

# KAPOHO KAI WATER ASSOCIATION, INC

A 501c12 Corporation  
P.O. Box 7082, HILO, HI 96720

January 16, 2023

House of Representatives Committee on Finance  
Senate Committee on Ways and Means  
State Capitol  
Honolulu, HI 96813

Aloha Legislators and Staff Members,

In a twist of fate, a quiet residential and agricultural Lava Zone 2 subdivision with 220 some houses became the destination for a 2018 lava flow larger than any other in recorded Hawaiian history. Subdivision residents fled their homes and watched their lovely neighborhood be destroyed. That neighborhood is now ready for rebuilding and its elevation high above the surrounding landscape suggests that it will be relative safe from future flows, for millennia.

Some \$107 million of government funds is being spent on buying out roughly ½ the lava inundated properties. Yet only \$250,000 is, so far, allotted for recovery for helping the other half of the owners, of the subdivision that lost between 1/3 and a ½ of all of the infrastructure destroyed by the lava flow. Additionally, government delays in reconstructing the necessary County connector road have resulted in a delayed recovery while costs for road and water line recovery have soared. Owners who would have rebuilt several years ago, are unable to. The government sponsored buyout has also reduced the number of owners to spread costs amongst. The result – is neither fairness nor recovery.

In seeking a GIA grant, Vacationland subdivision owners appeal to your sense of justice and equity. Governments everywhere help their citizens recover after a disaster. We have been waiting almost 5 years.

The SBA has been helpful - using a mechanism, last used for Katrina victims, they continue to give us a chance to borrow \$1,854,000 to help finance our recovery. We are also ready to use what the community organizations have for savings to finance restoration. But we still need significant amounts of funding after this long delay. With a County road to connect to finally expected by year end 2023, our time to rebuild is coming soon.

We hope that you will recognize the importance of helping disaster victims who are doing their best to recover. Our boards are ready. We seek to re-create a strong community that will provide significant tax revenue and jobs as well as good homes and agricultural development.

Mahalo nui,



Jan Marshall

President of Kapoho Kai Water Association, Inc.

Vice President of Vacationland Hawaii Community Association

**THE THIRTIETH LEGISLATURE  
APPLICATION FOR GRANTS  
CHAPTER 42F, HAWAII REVISED STATUTES**

Type of Grant Request:

Operating                       Capital

Legal Name of Requesting Organization or Individual: Db:

KAPOHO KAI WATER ASSOCIATION, INC

Amount of State Funds Requested: \$ 4,219,000

Brief Description of Request (Please attach word document to back of page if extra space is needed):

Assistance with funding part of the cost of road and waterline restoration for the subdivision that lost the largest amount of infrastructure during the 2018 lava flow - helping restore equity for impacted owners and helping rebuild the Pahoa community and economy.

Amount of Other Funds Available:

State: \$ \_\_\_\_\_  
Federal: \$ 1,854,000 (SBA loan)  
County: \$ 230,000 (net approved)  
Private/Other: \$ 200,000

Total amount of State Grants Received in the Past 5  
Fiscal Years:

\$ NONE

Unrestricted Assets:

\$ 200,000

New Service (Presently Does Not Exist):  Existing Service (Presently in Operation):

Type of Business Entity:

- 501(C)(3) Non Profit Corporation  
 Other Non Profit  
 Other

Mailing Address:

P.O. Box 7082

City:

Hilo

State:

HI

Zip:

96720

Contact Person for Matters Involving this Application

Name:  
Jan Marshall

Title:  
President

Email:  
janmarshall@roadrunner.com

Phone:  
603-838-6877

Federal Tax ID#:

State Tax ID#  
N/A (tax exempt)



Janet Marshall, President

January 19, 2023

Authorized Signature

Name and Title

Date Signed

## Application Submittal Checklist

The following items are required for submittal of the grant application. Please verify and check off that the items have been included in the application packet.

- 1) Certificate of Good Standing (If the Applicant is an Organization)
- 2) Declaration Statement
- 3) Verify that grant shall be used for a public purpose
- 4) Background and Summary
- 5) Service Summary and Outcomes
- 6) Budget
  - a) Budget request by source of funds ([Link](#))
  - b) Personnel salaries and wages ([Link](#))
  - c) Equipment and motor vehicles ([Link](#))
  - d) Capital project details ([Link](#))
  - e) Government contracts, grants, and grants in aid ([Link](#))
- 7) Experience and Capability
- 8) Personnel: Project Organization and Staffing

 Janet Marshall President 11/16/23  
AUTHORIZED SIGNATURE PRINT NAME AND TITLE DATE





STATE OF HAWAII  
STATE PROCUREMENT OFFICE

**CERTIFICATE OF VENDOR COMPLIANCE**

This document presents the compliance status of the vendor identified below on the issue date with respect to certificates required from the Hawaii Department of Taxation (DOTAX), the Internal Revenue Service, the Hawaii Department of Labor and Industrial Relations (DLIR), and the Hawaii Department of Commerce and Consumer Affairs (DCCA).

**Vendor Name:** KAPOHO KAI WATER ASSOCIATION, INC.

**Issue Date:** 01/09/2023

**Status:** **Compliant**

Hawaii Tax#:

New Hawaii Tax#:

FEIN/SSN#: XX-XXX7642

UI#: No record

DCCA FILE#: 117998

Status of Compliance for this Vendor on issue date:

Form	Department(s)	Status
A-6	Hawaii Department of Taxation	Compliant
8821	Internal Revenue Service	Compliant
COGS	Hawaii Department of Commerce & Consumer Affairs	Exempt
LIR27	Hawaii Department of Labor & Industrial Relations	Compliant

**Status Legend:**

Status	Description
Exempt	The entity is exempt from this requirement
Compliant	The entity is compliant with this requirement or the entity is in agreement with agency and actively working towards compliance
Pending	A status determination has not yet been made
Submitted	The entity has applied for the certificate but it is awaiting approval
Not Compliant	The entity is not in compliance with the requirement and should contact the issuing agency for more information

**DECLARATION STATEMENT OF  
APPLICANTS FOR GRANTS PURSUANT TO  
CHAPTER 42F, HAWAII REVISIED STATUTES**

The undersigned authorized representative of the applicant certifies the following:

- 1) The applicant meets and will comply with all of the following standards for the award of grants pursuant to Section 42F-103, Hawaii'i Revised Statutes:
  - a) Is licensed or accredited, in accordance with federal, state, or county statutes, rules, or ordinances, to conduct the activities or provide the services for which a grant is awarded;
  - b) Complies with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability;
  - c) Agrees not to use state funds for entertainment or lobbying activities; and
  - d) Allows the state agency to which funds for the grant were appropriated for expenditure, legislative committees and their staff, and the auditor full access to their records, reports, files, and other related documents and information for purposes of monitoring, measuring the effectiveness, and ensuring the proper expenditure of the grant.
- 2) If the applicant is an organization, the applicant meets the following requirements pursuant to Section 42F-103, Hawaii'i Revised Statutes:
  - a) Is incorporated under the laws of the State; and
  - b) Has bylaws or policies that describe the manner in which the activities or services for which a grant is awarded shall be conducted or provided; and
- 3) If the applicant is a non-profit organization, it meets the following requirements pursuant to Section 42F-103, Hawaii'i Revised Statutes:
  - a) Is determined and designated to be a non-profit organization by the Internal Revenue Service; and
  - b) Has a governing board whose members have no material conflict of interest and serve without compensation.
- 4) The use of grant-in-aid funding complies with all provisions of the Constitution of the State of Hawaii (for example, pursuant to Article X, section 1, of the Constitution, the State cannot provide "... public funds ... for the support or benefit of any sectarian or nonsectarian private educational institution...").

Pursuant to Section 42F-103, Hawaii'i Revised Statutes, for grants used for the acquisition of land, when the organization discontinues the activities or services on the land acquired for which the grant was awarded and disposes of the land in fee simple or by lease, the organization shall negotiate with the expending agency for a lump sum or installment repayment to the State of the amount of the grant used for the acquisition of the land.

Further, the undersigned authorized representative certifies that this statement is true and correct to the best of the applicant's knowledge.

Kapoho Kai Water Association

\_\_\_\_\_  
(Typed Name of Individual or Organization)

  
(Signature)

1/8/2023  
(Date)

Janet Marshall

President

(Typed Name)

(Title)



### 3. PUBLIC PURPOSE

Pursuant to Section 42F-102 this proposal to aid in the recovery of infrastructure for disaster victims of the 2018 Kilauea lava flow is a public purpose. For a detailed explanation of the public purpose, please refer to II. Background and Summary, Item 3 – The public purpose and need to be served.

## II. BACKGROUND AND SUMMARY

### 1. Applicant's background:

Applicant seeks to assist itself, its associated home owner's association Vacationland Hawaii Community Association (VHCA) and the owners of the 300 some lots in Vacationland Hawaii subdivision, whose properties were inundated with lava in 2018, during Hawaii's most severe event in recorded history, to recover roads and water service to their properties. Those properties include roughly 200 House Lots which are 1/5 acre lots that fronted the Wai Opae tidepools and roughly 100 lots that were typically 5 acre and used for a mix of agriculture and residential. VHCA maintained the roads and right ways throughout the subdivision. Applicant Kapoho Kai Water Association, Inc. (KKWA) distributed County water in House Lots from a central connection point.

KKWA was established in February 2000 for "the purpose of providing water for the benefit of the property owners of the Vacationland Subdivision in Kapoho, Hawaii, through the ownership and operation on a non-profit basis of this entity." It is owned and governed by its subscribers meaning property owners who purchased rights to meters and have met the obligations of payment for water services. At the time of the lava flow, KKWA distributed County water to almost 150 users. KKWA is governed by a 5 person Board of Directors who throughout the years since the lava flow have held director's meetings and annual meetings and kept the organization alive in preparation for rebuilding. As of 12/31/2022 KKWA held financial reserves of \$142,057. It's President is Jan Marshall, a retired international banker. The Vice President is Theresa Donham, a Hawaii based archaeologist. The Secretary is Deborah Rudis, a retired wildlife and ecology expert. The Treasurer is Jim Lehner, a retired engineer who has served as Treasurer of both KKWA and its associated HOA for approximately 15 years. He has played a key role in the management of infrastructure projects for both organizations. The final member of the Board is Liza Banguilan who has an investment banking background. All KKWA directors except Rudis reside on Hawaii Island.

The largest portion of the funds that KKWA is seeking will be used for road restoration on the roadways owned by VHCA which has served its community since 1984. Without the VHCA roadways, KKWA cannot function. The two boards have 2 overlapping directors (Lehner and Marshall) and a common interest in recovery. VHCA has agreed to allowing KKWA to invest in its roadways. VHCA has maintained an active 7 person board throughout the nearly 5 years since the disaster, including meeting all annual meeting requirements. VHCA's cash reserves total \$86,562.

2. The goals and objectives related to the request: The goal of this project is twofold. First it is to assist the 2018 lava flow victims **to rebuild their road system** on top of the 2018 flow to be able to re-access their properties. Roughly half of the subdivision owners will be bought out under a HUD CDBG-DR program – But all remaining owners deserve help. Some owners still have standing

homes they cannot access. One couple in their late 60s hikes over the lava field carrying their groceries to get home. For all owners -help in the restoration of access and water so that they can regain some of their property value is an appropriate role of government after a major disaster. For many - these properties were an important part of their retirement assets. Many owners also still feel strongly tied to the area with its climate and history and want to re-build.

The other goal is **to re-establish water service**. The Department of Water Supply (DWS) of the County of Hawaii has committed to using FEMA funding to return water to KKWA's interconnect point in conformity with their commitments. From that connection point, water lines need to extend along the road system to reach the some 200 individual properties in "House Lots" – the 1/5 acre lots that were served by KKWA. It is preferable that the waterlines be buried along the roads rather than running on the surface.

The roughly hundred mostly 5 acre "Farm Lots" had private lines. Some ran on the surface and some below ground between the interface with the County and individual homes and farms. That system of multiple lines led to numerous water leaks and sanitation issues. KKWA proposes putting some underground lines in along with the road construction to rebuild back better and to help farm lot owners recover. These larger acreage properties are projected to be used for homes, limited field growing of crops like papaya and palms and intensive container growing in shade and greenhouse structures where lava field conditions augmented by County water will be ideal for hydroponic growing – a method that is very successful on the mainland – providing quality produce and jobs. They may also again be used for orchid growing. Vacationland grown orchids were widely distributed in the U.S. prior to the 2018 flow.

### 3. **Public purpose and need to be served:**

Governments around the world assist their citizens and property owners to recover after a disaster, as a basic role of government. The Federal Government spent \$63 billion in 2021 alone on disaster relief. Even small, poor countries do their best.

This grant would help the community most harmed by the 2018 lava flow to recover. Out of some 200 homes, only 2 ohana units and 1 home are left. The event was the worst lava event in recorded Hawaiian history. Vacationland Hawaii was a lava Zone 2 community, which is the lava risk zoning assigned to much of the Southern half of Hawaii Island, especially the populated coastal areas. With a new elevation roughly 80' above the surrounding landscape, the community is highly unlikely to be inundated with lava again, except perhaps in geologic time (in which time most of Hawaii Island is at risk of damage from lava flows). The community is now also safe from the ocean surge risks which it was previously subject to. It is safe from fire risk as well. The area is known for its prolific growth of vegetation, sunny days and very frequent rain showers at night. The lava flow is 'a'a which can be easily flattened with a bulldozer and compacted. **In short – this is the time to rebuild.** That rebuilding will also help rebuild the devastated economy of Pahoa – one of Hawaii's poorest communities.

The funding sought is for rebuilding of private roads and water lines to help disaster victims recover from the lava flow event. In East Hawaii Island almost all but the main thoroughfares are private roads BUT used by the public. This history goes back more than a half century to when the County approved subdivisions for developers with no provision for public roads. In short, East Hawaii



residents, with some of the lowest income levels in the state, are the ones paying for roads, instead of the government.

VHCA's roads were used by some 100,000 tourists and local visitors a year to reach Wai Opaie tidepools (Marine Conservation District) while the subdivision owners paid 100% of the road maintenance costs, provided toilet facilities, beach clean-up and education about coral reef protection. We anticipate continued public usage. The new waterfront is lined with black sand beaches that will attract visitors. The water system that is part of the proposed project is for healthful purposes. Access to clean water is an essential service. **While property owners originally paid for waterlines and roads used by the public – they need assistance now, to replace those roads and lines due to the disaster.**

Compounding the challenges for the recovery of this subdivision are:

- The delays by the County of Hawaii in replacing the County road required for access to the subdivision roadways. The County of Hawaii did not seek road replacement during the first 6 months of the disaster declaration, which would have resulted in FEMA paying for a temporary connector road for Vacationland property owners and allowing re-building without an Environmental Assessment, etc. While at first, the lava field was too hot, FEMA allows multiple extensions on the 6 months if an application is made and it is unsafe to proceed. **The result of that failure on the County's part is that the cost to restore the subdivision's infrastructure has soared while owners have had to pay for housing, elsewhere.** By 2019 the County built a road over another part of the lava field which suggests that Vacationland's subdivision owners could have been restoring their road and water systems then. Inflation on non-residential construction from 2020 to the end of 2022 totaled 42.5%. The impact on owners who have had to rent rather than use their own property is substantial but not possible to calculate. HI-EMA had a role in this too, as FEMA's counterparty. Providing government funding to help with restoration is appropriate to both perform the typical role of government in assisting after a disaster and helping owners with the financial impacts of delays due to government decisions.
- The County of Hawaii, furthermore, accepted HUD CDBG-DR funding and has used that to begin the process of buying out roughly half of the properties in the Vacationland Hawaii subdivision along with properties in other impacted areas. That is wonderful for the bought out owners. They are receiving far more than their properties will be worth, even with restored roads. **But, it is dreadful for the other half of the owners as the buyout is creating a checkerboard of private and County owned lots while the cost to replace lost roads and waterlines is unchanged.** The County has indicated that it has a policy of paying HOA fees. But, it has not, so far, provided a stronger assurance on assisting with road re-construction and maintenance. For KKWA – The same number of miles of waterline need to be restored to reach all the remaining owners but there will only be half as many owners to pay the cost. Providing funding would help to reduce the disparity between those owners who may have both received insurance payments and the full tax value of their properties and those owners who will be left receiving nothing and having the extra financial burden of paying to build roads and waterlines in front of properties that can never be built on, due to government decisions.

State of Hawaii funding support would help to rectify the unjust situation that has developed out of the most devastating lava flow to occur in recorded Hawaiian history.



4. **Target population to be served:**

Currently there is only one set of residents in Vacationland because the flow took all but 3 structures and there is no vehicular access to the subdivision. The only residents are a couple in their late 60s. They have to bring their supplies in by bicycle and foot over the lava field from where they can park a car safely, several miles away. If they have a health crisis there is no way except by helicopter to reach them.

Vacationland was historically a moderate income enclave with residents drawn to the Wai Opae tidepools, the lush vegetation and a successful community.

While the full time residents have re-located and their properties are mostly being bought by the County some would like to return to the subdivision and there are other owners that seek to build on their Vacationland properties. All owners at least want to see some value restored to their retirement savings. Because of its proximity to the oceanfront with all its black sand beaches and the area's ideal climate - these lots should attract buyer interest if good roads and water are restored. The nearby Kalapana lava flow with terrible roads, issues with survey quality and no County water now has many new homes on it. With good planning, certain surveys, County water, quality roads, close proximity to the ocean, outstanding views of the ocean and the mountains, relative proximity to Hilo and Pahoa shopping and dining, Vacationland owners believe a robust recovery will be possible.

There is also economic value to the surrounding community of Pahoa if Vacationland can be successfully rebuilt. Pahoa is one of Hawaii's most economically challenged towns. It also has a high level of Native Hawaiian residents whose financial challenges are well known. Vacationland Hawaii subdivision was an important customer base for the local merchants. Jobs working on Vacationland properties (including its many vacation rentals) were a mainstay of local income. Restoring roads will lead to building of residences. Those jobs will go to the local community. VHCA has also been asking for approval to allow Vacation rentals again in the subdivision. If the County of Hawaii will agree to that – those vacation rentals will be an important ongoing source of income for local residents.

Conversely, if restoration is not funded and carried out properly Vacationland subdivision is likely to become an enclave of illegal homes on land that may or may not be owned by the builder. It is well known that the County does not have the staffing to oversee all these lots that are being bought out. The lava flow is an a'a flow and since basic bulldozing only runs about \$35,000 a mile, roads will be pushed in. Should this be the future – there will be a high level of crime and drug abuse leading to a public health issue in the area and a heavy burden on the police.

5. **Geographic coverage:** This is the Vacationland Hawaii subdivision on the Eastern coast of Hawaii Island just below Cape Kumukahi, the most Easterly point, in the island chain. It comprises roughly 500 acres in total along County Route 137 which is scheduled to be reconstructed in 2023. It is an area also known as Kapoho – but in the lower risk, Zone 2 portion of Kapoho. It remains with some (but minimal) lava flow risk related to the nearby Eastern Rift Zone (ERZ). Because the 2018 flow

was so immense, Vacationland is now elevated some 80 feet above the surrounding landscape. That elevation makes it unlikely to suffer, during another ERZ eruption, except in far future geological time.



### **III SERVICE SUMMARY AND OUTCOMES**

In reading this section, please understand that VHCA and KKWA are jointly working on this project of road and water restoration and their boards are jointly responsible for its implementation. The boards have worked together on this proposal. Formal agreements will be put in place allowing KKWA grant funding to be used on VHCA roadways.

#### **1. Scope of work, tasks and responsibilities.**

- a. **ROAD PLANNING, PERMITTING AND INITIAL SURVEY WORK.** Funding for VHCA for **road planning, permitting and initial survey work** is already in place. Estimates on surveying and engineering costs from well-regarded firms have been obtained. Surveyors & engineers have downloaded detailed LIDAR information from USGS covering the lava field. Work has been ongoing with both the County and the State to determine what permitting will be required for rebuilding once the County restores County Route 137 to where the subdivision roads can connect to it. The County's current plan is completion by the end of 2023 (following earlier targets by the County Administration of 2019, 2020, 2021 and 2022). Initial survey work will consist of setting up the survey control network and establishing the tie in to the planned County road. As of now, VHCA expects to use the services of the international surveying and engineering firm, Stantec, which has offered Kama'aina pricing.
- b. **ROUGH BULLDOZING, ROAD SURVEYING AND RIPPING FOR WATER LINE.** Funding for VHCA for rough bulldozing and on-the-ground surveying for some of the roads is already in place. The amount of road that can be opened up with rough bulldozing will depend on whether the County requires a full blown \$100,000 road plan to be submitted with its grading permit application. If it does not, more roadway can be opened. The lava field gently slopes towards the ocean. As an 'a'a lava field, rain water is immediately absorbed into the flow. This topic of the \$100,000 plan is one VHCA has been trying to engage the County on for some six months as contractors see no value in it and are telling VHCA that having to follow such an unnecessary plan will impede their work given the uncertainties of working on a lava field where the hardness of the rock is far more important to a road builder than whether a spire needs pushed into a low spot as the bulldozer moves forward. The current explanation of public value to the \$100,000 plan is that the State of Hawaii's Historic Preservation Division (SHPD) needs to know how far VHCA will be excavating into the 80 foot deep lava flow. Since, VHCA expects to only be working in the upper few feet of the 'a'a flow simply smoothing it out and compacting it, VHCA can certainly commit to not disturbing original soil. From a practical standpoint VHCA is simply going over previous roadway areas where any valuable historical objects have already been lost to history. No one is likely, under these circumstances, to dig 80' down in a lava field to look for artifacts while a few miles to the North there are important and still unprotected Native Hawaiian artifacts and villages on the surface. So, the current effort is to find out what SHPD actually needs and re-open discussions with the County. Surveying can best and most safely be done as the road progresses so that the surveyors only need to be a short distance in front of the bulldozer. Where waterlines are to be installed rough ripping will prepare for that work.

VHCA and KKWA will hire an experienced construction manager to oversee the project. Both Goodfellow Brothers and Yamada Brothers (amongst the largest roadbuilders on Hawaii Island) have provided estimates on the roadwork. Smaller firms will be considered after final funding is determined so VHCA and KKWA can define the extent of the project. This analysis assumes that the proposed budget is fully funded.

- c. ENGINEERING. After rough bulldozing the resulting roadway will be evaluated to determine whether any engineering is required or whether some areas will not be recoverable. It is not expected that much engineering will be required. The flow, while highly irregular, overall slopes gently towards the ocean and the resulting roadway is expected to be fairly level based on experience on nearby properties impacted by the same flow.
- d. FINE GRADING, ADDITION OF AGGREGATE BASE AND TOP COATS AND ASPHALT (HOUSE LOTS ONLY), WATERLINE SLEEVING AND INSTALLATION and SURVEY MONUMENTATION. This work will follow the grading work and will absorb the rest of the budget. The Farm Lots (typically 5 acre lots) section of the subdivision will be left with an aggregate surface. For dust control purposes, VHCA seeks to restore asphalt to the House Lots roadways (1/5 acre lots).
- e. The waterline project will have to be developed as the roads are opened and decisions can be made about the terrain. At that point, it should also be clear what properties will need water and what properties will not, as a result of the Buy-out. VHCA is encouraging the County to a) offer the bought out lots to adjacent lot owners who will not be able to build on them because of HUD restrictions but can landscape them and b) allow VHCA to manage the remaining lots. It is believed that there will be agricultural interest in the larger County owned lots for container based greenhouse growing provided that an effort is made to obtain farmer funding and training. A non-profit organization associated with VHCA and KKWA called Cape Kumukahi Foundation that previously provided protections for the marine environment is in the process of being re-purposed to assist in community development including fostering a farmer cooperative to assist with funding, training, marketing, etc. These lots have the advantage of great drainage which is essential for hydroponics and no weeds. The introduction of County water would complete the picture as far as an "ag ready" situation, particularly important for the Pahoia community that is relatively impoverished and offers little employment.

KKWA only served House Lots. Farm Lots owners all bought water directly from the County DWS. The submitted budget includes \$1.3 million for the restoration of the House Lot lines based on a Yamada Brothers estimate, updated with inflation. The budget includes \$1,165,000 for Farm Lots, as a holding place. That amount of money would not reach the entire Farm Lots portion of the subdivision; it will have to be optimized based on the pattern of the Buy-out, the terrain and other factors.

- 2. **Projected annual timeline for accomplishing the results:** VHCA and KKWA have been pushing for road and water recovery since early 2019 but cannot actually move forward without access off of County Route 137. The County's own progress in restoring Route 137 is currently held up



by a FEMA required Environmental Assessment. The draft of that for public comment is expected in January 2023. The County estimates that by the end of 2023 they will have Route 137 re-built to where VHCA/KKWA will be able to connect to it. Once that happens ground based surveying and rough bulldozing work will be able to start. Overall, we anticipate the road and waterline work to take 8 to 12 months depending on the availability of funding, contractors and equipment.

3. **Quality assurance and evaluation plans:** VHCA and KKWA's boards have individuals with road construction and project management experience. Most directors live within a few miles of the project and can visit it frequently. The boards will hire an experienced professional project manager knowledgeable about building roads on lava fields to advise the board and oversee the contractor's work. The budget allocation between the contractor and the project manager will need to be flexible. If there is a firm bid and a highly reputable, large contractor less project management time will be required than hiring smaller firms. Contractors will be expected to have experience building roads over lava fields. The boards are determined to get as much as possible done within the amount of funding that can be raised. Success will be measured by restoring a quality road system.
4. **List the measure of effectiveness that will be reported to the State agency through which grant funds are appropriated:** VHCA will report monthly to the State agency on progress – miles bulldozed, miles ripped, miles on which aggregate has been distributed and packed down and miles paved, etc. The budget, as presented, is considered adequate for road and water restoration, based on what is currently known. But, VHCA and KKWA's ability to restore viability to their community, depends on ALL the elements of funding coming together.

#### IV FINANCIAL

The budget presented next by source of funds makes a number of presumptions about funding partners that are important to understand in depth.

The Federal Funds Requested amount of \$1,854,000 is an anticipated SBA loan. That loan was approved in 2019 but because of County delays in building the road that VHCA needs to connect to – it is not 100% certain these funds will be available. SBA funding is intended for quick disbursement. They typically cancel loans within 6 months if they are not utilized. It has been nearly 4 years now since loan approval and we are facing nearly another year of delay. The SBA long ago quit formally extending the loan. But there is a precedent for allowing borrowing this long after a disaster and that precedent is Katrina. In that case the SBA did extend loans because the lack of borrowing was the clear fault of the government and not the private entities. Senior SBA management sees a clear parallel in this situation. Hawaii County Mayor Roth kindly offered to advocate for VHCA. That led to a decision, made by committee, at the highest levels of the SBA to continue to entertain the possibility of extending this loan. VHCA updates the SBA monthly and senior SBA management acknowledges the update. Another factor will be the County's clear commitment to pay HOA fees on lots that they will own. The subdivisions in East Hawaii Island were created without any provision for road maintenance. Eventually, a court ordered that subdivision residents with lots fronting subdivision roads pay assessments. VHCA along with many other subdivisions got specific court orders requiring their subdivision owners to pay assessments. But, those assessments have been on private owners. The County of Hawaii has provided VHCA with a statement that it customarily pays HOA fees. But for several years now, VHCA has been asking the County for clear confirmation that it will pay assessments on these lots that it is buying out. Without that clear confirmation, SBA management has indicated that it would be impossible to extend a loan since roughly half the lots (and source of repayment) will be County. VHCA anticipates that with the passage of time, the County will cooperate.

The other big number in the Sources is Total County Funds Requested. The County of Hawaii was given \$20 million by the State of Hawaii in 2019 (House Bill 1180). The Senate Finance Committee report stated *"Your committee finds that the funds appropriated by this measure are needed to provide relief and repairs for homes, communities, businesses, farms, schools, cultural sites, water systems, electrical grids, and roadways damaged or destroyed by unprecedented volcanic eruptions on the island of Hawaii."* This money remains largely unspent nearly 5 years after the lava flow began. There was one round of grants. They could only be made to 501c3 entities. VHCA asked for \$1 million dollars and was awarded \$250,000 of which \$20,000 will go to a fiscal sponsor, leaving \$230,000 available for road planning, permitting and building. (KKWA did not put in an application because at that point the County was refusing to restore water – a position they subsequently reversed.)

There will be another round of County grants coming up. Since, Hawaii County code limits applicants to 501c3. VHCA cannot be a direct applicant because it is a HOA (528 Corporation) nor can KKWA, a 501c12. Thus, a fiscal sponsor which is a 501c3 will be required. Typically, fiscal sponsors take 10% for their services but typical grants are small. The amount of work involved in a large road project may be similar to the work involved in a small grant. Thus VHCA & KKWA will be negotiating the terms to try to achieve the greatest useful amount of funding for actual road and waterline construction. The budget is based on the 501c3 taking a 7% share of the gross grant. VHCA intends to ask for \$500,000 which is understood to be the cap for grants to any one sub grantee. KKWA intends to ask for another \$500,000. Farm Lots residents who have lost waterlines will also ask for \$500,000. Individual neighborhoods are considering asking for funding for their area roads. Vacationland's losses represented between 1/3 and



½ of the total private infrastructure losses from the lava flow. Understandably Vacationland residents are dismayed by being subject, to the same cap, as an association representing 300 lots, as an individual who lost a driveway. But, that objection has not moved the County. This budget is based on \$1,750,000 of County grants - \$250,000 already awarded and \$1,500,000 sought. If more funding is received and projected costs are not exceeded, funding could be returned to the State. If less funding is received then the quality of the replacement roads will have to be scaled back.

# BUDGET REQUEST BY SOURCE OF FUNDS

Period: July 1, 2023 to June 30, 2024

Applicant: \_\_\_\_\_ Kapoho Kai Water Association

BUDGET CATEGORIES	Total State Funds Requested (a)	Total Federal Funds Requested (SBA loan to be paid by VHCA) (b)	Total County Funds Requested (c)	Total Private/Other Funds Requested (d)
A. PERSONNEL COST	c			
1. Salaries				
2. Payroll Taxes & Assessments				
3. Fringe Benefits				
TOTAL PERSONNEL COST				
B. OTHER CURRENT EXPENSES				
1. Airfare, Inter-Island				
2. Insurance				
3. Lease/Rental of Equipment				
4. Lease/Rental of Space				
5. Staff Training				
6. Supplies				
7. Telecommunication				
8. Utilities				
9. Contracted Project Manager				65,000
10. Engineering, Surveying & Permitting	49,000	100,000	130,000	
11. Road Construction	2,750,000	1,754,000	565,000	
12. Waterline Construction House Lots	700,000		465,000	135,000
13. Waterline Construction Farm Lots	700,000		465,000	
14. Fiscal Sponsor Fees County Grants			125,000	
15. Accounting Fees to Accountant	20,000			
16				
17				
TOTAL OTHER CURRENT EXPENSES	4,219,000	1,854,000	1,750,000	200,000
C. EQUIPMENT PURCHASES				
D. MOTOR VEHICLE PURCHASES				
E. CAPITAL				
<b>TOTAL (A+B+C+D+E)</b>	<b>4,219,000</b>	<b>1,854,000</b>	<b>1,750,000</b>	<b>200,000</b>
<b>SOURCES OF FUNDING</b>		Budget Prepared By:		
(a) Total State Funds Requested	4,219,000	Jan Marshall	603-838-6877	
(b) Total Federal Funds Requested <i>(note these are borrowed funds to be paid back by homeowners)</i>	1,854,000	Name (Please type or print) <span style="float: right;">Phone</span>		
(c) Total County Funds Requested	1,750,000			
(d) Total Private/Other Funds Requested	200,000			
<b>TOTAL BUDGET</b>	<b>8,023,000</b>	Jan Marshall, President Kapoho Kai Water Association Name and Title (Please type or print)		



## BUDGET JUSTIFICATION - PERSONNEL SALARIES AND WAGES

Period: July 1, 2023 to June 30, 2024

Applicant: \_\_\_\_\_ Kapoho Kai Water Association, Inc.

Kapoho Kai Water Association, Inc

POSITION TITLE	FULL TIME EQUIVALENT	ANNUAL SALARY A	% OF TIME ALLOCATED TO GRANT REQUEST B	TOTAL STATE FUNDS REQUESTED (A x B)
NONE				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
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				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
<b>TOTAL:</b>				\$ -
<b>JUSTIFICATION/COMMENTS:</b>				

# BUDGET JUSTIFICATION - EQUIPMENT AND MOTOR VEHICLES

Applicant: Kapoho Kai Water Association, Inc.

Period: July 1, 2023 to June 30, 2024

DESCRIPTION EQUIPMENT	NO. OF ITEMS	COST PER ITEM	TOTAL COST	TOTAL BUDGETED
NONE REQUESTED			\$ -	
			\$ -	
			\$ -	
			\$ -	
			\$ -	
			\$ -	
			\$ -	
			\$ -	
TOTAL:				

JUSTIFICATION/COMMENTS:

DESCRIPTION OF MOTOR VEHICLE	NO. OF VEHICLES	COST PER VEHICLE	TOTAL COST	TOTAL BUDGETED
			\$ -	
			\$ -	
			\$ -	
			\$ -	
			\$ -	
			\$ -	
			\$ -	
			\$ -	
TOTAL:				

JUSTIFICATION/COMMENTS:



## BUDGET JUSTIFICATION - CAPITAL PROJECT DETAILS

Period: July 1, 2023 to June 30, 2024

Applicant: \_Kapoho Kai Water Association, Inc.

FUNDING AMOUNT REQUESTED						
TOTAL PROJECT COST	ALL SOURCES OF FUNDS RECEIVED IN PRIOR YEARS		STATE FUNDS REQUESTED	OTHER SOURCES OF FUNDS REQUESTED	FUNDING REQUIRED IN SUCCEEDING YEARS	
	FY: 2021-2022	FY: 2022-2023			FY:2023-2024	FY:2023-2024
PLANS	0	0		100000	0	0
LAND ACQUISITION						
DESIGN						
CONSTRUCTION				7923000		
EQUIPMENT						
TOTAL:						
<b>JUSTIFICATION/COMMENTS:</b> This project is a re-building of roads and waterlines after the 2018 lava flow.						

**GOVERNMENT CONTRACTS, GRANTS, AND / OR GRANTS IN AID**

Applicant: \_\_\_\_\_ Kapoho Kai Water Association

Contracts Total: **2,104,200**

	<b>CONTRACT DESCRIPTION</b>	<b>EFFECTIVE DATES</b>	<b>AGENCY</b>	<b>GOVERNMENT ENTITY (U.S./State/Hawaii/ Honolulu/ Kauai/ Maui County)</b>	<b>CONTRACT VALUE</b>
1	Kilueau Recovery Grant made to Men of PAV for road reconstruction for Vacationland Hawaii subdivision	Grant awarded in 2020, Disbursement Pending		Hawaii County	250,000
2	SBA Loan to Vacationland Hawaii Community Association	Awarded May 30, 2019, Disbursement Awaiting County Road Connection	Small Business Administration	U.S. Government	1,854,200
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21					



## **2. Anticipated quarterly funding requests for the fiscal Year 2024**

**Quarter 1:** Presuming (a) the County of Hawaii meets its own projected completion date for Highway 137 to the intersection with VHCA roads and (b) the funding package as described is available, we anticipate requesting 40% of the funding in Q1.

**Quarter 2:** 40% of the funding

**Quarter 3:** 20% of the funding.

**Quarter 4**

**3. Listing of all other sources of funding sought for fiscal year 2024:** VHCA and KKWA have no other potential sources of funding excepting HOA and user fees. VHCA can begin charging HOA fees as soon as roads to properties are opened. However, the full SBA loan payments (\$7,654 per month) will begin to be due monthly once any amount is drawn from the SBA loan. Each lots share of the SBA loan repayment will be roughly \$300 per year which is in line with other HOA association's fees but leaves little room for adding significant amounts for new road construction on top of road maintenance costs and organizational costs such as accounting. HOA fees will not be chargeable until late in the reconstruction process and anticipated fees during construction are included in the budget.

**4. Listing of all State and Federal tax credits for past 3 years.** None received or applied. None anticipated.

**5. Listing of all grants and grants in aid prior 3 years and expected for FY 2024.** This is the first request for GIA funding. Other than the \$250,000 granted by Hawaii County to VHCA's fiscal sponsor – neither VHCA nor KKWA have received grants in the past.

**6. Balance of unrestricted current assets as of 12/31/22:** As of 12/31/22, KKWA Kai had \$142,057 in checking accounts and investments. It also has \$7,811 in accounts receivable that are unlikely to be collected until water is restored and properties change hands or are built on. As of 12/31/22, VHCA had \$86,562 in checking accounts and \$98,225 in Accounts Receivable. It is not clear how much of the Accounts Receivable will be collectable prior to road reconstruction.

## **V. EXPERIENCE AND CAPABILITY**

- 1. Necessary Skills and Experience:** VHCA and KKWA'S boards have historic experience in road building, management and waterline building and management but not on the scale now required. The Board of Directors, however, has experienced professionals who can manage contracts and review progress as it occurs. Most board members live nearby the construction project allowing for frequent field visits. An experienced project manager who is familiar with road building in lava fields will be brought in for expertise and oversight. A contractor or contractors with experience in building roads on lava fields will be hired.
- 2. Facilities:** The only facilities are the roadways which are owned by VHCA. The main entrance roadway to the House Lots section is 60 feet in width. All other roadways are 40 feet in width. Approximately 6 and half miles of roadway is slated for restoration.

## **VI Personnel: Project Organization and Staffing**

- 1. Proposed Staffing, Staff Qualifications, Supervision and Training:** The project will have a contracted Project Manager. It is premature to select the project manager. The former head of

construction management for one major road builder was interested in the position. But with the constant delays in **County** road plans, it is not certain, whether he will still be available. Other experienced road builders have also indicated interest. This will likely be a 20 hour a week job at most – ideal for an otherwise retired professional.

2. **Organization Chart:** The joint Board of Directors shall hire the project manager to report to the board and assist it in the contracting and oversight of the road building company. No employees will be hired.
3. **Compensation:** Neither organization has any paid officers, directors or employees.

## VII. OTHER

1. **Litigation:** None pending. No outstanding judgements.
2. **Licensure or Accreditation:** None required.
3. **Private Educational Institution:** The grant will not be used to support or benefit a sectarian or non-sectarian private educational institution.
4. **Future Sustainability Plan:** VHCA will be able to resume charging HOA fees upon opening up of road access. Those fees will include repayment of the SBA loan and amounts adequate for road maintenance. KKWA will be able to pass its costs for water purchased from the County and maintenance of its lines, accounting for billing etc. onto subscribers, once water is again available to it from the County.