HAWAIʻI HOUSING FINANCE AND DEVELOPMENT CORPORATION

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PROPOSED SUBSIDIZED RENT PROGRAM FOR LOW-INCOME WAIĀHOLE VALLEY RESIDENTIAL LOT LESSEES ANNOUNCED

HONOLULU – The Hawaiʻi Housing Finance and Development Corporation today announced details of a proposed subsidized rent program for low-income residential lot lessees of Waiāhole Valley who can show they are unable to pay higher rents established through recently concluded rent renegotiations with more than 30 lessees in Waiāhole Valley.

The proposed subsidized rent program, presented by agency staff to the HHFDC Board of Directors at its meeting today, is based on a formula similar to that used by the U.S. Department of Housing and Urban Development (HUD) in determining eligibility for affordable housing units that participate in the Low-Income Housing Tax Credit (LIHTC) program. LIHTC seeks to assist households earning no more than 60% of area median income (AMI).

Lease rent payable under the proposed program centers around the principle that a household is cost-burdened if it spends more than 30% of its gross income for housing. As an example of subsidized lease rent under the proposed program, a family making $50,000 annually would pay up to $1,250 a month for housing expenses. Lease rent would be $437.50 a month and the remaining $812.50 per month can be used by the family for other housing expenses such as utility bills, property taxes and home maintenance.

HHFDC staff is working on the details of the program, and administrative rules must be adopted. Chris Woodard, HHFDC planning chief, said that it will likely take until the end of the year to complete the rule-making process, which would include a required public hearing.

Renegotiated rent agreements must be reached between Waiāhole residential lot lessees and HHFDC before July 1, or the matter is to be settled through the binding arbitration process as specified in the leases and by state law. Residential lot lessees who indicate their intent to apply to the proposed subsidized rent program before July 1 will not have their rents subjected to arbitration until the proposed program is implemented by HHFDC.

Residential lessees who intend to apply for the subsidized rent program must signal their intent to do so by July 1 to be eligible and stave off arbitration while they await the rulemaking process to conclude.

As of today, rent renegotiations for the 15-year lease period from June 30, 2023 through June 29, 2038 have concluded with 30 of 91 HHFDC Waiāhole long-term ground lessees – 11 of 53 residential lots, 18 of 36 agricultural lots and one of two commercial lots.

The Waiāhole Valley leases require that annual rent be renegotiated for the 15-year period beginning June 30, 2023, and negotiations started in July 2022 as stipulated in the leases. HHFDC, the primary landowner in Waiāhole Valley, is seeking to increase rents to satisfy its responsibility to help to balance the state budget as required by the laws and Constitution of the State of Hawaiʻi.

Currently, HHFDC incurs an annual net operating loss of approximately $1.1 million to maintain the valley's potable water system, roads and other public infrastructure.

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.

For example, based on median lot sizes, the current rent for an approximately half-acre residential lot is $65 per month, while the rent for an approximately four-acre agricultural lot with active residential use is approximately $74 per month. HHFDC has not sought to fully cover its Waiāhole Valley operating costs through increased rents, and initial offers to lessees were made at below estimated market rates.

For lessees who recently negotiated rents for residential lots, new rents range from $330 to $769 a month depending on lot size.

For lessees who recently negotiated rents for agricultural lots, the new annual base for agricultural areas of their leased properties (and no residential structures) rose from $100 per acre to $200 per acre. Annual base rent for residential-dwelling areas of their leased properties went from $500 for all structures to $1,650 per dwelling. Additionally, agricultural lessees will pay a higher amount of the gross income derived from their premises for the preceding year, going from 0.9% of gross agricultural income to 1.0% of gross agricultural income. To assist HHFDC with compliance monitoring of agricultural lots, lessees are now required to submit quarterly summaries of notable farm activities.

As is the case with residential lessees, a key deadline is approaching those who lease agricultural lots. If the parties are unable to agree on a renegotiated rent by Aug. 1, the matter must be submitted for mediation. If mediation is unsuccessful, the matter must be settle through arbitration.

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About the Waiahole Valley Agricultural Park and Residential Lots Subdivision

In 1977, in order to 'preserve the rural, agriculural nature of the valley," the State stepped in to block developer Joe Pao from purchasing Waiahole 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 in the original lease contracts.

About the Hawai'i Housing Finance and Development Corporation

HHFDC's mission 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. Administratively, HHFDC is attached to the State of Hawai'i Department of Business, Economic Development and Tourism.

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