

JAN 25 2023

SENATE RESOLUTION

URGING THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION TO POSTPONE FOR FIVE YEARS LEASE INCREASES FOR WAIAHOLE VALLEY LESSEES TO ALLOW FOR THE DEVELOPMENT OF A COMPREHENSIVE LEASE PLAN FOR WAIAHOLE VALLEY ON THE ISLAND OF OAHU, AND REQUESTING THE CORPORATION TO ISSUE A REPORT RECOMMENDING WHETHER THE CORPORATION'S RESPONSIBILITIES FOR WAIAHOLE VALLEY SHOULD BE TRANSFERRED TO A DIFFERENT STATE AGENCY.

1 WHEREAS, in November 1977, the State of Hawaii acquired 795
2 acres of land in Waiahole Valley from Elizabeth Low McCandless
3 Marks; and

4
5 WHEREAS, in 1998, after a series of protests, discussions,
6 and compromises, the State, as lessor, entered into long-term
7 agricultural and residential leases for lands within the valley;
8 and

9
10 WHEREAS, the Hawaii Housing Finance and Development
11 Corporation, as an entity of the State, is the current lessor of
12 ninety-two long-term ground leases for residential,
13 agricultural, and commercial lots within the Waiahole
14 subdivision; and

15
16 WHEREAS, generally, the agricultural leases currently set
17 rent at \$100 per acre plus 0.9 percent of the gross agricultural
18 products, and rents of the residential leases are set at \$600
19 per lot plus additional amounts for larger lots; and

20
21 WHEREAS, the initial twenty-five year term of the leases
22 will end on June 29, 2023, and the lessees and Hawaii Housing
23 Finance and Development Corporation are currently in
24 negotiations to establish increased rents for the next term of
25 fifteen years; and

26
27 WHEREAS, the Hawaii Housing Finance and Development
28 Corporation's initial offer for the next term of the lease is
29 that lease rents will increase by approximately 6.6 times the
30 current rates; and

31



S.R. NO. 15

1 WHEREAS, a rental rate of 6.6 times the current rate is
2 estimated to be below current market rates, which are
3 approximately ten times the current lease rent rates; and
4

5 WHEREAS, the additional income from a 6.6 times lease rent
6 increase would only offset seventy-nine percent of the State's
7 cost in operating the valley; and
8

9 WHEREAS, a 6.6 times lease rent increase would mean that
10 many farmers leasing more than ten acres would be forced to pay
11 thousands of dollars in additional rent per year, which, for a
12 profession that is known for being low-income, may not be
13 affordable; and
14

15 WHEREAS, there is no law or policy that requires the Hawaii
16 Housing Finance and Development Corporation to increase rent;
17 and
18

19 WHEREAS, leasing land is not within the primary mission of
20 the Hawaii Housing Finance and Development Corporation, nor is
21 supporting agriculture; and
22

23 WHEREAS, the Hawaii Housing Finance and Development
24 Corporation does not provide agricultural support services to
25 the farmers of Waiahole Valley, despite the obvious need; and
26

27 WHEREAS, the Hawaii Housing Finance and Development
28 Corporation's annual expenses for management of Waiahole Valley
29 have exceeded revenues, with an estimated deficit of \$500,000 in
30 2016; and
31

32 WHEREAS, the deficit is funded from moneys in the Dwelling
33 Unit Revolving Fund, which was established to fund housing
34 development programs and regional state infrastructure programs,
35 not agriculture; and
36

37 WHEREAS, part of that operating expense is related to the
38 water supply system, which requires multiple pumps, is reliant
39 on powerlines that run though the forest to fill a faulty
40 reservoir, and requires expensive maintenance; and
41



S.R. NO. 15

1 WHEREAS, the State has recommended replacing the water
2 supply system with a system based upon the old and deteriorating
3 system, which would not help to reduce the State's operating
4 costs of the valley; and

5
6 WHEREAS, a gravity-fed system fed from the waters of the
7 higher elevation Waiahole ditch would require no electricity,
8 would reduce maintenance costs, and could potentially generate
9 electricity; and

10
11 WHEREAS, changing the management of the valley to a
12 community-based management system supported by state agencies
13 with expertise in agriculture and leasing could significantly
14 reduce the State's costs while improving farmer productivity,
15 and

16
17 WHEREAS, the lessees and the Hawaii Housing Finance and
18 Development Corporation are currently in the process of
19 developing a more comprehensive plan for Waiahole Valley, but
20 are not expected to complete that plan before the end of the
21 current lease term; now, therefore,

22
23 BE IT RESOLVED by the Senate of the Thirty-second
24 Legislature of the State of Hawaii, Regular Session of 2023,
25 that the Hawaii Housing Finance and Development Corporation is
26 urged to postpone any arbitration proceedings and lease rent
27 increases for five years to allow for the development of a
28 comprehensive plan for Waiahole Valley on the island of Oahu;
29 and

30
31 BE IT FURTHER RESOLVED that the Hawaii Housing Finance and
32 Development Corporation is requested to allow the lessees to
33 continue using their leased lands at current lease rates for the
34 duration of the five-year postponement period; and

35
36 BE IT FURTHER RESOLVED that the Hawaii Housing Finance and
37 Development Corporation is requested to submit a report to the
38 Legislature no later than twenty days prior to the Regular
39 Session of 2024:

- 40
41 (1) Recommending whether the Hawaii Housing Finance and
42 Development Corporation should retain its



