DEPT. COMM. NO. 322

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
Ke Kia'āina o ka Moku'āina 'o Hawai'i

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
Ka Hope Kia'āina o ka Moku'āina 'o Hawai'i

KALI WATSON
CHAIRMAN, HHC
Ka Luna Ho'okele

KATIE L. LAMBERT
DEPUTY TO THE CHAIRMAN
Ka Hope Luna Ho'okele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
Ka 'Oihana 'Āina Ho'opulapula Hawai'i
P. O. BOX 1879
HONOLULU, HAWAII 96805

January 21, 2026

The Honorable Ronald D. Kouchi
President, Hawai'i State Senate
State Capitol, Room 409
Honolulu, HI 96813

The Honorable Nadine Nakamura
Speaker, Hawai'i State House of Representatives
State Capitol, Room 439
Honolulu, HI 96813

Aloha President Kouchi, Speaker Nakamura, and Members of the Senate and House,

On behalf of the Hawaiian Homes Commission and the Department of Hawaii Home Lands, I am transmitting the Annual Activity Report as required under Act 125/24 (Act 279, Sessio Laws of Hawai'i 2022). In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed online at **https://dhhl.hawaii.gov/act279/**.

Mahalo,

Kali Watson
Chairman

Department of Hawaiian Home Lands
Annual Activity Report

As required by:
Act 125/24
(Act 279, Session Laws of Hawai'i 2022)

HAWAIIAN HOME LANDS TRUST
Department of Hawaiian Home Lands

In 2022, the Hawai'i State Legislature appropriated $600 million through Act 279 to the Department of Hawaiian Home Lands. The purpose of this funding is to reduce the Hawaiian Homes waitlist. To this end, the Department has been actively pursuing new lot development projects as well as awarding all available lots to beneficiaries on the waitlist.

EXECUTIVE SUMMARY

This Annual Report summarizes implementation of **Act 279** during **Calendar Year 2025** and is submitted for the Hawai'i State Legislature's information, oversight, and policy consideration. The report highlights fiscal execution, infrastructure readiness, innovative financing strategies, and housing delivery outcomes achieved by the Department of Hawaiian Home Lands (DHHL).

Homestead development has never been simple. Today, delivery is further constrained by escalating construction costs, labor shortages, and complex, multi-year approval processes that limit how many homes can be built and how quickly families can return to their 'āina. These challenges reflect systemic pressures affecting Hawai'i's broader housing landscape.

As of **December 31, 2025**, DHHL had **fully encumbered approximately $600 million** in Act 279–related funding and **expended approximately $120 million** on planning, infrastructure development, land acquisition, and beneficiary-focused financing and services.

The **$600 million encumbrance** reflects a strategic allocation aligned with housing delivery priorities:

- **Infrastructure: $511.2 million**, supporting water, wastewater, roadways, drainage, and related on-site and off-site improvements;
- **Acquisition: $52.8 million**, resulting in approximately **555.94 acres of new acreage** to expand and strategically reposition DHHL's land inventory; and
- **Financing and Beneficiary Services: $36.0 million**, supporting beneficiary access to financing tools and housing pathways.

Together, these investments established a committed statewide development pipeline and reduced long-standing infrastructure barriers on trust lands.

During the reporting period, DHHL awarded **2,472 project leases statewide**, translating infrastructure and planning investments into tangible beneficiary outcomes. Importantly, Act 279 infrastructure investments also functioned as **catalytic capital**, unlocking approximately **$2 billion in private vertical construction financing** contributed by development partners as part of their capital stacks.

For transparency and ongoing legislative oversight, DHHL maintains a public-facing Act 279 webpage that provides an updated summary of funding status, project progress, and implementation milestones **as of December 31, 2025**, available at: **https://dhhl.hawaii.gov/act279/**

Statutory Authority and Purpose

Act 279 directs the Department to address systemic barriers that delay housing delivery on DHHL lands, including infrastructure financing gaps, regulatory sequencing challenges, land acquisition constraints, and limited delivery capacity. While land availability remains a core asset, the statute recognizes that **infrastructure readiness, financing alignment, and delivery coordination** are the primary determinants of production.

When DHHL succeeds, **Hawai‘i succeeds**. Each home developed on DHHL lands reduces demand on county and state housing programs, eases pressure on infrastructure and social services, and allows other agencies to focus on their most vulnerable populations. DHHL is not only responding to beneficiary need—it is **helping carry Hawai‘i’s housing burden** and remains a critical component of the statewide housing solution.

Program Implementation Overview

During Calendar Year 2025, DHHL implemented Act 279 through coordinated planning, infrastructure execution, and project sequencing. Implementation emphasized:

- Infrastructure-first delivery to reduce downstream risk and cost escalation;
- Early technical coordination with county, state, and utility partners;
- Diversified financing and acquisition strategies; and
- Clear accountability for funding execution and project milestones.

This approach transitioned Act 279 from planning and assessment into **active execution**, strengthening DHHL’s delivery capacity while avoiding rushed or inefficient spending.

KEY ACTIVITIES AND TRENDS (CALENDAR YEAR 2025)

Infrastructure as the Primary Driver

Across all counties, **water, wastewater, roadways, and drainage infrastructure** remain the largest cost components and the most frequent sources of delay. Projects with secured and sequenced infrastructure funding advanced more quickly toward lease awards and construction readiness.

Funding Execution Ahead of Vertical Construction

Full encumbrance of Act 279 funding reflects strong fiscal execution and establishes a multi-year development pipeline. Infrastructure delivery necessarily precedes vertical construction and stabilizes long-term schedules, reduces risk, and improves affordability outcomes.

Capacity and Coordination Constraints

Sequential agency reviews, limited staffing capacity, and inconsistent requirements across jurisdictions continue to affect timelines. Projects benefiting from early and parallel coordination experienced fewer redesigns and delays.

INNOVATIVE FUNDING, ACQUISITION, AND LEVERAGE STRATEGIES

Strategic Land Acquisition Alternatives

Rather than expending limited funds to purchase land with existing infrastructure, DHHL is pursuing **smarter acquisition alternatives** that improve beneficiary outcomes while preserving capital. These strategies include:

- **Land acquisitions and dispositions with county and state agencies** to reposition DHHL inventory closer to schools, healthcare facilities, employment centers, and essential services;
- Leveraging **Act 14** to bring whole the acreage still owed to DHHL, strengthening the trust land base without new acquisition costs;
- Pursuing **federal surplus lands** where feasible; and
- Exploring opportunities to **monetize approximately 2,300 affordable housing credits** to acquire strategically located private lands.

These approaches allow DHHL to expand development capacity without depleting infrastructure or housing funds, while stewarding trust assets with long-term strategy and purpose.

Diversified Financing Toolkit

DHHL's housing strategy relies on a **blended financial model**, recognizing that no single funding source is sufficient to deliver housing at scale. Act 279 implementation incorporates state and county appropriations, federal grants, developer and private financing, Low-Income Housing Tax Credits (LIHTC), future revenue bond financing, and targeted beneficiary financing tools.

Revolving Loan Fund – Empowering Owner-Builders

In partnership with **Hawaii Community Lending (HCL)**, HCL established a **$41 million Revolving Loan Fund** to support DHHL beneficiaries holding **owner-built vacant lot leases.** This program empowers beneficiaries to finance construction, transition from land award to completed homes, and turn opportunity into reality—complementing Act 279's infrastructure investments.

County Partnership Model – Maui GET Set-Aside

The **County of Maui General Excise Tax (GET) Set-Aside** represents a leading model of **shared responsibility and intergovernmental partnership**.

- As of Calendar Year 2025, DHHL has accrued approximately **$33 million**.
- By **2030**, the program is projected to generate approximately **$90 million**.

This predictable, multi-year revenue stream supports infrastructure investment and aligns county resources with DHHL's housing delivery pipeline.

Act 279 as Catalytic Capital

Although Act 279 funds are primarily deployed for infrastructure—representing **$511.2 million of the $600 million encumbered**—their impact extends well beyond direct expenditures. By sequencing infrastructure early and at scale, DHHL reduced project risk, improved development certainty, and enabled developers to advance vertical construction financing.

As a result, Act 279 infrastructure investments have **unlocked approximately $2 billion in private vertical construction financing**, contributed by development partners through equity, private debt, and tax credit structures. This leverage effect demonstrates that Act 279 funds multiply housing production capacity while reducing reliance on additional State appropriations.

PERFORMANCE OUTCOMES AS OF DECEMBER 31, 2025

Project Lease Awards by County

County / Location	Project Leases Awarded (as of 12/31/25)
Hawai‘i Island	408

County / Location	Project Leases Awarded (as of 12/31/25)
Maui	1,212
Oʻahu (Honolulu)	725
Kauaʻi	82
Statewide / Scattered Sites	45
Total	**2,472**

Summary of Key Funding and Leverage Outcomes

Strategy	Amount / Impact
Total Act 279 Funds Encumbered (as of 12/31/25)	**$600 million**
Act 279 Funds Expended (as of 12/31/25)	**$120 million**
Key Funding Outcomes: Infrastructure	**$511.2 million**
Key Funding Outcomes: Acquisition	**$52.8 million**
Key Funding Outcomes: New Acreage Acquired (near infrastructure, educational facilities, and medical facilities)	**555.94 acres**
Key Funding Outcomes: Financing & Beneficiary Services	**$36.0 million**
Leverage Outcomes: Hawaii Community Lending Revolving Loan Fund	**$41 million**
Leverage Outcomes: Maui GET Set-Aside (accrued)	**$33 million**
Leverage Outcomes: Maui GET Set-Aside (2030 projection)	**$90 million**
Leverage Outcomes: Private Vertical Financing Leveraged	**$2 billion**

FY25 Encumbrances & Expenditures

Item	Total Amount
Contracts	**$143,408,521.97**
Purchase Orders	$138,540,077.84
Expenditures	$ 74,359,895.20
Total E&E	$356,308,495.01

FY25 Accounting of Expenditures

Amount	Vendor Name
$ 1,599,879.92	Austin, Tsutsumi & Assoc., Inc.
$ 987,946.14	Bowers + Kubota Consulting Inc
$30,317,395.87	DDC2 LLC
$ 1,169,157.74	DDC3 LLC
$ 1,858,841.11	Gentry Kapolei Development
$ 825,961.35	Goodfellow Bros., LLC
$ 422,600.00	Hawaiian Community Assets, Inc
$ 9,152,065.52	Hawaiian Dredging Construction Company, Inc.
$ 333,818.90	Isemoto Contracting Co., LTD.
$ 150,000.00	Mark Development, Inc.
$ 9,037,790.91	Maui Kupono Builders, LLC
$ 20,000.00	Title Guaranty of Hawaii
$55,875,457.46	**Total**

Policy and Legislative Considerations

Based on implementation during Calendar Year 2025, the Department respectfully offers the following considerations:

- Support **multi-year infrastructure funding mechanisms** aligned with DHHL pipelines;
- Enable **concurrent and coordinated agency reviews**;
- Continue support for **county revenue partnerships**;
- Provide flexibility for **innovative acquisition and financing strategies**; and
- Invest in staffing and technical capacity tied directly to housing delivery.

CONCLUSION

The Act 279 updates for Calendar Year 2025 reflect a **focused and steady commitment to maximizing the $600 million investment** entrusted to the Department and advancing real progress in addressing Hawai‘i’s housing crisis. Strategic, sustained planning is strengthening DHHL’s capacity, reducing costly rushed spending, and supporting consistent delivery of homes, infrastructure, and services.

At the same time, urgency remains. DHHL must accelerate its efforts, work closely with service providers to ensure homes align with what beneficiaries can afford, and continue partnering with the development community—whose **$2 billion in vertical financing capacity** significantly expands the reach of public investment.

With flexibility as needs evolve and a long-term focus on generational outcomes, DHHL is advancing sustainable progress toward reducing waitlists and fulfilling its trust obligations. Ultimately, it will take all of us—every partner and every shared commitment—to turn this momentum into lasting change and ensure Native Hawaiian families have access to housing, stronger communities, and enduring opportunity.