THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.R. NO. 12

JAN 28 2026

SENATE 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.

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

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

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

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

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

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

WHEREAS, the DLNR audit found significant deficiencies in lease management, including the absence of strategic planning for land portfolio management, failure to collect delinquent rent, failure to perform annual field inspections, and properties being leased at substantially below-market rates; and

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

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

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

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

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

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

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

WHEREAS, the Legislature appropriated $600 million to DHHL through Act 279, Session Laws of Hawaii 2022, for waitlist reduction, demonstrating a significant public investment that warrants ensuring all revenue sources are optimized; and

WHEREAS, effective management of DHHL's commercial lease portfolio is critical to fulfilling the Department's fiduciary duty to native Hawaiian beneficiaries and maximizing the productivity of trust lands; and

WHEREAS, a comprehensive performance audit would provide the Legislature and the public with essential information about DHHL's lease management effectiveness, identify opportunities for revenue enhancement, and ensure accountability in the stewardship of Hawaiian home lands; and

WHEREAS, pursuant to Section 23-4, Hawaii Revised Statutes, the Auditor may conduct performance audits, including examination of management controls, fiscal operations, and efficiency and effectiveness of programs; and

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

BE IT RESOLVED by the Senate of the Thirty-third Legislature of the State of Hawaii, Regular Session of 2026, that the Auditor is requested to conduct a comprehensive performance audit of the Department of Hawaiian Home Lands' commercial lease management practices, revenue optimization strategies, and rent collection procedures; and

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

(1) The Department's strategic planning for long-term management of its commercial lease portfolio, including asset management plans to optimize revenue generation while 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 to space leases, or other portfolio optimization strategies;

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

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

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

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

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

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

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

S.R. NO. 12

OFFERED BY: ______________________