



Report to Congress

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

Fiscal Year 2021

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

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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** (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 due to 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) 2021; 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 2021, Congress appropriated \$2 million for the program. Additionally, Congress provided an additional \$5 million under the American Rescue Plan Act of 2021 (ARP). Since its inception in 2000, the program has been appropriated \$169.5 million.

Federal Appropriations for the Native Hawaiian Housing Block Grant Program (FY 2014 through FY 2021)

(Dollars in Thousands)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Grants	\$9,700	\$8,700	---	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Training and Technical Assistance	\$200	\$200	---	---	---	---	---	---
Travel	\$100	\$100	---	---	---	---	---	---
American Rescue Plan	---	--	--	--	---	---	---	\$5,000
Total	\$10,000	\$9,000	---	\$2,000	\$2,000	\$2,000	\$2,000	\$7,000

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;
- Housing 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;
- Pacific Housing Oahu 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, 2020, to June 30, 2021.

FY 2021 Expenditures of NHHBG Grants

	Program Year
Homeowner financing to construct 5 new homes	\$259,532
Tenant-Based rental assistance for 177 households	\$570,985
Funding for planning and administrative costs to implement the NHHBG program	\$363,970
Rental operating subsidy for 75 units	\$312,500
Rehabilitation of 5 affordable homes	\$971,485
Housing Counseling services for 380 households	\$607,108
Engineering services for lot development and water infrastructure improvements	\$83,381
TOTAL	\$3,168,961

Training and Technical Assistance

In FYs 2019 and 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 were started in FYs 2019 and 2020 and completed 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:

- Annual Performance Reports;
- Income Targeting;
- Environmental Review; and
- HUD's Environmental Review Online System.

Summary of DHHL Progress

Over the past 20 years (from FY 2002 to FY 2021), DHHL has:

- Expended \$149.2 million in NHHBG program funds (90 percent of all NHHBG funds awarded).
- Built, acquired, or rehabilitated 748 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 2,912 families with housing services, such as pre- and post-home purchase education, financial literacy training, self-help home repair training, and tenant-based rental assistance.

COVID-19 Response and American Rescue Plan (ARP) Funding Progress

- In response to COVID-19, DHHL utilized its regular NHHBG funds to implement a rental assistance program called the DHHL Rent Relief Program. This program assists Native Hawaiian beneficiaries of the Hawaiian Home Lands Trust who are experiencing loss of employment or income related to the pandemic. As of June 30, 2021, 171 families have received emergency rental assistance under this program.
- Under the Consolidated Appropriations Act of 2021, DHHL received \$2.4 million from the U.S. Department of the Treasury (Treasury) to provide Native Hawaiian households rent and utility assistance due to the COVID-19 pandemic under the Treasury's Emergency Rental Assistance Program (ERA). As of June 30, 2021, DHHL has assisted approximately 250 families under this program. DHHL informed HUD that Treasury recognized DHHL as a High Performer for expending its ERA grant. DHHL is also working with the State of Hawaii to help spend down the State's allocation of ERA funds from Treasury. In September 2021, DHHL received a \$5 million ERA subgrant from the State of Hawaii.
- In FY 2021, DHHL received \$5 million in NHHBG-ARP funding and is using it to provide emergency rent and utility assistance to stabilize housing for Native Hawaiian families on and off the Hawaiian home lands. An update on the number of families assisted with NHHBG-ARP funds will be provided in this report for FY 2022.

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 2021, HUD guaranteed 55 loans worth \$16.1 million.
- Since FY 2005 (when program activity began), HUD has guaranteed a total of 809 loans worth over \$206 million.
- In FY 2021, HUD paid one claim in the amount of \$56,853. 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 2021, the program's overall default rate was 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, 2021, eighteen loans were at least 30 days late, of which fifteen loans were either in forbearance or being considered for other loss mitigation options due to the impact of the COVID-19 National Emergency.

Additional Background on Hawaiian Housing Programs

Pursuant to the 184A program statute and consistent with 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.

The 2015-2019 American Community Survey, which was conducted by the U.S. Census Bureau, estimated 369,956 "Native Hawaiians and other Pacific Islanders" living in Hawaii – about 26 percent of Hawaii's total population of about 1.4 million.

DHHL maintains approximately 46,000 applications on its waiting list as of June 30, 2021, of which 23,600 are applications for residential homestead leases on the Home Lands; the rest are for agricultural and pastoral purposes. According to the 2020 DHHL Beneficiaries Study Applicant Report and the 2019 SMS Hawaii Housing Policy Study, there were nearly 54,000 Native Hawaiians in Hawaii residing and eligible to reside on the Hawaiian Home Lands. Of which, more than 29,000 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 2020 American Community Survey 1-Year Experimental Data, the median value of an owner-occupied home in Hawaii was \$648,000, compared to \$253,600 nationwide, which is almost three times the nationwide average. According to DHHL, 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 38 percent higher than the nationwide average.

Recent Accomplishments



Figure 1: DHHL in partnership with Honolulu Habitat for Humanity broke ground on its fifth project in DHHL's Kakaina community in Waimanalo, Oahu

A ground blessing was held for first-time homeowners, the Gramberg family on May 5, 2021. Honolulu Habitat for Humanity Executive Director, Jim Murphy: "Our collaboration with the Department of Hawaiian Home Lands (DHHL) is vital to addressing the need for affordable homeownership in the Native Hawaiian communities." DHHL Deputy Director, Tyler Iokepa Gomes: "Partnerships with organizations like Honolulu Habitat for Humanity are invaluable tools for our beneficiaries in building homes that fit their needs."

This husband-and-wife family has always lived with other family members because they could not afford a place of their own to call home. The Grambergs have been working with Honolulu Habitat for the past two years to prepare for this joyous occasion. Their journey to homeownership is made possible with a zero-percent interest rate mortgage loan funded by the NHHBG program. The mortgage loan will be affordable and well below the area market rent.



Figure 2: DHHL begins construction on Rent-With-Option-To-Purchase units on Hawaii island.

DHHL broke ground on the vertical construction of 60 homes within the Villages of Lai Opua on Hawaii Island for a Rent-With-Option-To-Purchase project.

The first 60 homes, a portion of the greater 118-units in this phase of the project, were offered to Native Hawaiian families for lot selection in April 2021. An additional 103 Rent-With-Option-To-Purchase units are scheduled to be built later.

Financing for the project will use, in part, Federal and State low-income housing tax credit equity secured by Hunt Capital Partners, in collaboration with Ikaika Ohana and Urban Housing Communities. NHHBG funds were used to pay a portion of the infrastructure development costs for this housing project.

Rental tenants will have the first option to purchase their units after the Federal and State tax credit 15-year rental compliance period ends. DHHL's Rent-With-Option-To-Purchase project targets qualifying families who earn up to 30 percent, 40 percent, and 60 percent of the area median income (AMI).

The examples above represent two housing projects made possible with assistance provided by the Native Hawaiian Housing Block Grant.