

State-city dispute over Kapolei roads being settled for \$60M

By Andrew Gomes

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A decades-old turf war between the state and city over roads in the 4,025-home Villages of Kapolei community is being resolved under a \$60 million pact.

Board members of a state agency whose predecessor developed the masterplanned community nearly 40 years ago voted last week to pay the city to assume responsibility for Villages of Kapolei roadways that have long been the subject of complaints by residents and a financial drain on the agency.

Under a memorandum of agreement with the city, the Hawaii Housing Finance and Development Corp. will transfer more than 100 roads covering 24 miles throughout the 888-acre community to the city with the \$60 million payment

spread over 10 years to cover expenses for maintenance and upgrades.

Though the payment appeared to be unpleasant for HHFDC, agency officials said it will put an end to what had been \$6 million to \$10 million in annual spending on Villages of Kapolei roads that cut into the agency's budget for its main purpose of funding affordable-housing development.

"This is something we've been working towards for the last 30

years, to transfer the roads to the city," HHFDC Director Dean Minakami said at the Feb. 12 board meeting.

Typically, developers turn roads over to the city for ownership and upkeep after subdivisions are completed, and the city uses property tax revenue generated by new subdivisions to pay for upkeep. But that never happened at Villages of Kapolei due to a state-city tussle over permitting.

A predecessor to HHFDC was the master developer of Villages of Kapolei, where 60% of homes had to be affordable to a mix of moderate- and low-income households.

To fast-track the project, Hawaii's Legislature in 1988 temporarily exempted the state agency from county building approvals and regulations despite opposition from counties.

Villages of Kapolei roads were built to city standards at the time, according to Minakami, but without city permits.

So city leaders spanning several different administrations refused to accept the roads.

"It was kind of like a turf war," Minakami said in an interview about a year ago.

Homeowners in the community, meanwhile, complained that they were paying city property taxes while receiving substandard care for roads in their neighborhoods from HHFDC. In addition, residents said abandoned vehicles would sit for long periods, and that they often had difficulty having city police officers deal with illegal parking and other road use issues outside of emergencies.

In 2022, the city agreed to accept ownership and maintenance of the roads if HHFDC improved them to current city standards.

Since then, HHFDC had been slowly working toward making such improvements, including upgrades to a few main arterial roads about two years ago at a cost of about \$12 million.

Bringing all roads in the community up to city standards — work that includes rebuilding sidewalks, replacing light poles and reconstructing storm drain catchments — was estimated to cost \$90 million to \$100 million.

In 2024, Minakami and city Managing Director Mike Formby reached a verbal agreement for HHFDC to pay the city \$60 million to accept all Villages of Kapolei roads as they are, which Formby said represented a \$20 million discount from the city's \$80 million assessed value of remedial work.

HHFDC, however, balked at consummating the deal and instead offered the city \$40 million.

State lawmakers in 2025 considered bills to force the city to take the roads, but that legislation stalled amid pushback from the city, which said a forced conveyance would amount to an unfunded mandate.

At HHFDC's Feb. 12 board meeting, board member Mary Alice Evans representing the state Department of Business, Economic Development and Tourism asked if anyone at HHFDC had estimated the total amount of property taxes the city had received from Villages of Kapolei property owners over more than three decades. An estimate was not at hand.

HHFDC staff recommended approving the \$60 million deal.

“Ideally it would have occurred with no cost,” Minakami said. “But realistically we have no leverage in asking the city to take these roads. This is the best I think that we can do.”

For years, homeowners in the Villages of Kapolei have complained that they were paying city property taxes while receiving substandard care for roads in their neighborhood. A defaced speed limit sign hangs upside-down on Kamaaha Avenue. JAMM AQUINO / 2025

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