

FOR IMMEDIATE RELEASE April 30, 2023

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WAIĀHOLE VALLEY FARMERS AND STATE SIGN NEW, BELOW-MARKET LEASE AGREEMENTS

Agreements keep kama'āina food producers in place through 2038

HONOLULU -- The Hawai'i Housing Finance and Development Corporation (HHFDC) on Sunday signed amended lease agreements with 11 Waiāhole Valley farmers that will have them pay below-market rents through 2038.

A private signing ceremony was conducted in Windward O'ahu with the farmers, who collectively call themselves Mahi'ai O Waiāhole.

Annual rent for the agricultural areas of leased property increases to \$200 an acre from \$100 an acre, excluding areas with residential use. Annual rent for residential-dwelling areas increases to \$1,650 from the \$500 previously assessed for all dwelling uses.

Additionally, farmers will now pay 1.0% of gross agricultural income derived from the leased properties for the preceding calendar year, up from 0.9%. The new agreements also call for agricultural lessees to submit quarterly summaries of notable farm activities, a change made to assist HHFDC with compliance monitoring.

HHFDC Interim Executive Director Dean Minakami said the rent formula used to calculate the agreed-to rents will serve as a basis to complete unresolved negotiations with 24 other farmers leasing HHFDC agricultural lots in the valley.

"The State of Hawai'i acquired Waiāhole Valley over 40 years ago to preserve its rural and agricultural qualities," Minakami said. "The agreements reached today recognize the efforts of farmers who have helped the State to realize this vision."

Nani Medeiros, the state's chief housing officer, said, "We are thrilled that we were able to support our Waiāhole farmers' wish to secure affordable leases. HHFDC is a valued state agency providing housing and supporting local farmers.

Medeiros, who serves as Gov. Josh Green's representative on the HHFDC Board of Directors, added, "The Governor's Office recognizes and commends Dean, Chief Planner Chris Woodard and the entire team for their diligence and commitment aligning with Kia'āina Green's housing priorities."

Long-time Waiāhole farmer John Reppun, a member of Mahi'ai O Waiāhole, said the new agreements create a clear path to ensuring generations of farmers continue to provide sustenance in the historic valley.

"There's no question in my mind that the heart of Waiāhole lies in food production," Reppun said. "The agreements we've come to here with HHFDC is what's going to be offered to the other ag lot lessees as well and that's encouraging."

"We're proof that when you go about something in a way that is pono, you have a really good chance of having a pono outcome," said Kala'i Miller, another farmer and Mahi'ai O Waiāhole farmer who signed an agreement Sunday.

Miller thanked HHFDC, Medeiros and state Sen. Brenton Awa, who represents the region, for being will to listen to the concerns of the residents.

Lease-rent renegotiations also continue with 49 of 57 residential lessees in the valley.

Long-term lease agreements with each of HHFDC's Waiāhole lessees require that annual rent be renegotiated for the 15-year period beginning June 30, 2023. Negotiations began in July 2022 as stipulated in the leases.

HHFDC proposed rent increases for all of its Waiāhole lots, although at rates far lower than market-priced property in the area. Rent increases were sought to help offset an annual net operating loss of approximately \$1.1 million to maintain the valley's potable water system, roads and other public infrastructure. HHFDC has a fiduciary duty to help balance the state budget under the laws and Constitution of the State of Hawai'i.

The ongoing financial loss is, in part, due to substantially below-market rental rates that were established approximately 25 years ago, when 91 separate ground leases were signed. Rents were set according to formulas based on lot size, which varies widely across the valley.

Sunday's signing reaffirms the decision of the HHFDC Board of Directors in March, to approve the amended lease agreements.

Under the leases, if no agreement is reached between HHFDC and the lessee on the rent of an agricultural lot by July 1 2023, the issue is to be submitted to mediation. If no agreement is reached through mediation, either party may initiate the arbitration process.

If no agreement is reached on the rent of a residential lot by June 1, 2023, rent shall be determined through arbitration.

In a 1977 effort to "preserve the rural agricultural nature of the valley," the state purchased the land to stave off a sale from owner Elizabeth Marks to developer Joe Pao, who wanted to build a large-scale residential subdivision in the valley.

About the Waiāhole Valley Agricultural Park and Residential Lots Subdivision

Under 55-year contracts that took effect in 1998, the ground leases for the Waiāhole Valley lessees provide for a re-opening of the contracts this year for changes that would take effect on June 30, 2023. In 1977, in order to “preserve the rural, agricultural nature of the valley,” the State stepped in to block developer Joe Pao from purchasing Waiāhole Valley for development of a high-density subdivision. HHFDC, as the State entity tasked with managing the valley and administering the ground leases, is not wavering from that 45-year-old commitment, which is stipulated the original lease contracts.

About the Hawaii Housing Finance and Development Corporation

The mission of the Hawaii Housing Finance and Development Corporation is to increase and preserve the supply of affordable housing statewide by providing financing and development resources. The agency is governed by a Board of Directors which establishes policies and executive direction, and is administratively attached to the State of Hawaii’s Department of Business, Economic Development and Tourism.



Waiāhole Valley lessees Kala’i Miller (left) and John Reppun flank Notary Malia Wood as they sign amended lease documents that allows them to continue to farm on agricultural lots at below-market rents through 2038. Behind them are HHFDC Chief Planner Chris Woodard and HHFDC Interim Executive Director Dean Minakami. (HHFDC photo)