

JAN 28 2026

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## SENATE CONCURRENT RESOLUTION

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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

5  
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

9  
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

11 WHEREAS, similar lease management challenges could exist  
12 within DHHL's commercial lease portfolio, potentially resulting  
13 in lost revenue opportunities that could otherwise benefit  
14 Hawaiian home lands beneficiaries; and  
15

16 WHEREAS, DHHL currently manages over 1,600 income-  
17 generating properties through long-term leases and revocable  
18 permits, generating substantial revenue that is essential to  
19 fulfilling the Department's mission; and  
20

21 WHEREAS, according to DHHL's financial statements for  
22 fiscal year 2024, the Department recognized approximately  
23 \$10,956,000 in general lease revenue and \$10,291,000 in lease-  
24 related interest revenue; and  
25

26 WHEREAS, DHHL's general leases have varying terms extending  
27 through July 2084, with some leases including provisions for  
28 rent adjustments based on fair market values at specified  
29 intervals; and  
30

31 WHEREAS, DHHL's financial audits have not included  
32 comprehensive performance assessments of the Department's lease  
33 management practices, strategic planning for revenue  
34 optimization, or effectiveness of rent collection procedures;  
35 and  
36

37 WHEREAS, DHHL serves more than 29,000 beneficiaries on the  
38 homestead waitlist, and maximizing revenue from commercial  
39 leases could accelerate the Department's ability to develop new  
40 homesteads and provide services to beneficiaries; and  
41



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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  
5

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  
10

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  
16

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  
34

35 BE IT FURTHER RESOLVED that the Auditor is requested to  
36 examine and include in the audit:  
37

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;



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

5  
6 (3) The Department's processes for establishing rental  
7 rates, including whether rents are set at fair market value  
8 and how frequently rents are adjusted to reflect current  
9 market conditions;

10  
11 (4) The extent to which commercial properties are  
12 being leased at below-market rates and the potential  
13 revenue impact of any such discrepancies;

14  
15 (5) The Department's practices regarding lease  
16 extensions and renewals, including whether competitive  
17 processes are utilized and whether lease extensions may  
18 result in foregone revenue opportunities;

19  
20 (6) The Department's management of revocable permits,  
21 including whether permits are being used appropriately for  
22 temporary arrangements or whether long-term occupancies  
23 under revocable permits may result in below-market  
24 compensation;

25  
26 (7) The Department's rent collection procedures,  
27 including the identification and collection of delinquent  
28 rent, enforcement of lease terms, and effectiveness of  
29 collection efforts;

30  
31 (8) The Department's capacity to perform regular field  
32 inspections of leased properties to ensure compliance with  
33 lease terms and identify potential lease violations;

34  
35 (9) The adequacy of staffing, expertise, and resources  
36 within the Department's land management division to  
37 effectively manage the commercial lease portfolio;

38  
39 (10) Whether the Department has identified  
40 opportunities to enhance revenue through property  
41 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;

7  
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

12  
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  
16

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  
36

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.



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OFFERED BY:

A handwritten signature in black ink, appearing to be 'S. M. M.', written over a horizontal line.

