

JAN 28 2026

SENATE CONCURRENT RESOLUTION

REQUESTING THE AUDITOR TO CONDUCT A PERFORMANCE AUDIT OF THE
DEPARTMENT OF HAWAIIAN HOME LANDS' COMMERCIAL LEASE
MANAGEMENT PRACTICES, REVENUE OPTIMIZATION, AND RENT
COLLECTION PROCEDURES.

1 WHEREAS, the Department of Hawaiian Home Lands ("DHHL" or
2 "the Department") is responsible for administering approximately
3 200,000 acres of Hawaiian home lands under the Hawaiian Homes
4 Commission Act of 1920; and

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6 WHEREAS, DHHL's mission is to return native Hawaiians to
7 the land through homestead leasing while also generating revenue
8 to support its operations and programs; and

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10 WHEREAS, pursuant to Section 204 of the Hawaiian Homes
11 Commission Act, DHHL is authorized to lease available lands not
12 required for Hawaiian homestead purposes to generate income for
13 the benefit of the Hawaiian home lands trust; and

14
15 WHEREAS, DHHL manages a portfolio of commercial,
16 residential, agricultural, and pastoral general leases with
17 varying terms and rental rates to generate revenue for
18 department operations and beneficiary services; and

19
20 WHEREAS, revenue generated from general leases of available
21 lands provides critical funding for DHHL's administrative
22 operations, land development, and services to beneficiaries; and

23
24 WHEREAS, in 2019, the State Auditor conducted a
25 comprehensive performance audit of the Department of Land and
26 Natural Resources' ("DLNR") Special Land and Development Fund
27 (Report No. 19-12), which examined DLNR's management of more
28 than 1,600 income-generating properties; and

29
30 WHEREAS, the DLNR audit found significant deficiencies in
31 lease management, including the absence of strategic planning



1 for land portfolio management, failure to collect delinquent
2 rent, failure to perform annual field inspections, and
3 properties being leased at substantially below-market rates; and
4

5 WHEREAS, the DLNR audit determined that extending just 16
6 leases in the Kanoelehua Industrial Area resulted in the State
7 losing approximately \$1.6 million in potential revenue, and that
8 an appraisal of 112 revocable permits showed rents were nearly
9 \$838,000 below market rates; and

10 WHEREAS, similar lease management challenges could exist
11 within DHHL's commercial lease portfolio, potentially resulting
12 in lost revenue opportunities that could otherwise benefit
13 Hawaiian home lands beneficiaries; and
14

15 WHEREAS, DHHL currently manages over 1,600 income-
16 generating properties through long-term leases and revocable
17 permits, generating substantial revenue that is essential to
18 fulfilling the Department's mission; and
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20 WHEREAS, according to DHHL's financial statements for
21 fiscal year 2024, the Department recognized approximately
22 \$10,956,000 in general lease revenue and \$10,291,000 in lease-
23 related interest revenue; and
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25 WHEREAS, DHHL's general leases have varying terms extending
26 through July 2084, with some leases including provisions for
27 rent adjustments based on fair market values at specified
28 intervals; and
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30 WHEREAS, DHHL's financial audits have not included
31 comprehensive performance assessments of the Department's lease
32 management practices, strategic planning for revenue
33 optimization, or effectiveness of rent collection procedures;
34 and
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36 WHEREAS, DHHL serves more than 29,000 beneficiaries on the
37 homestead waitlist, and maximizing revenue from commercial
38 leases could accelerate the Department's ability to develop new
39 homesteads and provide services to beneficiaries; and
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41



1 WHEREAS, the Legislature appropriated \$600 million to DHHL
2 through Act 279, Session Laws of Hawaii 2022, for waitlist
3 reduction, demonstrating a significant public investment that
4 warrants ensuring all revenue sources are optimized; and
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6 WHEREAS, effective management of DHHL's commercial lease
7 portfolio is critical to fulfilling the Department's fiduciary
8 duty to native Hawaiian beneficiaries and maximizing the
9 productivity of trust lands; and
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11 WHEREAS, a comprehensive performance audit would provide
12 the Legislature and the public with essential information about
13 DHHL's lease management effectiveness, identify opportunities
14 for revenue enhancement, and ensure accountability in the
15 stewardship of Hawaiian home lands; and
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17 WHEREAS, pursuant to Section 23-4, Hawaii Revised Statutes,
18 the Auditor may conduct performance audits, including
19 examination of management controls, fiscal operations, and
20 efficiency and effectiveness of programs; and
21

22 WHEREAS, pursuant to Section 23-5, Hawaii Revised Statutes,
23 the Auditor may examine and inspect all accounts, books,
24 records, files, papers, and documents and all financial affairs
25 of every department, office, and agency; now, therefore,
26

27 BE IT RESOLVED by the Senate of the Thirty-third
28 Legislature of the State of Hawaii, Regular Session of 2026, the
29 House of Representatives concurring, that the Auditor is
30 requested to conduct a comprehensive performance audit of the
31 Department of Hawaiian Home Lands' commercial lease management
32 practices, revenue optimization strategies, and rent collection
33 procedures; and
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35 BE IT FURTHER RESOLVED that the Auditor is requested to
36 examine and include in the audit:
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38 (1) The Department's strategic planning for long-term
39 management of its commercial lease portfolio, including
40 asset management plans to optimize revenue generation while
41 fulfilling public trust obligations;



(2) The Department's policies, procedures, and administrative rules governing commercial lease management, including lease negotiation, rent setting, lease renewals, and rent adjustments;

(3) The Department's processes for establishing rental rates, including whether rents are set at fair market value and how frequently rents are adjusted to reflect current market conditions;

(4) The extent to which commercial properties are being leased at below-market rates and the potential revenue impact of any such discrepancies;

(5) The Department's practices regarding lease extensions and renewals, including whether competitive processes are utilized and whether lease extensions may result in foregone revenue opportunities;

(6) The Department's management of revocable permits, including whether permits are being used appropriately for temporary arrangements or whether long-term occupancies under revocable permits may result in below-market compensation;

(7) The Department's rent collection procedures, including the identification and collection of delinquent rent, enforcement of lease terms, and effectiveness of collection efforts:

(8) The Department's capacity to perform regular field inspections of leased properties to ensure compliance with lease terms and identify potential lease violations;

(9) The adequacy of staffing, expertise, and resources within the Department's land management division to effectively manage the commercial lease portfolio;

(10) Whether the Department has identified opportunities to enhance revenue through property consolidation, re-subdivision, conversion of ground leases



1 to space leases, or other portfolio optimization
2 strategies;

3
4 (11) The Department's tracking and reporting of lease
5 revenues, delinquent accounts, and allowances for
6 uncollectible amounts;

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8 (12) A comparison of DHHL's lease management practices
9 with best practices from other state agencies, including
10 DLNR, and with comparable land management organizations;
11 and

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13 (13) Any other matters the Auditor deems relevant to
14 assessing the effectiveness and efficiency of DHHL's
15 commercial lease management and revenue generation; and

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17 BE IT FURTHER RESOLVED that the Auditor is urged to examine
18 and include in the report whether the Department's lease
19 management activities are achieving their intended objectives
20 and whether these activities are being conducted effectively,
21 efficiently, economically, ethically, and equitably in
22 accordance with the Department's fiduciary responsibilities to
23 Hawaiian home lands beneficiaries; and

24
25 BE IT FURTHER RESOLVED that the Auditor is requested to
26 provide recommendations for improving DHHL's commercial lease
27 management practices, enhancing revenue generation from
28 available lands, and strengthening rent collection procedures to
29 maximize resources available for homestead development and
30 beneficiary services; and

31
32 BE IT FURTHER RESOLVED that the Auditor is requested to
33 submit a report of findings and recommendations, including any
34 proposed legislation, to the Legislature no later than twenty
35 days prior to the convening of the Regular Session of 2027; and

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37 BE IT FURTHER RESOLVED that certified copies of this
38 Concurrent Resolution be transmitted to the Auditor, Chairperson
39 of the Hawaiian Homes Commission, Director of the Department of
40 Hawaiian Home Lands, Governor, and Chairpersons of the Senate
41 Committee on Hawaiian Affairs and the House Committee on
42 Hawaiian Affairs.



S.C.R. NO. 14

OFFERED BY: 

