
Report to Congress

**Native Hawaiian Housing Block Grant Program
Section 184A Loan Guarantee Program for Native Hawaiians**

Fiscal Year 2020

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
Office of Native American Programs

REPORT to CONGRESS

on the

Native Hawaiian Housing Block Grant Program Section 184A Loan Guarantee Program for Native Hawaiians

Fiscal Year 2020

The following report is submitted to Congress pursuant to Section 823 of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) (25 U.S.C. 4101 *et seq.*).

This report addresses two housing programs administered by the U.S. Department of Housing and Urban Development (HUD) through the Office of Native American Programs (ONAP) for the benefit of Native Hawaiians.

- The **Native Hawaiian Housing Block Grant** (NHHBG) program was established by Title VIII of NAHASDA. The sole recipient for this program is the Department of Hawaiian Home Lands (DHHL) (<http://dhhl.hawaii.gov/>), which is the department of the government of the State of Hawaii responsible for the administration of the Hawaiian Homes Commission Act. HUD's regulations implementing NHHBG are found at 24 CFR part 1006. NHHBG funds are used to build and maintain housing for low-income families eligible to reside on Hawaiian home lands.
- The **Section 184A Loan Guarantee Program for Native Hawaiians**, also known as the **Section 184A** program, was established by Section 514 of the American Homeownership and Economic Opportunity Act of 2000 (Public Law 106-569, approved December 27, 2000), which amended the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13b). This program provides a 100-percent loan guarantee to lenders that make housing loans to Native Hawaiian borrowers who otherwise could likely face considerable constraints acquiring housing financing because of the unique legal status of the Hawaiian Home Lands or as a result of a lack of access to private financial markets.

In accordance with Section 823 of NAHASDA, this report contains:

- A description of the progress made in accomplishing the objectives of the NHHBG program;
- A summary of DHHL's use of NHHBG funds during fiscal year (FY) 2020; and

- A description of the aggregate outstanding loan guarantees under Section 184A of the Housing and Community Development Act of 1992.

Native Hawaiian Housing Block Grant Program

Funding Summary

In FY 2020, Congress appropriated \$2 million for the program. Since its inception in 2000, the program has been appropriated \$162.5 million.

Federal Appropriations for the Native Hawaiian Housing Block Grant Program (FY 2013 through FY 2020)

(Dollars in Thousands)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Grants	\$12,035	\$9,700	\$8,700	---	\$2,000	\$2,000	\$2,000	\$2,000
Training and Technical Assistance	\$190	\$200	\$200	---	---	---	---	---
Travel	\$95	\$100	\$100	---	---	---	---	---
Total	\$12,320	\$10,000	\$9,000	---	\$2,000	\$2,000	\$2,000	\$2,000

Progress

To address critical housing issues facing households residing on Hawaiian Home Lands, such as affordability, overcrowding, structural quality, and availability, DHHL has targeted a significant amount of NHHBG funds to support activities, such as:

- Site improvements and infrastructure for new construction of affordable housing;
- Financial assistance for homebuyers;
- Rehabilitation of existing affordable housing units;
- Homeownership counseling; and
- Rental housing assistance.

Most of DHHL’s affordable housing projects are planned and executed over multi-year timeframes. DHHL works with many Hawaiian organizations, civic groups, and service agencies in the public, private, and government sectors. Some of DHHL’s housing and community development partners are:

- Aloha United Way;
- Council for Native Hawaiian Advancement;
- Gentry Kapolei Development, LLC;
- Habitat for Humanity;
- Helen Wai, LLC;
- Nanakuli Housing Corporation; and
- U.S. Department of Agriculture (USDA), Rural Development.

Use of NHHBG Funds

The following table reflects DHHL’s expenditure of NHHBG funds during its program year, which runs from July 1, 2019 to June 30, 2020.

FY 2020 Expenditures of NHHBG Grants

	Program Year
Homeowner financing to construct 6 new homes	\$3,355,711
Tenant-Based rental assistance for 29 households	\$2,063,192
Funding for planning and administrative costs to implement the NHHBG program	\$500,082
Rental operating subsidy for 81 units	\$250,000
Rehabilitation of 2 affordable homes	\$196,160
Homebuyer education services for 23 households	\$10,101

Training and Technical Assistance

In FY 2020, staff from DHHL received training and technical assistance (T&T/A) provided by T/A providers with appropriate housing expertise, made possible through cooperative agreements with ONAP. The following initiatives began in FY 2018 and were completed in FY 2020.

- Develop a DHHL NAHASDA Loan Processing Manual and provide staff training; and
- Implemented new processes and tools to help DHHL increase efficiency of NHHBG project management.

The following initiatives started in FYs 2019 and 2020 and will conclude in FY 2021:

- Create a NHHBG compliance checklist for new home construction and home rehabilitation to be tracked in an automated system;
- Establish DHHL housing quality standards for inspection of NHHBG-assisted housing development and provide training to DHHL staff;
- Training on income eligibility, rent calculations, recordkeeping, and fair housing requirements; plus, technical assistance to create a rental housing assistance program policy.

DHHL staff also received T&T/A from HUD personnel regarding NHHBG program requirements in the following areas:

- NHHBG Essentials;
- Eligible Families and Income Eligibility;
- Useful Life Affordability Restrictions; and
- Environmental Review.

Summary of DHHL Progress

Over the past 19 years (from FY 2002 to FY 2020), DHHL has:

- Expended \$141.4 million in NHHBG program funds (88 percent of all NHHBG funds awarded);
- Built, acquired, or rehabilitated 738¹ affordable homes using NHHBG funds;
- Improved approximately 693 lots with infrastructure development to support construction of new homeownership housing units;
- Rehabilitated three community centers to provide housing services to affordable housing residents; and
- Provided 2,355 individuals and families with housing services, such as pre- and post-home purchase education, financial literacy training, self-help home repair training, and/or tenant-based rental assistance.
- In response to the COVID-19, DHHL utilized NHHBG funds to implement an Emergency Rental Assistance Program for Native Hawaiian families experiencing loss of employment or income related to the pandemic. As of September 30, 2020, 80 families have received emergency rental assistance.

Section 184A Loan Guarantee Program for Native Hawaiians

The Section 184A Loan Guarantee program provides an additional opportunity for Native Hawaiians to become homeowners by providing a 100-percent guarantee to lenders that make housing loans to Native Hawaiian borrowers eligible to reside on the Hawaiian Home Lands.

- In FY 2020, HUD guaranteed **55** loans worth **\$15.2 million**; and
- Since FY 2005 (when program activity began), HUD has guaranteed a total of **754** loans worth over **\$190 million**.
- In FY 2020, HUD paid a total of \$709,743 for three claims. HUD anticipates a full reimbursement of this amount in accordance with the HUD and DHHL agreement in place where DHHL is to reimburse HUD for its 184A claim payments.
- At the end of FY 2020, the program's overall default rate was approximately three percent, prior to reimbursement.
- The Section 184A program is currently operating at a negative subsidy rate and currently does not require additional appropriations to operate.
- As of September 30, 2020, forty-one loans were at least 30 days late, of which thirty-two loans were in in forbearance due to the impact of the COVID-19 National Emergency.

¹ In FY 2020, DHHL informed HUD of a correction to the previously reported total number of unit developed provided in prior year performance reports. The reported correction resulted in 13 additional units built and rehabilitated. Thirteen additional units plus the 19 units built and rehabilitated in FY 2020 added to the total of 706 homes reported to Congress in FY 2019 results in 738 affordable homes built, acquired, or rehabilitated using NHHBG funds. \$5 million of Developer Financing was expended in FY 2017, resulting in 25 homeownership units built so far through FY 2020.

Additional Background on Hawaiian Housing Programs

Pursuant to NAHASDA, the term “Native Hawaiian” means any individual who is a citizen of the United States and is a descendant of the aboriginal people, who, prior to 1778, occupied and exercised sovereignty in the area that currently constitutes the State of Hawaii, as evidenced by genealogical records; verification by *kupuna* (elders) or *kama’aina* (long-term community residents); or birth records of the State of Hawaii.

DHHL maintains approximately 46,000 applications on its waiting list, of which 23,000 are applications for residential homestead leases on the Home Lands; the rest are for agricultural and pastoral purposes. A Beneficiary Needs Survey conducted in 2014, and a 2019 Hawaii Housing Finance & Development Corporation *Hawaii Housing Planning Study* indicated there were approximately 53,000 Native Hawaiians in Hawaii residing and eligible to reside on the Hawaiian Home Lands. Of which, more than 27,000 are low-income Native Hawaiian households eligible for assistance under the NHHBG program.

The Hawaiian Home Lands are scattered throughout various geographic areas of the islands, typically in rural areas. The term “Hawaiian Home Lands” means lands that have the status as Hawaiian Home Lands under section 204 of the Hawaiian Homes Commission Act, 1920 (42 Stat. 110) or are acquired pursuant to that Act. The Home Lands are composed of about 200,000 acres, or about 4.9 percent of the land surface of the State.

Some of the Home Lands are inaccessible, and unsuitable for productive development. Hawaiian Home Land areas, such as Kawaihae on the island of Hawaii, Kula on the island of Maui, and Kalamaula on the island of Molokai, are in areas that are remote, and located on steep, rocky terrain. The State of Hawaii’s isolated location in the Pacific Ocean results in higher construction costs compared to the continental United States because materials must be shipped to the Hawaiian Islands by boat. Significant distances from existing water and sewer facilities add to the normal costs of construction. A typical Hawaiian Home Lands infrastructure development project includes grubbing of the land, grading of the house lots, and installing drainage, roadways, water, sewer, and electric utilities.

According to 2019 American Community Survey 1-Year Estimates Data Profiles, the median value of an owner-occupied home in Hawaii was \$670,600, compared to \$264,200 nationwide, which is almost three times the nationwide average. According to the Department of Hawaiian Home Lands, the average price for a developer-built turnkey home on Hawaiian Home Lands is \$350,000; nearly half the value of a median-priced home in Hawaii (due to no value being given to the land because it is held in the Hawaiian Home Lands trust), but approximately 32 percent higher than the nationwide average.

Recently Completed Projects



Figure 1: DHHL staff and a local Native Hawaiian family celebrate the dedication of their new home in the Waimānalo community.

In the spring of 2020, a new 4-bedroom, 2-bath, 1,200 square foot home in the Waimānalo community was constructed through a partnership between DHHL and Honolulu Habitat for Humanity along with the support of 250 volunteers and the sweat equity from the Native Hawaiian beneficiaries. The total cost of the project was \$267,000 which is being financed through a NHHBG-funded mortgage at zero percent interest.



Figure 2: A Native Hawaiian family poses for a photo while celebrating the completion of their new home in Oahu.

DHHL, in partnership with Gentry Kapolei Development, LLC, completed 37 Turnkey lots in the Kauluokahai housing project on the island of Oahu. Native Hawaiian beneficiaries had the option to choose from five house plans, including a two, three, four, and five-bedroom model. NHHBG funds were used to pay a portion of the infrastructure development costs and to help lower the construction cost of the housing units. The Turnkey product provides families a developer pre-built home, an option greatly desired by Native Hawaiian beneficiaries.