

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

NATIVE HAWAIIAN HOUSING BLOCK GRANTS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2014 Appropriation	\$10,000	\$855	...	\$10,855	\$10,855	\$29,600
2015 Appropriation/Request	9,000	89	...	9,089	9,089	13,000
2016 Request	---	---	---	---	---	<u>12,000</u>
Program Improvements/Offsets	-9,000	-89	...	-9,089	-9,089	-1,000

1. What is this request?

The Department does not request an appropriation in fiscal year 2016 for the Native Hawaiian Housing Block Grant (NHHBG), which is \$9 million less than the fiscal year 2015 enacted level. The Department of Hawaiian Home Lands (DHHL) is projected to have sufficient carryover balances to administer this program and support the construction, acquisition, or rehabilitation of 65 affordable housing units and their related infrastructure during fiscal year 2016. DHHL has \$36 million in unspent funds from prior-year grants as of January 21, 2015, and will be awarded an additional \$9 million provided by the 2015 Appropriations Act.

Key outcomes of the NHHBG program are:

- An increase in the quantity and quality of affordable homes on the Hawaiian home lands;
- The development and improvement of housing infrastructure on the Hawaiian home lands; and
- Ensuring residents of affordable housing on the Hawaiian home lands are financially literate and responsible homeowners.

2. What is this program?

The Hawaiian Homelands Homeownership Act of 2000, originally part of the Omnibus Indian Advancement Act, became part of the American Homeownership and Economic Opportunity Act of 2000, and was signed into law on December 27, 2000. Title V, Subtitle B, section 513, amended the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) by

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creating a new title VIII (25 U.S.C. 4221 et seq.), Housing Assistance for Native Hawaiians, which authorized the Native Hawaiian Housing Block Grant (NHHBG) program. Regulations are at 24 CFR part 1006.

Section 802 of NAHASDA states that the NHHBG program's sole grant recipient, the (State) Department of Hawaiian Home Lands (DHHL), shall carry out affordable housing activities for low-income Native Hawaiian families who are eligible to reside on the Hawaiian home lands.

As a condition for receiving an annual grant, DHHL is required to provide HUD with a housing plan describing its goals and objectives and the activities for which NHHBG funds will be used. DHHL must also provide to HUD an annual performance report describing its progress and accomplishments in achieving the goals and objectives in the housing plan.

The Hawaiian home lands are located in various geographic areas of the islands, typically in rural areas, and some with terrain that is difficult and costly to develop. 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 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.

Program funds help relieve overcrowding and homelessness by making awards to the grantee, DHHL, which in turn develops and acquires new units and rehabilitates older units to make them safe and sanitary. Eligible activities also include infrastructure development and various housing support services such as housing counseling. Program funds have also been used to help communities reduce utility costs for low-income families by promoting energy efficiency.

The grantee develops raw, vacant Hawaiian home lands, which are set aside for homesteading purposes, into master-planned communities. As a rule, these communities are not located in prime resort locations, and in fact, are often in less desirable areas, with steep terrain that is difficult to access and develop. The difficulties involved in developing this raw land add to the already high cost of providing housing. A significant amount of program funds are used to support site improvements and infrastructure for new construction of affordable housing. Project development is a lengthy process, and usually includes environmental reviews, procurement of construction contracts, compliance with local building permitting requirements, mass grading of raw land, installation of streets, drainage, water, sewer and utilities, and home construction. As of September 30, 2014, DHHL had seven NHHBG-funded housing projects in various stages of development.

DHHL coordinates with the families who are "next on the waitlist" to receive a homesteading opportunity. Each family's financial situation is carefully considered to provide the most appropriate housing solution. According to DHHL, there are 8,832 Native Hawaiian families living on Hawaiian home lands; 26,546 applicant families on the waiting list to reside on the home lands; and an estimated 32,460 potential Native Hawaiian applicant families. More than 34,100 households are considered low-income and eligible for NHHBG assistance.

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DHHL provides NHHBG sub-recipient grants to local entities (approximately 11) that are considered indirect partners with HUD in providing assistance to Native Hawaiian families. These sub-recipients have included the Habitat for Humanity; the Council for Native Hawaiian Advancement; Hawaiian Community Assets; Alu Like; the Hawaii Community Development Board; County of Hawaii; City and County of Honolulu; Molokai Community Service Council; Nanakuli Housing Corporation; Hawaii First Federal Credit Union; and the Papakolea Community Development Corporation.

To prevent foreclosures and promote responsible homeownership, direct assistance is provided to qualified homeowners through counseling programs, down payment assistance, subsidies, low-interest rate loans, and matching funds for individual development accounts.

DHHL routinely leverages NHHBG funding to maximize its impact on the Native Hawaiian community.

The recipient has developed and supported affordable housing, and has provided housing services through the following eligible activities (section 810 of NAHASDA):

- Development. The acquisition, new construction, reconstruction, or moderate or substantial rehabilitation of affordable housing, which may include real property acquisition, site improvement, development of utilities and utility services, conversion, demolition, financing, administration and planning, and other related activities.
 - Between fiscal years 2010 through 2014, the bulk of the NHHBG funds, 89.4 percent, was spent on activities included in this category.
 - During this 5-year period, 266 affordable homes were built, acquired, or substantially rehabilitated. While these units provide welcome relief to 266 families, there are more than 26,000 families on the DHHL waiting list for housing assistance, and there are potentially more than 34,100 Native Hawaiian families who need housing assistance.
- Housing Services and Model Activities. Funds used to provide housing counseling for rental or homeownership assistance, establishment and support of resident management organizations, energy auditing, supportive and self-sufficiency services, and other related services assisting owners, residents, contractors, and other entities participating or seeking to participate in eligible housing activities.
 - Between fiscal years 2010 through 2014, 6.5 percent of expenditures were for housing services and model activities. The housing services were delivered to more than 900 families, and included pre- and post-homebuyer education, financial literacy training, case management, and self-help home repair training. The model activity was the renovation of an existing community center in Anahola, Kauai.
- Planning and administration. In fiscal years 2010 through 2014, DHHL used about 4.1 percent of its NHHBGs for planning and administration activities, or an average of about \$298,000 annually. (24 CFR 1006.230 defines eligible administrative

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and planning expenses under NAHASDA.) Eligible administrative and planning expenses include, but are not limited to, administrative management, evaluation and monitoring, preparation of the Native Hawaiian Housing Plan and Annual Performance Report, staff and overhead costs directly related to carrying out affordable housing activities. HUD authorizes DHHL to use up to 20 percent of its grant for planning and administrative purposes.

Presidential Initiatives and Interagency Partnerships: In June 2013, HUD staff participated in a meeting coordinated by the Federal Reserve Bank of San Francisco on strengthening Hawaii's housing market. Besides HUD staff, participants included HUD-approved housing counseling agencies, the Hawaiian State Department of Commerce and Consumer Affairs, representatives of local financial institutions, the State Housing Finance Agency, USDA, Honolulu Board of Realtors, rental housing management agencies, and Wells Fargo Home Mortgage's regional office in California. The purpose of the meeting was to discuss foreclosure activity in Hawaii; the status of the National Foreclosure Settlement and how it is being implemented in Hawaii; trends observed by housing counselors; and effects on the rental housing market. The meeting also provided an opportunity for Wells Fargo, as one of the big five mortgage companies included in the National Foreclosure Settlement, to share information on its mortgage loan servicing process, and loss mitigation options available to Wells Fargo customers.

On October 14, 2009, President Obama signed the Executive Order re-establishing the White House Initiative on Asian Americans and Pacific Islanders. The Initiative is co-chaired by U.S. Departments of Education and Commerce. The Initiative is designed to improve the quality of life and opportunities for Asian Americans and Pacific Islanders by facilitating increased access to and participation in federal programs where they remain underserved. This historic Executive Order provides increased access to the federal government for Asian American and Pacific Islander communities, and affirms President Obama's commitment to these communities. The Initiative requires the White House Office of Public Engagement and the designated agencies to work collaboratively to increase Asian American and Pacific Islander participation in programs in education, commerce, business, health, human services, housing, environment, arts, agriculture, labor and employment, transportation, justice, veterans affairs, and economic and community development.

3. Why is this program necessary and what will we get for the funds?

Housing Needs of Native Hawaiians: In 1996, HUD issued a report indicating that Native Hawaiians had the highest percentage of housing problems (49 percent) of any group in the United States. Also, Native Hawaiians experienced the worst housing conditions of any group in the State of Hawaii and constituted approximately 30 percent of Hawaii's homeless population. Although that report was 18 years old in 2014, it is still relevant because it is the only existing study of its type, and it detailed the significant housing needs of Native Hawaiians in Hawaii. In fiscal year 2015, HUD will conclude a subsequent, comprehensive study of housing needs in Indian Country, including native communities in Alaska and Hawaii, which was mandated by Congress in 2010. HUD's Office of Policy Development and Research is managing the study and working with the Urban Institute, as was done for the similar study in 1996. The study is expected to issue a final report in August 2015.

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The Housing Policy Study, conducted by the Department of Hawaiian Home Lands in 2006, and a Beneficiary Needs Survey conducted in 2008, estimated that there were more than 34,100 low-income Native Hawaiian households that were eligible for assistance under the NHHBG program.

According to the U.S. Census, 2008-2012 American Community Survey (ACS), approximately 346,900 Native Hawaiians live in Hawaii, accounting for about 25 percent of Hawaii's total population. The 2006-2010 ACS reported that approximately 25 percent of Native Hawaiian (and other Pacific Islander) households in the State of Hawaii were overcrowded, compared to 9 percent of all households in Hawaii. Also, 15 percent of Native Hawaiians in Hawaii lived in poverty, compared to 6.7 percent of all people in Hawaii. The 2011-2013 American Community Survey reported the median value of a home in Hawaii was \$495,400 compared to \$173,200 nationwide.

Historical Outlays. As of September 29, 2014, all NHHBGs awarded through 2008 had been 100 percent expended by DHHL. The fiscal year 2009 grant was 39 percent expended; the 2010 grant was 0.35 percent expended. Grants from fiscal years 2011 and 2012 were disbursed, and grants from 2013 and 2014 remained undisbursed. Appropriations language specifies that these funds will remain available until expended.

For the past several years, DHHL has experienced a slow-down in its expenditure rate due to a combination of factors: the sudden bankruptcy of a contracted housing developer stalled the start and halted unfinished construction on several islands; a lack of homeownership "readiness" for many of its waiting-list families; a state-imposed furlough and hiring freeze that affected DHHL personnel; and multiple turnovers of top executives and Hawaiian Homes Commissioners.

However, these problems are being addressed. DHHL has several, newly hired personnel dedicated to the program. HUD has advised DHHL of the urgency of expending funds appropriately and expeditiously, and continues to make training and technical assistance available to DHHL. Additionally, DHHL is refocusing its efforts to use NHHBG to deliver a wider array of affordable housing options to eligible Native Hawaiian families, including exploring rental and multifamily development, and an NHHBG-funded mortgage loan product.

All of the NHHBG carryover is expected to be used for providing affordable housing opportunities to Native Hawaiian families. All of the technical assistance set-aside carryover is expected to be used for training and technical assistance activities.

4. How do we know this program works?

Since the program's inception (through fiscal year 2014), 570 low-income Native Hawaiian families have received a new home, or have had their existing home substantially rehabilitated. New construction usually has included the development and installation of basic housing infrastructure. More than 1,500 low-income Native Hawaiian families have benefitted from training funded by NHHBG, such as homebuyer education, financial literacy training, and self-help home repair. In addition, three community centers have been rehabilitated to provide housing services to residents of affordable housing.

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The number of affordable housing units built, acquired, and rehabilitated each year are verifiable outputs that reflect the major use of funds, and are good indicators of the overall performance and strength of the program. However, these development activities tend to be long-term, requiring several years to complete.

Fiscal year 2002 was the first funding year for the program. Funding levels have averaged a little more than \$10 million each year for 12 years. An additional \$10.2 million was awarded under the Recovery Act, bringing the total amount appropriated to approximately \$142.2 million.

The program's goal for several years has been, and will be in fiscal year 2016, to assist at least 65 families annually by building, acquiring, or substantially rehabilitating their homes. This target is based on average accomplishments over the last several years.

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Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority/ Request</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Grants	\$9,700	...	\$9,700	\$9,700	\$8,700	...	\$8,700	...
Technical Assistance ..	300	\$855	1,155	1,066	300	\$89	389	...
Transformation Initiative (transfer)
Total	10,000	855	10,855	10,766	9,000	89	9,089	...