Residential Development in Kaka‘ako Makai

- In 1978 the people of Hawai‘i voted to create the Office of Hawaiian Affairs to promote and protect the rights of Native Hawaiians, the first peoples of Hawai‘i. Hawai‘i’s constitution established OHA’s right to a pro rata portion of the public land trust, however, many issues relating to the fair allocation of the public land trust remained unresolved and disputed for nearly 30 years.

- OHA is the constitutionally established body responsible for protecting and promoting the rights of Native Hawaiians. OHA is focused on strategic priorities for improving the conditions of Native Hawaiians by 1) providing resources; 2) advocating for Native Hawaiians on a range of issues; and 3) facilitating collaboration among key stakeholders.

- In 2012, OHA and the state agreed to settle the state’s past due public land trust revenue debt by conveying to OHA 30 acres of land in Kaka‘ako Makai, with an appraised land value of approximately $200 million.
  
  - OHA’s appraisal was done by Medusky & Co., Inc. and valued the land at approximately $193 million. In its appraisal report, Medusky acknowledged that residential uses are not allowed; however, 2 of the 5 comparable transactions used to determine the land value were residential.
  
  - The state’s appraisal was done by the Hallstrom Group and was valued at approximately $198 million. In Hallstrom’s appraisal, it assessed the value of the Kaka‘ako Makai lands by assuming a 400 foot height limit for Parcels E and I, which far exceeds the current allowable heights for these parcels. Even though Hallstrom assessed the properties highest and best use as commercial, a 400 foot height limit indicates a likely assumption of residential uses.

- During the 2012 Legislative Session, several legislators pushed for OHA’s past due public land trust settlement bill to include the ability to develop residential housing in Kaka‘ako Makai.

- On February 8, 2012, OHA Chair Colette Machado sent a letter to Senator Brickwood Galuteria stating that while OHA preferred “a cash settlement,” the settlement bill provided OHA with “an opportunity to obtain land assets that can provide a revenue stream that will increase OHA’s capacity to deliver programs and services to our beneficiaries.” Chair Machado further stated that:
  
  - While OHA appreciated the efforts to provide OHA with entitlements, we preferred that the bill pass unamended at that time.
  
  - OHA needed more time to conduct due diligence, including initiating master planning and consulting with land use experts, to determine what types of entitlements would work best for OHA in the long term.
  
  - Once OHA became the landowner of the Kaka‘ako Makai lands, OHA would be in a much better position to request entitlement for those properties in the 2013 Legislative Session.

- Ultimately, our settlement bill was enacted unamended, resulting in OHA’s acquisition of 30 acres of state land in Kaka‘ako Makai.


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1 “The people of the State of Hawai‘i reaffirmed their solemn trust obligation and responsibility to native Hawaiians and furthermore declared in the State Constitution that there should be an office of Hawaiian affairs to address the needs of the aboriginal class of people of Hawai‘i.” Haw. Rev. Stat. §10-1.
The report explored numerous development scenarios enabling OHA to investigate a range of assumed values for potential land use activities.

- The scenario that contemplated a maximum build out under existing zoning yielded a residual value of only $91 million for our Kaka’ako Makai lands.
- While the appraisals performed during due diligence showed that the conveyed land value is approximately $200 million, during our framework planning OHA also utilized a residual land value analysis to better understand the potential revenue it could expect its lands to generate. The residual land value analysis reveals that OHA will unlikely be able to generate revenues consistent with a $200 million investment under the existing zoning.

- The report recommends that as OHA begins master planning for its Kaka’ako lands, it should “concurrently organize and move to seek the proper legislated entitlements to achieve the planning objectives. These would include uses such as housing . . .”

- **Accordingly, OHA is exploring all options to maximize our revenue generating opportunities to best serve our beneficiaries. [Ultimate Objective]**

- OHA’s Board of Trustees adopted the Kaka’ako Makai Policy that ensures that cultural and stewardship values drive the base for design and use decisions. Additionally the policy ensures our use of Kaka’ako Makai will balance pono and commerce and prioritize the creation of a Hawaiian sense of place.

- During the 2014 Legislative Session, OHA pursued legislation to lift the residential prohibition on certain Kaka’ako Makai lands to continue discussions that began in 2012. The effort was unsuccessful.

- In 2015, OHA conducted statewide meetings to engage the community and inform the Conceptual Master Planning process.

- In 2016, OHA conducted statewide meetings to share our Conceptual Master Plan with the community. At the time, OHA indicated that we would move forward with our planning based on what current law allows to develop (without the ability to develop housing) to expedite progress on our Kaka’ako Makai lands, while continuing to monitor the political and economic landscape for opportunities to reopen the permissible uses discussion.

- With new Board and Administrative leadership, and combined with a drastically changing and challenging economic environment, OHA is taking a fresh look at its previous plans for Kaka’ako Makai lands.

- The ability to develop residential buildings on our Kaka’ako Makai lands would provide critical revenues and housing opportunities to our Native Hawaiian community. Further, a well-planned Kaka’ako Makai can serve to help stimulate the economy and contribute to the revitalization of Honolulu’s urban core.

- During the 2021 Legislative Session, OHA looks to re-open discussions with lawmakers about how we can further the state’s commitment to address the historical and continuing injustices against the Native Hawaiian people.

- **SB1334** will provide OHA the freedom to develop a jewel of Honolulu’s core into something Hawai’i can be proud of while, at the same time, promoting Hawaiian financial self-sufficiency by generating revenues to lift our people out of their perpetual economic hardship.

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2 These scenarios “are not intended to be options for development schemes typical under a Master Plan. Rather, these alternative scenarios are to provide OHA leadership with a measuring tool that provides simple economic implications for a range of specific land use activities.”