Hau`oli Mau Loa
Foundation

HAU`OLI MAU LOA VILLAGE

Waimea, Kaua'i, Hawai`i

The Hau`oli Mau Loa Village (the "Village"), a community of seven families, is located on 4.4 acres of land in Waimea Valley on the island of Kaua'i. The Village (which the seven families helped build) consists of seven homes, a community center, a common agricultural area and private roadways (the "Project"). The Project's successful completion was built upon bringing together as partners in this endeavor three distinct resources: the Village was conceived and funded by the Hau`oli Mau Loa Foundation (the "Foundation"), developed by Kaua`i Housing Development Corporation ("KHDC"), and integrated into the community of West Kaua`i by Aletha Kaohi. The Project was implemented over a 4-year period and completed in the summer of 2000, at an all-inclusive cost of a fraction over $ 2 million.

The Foundation is making this presentation available in the belief that the Village Project, or individual aspects thereof, might serve as a model for other charitable organizations or not-for-profit corporations interested in creating affordable housing for Hawaiian families. The presentation gives merely an overview of the key aspects and milestones of the Project. Anyone interested in a more detailed step-by-step description of the Project's several phases from beginning to end and of the measures taken and the issues encountered and resolved during the Project's implementation, is welcome to contact either the Foundation or KHDC.

Attached as Annex A is a listing of the organizations and individuals that were involved in the Village Project. All of them have made meaningful contributions to the Project. The two lightning rods for the Village's success were John Frazier, the Executive Director of KHDC, and Aletha Kaohi, a resident of Waimea and, at the time, a Director of KHDC. Without John's patient, untiring and creative energy and problem-solving ability and without Aletha's sensitivity to matters concerning Hawaiian culture and community and her voluntary guidance in such matters, the Village would not exist as such a fully integrated part of the community of West Kaua`i. The importance of dedicated and expert leadership for a project such as the Village cannot be overstated.

Overview of the Village Project

The ultimate structure and funding of the Village developed as the Project progressed. At several junctures along the way, it could have taken a different direction without deviating from the principal goals the Foundation had envisioned. As a result, it is important to note that a project such as the Village can be implemented with a great many variables, depending on the emphasis that any sponsoring organization may put on the separate elements of a project. This overview will focus on the basic choices that were made on these variables and the reasons for those choices in case of the Village.

1. Background

The Foundation, inspired by its founder, wished to create a “Pacific Island community” on Kaua`i where island families could practice a more traditional style of island life, including limited agricultural activities. Although not an absolute condition, the Foundation, if financially and otherwise feasible, preferred a structure that would allow for home ownership by the families over one that would provide only rental opportunities.

In early 1996, the Foundation first contacted and subsequently selected KHDC to manage the implementation of the Village Project. In the first two years, KHDC and the Foundation (i) jointly refined the original concept into a concrete, yet still flexible proposal, (ii) searched for and identified a suitable site for the Village, and (iii) worked through and solved a variety of water, sewer, access and archaeological issues connected with the site, before the land was purchased in 1998. After another two years of effort on the Village’s infrastructure, the agricultural set-up and the construction of the homes and the community center, the Village was completed in the summer of 2000, and formally dedicated in October of 2000.

2. Project Funding

As the Village’s concept evolved, KHDC presented the Foundation with budgets for different development scenarios. These alternatives included rental versus owned housing, and self-help versus contractor built homes. The owned housing option not only met the Foundation’s preference for enabling families to become homeowners, but also offered the Foundation the benefit of having a portion of the development cost funded through home mortgage loans taken out by the families, the proceeds of which could be returned to the Foundation for redeployment on other Foundation projects.

Requiring the families to assume a portion of the development cost through a mortgage loan was also intended to tie the families financially closer to their homes and to foster the development of a better understanding of the benefits and burdens of home-ownership, including maintenance and repairs as well as financial planning.

The self-help building concept was attractive to the Foundation as it supported several of the Foundation’s objectives: (i) the creation, through their joint efforts in building the Village, of a close-knit community of families that prior to their involvement in the Project had not known each other, (ii) furthering pride of ownership in something built with one’s own hands, and (iii) increased knowledge about the structural elements of the houses to make easier the ongoing maintenance and repair of the homes by the families.

The Foundation chose to fund all project costs, including land acquisition, construction, and "soft" costs. This approach eliminated the need for a construction loan which in turn lowered total project costs by eliminating construction loan interest costs and related fees.

3. Site Selection; Land Purchase; Land Planning

After extensive searching, KHDC identified a possible 4.4 acre site on the west side of Kaua`i, in Waimea Valley. At the time, the site had a number of significant problems any one of which, if not solved, would have made the site unsuitable for development. The site bordered a *pali* (volcanic cliff) which forms one side of Waimea Valley, had partially flowing streams (the remnants of ancient Hawaiian irrigation ditches called *`auwai*), and had a number of tall trees. Even though the land was overgrown with *keawe* trees and brush, it had a special feel of undiscovered beauty and contentment. Everyone who visited or worked at the site became aware of this special feeling. In spite of the potential problems, the Foundation liked the site and authorized KHDC to make a purchase offer for the property contingent on solving the development issues.

During a one year diligence period, KHDC dealt with and solved major access, water, sewer, and archaeological issues and thus assured that the site could be developed for the Village as planned. On July 29, 1998, the site was purchased for $215,000.

4. Infrastructure Development; Agricultural Area

The infrastructure consisted of interior roadways, sewer lines, water lines, and building pads. Because the project site is located in a flood zone and has a high water table, the building pads had to be built up using engineered fill so that the finished floor elevation of each home was one foot above the flood level. The infrastructure construction was completed at a cost of approximately $440,000.

Considering the Foundation's desire to create a community with limited farming opportunities, the establishment of an arable plot was of high importance. The portion of the site chosen as the agricultural area was about one acre in size and was located in the center of the site with the homes and the community center surrounding it on three sides. Making the chosen plot arable, however, proved more complex and more costly than anticipated due to a variety of issues (high alkalinity of the soil; irrigation problems; etc.).

5. Family Selection; Self-Help Requirement; House Assignment

The selection process for the families, in the view of both the Foundation and KHDC, had to meet several standards and objective criteria. Foremost, it had to be an open and fair process, conducted demonstrably on a non-discriminatory basis.

The targeted group was set at a level of family income of less than 80% of Kaua`i County median income (as published by the U.S. Department of Housing and Urban Development).

Information about the proposed Village Project and the related application forms were disseminated to the Kaua`i community, mostly through personal contacts and "word-of-mouth." In the end, KHDC received 31 applications. Based on the information provided by the applicants and the objective criteria established for the Project, including a financial pre-qualification requirement, 12 families ultimately qualified for possible participation in the Village Project.

The choice of the seven participating (and five alternate) families from among the 12 families that had qualified was made through a lottery held in Waimea and attended by all 12 families. The children of the families drew the numbers. Alternates were chosen as a precaution to fill a possible void, if any one of the seven families chosen to participate would be unable to meet the requirements that could only be fulfilled after the lottery (most notably, qualification for a home mortgage loan). In the end, all of the seven families selected in the lottery were able to complete all remaining requirements and are now residents of the Village, making a replacement unnecessary.

While approximately 60% of the work was completed through contractors, the remaining 40% of the labor was required to be contributed by the families, under the guidance of a project manager provided by the general contractor. In order to further the development of a sense of community among the families, the assignment of individual homes to the seven families was delayed until it became time to exercise individual design choices available to the families. In the interim (and really for most of the self-help building portion of the Project) all of the seven families worked jointly on the entire Project as opposed to each family working on "its" future home.

Given each family's obvious need to continue its everyday life (jobs; schools; etc.) the nearly 6-month period of their self-help building must have been a demanding time for them all. And it is much to the families' credit that they did not only meet this requirement, but did so nearly faultlessly as evidenced by the extremely short list of deficiencies that were noted upon final inspection.

As the need for final design choices mandated the assignment of a specific home site to each family, the Foundation and KHDC considered another lottery. However, as an initial step, KHDC asked each family to identify their first and second preferences. By coincidence, five home sites were chosen as their first preference by just one family each and could thus readily be assigned without lottery. A sixth site was chosen by two families, and the seventh by none (for the obvious reason of being several months behind in the schedule due to building approval delays for this site). A lottery for the sixth home site among the two competing families became unnecessary when one family encountered delays in its mortgage approval and could only meet the delayed time table for the seventh house.

The self-help concept as well as both of the selection processes for the families and the home site assignments fully met the goals and expectations of KHDC and the Foundation.

6. Construction; Design of Houses and Community Center

The Foundation wanted the houses to conform to "Pacific Island" style. Because the general contractor chosen for the Project had the in-house capacity to do so, no architect needed to be engaged, but the houses and the community center were designed by the general contractor with the Foundation's and KHDC's input. Upon completion, a licensed architect reviewed and approved the designs and submitted them for building permits. The general contractor had had much experience in the restoration and preservation of historical Hawaiian buildings and was, therefore, particularly well suited to lead this design effort.

Design features of the homes included:

- Split pitched roofs to give a "Pacific Island" feel to the buildings
- Large open outdoor carport
- Interior living area of 1,576 square feet; 720 square feet carport
- Four bedrooms and three baths
- Solar hot water heating to reduce utility costs
- Special high efficiency refrigerators to reduce utility costs
- Dark green exterior paint as typical in historic plantation housing
- Lot sizes ranged between 11,389 and 19,731 square feet, larger than usual

An important goal for the Project was that the families would become an *`ohana* (extended Hawaiian family). To support this goal, the Project planning included a "community center," thought of as a central gathering place where the families could meet and have social functions. This community center was designed with a steep roof emulating a Polynesian long house. A bathroom, storage area, and a separate room plumbed as a kitchen were incorporated in the design.

The general contractor built the houses through the framing and roofing stage plus electrical and plumbing work that required a licensed contractor. The families, under the supervision of a project manager provided by the general contractor, then came in and finished the construction. They also participated in the laying of underground utility lines from the roadways to each house and the community center.

7. Mortgage Structure

The Foundation and KHDC developed a multi-layered mortgage structure for the Village homes as follows: (i) a first-ranking home mortgage of $74,000 on each home to be provided by a commercial lender, (ii) a second-ranking mortgage in favor of the Foundation to protect against immediate or premature "profit-taking" by any family, and (iii) for one qualifying family only, a third-ranking mortgage to secure a federal grant under a program in support of Hawaiian families earning less than 45% of median Kauai County income.

All of the commercial home loan mortgages were provided by American Savings Bank. The resulting loan proceeds were returned to the Foundation.

Since each house had a value approximately three times the amount of the first mortgage on the house, the Foundation wanted to protect against a quick sale of any of the homes with the result of a substantial cash windfall to the selling family. While there was a very high level of confidence that all families looked at the Village as their long-term home, job and many other life changes could well force a family to move to a different location on or even off the island. It was thought important that any successor family would not be a full value, free market purchaser, but would once again be a low-income family whose purchase of a Village home could then be appropriately supported.

To meet these concerns, the second mortgages provided the Foundation in each case a right of first refusal as well as the right, if the first refusal right was not exercised, to share in the sales proceeds of a house in excess of $90,000 (i.e., the amount of the first mortgage loan plus the value of each family's self-help labor). These rights will continue for ten years with the Foundation's share in the proceeds decreasing in equal steps from 100% in the first, to ultimately 0% after the tenth year. Thereafter, the full value of each house will inure solely to the benefit of the owning family. Obviously, on another project, one could adjust this arbitrarily set 10-year period as desired.

8. Condominium Property Regime; Home Owners' Association

The Project included certain common areas (the community center, interior roadways and the agricultural area) which necessitated the establishment of a condominium property regime ("CPR") and a home owners' association. The CPR provides the legal mechanism for common ownership and maintenance of these common areas. The Home Owners' Association provides the administrative framework for the CPR and the maintenance of the common properties that are part of the Village. As the owner/members of the Association, the families are required to pay monthly fees to the Association to cover ongoing maintenance and repairs of the common areas.

None of the families had any prior experience with participating in or managing such an association. The Foundation, therefore, agreed to give the families some initial assistance by funding the Association's costs during its first year, including the services of a bookkeeper/secretary experienced at managing homeowners' associations.

9. Project Dedication

To celebrate the successful completion of the project, the Foundation held a dinner on October 12, 2000, followed by a dedication ceremony the next day. At the ceremony, the children of the families performed traditional Hawaiian ceremonies and dances under the guiding hand of Aletha Kaohi. Maryanne Kusaka, the mayor of Kaua'i, attended both functions along with Foundation directors, KHDC directors, and relatives and friends of the Foundation's founder.

10. Conclusion

The Foundation regards the Hau`oli Mau Loa Village as immensely successful in achieving the Foundation's primary goal of creating affordable, quality home ownership for families on Kaua`i in a Pacific Island community setting. While the road to its completion was longer and more arduous than anticipated, the success far outbalances the effort: Seven families own homes which they played a significant role in building and a parcel of land that had no apparent use and was viewed by some as un-developable, has been transformed into a residential community of beauty and utility.

Annex A

Hau'oli Mau Loa Village

Project Participants

1. **Hau'oli Mau Loa Foundation**

2. **Kaua'i Housing Development Corporation**, a Lihue-based non-profit corporation whose purpose is the creation of affordable housing.
   President: Dennis T. Nakahara
   Executive Director: John H. Frazier

3. **"Auntie" Aletha Kaohi,** a volunteer member of the board of directors of Kaua'i Housing Development Corporation and well-known and respected *kūpuna* in the Waimea community.

4. **Kikiaola Construction Company**, Waimea, general contractor for the construction of the homes and the community center.
   President: Mike Faye
   Project Manager: Mark Isoshima

5. **Esaki Surveying and Mapping, Inc.**, Lihue, civil engineer and surveyor
   Vice President: Wayne Wada

6. **Koga Engineering and Construction, Inc.**, Lihue, infrastructure contractor
   Project Engineer: Garett Ichimura

7. **Lawai Foliage and Contracting**, Lawai, landscaping contractor/designer
   Owner: David Smith

8. **Palmer Hafdahl, AIA**, Lihue, architectural consultant and home inspection

9. **Snyder and Associates**, Lihue, geotechnical engineer

10. **Field Services**, Hanapepe, inspection and oversight of infrastructure construction
    Owner: Arnold Leong

11. **Cultural Surveys Hawaii**, Kailua, Oahu, archaeological consultant
    Owner: Hallett Hammatt, Ph.D.

12. **Tom Nance Water Resource Engineering**, Honolulu, hydrologic consultant

13. **American Savings Bank**, Lihue, residential mortgage lender to all seven families
    Vice President: Dianna Simao