

**HAWAIIAN HOME LANDS INFRASTRUCTURE DEVELOPMENT**  

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**A RESOURCE GUIDE FOR COMMUNITIES**



**CNHA POLICY BRIEF**

**JANUARY 2004**

## **CNHA POLICY BRIEFS**

CNHA produces periodic briefing papers on public policies, resources or programs of importance to the Native Hawaiian community. *CNHA Policy Briefs* provide information and analysis that helps stakeholders make informed decisions about issues affecting Native Hawaiians, and actively contribute to policy formation or successful program implementation. This Policy Brief was produced with research assistance by 3Point Consulting.

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## **HUI KAKO`O AINA HO`OPULAPULA & STATE COUNCIL OF HAWAIIAN HOMESTEAD ASSOCIATIONS**

This Policy Brief was commissioned by the State Council of Hawaiian Homestead Associations (SCHHA) and Hui Kako`o Aina Ho`opulapula (Hui). The SCHHA and Hui work to protect and preserve the Hawaiian Home Lands Trust and envision a trust governed and operated in perpetuity by its beneficiaries. For more information on the SCHHA or Hui, visit their websites at [www.schha.org](http://www.schha.org) and [www.hawaiianlands.com](http://www.hawaiianlands.com)

## **RURAL COMMUNITY ASSISTANCE CORPORATION**

This report was supported by the Rural Community Assistance Corporation (RCAC) to increase access to relevant resources for development in Native Hawaiian trust land areas that are predominantly rural areas of the state of Hawaii.

RCAC is a nonprofit dedicated to helping rural communities achieve their goals and visions by providing training, technical assistance and access to resources. Core services include environmental infrastructure assistance (water, wastewater and solid waste), affordable housing development assistance (single and multi-family) and financing (predevelopment and long term loans). For more information about RCAC, visit the RCAC website at [www.rcac.org](http://www.rcac.org).

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## THE ISSUE

With the Hawaiian Homes Commission Act of 1920 the U.S. Congress established the Hawaiian Home Lands Trust, placing over 200,000 acres of land in trust for native Hawaiian beneficiaries.<sup>1</sup> The trust was created to ensure that land would be available in perpetuity to support the development of adequate housing, facilities, and healthy communities for the native Hawaiian people. Yet, more than 80 years after passage of the Act, native Hawaiians continue to face persistent needs for housing and community development. Homeownership rates for native Hawaiians lag far behind state and national averages and native Hawaiians are twice as likely as non-Hawaiians to live in overcrowded conditions.<sup>2</sup> Unemployment and poverty rates for native Hawaiians are also more than twice the statewide rates; few Hawaiians own their own businesses; and most travel outside their communities to find work.<sup>3</sup>

Using trust lands for housing and community development would help to ease these burdens, but developing Home Lands for these purposes has proven a serious challenge. Home Lands development has been impeded by a number of factors, among them the lack of adequate funding for infrastructure development and funding for community-based efforts in particular. In addition, it is difficult to collateralize Hawaiian Home Lands, limiting conventional financing options. Finally, developers and financial institutions lack an understanding of development on Hawaiian Home Lands that might allow new methods of infrastructure development to emerge.

As of this writing, there were approximately 19,000 beneficiaries on waiting lists for residential Homestead leases. Of the 200,587 acres of trust lands, only about 44,000 acres (less than 25%) had been developed and leased as residential or agricultural homesteads. Another 75,000 acres (38%) had been leased or licensed for non-homestead purposes (i.e., to government or private entities for commercial, industrial, and other uses). Remaining trust lands have yet to be put to use. Hawaiian Home Lands therefore present tremendous potential for development that could bring value to beneficiaries, their communities, their businesses, and to the State of Hawai'i as a whole.<sup>4</sup>

The shortage of infrastructure on Hawaiian Home Lands has constrained residential development and limited the supply of housing. The lack of infrastructure has also discouraged private investment and commercial development needed to expand economic opportunity in Homestead areas.<sup>5</sup> Today, many homestead areas remain

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1 Persons of more than 50% Hawaiian blood or their eligible successors.

2 Housing & Community Development Corporation of Hawai'i, Hawai'i Housing Policy Study Update, 1997; and the HUD 1995 Study of native Hawaiian Housing Conditions.

3 Data from the 2000 Decennial Census.

4 For a complete discussion of the challenges and opportunities related to developing Hawaiian Home Lands CNHA's forthcoming policy brief.

5 U.S. Dept. of Treas., Native American Lending Study, 2001.

without commercial centers or significant business activity. Increased funding for infrastructure development would help to address these dire conditions.

## THIS REPORT

This report identifies key sources of funding available to support infrastructure development on Hawaiian Home Lands, but which are currently untapped or not used for that purpose. It describes these funding programs in some detail and provides guidance on how to access funds from them. The report focuses primarily upon *federal* programs, and on funding for the *construction* of physical infrastructure. It deals in a more limited way with sources of funding for infrastructure planning, operations, maintenance, technical assistance and capacity building related to infrastructure development.

The report is designed primarily to help the community-based organizations identify and tap new sources of federal funding to support infrastructure development. It may also help other stakeholders with an interest in Home Lands development – developers, bankers, state and local agencies, community organizations, and nonprofit entities – understand the issue and craft creative, coordinated approaches to the problem.<sup>6</sup>

In preparing this report, the research team reviewed information on over 200 federal programs from the Catalog of Federal Domestic Assistance related to infrastructure planning, development, maintenance, and technical assistance. Programs that had minimal projected appropriations for 2003 and beyond, or whose basic eligibility requirements precluded their use for Hawaiian Home Lands infrastructure, were eliminated from the list. For the remaining programs, the team conducted a more detailed review of program information focusing primarily on sources of funding for construction. We reviewed authorizing legislation, regulations, guidance, and other program literature and conducted interviews with local, regional and national program officials. Using the collected information, we attempted to distill key lessons on how to access funding for purposes of infrastructure development on Hawaiian Home Lands.

Our findings are reported below in three sections:

- **Section 1** provides 2-3 page profiles of a few key, major sources of funding for construction of physical infrastructure on Hawaiian Home Lands. Each profile provides a summary of eligibility requirements, step-by-step descriptions of the application process, application scoring criteria, and tips on preparing an application.
- **Section 2** provides an inventory of potential funding sources that deserve further exploration. Our preliminary review of these programs indicates that they may be good fits for infrastructure development, planning, operations, maintenance or

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<sup>6</sup> For a more complete treatment of the broader set of challenges and opportunities related to development of Hawaiian Home Lands (including funding for infrastructure) see CNHA's forthcoming policy brief on the subject.

related capacity building. Each program is briefly described and sources of additional information are provided.

- **Section 3** provides some general guidance on how to craft funding proposals, combine funding sources, and make full use of funding opportunities for infrastructure development.

## SUMMARY OF MAJOR FUNDING SOURCES

Our review of scores of federal programs identified five major programs that were ‘best fits’ for purposes of infrastructure development on Hawaiian Home Lands. The programs were selected based upon the following criteria:

1. fit between each program’s stated purpose and the objective of developing infrastructure on Hawaiian Home Lands;
2. area eligibility requirements and the characteristics of homestead communities and populations;
3. applicant eligibility requirements and the characteristics of DHHL or other possible applicants such as Hawaiian Homestead Associations or nonprofit agencies;
4. average award sizes and projected future appropriations levels (as noted, programs with minimal projected appropriations were excluded from consideration);
5. we purposely selected a mix of loan and grant sources given that different applicants (DHHL, Homestead Associations, nonprofits) may have varying ability to borrow or receive grant funds.

The programs profiled in the following section are summarized in the table below. **Together, these five sources represent over \$16 million in available funding for infrastructure in Hawai‘i each year.**

Program	Type	Infrastructure \$
EDA Public Works & Economic Development	Grants	\$ 3,000,000 <sup>7</sup>
HUD Community Development Block Grants	Grants	\$ 1,800,000 <sup>8</sup>
USDA Rural Water & Waste Water Systems	Loans & Grants	\$ 6,000,000 <sup>9</sup>
USDA Community Facilities Loan Guarantees	Loan Guarantees	\$ 1,500,000 <sup>10</sup>
HI DOH Drinking Water State Revolving Fund	Loans	\$ 4,200,000
<b>Total Available for Infrastructure</b>		<b>\$ 16,500,000</b>

<sup>7</sup> Estimated annual Hawai‘i allocation and awards based upon historical funding levels..

<sup>8</sup> Conservatively estimated at 10% of \$18 million total statewide CDBG allocation devoted to infrastructure.

<sup>9</sup> Split \$4,000,000 loans and \$2,000,000 grants.

<sup>10</sup> Conservatively estimated at 3 loans of \$500,000 each.

## **Public Works & Economic Development Facilities Program**

U.S. Department of Commerce, Economic Development Administration (EDA)

**Program Description:** Grants to support the long-range economic development of areas with severe unemployment and low family income problems, and the development of public works infrastructure and development facilities to support private enterprise and help create new, permanent jobs.

**Funding Available (National Pool):** FY2002: \$249,956,037. FY2003 (estimated) \$232,100,000. FY2004 (estimated) \$232,100,000. Average award in FY2002 was \$1,200,000.

**Eligible Applicants:** States, cities, counties, institutions of higher education, other political subdivisions, Indian tribes, Economic Development Districts, and private or public nonprofit organizations or associations acting in cooperation with officials of a Political Subdivision of a State or Indian Tribe. For profit entities are not eligible.

**Eligible Areas:** Projects must be located within an economically distressed area which EDA defines as having one of the following: (1) a 24-month average unemployment rate 1.0% or more above the national average unemployment rate for the same period (see Tips & Guidance below); (2) per capita income that is 80% or less of the national average, according to the most recent data available; or (3) a special need, as determined by EDA, arising from severe unemployment or economic adjustment problems resulting from severe short-term or long-term changes in economic conditions.

**Eligible Projects:** Acquisition, rehabilitation, design and engineering, construction, improvement of public land or publicly-owned and operated development facilities. Projects must: 1) improve the opportunities for the successful establishment or expansion of industrial or commercial plants or facilities; 2) assist in the creation of additional long-term employment opportunities; or 3) benefit the unemployed/underemployed residents of the area or members of low-income families.

*Examples:* Investments in facilities such as water and sewer system improvements, industrial access roads, telecommunications infrastructure improvements needed for business retention and expansion, industrial and business parks, port facilities, distance learning facilities, skill-training facilities, business incubators, and redevelopment of brownfields.

### **Other Requirements:**

- 50% matching fund commitment required. Severely depressed areas, recognized Indian tribes, and Economic Development Districts can qualify for lower matching requirements.

- Projects must be consistent with (and in some jurisdictions, actually listed in) the current EDA-approved Comprehensive Economic Development Strategy (CEDS) for the area in which the project will be located (see Tips & Guidance below).
- This program is eligible for coverage under E.O. 12372, "Intergovernmental Review of Federal Programs." Applicants must obtain written approval of County governments.

### Application Process:

- **Step 1:** Meet with Hawai'i/Pacific Economic Development Representative (EDR) to explore fit with program objectives, current funding priorities, and available funding. Local EDR: Gail Fujita, (808) 541-3391; 300 Ala Moana Blvd, Federal Building, Suite 5180, Honolulu, HI 96813.
- **Step 2:** If preliminary review by the EDR suggests program fit, the EDR will ask the applicant to submit a *project proposal*. Major components of the proposal include:
  - project summary
  - analysis of area eligibility
  - proof of consistency with CEDS
  - explanation and documentation of matching funds
  - project economic development outcomes
  - project Sources & Uses statement
  - project operating Pro Forma
- **Step 3:** EDR reviews proposal, and sends the proposal to the EDA Regional Office for review. Alternatively, the EDR may ask applicant to revise proposal or reject proposal at this stage.
- **Step 4:** EDR schedules a Regional Review Conference between EDR, applicant, and Regional Director. This typically involves applicant making a presentation to EDA officials at the EDA Regional Office in Seattle, Washington.
- **Step 5:** EDA Regional Office invites applicant to submit a *formal application*, or rejects the proposal. The *formal application* is a simple, form-based application that does not require substance beyond the original proposal. Applicants are given 30 days after invitation to complete and submit the formal application.
- **Step 6:** Assistant Secretary of Commerce for Economic Development announces award, normally within 60 days of acceptance by EDA of a fully completed application.
- **Step 7:** Final assistance agreement negotiated between EDA and applicant. Funds are disbursed on a reimbursement basis when documentation of expenditures is provided.

**Application Deadline:** There are no specific deadlines, but proposals received early in the fiscal year have a better chance of receiving funding.

**Application Scoring Criteria:** EDA gives priority consideration to projects that:

- benefit areas with persistently high rates of poverty;
- benefit previously unserved distressed communities and applicants;
- involve innovative partnerships and private investment leveraging;
- support sub-state regional networks and collaborations; and
- benefit areas undergoing significant economic downturns and dislocations.

EDA also considers:

- the quality of the scope of work proposed to address the problem;
- the merits of the activity(ies) for which funding is requested;
- the ability of the prospective applicant to carry out the proposed activity(ies) successfully.

Priorities may change and are published annually in the applicable NOFA. No numeric application scoring criteria are used.

#### **Post Award Requirements:**

- Standard financial and performance reports are required, and special reports for specific projects may be requested.
- Simple requests for reimbursement must be submitted on a monthly basis, or on a basis specified in the assistance agreement.
- All financial and programmatic records, supporting documents, statistical reports, and other records of grantees are must be maintained for 3 years from the date when the final expenditure report is submitted.

#### **Tips & Guidance**

- **Get involved in the CEDS planning process.** All projects must be consistent with the Comprehensive Economic Development Strategy (CEDS) for the affected area. The CEDS is an economic development plan usually drafted by a local government agency with community input, and updated annually. CEDS are usually developed for each County by County government economic development offices. In some cases, a local organization, working in cooperation with the EDR, can develop a “Special-Area CEDS” for a particular neighborhood. The EDR may require that the CEDS include a list of priority projects. In this case, projects not listed in a CEDS may not be eligible for EDA funding. Therefore, applicants should participate in CEDS development and updates to ensure inclusion of their projects. Consult the EDR for additional guidance in this area.

- **Develop a relationship with the EDR.** The EDR is the key determinant of which projects are funded. Regional Office decisions are based primarily upon EDR recommendations. Plan on devoting significant time and energy to meeting with the EDR, negotiating project specifications, and cultivating EDR support for the project.
- **EDA funds can support residential infrastructure.** Any infrastructure development funded from this source must support business or job creation, at least in part. Infrastructure for residential areas can be funded so long as a convincing case is made that the infrastructure is also required for commercial development that will result in job creation.
- **Getting data to determine area eligibility can be tricky.** Areas are usually qualified on the basis of high unemployment. To qualify, the unemployment rate of the area in which the project is located must be 1.0% higher than the national average for the most recent 24-month period for which data is available. Monthly unemployment data for sub-County areas including Census Tracts, Block Groups, Places, and Homestead Communities is only available upon request from the State Department of Labor & Industrial Relations, Research & Statistics Office, and is not available from the Census Bureau or other federal sources of data.
- **Secure other funding to cover up-front planning and construction costs.** EDA funds are disbursed for costs incurred, and are generally not disbursed until after all contracts for construction have been awarded. Funding for pre-development and initial construction costs must be secured from other sources, such as a line of credit, or other grant funding source.

### Legislation & Regulations

Public Works and Economic Development Act of 1965, as amended; 42 U.S.C. 3141, Section 201, Public Law 105-393; 112 Stat. 3596; Title 13 CFR Chapter III, Part 302, 304, 305, 316, 314 and 317.

## Drinking Water State Revolving Fund

Hawai'i Department of Health, Safe Drinking Water Branch<sup>11</sup>

**Program Description:** The U.S. Environmental Protection Agency (EPA) makes grants to each state to capitalize a Drinking Water State Revolving Fund (DWSRF). States then use DWSRFs to provide low-interest loans to eligible public water systems for infrastructure improvements. Hawai'i's DWSRF charges interest of 0% to 2%, with terms of up to 20 years. The primary purpose of the program is to fund improvements that help protect drinking water from public health threats and ensure system compliance with state and federal regulations.

**Funding Available (Hawai'i Only):** FY2002: \$21,884,338 available for loans. Average annual loan volume is \$4,200,000 per year with average loan size of \$876,000. Funding is projected to continue at current levels.

**Eligible Applicants:** Public water systems, both privately and publicly owned, and nonprofit non-community water systems. The Clean Water Act defines a public water system as a system of pipes or other constructed conveyances which regularly serves at least 15 service connections or at least 25 individuals.

**Eligible Projects:** Public water system infrastructure improvement projects that facilitate compliance with national drinking water regulations or otherwise protect the public health of consumers. The fund cannot provide funding for dams, new reservoirs, or projects that are *primarily* intended to serve future growth (but see Tips & Guidance for details).

*Examples:* Construction or upgrading of water treatment facilities; installation or upgrade of treatment and disinfection facilities; consolidation and interconnection of public water systems to address technical, managerial and financial capacity issues; replacement of aging infrastructure; replacement/rehabilitation of transmission lines, storage facilities, distribution facilities; installation of water meters and backflow prevention devices.

### Other Requirements:

- To qualify for funding, projects must be identified in the State Intended Use Plan (IUP) – a plan identifying intended uses of the DWSRF and listing priority projects. An IUP is prepared annually by the State and submitted to EPA for approval (see Tips & Guidance below).
- Systems must have adequate technical, managerial and financial (TMF) capability to improve and maintain the water system or prove that DWSRF funding will create adequate capacity to do so.

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<sup>11</sup> Federal funds to support the State program are provided by the Environmental Protection Agency.

- Each loan recipient must establish a “dedicated source of revenue” to repay the loan or demonstrate that there is adequate security for repayment of the principal and interest (e.g., a pledge of revenues from user charges; pledge of accounts receivable).

### **Application Process:**

- **Step 1:** Consult with the DWSRF representative: Denise Dang, Drinking Water State Revolving Fund, Safe Drinking Water Branch, State Department of Health, 586-7527 or 586-4258.
- **Step 2:** Submit project proposal. Proposals are submitted on a simple two-page form that can be obtained from DWSRF. Major components include:
  - brief project description
  - income and poverty data for the service area
  - project purpose (health or other need to be addressed)
  - project type (potable water source, treatment facility, storage, etc.)
  - project function (build new facility, upgrade facility, etc.)
  - estimated project schedule
  - estimated project costs
  - description of current capacity and compliance issues
- **Step 3:** DWSRF approves proposal and includes project in IUP list of priority projects for the following year.
- **Step 4:** Applicant completes planning, engineering, and environmental reviews and obtains all required approvals. DWSRF provides guidance.
- **Step 5:** DWSRF requests additional information for loan processing. Examples of additional information include:
  - planning and engineering documents;
  - environmental reviews;
  - financial projections and feasibility analysis.
- **Step 6:** DWSRF reviews all materials and approves loan application, often with pre-closing conditions.
- **Step 7:** Applicant fulfills pre-closing conditions, negotiates final terms and conditions of loan with DWSRF.
- **Step 8:** Loan closed and funded.

### **Application Scoring Criteria:**

EPA mandates that projects be prioritized if they: (1) address a serious risk to human health; (2) are necessary to ensure compliance with the requirements of the federal Safe Drinking Water Act; and (3) assist systems most in need of affordable clean water according to criteria determined by the State. The Hawai'i DWSRF prioritizes projects using a system that awards points to proposed projects in the following areas:

- **Acute Health Problem.** Up to 100 points are given to projects that seek to correct acute health problems (e.g., 80 to 100 points for a waterborne disease outbreak, 80 points for total coliform).
- **Chronic Health Problem.** Up to 80 points are given to projects that seek to correct chronic health problems (e.g., 60-80 points for non-compliance with the Lead & Copper Rule, 50 points for infrastructure improvements or replacements which help provide safe drinking water).
- **Other Public Health Criteria.** 10 to 25 points are given to projects for systems whose only source of water is affected by the project. Points will be given at the Director's discretion for projects that correct damage by natural disaster.
- **Consolidation/Prevention/Conservation.** Additional points are given to projects that seek to implement other measures (e.g., 50 points for consolidation of systems serving up to 10,000 people, 10 to 15 points if the project addresses DOH compliance orders, 10 points for water conservation programs).
- **Project readiness** (e.g., environmental review complete, engineering and construction plans approved by DOH) is also considered.

#### Post Award Requirements:

- Borrower must maintain compliance with state and federal regulations affecting public water systems and maintain adequate technical, managerial and financial (TMF) capacity to operate the water system efficiently and properly after its construction.
- Compliance with any conditions, covenants, and reporting requirements negotiated between the borrower and the DWSRF and articulated in the loan agreement and other loan documents.

#### Tips & Guidance

- **Get involved with IUP development and updating process.** DWSRF accepts project proposals and recommendations for the IUP beginning in October of each year. The IUP is drafted in January and made available for public comment from February to April. The final IUP is submitted to EPA by June. Consult the DWSRF representative on how to be included in the plan development and update process.
- **Projects that support new residential growth must be carefully crafted.** The DWSRF discriminates against projects intended to support new residential growth. If the *primary* purpose of the project is to supply or attract growth, the project is not eligible for funding. However, DWSRF can fund the *expansion* of systems to accommodate growth if a portion of the project is dedicated to solving a compliance or public health problem. Project proposals must be based upon assumptions of "reasonable growth" projected over the useful life of the system.

The State gauges “reasonable growth” based on population and other data supplied by the applicant. *Because there is substantial unmet demand for housing on Hawaiian Home Lands (evidenced by a large and growing waiting list for homesteads) a range of growth scenarios can probably be justified.*

- **Carefully craft proposals for creation of new water systems.** The DWSRF program criteria discriminate against construction of new water systems. However, the program can be used to fund new systems under certain conditions. New systems will be funded if they address an existing public health problem caused by unsafe drinking water provided by individual wells or surface water sources. New system projects must also meet the following conditions:
  - upon completion of the project, the entity responsible for the loan must meet the definition of a federal community public water system;
  - the project must be on the State’s fundable list of projects in its IUP and must address an actual public health problem with serious risks;
  - the project must be limited in scope to the specific geographic area affected by contamination;
  - the project can only be sized to accommodate a reasonable amount of growth expected over the life of the facility—growth cannot be a substantial portion of the project;
  - the project is a cost-effective solution to solving the public health problem.
- **Support for privately-owned water systems coming soon.** The DWSRF is currently working to establish a program to fund privately owned public water systems. This would allow eligible private developers/owners (e.g., Homestead Associations) to receive DWSRF funds to develop or improve water systems. It would also mean that DHHL could work with Homestead Associations to craft project proposals and leverage funding (see section on Strategic Funding Considerations, below).

## Legislation & Regulations

Safe Drinking Water Act Amendments of 1996, Section 130, Public Law 104-182.; 40 CFR Part 31; 40 CFR Part 35, Subpart L; Hawai`i Revised Statutes 340E-35 to 41; Hawai`i Administrative Rules 11-65.

## **Water and Waste Disposal Systems for Rural Communities**

U.S. Department of Agriculture, Rural Utilities Service (RUS)

**Program Description:** Loans and grants for water and waste projects (water, sewer, storm water, and solid waste disposal facilities) serving financially needy, rural communities. Loans and grants are awarded in combination, on a competitive basis with other Hawai'i applicants. Loan terms of up to 40 years and interest rates of 5% to 7%. Accompanying grant awards can cover up to 75% of costs (see Tips & Guidance).

**Funding Available (Hawai'i Only):** FY2003: \$4,000,000 (loans), \$2,100,000 (grants). Sustained levels of funding are projected for this program. No projects have been funded for Hawai'i this year (see Tips & Guidance below).

**Eligible Applicants:** Eligible applicants include public bodies such as a municipality, county, district, or other political subdivision of a state. Nonprofit organizations including associations and cooperatives are eligible if they are publicly controlled or have ownership/membership from the local community. The applicant must have the ability to obtain, pledge security for, and repay the proposed loan.

**Eligible Areas:** Any service area with a population less than 10,000.

**Eligible Projects:** Funds may be used to: 1) construct, enlarge, extend, or otherwise improve rural water, sanitary sewage, solid waste disposal, and storm wastewater disposal facilities; 2) construct or relocate public buildings, roads, bridges, fences, or utilities and to make other public improvements necessary for completion of projects outlined above; 3) relocate private buildings, roads, bridges, fences, or utilities for completion of projects outlined above; 4) pay other utility connection charges as provided in service contracts between utility systems. Ineligible costs include facilities which are not modest in size; new construction of combined storm and sanitary sewer facilities; and the portion of the project costs normally provided by a business or industrial user, such as wastewater pretreatment, etc.;

### **Other Requirements:**

- Grants are made only in conjunction with a loan from this program or from another source, and are intended to keep user costs at an affordable level by reducing debt service costs passed on to consumers in the form of rate hikes. Applicants will be considered for grant assistance when the debt service portion of the average user rate exceeds: (a) 0.5% of the average user rate when the median household income in the service area is below 80% of the statewide non-metro median income; or (b) 1.0% when the service area median household income is between 80% and 100% of the statewide non-metro household income.
- All projects must be based on revenue projections that include income from taxes, assessments, fees, or other sources of income in amounts sufficient to

provide for facility operation and maintenance, reasonable reserves, and debt repayment.

- Water and waste applicants must demonstrate that they possess the technical, managerial, and financial capability (TMF) necessary to consistently comply with pertinent federal and state laws and requirements. In developing water and waste systems, applicants must consider alternatives of ownership, system design, and the sharing of services.
- An Environmental and Engineering Report must be included with the application package. Guidance for completion of engineering reports can be obtained from RUS bulletins 1780-2 through 1780-5 available at [www.usda.gov/rus/water/regs-bulletins.htm](http://www.usda.gov/rus/water/regs-bulletins.htm), or by calling the local RUS representative (see below).

### **Application Process:**

- **Step 1:** Contact the Rural Utilities Service (RUS) Hawai'i Program Director Ted Matsuo (808) 933-8310 to discuss general specifications of project. Applicants are encouraged to contact the office *early* in the planning stages of their project.
- **Step 2:** Upon general approval from RUS Director, submit a Notice of Intent of file Application RUS 1780.19, provided by the RUS Hawai'i Office.
- **Step 3:** Complete project planning and engineering report, and environmental reviews. These components are required as part of a completed application.
  - The preliminary engineering report (PER) may be submitted to the processing office prior to the rest of the application if the applicant desires a preliminary review. A RUS staff engineer will review the PER and provide feedback to the applicant.
- **Step 4:** Completed application package is submitted to the Rural Utilities Service office. A completed application includes:
  - project summary including project scope, service area, and area population/income data;
  - projected operating budget including projected user fees;
  - supporting documentation such as financial statements, audits, etc;
  - two copies of the preliminary engineering report (PER) for the project;
  - applicant's Internal Revenue Service, Taxpayer Identification Number (TIN).
  - written certification that other credit is not available;
  - information on any existing debt;
  - federal form SF 424.2;
  - Environmental Report;
  - State intergovernmental comments;
  - other forms and certifications (local RUS office will provide guidance).
- **Step 5:** Determination is made by RUS concerning the completeness of the application. If additional documentation is needed the applicant is notified within 15 federal working days.

- **Step 6:** Once the application is complete, the applicant is advised within 45 days concerning eligibility and anticipated fund availability.
- **Step 7:** Closing instructions are transmitted from the Office of General Counsel to the Hawai'i RUS Office. RUS holds a closing meeting with the applicant and its engineer, attorney, and other appropriate representatives, to review closing requirements.
- **Step 8:** Applicant fulfills closing requirements.
- **Step 9:** Loan closed and funded.
- **Note:** Grants and loan documents are usually executed simultaneously. Grant funds are disbursed on an as-needed basis, typically after loan funds have been exhausted.

### Application Scoring Criteria:

The Rural Utilities Services sets forth the following priority scoring criteria:

- **Population:** Up to 25 points, smaller population areas score higher (e.g., project serves up to 1,000 = 25 points)
- **Health:** Up to 25 points if project protects public health, more urgent health threats score higher (e.g., project alleviates emergency situation = 25 points)
- **Income:** Up to 30 points, lower income areas score higher (e.g., Median Household Income (MHI) is less than the poverty line = 30 points; less than 80% of the MHI = 20 points)
- **Other:** Other priorities include amount of funds committed, if the project meets an Agency identified target area, if the project merges ownership for greater efficiency, if the project modifies existing facilities to serve additional rural residents, etc. Information on these priorities can be obtained in RUS Bulletin 1780-1.

### Post Award Requirements:

- A quarterly management report will be required for the first year, and annual management reports thereafter. Management reports must include summary of prior decisions, future plans and financial strategies, a proposed "Annual Budget", financial statements including Balance Sheet, Income Statement and Projected Cash Flow, and a copy of the rate schedule.
- Owner must implement a contract administration system that includes a Preconstruction Conference; monitoring reports that document reasons for schedules not being met, cost overruns, etc.; inspections and inspector's daily diary; payment for work completed; prefinal inspections; final inspection.
- The applicant shall be responsible for operating, maintaining, and managing the facility, and providing for its continued availability and use at reasonable user rates and charges. This responsibility shall be exercised even though the facility

may be operated, maintained, or managed by a third party under contract or management agreement.

### Tips & Guidance

- **Build working relations with the Program Staff.** Establish a relationship with Rural Development staff and include them in the earliest stages of planning and development. Preliminary discussions with RUS Program Director indicate that infrastructure projects on Hawaiian Home Lands are eligible and that RUS is willing to work with the Department to develop strong applications.
- **Little competition for funding – funding may revert to national level.** At present, there is little competition in Hawaii for RUS Water and Wastewater loans and grants. As of this writing there were no Hawai'i projects obligated for FY03. If Hawai'i's allocation is not obligated, 70% of the state allocation reverts to the National Office reserve. A full and complete application submitted by the Department or other eligible applicant is likely to receive favorable review.
- **Income and population data to determine eligibility.** Income and population data required to determine eligibility are available from the 2000 Decennial Census. In 2000, for the first time in its history, the Census made data available by Homestead community. The data can be downloaded free of charge for any homestead community via the American Fact Finder website at <http://factfinder.census.gov/servlet/BasicFactsServlet>. Click "Search" tab, then "Geography" tab, "Show more selections.." box, then use drop menu to select "Off Reservation Trust Land/Hawaiian Home Land."
- **Maximum grant award determination.** Grants can cover 75% of total project costs if the median household income of the service area is less than the poverty line or 80% of the state non-metro median income *and* if the project is necessary to alleviate a health or sanitary problem. Grants can cover 45% of project costs if median household income of the service area is greater than 80% but less than 100% of the state non-metro median household income.
- **Homestead Associations are eligible recipients.** Under the requirements of the RUS program, it is possible for a Homestead Association to be the recipient of RUS funds and to develop, own and operate its own water system, so long as user fees or other income can cover operations, maintenance, and debt service. In such cases, the membership must authorize the project and its financing through a resolution to borrow.

### Legislation & Regulations

Section 306 of the consolidated Farm and Rural Development Act, as amended 7 U.S.C. 1926 public law 92-419; National Environmental Policy Act of 1969 as amended (42 U.S.C. 4321-4346); RUS Instruction 1780.

## Community Facilities Loan Guarantee Program

U.S. Department of Agriculture, Rural Housing Service

**Program Description:** Provides guarantees of up to 90% on private loans that would not otherwise qualify for financing, so long as the loan is made for the purpose constructing, enlarging, extending, or improving community facilities providing services to rural residents.

**Funding Available (National Pool):** FY03 \$250,000,000 in guarantees. Loans guaranteed range from \$50,000 to \$12,000,000, with average at \$859,283.

**Eligible Applicants:** State and county government agencies; political and quasi-political subdivisions of states and associations, including corporations, Indian tribes on federal and state reservations and other federally recognized Indian tribes; and nonprofit corporations. Applicants must have authority to construct, operate, and maintain the proposed facility; for obtaining, securing, and repaying a loan; and must be unable to finance the proposed project through commercial credit at reasonable rates and terms.

**Eligible Areas:** Census Designated Places with populations under 20,000.

**Eligible Projects:** Essential community facilities must meet all of the following criteria:

- provide an essential public service to the local community;
- be needed for the orderly development of the rural community and considered a public improvement;
- does not include private, commercial or business undertakings; and
- includes significant community support.

Community facilities include but are not limited to those providing or supporting overall community development such as child care facilities, assisted-living facilities, mental health clinics, and education facilities. Community facilities also include community centers, transportation systems, industrial park sites, access ways, and utility extensions. Guaranteed loans may be used to construct, enlarge, or improve such community facilities.

### Other Requirements:

- Repayment of the loan must be based on tax assessments, revenues, fees, or other sources of revenue sufficient for operation and maintenance, reserves, and debt retirement.
- Feasibility studies are normally required when loans are for start-up facilities or existing facilities when the project will significantly change the borrower's financial operations. The feasibility study should be prepared by an independent consultant with expertise in the type of facility planned.

- Only projects in areas with a population under 20,000 are eligible for a loan guarantee under this program. Data must come from the latest Decennial Census.
- Note that the private lenders' underwriting requirements will apply.

### **Application Process:**

- **Step 1:** Contact a lender experienced with the Community Facilities loan guarantee program, preferably an alternative, non-bank lender with flexible underwriting criteria. Examples include:
  - Hawai'i Community Loan Fund/RCAC ([www.hclf.org](http://www.hclf.org))
  - Hawai'i Lending Specialists ([www.hawaiilendingspecialists.com](http://www.hawaiilendingspecialists.com))
  - National Community Bank ([www.ncb.org](http://www.ncb.org))
- **Step 2:** Submit loan application. Application requirements will vary between lenders, but typically include:
  - project description
  - community description (including area population of under 20,000)
  - development impact
  - property appraisal (if collateral)
  - development team qualifications
  - borrower financial statements
  - final plans and specifications
  - Environmental Assessment
  - feasibility study (3<sup>rd</sup> party)
  - project Sources and Uses statement
  - construction contract (line items)
  - operating pro forma
- **Step 3:** Loan review. Lender reviews loan application and begins the process of applying to USDA for the Community Facilities loan guarantee.
- **Step 4:** Lender approves (usually with conditions or pre-closing requirements), denies, or asks for additional information. One of the conditions of final approval may be approval by USDA of the loan guarantee.
- **Step 5:** Pre closing conditions. Borrower must comply with pre-closing conditions and provide additional information to the lender.
- **Step 6:** Once the lender receives the guarantee approval from USDA, and all pre-closing conditions are met by the borrower, the loan is closed and funded.

### **Application Scoring Criteria:**

Note that the lender, not the borrower, applies to USDA for the loan guarantee. While it helps for the borrower to understand the basic eligibility requirements of the Community Facilities program, the lender will interact directly with USDA to secure the guarantee.

Therefore, the borrower should focus on meeting loan criteria specified by the lender, and on providing the lender any additional information requested. Lending standards will differ between lenders, but the following are commonly assessed factors:

- **Loan-to-Value Ratio.** Loan Amount / Collateral Appraised Value. Most lenders allow a maximum ratio of 0.80.
- **Quality of Security.** Lenders will examine whether collateral can be easily liquidated, whether its condition can be maintained, whether it can be easily removed or stolen, etc.
- **Debt Service Coverage Ratio.** Projected Cash Flow / Debt Service. Most lenders require a ratio of 1.20 or better.
- **Borrower's Management Capacity.** Qualifications of development team and management team will be considered.
- **Borrower's Financial Conditions.** Most recent financial statements of the borrowing entity will be reviewed to gauge financial health.
- **Impact on Low-Income Population/Rural Areas.** Alternative lenders may weigh this along with other underwriting criteria.

Alternative lenders with flexible underwriting criteria may not have strict rules about thresholds or minimum ratios as conventional lenders do. For example, an alternative lender with a rural development mission may accept unconventional collateral or a higher loan-to-value ratio if the project promises to benefit a rural community.

#### **Post Award Requirements:**

Varies widely between lenders. USDA requires that lenders provide periodic reports on actual performance during the construction of each project.

#### **Tips & Guidance:**

- **Work with alternative lenders to make the most of the program.** Unlike many USDA loan guarantee programs this program can guarantee loans to private nonprofit organizations to support community projects, facilities, or infrastructure system development. Collateral and loan to value ratios may limit the amount that can be borrowed from conventional sources like banks. Working with alternative, non-bank lenders that have flexible underwriting requirements can increase financing amounts. Non-bank lenders with experience using the Community Facilities program include the Hawai'i Community Loan Fund and Hawai'i Lending Specialists (see above). National agencies that provide financing with Community Facilities guarantees include the National Community Bank, Rural Community Assistance Corporation, and Rural Local Initiatives Support Corporation.
- **Interest rates and terms on guaranteed loans.** The interest rates are determined by the lender and are not set by USDA. Loan repayment terms may

not exceed the applicant's authority (under State law or organizational structure), the useful life of the facility, or a maximum 40 years.

### **Legislation & Regulations**

7 CFR 1942, subpart A, Community Facilities Loans; 7 CFR 1942, subpart C, Fire and Rescue Loans; 7 CFR 3575, subpart A, Community Facilities Guaranteed Loans; 7 CFR 3570, subpart B, Community Facilities Grants.

## Community Development Block Grant Program

U.S. Dept. of Housing & Urban Development and County Governments

**Program Description:** The U.S. Department of Housing and Urban Development (HUD) provides formula block grants to Counties for housing, community development, and economic development activities that benefit low and moderate income (< 80% of State or County Median income) individuals. In Hawai'i, each County receives a CDBG allocation and uses a portion of it for County public improvements. The majority of the County's allocation is sub-granted to projects that benefit low and moderate income persons.

**Funding Available (Hawai'i Only):** Funding varies by County. Honolulu County receives approximately \$13,000,000 annually; other Counties receive \$1,000,000 to \$2,000,000 annually. Average size of sub-grants by Counties vary accordingly with Honolulu County providing grants of up to \$1,000,000 for projects. Funding is projected to continue at these levels.

**Eligible Applicants:** Counties are eligible to receive CDBG funds directly from HUD. Counties then sub-grant CDBG funds to nonprofit organizations and, in some cases, private corporations.

**Eligible Areas:** Generally, low to moderate income (LMI) areas and slums or blighted areas. However, projects can be located in other areas so long as principal beneficiaries are LMI individuals (see definition of LMI above).

**Eligible Projects:** Projects must meet **two** central criteria set by HUD regulation:

- (1) **National Objective.** Projects must promote **one** of the three National Objectives of the CDBG program:
  - Objective 1: benefit low or moderate income individuals, determined in **one** of four ways:
    - (1) area eligibility (if the population of an area served is more than 51% LMI),
    - (2) limited clientele (if more that 51% of clients served directly by the project are LMI),
    - (3) housing units (if a housing project, more than half of the units must be made available to LMI individuals), **or**
    - (4) job creation (if a job creation project, more than half of the jobs resulting must be made available to LMI individuals).
  - Objective 2: eliminate slums or blight.
  - Objective 3: address an urgent community need.

**Note:** Most CDBG projects achieve eligibility by meeting one of the test under National Objective 1 – benefit to LMI individuals.

- (2) **Eligible Activity.** Projects must be an Eligible Activity under the CDBG program. Eligible activities most relevant to infrastructure development include:
- acquisition, construction, rehabilitation, or installation of *public facilities and improvements* (this can include water systems, sewer lines, treatment facilities, or components thereof);
  - acquisition, construction, rehabilitation or installation of distribution lines and facilities of *privately owned utilities* (including the placing of new distribution facilities and lines);
  - clearance or rehabilitation of existing structures;
  - construction of housing, and funding of housing assistance programs;
  - special economic development activities, and technical assistance.

**Note:** Projects must both serve a National Objective and be an Eligible Activity to qualify for CDBG funding.

### **Application Process:**

Application processes and forms vary from County to County. Contact the County Office of Community Development, Community Services, or Budget Office of the County in which the project is located for specific information and forms. Proposals generally must include:

- project summary, including the Census Tract the project is located in
- LMI Benefit (including which LMI test the project meets) or other National Objective
- description of the Eligible Activity(ies) for which funds will be used
- project budget
- project timeline
- applicant financial statements
- in addition, Honolulu County requires a business plan with:
  - management profile
  - anticipated outcomes
  - financial projections

Project readiness (planning, permitting) will be weighed more heavily beginning in FY2003, particularly in Honolulu County where sub-grantees have been slow to draw down funds, threatening the County's CDBG allocation.

### **Application Scoring Criteria:**

- See National Objectives and Eligible Activities described above. Aside from the National Objectives and Eligible Activities, Counties have the authority to determine project priorities. No County in Hawai'i has articulated a clear set of CDBG funding priorities or application scoring/ranking criteria. Instead, funding decisions are made by County Administrations and County Councils on a project-by-project basis.

### Post Award Requirements:

- CDBG funds are sub-granted on a cost-reimbursement basis. Therefore, accounting and monthly reimbursement requests (in some cases bi-monthly reimbursement requests) for sub-grantees are required.
- Different Counties interpret federal reporting and compliance regulations in different ways. Check with the County Office of Economic Development or Budget Office for the County's reporting requirements.

### Tips & Guidance

- **Work with the Counties in Consolidated Plan Development or with Sub-Grantees.** There are two possible approaches to accessing County CDBG funds to support infrastructure development on Hawaiian Home Lands:
  - (1) Work with the Counties during their Consolidated Plan development process to have homestead infrastructure projects included in the County Consolidated Plans. The Plans define priority uses of CDBG funds (including the portion of CDBG funds that can be used for public improvement projects that do not necessarily target LMI individuals). If infrastructure development in a homestead community or communities is listed among the Consolidated Plan priorities, the County will either conduct the project itself using CDBG funds or make CDBG sub-grants to another organization to carry the project out.
  - (2) Work with Homestead Associations or other private nonprofit organization to have *them* apply for County CDBG sub-grants to develop infrastructure on Hawaiian Home Lands. This will require working with the County Administration and County Council in the County where the project is located, in order to have the project included in the County Budget.
- **The City & County of Honolulu can afford to fund larger infrastructure projects.** The City & County of Honolulu receives the largest CDBG allocation of all the Counties. It is probably the only County which can provide sizable grants (greater than \$500,000) for infrastructure development. For other Counties, average award sizes will be smaller, and may be used to cover infrastructure project planning, pre-development costs, or smaller construction projects.
- **Current pressures make DHHL infrastructure a more attractive candidate for funding.** At the time of this report, the City & County of Honolulu was under pressure from the U.S. Dept. of Housing & Urban Development to expedite CDBG spending or face having funding levels cut. This pressure may encourage the City & County to fund larger projects, and applicants with proven capacity to develop projects and draw down funds in a timely manner. Infrastructure development on Hawaiian Home Lands may be viewed by Honolulu County as a

good candidate for CDBG funding given: (a) DHHL's development experience, (b) the large sums of funding needed to develop infrastructure, and (c) the fact that many homestead areas fit CDBG eligibility requirements.

- **A special “upper quartile” rule makes more areas on eligible for CDBG.** In most jurisdictions, CDBG projects must benefit an area or service population that is more than 50% LMI. However, in the case of Honolulu County, a special rule applies called the “upper quartile” rule which effectively lowers this percentage to about 44%. This allows more areas and projects to meet the LMI benefit National Objective in the County of Honolulu. For additional information on the “upper quartile” rule and how it affects your project consult the local CDBG Program Specialists at the HUD Hawai'i Office.
- **HUD 108 Loan Guarantees and EDI Grants are untapped resources related to CDBG.** As recipients of CDBG funding, the Counties have the option to apply to HUD for loan guarantees equivalent to 5 times their annual CDBG allotment. For instance, Honolulu County receives \$13 million in CDBG funds per year, and could apply for loan guarantees of up to \$78 million from HUD. These CDBG Section 108 Loan Guarantees allow the Counties to borrow up to the guaranteed amount to fund projects that meet CDBG requirements. Accessing the 108 Loan Guarantees also makes projects eligible for CDBG Economic Development Initiative (EDI) Grants of up to \$1 million per project. Neither the 108 Loan Guarantees nor the EDI Grants have been used by Counties in Hawai'i.

### Legislation & Regulations

24 CFR 570.200 to 570.209. See also “Community Development Block Grant Program, Guide to National Objectives and Eligible Activities for Entitlement Communities” available from the HUD Hawai'i Office.

## OTHER PROGRAMS TO EXPLORE

The five programs profiled in the previous section represent the best opportunities to obtain federal resources for the purpose of infrastructure development on Hawaiian Home Lands. These “best fit” programs were selected based upon funding availability, average award size, eligibility requirements, and program priorities. However, our review of federal funding sources identified several other programs that might also support various aspects of infrastructure development. While these programs are not “best fits” for the purpose of infrastructure construction, they can be used to support infrastructure development do support activities such as infrastructure planning, feasibility studies, improvements to existing systems, technical assistance or community capacity building. Each program is briefly described below.

- **HI DOH Water Pollution Control Revolving Fund.** The EPA capitalizes Water Pollution Control Revolving Funds (WPCRFs) similar to the DWSRFs profiled in the previous section. WPCRFs provide low-interest loans to plan, design, and construct publicly owned wastewater treatment works. The program prioritizes projects that prevent water pollution or protect water quality (e.g., treatment facility construction; sewer collection systems; infrastructure to control runoff). The Hawai'i WPCRF has \$65,000,000 available for loans. Average loan size is \$5,000,000. EPA regulations allow for a wide range of eligible applicants, from government agencies to community groups, nonprofits, and even farmers, homeowners, small businesses. However, Hawai'i has historically limited eligibility to the Counties. Working with the State Department of Health to broaden eligibility consistent with the intent of the authorizing federal legislation would allow DHHL to make full use of this funding source. For more information contact George Woolworth, Wastewater Branch, State Department of Health, (808) 586-4294.
- **DHHS Community Services Block Grant, Discretionary Awards.** **Discretionary Community Service Block Grants (CSBGs)** are provided to support program activities of national or regional significance to alleviate the causes of poverty in distressed communities. The program has several specific areas of priority including a better standard of living for rural, low-income individuals in terms of **water and waste water treatment**. A project must be designed to address the needs of a specific segment of low-income individuals or families. Awards are granted on a competitive basis and are announced in the federal register. The program is coordinated through the federal Office of Community Services within the U.S. Department of Health and Human Services. The average grant award \$300,000. Further information is available at [www.acf.dhhs.gov/programs/ocs](http://www.acf.dhhs.gov/programs/ocs).
- **USDA Rural Economic Development Loans & Grants.** These grants and loans can be used for rural economic development and job creation projects, including funding for project feasibility studies, start-up costs, incubator projects, and other reasonable expenses for the purpose of fostering rural development.

The maximum grant award is \$200,000 and the maximum loan amount is \$450,000 (up to 10 years at 0% interest). Applications and inquiries should be directed to the state rural economic development officer. There are no specific deadlines. Further information is available at [www.rurdev.usda.gov](http://www.rurdev.usda.gov) or from the Hawai'i Rural Development Office at (808) 322-9351.

- **USDA Rural Business Enterprise Grants.** Rural Business Enterprise Grant (RBEG) funds may be used to develop, construct or acquire land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, water supply and waste disposal facilities, and other supports or facilities needed to assist small and emerging private businesses in rural communities. Applicants eligible for RBE grants are public bodies and nonprofit corporations serving rural areas such as States, counties, cities, townships, and incorporated towns and villages, boroughs, authorities, districts and Indian tribes on Federal and State reservations which will serve rural areas. Pre-applications can be obtained from and submitted to the local Rural Development Office. No deadlines. Awards range from \$2,000 to \$500,000 with average awards of \$83,000. Further information is available at [www.rurdev.usda.gov](http://www.rurdev.usda.gov) or from the Hawai'i Rural Development Office: (808) 322-9351.
- **USDA RUS Training and Technical Assistance Grants.** This program provides grants to private nonprofit organizations to administer technical assistance and training to small communities experiencing water and waste disposal problems. Technical assistance providers are funded by USDA to help communities identify and evaluate solutions to water problems; to assist applicants that have filed a pre-application with RUS in the preparation of their applications; and to provide training that will improve the management, operation and maintenance of water and waste disposal facilities. Average award size is \$1.5 million. Pre-applications must be filed between October 1 and December 31 of each fiscal year. For more information contact the Hawai'i Rural Development Office: (808) 322-9351.
- **HUD Rural Housing & Economic Development Program.** This program provides capacity building and direct program grants for innovative rural housing and economic development activities. Eligible applicants include local rural non-profits, community development corporations (CDCs), and state community and/or economic development agencies. *Capacity building grants* help organizations enhance their own ability to deliver rural housing and economic development services. They can be used to cover the cost of hiring and training staff, purchasing software and other tools, obtaining expertise from outside sources, developing an accounting system, and developing strategic plans. *Direct program grants* fund innovative housing and economic development activities. They can be used to cover the cost of preparing project plans, acquiring land and buildings, developing infrastructure, and providing homeownership and financial counseling. More information is available at: [www.hud.gov/offices/adm/grants/nofa/grprural.cfm](http://www.hud.gov/offices/adm/grants/nofa/grprural.cfm).

- **EDA Economic Adjustment Assistance.** Grants from this program help local agencies design and implement strategies to adjust or bring about change to an economy. The program focuses on areas that have experienced or are under threat of serious structural damage to the underlying economic base. Such economic change may occur suddenly or over time, and generally results from industrial or corporate restructuring, new Federal laws or requirements, reduction in defense expenditures, depletion of natural resources, or a natural disaster. Projects should aid the long-range economic development of areas with severe unemployment and low family income problems; or aid in the development of public facilities and private enterprises to help create new, permanent jobs. The program will fund 50% of project costs. As with other EDA programs, coordination should begin with the local Economic Development Representative (EDR). No specific deadlines. Further information is available at [www.doc.gov/eda](http://www.doc.gov/eda) or from the EDR Gail Fujita at (808) 541-3391.
  
- **EDA Economic Development Technical Assistance Grants.** This program provides grants to pay for technical assistance which promotes economic development and alleviates under-employment and unemployment in distressed areas. The program provides funds to support innovative economic development projects and finance feasibility studies and other projects leading to local economic development. The program aids the long-range economic development of areas with severe unemployment and low family income problems; aids in the development of public facilities and private enterprise to help create new, permanent jobs. Applicants should submit proposals, following the format specified in 13 CFR 304, through an Economic Development Representative. Grants range from \$10,000 to \$220,000. The average grant for Local Technical Assistance projects, \$53,000. Further information is available at [www.doc.gov/eda](http://www.doc.gov/eda) or from the EDR Gail Fujita at (808) 541-3391.

## STRATEGIC FUNDING CONSIDERATIONS

The previous sections focused on providing information and guidance specific to individual funding programs. This section provides general, strategic guidance related to maximizing funding from federal funding sources, and on combining these sources to support infrastructure projects. Seven specific recommendations are offered below.

- **Be creative about qualifying areas and determining eligibility.** Several of the programs described in this report have geographic eligibility requirements – that is, they base funding eligibility upon the characteristics of the area surrounding the proposed project. There are a variety of geographic boundaries that can be used to define a project’s “community” or “service area.” The Census Tract, Census Designated Place, Census Block Group, County, or Hawaiian Homestead area in which a project is located might all be reasonable definitions of its area. Qualifying for funding may require careful thinking about how to define the project service area using these geographic boundaries. If one bounded area is not eligible for funding under a program, it may be necessary to gerrymander the project area, grouping homestead communities, Census Tracts, Block Groups or other geographic units together to define an area that does qualify. For example, while a homestead community may not qualify for funding, perhaps the entire Census Tract of which it is a part, does. Conversely, an entire homestead community may not be eligible, but a smaller area within the community defined by a few contiguous Census Block Groups, might be. Data and maps that can be used to identify eligible areas (and areas within areas) may be available from County Offices of Economic Development, or from the local HUD office.
- **Combine multiple sources of funding for a single project.** Only in the rarest cases can all components of a project be funded from a single source. As the previous sections illustrate, federal programs have different focuses, eligibility requirements, and priorities. Some programs fund commercial infrastructure, others only residential development; some are for rehabilitation of existing infrastructure, others for the creation of new systems; some target emergency roads, others business access; some fund planning and feasibility, others fund only bricks and mortar. A large-scale infrastructure development project will likely require piecing several different funding sources together. This, in turn requires careful planning for the financing and funding of each project.
- **Partner with community organizations to maximize funding.** For some of the funding programs described above, government agencies like DHHL may not be eligible applicants or may not be the preferred applicant type given program priorities. In such cases, it may be possible to qualify for funding (or improve the odds of funding) by partnering with other agencies or applicants. For example, several programs favor projects being undertaken by community-based organizations with solid community participation and support. The chances of obtaining funding from such programs might be improved by working with a

Homestead Association, even having the Association, rather than the Department, named as the official applicant for and recipient of funding. Working with Homestead Associations or other private nonprofit agencies also provides the opportunity to leverage private foundation funding to support a project.

- **Invest in building the capacity of community partners.** Partnering with Homestead Associations or other community-based nonprofits will likely require some investment in building the capacity of these partners. These organizations often lack the technical knowledge needed to plan for an infrastructure project, manage construction, or handle compliance issues that accompany federal funding. Fortunately, federal resources are available to support capacity building. Some of the programs profiled in the previous section provide funding specifically for the purpose of building the capacity of community-based organizations like Homestead Associations. Such activities would also be consistent with DHHL objectives articulated in its 2003 Native Hawaiian Housing Plan.
- **Planning and coordination with other State and Local agencies.** As the program descriptions above illustrate, many programs only fund projects that are included in State or County plans. Other programs at least require that projects be consistent with the goals and objectives of State and Local plans. These types of federal program requirements are intended to encourage coordinated planning and reduce duplication of effort at the local level. DHHL, Homestead Associations, and other Native Hawaiian agencies should participate in the formulation of State and County plans to ensure that they address the needs of homestead communities. The Department and Homestead Associations should be actively involved in the creation of County Consolidated plans that direct CDBG funds; State Intended Use Plans for drinking water revolving funds; and the Comprehensive Economic Development Strategy plans that define priorities for EDA funding.
- **Know the regulations and work closely with Program Officers.** Federal laws and regulations often provide the states and counties with great flexibility in use of federal funds. In some cases, our State and County agencies interpret these regulations strictly, or in rare cases, misinterpret the regulations altogether. Knowing the regulations for the program for which you are applying can help avoid confusion and increase the chances of funding. For example, federal regulations allow state WPCRFs to fund a variety of eligible applicants including Homestead Associations and the DHHL, but the State Department of Health has made only the Counties eligible to apply. Discussions with the program officer indicate that this is perceived as a federal requirement, when in fact it is not. Working with the program officers to encourage interpretation of regulation consistent with the program's intent would help optimize use of this funding source for development of infrastructure on Hawaiian Home Lands.

- **Seek technical assistance and training.** Obtaining funding for infrastructure development is not a simple task. As illustrated above, federal programs can have complex requirements related to regulatory compliance, infrastructure planning, financing, community involvement, etc. Applicants can improve their chances of funding by partnering with other experienced applicants, or by seeking out training and technical assistance related to preparing funding applications, meeting program specifications, and handling compliance issues. Funding for training and technical assistance is available from some of the programs profiled in this report.

## **CONCLUSION**

A lack of physical infrastructure remains one of the persistent barriers to residential and commercial development on Hawaiian Home Lands. Such development is critically needed to serve the need for housing and economic development among native Hawaiians. Infrastructure development has been impeded, in part, by a lack of funding for community-based infrastructure initiatives. In this policy brief, we have attempted to clearly define the problem and move toward concrete solutions by providing information on underutilized sources of funding that might support infrastructure development on Hawaiian Home Lands. We hope that this brief, and the resources described herein, will foster the use of Hawaiian Home Lands in ways that benefit native Hawaiians, their communities, and the entire state of Hawai'i.





### **COUNCIL FOR NATIVE HAWAIIAN ADVANCEMENT**

The Council for Native Hawaiian Advancement (CNHA) is a nonprofit organization that works to empower Native Hawaiians by providing training, technical assistance, research and advocacy for Native Hawaiian organizations and communities. Consistent with its philosophy of community empowerment, CNHA is governed by a membership comprised of Native Hawaiian organizations. For more information call the CNHA office at (808) 521-5011 or visit the CNHA website at [www.hawaiiancouncil.org](http://www.hawaiiancouncil.org).



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