

*'O Ke Kahua mamua, mahope ke kukulu*

'O Ke Kahua mamua, mahope ke kukulu

(The foundation first, then the building)



LINDA LINGLE  
GOVERNOR  
STATE OF HAWAII



MICAH A. KANE  
CHAIRMAN  
HAWAIIAN HOMES COMMISSION

BEN HENDERSON  
DEPUTY TO TH CHAIRMAN

KAULANA H. PARK  
HHL EXECUTIVE ASSISTANT

STATE OF HAWAII  
DEPARTMENT OF HAWAIIAN HOME LANDS

P.O. BOX 1879  
HONOLULU, HAWAII 96805

January 7, 2004

The Honorable Linda Lingle  
Governor, State of Hawai'i  
State Capitol  
415 South Beretania Street  
Honolulu, Hawai'i 96813

Dear Governor Lingle:

It is with a sense of aloha and pride that this Annual Report of the Department of Hawaiian Home Lands (DHHL) is submitted to you. It covers the period from July 1, 2002 to June 30, 2003.

In keeping with the initiative for "A New Beginning," DHHL spent the first part of the year creating and finalizing a strategic plan. The implementation process began with the start of a new fiscal year and the plan assures that the efforts of DHHL remain focused. The strategic plan identifies core responsibilities and everything DHHL does, day-in and day-out, as it applies to these primary objectives:

- Within five years, provide every qualified native Hawaiian beneficiary on the various waiting lists with an opportunity for homeownership or land stewardship on homestead lands;
- Address the findings in the 2002 Legislative Auditor's Report; Pursue financial self-sufficiency by 2013 in an amount to replace the Act 14 financial settlement payment of \$30 million per year; and
- Continue to effectively manage and protect the Trust to ensure perpetuity for future generations of Native Hawaiians and to fulfill our responsibility as long-term stewards.

While legal challenges to our ability to exist as a department are mounting, DHHL has been working in tandem with the Association of Hawaiian Civic Clubs, Council for Native Hawaiian Advancement, Hui Kako'o 'Aina Ho'opulapula, State Council of Hawaiian Homestead Associations and the Office of Hawaiian Affairs to achieve federal recognition of Native Hawaiians as Native Americans. While tremendous progress has been made, the road ahead is not without obstacles. It is critical that we continue to speak in a unified voice. Your commitment and support in this area has been instrumental in keeping this issue moving towards a resolution for the benefit of all Hawaii.

During the reporting period, infrastructure improvements were completed to develop a total of 338 homestead lots. These lots included the long-awaited Kula Residence Lots that were awarded in 1985. An additional 142 homes and another 263 homestead lots were under construction and another 1,999 homestead lots were in design during the report period.

The department also announced in May that Home Depot was the winning bidder for an 11-acre parcel in Waiakea, South Hilo. Home Depot is envisioning a 130,501 square foot site with a total construction cost of \$13.2 million. Approximately \$11.4 million in revenue will be generated during the initial 25-year lease period. General lease negotiations are expected to be completed in early 2004 with the facility scheduled to open in April 2005. Further details on these and other accomplishments are discussed in this report.

On behalf of the Hawaiian Homes Commission and the staff of the department, I wish to thank you and the members of the state Legislature for your continued support of our program.

Aloha and mahalo

Micah A. Kane, Chairman  
Hawaiian Homes Commission

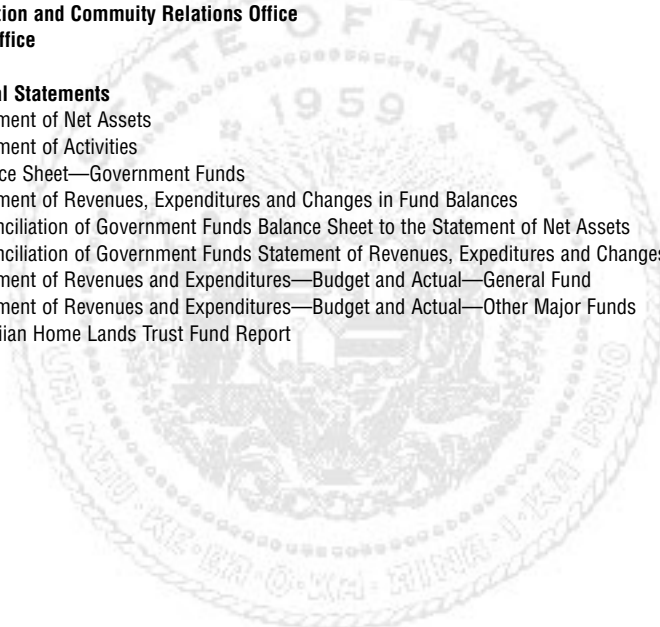
# DEPARTMENT OF HAWAIIAN HOME LANDS

## 2003 ANNUAL REPORT

FY 2002-03

### TABLE OF CONTENTS

1	Chairman's Message
4	Hawaiian Homes Commission
<b>THE DEPARTMENT</b>	
5	Mission Statement
5	Organization Chart
6	<b>Homestead Services Division</b>
6	Homestead Applications Branch
7	District Operations Branch
9	Loan Services Branch
10	<b>Land Development Division</b>
11	Design and Construction Branch
11	Housing Project Branch
11	Temporary Development Assistance Group/Master-Planned Community Branch
13	<b>Land Management Division</b>
13	FY 2003 Highlights
13	Oahu
13	Hawai'i
14	Maui
14	Molokai
14	Kaua'i
14	Land Use Summary
15	<b>Planning Office &amp; Trust Resolution Project</b>
15	Planning Activities (Development of plans, EIS, etc.)
17	Status of Trust Resolution
17	Status of Land transfer from Public Land Trust
18	Status of HHL Recovery Act
19	Native Hawaiian Development
19	Community Development Program
19	Homestead Organization Support
19	The State Council of Hawaiian Homestead Association
20	Individual Development Accounts
20	Agricultural Technical Services
20	HHC Scholarship Program
21	<b>Administrative Services Office with 2003 Legislative Report</b>
21	<b>Information and Community Relations Office</b>
21	<b>Fiscal Office</b>
<b>Financial Statements</b>	
22	Statement of Net Assets
23	Statement of Activities
24	Balance Sheet—Government Funds
25	Statement of Revenues, Expenditures and Changes in Fund Balances
26/27	Reconciliation of Government Funds Balance Sheet to the Statement of Net Assets
28/29	Reconciliation of Government Funds Statement of Revenues, Expenditures and Changes in Fund Balances
30	Statement of Revenues and Expenditures—Budget and Actual—General Fund
31	Statement of Revenues and Expenditures—Budget and Actual—Other Major Funds
32	Hawaiian Home Lands Trust Fund Report



# HAWAIIAN HOMES COMMISSION



**Micah A. Kane**  
*Chairman*  
*Term: 2003-06*

On January 1, 2003, Micah A. Kane took office as Chairman of the Hawaiian Homes Commission. The Commission manages one of the largest land trusts in the State of Hawaii. Prior to his appointment to the Commission, he was the Chairman of the Hawaii Republican Party.



**Milton K. Pa**  
*Molokai*  
*Term: 2001-04*

Milton Pa is a descendant of one of the first Ho`olehua homestead families. As a retired teacher with the State Department of Education, he brings many years of experience in education to the Commission.



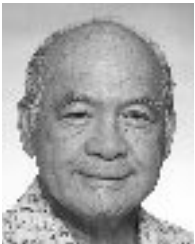
**Wonda Mae Agpalsa**  
*Oahu*  
*Term: 2000-03*

Wonda Mae Agpalsa is a Project Coordinator for First Hawaiian Bank and was instrumental in the development of the Hawaiian Homesteaders Loan Program. She was first appointed in 1995.



**Herring K. Kalua**  
*East Hawaii*  
*2002-05*

Herring Kalua is Highway Construction and Maintenance Supervisor with the State Highways Division. He is also active with numerous community, civic, political and church organizations.



**Henry Cho**  
*West Hawaii*  
*Term: 2002-05*

Henry Cho is retired from the County of Hawaii as Deputy Managing Director. He also retired from the Department of Transportation after 35 years of service. He currently operates his extensive family farm in Kona.



**Crystal Rose**  
*Oahu*  
*Term: 2002-03*

Crystal Rose is a partner in the law firm of Bays, Deaver, Lung, Rose & Baba and is a member of the Native Hawaiian Chamber of Commerce, Native Hawaiian Bar Association and is the CEO of the Board of Advisors of Kamehameha Schools.



**Thomas P. Contrades**  
*Kauai*  
*Term: 2002-05*

Thomas Contrades is a business agent for the International Longshoremen's and Warehousemen's Union (ILWU). He has served on the Kauai Planning Commission and was a board member for the Aloha Council of the Boy Scouts of America, Hale `Opio and Aloha United Way. He was first appointed in 1997



**John A.H. Tomoso**  
*Maui*  
*Term: 1999-03*

John Tomoso is the Maui County Executive on Aging and was a former program specialist with the County's Department of Housing and Human Concerns. He was first appointed in 1995.



**Quentin Kawananakoa**  
*Oahu*  
*Term: 2002-06*

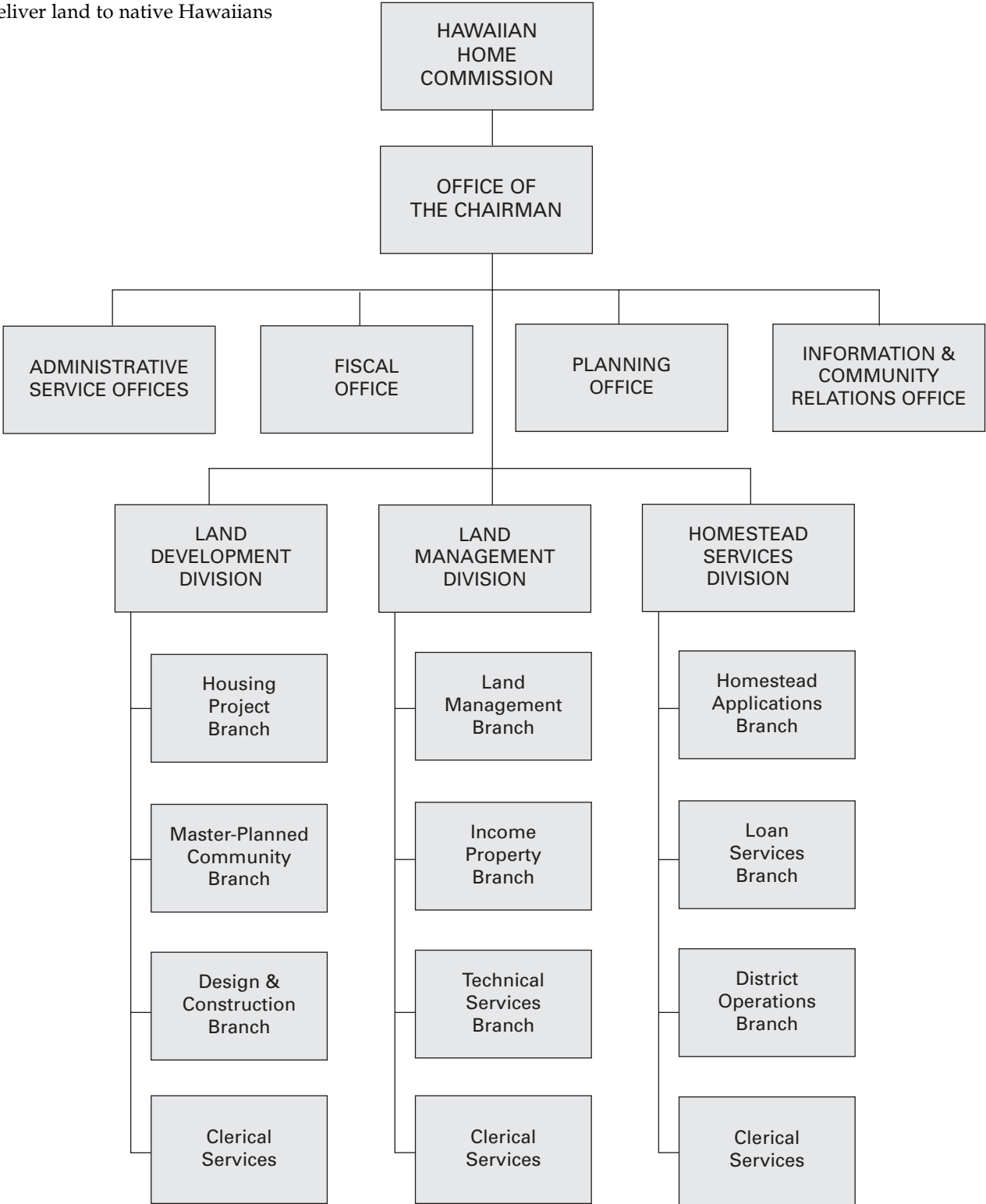
Quentin Kawananakoa is a direct descendent of Prince Jonah Kuhio Kalaniana'ole, the author of the Hawaiian Homes Commission Act. He is a former state representative having served from 1994 to 1998.

# THE DEPARTMENT

## Organizational Chart

### Mission

To manage the Hawaiian Home Lands Trust effectively, and to develop and deliver land to native Hawaiians



# HOMESTEAD SERVICES DIVISION

## OVERVIEW

The Homestead Services Division (HSD) is responsible for processing homestead applications and managing activities in leasing homestead lots for residential, agricultural and pastoral purposes. HSD also provides loans and other financial assistance to homestead lessees. HSD oversees six district offices statewide.

The division has a staff of 50 servicing 20,489 applicants and 7,350 lessees on all islands. The division has three branches: 1) Homestead Applications, 2) District Operations and 3) Loans Services.

## HOMESTEAD APPLICATIONS BRANCH

The Homestead Applications Branch is responsible for determining the applicant's native Hawaiian qualification, maintaining applicants' records and certifying an applicant's eligibility for residential, agricultural and pastoral awards.

A staff of nine operates as the central processing center for all application transactions. This includes new applications, transfer requests, reinstatements, rescissions, successorships to application rights and a host of other services. All transactions initiated throughout the five neighbor island district offices are transmitted to the branch for processing.

Assisting future beneficiaries in their genealogy research is another essential element of the Applications Branch.

The applications activity level continues to increase. As of June 30, 2003, there were a total of 33,479 applications on file, an increase of 837 since last year. This number represents an estimated 20,489 applicants.

Duplications occur because individuals may apply for two types of leases. During FY 2003, the Applications Branch certified or completed 1,246 applications out of a total of 1,488. The branch also added 257 more genealogies to its Family Tree Maker program. In addition, the branch also processed 753 applicant transactions that required Hawaiian Homes Commission (HHC) action.

The increased activity in homestead land development required audits of several lists in preparation for future awards. The following lists were audited as a result of the respective projects:

### O'ahu Islandwide Residential List

- Kupuna Housing - Waimānalo
- Village 6 at the Villages of Kapolei
- O'ahu Scattered Lots Offerings
- Waimānalo Scattered Lots\
- Kapolei Rent-To-Own

- Kapolei Self-Help
  - Wai'anae Valley Self-Help
  - Pre-Owned Houses O'ahu
- ### Maui Islandwide Residential List

- Waiehu Kou 2
- Waiehu Kou 3
- Pre-Owned Houses Maui

### Hawai'i Islandwide Residential List

- Pre-Owned Houses Hawai'i\*
- Hawai'i Scattered Lots Offerings

### Kaua'i Islandwide Residential List

- Hanapēpē Residential Housing, Unit 1
- Pre-Owned Houses Kaua'i

### Molokai Islandwide Residential List

- Pre-Owned Houses Molokai

\* Ongoing audits from previous Fiscal Year

## Applications for Homestead Awards

As of June 30, 2003

	Residential	Agricultural	Pastoral	Total
O'ahu	7,595	2,181	0	9,776
Maui	2,926	3,126	371	6,483
Hawai'i	4,925	5,737	1,421	12,083
Kaua'i	1,453	1,782	219	3,453
Molokai	693	837	153	1,683
<b>TOTAL</b>	<b>17,592</b>	<b>13,723</b>	<b>2,164</b>	<b>33,479*</b>

\* The 33,479 applications are held by some 20,489 applicants. This difference is due to the rules that allow an applicant to hold two applications, one for residential lots and the other for either agricultural or pastoral land.



The new, state-of-art Kawanakakoa Hall and Gymnasium in Keaukaha was funded by the county, state and OHA. The Keaukaha Community Action Committee worked several years to ensure funding for this project which was completed in May 2003.

## DISTRICT OPERATIONS BRANCH

The function of the District Operations Branch encompasses a variety of services that enable homestead lessees to support their community associations and develop their communities and neighborhoods.

The district offices focus on customer service to native Hawaiian homesteaders. These include facilitating and processing lessee requests for lease conveyances through successorships or transfers, subdivision of homestead lots, home improvement permits, updating lessee files and successorship designations, voluntary surrender of leases and enforcing compliance with the lease terms. The district offices, with the exception of Oahu, also assist prospective applicants through the application process.



*The Molokai District Baseyard's field office/garage facility was completed in February 2003.*

### O'ahu District Office:

During FY 2003, staff processed 182 lease transfers, 88 lease transfers through successorship, 371 designation of successors, 89 amendments, seven lot exchanges, and two subdivision of lots.

- **Malu'ohai, Phase 3**

Malu'ohai Phase 3 Self-Help began on January 25, 2003. The project consists of 45 self-help units under the direction of Habitat for Humanity and Menehune Development. The project is divided into four hui with different start dates with an expected finish date of 10 months for each hui.

### East Hawai'i District Office:

- **Kawanakoa Hall & Gymnasium**

This joint project with the Office of Hawaiian Affairs and the County of Hawai'i was completed in May 2003. Activities being provided by the county include: hula, crafts, aerobics, weight training, sewing, volley ball, basketball and Summer Fun Program.

- **Former Kamehameha Schools Site**

A number of Hawaiian organizations have based their operations at the lot neighboring the East Hawai'i District Office. The new occupants are Kamehameha Pre-School, Office of Hawaiian Affairs, Keaukaha

Community Association and the Edith Kanakaole Foundation.

- **Habitat for Humanity**

DHHL continues to work with Habitat for Humanity in the East Hawai'i area to assist elderly homesteaders and homesteaders with young families with rebuilding homes and building new homes.

- **Home Depot**

DHHL announced in May that Home Depot was the winning bidder for an 11-acre parcel in Wai'ākea. The store will create 175 new jobs and have a total construction cost of \$13.2 million.

### West Hawai'i District Office:

- **Kawaihae**

In the Unit 1 subdivision (mauka lots), 58 homes are completed or nearly completed. The subdivision consists of a total of 190 lots ranging from one-half to one acre in size. The makai subdivision has 11 homes completed in this 23-lot subdivision.

- **Pu'u Pulehu**

Fifteen homes in this 33-lot subdivision have been completed. Kanu O Ka Aina (charter school) has a license from the department to develop a 4.6-acre site bordering the house lots for a cultural/learning center on native Hawaiian plants.

- **Humu'ula/Pi'ihonua**

Initiated a koa reforestation project on 125 acres in the Keanakolu area. DHHL continues to work with Parker Ranch on controlling the spread of gorse on approximately 4,000-8,000 acres and is also working with the U.S. Fish and Wildlife Service to create a koa buffer to prevent the spread of gorse into the Hakalau Refuge site.

- **Kona Villages at La'i'opua**

The second phase of residential development, covering some 50 acres, is in the planning process. Development is expected over the next two to three years.

- **Honokōhau Harbor**

Issued an RFP for the development of a 200-acre parcel in the Honokōhau Harbor area. The proposed plan is for mixed commercial and light industrial use.

- **Lālāmilo**

Initiated development plans for a 232-acre parcel on the western side of Kamuela. Up to 400 residential lots of 10,000 square feet are being proposed. Project will be phased in with 33-34 lots in the initial increment.

- **Building Inspections**

The building inspection assistance program continues working with lessees who have built homes or other structures without submitting plans for approval to the department or obtaining building permits.

## Maui District Office:

- **Waiehu Kou 3**

Lot selection activities occurred in November and December 2002. The latest subdivision adds another 115 homesteaders to the Maui District. When completed in late 2004, all three phases of Waiehu Kou will house more than 250 homesteaders and their families.

- **Waiohuli**

The pace of home construction increased dramatically during the reporting period with at least one-third of the 320 lots having some construction activity. Favorable interest rates created many opportunities for the lessees. A capacity-building grant was awarded to the Waiohuli Hawaiian Homesteaders Association to conduct community planning, membership outreach and acquisition of the 501(c)3 tax exempt status.

- **Paukūkalo Community Center**

The department completed its renovation and repair program for the center. In February 2003, ALU LIKE's Ke Ola Pono No Na Kūpuna program returned to the Paukūkalo Hawaiian Homes community. The Boys and Girls Club Maui – Paukūkalo officially opened its doors to the youth of the Paukūkalo Homestead community. The primary participants in the program are the children of the Paukūkalo Homestead community who range from 6-14 years of age.

- **Habitat for Humanity Maui**

Habitat volunteers including the District Supervisor assisted two Paukūkalo homesteaders with renovations. Both homes were located in the original subdivision, built in the mid-1960s.

## Molokai District Office:

- **Molokai Water System**

Goodfellow Bros. was awarded a contract to install Phase 3-D of the Molokai Water System. The potable waterline will service 84 agricultural lots in the Nā'iwa and the Ho'olehua agricultural subdivisions in Mahana. This project was completed in January 2003.

- **District Baseyard**

Central Construction Co. of Maui was contracted to construct a field office/garage facility for the Molokai District Baseyard. The facility was completed in February 2003. Facility houses trucks and equipment used in DHHL's water system and maintenance.

- **Fiber Optic Communications**

Sandwich Isle Communications has broken ground for Phase I of their ductile lines that will service the greater Ho'olehua area. Construction started in September 2002.

## Lease Report

As of June 30, 2003

	Residential	Agricultural	Pastoral	Total
<b>O'AHU DISTRICT AREA</b>				
Kalāwahine	90	0	0	90
Kewalo	255	0	0	255
Lualualei	147	40	0	187
Nānākuli	1,041	0	0	1,041
Malu'ohai	141	0	0	141
Papakōlea	62	0	0	62
Princess Kahanu	271	0	0	271
Waiāhole	0	17	0	17
Wai'anae	396	2	0	396
Waimānalo	693	1	0	694
<b>TOTAL</b>	<b>3,096</b>	<b>60</b>	<b>0</b>	<b>3,156</b>
<b>MAUI DISTRICT AREA</b>				
Kahikinui	0	0	76	76
Keōkea	0	66	0	66
Paukūkalo	181	0	0	181
Waiehu	39	0	0	39
Waiehu 2	109	0	0	109
Waiohuli/Kula	290	0	0	290
<b>TOTAL</b>	<b>619</b>	<b>66</b>	<b>76</b>	<b>761</b>
<b>EAST HAWAI'I</b>				
Kama'oa	0	0	25	25
Keaukaha	461	0	0	461
Maku'u	0	126	0	126
Pana'ewa	0	251	0	251
Pu'u'eo	0	12	0	12
University Heights	4	0	0	4
Waiākea	262	0	0	262
<b>TOTAL</b>	<b>727</b>	<b>389</b>	<b>25</b>	<b>1,141</b>
<b>WEST HAWAI'I</b>				
Humu'ula	0	0	5	5
Kamoku/Nienie	0	0	22	22
Kawaihae	205	0	0	205
Pu'ukapu/Waimea	120	108	229	457
Pu'u Pulehu	30	0	0	30
Kona	225	0	0	225
<b>TOTAL</b>	<b>580</b>	<b>108</b>	<b>256</b>	<b>944</b>
<b>KAUA'I</b>				
Anahola	359	47	0	406
Kekaha	69	0	0	69
Pu'u Opae	0	0	2	2
Hanapēpē	36	0	0	36
<b>TOTAL</b>	<b>464</b>	<b>47</b>	<b>2</b>	<b>513</b>
<b>MOLOKAI</b>				
Ho'olehua	154	343	21	518
Kalama'ula	161	76	3	240
Kapa'akea	45	0	3	48
O'ne Ali'i	29	0	02	9
<b>TOTAL</b>	<b>389</b>	<b>419</b>	<b>27</b>	<b>835</b>
<b>STATEWIDE TOTAL</b>	<b>5,875</b>	<b>1,099</b>	<b>386</b>	<b>7,350</b>

**Molokai District Office:** *continued*

- **Kiowea Park**

Kiowea Park, Phase I, is a community-based project that is nearing completion of construction and is expected to be open by November 2003. The project is a joint effort on the part of all Molokai homestead associations along with the Parks Department of the County of Maui.

**Kaua'i District Office:**

- **Ka Hale Pono Education Center**

Ka Hale Pono education center dedicated in April 2003 by Senator Inouye in Anahola, Kaua'i. The new building is to become part of the Anahola Clubhouse Park complex.

- **Anahola Village Residence Lots & Maia Road Subdivision**

Infrastructure improvements were completed for these 11-lot and two-lot subdivisions, respectively.

- **Anahola Technology Center**

Anahola Technology Center opened in April 2003 and serves the community with jobs and opportunities.

- **Kanuikapono Charter School**

License Agreement issued to Kanuikapono Charter School in Anahola.

- **Hanapēpē Unit I**

Hanapēpē Unit I developer has two new lessees occupying the contractor-built homes. Only one offering remains in the 27-home subdivision.

- **Habitat for Humanity**

Kaua'i Habitat for Humanity completed and blessed five more homes in the Hanapēpē subdivision. Construction continues on the remaining 10 homes in 20 home project.

- **Kekaha Residence Lots, Unit 4**

This project will construct infrastructure improvements for 49 vacant lots in Kekaha, Kaua'i. Engineering plans and designs are in progress and construction is scheduled to commence by mid 2004. The estimated construction cost is \$3 million.

- **Communications**

The Anahola Hawaiian homestead community is online utilizing fiber optic communication services along with the Hanapēpē Hawaiian community. Sandwich Isle Communications (contractor) is installing infrastructure to connect the west side Kekaha Hawaiian community to complete the project linking all Kaua'i Hawaiian communities.

**LOAN SERVICES BRANCH**

The Loan Services Branch administers the department's loan origination, loan servicing and loan collection programs. As authorized by the Hawaiian Homes Commission Act of 1920, DHHL provides loan funds to its native Hawaiian beneficiaries and issues guarantees through Memorandums of Understanding (MOU) for loans made by alternative lending sources for the replacement, construction, repair of homes and payment of real property taxes.

As illustrated in the accompanying Loan Summary, lessees have received 1,184 direct loans, totaling some \$45.2 million and 511 guaranteed loans and 2,290 FHA insured loans totaling some \$244.4 million. Approximately \$19.2 million were from 13 alternative lending sources.

**LOAN SUMMARY**

*As of June 30, 2003*  
(\$ Thousands)

<b>Accounts</b>	<b>Total Loans Receivable</b>	<b>Total No. of</b>
<b>DIRECT LOANS</b>		
O'ahu	\$22,186	558
East Hawai'i	13,777	326
West Hawai'i	1,039	44
Molokai	2,304	93
Kaua'i	3,505	108
Maui	2,443	53
<b>Total Direct Loans</b>	<b>\$45,207</b>	<b>1,184</b>
<b>LOAN GUARANTEES</b>		
Beal Bank	\$1,044	28
USDA—Rural Development	9,461	292
Small Business Administration	1,044	28
Hawai'i Habitat for Humanity	39	3
County of Maui	95	7
North Hawai'i Community FCU	34	1
Kaua'i Teachers FCU	63	2
City and County of Honolulu	792	33
FHA	2,015	18
Finance Factors	62	1
OHA/DHHL	4,366	80
Nānākuli Neighborhood		
Housing Services	202	17
Department of Agriculture	25	1
<b>Total Loan Guarantees</b>	<b>\$19,242</b>	<b>511</b>
<b>INSURED LOANS</b>		
FHA Insured Loans	\$244,364	<b>2,290</b>
<b>Total Insured Loans</b>	<b>\$244,364</b>	<b>2,290</b>
<b>OVERALL TOTALS</b>	<b>\$307,730</b>	<b>3,957</b>

## LOAN SERVICES BRANCH *continued*

The revolving funds are made available for new loans to homestead lessees for home purchases, home construction, repairs, sewer connections, and real property taxes. When loans are not repaid, it reduces the amount of funds available to other native Hawaiians.

During FY 2003, Loan Services continued to schedule and conduct contested case hearings with lessees to resolve loan repayment delinquency problems. The hearings utilized the services of hearing officers as well as the Hawaiian Homes Commission.

The contested case hearing activities and no nonsense approach to resolve the sensitive and significant problem has resulted in the department collecting \$3.7 million in principal payments during FY 2003.

## LAND DEVELOPMENT DIVISION

### OVERVIEW

The Land Development Division (LDD), with its staff of 20, is charged with the responsibility of developing trust lands for homesteading and income-producing purposes. This is accomplished through the development of properties for residential, agricultural, pastoral and economic uses. The primary focus during the current year was towards the development of residential homestead lots.

LDD carries out its responsibility through the three operating branches: The Design and Construction Branch, the Housing Project Branch and the Temporary Development Assistance Group (to include the Master-Planned Community Branch).

The Design and Construction Branch designs and constructs both off-site and on-site improvements for the development of residential, agricultural and pastoral subdivisions.

The Housing Branch focuses on the construction of units and awarding of leases on available existing subdivided lots in in-fill areas. The branch also offers assistance to those lessees that require help in arranging financing and selecting qualified contractors for building on their awarded lots. This assistance extends to alternative housing programs, such as self-help, in assisting these lessees.

The Temporary Development Assistance group was established with the specific goal of expediting the construction of beneficiary housing options through partnerships with the private sector and exploring other housing opportunities heretofore unavailable to our beneficiaries, such as rent-to-own and kupuna rental projects. This group is primarily responsible for development of larger residential subdivisions and community facilities such as recreation and community centers.

**Table 1: Construction Projects Completed in FY 2002**

Project	Island	No. of Lots	Completion Date	Subdivision Approval
<b>RESIDENTIAL LOTS</b>				
Kula Residence Lots, Unit 1	Maui	320	August 2002	February 2002
Waimānalo Scattered Lots	O'ahu	5	April 2003	April 2003
Anahola Village Residence Lots	Kaua'i	11	June 2003	August 2003
Maia Road Subdivision	Kaua'i	2	June 2003	June 2003
<b>TOTAL</b>				
<b>RESIDENTIAL LOTS</b>		<b>338</b>		
<b>TOTAL HOMESTEAD LOTS</b>		<b>338</b>		
<b>OTHER PROJECTS</b>				
Lower Kula & Waiohuli Water System			August 2002	
Kula Water Transmission Main, Phase 1			August 2002	
Molokai Water System, Phase 3D			January 2003	

*Of the 338 homestead lots, 319 were new residential lots awarded during the department's acceleration program in 1985 and 1986. No farm lot and pastoral lot infrastructure projects were completed in FY 2003.*

**Table II: Construction Projects in Progress**

Project	Island	No. of Lots	Completion Date
<b>RESIDENTIAL LOTS</b>			
East Hawai'i Scattered Lots	Hawai'i	78	June 2004
<b>TOTAL RESIDENTIAL LOTS</b>		<b>78</b>	
<b>FARM LOTS</b>			
Pāhe'ehe'e Ridge Subdivision	Oahu	19	October 2003
<b>TOTAL FARM LOTS</b>		<b>19</b>	
<b>TOTAL HOMESTEAD LOTS</b>		<b>97</b>	
<b>OTHER PROJECTS</b>			
Maku'u Farm & Ag Lots Off-Site Water			December 2003
Nānāikapono Subdivision Upgrading			December 2003
Papakōlea Drainage Improvements, Phase 1			December 2003
Ho'olehua Recreation Center Demolition			December 2003

*Of the 97 homestead lots, 19 were awarded during the department's acceleration program in 1985 and 1986.*

**Table III: Design Projects in Progress**

Project	Island	No. of Lots
<b>RESIDENTIAL LOTS</b>		
Kula Res Lots, Unit 2	Maui	80
Nānākuli Res Lots, 5-3A	O'ahu	18
<b>TOTAL RESIDENTIAL LOTS</b>		<b>98</b>
<b>FARM LOTS</b>		
Keōkea Farm Lots	Maui	71
Waiahole/Waimanalo	O'ahu	22
<b>TOTAL FARM LOTS</b>		<b>93</b>
<b>PASTURE LOTS</b>		
Pu'ukapu	Hawai'i	183
<b>TOTAL PASTURE LOTS</b>		<b>183</b>
<b>TOTAL HOMESTEAD LOTS</b>		<b>374</b>

**OTHER PROJECTS**

Anahola Wastewater Treatment Plant	Kaua'i
Anahola Drainage Improvements, Phase II	Kaua'i
Molokai Water System Improvement, Phase 4	Molokai
Maku'u Off-Site Water System, Phase 2	Hawai'i
Kahilu Road	Hawai'i
Kawaihae 1.0 MG Water Tank	Hawai'i
Kawaihae Water Transmission Main	Hawai'i
Papakōlea Drainage Improvements, Phase II	O'ahu

*Of the 374 homestead lots, 28 residential lots and 68 farm lots were awarded during the department's acceleration program in 1985 and 1986. The 183 pasture lots were awarded in 1990. Pending funds, these projects will be put out for construction bids upon completion of the design phase.*

**DESIGN & CONSTRUCTION BRANCH**

The Design and Construction Branch plans, designs and constructs on-site and off-site improvements for the development of residential, farm and pastoral lots for homesteading purposes.

In FY 2003, the branch completed the construction of infrastructure improvements for seven projects with a total of 338 homestead lots. The cost for the seven projects was \$32.66 million.

An additional 97 homestead lots and several off-site improvement projects are currently under construction. The contracted value of these projects is approximately \$13.77 million.

The branch currently has infrastructure improvements for eight subdivisions, representing 374 lots, and eight off-site improvement projects under design. This represents an investment of approximately \$5.97 million in design cost.

These 809 residential, farm and pastoral lots, along with other miscellaneous infrastructure improvements, represent over \$52 million in development costs that are currently being managed by this branch.

**HOUSING PROJECT BRANCH**

The Housing Project Branch responsibilities include: Scattered Lots program—construction of houses on unawarded lots and award of the houses for financially qualified applicants on the residential waiting lists.

ISLAND	CONSTRUCTED FY 2003	UNDER CONSTRUCTION
Hawai'i (East)	2	0
Hawai'i (West)	7	2
O'ahu	4	7

*Assistance to those lessees who received vacant lots during the Acceleration of Awards program (FY 1984 to FY 1987) to arrange for financing and contractors to construct their homes on the improved lots.*

ISLAND	CONSTRUCTED FY 2003	UNDER CONSTRUCTION
Hawai'i (East)	2	1
Hawai'i (West)	12	20
Kaua'i	0	3
Maui	8	43
Molokai	2	11

*Pre-owned houses that were returned to the department either through lease cancellation, voluntary surrender or relocation and re-awarded by Housing Project Branch.*

ISLAND	RECORDED FY 2003
Hawai'i (East)	4
Kaua'i	3
O'ahu	5



*The Kula Water Transmission Main project was completed in August 2003. It provides water service to the 320 homestead lots in Waiohuli, Maui*

**TEMPORARY DEVELOPMENT ASSISTANCE GROUP / MASTER-PLANNED COMMUNITY BRANCH**

Formed in 1997, the initial mission of the Temporary Development Assistance Group (TDAG) was to expedite the construction of beneficiary housing through development agreements with the private sector and other innovative approaches. Since inception, TDAG has managed the development of approximately 1,200 units that includes being the designated developer for Village 6 in Kapolei, development of rent-to-own and kupuna rental projects, and development of supporting homestead and community facilities. A summary of TDAG's FY 2003 progress is provided below:

- **Kūlanakauhale Maluhia o Nā Kūpuna, Waimānalo, O'ahu**  
85 one-bedroom rental units for the elderly (over 62 years of age). Includes resident manager's apartment, senior center and common area facilities on eight acres of land. Cost: \$11.5 million. Construction started in Sept. 2000 and completed in March 2002. As of June 30, 2003, the project is at 44 percent capacity.
- **Village 6 Project, Malu'ohai Subdivision, Villages of Kapolei, O'ahu**  
Three phases totaling 226 units.
  1. 111 completed 3 and 4 bedroom homes priced from \$120,000 to \$170,000
  2. 70 Rent-to-Own units
  3. 45 self-help units. Completion anticipated in '04-'05

- **Freitas and Carlos Dairy Project**

32 residential lots intended for affordable housing and 21 agricultural lots as relocation alternatives. Completion anticipated at end of FY '04.

- **Hanapēpē Residential Housing Project, Unit 1, Increment II**

20-lot self-help project by Kaua'i Habitat for Humanity (KHH). Five homes occupied, second five near completion at end of fiscal year '03.

- **Waiehu Kou 3 Project**

77 developer-built single-family homes and 38 vacant owner-builder lots. Anticipated to begin July 2003. Completion anticipated in late '04.

- **Ha'uowī, Lāna'i Residence Lots, Unit 1**

Anticipate initial development of 35 housing units. Infrastructure construction to begin in January '04.

- **Pana'ewa Residence Lots, Unit 6**

Infrastructure improvements for 40 vacant lots in Waiākea, Hawai'i. Anticipate construction to begin late '03.

- **Kekaha Residence Lots, Unit 4**

Infrastructure improvements for 49 vacant lots in Kekaha, Kaua'i. Construction anticipated to begin by mid '04.

- **Honokōwai Master Plan**

Plan in development for 790 acres in Honokōwai, Maui.

- **Lālāmilo Phase 1, Lālāmilio, Hawai'i**

34 in-fill residential lots. RFP issued early '03 for infrastructure and home construction. Expected to be completed in fall of '05.



*The Nanaikapono Subdivision Upgrade project provides infrastructure improvements to the roadway, drainage, sewer, water and electrical systems to one of Nanakuli's oldest subdivisions.*



*Demolition and clean-up of the old Molokai Recreation. Site was cleaned to make room for new community facility.*

# LAND MANAGEMENT DIVISION

## OVERVIEW

Land Management Division (LMD) is striving to generate revenues from the income-producing use of Hawaiian home lands to further the department's goal of becoming financially self-sufficient in the future. Through its three branches, Land Management, Technical Services and Income Property, the 11 staff members of LMD manage lands that are not utilized for homestead purposes.

Revenues generated from general leases, revocable permits, licenses and right of entry agreements increased from \$6.68 to \$7.33 million during the fiscal year, primarily due to the additional rents collected for the use of Nānāikapono Elementary School at Nānākuli, O'ahu, and general lease rental reopenings.

Seven new general lease dispositions for industrial and commercial uses on the islands of O'ahu and Hawai'i are expected to generate some \$1.7 million in additional annual revenues. General leases are issued to generate income to fund homestead development.

## FY 2003 HIGHLIGHTS

### O'ahu

- The Economic Development Administration of the U. S. Department of Commerce is funding the subdivision planning of a 43-acre commercial/ industrial subdivision to be developed at Kalaeloa, O'ahu. This would be the first redevelopment project on lands acquired from the federal government at the former site of the Barbers Point Naval Air Station.
- The second phase of feasibility studies for a science and project is a 13-acre development that would house high ech research and manufacturing firms and educational, training and service entities that support technology businesses.
- Procedures for community empowerment licenses are being prepared to better delineate how to grant homestead community organizations the opportunity to utilize lands for community and economic development.
- The Hawaiian Homes Commission (HHC) granted a license to the Papakōlea Community Corporation to develop a full service community center at a facility formerly managed as a park by the City and County of Honolulu. Services include health, social, educational, entrepreneurial and recreational activities. A new computer and teleconference center has been opened, and the Boys and Girls Club has expanded at the site.

- The Nānākuli Hawaiian Homestead Community Association, Wai'anae Valley Homestead Community Association, Princess Kahanu Estates Hawaiian Homes Association, and Wai'anae Kai Homestead Association have formed an entity called Hukupili. Under a license issued to Hukupili, the organizations manage the natural resources, specifically surface rocks and kiawe wood, at a site near the Wai'anae Comprehensive Health Center. The community organizations are empowered to manage land and natural resources and can sell surface rock and kiawe wood to fund community development.
- Sandwich Isles Communications, Inc. (SIC) is the exclusive provider of telecommunication services on Hawaiian home lands in the State of Hawaii. SIC is working to provide telephone services at Kapolei and has almost completed infrastructure construction at the former Freitas Dairy and Pahe'ehe'e Ridge sites at Wai'anae.

### Hawai'i

- DHHL is converting the former Kamehameha Schools pre-school site at Keaukaha to an office complex for Native Hawaiian service organizations. The HHC granted license agreements to: the Office of Hawaiian Affairs to serve the Hawaiian people residing in East Hawai'i; the Edith Kanaka'ole Foundation to provide educational programs; and the Keaukaha Community Association to utilize a portion of a building space to establish a learning center to provide programs.
- The Income Property Branch marketed an 11-acre site at Waiākea, Hilo. The Home Depot was selected to develop this property to open its first outlet in East Hawai'i. Approximately \$11.4 million in revenues will be generated during the initial 25-year lease period. This lease is expected to be finalized by February 2004.
- The Kanu o ka 'Aina Learning 'Ohana was issued a license to utilize approximately 15 acres of the Pu'ukapu Pasture lots at Waimea, Hawai'i, for a native Hawaiian cultural earning center.
- Forestry projects promote forest-based economic opportunities in the community, generate income, improve watersheds, provide native woods to Hawai'i's wood workers and replace invasive weeds (gorse) with a value-added land use that benefits both the trust and its beneficiaries.

- Existing forest resources on DHHL lands are being inventoried and evaluated for effective long-term management that include a koa restoration project on a 132-acre former pasture in Humu'ula. The Big Island Koa Company has been retained to harvest and reforest the seeds. Approximately \$1,000 per acre is being generated from this pilot project which harvests about four trees per acre; this revenue is more than 200 times the per acre rent received from the prior ranching operation. DHHL received \$19,599 in proceeds from logging operations in FY 2003.
- A gorse control project on the Big Island is planting a 250-foot wide perimeter of trees to contain the leading edge of gorse, an invasive weed established on at least 5,000 acres of Hawaiian home lands at Humu'ula.
- The Income Property Branch issued an RFP for the development of a 200-acre parcel in the Honokōhau Harbor area. The proposed plan is for mixed commercial and light industrial use.
- SIC completed the fiber optic cable network installation from La'i'opua, Kealakehe, North Kona, to Pu'ukapu, Waimea, and installation of the fiber optic cable from Keaukaha to Waiākea, Hilo, is under construction.

**Maui**

- The HHC approved the issuance of a license to ALU

**LAND USE SUMMARY**

BY DISPOSITION  
JUNE 30, 2003

USE	HOME	HOMESTEAD FARMS	RANCHES	LEASES	GENERAL LICENSES	OTHERS	TOTAL ACREAGE
ACREAGE	2,564	12,291	27,251	51,542	37,617	71,344	202,658

**LAND USE SUMMARY**

BY ISLAND  
JUNE 30, 2003

ACREAGE USE*	HAWAI'I	KAUA'I	LANA'I	MAUI	MOLOKA'I	O'AHU	TOTAL ACREAGE
Homesteads	27,288	815	14	2,065	11,005	968	42,155
General Leases	46,159	3,052	0	512	1,767	52	51,542
Licenses	16,346	13,077	0	36	7,563	325	37,617
Others	27,520	3,621	36	21,548	12,691	5,928	71,344
<b>TOTALS</b>	<b>117,313</b>	<b>20,565</b>	<b>50</b>	<b>31,688</b>	<b>25,769</b>	<b>7,273</b>	<b>202,658</b>

\*Figures have been rounded to the nearest whole area.

**INCOME SUMMARY**

BY USE AND ISLAND  
JUNE 30, 2003

ACREAGE USE*	HAWAI'I	KAUA'I	LANA'I	MAUI	MOLOKA'I	O'AHU	TOTAL ACREAGE
Industrial Leases	\$1,663,701	\$0	\$0	\$0	\$0	\$1,744,321	\$3,418,022
Commercial Leases	1,483,270	0	0	0	0	378,750	1,862,020
Pasture/Agri Lease	206,323	20,008	0	49,400	9,690	5,967	291,388
Other Lease*	89,655	480	0	0	175,240	173,553	438,928
Revocable Permits	109,912	88,994	0	24,048	18,272	209,332	450,558
Right of Rntry Permit	3,600	0	0	2,775	10,200	0	16,575
Licenses	317,065	48,318	0	10,758	31,387	459,752	867,280
<b>TOTALS</b>	<b>\$3,873,526</b>	<b>\$157,800</b>	<b>\$0</b>	<b>\$86,981</b>	<b>\$244,789</b>	<b>\$2,971,675</b>	<b>\$7,344,771</b>

\*Includes leses for utilities, public service and government purposes.

LIKE, a Hawai'i non-profit organization, for the use of the kupuna program.

**Molokai**

- The HHC approved the restoration of the Kalaina wāwae sand-stone blocks to their place of origin at Mo'omomi by the Bernice Pauahi Bishop Museum.

**Kaua'i**

- The HHC approved the issuance of a license to the University of Hawai'i's Kauai Community College to construct facilities for "Project Ka Hale Pono" – an educational program providing afternoon services to Anahola-area youth.
- The HHC approved the issuance of a revocable permit to the Anahola Hawaiian Homes Association (AHHA) for its administrative office and to develop a public service facility for the residents of Anahola. AHHA has developed a computer center hosting a successful data processing operations that train and employ homesteaders.
- DHHL has begun planning for the new location of the Kaua'i district office. Consideration is being given to incorporate the location of this office with the potential 11-acre parcel that may be general leased for commercial development purposes at Wailua.
- SIC completed about 70 percent of the installation of fiber optic cable from Anahola to Kekaha. Under construction is the section from Hanapēpē to Kekaha.

# PLANNING OFFICE

## OVERVIEW

The Planning Office is responsible for conducting research and planning studies which are required for the development of policies, programs and projects benefiting native Hawaiians, as defined under the Hawaiian Homes Commission Act, 1920, as amended (HHCA).

Additionally, the Planning Office defends the Hawaiian Home Lands Trust and advocates for the restoration of trust claims. The Native Hawaiian Development Program makes awards to non-profit organizations to support community self-determination, provide capacity building, and assist native Hawaiians in education and financial literacy.

## PLANNING

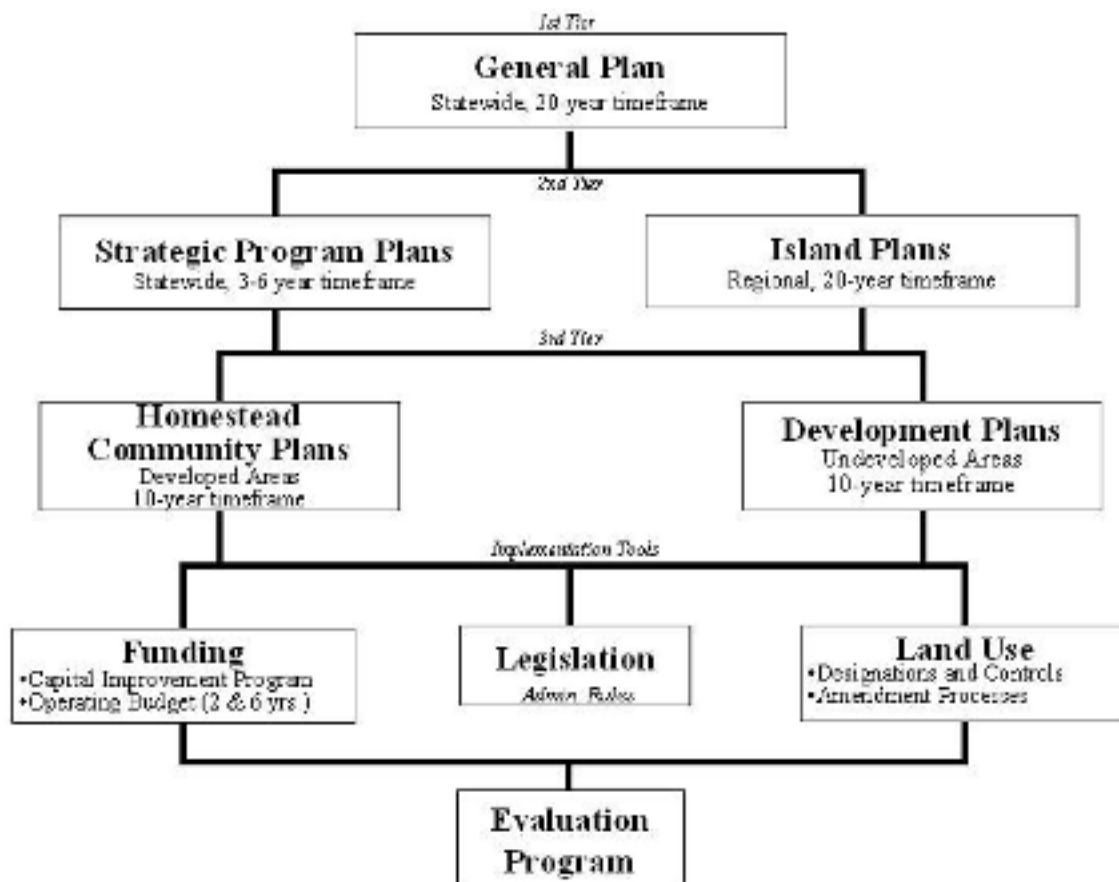
### Planning System

DHHL created a new DHHL Planning System to assist in identifying critical issues, determining priorities, allocating resources and implementing future plans for the development and use of Hawaiian home lands.



*DHHL encourages the empowerment of our beneficiary community through the implementation of community-based plans and planning process.*

## DHHL Planning System



The DHHL Planning System includes a framework of program and land-use plans such as island plans, strategic program plans, development plans, homestead community plan, and various planning implementation tools.

- **Island Plans**

Provide baseline physical and demographic information, and land use designations for the use and development of all Hawaiian home lands on the island over a 20-year timeframe. The planning process allows review and input by native Hawaiian beneficiaries and organizations, the general public, various agencies and private parties on the island. Land Use Designations for the Hawai'i Island Plan were adopted in October, 2002. Work is ongoing on the Maui Island Plan and Kaua'i Island Plan. DHHL will be initiating island plans for Molokai and O'ahu in FY 2004–05.

- **Strategic Program Plans**

Strategic Program Plans are statewide plans that carry out General Plan policies and priorities in specific program areas. These plans outline DHHL actions over a three- to five-year period and establish action plans and processes for evaluation.

Where appropriate, alternative actions and planning tools are also identified. Six Strategic Program Plans are proposed:

- Housing (Updated August 2003)
- Economic Development
- Agriculture (May 2000) and Pastoral
- Water Resources
- Resource Management
- Community Building (Updated July 2003)

Program Plans are being reviewed and reconstituted under the new Strategic Plan being prepared under the current Administration.

- **Development Plans**

The purpose of Development Plans is to coordinate the development and use of vacant lands within each tract

(ahupua'a) of Hawaiian home lands. Each development plan emphasizes detailed land use, design, off- and on-site infrastructure requirements, and includes detailed physical and demographic information, phasing and development cost estimates. The Land Development Division is formulating Development Plans on the Big Island for Lalamilo, Waiākea, and Lower Pi'ihonua; on Maui for Honokowai; on O'ahu for Kapolei; and on Kaua'i for Kekaha.

- **Homestead Community Plans**

The Planning Office encourages the empowerment of our beneficiary community through the implementation of community-based plans and planning processes. The Planning Office provides technical assistance and grant monies to homestead groups to formulate, adopt and implement Homestead Community Plans.

- **Planning Implementation Tools**

Implementation tools such as budget and legislation, as well as evaluation procedures, will be included in this comprehensive planning system in order to facilitate the implementation of proposed goals and objects of the General Plan.

- **Planning Coordination**

The Planning Office reviews and provides comments on land use, water use and project development proposals by government agencies and private entities for impacts on DHHL programs and its native Hawaiian beneficiaries.

### **General Plan and Strategic Plan**

The Hawaiian Homes Commission adopted a new General Plan for DHHL in FY 2002. The last General Plan was adopted in 1976 and contained land-use oriented policies. The new General Plan presents clear and concise goals and objectives in a wider range of areas that the department functions such as land-use planning, residential and agricultural uses, water resources, land and resource management, economic development and community building. The new General Plan will help to effectively guide the department to the year 2020.



*The Planning Office provides technical assistance and grant monies to homestead groups to formulate, adopt and implement homestead community plans. Pictured above are Papakolea residents going through the visioning process.*

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On June 24, 2003, the Hawaiian Homes Commission approved a five-year Strategic Plan which further specifies the department's goals, actions and direction in the short-term. The four goals of the Strategic Plan are:

- Within five years, provide every qualified native Hawaiian beneficiary on waiting lists an opportunity to homeownership or land stewardship on homestead lands.
- Address the findings in the 2002 Legislative Auditors Report.
- Pursue financial self-sufficiency by 2013 in an amount sufficient to replace the Act 14 financial settlement of \$30 million per year.
- Continue to effectively manage and protect the Trust to ensure perpetuity for further generations of Native Hawaiians and fulfill our responsibility as long-term stewards.

## DEFENDING THE TRUST

### 14th Amendment Challenges

On October 3, 2000, the *Barrett v. State* lawsuit (USDC Civil No. 00-00641 SIN-LEK) was filed challenging the validity and constitutionality of Article XII of the Hawaii State Constitution. The Office of Hawaiian Affairs (OHA), State of Hawaii's acceptance of the HHCA from the federal government, and traditional and customary rights are included under Article XII. *Note: On September 2, 2003, the U.S. Court of Appeals for the Ninth circuit upheld the lower court dismissal of this lawsuit on the basis that the plaintiff Patrick Barrett lacked standing to bring the lawsuit. (C.A. No. 02-16052).*

On March 4, 2002, the *Arakaki v. Lingle* lawsuit (USDC Civil No. 02-00139 SOM/KC) was filed alleging that the OHA and HHCA laws and the requirement placed on the State of Hawaii by Section 5(f) of the Admission Act to give native Hawaiians any special right, title, or interest in the ceded lands or income from these lands are invalid under the U.S. Constitution. The state Department of the Attorney General represents the Hawaiian Homes Commission in these lawsuits. (*Note: On November 21, 2003, the U.S. District Court ruled that the plaintiffs, Arakaki et. al, lacked standing to challenge the federal requirements for the Hawaiian home lands program which was adopted as part of the Hawaii State Constitution under the federal Hawaii Statehood Admission Act of 1959.*)

These lawsuits and the philosophy they represent can have severe ramifications for the Hawaiian home lands trust and other resources and services that benefit native Hawaiians. Consequently, the Hawaiian Homes Commission took a series of actions to defend the Hawaiian home lands trust and native Hawaiian interests:

- Supported the State Council of Hawaiian Homestead Associations (SCHHA) to retain independent legal representation as an intervenor to defend the interests of all beneficiaries exclusively and the Hawaiian home lands trust.
- Reaffirmed its support of legislation to express the United States' policy regarding its relationship with Native Hawaiians and provide a process for the recognition of a Native Hawaiian governing entity.
- Authorized the Department of Hawaiian Home Lands to meet quarterly with leaders from homestead and applicant organizations in order to discuss and coordinate plans, strategies and actions.
- Authorized dissemination of information about the lawsuits, federal recognition and nation building through mail-outs, commission meeting discussions and community presentations.

## RESOLUTION OF TRUST CLAIMS

### State of Hawaii

Act 14, SpSLH 1995 was passed to resolve claims filed by the Hawaiian Homes Commission involving compensation for the past use of and title to Hawaiian home lands. Act 14 requires that the State take certain actions to restore the Hawaiian home lands trust. Accomplishments during the reporting period from July 1, 2002 through June 30, 2003 were:

- **Hawaiian Home Lands Trust Fund**

Act 14 established a Hawaiian Home Lands Trust Fund with the requirement that the State make 20 annual deposits of \$30 million into the trust fund for a total of \$600 million. To date, payments have been made as required by law. These funds have been used for a

total of \$600 million. To date, payments have been made as required by law. These funds have been used for homestead land acquisitions and capital improvement projects. See the Hawaiian Home Lands Trust Fund financial statement in this report.

- **Waimānalo Regional Settlement**

The Hawaiian Homes Commission has withdrawn its claims to 12 parcels and, in return, has received the required quitclaim and transfer deeds from the Department of Land and Natural Resources (DLNR) to over 370 acres of beach lands in Waimānalo, including more than 67 acres used for 129 homestead residential lots. The Hawaiian Homes Commission has withdrawn its claims involving land alienated to private parties and Kalanianaʻole Highway and DLNR has transferred 12.7 acres at Waimānalo Beach Park to DHHL. DHHL continues to work with DLNR to finalize the transfer of up to 200 acres of excess land at Bellows Air Force Station from the U.S. General Services Administration.

- **Public Uses of Hawaiian Home Lands**

P.L.101-136 authorized the U.S. General Services Administration to convey the former U.S. Coast Guard property at Maʻili, Oʻahu, to the State of Hawaiʻi. The conveyance is conditioned on a simultaneous exchange of Hawaiian home lands of equal value used for educational or recreational purposes on the islands Hawaiʻi, Oʻahu or Molokai.

In April 2002, the Hawaiian Homes Commission authorized the exchange of 37.319 acres at Hoʻolehua, site of the Molokai High and Intermediate School and athletic field, for up to 89 acres of the former U.S. Coast Guard property at Maʻili, Oʻahu. In order to complete the exchange, consolidation and resubdivision of the Molokai parcels are needed. On March 1, 2003, Maui County granted preliminary subdivision approval, subject to conditions. DHHL continues to work closely with DLNR to bring closure to this matter.

- **Nominal Compensation Controversy**

On July 21, 2001, the Hawaiian Homes Commission authorized the exchange of 25.686 acres of Hawaiian home lands located in Waimea, Kauaʻi, for 5.153 acres of state land at Hanapēpē, Kauaʻi. DHHL completed all necessary reports and is working with DLNR on necessary exchange deed documents.

- **Other Provisions of Act 14**

Work continues on implementing other provisions of Act 14 in order to resolve remaining claims involving Anahola, Kauaʻi; uncompensated use of Hawaiian home lands for state roads and highways; and use of Hawaiian home lands at Humuʻula, Hawaiʻi, for nominal compensation.

### State Public Land Conveyed to DHHL

#### Under Act 14, SpLH 1995

*As of June 30, 2003*

Island	No. Acres Authorized	No. Acres Conveyed	Percent Conveyed
Kauaʻi	1,948.579	1,995.302	102%
Maui	2,625.522	2,635.984	100%
Molokai	399.533	403.240	101%
Lanaʻi	50.000	50.000	100%
Oʻahu	441.138	206.930	47%
Hawaiʻi	11,053.230	9,323.611	84%
<b>Total</b>	<b>16,518.002</b>	<b>14,615.067</b>	<b>88%</b>

### Federal Excess Property Conveyed to DHHL Under Hawaiian Home Lands Recovery Act of 1995, P.L. 104-42

*As of June 30, 2003*

Federal Properties	Acres Authorized	Acres Received	Location
Kalaeloa	586	278	Ewa, Oʻahu
Mānana Housing	20	20	Waiawa, Oʻahu
ʻUpolu Point	38	38	North Kohala, Island of Hawaiʻi
Omega Haʻikū	167	147	Kāneʻohe, Oʻahu
Hālawā Laundry	3	-0-	ʻAiea, Oʻahu
Ewa Drum	56	-0-	Waiawa, Oʻahu
Waipahu FCC Monitoring Site (\$16.9 million credit)	-0-	-0-	Waipahu, Oʻahu
BPNAS Raceway Expansion	16	-0-	Ewa, Oʻahu
Lualualei Buffer	27	-0-	Waiʻanae, Oʻahu
<b>TOTAL</b>	<b>913</b>	<b>483</b>	<b>(53%)</b>

- **New Lands for Homelands**

Act 14 authorizes the transfer of 16,518 acres of public lands to DHHL to be designated as Hawaiian home lands, which will bring its inventory to 203,500 acres. As of June 30, 2003, 14,615 acres (88%) have been conveyed to DHHL.

#### **Federal Government**

The 1995 Hawaiian Home Lands Recovery Act (HHLRA) (Public Law 104-42) provides for the settlement of land use and ownership disputes between DHHL and the federal government. The law authorizes the exchange of excess federal non-ceded lands in Hawaiʻi for Hawaiian home lands of equal value under the control of the federal government.

As required under the HHLRA, DHHL claims were filed with the Secretary of the Interior and excess federal non-ceded lands were identified and valued for acquisition. On August 31, 1998, a Memorandum of Agreement was signed incorporating 960 acres of excess federal lands for transfer to the DHHL. It was amended on November 3, 2000, providing a DHHL credit of \$16.9 million since the Waipahu FCC Monitoring Station parcel was no longer available. In January 2003, six parcels at Kalaeloa (former Barbers Point NAS) were transferred to DHHL.

## NATIVE HAWAIIAN DEVELOPMENT

The Native Hawaiian Development (NHD) Program focuses on increasing the self-sufficiency and self-determination of native Hawaiian individuals and native Hawaiian communities by building knowledge, capacity and skills. The NHD Program is guided by the philosophy that with technical assistance and financial support, DHHL beneficiaries can define and implement their vision for themselves and their community. The NHD Program Plan is updated and approved by the Hawaiian Homes Commission at the beginning of each fiscal biennium. The following programs addressed these goals in Fiscal Year 2003.

- **Community Development Program**

FY 2003 marked the second year of DHHL's new focus on strengthening the organizational capacity of beneficiary organizations. The Community Development Program grants continue to be the primary vehicle for supporting community projects and organizational capacity building. DHHL offered two types of grants to beneficiary organizations: capacity-building and implementation.

Capacity-building grants are intended to help beneficiary organizations improve their ability to serve applicants and homestead residents, conduct community activities and plan for the future. In FY 2003,

DHHL received 11 applications for capacity-building grants of which 10 received funding. Some of the activities funded were board training, strategic planning, membership recruitment, association newsletters, fundraising activities and the creation of association offices.

Implementation grants are intended to help beneficiary organizations carry out their plans to help applicants become lessees, improve homestead areas and facilities, increase the use of homestead land or implement a community vision. In FY 2003, DHHL received eight applications for implementation grants of which five received funding. Implementation projects included park improvements in Pana'ewa and Papakōlea, educational programs on federal recognition and lawsuits threatening beneficiary entitlements, and youth programs in Papakōlea.

- **Homestead Organizational Support**

DHHL held quarterly meetings with the leadership of homestead and applicant organizations to provide information on important legal and legislative issues as well as briefings on department initiatives and opportunities. As part of our capacity-building efforts, we conducted a seven-month training series for beneficiary organizations on five islands teaching organizational management skills. A total of 84 people representing 24 homestead and applicant organizations participated. The all-day sessions were held once a month on five islands and covered topics such as strategic planning, financial management, board operations, membership development, leadership skills and fundraising.

- **Beneficiary Organizations**

The State Council of Hawaiian Homestead Associations on behalf of homestead lessees, and the **Hui Kako'o 'Aina Ho'opulapula**, on behalf of homestead applicants, received administrative support and participated actively in many initiatives addressing the problems and needs of their respective groups. They continue to be active partners with DHHL.

**Native Hawaiian Development Program  
Geographic Distribution of Applications and Awards for FY 2003**

Island	No. of Proposals		\$ Amount		No. of Awards		\$ Amount	
	Capacity	Implementation	Capacity Building	Implementation	Capacity Building	Implementation	Capacity Building	Implementation
Hawai'i	4	1	14,215	18,211	4	1	14,865	15,611
Kaua'i	1	0	5,000	0	1	0	500	0
Maui	2	2	10,000	160,000	2	1	7,500	5,000
Molokai	1	0	5,000	0	1	0	5,000	0
O'ahu	3	2	12,300	278,782	2	2	7,300	100,000
Statewide	0	3	0	164,733	0	1	0	31,390
<b>Total</b>	<b>11</b>	<b>8</b>	<b>46,515</b>	<b>621,726</b>	<b>10</b>	<b>5</b>	<b>39,665</b>	<b>152,001</b>

**Hawaiian Homes Commission Scholarships  
Applications and Awards Per Academic Year**

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Applications Received	311	332	361	309	277	319
Confirmed Native Hawaiian	225	290	358	257	247	278
Met All Requirments	123	199	216	212	180	259
Scholarship Awarded	\$220,000	\$210,700	\$210,700	\$208,200	\$206,040	\$194,400
Average Award	\$1,788	\$1,040	\$975	\$982	\$1,144	\$750

• **Individual Development Accounts**

DHHL continues its collaboration with the Office of Hawaiian Affairs (OHA), ALU LIKE, Inc. and Queen Lili'uokalani Children's Center (QLCC) to offer Individual Development Accounts (IDAs) to native Hawaiian families. IDAs provide opportunities for low-income families to acquire assets for a down payment or home repair, higher education, or small business capital. Deposits made by participants into a savings account will be matched on a 2:1 or 3:1 basis for eligible purposes. The Hawaiian Homes Commission (HHC), at its September 28, 1999 meeting, authorized funds not to exceed \$50,000 over five years beginning FY 2000. Savings contributions from 23 DHHL-eligible native Hawaiian families are being matched for down payment and home repair needs.

• **Agricultural Technical Services**

DHHL maintains a cooperative agreement with the University of Hawai'i College of Tropical Agriculture /Cooperative Extension Service (CES) to assist homestead farmers and ranchers on Hawai'i, Molokai and Kaua'i. The objective of this program is to provide educational and training programs to improve the agricultural homesteaders' knowledge of commercial and subsistence agricultural production, management, marketing, financial and business operations.

• **Hawaiian Homes Commission Scholarships**

The purpose of the Hawaiian Homes Commission Scholarship Program (HHCS) is to promote and support the educational advancement of native Hawaiians to achieve economic self-sufficiency. In FY 2003, HHCS awards were made to 259 students. The HHCS provides financial assistance for qualified native Hawaiians enrolled full-time in post-high school institutions with demonstrated financial need or academic excellence.

**DATA AND STATISTICS**

• **U.S. Census 2000**

The Planning Office continues to work with the U.S. Census Bureau to insure that accurate census map (TIGER) boundaries are maintained for Hawaiian home lands. This allows the U.S. Census Bureau to produce data and statistics for Hawaiian home lands communities specifically. Census 2000 reported a total population residing on Hawaiian home lands of 22,539. Of the total, 18,920 (or 84%) reported themselves as "Native Hawaiian".

• **Geographic Information System**

DHHL is an active user of GIS technology and is dedicated to improving the collection and distribution of geographically based information related to Hawaiian home lands. Its use enables more informed decision-making by both the HHC and department staff as well as beneficiaries of the Hawaiian homelands trust. DHHL is an active participant in the statewide GIS User Group and has worked with various federal, state and county agencies to develop improved layers of geographic information for public consumption.

• **DHHL Library**

The Planning Office maintains the DHHL Library which contains research documents, studies, plan, and reports related to Hawaiian homelands.

• **Website**

The Planning Office posts its major plans and reports on the DHHL website, <http://www.state.hi.us/dhhl>.

## THE OFFICE OF THE CHAIRMAN

### OVERVIEW

The Office of the Chairman (OCH) manages the daily operations of the Department, sets directions, and provides leadership support to all divisions internally. Additionally, OCH is responsible for supporting the executive body, the Hawaiian Homes Commission, a nine member board represented by all islands. The Chairman of the Commission also serves as the Director of the Department. The Compliance & Community Relations Office, with a staff of three, is housed in OCH and works closely with our beneficiaries and the Hawaiian communities.

The Department partners with other agencies in both the public and private sectors in order to strive to meet our mission, which is to manage the Hawaiian Homes Lands trust effectively and deliver lands to native Hawaiians.



*George Maioho (left), Molokai District Supervisor, and James Pao, Fiscal management Officer, were named Employee and Manager of the Year, respectively.*

## ADMINISTRATIVE SERVICES OFFICE

### OVERVIEW

The Administrative Services Office, with its staff of six, provides support in the areas of personnel, budgeting, program evaluation, information and communication systems, risk management, facilities management, clerical services and other administrative services. This office also provides support services in preparation of legislative proposals and testimonies, coordinates the preparation of reports to the Legislature and facilitates the rule-making process.

### 2003 LEGISLATION

The General Appropriations Act (Act 200, SLH 2003), funded 29 permanent positions through general funds and 89 permanent positions through special funds.

Act 200, SLH 2003 also appropriated \$600,000 in general obligation bond financing for a grant, pursuant to Chapter 42F, to the Waimanalo Hawaiian Homes Association for the plan, design, and construction of a halau building.

	Operating Budget Means of Financing	
	FY 2003-04	FY 2004-05
General Fund	\$1,297,007 (29)	\$1,277,007(29)
Special Fund	\$7,115,343 (89)	\$7,172,586 (89)
<b>Total</b>	<b>\$8,412,350 (118)</b>	<b>\$8,449,593 (118)</b>

## INFORMATION AND COMMUNITY RELATIONS OFFICE

### OVERVIEW

The Information and Community Relations Office (ICRO), with its staff of two, is responsible for planning, organizing and carrying out public information and community relations programs and projects for the department. It also provides advice and assistance to the Commission and staff on public relations and public information matters.

## FISCAL OFFICE

The Fiscal Office, with its staff of 15, is responsible for the maintenance of the accounting system that provides administration with timely financial information for evaluating past performance, making current decisions and planning future operations.

In order to meet the objectives, the Fiscal Office is responsible for the following:

- Reviews and processes department's receipts and expenditures in accordance with the laws, rules and regulations of the State of Hawaii.
- Provides purchasing activities that conform to the State of Hawai'i procurement laws.
- Maintains the department's accounting records and prepares financial reports.

# FINANCIAL STATEMENTS

**Department of Hawaiian Home Lands**  
**State of Hawaii**  
 Statement of Net Assets  
 June 30, 2003

**ASSETS**

Cash and short-term cash investments held in State Treasury	\$	197,177,805
Receivables		
Loans, net of allowance for losses of \$2,943,000		45,648,035
Accrued interest		3,593,918
Note receivable		4,274,196
General leases and licenses, net of allowance for losses of \$1,522,000		612,443
Other		190,336
Other assets		1,703,258
Capital assets:		
Land, improvements, construction-in-progress and other capital assets, net of depreciation		<u>277,822,288</u>
Total assets	\$	<u><u>531,022,279</u></u>

**LIABILITIES**

Vouchers and contracts payable	\$	2,650,842
Accrued wages and employee benefits payable		335,836
Due to State Treasury		10,000
Other Liabilities		3,472,113
Deferred revenue		432,988
Bonds payable		
Due within one year		1,256,000
Due in more than one year		12,439,051
Accrued vacation		
Due within one year		407,000
Due in more than one year		<u>823,994</u>
Total liabilities		<u><u>21,827,824</u></u>

Commitments and contingencies

**NET ASSETS**

Invested in capital assets, net of related debt		264,127,237
Unrestricted		<u>245,067,218</u>
Total net assets		<u><u>509,194,455</u></u>
Total liabilities and net assets	\$	<u><u>531,022,279</u></u>

\* Unabridged financial statements and the report of independent auditors, including notes to the combined financial statements, are available for review at the DHHI Fiscal Office located at 1099 Alakea Street, Suite 2000, Honolulu.

**Department of Hawaiian Home Lands**  
**State of Hawaii**

Statement of Activities

for the year ended June 30, 2003

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Interest, Rents and Fees	Operating Grants and Contributions	
Departmental activities:				
Administration and support services	\$ 5,416,758	-	-	\$ (5,416,758)
Homestead services	11,826,154	3,120,129	301,092	(8,404,933)
Land development	1,584,322	-	-	(1,584,322)
Land management	1,539,639	7,442,611	-	5,902,972
Home construction/capital projects	2,172,470	-	-	(2,172,470)
Sale of homes	-	153,435	-	153,435
	<u>\$ 22,539,343</u>	<u>\$ 10,716,175</u>	<u>\$ 301,092</u>	<u>\$ (11,522,076)</u>
Total departmental activities				
General revenues:				
Appropriations, net of lapsed appropriations of \$220,959				1,123,644
Interest from short-term cash investments				4,874,093
Other				<u>587,899</u>
Total general revenues before transfers				6,585,636
Transfers, net				<u>30,000,000</u>
Total general revenues and transfers				<u>36,585,636</u>
Change in net assets				25,063,560
Net assets at July 1, 2002				<u>484,130,895</u>
Net assets at June 30, 2003				<u>\$ 509,194,455</u>

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**Department of Hawaiian Home Lands**  
**State of Hawaii**  
 Balance Sheet  
 Governmental Funds  
 June 30, 2003

	General Fund	Department of						Temporary Deposits	Other Funds	Total
		Hawaiian Home General Loan Fund	Hawaiian Home Lands Trust Fund	Hawaiian Home Lands Revenue Bond Special Fund	Hawaiian Home Operating Fund	Hawaiian Home Receipts Fund	Hawaiian Home Administration Account			
<b>ASSETS</b>										
Cash and short-term cash investments held in State Treasury	\$ 90,087	\$ 19,244,388	\$ 100,656,322	\$ 28,521,007	\$ 14,131,646	\$ -	\$ 8,691,497	\$ 1,644,080	\$ 24,196,778	\$ 197,177,805
Receivables										
Loans, net of allowance for losses of \$2,943,000	-	41,263,458	-	-	-	-	-	-	4,384,577	45,648,035
Accrued interest	-	-	572,934	170,684	38,227	-	(36,494)	-	99,650	3,593,918
Note receivable	-	-	4,274,196	-	-	-	-	-	-	4,274,196
General leases and licenses, net of allowance for losses of \$1,522,000	-	-	-	-	1,033	-	611,410	-	-	612,443
Other	-	1,499	-	-	86,561	-	102,276	-	-	190,336
Other assets	-	1,275,400	-	-	-	-	-	-	427,858	1,703,258
<b>Total assets</b>	\$ 90,087	\$ 61,784,745	\$ 105,503,452	\$ 28,691,691	\$ 14,257,467	\$ 2,748,917	\$ 9,365,689	\$ 1,644,080	\$ 29,110,863	\$ 253,199,991
<b>LIABILITIES</b>										
Vouchers and contracts payable	1,436	-	2,102,291	-	352,866	-	74,753	-	119,486	2,650,842
Accrued wages and employee benefits payable	51,665	-	-	-	114,892	-	169,279	-	-	335,836
Due to State Treasury	10,000	-	-	-	-	-	-	-	-	10,000
Other liabilities	-	1,872,693	-	-	-	85,882	-	1,424,080	89,458	3,472,113
Deferred revenue	-	-	-	-	205,141	3,505,000	1,164,847	-	-	4,874,988
<b>Total Liabilities</b>	63,101	1,872,693	2,102,291	-	672,899	3,590,882	1,408,879	1,424,080	208,954	11,343,779
Commitments and contingencies										
<b>FUND BALANCES</b>										
Reserved for:										
Encumbrances	72,996	-	17,775,888	-	6,573,401	-	339,327	-	1,847,059	26,608,671
Receivables	-	41,264,957	4,847,130	170,684	125,921	-	677,192	-	4,484,227	54,318,928
Loan Commitments	-	654,523	-	-	-	-	-	-	-	654,523
Guaranteed and insured loans	-	150,000	-	-	-	-	-	-	10,850,100	11,000,100
<b>Total reserved fund balances</b>	72,996	42,069,480	22,623,018	170,684	6,699,222	2,748,917	1,016,519	-	17,181,386	92,562,222
Unreserved	(46,010)	17,842,572	80,778,143	28,521,007	6,885,346	(3,590,882)	6,943,291	220,000	-	137,553,467
Unreserved reported in nonmajor:										
Special revenue funds	-	-	-	-	-	-	-	-	11,610,769	11,610,769
Capital projects fund	-	-	-	-	-	-	-	-	109,754	109,754
<b>Total unreserved fund balances</b>	(46,010)	17,842,572	80,778,143	28,521,007	6,885,346	(3,590,882)	6,943,291	220,000	11,720,523	149,273,990
<b>Total fund balances</b>	26,986	59,912,052	103,401,161	28,691,691	13,564,568	(841,965)	7,959,810	220,000	28,901,909	241,866,212
<b>Total liabilities and fund balances</b>	90,087	61,784,745	105,503,452	28,691,691	14,257,467	2,748,917	9,365,689	1,644,080	29,110,863	253,199,991

\* Unaudited financial statements and the report of independent auditors, including notes to the combined financial statements, are available for review at the DHHL Fiscal Office located at 1099 Alakea Street, Suite 2000, Honolulu.

**Department of Hawaiian Home Lands**  
**State of Hawaii**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**for the year ended June 30, 2003**

	Department of									
	General Fund	Hawaiian Home General Fund	Hawaiian Home Lands Trust Fund	Hawaiian Home Lands Revenue Bond Fund	Hawaiian Home Operating Fund	Hawaiian Home Receipts Fund	Hawaiian Home Administration Account	Temporary Deposits	Other Funds	Total
<b>Revenues</b>										
Appropriations	\$ 1,344,603	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,344,603
General leases	-	-	-	-	-	-	5,385,979	-	-	5,385,979
Licenses and permits	-	-	-	-	-	-	1,708,632	-	-	1,708,632
Interest from loans and note receivable	-	-	-	-	-	2,965,129	-	-	-	2,965,129
Interest from short-term cash investments	-	-	2,301,190	417,709	113,658	1,310,394	359,578	-	371,564	4,874,093
Intergovernmental revenues	-	-	-	-	-	118,914	-	-	182,178	301,092
Sale of homes	-	-	123,399	-	30,036	-	-	-	-	153,435
Other	-	-	44,127	-	198,808	-	42,381	-	302,583	587,899
<b>Total revenues</b>	<b>1,344,603</b>	<b>-</b>	<b>2,468,716</b>	<b>417,709</b>	<b>342,502</b>	<b>4,275,523</b>	<b>7,615,484</b>	<b>-</b>	<b>856,325</b>	<b>17,320,862</b>
<b>Expenditures</b>										
Current:										
Administration and support services	490,515	(421,495)	148,213	2,100	1,844,449	-	1,934,331	-	1,324,577	5,322,690
Homestead services	490,827	-	(6,607)	-	797,718	-	1,699,848	-	21,951	3,003,737
Land development	135,362	-	176,160	-	606,963	-	626,076	(18,000)	51,367	1,577,948
Land management	128,406	-	-	-	650,870	-	757,278	-	3,085	1,539,639
Capital outlay:										
Home construction/capital projects	-	-	13,056,080	-	898,956	-	-	-	22,500	13,977,536
Debt service:										
Principal on long-term debt	-	-	-	1,115,000	103,250	-	-	-	-	1,218,250
Interest on long-term debt	-	-	-	530,527	66,663	-	-	-	-	597,190
<b>Total expenditures</b>	<b>1,245,110</b>	<b>(421,495)</b>	<b>13,373,846</b>	<b>1,647,627</b>	<b>4,968,889</b>	<b>-</b>	<b>5,017,533</b>	<b>(18,000)</b>	<b>1,423,480</b>	<b>27,236,990</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>99,493</b>	<b>421,495</b>	<b>(10,905,130)</b>	<b>(1,229,918)</b>	<b>(4,626,387)</b>	<b>4,275,523</b>	<b>2,597,951</b>	<b>18,000</b>	<b>(567,155)</b>	<b>(9,916,128)</b>
<b>Other financing sources (uses)</b>										
Operating transfers in	-	198,577	30,000,000	7,025,239	7,280,903	-	11,217,654	-	796,339	56,518,712
Operating transfers out	-	-	-	(8,000,000)	(8,244)	(5,480,391)	(13,027,739)	-	(2,338)	(26,518,712)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>198,577</b>	<b>30,000,000</b>	<b>(974,761)</b>	<b>7,272,659</b>	<b>(5,480,391)</b>	<b>(1,810,085)</b>	<b>-</b>	<b>794,001</b>	<b>30,000,000</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>99,493</b>	<b>620,072</b>	<b>19,094,870</b>	<b>(2,204,679)</b>	<b>2,646,272</b>	<b>(1,204,868)</b>	<b>787,866</b>	<b>18,000</b>	<b>226,846</b>	<b>20,083,872</b>
<b>Lapsed appropriations</b>	<b>(122,149)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(98,810)</b>	<b>(220,959)</b>
<b>Net change in fund balances</b>	<b>(22,656)</b>	<b>620,072</b>	<b>19,094,870</b>	<b>(2,204,679)</b>	<b>2,646,272</b>	<b>(1,204,868)</b>	<b>787,866</b>	<b>18,000</b>	<b>128,036</b>	<b>19,862,913</b>
<b>Fund balances at July 1, 2002</b>	<b>49,642</b>	<b>59,291,980</b>	<b>84,306,291</b>	<b>30,896,370</b>	<b>10,938,296</b>	<b>362,903</b>	<b>7,171,944</b>	<b>202,000</b>	<b>28,773,873</b>	<b>221,993,299</b>
<b>Fund balances at June 30, 2003</b>	<b>\$ 26,986</b>	<b>\$ 59,912,052</b>	<b>\$ 103,401,161</b>	<b>\$ 28,691,691</b>	<b>\$ 13,584,568</b>	<b>\$ (841,965)</b>	<b>\$ 7,959,810</b>	<b>\$ 220,000</b>	<b>\$ 28,901,909</b>	<b>\$ 241,856,212</b>

\* Unaudited financial statements and the report of independent auditors, including notes to the combined financial statements, are available for review at the DHHL Fiscal Office located at 1099 Alakea Street, Suite 2000, Honolulu.

**Department of Hawaiian Home Lands  
State of Hawaii**

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
for the year ended June 30, 2003

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets
<b>ASSETS</b>				
Cash and short-term cash investments held in State Treasury	\$ 197,177,805	\$ -	\$ -	\$ 197,177,805
Receivables:				
Loans, net of allowance for losses	45,648,035	-	-	45,648,035
Accrued interest	3,593,918	-	-	3,593,918
Note receivable	4,274,196	-	-	4,274,196
General leases and licenses, net of allowance for losses	612,443	-	-	612,443
Other	190,336	-	-	190,336
Other assets	1,703,258	-	-	1,703,258
Capital assets:				
Land improvements, construction-in-progress and other capital assets, net of depreciation	-	277,822,288	-	277,822,288
<b>Total assets</b>	<b>\$ 253,199,991</b>	<b>\$ 277,822,288</b>	<b>\$ -</b>	<b>\$ 531,022,279</b>
<b>LIABILITIES</b>				
Vouchers and contracts payable	2,650,842	-	-	2,650,842
Accrued wages and employee benefits payable	335,836	-	-	335,836
Due to State Treasury	10,000	-	-	10,000
Other liabilities	3,472,113	-	-	3,472,113
Deferred revenue	4,874,988	(4,442,000)	-	432,988
Bonds payable:				
Due within one year	-	1,256,000	-	1,256,000
Due in more than one year	-	12,439,051	-	12,439,051
Accrued vacation:				
Due within one year	-	407,000	-	407,000
Due in more than one year	-	823,994	-	823,994
<b>Total liabilities</b>	<b>11,343,779</b>	<b>10,484,045</b>	<b>-</b>	<b>21,827,824</b>
<b>FUND BALANCE/NET ASSETS</b>				
Invested in capital assets, net of related debt		274,265,911	-	264,127,237
		11,815,788	-	
		(8,259,411)	-	
		(14,913,301)	-	
		1,218,250	-	
		-	-	
Reserved/Restricted for:				
Encumbrances	26,608,671	-	(26,608,671)	-
Receivables	54,318,928	-	(54,318,928)	-
Loan commitments	654,523	-	(654,523)	-
Guaranteed and insured loans	11,000,100	-	(11,000,100)	-
Unreserved/Unrestricted:	149,273,990	(1,154,014)	92,582,222	245,067,218
		(76,980)		
		3,939,000		
		503,000		
<b>Total fund balances/net assets</b>	<b>241,856,212</b>	<b>267,338,243</b>	<b>-</b>	<b>509,194,455</b>
<b>Total liabilities and fund balances/net assets</b>	<b>\$ 253,199,991</b>	<b>\$ 277,822,288</b>	<b>\$ -</b>	<b>\$ 531,022,279</b>

**Department of Hawaiian Home Lands  
State of Hawaii**

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
for the year ended June 30, 2003

Total fund balances - governmental funds	\$	241,856,212
Amounts reported for governmental activities in the statement of net assets are different because:		
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of :		
Infrastructure assets	274,082,796	
Other capital assets	9,586,342	
Accumulated depreciation	(71,071,453)	
Land	17,535,594	
Construction in progress	47,689,009	277,822,288
Total capital assets		
(2) Bonds payable that are not due and payable in the current period are not reported in the funds.		
		(13,695,051)
(3) Compensated absences that are not due and payable in the current period are not reported in the funds.		
		(1,230,994)
(4) Lease rents and loan interest receivables not available soon enough after year end to pay for the current period's expenditures and are therefore deferred in the funds.		
		4,442,000
(5) Reclassify reserved fund balance/net assets to unrestricted fund balance/net assets.		
		-
Total net assets	\$	509,194,455

\* Unabridged financial statements and the report of independent auditors, including notes to the combined financial statements, are available for review at the DHHI Fiscal Office located at 1099 Alakea Street, Suite 2000, Honolulu.

**Department of Hawaiian Home Lands  
State of Hawaii**

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances  
for the year ended June 30, 2003

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Activities
<b>Revenues</b>				
Appropriations	\$ 1,344,603	\$ -	\$ (220,959)	\$ 1,123,644
General leases	5,385,979	348,000	-	5,733,979
Licenses and permits	1,708,632	-	-	1,708,632
Interest from loans and note receivable	2,965,129	155,000	-	3,120,129
Interest from short-term cash investments	4,874,093	-	-	4,874,093
Intergovernmental revenues	301,092	-	-	301,092
Sale of homes	153,435	-	-	153,435
Other	587,899	-	-	587,899
	<u>17,320,862</u>	<u>503,000</u>	<u>(220,959)</u>	<u>17,602,903</u>
<b>Expenditures</b>				
Administration and support services	5,322,690	27,810	-	5,416,758
		(10,722)	-	-
		76,980	-	-
Homestead services	3,003,737	8,225,227	597,190	11,826,154
Land development	1,577,948	6,374	-	1,584,322
Land management	1,539,639	-	-	1,539,639
Home construction/capital projects	13,977,536	(11,805,066)	-	2,172,470
Principal on long-term debt	1,218,250	(1,218,250)	-	-
Interest on long-term debt	597,190	-	(597,190)	-
	<u>27,236,990</u>	<u>(4,697,647)</u>	<u>-</u>	<u>22,539,343</u>
	(9,916,128)	5,200,647	(220,959)	(4,936,440)
<b>Other financing sources and lapsed appropriations:</b>				
Net operating transfers	30,000,000	-	-	30,000,000
Lapsed appropriations	(220,959)	-	220,959	-
	<u>19,862,913</u>	<u>5,200,647</u>	<u>-</u>	<u>25,063,560</u>

Change in fund balances - governmental funds \$ 19,862,913

Amounts reported for governmental activities in the statement of activities are different because:

- (1) Capital outlays are reported as expenditures in governmental funds, however in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these outlays are:

Capital outlay	\$ 11,815,788
Depreciation expense	<u>(8,259,411)</u>
Excess of capital outlay over depreciation expense	3,556,377

- (2) Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces bonds payable in the statement of net assets. Also, the increase in bonds payable due to premiums from refunding bonds is shown in the statement of net assets.

Repayment of bond principal 1,218,250

**Department of Hawaiian Home Lands  
State of Hawaii**

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances  
for the year ended June 30, 2003

(3) The increase in accrued vacation is reported in the statement of activities and does not require the use of current financial resources and is therefore not reported as expenditures in governmental funds.	(76,980)
(4) Lease rent and loan interest that is not collected for several months after June 30 are not considered available revenues and deferred in the governmental funds. Deferred revenues increased by this amount in the current year.	503,000
(5) Lapsed appropriations are net against appropriations in the statement of activities.	-
(6) Reclassify interest from interest on long-term debt on long-term to Homestead Services Division	<u>-</u>
Change in net assets	\$ <u><u>25,063,560</u></u>

\* Unabridged financial statements and the report of independent auditors, including notes to the combined financial statements, are available for review at the DHHI Fiscal Office located at 1099 Alakea Street, Suite 2000, Honolulu.

**Department of Hawaiian Home Lands**  
**State of Hawaii**  
**Statement of Revenues and Expenditures - Budget and Actual -**  
**General Fund**  
**for the year ended June 30, 2003**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Appropriations	\$ 1,344,603	\$ 1,289,240	\$ 1,344,603	\$ 55,363
Expenditures:				
Administration and support services	566,975	516,612	475,750	40,862
Homestead services	528,004	523,004	491,289	31,715
Land development	134,550	134,550	134,934	(384)
Land management	115,074	115,074	206,164	(91,090)
Total expenditures	1,344,603	1,289,240	1,308,137	(18,897)
Excess of revenues over expenditures	\$ -	\$ -	\$ 36,466	\$ 36,466

\* Unabridged financial statements and the report of independent auditors, including notes to the combined financial statements, are available for review at the DHHL Fiscal Office located at 1099 Alakea Street, Suite 2000, Honolulu.

**Department of Hawaiian Home Lands  
State of Hawaii**

Statement of Revenues and Expenditures - Budget and Actual -  
Other Major Funds  
for the year ended June 30, 2003

	Budgeted Amounts		Final	Actual (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original				
Hawaiian Home Administration Account					
Revenues	\$ 6,640,043	\$ 6,640,043	\$ 6,640,043	\$ 7,615,485	\$ 975,442
Expenditures:					
Administration and support services	2,417,837	2,417,837	2,417,837	2,000,426	417,411
Homestead services	2,374,456	2,374,456	2,374,456	1,672,002	702,454
Land development	1,116,815	1,116,815	1,116,815	617,396	499,419
Land management	730,935	730,935	730,935	682,504	48,431
Total expenditures	6,640,043	6,640,043	6,640,043	4,972,328	1,667,715
Excess of revenues over expenditures	\$ -	\$ -	\$ -	2,643,157	\$ 2,643,157

\* Unabridged financial statements and the report of independent auditors, including notes to the combined financial statements, are available for review at the DHHL Fiscal Office located at 1099 Alakea Street, Suite 2000, Honolulu.

# HAWAIIAN HOME LANDS TRUST FUND

The Eighteenth Legislature of the State of Hawaii, Special Session of 1995, enacted House Bill No. 10-S, which was signed into law as Act 14, Special Session Laws of Hawaii 1995. In section 7 of this act, the Department of Hawaiian Home Lands is required to provide annual reporting on the Hawaiian home lands trust fund to the Legislature and to the beneficiaries of the trust. This report is in response to the section 7 reporting requirement for FY 2003.

## Department of Hawaiian Home Lands Balance Sheet-Hawaiian Lands Trust Fund (T-902-I) June 30, 2003 (Unaudited)

### Assets

Cash in State Treasury and Time	
Certificate of Deposit	\$ 100,656,322
Accrued Interest on Investment	572,934
<hr/>	
<b>TOTAL ASSETS</b>	<b>\$ 101,229,256</b>

### Liabilities and Fund Balance

Liabilities	
Retainage Liability	\$ 1,021,731
Fund Balancee	
Reserved for Encumbrance	\$ 17,834,717
Unreserved	\$ 82,372,808
<hr/>	
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 101,229,256</b>

## Department of Hawaiian Home Lands Statement of Revenue, Expenditures and Changes in Fund Balance - Hawaiian Home Lands Trust Fund (T-902-I) Year ended June 30, 2003 (Unaudited)

Revenues	
Interest Income	\$ 3,101,035
Miscellaneous	(1,774)
<hr/>	
	\$ 3,099,261
Expenditures	
Capital Improvement	13,074,057
Excess (Deficiency) of Revenues over Expenditures	(9,974,796)
Other Financing Sources	
Operating Transfers	30,000,000
Other Uses	90,028
<hr/>	
	\$ 30,090,028
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	20,115,232
Fund balance as of July 1, 2002	\$ 80,136,420
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Prior Period Adjustment	(44,127)
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Fund balance as of June 30, 2003	<b>\$ 100,207,525</b>