

**PUBLIC AND INDIAN HOUSING  
NATIVE HAWAIIAN HOUSING BLOCK GRANTS  
2015 Summary Statement and Initiatives  
(Dollars in Thousands)**

NATIVE HAWAIIAN HOUSING BLOCK GRANTS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2013 Appropriation .....	\$13,000	\$921	-\$680	\$13,241	\$12,386	\$4,000
2014 Appropriation/Request .....	10,000	855	...	10,855	10,855	8,000
2015 Request .....	<u>13,000</u> <sup>a</sup>	<u>...</u>	<u>...</u>	<u>13,000</u>	<u>13,000</u>	<u>14,000</u>
Program Improvements/Offsets .....	+3,000	-855	...	+2,145	+2,145	+6,000

a/ This number includes an estimated Transformation Initiative (TI) transfer that may be up to 0.5 percent or \$15 million, whichever is less, of Budget Authority.

**1. What is this request?**

The Department requests \$13 million for fiscal year 2015 for the Native Hawaiian Housing Block Grant (NHHBG), which is \$3 million above the fiscal year 2014 enacted level. The requested amount will support the construction, acquisition, or rehabilitation of 65 affordable housing units and their related infrastructure

Effective administration of the Native Hawaiian Housing Block Grant Program is dependent on the operating resources requested in the Salaries and Expenses justification. For fiscal year 2015, \$165,000 is requested to operate this program account, which is the same amount as fiscal year 2014. The following is a breakout of Salaries and Expenses for the program:

- Personnel Services – \$0.16 million.
- Non-Personnel Services – \$0.01 million
- FTE – 1

PIH has 12 functional areas to which employees devote their time. The primary functions to which PIH employees report in support of the Native Hawaiian Housing Block Grant program include but are not limited to Indian Housing Operations & Monitoring; Resource Formulation, Allocation and Financial Management; Native American and Native Hawaiian Homeownership.

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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
- 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 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.

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 grantees that develop and acquire new units and rehabilitate older units to make them safe and sanitary. Eligible activities also include infrastructure development and various housing support services such as housing counseling. 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, 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.

As of August 2013, DHHL had six NHHBG-funded housing projects in various stages of development. Program funding enables DHHL to continue developing these master-planned communities, which includes installing infrastructure and constructing homes.

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This is a lengthy process, and 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. All these activities must be properly aligned with DHHL's limited funding resources to create homeownership opportunities for the eligible native Hawaiian families.

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 the Department of Hawaiian Home Lands, 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.

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.

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.

### **Eligible Activities**

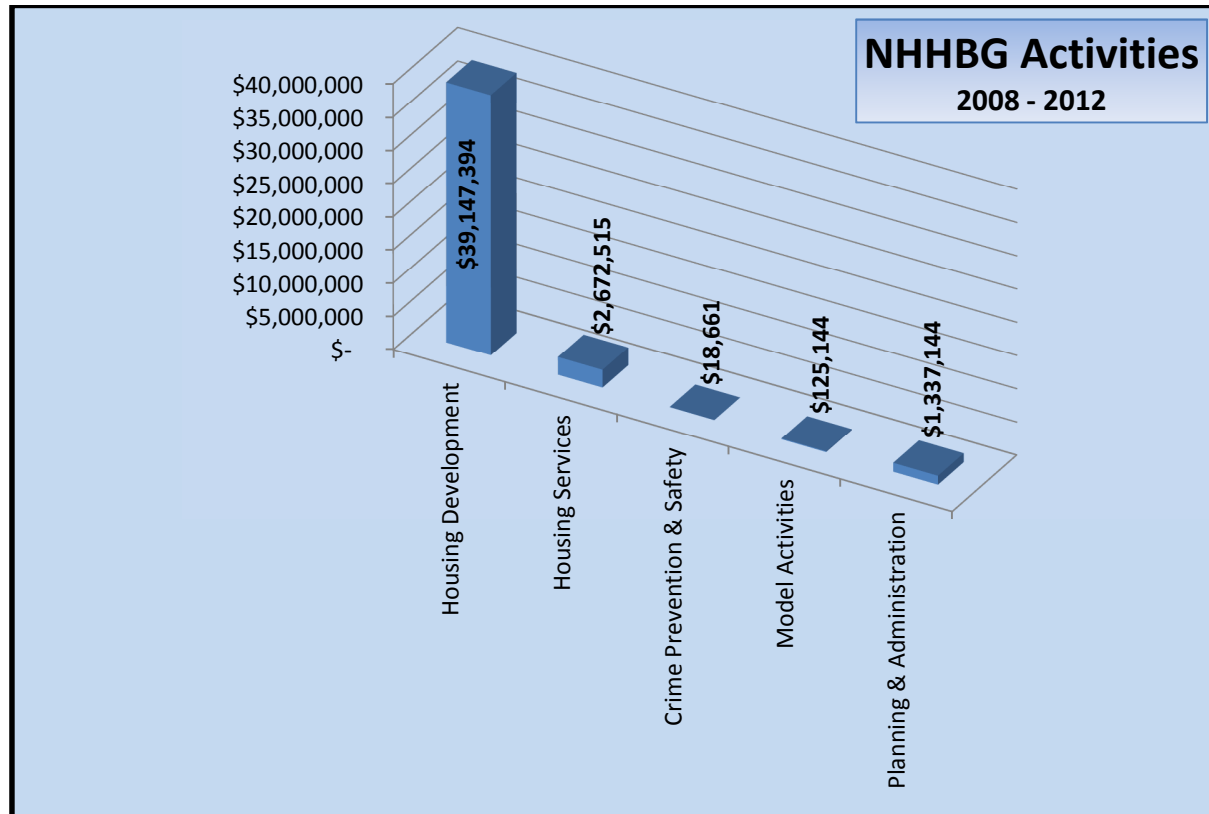
The program allows the grant recipient to develop and support affordable housing and provide housing services through the following five eligible activities (section 810 of NAHASDA):

1. 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 2008 through 2012, the recipient expended approximately \$39 million on activities in this category, or an average of nearly \$7.8 million each year.

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- Over a 5-year period, development averaged 90 percent of total expenditures.
  - During this time, approximately 341 affordable homes were either built, acquired, or substantially rehabilitated. While these units provide welcome relief to 341 families, there are more than 26,000 families on the DHHL waiting list for housing assistance. The state of Hawaii estimates there are potentially more than 34,100 native Hawaiian families who need housing assistance.
2. Housing Services. 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 2008 through 2012, the recipient expended approximately \$2.7 million on activities in this category, or an average of \$534,503 each year, about 6 percent of total expenditures.
  - Services provided included pre- and post-homebuyer education and counseling; financial literacy training; one-on-one case management with families; determining income eligibility for assistance; loan packaging services; and self-help home repair training.
  - Approximately 1,028 low-income families benefitted from activities in this category, during the 5-year period.

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3. Housing Management Services. The provision of management services for affordable housing, including preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and management of affordable housing projects. The grantee has not expended program funds on this activity.

4. Crime Prevention and Safety. Funding provided for safety, security, and law enforcement measures with activities appropriate to protect residents of affordable housing from crime. From fiscal years 2008 through 2012, \$18,661 was spent on this activity.

5. Model Activities. The Department may approve housing activities under model programs that are designed to carry out the purposes of the Act and are specifically approved by the Secretary as appropriate for such purpose. Between fiscal years 2008 through 2012, the recipient expended \$125,144 on activities in this category, or an average of \$25,029 each year.

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In addition, the recipient may expend funds for planning and administration. Approximately \$1.3 million was expended between fiscal years 2008 through 2012, or an average of \$267,429 per year. Planning and administrative expenses averaged about 3 percent of total expenditures each year. (24 CFR 1006.230 defines eligible administrative 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 their 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, and 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 (Initiative). The Initiative, co-chaired by U.S. Departments of Education and Commerce, is housed within the U.S. Department of Education. 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.

The Initiative seeks to highlight both the tremendous unmet needs in the Asian American and Pacific Islander communities as well as the dynamic community assets that can be leveraged to meet many of those needs. The Initiative focuses on cross-cutting priority areas that may reach across all issue areas and agencies, including, for example, advancing research, data collection, analysis and dissemination for Asian Americans, native Hawaiians and Pacific Islanders, and ensuring access, especially linguistic access and

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cultural competence, for Asian Americans and Pacific Islanders and encouraging Asian American and Pacific Islander involvement in public service and civic engagement opportunities.

### **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 have the highest percentage of housing problems (49 percent) of any group in the United States. Also, native Hawaiians experience the worst housing conditions of any group in the State of Hawaii and constitute approximately 30 percent of Hawaii's homeless population. Although HUD's report on native Hawaiian housing conditions is 16 years old, 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 continue the ongoing comprehensive study of housing needs in Indian Country, including native communities in Alaska and Hawaii, which was mandated by Congress and begun in 2011. The assessment is conducted by the Urban Institute, and is managed by HUD's Office of Policy Development and Research. The comprehensive housing needs study will update Census data to include information from the 2000 and 2010 Decennial Censuses and the American Community Survey.

Sixty-eight percent of low-income native Hawaiian households experience some kind of housing problem such as affordability, overcrowding, structural quality, availability, or some combination of these problems. For very low-income native Hawaiian households (not exceeding 50 percent of area median income), the needs are more severe, with 75 percent of households in this category facing some kind of housing problem.

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 are more than 34,100 low-income native Hawaiian households that are eligible for assistance under the NHHBG program.

#### According to the U.S. Census 2010 American Community Survey

- Approximately 347,511 native Hawaiians live in Hawaii, which is about 25 percent of Hawaii's total population.
- 27.2 percent of native Hawaiian (and other Pacific Islander) households in the State of Hawaii are overcrowded, compared to 8.5 percent of all households in Hawaii.
- 18 percent of native Hawaiians in Hawaii lived in poverty, compared to 10.7 percent of all people in Hawaii.

In Hawaii, the overall cost-of-living is almost 50 percent higher than the United States average, and housing is almost 150 percent higher. The U.S. Census 2011 American Community Survey estimated the median value of a home in Hawaii was \$487,400 compared to \$173,600 nationwide.

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### Assessment of Housing Needs of Native Hawaiians – A Departmental Transformation Initiative

In fiscal year 2015, HUD will continue studying the housing needs in Indian Country, including native communities in Alaska and Hawaii. The project is expected to be completed in 2015, and was initially budgeted at \$4 million, but was increased to \$5.441 million in order to add a household survey in Hawaii and additional consultations. The study will not only include research of native Hawaiians in Hawaii, but also of American Indians and Alaska Natives throughout the United States. The results of the study will allow HUD to broaden its efforts, in collaboration with its federal partners, to address other barriers to building economically sustainable communities in Indian Country and on the Hawaiian home lands. This comprehensive assessment will look at housing and other factors important to long-term economic stability, including access to quality health care, schools, transportation, and employment. The final report of the study is scheduled to be published in spring 2015.

The comprehensive housing needs study will update Census data to include information from the 2000 and 2010 Decennial Censuses and the American Community Survey. It will consist of several components, including interviews with state government leaders, staff at the Department of Hawaiian Home Lands, and other community leaders and stakeholders. The comprehensive study will also undertake an examination of the program's impact since its implementation.

Historical Outlays. As of June 30, 2013, all NHHBGs obligated through 2007 had been 100 percent disbursed by DHHL; the fiscal year 2008 grant was 68 percent disbursed; the 2009 grant was 4 percent disbursed. Grants from fiscal years 2010, 2011, and 2012 remained undisbursed. The \$10.2 million granted to DHHL by the American Recovery and Reinvestment Act of 2009 (the Recovery Act) was 100 percent expended by April 2012, ahead of its expenditure deadline.

The amount of NHHBG carryover funds in no way indicates a lack of need for housing. Instead, this steady flow of available NHHBG funds provides assurance to DHHL that it can continue to carry out its long-term strategic plans for concurrent development of master-planned residential communities to meet the housing needs of native Hawaiian families on the various islands within the state.

All of the NHHBG carryover is expected to be used for providing affordable housing opportunities to native Hawaiian families. NHHBG activities must benefit low-income native Hawaiian families eligible to reside on Hawaiian home lands. DHHL uses NHHBG in combination with DHHL Trust funds (which benefit all native Hawaiian families, regardless of income level) to provide homestead housing opportunities for native Hawaiian families on Hawaiian home lands. To address the native Hawaiian preference for single-family homeownership housing, DHHL is carrying out its strategic plans on the various Hawaiian islands by developing raw vacant land into master-planned communities to increase the availability of housing and to meet the housing needs of native Hawaiian families across all income levels. These master-planned developments offer native Hawaiian families the option of either purchasing a newly built turnkey home, a vacant improved lot to build their own home, or the opportunity to partner with a non-profit organization to use the self-help method to build their home. DHHL uses approximately 90 percent of NHHBG funds for development activities such as infrastructure development, house construction, down payment assistance, purchase subsidies and financing, and technical assistance to help families build a home.



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All of the technical assistance set-aside carryover is expected to be used for training and technical assistance activities. Some technical assistance funds were not obligated in fiscal year 2012, as the technical nature and complexity of the Office Native American Programs (ONAP) procurement actions requires thorough reviews of contracts prior to an award.

The NHHBG grantee has invested significantly in infrastructure over the last few years, making steady progress toward its long-term goals. A disruption in the NHHBG funding stream would be a serious detriment to the Department of Hawaiian Home Lands' ability to continue and complete these projects and provide affordable housing to native Hawaiian families.

Without adequate funds, the grantee's provision of housing would be severely disrupted and low-income native Hawaiian families would be denied greatly needed housing assistance. NHHBG funding is vital to ensure that the State of Hawaii can continue to develop decent, affordable housing for its income-eligible native citizens. A disruption to the stream of funding for NHHBG would have a dire impact on dozens of on-going development projects that will benefit low-income native Hawaiian families eligible to reside on Hawaiian home lands. More than 90 percent of NHHBG funds are used to develop new affordable homeownership housing units and the infrastructure to support them in the state that has one of the highest construction costs in the nation. NHHBG funds relieve overcrowding and homelessness by developing and acquiring new units and rehabilitating older units to make them safe and sanitary. NHHBG funds are also used to assist communities with implementing alternative energy resources to reduce housing costs for low-income families.

DHHL has found that to plan, build, and populate a multi-phased residential community on undeveloped land is a lengthy process that usually spans several years. Careful and deliberate planning of these complex, multi-phased projects is essential to their success. DHHL must ensure that the many public and private entities contribute to the development in a coordinated way, while complying with all program requirements. Any disruption in the NHHBG funding stream would erode the confidence of the developers, disrupt plans, and delay or cancel program activities.

In fiscal year 2015, the Department renews its request for the Transformation Initiative Fund, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. This program may transfer up to 0.5 percent or \$15 million, whichever is less, to the Transformation Initiative Fund for the operation of a second-generation Transformation Initiative (TI2). More details on TI2 and its projects are provided in the justification for the Transformation Initiative Fund account.

### Examples of NHHBG Projects

The Kumuhau and Kaka'ina Subdivisions on the island of Oahu consist of a total of 96 single family residential lots, of which 28 will be for NHHBG-eligible families. Additionally, \$2.6 million in NHHBG funds are being used to construct on- and off-site infrastructure in support of new homeownership housing units. In Kumuhau, 45 turnkey homes are complete and occupied; an additional 7 homes will be built using the self-help method of construction in partnership with Habitat for Humanity. A groundbreaking ceremony for the

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Kaka'ina subdivision was held in June 2012. NHHBG funds are being leveraged with USDA Rural Development funding for the Kaka'ina infrastructure work.

A total of 180 single family residential lots will be built out in 3 phases in the Piilani Mai Ke Kai subdivision on the island of Kauai, of which 45 lots will be for NHHBG-eligible families. In NHHBG funds, \$7 million will be used for infrastructure construction, house construction loans, and down payment assistance grants for this residential development. Phase 1 consists of 80 lots, of which 36 are turnkey homes, 27 will be constructed with sweat equity, 9 will be owner/builder homes, and 8 vacant-improved lots will be available for home construction. Phase 2 consists of 51 lots; the bidding process for infrastructure construction was underway in June 2012, and is scheduled to be completed by October 2013.

On the island of Hawaii, the U.S. Fish & Wildlife Service is currently accepting public comments to its proposal to designate the area around Laiopua Villages 2, 4, and 5 as a critical habitat. The Villages are at various stages of development. Seventy-two lots had been planned for NHHBG-eligible families. By June 2012, \$5 million in NHHBG funds had been used to do mass grading and infrastructure construction. In Village 5, 45 turnkey homes had been completed. Mass grading for village 4 was complete, and the engineering and design for infrastructure improvements was underway. Development has stalled, and if the habitat designation is approved, any further development may be cancelled.

In October 2012, a ground breaking ceremony was held on infrastructure work for an 83-unit homeownership housing development, part of Lalamilo Subdivision, Phase 2, on the island of Hawaii. Infrastructure work includes grading, building roads, installing waste water, water systems, and other utilities. The entire Phase 2 will consist of 160 home lots and include green space for a park, an archeological preservation lot, and a Hawaii Electric & Light Company substation easement lot. Construction is scheduled to be completed in 2013. Bidding for home construction is to follow, and completed homes should be available in 2014.

### **4. How do we know this program works?**

Since 2005 (through fiscal year 2012), the program has provided 501 native Hawaiian families with affordable housing on the Hawaiian home lands by constructing or acquiring a home, or by substantially rehabilitating a family's existing home. New construction included the development and installation of basic housing infrastructure. More than 1,400 low-income native Hawaiian families have benefitted from training funded by NHHBG.

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 and require confidence in a steady stream of funding.

Fiscal year 2002 was the first funding year for the program. Funding levels have averaged about \$10 million each year for 11 years. An additional \$10.2 million was awarded under the Recovery Act, bringing the total amount appropriated to approximately \$121.3 million. Since 2002, DHHL has concentrated on using NHHBG funds to provide homeownership opportunities.

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The program's goal for several years has been, and will be in fiscal year 2015, 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. This grantee uses a significant amount of grant funds to develop and install basic infrastructure before homes can be constructed.

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**PUBLIC AND INDIAN HOUSING  
NATIVE HAWAIIAN HOUSING BLOCK GRANTS  
Summary of Resources by Program  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2013 Budget Authority</u>	<u>2012 Carryover Into 2013</u>	<u>2013 Total Resources</u>	<u>2013 Obligations</u>	<u>2014 Budget Authority/ Request</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2015 Request</u>
Grants .....	\$12,036	...	\$12,036	\$12,036	\$9,700	...	\$9,700	\$13,000
Technical Assistance ..	284	\$921	1,205	350	300	\$855	1,155	...
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[65]
Total .....	12,320	921	13,241	12,386	10,000	855	10,855	13,000

Native Hawaiian Housing Block Grants

**PUBLIC AND INDIAN HOUSING  
NATIVE HAWAIIAN HOUSING BLOCK GRANTS  
Appropriations Language**

For the Native Hawaiian Housing Block Grant program, as authorized under title VIII of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4111 et seq.), [~~\$10,000,000~~ \$13,000,000, to remain available until expended[: *Provided*, That of this amount, \$300,000 shall be for training and technical assistance activities, including up to \$100,000 for related travel by Hawaii-based employees of the Department of Housing and Urban Development]. (*Department of Housing and Urban Development Appropriations Act, 2014.*)