

JAN 25 2023

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# A BILL FOR AN ACT

RELATING TO WAIIAHOLE VALLEY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that in November 1977,  
2 the State of Hawaii acquired seven hundred ninety-five acres of  
3 land in Waiahole valley from Elizabeth Low McCandless Marks. In  
4 1998, after a series of protests, discussions, and compromises,  
5 the State, as lessor, entered into long-term agricultural and  
6 residential leases for lands within the valley. The Hawaii  
7 housing finance and development corporation is the current  
8 lessor of ninety-two long-term ground leases for residential,  
9 agricultural, and commercial lots within the Waiahole  
10 subdivision. Generally, the agricultural leases currently set  
11 rent at \$100 per acre plus 0.9 per cent of the gross  
12 agricultural products, and rents of the residential leases are  
13 set at \$600 per lot plus additional amounts for larger lots.  
14 The initial twenty-five-year term of the leases will end on June  
15 29, 2023, and the lessees and Hawaii housing finance and  
16 development corporation currently are in negotiations to  
17 establish increased rents for the next term of fifteen years.



1           The legislature further finds that the Hawaii housing  
2 finance and development corporation's initial offer for the next  
3 term of the lease proposes to increase lease rents by  
4 approximately 6.6 times the current rates. A rental rate of 6.6  
5 times the current rate is estimated to be below the current  
6 market rate, which is approximately ten times the current lease  
7 rent rate. The additional income from a 6.6 times lease rent  
8 increase would only offset seventy-nine percent of the State's  
9 cost in operating the valley. However, a 6.6 times lease rent  
10 increase would mean that many farmers leasing more than ten  
11 acres would be forced to pay thousands of dollars in additional  
12 rent per year. Consequently, the increased rent may not be  
13 affordable for many of these farmers.

14           The legislature believes that there is no law or policy  
15 that requires the Hawaii housing finance and development  
16 corporation to increase rent. Leasing land is not within the  
17 primary mission of the Hawaii housing finance and development  
18 corporation, nor is supporting agriculture. The Hawaii housing  
19 finance and development corporation does not provide  
20 agricultural support services to the farmers of Waiahole valley,  
21 despite the obvious need. The Hawaii housing finance and



1 development corporation's annual expenses for management of  
2 Waiahole valley have exceeded revenues, with an estimated  
3 deficit of \$500,000 in 2016. The deficit is funded from moneys  
4 in the dwelling unit revolving fund, which was established to  
5 fund housing development programs and regional state  
6 infrastructure programs, not agriculture. Part of that  
7 operating expense is related to the water supply system, which  
8 requires multiple pumps, is reliant on powerlines that run  
9 through the forest to fill a faulty reservoir, and requires  
10 expensive maintenance. The State has recommended replacing the  
11 water supply system with a system based upon the old and  
12 deteriorating system, which would not help to reduce the State's  
13 operating costs of the valley. A gravity-fed system fed from  
14 the waters of the higher elevation Waiahole ditch would require  
15 no electricity, would reduce maintenance costs, and could  
16 potentially generate electricity.

17 The legislature further finds that changing the management  
18 of the valley to a community-based management system supported  
19 by state agencies with expertise in agriculture and leasing  
20 could significantly reduce the State's costs while improving  
21 farmer productivity. The lessees and the Hawaii housing finance



1 and development corporation are currently in the process of  
2 developing a more comprehensive plan for Waiahole valley, but  
3 are not expected to complete that plan before the end of the  
4 current lease term.

5 The purpose of this Act is to require the Hawaii housing  
6 finance and development corporation to offer the lessees a  
7 five-year lease extension at the current rents and to submit a  
8 report to the legislature recommending whether the management  
9 duties for the valley should be transferred from the Hawaii  
10 housing finance and development corporation to a different state  
11 entity.

12 SECTION 2. No later than January 1, 2024, the Hawaii  
13 housing finance and development corporation shall offer to each  
14 lessee of land of Waiahole valley that has a lease with a term  
15 expiring before 2028 a lease extension with an expiration date  
16 of June 29, 2028. The offered lease extension shall be at the  
17 current rents and other current terms; provided that this  
18 section shall not be construed as prohibiting the housing  
19 finance and development corporation from negotiating or entering  
20 into a new lease with different terms.



1 SECTION 3. The Hawaii housing finance and development  
 2 corporation shall submit a report to the legislature no later  
 3 than twenty days prior to the regular session of 2024:

4 (1) Recommending whether:

5 (A) The Hawaii housing finance and development  
 6 corporation should retain its responsibilities  
 7 regarding Waiahole valley; or

8 (B) A different state agency should serve as the  
 9 landlord of the properties and manager of  
 10 Waiahole valley, and if so, determining the state  
 11 agency that is most appropriate; and

12 (2) Including any necessary findings, recommendations, and  
 13 proposed legislation.

14 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY:  \_\_\_\_\_

# S.B. NO. 1195

**Report Title:**

Waiahole Valley; HHFDC; Lease Extension; Report

**Description:**

Requires Hawaii Housing Finance and Development Corporation to offer 5-year lease extensions to Waiahole Valley lessee at the current terms. Requires the Hawaii Housing Finance and Development Corporation to submit a report regarding whether a different entity should manage Waiahole Valley.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

