protect and preserve the use and character of the Agricultural Lots for Diversified Agriculture; and
- Protect and preserve the agricultural and rural nature of the Project as an agricultural park and rural residential subdivision.

In 1998, approximately 90 long-term leases were signed with HFDC, and 20 lots were transferred to the Department of Hawaiian Home Lands (DHHL)³. In 2004, an agreement was reached to transfer all of Waiāhole Valley to DHHL. However, because of community protests the transfer agreement was terminated in 2005.⁴

HHFDC has ownership of approximately 292 acres of land (zoned P-1 Restricted Preservation) located outside the subdivision and 593 acres of land (nearly all zoned AG-2 General Agricultural District) within the subdivision. HHFDC is responsible for: lease administration and land management of 93 ground leases and permittees (the latter composed of two DLNR holdovers) plus 13 vacant lots; and infrastructure management and maintenance of the potable

³ Chinen, David Y. *History of the Waiāhole Agricultural Park and Residential Lots Subdivision – March 1977 to April 1998 – A Summary*. Waiāhole: David Y. Chinen, 1998.

⁴ HHFDC. Minutes of the Regular Meeting of the Board of Directors. August 18, 2005.

water system, roads, bridges, streetlights, rights-of-way, storm drains, open space lots, and Waiāhole Stream floodway lot.

In 2016, HHFDC determined that a strategic plan should be developed for Waiāhole Valley. The strategic planning process is one by which the community defines its vision and agrees on strategies to accomplish its goals. Its purpose is to identify key issues; establish priorities for addressing issues; direct limited resources (funding, human resources, etc.); and build community consensus. The rationale for undertaking the strategic plan is summarized as follows:

- Project operating expenses exceed revenues.
 - Annual base lease rent, agricultural lot percentage rent, and water services charges total approximately \$150,000.
 - Annual operating expenses total approximately \$300,000 to \$400,000;
 - Shortfalls are funded by DURF.
 - Cash is outlaid with no repayment to the revolving fund.
 - DURF is primarily used to provide interim loans for the construction of affordable housing.
- Housing conditions are largely substandard, primarily attributable to lessees' inability to obtain mortgage loans for renovations or new construction.
- Agricultural-lot utilization is low.
 - Small-farm economics have changed.
 - Farmers who reside on agricultural lots are aging, and their children and grandchildren are pursuing other careers.
- There is no disposition process in place for vacant residential and agricultural lots.
- Water system issues include the failing potable-water system and maintenance issues with irrigation systems.
- With two exceptions, all leases are scheduled for rent renegotiation in 2023.

The goals for the strategic plan were to:

- Address the needs of current and future generations of residents and farmers, including increasing the productivity of agricultural lots and improving substandard housing;
- Identify disposition options for vacant lots;
- Determine long-term ownership, management, and maintenance of water systems;
- Eliminate the burden of DURF subsidies to enable these financial resources to be redirected to HHFDC's core mission; and

- Address other priority community issues.

In 2017, HHFDC issued a Request for Proposals to develop a long-term strategic plan for the Waiāhole Valley community. SMS Research & Marketing Services, Inc. and its team members, EKNA, Inc., Hastings, Conboy & Associates, and Robin Campaniano (collectively, the SMS Team), were awarded the contract.

Board of Directors Draft

COMMUNITY-BASED PLANNING PROCESS

The Waiāhole Valley community has a mix of property owners and lot types.

- HHFDC owns 119 parcels (subject to 93 ground leases/permits).
 - 62 residential lots, of which 10 are vacant
 - 44 agricultural lots, of which three are vacant
 - 4 commercial and market-rate lots, which are all leased
 - 11 open-space and infrastructure lots
- DHHL owns 20 parcels.
 - 18 residential lots, of which 12 are vacant
 - Seven of the vacant lots are leased but have no structures on them. It is unclear what the plans are for the other lots.
 - Two agricultural lots
- Private parties own 20 parcels, of which two are vacant.

The overall planning process was designed to work closely with HHFDC and regularly gather insights and feedback from Waiāhole residents and farmers.

At the beginning of the project in December 2016, HHFDC provided SMS with access to historical and current reports, and background documents to educate and inform the SMS Team about the unique history and status of Waiāhole Valley and the families and individuals that reside there. SMS staff compiled two initial reports based on analysis of these documents to provide both a historical overview and informative background as the foundation of the planning process.

Waiāhole Historical Document Analysis

As the first step, the SMS staff created the Waiāhole Historical Document Analysis. The three primary documents reviewed were:

- Architects Hawai'i LTD. *Waiāhole Valley*. Honolulu: Architects Hawai'i LTD, 1978.
- M & E Pacific, Inc. *Revised Environmental Impact Statement for the Waiāhole Valley Agricultural Park and Residential Lots Subdivision*. Honolulu: M & E Pacific, Inc., 1985.
- Department of Planning and Permitting. *Ko'olau Poko Sustainable Communities Plan*. Honolulu: City and County of Honolulu, 2017.

Other materials reviewed included:

- HHFDC. *Approve an Increase in the Waiahole Valley Agricultural Park and Residential Lots Subdivision Budget*. Regular Meeting of the Board of Directors. June 9, 2016.
- HHFDC. *Minutes of the Regular Meeting of the HHFDC*. Regular Meeting of the Board of Directors. June 9, 2016.
- Chinen, David Y. *History of the Waiāhole Agricultural Park and Residential Lots Subdivision – March 1977 to April 1998 – A Summary*. Waiāhole: David Y. Chinen, 1998.
- HHFDC. *Information on the Waiahole Valley Agricultural Park and Residential Lots Subdivision*. Regular Meeting of the Board of Directors. July 9, 2015.
- Hawaii Revised Statutes. *Chapter 343 (Environmental Impact Statements)*.
- Miyagi, Michihiro. *Land Use in Waiāhole*. Honolulu: University of Hawaii. 1963.
- Land Use Commission. *In the Matter of the Petition of Department of Planning and Economic Development, State of Hawaii for Reclassification of Certain Lands Situate at Waiahole, Koolaupoko, City and County of Honolulu, State of Hawaii*. Docket No. A-85-591. January 20, 1986.
- Umeda, Gary. *Notes on Waiāhole Valley*. Honolulu: HHFDC. 2011

This analysis was designed to provide an informative foundation for the SMS Team as a collective starting point for the data procurement process and direct interaction with valley residents. As most of the valley residents have generational ties to this community, SMS wanted to exude respect for this community through a strong working knowledge of its unique history and the collective vision behind its inception.

Initial Tour of the Valley – February 2017

The objective of the visit was to give the planning team an overview of the physical aspects of the Valley and to meet with some of its residents to better prepare for the individual meetings/interviews to follow.

- The tour was conducted by Chris Woodard and Jason Takata of HHFDC.
- SMS Team members in attendance included Robin Campaniano, Andy Conboy, David Miyamoto, Hersh Singer, Faith Rex, Kekoa Soon, and Kanaloa Schrader.
- Recurring themes shared throughout the day were as follows:
 - There is a need for better maintenance of the common areas and potential hazards (such as Albizia trees).
 - Alternative lease rates should be offered for specific types of farming.
 - Lease rules and regulations need to be updated.

Stakeholder Interviews

Key stakeholders with an interest in Waiāhole Valley were identified including by the SMS Team through weekly meetings with HHFDC. Other stakeholders who contributed during the planning process included:

- State of Hawai'i
 - Executive Branch
 - Office of the Governor
 - Department of Agriculture (DOA)
 - Department of Education
 - DHHL
 - DLNR
 - Commission on Water Resource Management
 - State Legislators
- City and County of Honolulu
- Private developers
- Not-for-profit home building organizations

An interview outline was developed and used to ensure that every interviewee was asked a similar suite of questions regarding issues and concerns identified by stakeholders. An Interview Request Letter was sent to all potential interviewees, and in-person interviews were scheduled by SMS staff. Twelve (12) interviews were conducted from March 2017 through June 2017.

Waiāhole Residents and Farmers Interview Summary

The objective of the Waiāhole interviews was to gather input to develop the Issues Survey discussed below. Throughout the process, SMS worked to ensure that all the Valley residents were given an equal opportunity to share their interests and concerns and that no one voice was given priority over another.

All residents who had a mailing address, telephone number, and/or email address were asked to participate in the interviews. The interview outline was designed to elicit responses that could be used to develop the survey. Each of the interview sections, which are summarized below, encouraged participants to express what was important to them. (Commonly expressed responses are noted after each section heading.)

- Respondent's Personal History in the Valley
 - Family ties, agricultural kuleana, and residential kuleana
- What Respondent Likes Best About the Valley
 - Lifestyle and rural environment
- Issues and Concerns
 - Water access challenges for both potable and non-potable water systems; negative activities in the Valley including trespassing; people who commit crimes; off-roading; inconsistent rules
- Desires for the Future
 - Clear land use guidelines; houses that are maintained throughout the community; overall Valley infrastructure improvements, including streetlights, water and sidewalks
- Barriers to Future Vision
 - Old water systems; contentious community association; inconsistent enforcement of rules and regulations
- Major Community Issues and Needs
 - Funding for community improvement; enforcement of rules and regulations; infrastructure improvements
- Information Wanted
 - Changes in the lease agreements, especially rent increases; desire for ongoing communication

A total of 31 community members were interviewed. A summary of the results indicated that the majority of those interviewed are long-term residents of the Valley who are concerned about protecting their current way of life. Important issues identified were the aging water systems, Albizia tree hazards, access to funding for improvements, flooding, bad elements/crime, the aging community, increases in rent and water rates, and a lack of next generation farmers.

Survey #1 (Issues Survey)

The Issues Survey was drafted by SMS staff and approved by HHFDC in May 2017. Survey design was based on feedback collected in the interviews. The objective of the survey was to identify quantitative measures to prioritize the issues identified during the interviews. The survey was conducted by telephone and through personal interviews from June 2017 through August 2017.

All residents who had a means of contacting them were asked to participate in the survey. Phone surveys were conducted by the SMS call center in Honolulu. In-person surveys were completed by experienced SMS interviewers recording participant responses on the paper

format of the approved questionnaire. A total of 117 surveys were mailed or households phoned, and 74 surveys were completed.

SMS staff analyzed the data and prepared infographics to complete the report in October 2017. A copy of the report is included as Appendix B. A summary of the report was sent to all verified resident addresses for review.

Waiāhole Valley Community Meeting #1

The SMS Team hosted a Waiāhole Valley Community Meeting on July 18, 2017 at Waiāhole Elementary School. Meeting announcements were sent out to all verified addresses three weeks in advance, and SMS provided fliers to the WWCA for distribution. The meeting included a presentation by SMS and HHFDC that described the planning process and which provided time for residents to provide feedback and insights to the process. A one-page *Overview of the Planning Process* flier for residents to take home was distributed. SMS used the opportunity to update contact information of those who attended, to schedule appointments to meet with residents to complete the survey, and to conduct surveys with residents who attended. Forty-eight (48) community members attended the meeting.



Community Meeting at Waiāhole Elementary School Cafeteria

Survey #2 (Solutions Survey)

Subsequent to Waiāhole Valley Community Meeting #1, SMS drafted the Solutions Survey, which was approved by HHFDC in August 2017. The objective of this phase was to quantify support for possible solutions to issues and concerns identified in the first survey. The same process as in Survey #1 was undertaken for the Solutions Survey, using both the telephone and in-person methods to improve participation rates. The survey was conducted from August 2017 through October 2017.

All residents who had a means of contacting them were asked to participate in the survey. In-person surveys were completed by experienced SMS interviewers recording participant responses on the paper format of the approved questionnaire. A total of 117 households were mailed surveys or were contacted for a telephone survey, and 68 surveys were completed. A summary of the report was sent to all verified residents' addresses for them to review, and the full version of the report is included as Appendix C.

Waiāhole Valley Community Meeting #2

After the completion of the Solutions Survey portion of the data collection process, SMS conducted a second community meeting to discuss the results of the survey and offer residents an opportunity to provide further feedback and offer alternative solutions. SMS sent invitations to all verified addresses of residents two weeks prior to the meeting on November 16, 2017. SMS provided feedback opportunities and used electronic “clickers” for real-time “votes” of possible solutions during the presentation.

Developing the Plan

Based on feedback from stakeholder interviews, community meetings, and the two surveys, SMS developed materials for a planning session with HHFDC and the SMS Team. The meeting was held on May 3, 2018. The focus of the session was to address Valley issues as identified by the residents and farmers, and how these issues could be balance against the needs and resources of HHFDC. The foundation of the Strategic Plan was established during this meeting.

In August 2018, SMS hosted **Waiāhole Valley Community Meeting #3**. The purpose of this meeting was to share an outline of the Strategic Plan and to update the community on the status of the overall planning process.

In early September 2018, SMS informed Waiāhole Valley community members of the upcoming HHFDC Board of Directors meeting at which the plan outline would be reviewed. Community members were invited to attend the meeting and given the opportunity to receive a copy of the presentation that would be shared at the meeting. The meeting was held on September 13, 2018, and four members of the community were in attendance. Fourteen (14) copies of the presentation were requested and sent to Valley residents and farmers. Additional copies were made available to WWCA leadership and at the Waiāhole KEY Project in Kahaluu, and an electronic version of the presentation was posted to the HHFDC website.

The presentation provided a high-level summary of the more detailed plan that follows.

STRATEGIC PLAN VISION

Waiāhole Valley is a self-sustaining, thriving rural agricultural community.

This vision can be fulfilled through:

- Preservation of rural character;
- Proliferation of diversified agriculture;
- Decent, affordable housing;
- Vibrant community life; and
- Economic and educational opportunities.



Mural in Waiāhole Elementary School Cafeteria

STRATEGIC PLAN GOALS

The goals of the plan to be realized by 2025 are as follows:

- Residential lots are maintained, and residents can access financing.
 - HHFDC leases have been rewritten in a manner that will enable households to have access to mortgage loans to rehabilitate their homes.
 - HHFDC lessees have their rents established (fixed without reopening) for a term of years that will provide residents and farmers with the clarity they need for future planning and financing.
 - Vacant lots have been cleared and developed.
- Agriculture in the Valley is thriving.
 - All agricultural lots in the Valley are being actively cultivated.
 - Farming in the Valley is economically viable.
 - Economic development efforts within the community are focused on supporting agricultural endeavors.
- Infrastructure for the residential and agricultural lots within the Valley is adequate to support robust agriculture in addition to domestic demand from a rural lifestyle.
 - Waiāhole Valley potable water service reliability is comparable to the rest of the island, if not better.
 - Waiāhole Valley potable water infrastructure is continually being maintained or improved.
 - Revenue generation from lease rents and water fees will be sufficient to cover ongoing potable water infrastructure operating and maintenance costs.
 - The Waiāhole Homesteads 'auwai (the 'auwai) and McCandless irrigation systems are being appropriately managed.
 - Community members feel safe and secure.
 - Street lighting is maintained.
 - Sidewalks are walkable and safe for residents.
 - Cesspools are being converted to septic systems.
 - Albizia trees are eliminated where they pose the greatest threat to electrical wires and other infrastructure. Community members are educated in how to minimize Albizia trees spreading in the future.

- Waiāhole residents and farmers are working together to strengthen their community through support for agriculture and economic development.

These goals were supported by the Waiāhole Valley community members that provided feedback as well as by HHFDC.

The following section provides strategic recommendations to address issues identified by community members and HHFDC. Action Plans begin on page 28.

Board of Directors Draft

STRATEGIC PLAN RECOMMENDATIONS

RESIDENTIAL AND AGRICULTURAL LEASES

HHFDC is responsible for 119 parcels that are subject to the Declaration. The leases were structured to function as long-term use permits, which was consistent with the State's goal of not displacing Mrs. Marks's tenants. Under these leases, lessees have "limited equity" interests limited to the market value of crops and physical improvements with no interest in the land. As a result, the leases are generally not financeable. Leases allow for free assignment to spouses and children (subject to HHFDC fees pursuant to Hawaii Administrative Rules); however, transfers to others require a payment of allocated subdivision capital improvement costs (equal to about \$24,000 in 2018).

At the time that the leases were issued, there were no up-front payments made by the lessees. Currently, the leases provide for nominal rent payments as follows:

- Agricultural lots: \$100/acre/year
- Residential lots: \$45/month (for the average half-acre lot size)

Rents are fixed through June 29, 2023 and then are subject to periodic renegotiation. The leases have an expiration date of June 29, 2053 with a 20-year extension option triggered by vote of 51 percent of project lessees, as stated in the Declaration and the leases.

In 2006, seven ground leases were amended upon lessee request. In each case, the lease was converted to a leasehold interest that allowed for mortgage-loan financing from American Savings Bank. New homes were constructed with assistance from Self-Help Housing Corporation of Hawai'i. The purchase of leasehold interests at market value was facilitated by highly leveraged seller financing.

HHFDC and lessees are looking toward the 2023 renegotiation of leases. Most of the current residential lessees are well informed about this timetable. Residents and farmers recognize that their current lease rents are at below-market levels and will likely increase. At the same time, they long for the security of knowing that their leases are long term and can be left to their children.

Based on a visual survey conducted by SMS staff, roughly half of the houses in the Valley are older and in relatively poor condition. Current lease terms, such as limited equity interests and uncertain lease rent increases, make qualifying for home renovation financing very difficult. Another challenge related to financing is that residents have relatively low household income levels, with approximately 65 percent of Valley households reporting income of less than the 2018 HUD area median income level for the City and County of Honolulu (as adjusted by household size.⁵

Based on an appraisal report prepared by Hastings, Conboy & Associates, lease rents in the Valley are only 18 percent of the estimated market lease rent levels. In addition, there are many households that are not current with their lease rent payments even at this low level.

⁵ Based on responses to Survey #1.

To better manage all of the issues related to complying with the Declaration and managing leases, an option for future consideration is to convert the parcels owned by HHFDC to a Community Land Trust. Community Land Trusts are nonprofit, community-based organizations designed to ensure community stewardship of land. They are primarily used to ensure long-term housing affordability. The trust acquires land and maintains ownership of it permanently.⁶ The trust enters into a long-term, renewable lease with homeowners instead of a traditional sale. When the homeowner sells his/her property, the seller earns only a portion of the increased property value. The remainder is kept by the trust, preserving the affordability for future low-to moderate-income families. Community Land Trusts play a critical role in building community wealth for several key reasons:

- They provide low-and moderate-income people with the opportunity to build equity through homeownership and ensure that these residents are not displaced due to land speculation and gentrification.
- Land trust housing also protects owners from downturns because people are not over extended; as a result, foreclosure rates for land trusts have been as much as 90 percent less than conventional home mortgages.
- Most commonly, at least one-third of a land trust's board is composed of community residents, allowing for the possibility of direct, grassroots participation in decision-making and community control of local assets.
- In addition to the development of affordable housing, many land trusts are involved in a range of community-focused initiatives including homeownership education programs, commercial development projects, and community greening efforts.⁷

Voluntary Lease Modifications

Strategic Recommendations:

During voluntary renegotiations, HHFDC should:

- Implement changes to facilitate lessee mortgage-loan financing.
 - Convert limited-equity interest to leasehold interest.
 - Negotiate lease rents for a 35 years duration. This will meet the needs of lenders who require a five-year "tail" for mortgage loans.
 - Consider a 20-year extension of leases to 2073 (reflecting the project's available 20-year extension option).
- In return for enabling lessees to have greater opportunities to finance home improvements, increase lease rents closer to market values over time.

⁶ HHFDC could contribute its Waiāhole parcels to a Community Land Trust either in leasehold or in fee simple. To effectuate the latter, the approval of the Legislature would be required pursuant to Section 171-64.7, HRS.

⁷ Community-Wealth.org. "Community Land Trusts (CLTs)." *Community-Wealth.org*. December 2017, <https://community-wealth.org/strategies/panel/clts/index.html>

- Develop a long-term plan to oversee the Valley and manage the leases in a way that better meets the needs of residents and farmers and is designed for the long-term future of the Valley beyond 2053.
 - Consider converting to a “sustainable affordable lease” pursuant to Chapter 516, HRS⁸.
 - As a longer-term quasi-exit strategy, consider converting the parcels owned by HHFDC to a Community Land Trust.

Lease Enforcement

A concern for some community members is that lease requirements are not being enforced consistently among all lessees. For example, for the most part action is not taken against lessees who are not current on their lease rent payments. This adds to the deficits that HHFDC incurs in managing the Valley. Lack of enforcement is due to insufficient resources within HHFDC, including staffing and/or funds to contract with a third party.

Strategic Recommendations:

HHFDC should make lease enforcement a priority by addressing⁹:

- Lease rent collection;
- Evidence of liability insurance;

⁸ As defined in Section 516-1, HRS, “Sustainable affordable lease” means a residential lot lease in a sustainable affordable development that satisfies all of the following requirements:

(1) The lease provides for a consideration to the fee owner below a fair market return on the fair market value of the land; provided that compensation to the fee owner for land, including lease rent, shall be either:

(A) Totally capitalized into the initial sales price for the residential lot, including all buildings and improvements; or

(B) Partially capitalized with a share of appreciation paid to the lessor upon resale of the residential lot;

(2) In order to maintain the continued affordability of the residential lot, the lease limits the lessee’s maximum sales price on the residential lot upon resale, including all buildings and improvements, to the lesser of:

(A) The fair market value of the residential lot, including all buildings and improvements, encumbered by the restrictions of the lease; or

(B) The sum of:

(i) The lessee’s purchase price for the residential lot, including all buildings and improvements;

(ii) Any appreciation on the residential lot, including all buildings and improvements as measured by multiplying the amount in clause (i) by the increase in the consumer price index for all urban consumers as determined by the United States Department of Labor for the applicable county (or if not published for the county, then for the State), from the date of the purchase to the date of the contract for resale; and

(iii) The fair market value of all lessor-approved capital improvements made by the lessee; and

(3) The lease may allow the lessor to receive a share of the appreciation in accordance with paragraph (2), as agreed to by the lessor and lessee, and as set forth in the sustainable affordable lease.

⁹ These priorities were established during the planning meeting with HHFDC on the basis of requirements already set forth in the current leases.

- Payment of real property taxes;
- Payment of water-service charges; and
- Agricultural lot percentage rent collection and tax-return submission.

The next level priority should be:

- Observance of City ordinances; and
- Observance of residency requirement.

HHFDC should require an increase in staffing and/or budget to enable a greater level of enforcement.

Vacant Residential Lots

The nine vacant residential lots in the Valley are not being maintained, and all have some type of structural debris on them. It appears that a few lots have debris beyond structural from unknown sources. This has created safety issues for residents and cost issues to clear the lots for HHFDC. Vacant lots also mean less revenue for HHFDC and fewer housing options for O'ahu residents.

One challenge to planning for future leasing options is that community members do not want "outsiders" moving into the Valley even though they know that such restrictions are not permitted under the Fair Housing Act. Thirty-five percent (35%) of respondents surveyed supported the construction of affordable, single-family rental homes on the properties.

It is important that the vacant lots be developed for security and financial reasons for HHFDC.

Strategic Recommendation:

- HHFDC should issue a Request for Proposals (RFP) to construct affordable, single-family homes on all nine vacant lots. This RFP would be sent to qualified eligible developers pursuant to Section 15-307-24, Hawai'i Administrative Rules. Lots potentially could be for sale in leasehold with a 2073 lease expiration date. Most of the vacant lots will need to be cleared of debris, possibly hazardous materials, thick vegetation, and abandoned structures to show the potential of the land.
- It is suggested that preference be given to a non-profit housing developer such as Self-Help Housing Corporation of Hawai'i or Honolulu Habitat for Humanity to build housing on vacant lots. The benefit of working with a non-profit is their positive image and the process, which provides an opportunity for community members to observe the construction and get to know the new families. The downside of a non-profit developer may be their limited capacity to build homes. Also, the cost of clearing the lot may become a cost issue for the buyer and/or non-profit.

AGRICULTURAL STRATEGIC RECOMMENDATIONS

There are 44 HHFDC Agricultural Lots in Waiāhole covering 155.4 acres. Of these lots, three (7%) are vacant. It is unclear how many of the 41 occupied lots are actively being farmed. Six lots were available to be inspected by the SMS Team, and four of these appeared to be active. Approximately half of the farmers say that they produce crops/flowers for sale.

Overall, there is a high level of support within the community for agriculture and a concern that not all agricultural land was being farmed. Over half of the community surveyed felt that it is important for farmers to make a viable living. For a valley that claims to be an agricultural community, these are major areas to be addressed.

Under the terms of the Declaration and the City Land Use Ordinance, agricultural lots can only have one house on the property and one additional dwelling for farm workers.¹⁰ Based on interviews, some of the land that is not being actively farmed is due to aging farmers who no longer can work their properties; their children do not want to take over the farm. At the same time, these farmers do not want to leave the property and give up their leases. One suggestion made was to enable farmers to sublease their property to someone who will farm the land now and will take over the lease in the future. The idea is to allow farmers to live the rest of their lives on the land, and still have the land be productive now. Note that this is currently not permitted under the Declaration and, depending on the lot, may not be permitted under the Land Use Ordinance.

One concern expressed by all of the farmers interviewed is the need to encourage more young people to become farmers. The perceived barrier to entry is the belief that farming is not economically viable. In fact, some of the Waiāhole farmers supplement their income with other jobs.

Agricultural Production

Based on discussions with farmers, they are currently growing the following within the Valley: sweet potatoes, herbs, tropical flowers, tropical foliage, tropical fruit (lychee, Rambutan, etc.) cacao, and taro. There are also some aquaponics operations in the Valley.

¹⁰ City and County of Honolulu Land Use Ordinance, Sec. 21-3.50-2 Agricultural cluster--Site standards. (a) The minimum land area required for an AG-1 district agricultural cluster shall be 15 contiguous acres. (b) The minimum land area required for an AG-2 district agricultural cluster shall be six contiguous acres. (c) The maximum number of farm dwellings in an AG-1 district agricultural cluster shall not exceed one unit per five acres. The maximum number of farm dwellings in an AG-2 district agricultural cluster shall not exceed one unit per two acres. (d) Within agricultural clusters, detached, duplex and multifamily dwellings shall be permitted. Multifamily dwellings shall not exceed four dwelling units in any structure. (e) Within an agricultural cluster, all principal, accessory and conditional uses and structures permitted within the AG-1 restricted agricultural district and AG-2 general agricultural district shall be permitted, subject to the minimum standards and conditions specified in this chapter for these uses. (f) Within an agricultural cluster each dwelling may be sited on a lot not to exceed 5,000 square feet. For structures with more than one dwelling unit, the maximum lot size shall be a multiple of 5,000 square feet per dwelling. (g) Height and yards shall be the same as permitted in AG-1 and AG-2 districts..

Strategic Recommendations:

- Bring the farmers together to explore options to ensure the consistent production of crops that are suited to the Valley environment and have higher potential value. The goal is to focus on crops that can thrive in the Valley and be sold at a reasonable price, or developed into a value-added product that commands a higher price.
 - Based on the crop suitability by soil type (based on Waikāne Silty Clay and a 3% to 8% percent slope) “very good” potential crops include sweet potatoes, string beans, cucumbers, eggplant, mountain yams, and bananas.¹¹
 - Where the field slope is 8% to 15%, bananas have good potential. Crops such as sweet potatoes, string beans, cucumbers, eggplant, mountain yams, tomatoes, and papayas have fair-to-good potential.
- Consider modifying leases to provide an incentive for farmers to cultivate their lands as follows:
 - Include audited agriculture output rent incentives to encourage farmers to actively farm.
 - For farmers who are older or can no longer farm, for whatever reason, consider options that enable them to sub-lease farm lands to someone outside the family.
 - Seek opportunities for grants and assistance for low-income farmers to restore fallow lands to and enable agricultural production.
 - HHFDC must be prepared to enforce lease requirements if agricultural lots still lie fallow after multiple approaches.
- To bring vacant or fallow lands to a level that can be farmed, farmers will be encouraged to access resources from Rural Economic Development programs and Community Economic Development guidance, grants, and low-interest loans.

Vacant Agricultural Lots

There are three vacant agricultural lots. Lot 33 (a 13-acre parcel behind Waiāhole Elementary School) presents a unique opportunity because of its location once landfill remediation has been completed¹².

Located on Waiāhole Homestead Road, Lot 133, is being considered for use by the Hawai'i DOA “for training in pesticides, food safety and basic agricultural practices. The Department will implement a conservation plan with United States DOA (USDA) National Resource Conservation Service and will walk the farmers through good conservation practices that are implemented with good conservation plans. The Department will also partner with the University of Hawai'i College of Tropical Agriculture and Human Resources (CTAHR) on training

¹¹ Ishii, Brian. *Waiāhole Water System Strategic Plan*. Honolulu: EKNA Services, Inc., December 2017.

¹² As of December 2018, a company has been selected for the remediation project management, but a new landscaping contract is required to address clearing and maintaining the vegetation in that area.

farmers to successfully grow the crops they've chosen to cultivate and to develop business plans.”¹³ Currently, HHFDC is negotiating a Right-of-Entry agreement with the DOA.

The third vacant lot, Lot 61, has some challenges due to the slope of the parcel and periodic flooding.

Strategic Recommendations:

- Continue the current process with Lots 33 and 133.
- For Lot 61, develop and publish an RFP, possibly with assistance from the DOA and CTAHR.

Consider including RFP evaluation criteria that encourages cultivation of the next generation of farmers. The evaluation committee should include outside parties with agricultural economics and community development expertise.

Agriculture Irrigation Systems

Currently, water for crops differs by the location of agricultural lots. Some of the farms are watering their crops from the ‘auwai¹⁴ or the McCandless System.¹⁵ Other farms, that do not have access to those options, are using potable water available in the Valley.¹⁶

The ‘auwai is currently being maintained by one to five families who access this water source. The McCandless System is currently being maintained by three to four of the families who use this water source. Challenges for maintenance include: trees falling into the systems damming the water flow and causing inadvertent water streams; flooding during times of heavy rainfall; the ‘auwai flows through private land and cannot be easily accessed for maintenance; more farmers using the water than those that maintain the systems. Another consideration is that for the water from the ‘auwai and the McCandless System to be at the standard required for certain crops under the Food and Drug Administration (FDA) Food Safety Modernization Act, a method of testing water quality would have to be implemented.

One challenge in managing these non-potable water systems is that it is unclear who is responsible for them.

Strategic Recommendations:

- HHFDC should retain counsel with expertise in water rights. They would consult with DLNR Commission on Water Resource Management and advise HHFDC on its rights and responsibilities for the Waiāhole Homesteads ‘auwai and the McCandless system.

¹³ Provided by Micah Muneke, Legislative Coordinator, Office of the Chairperson, Hawai'i DOA to Jason Takata November 27, 2018.

¹⁴ Based on location the ‘auwai is a water source option for 10 to 12 lots; however, it is uncertain how many actually use it as their primary water source for farming.

¹⁵ Based on DLNR Commission on Water Resource Management files, in 1990 there were 29 registered users.

¹⁶ There are nine agricultural lots that use over 50,000 gallons per month from the potable water system.

- Enable maintenance of the water systems by creating a public access zone on the sides of the systems to allow for ongoing maintenance. The zone should be approximately four to five feet on each side to enable a cart to pass for maintenance. Legal counsel may be able to provide advice on implementation of such zones.
- Identify a third-party to manage and maintain these water systems and a mechanism whereby fees would be collected from users to fund maintenance services.
- Consider lower lease rents for farmers who must access potable water due to the higher cost of production.
- Bring farmers together to discuss the FDA Food Safety Modernization Act and its proposed regulations regarding water quality standards and food processing. For example, the FDA is proposing a rule for agricultural water requirements to go into effect in January 2022 for large farms, and 2023/2024 for smaller and smallest farms. Requirements are likely to include testing for water quality that could possibly be done to benefit the group rather than requiring each individual farmer to conduct their own test. Note that large hotel and food chains are already requiring farmers to have certain certifications.

Economic Development

All farmers that were interviewed are selling their agricultural products outside the Valley through Farmers' Markets and to wholesalers, restaurants, and producers of higher value products such as cacao to be made into chocolate. As noted earlier, many of the farmers interviewed are struggling to earn an income sufficient to support themselves and their family. A model that may generate higher incomes may be agriculture-based economic development focused on farmers' retaining a greater share of the final sales price. In this model, the farmer retains his share of the product price as well any markup that would be taken by a wholesaler or value-added producer. This approach is closer to the original intent of an agricultural-based valley and reinforces the rural lifestyle within the valley.

Strategic Recommendations:

Support the marketing and distribution of Waiāhole Valley agricultural products.

- Develop a Waiāhole Valley brand that differentiates the produce and products from similar options around the island. This value-added differentiation will create higher demand and over time a higher price for that product. The brand will also enhance the sense of community and pride for the Valley. Examples of successful branding efforts may be found in the coffee industry, where growers have branded their coffee as "Kona" or "Kaua'i" coffee.
 - The DOA has approved a \$20,000 grant request to SMS to support branding efforts.¹⁷
- Explore the feasibility and benefits of a cooperative processing plant based on the crops being grown. This should enable farmers to be more efficient and sell additional

¹⁷ The brand will be owned by either DOA or HHFDC.

products. This will require production to be at levels sufficient to make the plant viable. Discussion has started with the Department of Education to explore using the Waiāhole Elementary School Cafeteria after hours.

- Food safety standards must guide the processing facility to enable agricultural products to be sold to a larger market. It is unclear at the present time what changes, if any, would need to be made to the Cafeteria to meet standards.
- Explore establishment of a marketplace selling Waiāhole produce, flowers and value-added products such as organic dried fruits, poi, baked goods, etc. The market would make it more convenient for farmers to sell their produce/flowers, reinforce the branding of the products, and provide other opportunities for residents in the Valley.
- The DOA has grants available for marketplace planning.

COMMUNITY INFRASTRUCTURE AND ISSUES

Potable Water

Forty-eight percent (48%) of respondents to Survey #1 said that the quality of their drinking water was a major problem. During interviews, many households said they purchase bottled water for drinking.

HHFDC has engaged a consultant to design an appropriate water system and prepare an Environmental Assessment. This process is expected to take up to two years to complete. The process will include evaluating groundwater options with new wells and a reservoir within the subdivision and may consider use of surface water or rights to Waiāhole Ditch transmission tunnel water. The community will be kept involved and updated during the process.

Seventy-six percent (66%) of Survey #2 respondents said that they supported HHFDC's plan to upgrade the system, including relocating wells to within the subdivision and constructing a new reservoir tank to improve service reliability.

Strategic Recommendations:

HHFDC should honor its previous commitment to not increase in water rates until construction begins on the new potable-water system. Over time, residential rates should increase to Board of Water Supply (BWS) levels. To encourage agricultural production, HHFDC should consider increasing the agricultural rates to something less than what BWS charges.

The long-term ownership of the system will depend on the system design implemented and discussions with the BWS.

Cesspools/Septic Systems

Based on interviews with lessees, home renovations and improvements have been hampered because new building permits require that lessees replace their cesspools with septic systems. The challenge is the relatively high cost of that conversion (estimated to be about \$25,000) in addition to the cost of renovations that is required. This conversion is required to be completed by 2050 per Act 125, Session Laws of Hawai'i 2017. This is an additional financial burden on lower-income households in the Valley.

Strategic Recommendation:

- Encourage and support lower-income household community members to seek financial assistance from low-cost loans or grants that are available through Rural Economic Development or Community Economic Development programs. A nonprofit may be identified to assist with writing grant requests.

Board of Directors Draft

Albizia Trees

The biggest community infrastructure problem identified by residents in the survey was Albizia tree infestation, with 75% of respondents agreeing that it was a major problem. Based on interviews, the biggest issue was the impact of falling trees: on electrical lines, and falling and damming the 'auwai and the McCandless system flow into the agricultural lots.

Strategic Recommendation:

- The State of Hawai'i Invasive Species Council has developed a "Strategic Plan for the Control and Management of Albizia in Hawai'i (2018)." Using this document as a guideline, HHFDC in conjunction with the community should create a plan for Albizia tree removal and long-term management. The plan may include applying for grants to cut down and minimize regrowth of Albizia trees, especially those that could fall on electrical lines or along the two water infrastructure systems. At the same time, HHFDC should explore options to engage a commercial user of Albizia trees to harvest easily accessible trees.

Safety and Security

Safety and security were major concerns for 58 percent of the Valley survey respondents. It was reported that streetlights were often not working, and that it was unclear who to contact for assistance – some streetlight maintenance is the responsibility of HHFDC, and other street lights are the responsibility of the City and County of Honolulu. In interviews, residents also expressed a desire for streetlights to go deeper into the Valley. Another issue raised by residents was that sidewalks were impassable due to overgrowth; community members were not maintaining the sidewalk area alongside their lots.

As the community comes together and neighbors begin to trust neighbors, general safety and security may be less of an issue. Where possible, HHFDC should address basic safety and security issues such as overgrowth of vegetation onto sidewalks and streetlight maintenance.

Strategic Recommendations:

- Lighting and sidewalk issues will continue to be a concern. Community members should be provided with information on who to contact for specific problems.
- Owners of lots fronting sidewalks should be reminded of their responsibility to keep the sidewalks accessible, with specific reference made to lease language or the Revised Ordinances of Honolulu.
- Cost estimates for expanding street light coverage and sidewalks should be gathered and evaluated as a priority for the community.

THRIVING COMMUNITY

As noted earlier, the Waiāhole Valley community is a mix of HHFDC, DHHL, and privately-owned lots. The challenging history of the Valley has created factions among residents beyond the differences in land ownership. There continues to be a high level of disagreement and distrust among families and factions. This distrust makes it difficult for the community to come together and make progress in any direction. However, feedback gathered through surveys suggests that there is general agreement and support in how best to move forward focusing on agriculture and community economic development.

Community Cohesiveness Recommendation:

- Build on the momentum created by this strategic planning process to create more trust within the Valley by focusing on areas where there is common agreement. Within the Valley, there is strong support for farmers and increasing production on agricultural land. We recommend that either HHFDC or the WWCA consider hiring a consultant/facilitator to bring the community together around supporting farmers. The goal is for the facilitator to lead a community-driven effort to organize an entity that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code that can be self-sustaining and enhance the quality of life within the Valley. This organization would lead efforts to write grant requests for:
 - Agricultural economic development – developing a Waiāhole brand and Farmer's market;
 - Funding to replace cesspools with septic systems; and
 - Elimination of Albizia trees.

The consultant will reach out to DHHL to connect with their households and private land owners. One goal is to bring the community together regardless of type of lease.

As an alternative to HHFDC or the WWCA funding the cost of a consultant/facilitator, HHFDC could work with DOA or another State department or agency to see if that entity could take on some or all of the consultant role.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

The Declaration states that:

[R]ecognizing that there is a growing scarcity of agricultural lands caused by urban encroachment which has made it difficult for agricultural enterprises to survey and that the acquisition of private property for agricultural purposes is a public purpose or use necessary to facilitate sound agricultural land-use planning, Housing Finance and Development Corporation acquired or received in fee simple...real property in Waiahole Valley.”

While a worthwhile purpose, it is unclear how this objective connects with the mission of HHFDC, which is “to increase and preserve the supply of workforce and affordable housing statewide by providing leadership, tools, and resources to facilitate housing development.”¹⁸

While not its primary mission, HHFDC is the landlord for the properties under its management in Waiāhole Valley. HHFDC collects rents, oversees infrastructure and maintenance, and owns and operates the present potable water system. Beyond the rents it collects, HHFDC funds Valley improvements through the Dwelling Unit Revolving Fund (DURF). In 2016, HHFDC had the following budgets for Waiāhole Valley:

- Operations & Maintenance – Water Systems: \$3,572,620
- Operations & Maintenance – Infrastructure: \$2,042,219
- Lease Maintenance: \$2,207,684

Review of the current Waiāhole Valley annual budget indicates an estimated negative cash flow in excess of \$500,000.

Roles and Responsibilities

Currently, HHFDC has the equivalent of approximately 1.5 full-time staff members assigned to oversee Waiāhole Valley. These staff members are responsible for maintaining communications with lessees and responding to questions and complaints. The major enforcement issues facing HHFDC are:

- Compliance with lease requirements including payment of rent, evidence of liability insurance, payment of real property taxes, payment of water-service charges, and agricultural lot percentage rent collection and tax-return submission; and
- Illegal dumping of hazardous materials on vacant properties.

Challenges with enforcement is due to limited HHFDC staff and budget, State and Legislative interference, and the inconsistency of this effort with the mission of the corporation. HHFDC has issued default notices, and for “repeat offenders” letters are sent out with eviction notices. In recent years, no evictions have taken place.

¹⁸ 2017 HHFDC Annual Report.

Strategic Recommendations:

Given the limited resources within HHFDC, we recommend that HHFDC consider retaining a third-party company to take on responsibility for lease enforcement. HHFDC would be responsible for community relations, lease renegotiations, and management of third parties including property managers, 'auwai and McCandless system managers, and (if engaged) a community facilitator. Using a third-party for lease enforcement may make the process less political and able to be achieved more expeditiously.

Board of Directors Draft

ACTION PLANS

RESIDENTIAL LOT LEASES

- Begin the process of developing a new form of lease to be offered to all residential leases.
 - Extend leases to 2073.
 - Set lease rents for 35 years' duration.
 - Set lease rents to move closer to market values over time.
 - Modify lease language to ensure mortgage-financing opportunities to enable residents to make home improvements.
 - Maintain requirement to pay rent, provide liability insurance, pay water-service fees and real property taxes, and meet City and County of Honolulu housing standards.
 - Schedule meetings with individual lessees starting in 2020 and complete prior to scheduled lease rent renegotiation in 2023.

AGRICULTURAL LOT LEASES

- Begin the process of developing a new form of lease to be offered to all agricultural leases.
 - For lessees that have dwellings on-site and need mortgage financing:
 - Extend leases to 2073 and provide set lease rents for 35 years' duration;
 - Set lease rents to move closer to market values over time; and
 - Modify lease language to ensure mortgage-financing opportunities to enable residents to make home improvements.
 - Include audited agriculture output rent incentives to encourage farmers to actively farm.
 - Maintain requirement to pay rent, provide liability insurance, pay water-service fees and real property taxes, and meet City and County of Honolulu housing standards.
 - Evaluate the possibility of allowing subleasing. Alternatively, evaluate the possibility of incentivizing inactive farmers to assign their leases to new farmers, with the inactive farmer taking a subleasehold life estate in the dwelling only.
 - Schedule meetings with individual lessees starting in 2020 and complete prior to scheduled lease rent renegotiation 2023.

AGRICULTURE DEVELOPMENT

- Hire a consultant/facilitator to support agricultural production, marketing and distribution. The consultant/facilitator may be funded by the WWCA or HHFDC initially, but the goal is to lead a community-driven effort that can be self-sustaining and enhance the quality of life within the Valley. The consultant will reach out to DHHL to connect with their households and private land owners. One goal is to bring the community together regardless of type of lease. The consultant will:
 - Develop a marketing plan for the Valley that includes:
 - A Waiāhole Valley branding plan to optimize agricultural revenues
 - The branding strategy will reflect the produce/products being grown/made in the Valley and will reflect the “terroir” and rural nature of Waiāhole.
 - Develop a plan for the Waiāhole Valley Marketplace.
 - A distribution site perhaps through a Farmer’s Market at the entrance of the valley or at a site that already has larger number of visitors (such as Kualoa Ranch).
 - At the same time work with Farmers to identify the best crops for cultivation in the Valley given the environment and the value of the output.
 - The suggestion for crops will take into consider the opportunity to create higher value products from the selected crops. For example, cacao into chocolate, or certain fruits into organic dried fruits, or taro into poi doughnuts.
 - Options for a processing plant within the Valley will be explored. One thought is that using the Elementary School cafeteria at night and on weekends may be a good interim step until the volume reaches a level to warrant a free-standing site. The Cafeteria will need to be reviewed to ensure that it meets certification standards.
- The consultant can identify initial funding opportunities and options. Overtime, as trust builds within the community, community members may want to create their own non-profit.
- The benefit of a non-profit is the ability to attract outside funding and grants. Ideally the community comes together to create an economic development non-profit such as a Community Development Corporation. This non-profit will over time take over the role of the consultant, becoming the economic driver for the valley by accessing outside resources and expertise. In some communities, an outsider is the first executive director of the non-profit, but most of the Board must be community members.
- Additional funding opportunities from USDA include:
 - Farm loans, direct and guaranteed farm ownership and operating loans;

- Housing assistance for low-to-moderate income rural Americans;
 - Crop and livestock insurance;
 - Federal and/or State Marketing Improvement Program, to explore new market opportunities;
 - Specialty Crop Block Grant Program for certain crops;
 - Farmers Market Promotion Program to help improve farmers' markets and roadside stands;
 - Organic Cost Share Program which provides cost-share programs for certified organic farms.
- To complement the community trust building efforts, HHFDC must implement enforcement approaches to encourage Farmers to cultivate their lands.
 - This may require the sub-leasing of farm lands to someone outside the family.
 - This may also require helping low-income farmers to apply for grants and assistance to restore fallow lands to allow for agricultural production.
 - HHFDC must be prepared to act if agricultural lots still lie fallow after multiple approaches.

As an alternative to HHFDC or the WWCA funding the cost of a consultant/facilitator, HHFDC could work with DOA to see if that department could take on some or all of the consultant role.

SAFETY & SECURITY ACTIONS:

- HHFDC or their representative will have quarterly meetings, develop a website or dedicated page on a website and an information flyer to be sent out to all Waiāhole Valley residents and farmers. The objective of providing the information is to show community members that proactive actions are being taken to upgrade the infrastructure and to reduce the stress level of community members by having them know who to contact when they have concerns.
- Contacts for HHFDC, DHHL and the City & County of Honolulu will be identified relative to the issues to be resolved. HHFDC, the Consultant or the non-profit Executive Director will lead the effort to make it easier for residents to have a contact who will respond quickly to their issues, especially those that relate to safety.
 - Information about who to contact regarding a variety of key issues will be addressed by setting up a Waiāhole Valley website and mailing a series of flyers (because the internet connection is not consistent throughout the valley.)
 - It will be necessary for HHFDC to reach out to DHHL to encourage working together for the benefit of both their Lessees.

- Over time if the community comes together to support a non-profit some of these responsibilities can be taken over by that entity.
- New leases should have clear statements of responsibility regarding maintaining accessible sidewalks. Penalties for non-compliance should be clear and enforced.

CESSPOOL ACTIONS:

- HHFDC, a consultant, or community non-profit will share information with residents about opportunities to help fund the transition from cesspools to septic tanks including tax credits of up to \$10,000 for cost of upgrading or converting to septic system.
 - Explore options to reduce the price of moving to a septic system by negotiating transitioning multiple systems simultaneously.
 - Work with the Department of Health to inform community members about the reasons for the transition to a septic system.

VACANT RESIDENTIAL LOT ACTIONS:

Specific options for lots provided from the SMS Team real estate consultant are shown below.

Lot 7 (1 acre)

Lot 7 was used before and may have structural debris from the prior tenant. The lot is in the flood zone and has roadway frontage. The lot should be cleared of debris and large vegetation.

Recommendation:

- Located along Farrington Highway, this lot may be used for commercial or agricultural market use, however, traffic safety maybe a concern.

Lot 13 (0.75 acres)

According to neighbors, Lot 13 is suspect for burials. It also contains visible structural debris.

Recommendation:

- Additional investigation should be performed to determine if an Archaeological Inventory Survey is required before proceeding with development of the parcel (likely with a single-family dwelling.)

Lot 14 (0.35 acres)

This is a relatively small lot surrounded on two sides by Lot 13. There may be hazardous materials on the site.¹⁹

Recommendation:

This parcel is suitable for the construction of a single-family dwelling.

Lot 25 (1 acre)

Lot 25 has access through Maihua Place and is one acre in size. Based on conversations with neighbors, there likely is structural debris on the site.

Recommendation:

- This parcel is suitable for the construction of a single-family dwelling.

Lots 95 (0.21 acres) and 96 (0.19 acres)

These two lots (located across from Waiāhole Elementary School) were set aside for a WWCA Community Center, but the WWCA never followed through with its plans.

Recommendation:

- This is still a good site for a community center, possibly a multi-purpose facility including an agricultural processing plant. The WWCA or other community organizations would need to support and implement this undertaking. Alternatively, the parcels are suitable for the construction of a single-family dwellings.

Lots 30 (0.2 acres), 36 (0.2 acres), 102 (0.19 acres), and 103 (0.23 acres)

These lots were formerly leased and therefore may have structural debris that needs to be cleared in addition to overgrowth. The relatively small size of most of these lots suggests that single-family dwellings be considered.

Recommendation:

- These smaller lots may be used for single-family residential dwellings.

For those vacant properties that are deemed suitable for residential homes, the following steps are recommended:

- Issue a Request for Proposals seeking non-profit housing organizations and developers to submit a proposal to build single family for sale leasehold homes on some of the lots.

¹⁹ Conboy, Alan J. and Andy B. *Real Estate Consultation Report Involving Various Waiahole Valley Lots Owned by Hawaii Housing Finance & Development Corporation*. Honolulu: Hastings, Conboy & Associates, Ltd., 2018.

- Review proposals to identify the best option for the building of affordable housing in keeping with the mission of HHFDC and vision of Waiāhole Valley.
- Consider giving preference to nonprofit developers such as Habitat for Humanity or Self-Help Housing to identify the potential for new projects on the vacant lots.
 - Introduce the option of self-help homes to the community, connecting the cleaning of the lots with these new homes that will be built for deserving families.
 - This will require HHFDC investment in the cleaning of the vacant lots prior to the building effort.
 - Engage the community in supporting the project (note this can be done through the Consultant/Community Economic Development organization.)
- To minimize community disruption may want to develop one lot at a time. However, to maximize rental income may want to develop all at once.

VACANT AGRICULTURAL LOT ACTIONS:

At the present time, there are three vacant agricultural lots: Lots 33, 61, and 133. The following is a discussion and recommendation for each of the lots.

Lot 33 (12.8 acres)

This lot is located behind Waiāhole Elementary School and has waste material considered to be regulated and/or hazardous. A company has been selected for remediation project management. A new landscaping contract has to be undertaken to clear and maintain the vegetation in the lot so that the remediation can begin.

Recommendation:

Once remediated, this lot can be used for agriculture. However, its size and location next to the elementary school may make the lot ideal for other purposes, such as a low-income rental housing project for families.

Lot 61 (6.2 acres)

Lot 61 needs to be cleared to properly assess the site. The property is elevated from Waiāhole Valley Road (South Branch), and lower than Waiāhole Valley Road (North Branch), therefore access may be an issue. HHFDC has reported that the slopes on this property can range from 25 to 40 percent, but this has not been verified. The larger slopes are on the South Branch side of the lot. The lot is overgrown with understory and larger shrubs and trees, and will be expensive to clear. The lot likely has access to the McCandless non-potable water system.

Recommendation:

- Continue to seek agricultural use, but this will likely require clearing the lot to allow a better assessment of the site for potential lessees.

Lot 133 (3.9 acres)

Lot 133, located on Waiāhole Homestead Road, is being considered for use by the Hawai'i DOA "for training in pesticides, food safety and basic agricultural practices. The Department of will implement a conservation plan with USDDA's NRCS and will walk the farmers through good conservation practices that are implemented with good conservation plans. The Department will also partner with the UH CTAHR on training farmers to successfully grow the crops they've chosen to cultivate and to develop business plans."²⁰ Currently HHFDC is working on a "Right of Entry" (ROE) agreement with the DOA.

Recommendation:

Continue to work with DOA in this effort to support farmers and farming in the Valley.

Note: If the larger agricultural lots are difficult to lease, HHFDC may consider subdividing the larger lots into smaller parcels. These smaller agricultural, potentially about two acres in size, will allow for a smaller commitment of resources. There will a cost to provide subdivision access and infrastructure. Depending on the area and water availability the smaller lots would be used for flower or foliage crops, subsistence farming, or for farming by one person with a limited market.

WATER SYSTEM

Continue with the evaluation and recommendation process currently underway.

²⁰ Provided by Micah MuneKata, Legislative Coordinator, Office of the Chairperson, Hawai'i DOA to Jason Takata November 27, 2018.

FINANCIAL ANALYSIS

A review of Waiahole Valley annual budget indicates an estimated annual negative cash flow in the range of \$150,000 to \$250,000. One of the goals of the strategic plan was to identify the means of reducing this outflow, thus re-directing HHFDC funds to the agency's core mission of increasing and preserving the supply of workforce and affordable housing in Hawaii.

The primary source of incremental cash inflow will be generated through increases in the approved market-based rent structure. The strategic plan also proposes to invest in property management resources to better administer the Valley as well as funds to better maintain the current open water systems for farmers.

The financial analysis is planned to be discussed in detail with the HHFDC Board of Directors in executive session at its March 14, 2019 regular meeting.

TIMETABLE

ACTION	START	END
Finalize Strategic Plan		
Present plan to HHFDC staff for review and approval.	December 2018	February 2019
HHFDC staff presents to HHFDC Board of Directors.	March 2019	March 2019
Upon approval, create a summary of the plan that will be shared with stakeholders and the community.	March 2019	April 2019
Mail strategic plan summary to lessees and hold a community meeting to answer questions.	March 2019	May 2019
Create Form of Residential Lease Modification		
Draft form of modified residential lease for review by the Department of the Attorney General.	March 2019	June 2019
Schedule individual meetings with lessees.	July 2019	September 2019
Finalize form of modified leases.	October 2019	December 2019
Execute new leases with interested lessees.	January 2020	June 2020
Create Form of Agricultural Lease Modification		
Draft form of modified agricultural lease for review by the Department of the Attorney General.	July 2019	September 2019
Schedule individual meetings with lessees.	October 2019	December 2019
Finalize form of modified leases.	January 2020	March 2020
Execute new leases with interested lessees.	April 2020	September 2020
Evaluate Lease Enforcement Resources	July 2019	June 2020
Determine whether additional staff should be sought or a third-party should be retained to manage and enforce the leases. Obtain funding/approval for such additional resource.		
Evaluate the financial feasibility and practicality of engaging a third-party to regularly maintain the 'auwai and McCandless System.		

ACTION	START	END
<p>Develop Safety and Security Resources</p> <p>Develop a website and an introductory information flyer for Waiāhole Valley farmers and residents. The purpose of the site is to keep community members informed about the proactive actions being taken.</p> <ul style="list-style-type: none"> • Site will have a “who to contact” section regarding streetlights being out and guidelines on whose responsibility it is to keep sidewalks clear. 	July 2019	December 2019
<p>Potable Water Systems</p> <p>Continue with current plans to evaluate options. Complete Environmental Assessment.</p> <p>Keep the community involved in and informed about the progress. This issue must have a sense of urgency.</p>	March 2019	June 2020
<p>Vacant Residential Lots</p> <p>Estimate the cost of clearing vacant lots.</p> <p>Clear vacant lots for marketing purposes if deemed advantageous to the RFP process. Develop and publish an RFP to develop vacant family lots for single-family dwellings. Include consideration of self-help housing.</p>	<p>July 2019</p> <p>January 2020</p>	<p>September 2019</p> <p>December 2020</p>
<p>Vacant Agricultural Lots</p> <p>Consider if the use of Lot 33 should be changed from agricultural to an alternative use. Estimate the cost of clearing the lot. Develop and publish an RFP as appropriate.</p> <p>Consider if the other two lots should be considered for residential rather than agricultural use. Estimate the cost of clearing these lots for such uses. Develop and publish an RFP as appropriate.</p>	July 2020	June 2021

ACTION	START	END
<p>Community Facilitator</p> <p>Engage a community facilitator that may organize a 501(c)3 not-for-profit community development corporation or similar entity that will be responsible for supporting the community by writing grant requests, managing grants and to support agricultural economic development. Alternatively, engage DOA or another governmental entity to assist HHFDC in this effort.</p> <p>Meet with farmers to identify crops currently being grown that would benefit from a processing plant and/or Farmers' Market.</p> <p>Write two grant requests to support agriculture economic development based on feedback from farmers.</p> <p>Develop template requests for low-cost loans and grants that community members can use to apply for assistance to convert from cesspools to septic systems.</p> <p>Write grants to control Albizia trees.</p>	<p>July 2019</p>	<p>June 2021</p>

APPENDICES

- A. Discussion on Land Uses for Waiāhole Valley
- B. Summary Report Survey #1
- C. Summary Report Survey #2

Board of Directors Draft