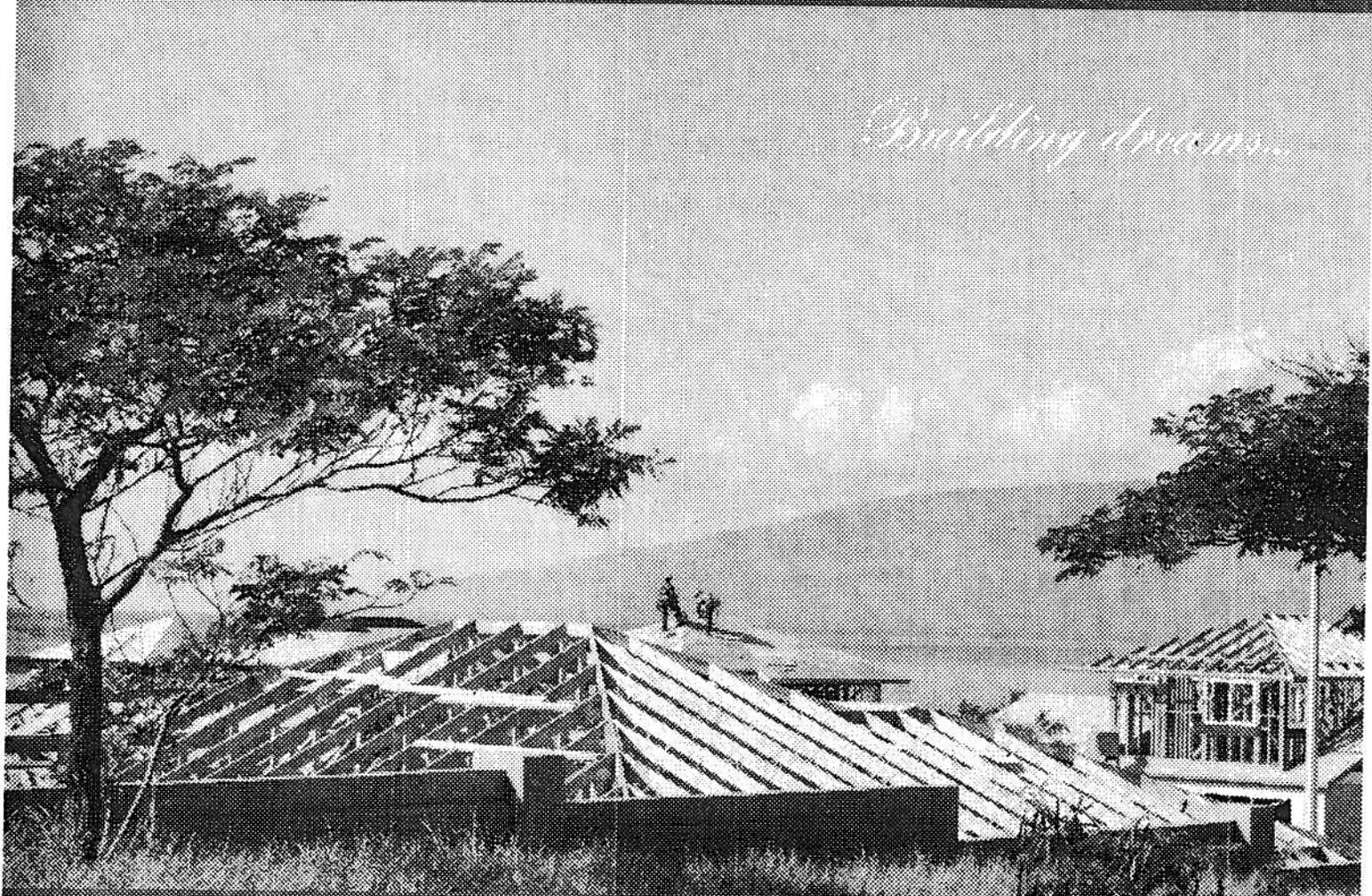


2006 ANNUAL REPORT

Building Dreams...



DEPARTMENT OF HAWAIIAN HOME LANDS

Exhibit 9

LINDA LINGLE
GOVERNOR
STATE OF HAWAII



STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
P.O. BOX 1879
HONOLULU, HAWAII 96805

MICAH A. KANE
CHAIRMAN
HAWAIIAN HOMES COMMISSION

BEN HENDERSON
DEPUTY TO THE CHAIRMAN

KAULANA H. PARK
EXECUTIVE ASSISTANT

January 5, 2007

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

Dear Governor Lingle:

I am pleased to submit the Department of Hawaiian Home Lands' 2006 Annual Report covering the period from July 1, 2005 to June 30, 2006.

While the previous year's annual report focused on when, where, and how many homestead properties will be developed for native Hawaiians, this time-frame saw the initial implementation of our planning.

Our master-planned communities are taking shape with the awarding and developing of 326 lots in Kaupe'a, Kapolei, 320 lots in Waiohuli, Maui and 181 lots in Anahola, Kaua'i.

Most importantly, our Home Ownership Assistance Program (HOAP) has grown and is now a critical part of our program. The ability and knowledge to manage one's own finances is the key to homeownership and financial independence.

We have also initiated a program that takes a broader view of our communities because we understand the need for the entire ahupua'a to be healthy. This program is our Regional Plan process and next to our HOAP program, it will have a significant impact on making life better for everyone in Hawai'i.

I look forward to the coming years as we prepare to have more native Hawaiians realize their dream of land stewardship.

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,

A handwritten signature in black ink that reads "Micah A. Kane".

Micah A. Kane, Chairman
Hawaiian Homes Commission

Preamble

In FY 2006 the department continued the journey envisioned by the 2003 Strategic Plan. With the shift from small pocket developments to master-planned community developments complete, the fiscal year saw the offering of 160 Undivided Interest Awards at Anahola, Kaua'i.

The Undivided Interest Award is a new type of lease award that was developed to help people who have been on the waiting list the longest. The award has no financial qualification requirements until the subdivision, usually built in phases, begins construction. Awardees have one to four years to qualify for a home loan.

The department recognized that while it can build homes, it must work on preparing beneficiaries to financially qualify, because those on the waitlist the longest have had the greatest challenge in qualifying for a loan. From this recognition, the Home Ownership Assistance Program (HOAP) program was designed to work with the Undivided Interest Award by providing financial literacy training and address credit and savings issues needed to financially qualify for a loan.

In FY 2006, the combination of the Undivided Interest Award, the HOAP program and two years of implementing the 2003 Strategic Plan, saw the footprints of a journey that is long overdue.

FY 2006 was also the first full year of the department's Regional Plan process which identifies priority projects within the regions of our communities. With the gathering of stakeholders from the region, the department was able to gain consensus and identify projects that build upon the needs and desires of the region.

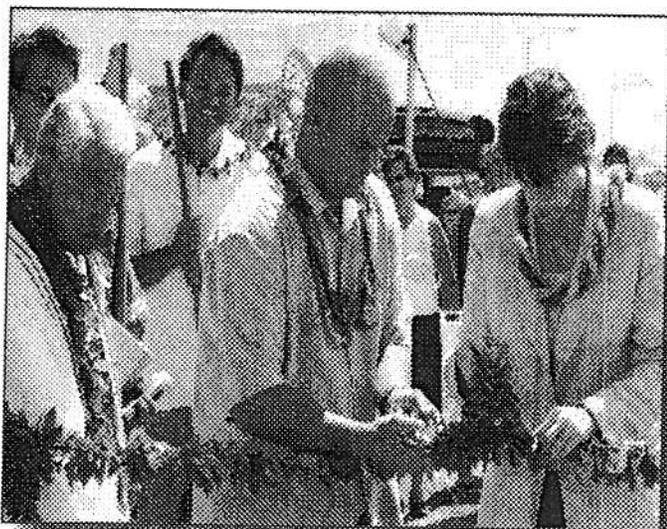
As an ever-evolving document of public input and consensus, the Regional Plans provide a foundation for improving the lives of native Hawaiians and everyone in Hawai'i.

Native American Housing Assistance and Self-Determination Act

NATIVE HAWAIIAN HOUSING BLOCK GRANT

The Native American Housing Assistance and Self-Determination Act (NAHASDA) was passed in 1996 and transformed the way that American Indians and Alaska Natives provided affordable housing on rural Indian reservations and Alaskan Native villages. It opened the door for increased partnerships with financial institutions and, most importantly, enabled the federal policy of self-determination to be extended to affordable housing. NAHASDA provides the mechanism for native people to receive block grants based on need and population.

In 2000, Congress amended NAHASDA by adding Title VIII, which provides similar funding for native Hawaiian families



Untying the maile to the East Kapolei I mass grading site

on Hawaiian home lands. The Department of Hawaiian Home Lands (DHHL) is the designated recipient for annual Native Hawaiian Housing Block Grants (NHHBG). This congressional amendment is the first time in the history of the Hawaiian Homes Commission Act of 1920, as amended, that the federal government has provided any significant level of financial investment into the Hawaiian home lands program for affordable housing activities.

NAHASDA requires each block grant recipient to develop five-year and one-year plans for each annual block grant allocation. DHHL prepares, in consultation with the Native Hawaiian communities, a Native Hawaiian Housing Plan each year that includes goals, objectives and tasks.

Since 2002, the first program year, DHHL has received a total of \$37,013,550 for affordable housing activities (\$9,600,000 in 2002; \$9,537,600 in 2003; \$9,443,950 in 2004; and \$8,432,000 in 2005). The funds can only be used for those who are at 80 percent or below the median income. The following contracts and activities were funded:

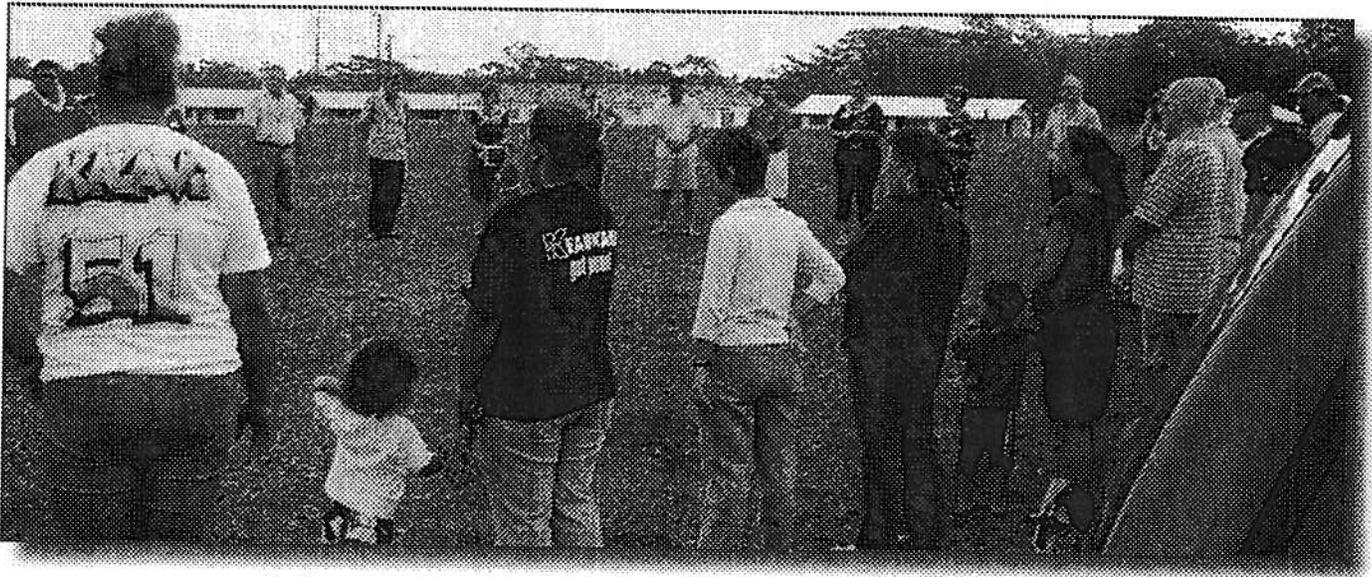
INFRASTRUCTURE PROJECTS:

- ◆ Waiākea (Pana'ewa) Residence Lots--Construct infrastructure for 22 lots (\$1,014,828).
- ◆ Waiehu Kou Ph.3 Residence Lots--Construct infrastructure for 115 lots--(NHHBG funded approx. 45 percent of construction cost--\$4,000,000).
- ◆ East Kapolei water and wastewater planning, engineering design of off-site improvements and residential subdivision (\$447,300).
- ◆ Lālāmilo Ph. 1--Infrastructure construction for 34 lots of which 12 will be for NAHASDA eligible families (\$2,000,000).
- ◆ Kaupe'a (Kapolei Village 8)--Infrastructure for about 24 percent of lots (\$4,400,000).
- ◆ Kekaha Residential Lots (49 lots) infrastructure (49 percent of the cost or \$1,848,700).
- ◆ East Kapolei mass grading (\$879,000).

SUBTOTAL OBLIGATED for Infrastructure Projects: \$14,589,828

OTHER HOUSING RELATED ACTIVITIES:

- ◆ Malu'ohai Self-Help Project--Technical assistance for 33 families (\$564,000).
- ◆ SMS Research--Survey to determine community income levels and applicant needs (\$105,610).
- ◆ ALU LIKE, Inc.--Contract to analyze 2000 Census using HHL tracts (\$24,800).
- ◆ Waiohuli Residence Lots--Technical assistance and site improvements for 17 lots--self-help housing (\$349,265).
- ◆ Council for Native Hawaiian Advancement--Training (\$165,000).
- ◆ Wai'anae Valley (Freitas Dairy)--Family selection and financial counseling for 32 families--Partnership with Consuelo Foundation (\$42,547).
- ◆ Hawaiian Community Development Board--Replacement Homes--Downpayment assistance



Dedication ceremony for the Panaewa Residence Lots Unit 6 self help project.

(\$393,750).

- ◆ Leveraged loans with Rural Development (\$101,387).
- ◆ Homeownership Counseling:
 - Hawaiian Community Assets (\$120,000)
 - Nānākuli Housing Corporation (\$135,000 in 2002) (\$154,968 in 2005).
- ◆ Habitat for Humanity Maui--Assist three families in Kula with infrastructure for their lots to construct their homes. (\$130,000).
- ◆ Habitat for Humanity Maui--Assist 10 lessees to construct houses (\$192,170).
- ◆ Pana'ewa Residence Lots, Unit 6--Technical assistance (\$212,000) Low interest loans for 13 applicants (\$1,308,057).
- ◆ Waimānalo Community Center--Grant \$61,200.
- ◆ ALU LIKE, Inc.--Individual Development Accounts for Lana'i selectees (\$45,000).
- ◆ Hawaiian Community Assets--Downpayment assistance for Maui County lessees (\$180,000).
- ◆ Honolulu Habitat for Humanity--Assistance to low income families to construct homes (\$236,615).
- ◆ Nānākuli Housing Corporation--self-help home repair program (\$150,000).
- ◆ Papakōlea Community Development Corporation--for security enhancements for community center (\$50,000).
- ◆ Moloka'i Habitat for Humanity--assist three families to construct homes (\$46,900).
- ◆ Self-Help Housing Corporation of Hawaii--for technical assistance to assist 20 lessees in Kekaha (\$80,000).
- ◆ Menehune Development Corporation--to assist six lessees in Lālāmilo (\$58,800).
- ◆ County of Hawai'i--Rehabilitation Loan Program Servicing (\$50,000).
- ◆ City and County of Honolulu--Rehabilitation Loan Program Servicing (\$50,000).
- ◆ Administrative costs for DHHL staffing, training, travel, etc. (\$656,620).



HUD Asst. Secretary Orlando Cabrera (center) is flanked by HHC Chairman Micah Kane and NAHASDA Coordinator Sandy Asato after the signing of the Section 184A loan agreement.

SUBTOTAL OBLIGATED for other Housing Related Activities: \$5,663,689

TOTAL OBLIGATED (As of 6/30/06) \$20,253,517

In conjunction with the Native Hawaiian Housing Block Grant, NAHASDA also authorized a new loan program which is guaranteed by the Department of Housing and Urban Development (HUD). The Section 184A Loan Guarantee would provide another loan product for homes on Hawaiian home lands. The Office of Native American Programs is currently drafting procedures to implement this new loan product.



Homestead Services Division

Applications for Homestead Awards

(As of June 30, 2006)

	Residential	Agricultural	Pastoral	Total
O'ahu	8,569	2,725	0	11,294
Maui	3,115	3,764	472	7,351
Hawai'i	5,199	6,249	1,695	13,143
Kaua'i	1,423	1,934	266	3,623
Lana'i	75	0	0	75
Moloka'i	689	897	173	1,759
TOTAL	19,070	15,569	2,606	37,245*

* The 37,245 applications are held by 22,893 applicants. The difference is due to the rules that allow applicants to hold two applications—one for a residential lot and the other for either agricultural or pastoral land.

Growth in Applications

Year	No. of Applications	(From previous year) Increase
2002	32,642	701
2003	33,479	837
2004	34,327	848
2005	35,502	1,175
2006	37,245	1,743

transfer requests, reinstatements, rescissions, and successorships to application rights.

The Applications Branch continued to conduct genealogical research, adding more than 91 certified genealogies to its data bank during this fiscal period. The more than 955 genealogies recorded in our software program has become an integral resource to staff in terms of saving time and duplication.

As of June 30, 2006, there was a total of 37,245 applications on file, an increase of 1,743 new applications since the beginning of the fiscal year. The 37,245 applications are held by 22,893 applicants. The difference is because the rules allow applicants to hold two applications, one for a residential lot and the other for either an agricultural or pastoral land.

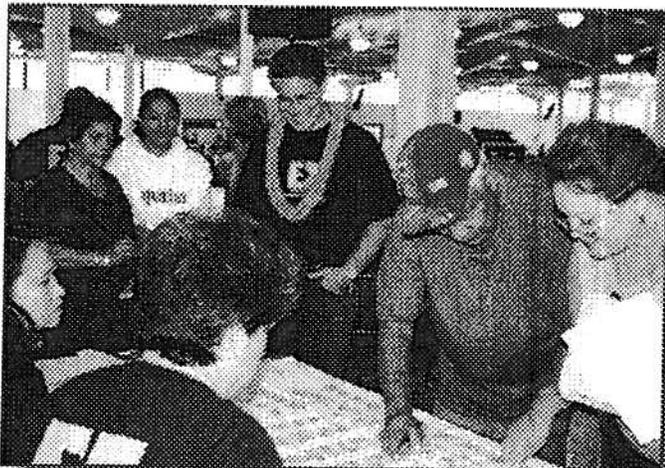
The branch also processed 2,906 applicant transactions (includes new applicants and applicant transfers) requiring Ha-

waiian Homes Commission (HHC) action.

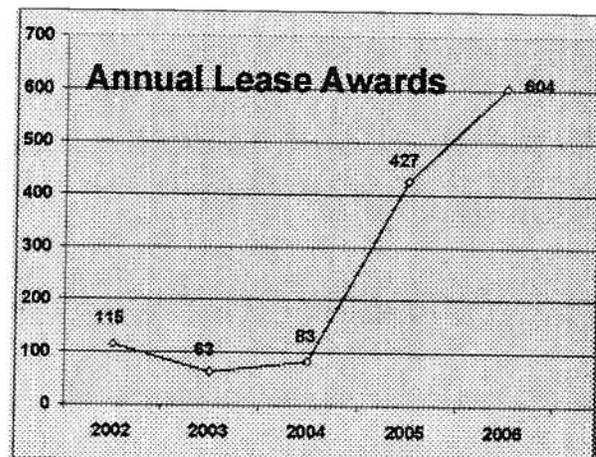
HOUSING PROJECTS BRANCH

The Housing Projects Branch is the "marketing arm" of homestead leases and awards for DHHL. In collaboration with the Land Development Division, it processes applicants from DHHL wait lists through financial qualification, contractor and house design selection, lot selection and lease execution. With departmental priorities centered on residential lease awards, the work efforts of the Housing Projects Branch has expanded tremendously prompting strategic involvement and coordination of lenders, realtors, home buyer counseling and housing contractors.

During FY 2006, the Housing Projects Branch has facilitated 602 new residential awards as well as two agricultural and pastoral leases. To achieve this, staff sent out approximately 21,000 offering letters to market 1,233 units within 12 projects statewide. Upon indicating interest, staff arranged for interested applicants to work with vari-



Kaue'a lot selection meeting.



Homestead Services Division

ous lenders to financially qualify for a home. A series of orientations and workshops helped to individualize the efforts.

Approximately 645 new awards were made under a new award program called "Undivided Interest Award." This type of lease award is to a group of individuals for a non-parceled land base. It affords beneficiaries all the rights and conditions afforded to existing lessees in terms of designation of successorship, transfer of lease to family members with 25 percent or more native Hawaiian blood and a one-time option to rescind the lease and return to the wait list at the original date of application. While DHHL develops the project, this award provides the beneficiary time to prepare for homeownership by facilitating financial assistance, education and personalized case management through DHHL's Home Ownership Assistance Program (HOAP).

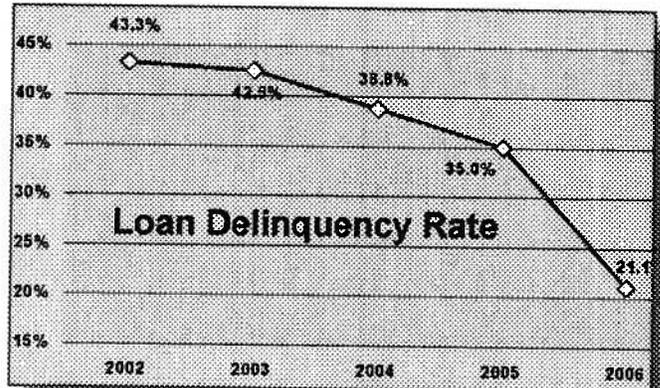
LOAN SERVICES BRANCH

The Loan Services Branch administers DHHL's loan origina-

LOAN SUMMARY

As of June 30, 2006
(\$ Thousands)

	Total Loans Receivable	Total No. of Accounts
DIRECT LOANS		
O'ahu	\$24,729	507
East Hawai'i	14,134	299
West Hawai'i	2,001	44
Moloka'i	2,168	83
Kaua'i	3,534	95
Maui	2,694	57
Total Direct Loans	\$49,260	1,085
LOAN GUARANTEES		
Beal Bank/SBA	\$ 449	16
USDA—Rural Development (502 Direct Loan Program)	11,172	268
Hawai'i Habitat for Humanity	1,477	30
County of Maui	89	6
Kaua'i Teachers FCU	21	2
City and County of Honolulu	1,191	42
FHA	5,447	42
OHA/DHHL	9,558	395
Nānākuli Neighborhood Housing Services	61	8
Department of Agriculture	25	1
Total Loan Guarantees	\$29,490	810
INSURED LOANS		
FHA Insured Loans	\$265,196	2,359
Total Insured Loans	\$265,196	2,359
OVERALL TOTALS	\$343,946	4,254



tion, loan servicing and loan collection programs. DHHL is authorized by the Hawaiian Homes Commission Act of 1920 to provide loan funds to native Hawaiian beneficiaries and issues guarantees through Memorandums of Understanding (MOU) for loans made by alternative lending sources for the replacement, construction and repair of homes and payment of real property taxes.

The Direct Loan Program run by the Loan Services Branch is a revolving loan fund. The branch works to collect funds in a timely manner so those moneys can be used again for more loans, helping more native Hawaiians.

Improving DHHL's loan collection makes efficient use of funds and insures the maximum numbers of beneficiaries are being helped. Working with loan delinquencies, the branch also refinances loans and offers financial counseling to help keep lessees on their property.

In fiscal year 2006, the Loan Services Branch issued 83 direct loans, totaling some \$6.28 million. The Loan Services Branch has also escalated collections of delinquent DHHL direct loans to replenish the revolving loan funds.



Timothy Akina was first to select a lot at Leialii in West Maui. The last recipient of Leialii was Jorie Goo who applied on 03/24/2004.

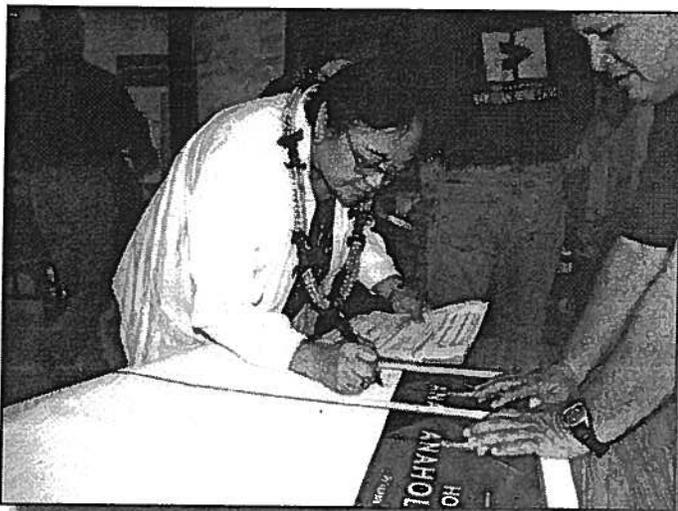
Homestead Services Division

The O'ahu District Office, in addition to servicing O'ahu lessee requests, manages, coordinates and finalizes the processing of all transactions and legal documents for homestead lessees including participating in contested case hearings and preparing submittals to the Hawaiian Homes Commission.

During FY 2006, the O'ahu District Office completed the following statewide requests: 128 transfers through successions, six exchanges of leases and consents, 120 lease amendments, and 150 ratification for designation of successors.



Homestead Services Division staff during a retreat in March 2006



Yvonne Pascua was first to sign up for the Pi'ilani Mai Ke Kai undivided interest project in Anahola, Kaua'i. The last recipient of Pi'ilani Mai Ke Kai award was Uluwehi S. Gray who applied on 01/18/2002.



HSD staff oversee document signing at the Pi'ilani Mai Ke Kai residential lease offering meeting.

Lease Report

As of June 30, 2006

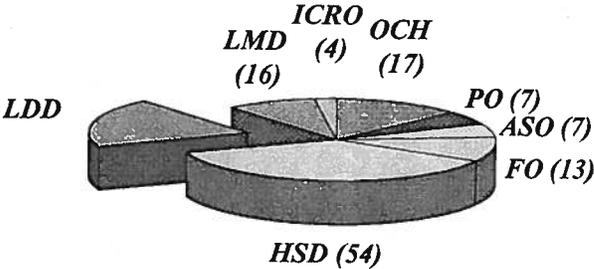
	Residential	Agricultural	Pastoral	Total
O'AHU				
Kaiāwahine	90	0	0	90
Kewalo	254	0	0	254
Lualualei	151	38	0	189
Nānākuli	1,053	0	0	1,053
Malu'ohai	156	0	0	156
Pepakōlea	62	0	0	62
Princess Kahanu	271	0	0	271
Waiāhole	0	16	0	16
Wai'anāe	424	5	0	429
Waimānalo	700	1	0	701
TOTAL	3,161	60	0	3,221
MAUI				
Kahikinui	0	0	76	76
Kōōkea	0	66	0	66
Paukūkaio	181	0	0	181
Waiehu	259	0	0	259
Waiohuli/Kula	640	0	0	640
TOTAL	1,080	66	76	1,222
EAST HAWAII				
Kamā'oa/Discovery Harbour	2	1	25	28
Keaukaha	471	0	0	471
Makū'u	0	126	0	126
Pana'ewa	0	255	0	255
Pū'u'e'o	0	11	0	11
University Heights	4	0	0	4
Waiākea/Piihonua/Kurtistown	289	0	0	289
TOTAL	766	393	25	1,184
WEST HAWAII				
Humu'ūla	0	0	5	5
Kamoku/Ni'enie	0	0	23	23
Kawaihae	214	0	0	214
Pū'ukapu/Waimea	115	112	228	455
Pū'upulehu	33	0	0	33
Honokāia	0	0	12	12
Kona	522	0	0	522
TOTAL	884	112	268	1,264
KAUA'I				
Anahola	522	47	0	569
Kekaha	68	0	0	68
Pū'u'Ōpae	0	0	2	2
Hanapēpē	44	0	0	44
TOTAL	634	47	2	683
MOLOKA'I				
Hō'olehua	158	348	21	525
Kalama'ūla	162	74	3	239
Kapa'akea	45	0	3	48
One Alī'i	29	0	0	29
TOTAL	392	422	27	841
LANA'I				
	3	0	0	3
TOTAL	3	0	0	3
STATEWIDE TOTAL	6,920	1,100	398	8,418

Land Development Division

“Within five years, provide every qualified native Hawaiian beneficiary on the waiting list an opportunity for homeownership or land stewardship on homestead lands . . . ”

The Land Development Division (LDD) is responsible for developing trust lands for residential, agricultural and pastoral homesteading purposes. Residential projects have been given priority to maximize the number of beneficiaries served and to support the State’s efforts to alleviate the affordable housing crisis.

Land Development Division Staff of 20



Many projects are nearing the completion of the design and engineering phase and are moving into the infrastructure construction phase. Currently, ten projects totaling 884 lots are under construction. Another 10 projects totaling 4,248 lots are in planning or designs.

Goals and Objectives:

- ◆ **Land acquisition:** Identify parcels which can be added to the Hawaiian Home Lands inventory at little or no cost. The parcels should be close to existing roadway and utility systems and able to be developed quickly and economically.

- ◆ **Environmental Studies:** Prevent the destruction of natural or historic resources. Ensure safety of future residents from natural or man-made hazards.
- ◆ **Site Planning:** Design communities which will nurture a high quality of life and promote pride of home ownership.

Homestead Development Matrix					
RESIDENTIAL PROJECTS	Island	Units	Start	Completion	Cost (millions)
UNDER CONSTRUCTION					
Hilo Scattered Lots, Kaūmānua and Ponahawai	Hawai'i	49	Nov-01	(pending)	\$5.3
Hilo Scattered Lots, Pi'ihonua, Hawai'i	Hawai'i	17	Nov-01	Apr-06	\$1.1
Paiaewa Residence Lots, Unit 6, Hawai'i	Hawai'i	40	Feb-04	Jul-05	\$1.6
Ha'uōwi, Lāna'i Residence Lots, Unit 1 and 2A	Lāna'i	45	Jan-05	Oct-06	\$5.7
Kaupa'a, Kapolei Village 8	O'ahu	328	Feb-05	Dec-06	\$18.6
Kekaha Residence Lots, Unit 4	Kaua'i	50	Jun-05	Mar-06	\$4.0
Kūla Residence Lots, Unit 2 (Hikina)	Maui	35	Feb-06	Oct-06	\$12.0
Leialii Village 1A	Maui	104	Mar-06	Nov-06	\$6.6
Lāilānilo Residence Lots	Hawai'i	37	Jun-06	Feb-07	\$5.4
Pi'ilani Mai Ke Kai (aka Anahōka Unit 6)	Kaua'i	181	Jun-06	Apr-08	\$17.7
Total		884			\$78.0
UNDER DESIGN					
Waiehu Kou 4	Maui	98	Jul-06	Apr-07	\$14.5
East Kapolei, Phase 1	O'ahu	403	Aug-06	Dec-08	\$31.8
Keokea-Wai'ohuli Development, Phase 1	Maui	98	Sep-06	Aug-08	\$30.6
Lā'i'Ōpua, Villages 4 & 5	Hawai'i	358	Oct-06	Nov-09	\$43.0
Kaupuni (aka: Consuelo Foundation Parcel)	O'ahu	21	Jul-07	Dec-07	\$5.7
Waimanālo Residence Lots - Kumuhau Street Parcel	O'ahu	70	Sep-07	Jun-08	\$5.4
East Kapolei, Phase 2	O'ahu	2,400	Jan-08	Jul-12	\$110.0
Lāilānilo Residence Lots, Phase 2	Hawai'i	400	Aug-08	Aug-10	\$36.7
Waimanālo Residence Lots - Kakaina Street Parcel	O'ahu	50	Aug-08	Apr-09	\$3.9
Maku'u (Halona & Popoki) Residential Subdivisions	Hawai'i	350	tdb		tdb
Total		4,248			\$281.6
FARM LOTS					
Keokea Farm Lots	Maui	86 (see Keokea-Wai'ohuli Development, Phase 1 above)			
PASTURE LOTS					
Honokaia Pastoral Lots Subdivision, Phase 1	Hawai'i	46	Sep-06	Feb-07	\$5.5
Grand Total		5,244			\$365.1

Land Management Division

Action Accounting Command (JPAC) and State DOT, DHHL issued a ROE to allow JPAC to traverse Hawaiian home lands in Ha'ikū Valley to recover the remains and personal effects of a naval aviator who crashed into the Ko'olau mountains while on a training flight in 1944. Although the crash site is located on DOT land, DHHL allowed a helicopter landing zone on its property to provide a safe and convenient place to load and unload recovery personnel.

Hawai'i

- ◆ A general lease was executed with CFT Development, LLC for the development of approximately 1.5 acres of vacant land in Pana'ewa, Hilo. The site will be used to construct a Panda Express restaurant and perhaps another fast food outlet. Revenue from this lease is anticipated to generate approximately \$5.5 million over the next 25 years.
- ◆ In conjunction with the State of Hawai'i, Department of the Attorney General, LMD has been actively pursuing illegal activities such as trespassing, off-road driving, hunting without a permit and rock and cinder removal on Hawaiian home lands.
- ◆ LMD continues with the reforestation of its koa forests and ecosystems at Humu'ula on the Big Island. The Piha Mauka Unit 1 koa salvage sale entered its second year in 2006 and earned over \$350,000 in revenue. This 103-acre project created two full-time jobs on site and several more off site. During the past fiscal year, it provided enough wood to supply an estimated 30 local woodworkers annually. As good stewards of the land, DHHL intentionally leaves the largest and most select trees on site to provide seed for the next generation of forest. Research projects are underway to remove competitive non-native grasses to encourage the growth and diversity of native species in these high elevation forests.
- ◆ In an effort to protect former pastoral lands, gorse management on the Big Island continues to be a major priority for LMD. The department completed the clearing of a 250-foot wide perimeter around a 5,000-acre gorse containment area and maintained the previously established 220-acres of planted trees on its perimeter to help shade the gorse. LMD continues to work with its partners in an effort to stop its spread by spraying herbicides. Due to the tenacity and aggressiveness of gorse, it requires multiple treatments to contain and control. DHHL is equally committed and determined at controlling gorse.
- ◆ A student intern was retained in 2006 to create a fire plan for all of Humu'ula. With assistance from the USDA Forest Service and the Department of Land and Natural Resources, Division of Forestry and Wildlife, the Humu'ula fire plan will map all vegetation types, determine fire fighting and prevention assets already in place, and recommend additional actions needed to minimize the threat of wildlife at Humu'ula.
- ◆ A 10-acre demonstration planting of low elevation, premium value hardwoods at Pi'ihonua makai was contracted. This project will indicate which tree species grow best at low elevation, on former lands designated for sugar. If successful, it is LMD's intent that

Future Income Generating Commercial/Industrial Projects

Location	Size (Acres)	Planned Use
Kapolei, O'ahu	67.0	Regional Mall
Wailua, Kaua'i	50.0	Resort Related
Pu'unēnē, Maui	80.0	Industrial Park Development
Honokōwai, Maui	40.0	Industrial Subdivision
Honokōwai, Maui	40.0	Commercial Subdivision
Hilo, Hawai'i	15.5	Commercial/Industrial Mixed Use
Hilo, Hawai'i	140.0	Business/Industrial Park Development

Land Management Division

the project serve as a model for homesteaders to emulate on their agricultural parcels.

Maui

- ◆ In support of the Land Development Division's construction plans for the Kēōkea, Waiohuli, Leiali'i, and Waiehu Kou areas, LMD continues to issue Right-of-Entry Permits and License Easements for utilities to various agencies of the County of Maui.
- ◆ LMD continues its support of community based programs which benefit native Hawaiians in the homestead communities by extending the license for the Boys and Girls Club of Maui, Inc.'s after school and summer programs at the Paukūkalo community hall and gym through 2009.

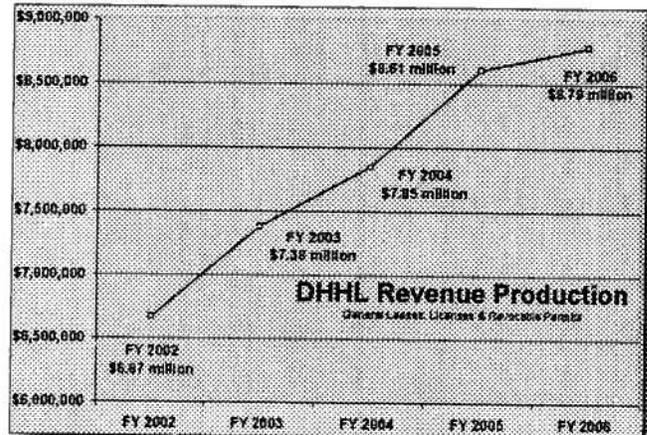


Koa salvage operation in Humu'ula on the Big Island.

- ◆ Various limited right-of-entry permits in support of large annual events on Maui were issued to provide parking for the Maui County Hawaiian Canoe Association's sponsorship of the Hawaii State Regatta Championships and the County of Maui, Dept. of Parks and Recreation and Kemper Sports Marketing, Inc.'s Maui Invitational Basketball Tournament. Without DHHL's assistance, logistics for these events would have been difficult.

Kaua'i

- ◆ DHHL is currently in negotiations with Kaua'i Island Utilities Cooperative (KIUC) for a lease to construct its Anahola Service Center on Hawaiian home lands. If approved, the Service Center will allow homesteaders more convenient access to services.



- ◆ After the heavy rains and subsequent flooding on Kaua'i in March 2006, LMD inspected reservoirs located in Anahola to assess inadequacies or damage to dams and spillways on Hawaiian home lands in an attempt to avert future property loss.
- ◆ In an effort to prevent further illegal dumping and trespassing in Anahola, former Hawaiian Homes Commissioner (HHC) Thomas Contrades spearheaded a volunteer effort to fence along portions of Kuhio Highway and Kealia Road. Current HHC Commissioner Stuart Hanchett and Thomas Contrades worked arduously to fence approximately three miles of Hawaiian home lands.

Moloka'i

- ◆ The Hawaiian Homes Commission approved the issuance of 5-year license to Ka Honua Momona International (KHM) for the cleanup, restoration, maintenance, restocking and use of the Ali'i and Kaloko'eli fishponds. The primary goals of KHM are to raise fish such as awa, moi, and ama'ama, restock the declining fish population around Moloka'i's reef through fish releases and educate native Hawaiians on Moloka'i about community-based, native driven natural resource management.
- ◆ A 10-year benefit license was authorized to Ka Hale Pomaika'i (The Blessed House), a Hawaii non-profit corporation, for the operation of a residential substance (drug and alcohol) abuse treatment center primarily for native Hawaiian men and women in Ualapu'e.

Lana'i

- ◆ LMD continues to work with the County of Maui agen-

Land Management Division

cies for the installation, operation and maintenance of utilities within Lana'i island's first homestead subdivision in preparation for the commencement of home construction.

Future Income Generating Commercial/Industrial Projects

In an "out of the box" thinking approach, IPB has been aggressively attempting to market Hawaiian home lands for income generating activities which would assist DHHL in replacing the \$30 million per year provided by Act 14, which will end in 2015. IPB has traveled to the mainland and attended several conferences such as the NAIOP annual conference and the International Council of Shopping Centers in Las Vegas to provide exposure to development on Hawaiian home lands. In the coming fiscal year, IPB will attempt to secure at least five additional major ground leases throughout the state.

Sandwich Isles Communications, Inc. Accomplishments

Sandwich Isles Communications, Inc. (SIC) continues to work closely with DHHL on its residential developments and commercial projects statewide. SIC has completed connecting the Hilo Scattered Lots to the central office in Pana'ewa and connecting Pu'unene to the central office in Waiehu. Commercial projects underway include D. Otani Produce in Kapālama, Kawaihona Charter School, Kalaeloa industrial, and Burger King and Panda Express in Hilo.

SIC continues to build out its fiber optic network, as well as plan its inter-island marine fiber optic system. In keeping with its mission statement of providing DHHL lessees with the best communication services in the state, SIC began offering DSL service and initiated long distance service to its customers statewide during the past fiscal year.



LAND USE SUMMARY

Land Use Summary By Island June 30, 2006

ACREAGE*

USE	HAWAII	KAUAI	LANAI	MAUI	MOLOKAI	OAHU	TOTAL
Homesteads	27,356	835	14	2,609	11,005	1,024	42,843
General Leases	12,850	1	-	491	1,767	55	15,164
Licenses	16,089	13,071	-	7,327	372	319	37,178
Others	61,182	6,658	36	21,369	12,625	5,930	107,800
TOTALS	117,477	20,565	50	31,796	25,769	7,328	202,985

Land Use Summary By Disposition June 30, 2006

HOMESTEAD USE

GENERAL USE

USE	HOMES	FARMS	RANCHES	LEASES	LICENSES	OTHERS	ACREAGE
Acreage*	3,252	12,340	27,251	15,164	37,178	107,800	202,985

Income Summary By Use And Island June 30, 2006

USE	HAWAII	KAUAI	LANAI	MAUI	MOLOKAI	OAHU	TOTAL
Industrial Leases	\$1,803,209	\$0	\$0	\$0	\$0	\$1,748,721	\$3,551,930
Commercial Leases	1,962,538	0	0	0	0	378,750	2,341,288
Pasture/Agriculture Leases	73,126	0	0	49,400	9,690	5,967	138,183
Other Leases**	89,655	480	0	1	170,040	164,315	424,491
Revocable Permits	156,745	95,949	0	138,956	16,473	1,408,498	1,816,621
Right of Entry Permits	0	0	0	13,500	200	0	13,700
Licenses	470,945	34,808	0	15,960	32,587	393,974	942,844
TOTAL	\$4,556,218	\$131,237	\$0	\$217,817	\$228,990	\$4,100,225	\$9,234,487

* Figures have been rounded to the nearest whole acre.

** Includes Leases for Utilities, Public Service and Government Purposes.

Planning Office

“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.”

Overview

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

On June 24, 2003, the Hawaiian Homes Commission approved a Strategic Plan which outlines DHHL's goals, actions, and direction over a five-year period. Planning Office functions are geared toward implementing the Strategic Plan.



Chris Valles of the Planning Office explains the Kealahou Regional Community Plan.

Highlights

Federal Initiatives

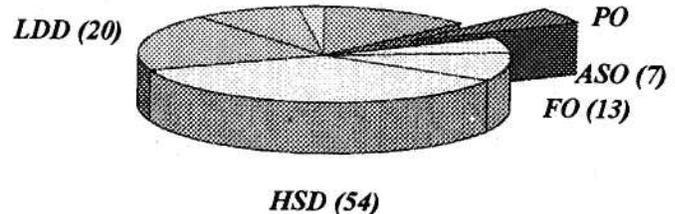
Native Hawaiian Housing Program: DHHL continued to work with the Hawai'i congressional delegation, the U.S. Department of Housing and Urban Development, the U.S. Office of Management and Budget, the National Congress of American Indians and the National American Indian Housing Council to re-authorize and expand the Native American Housing Assistance and Self-Determination Act (NAHASDA) Title VIII. Originally passed by Congress in 2000 as the Hawaiian Home Lands Homeownership Act, Public Law 106-569, this law provides about \$9 million annually in federal affordable housing assistance for qualified Native Hawaiians. The five-year re-authorization for DHHL expired at the end of FY 2005 and DHHL is working to secure the re-authorization based on the success of the program.

Rural Development Program: On February 3, 2004, a Memorandum of Understanding (MOU) was signed by the

Planning Office

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Department of Hawaiian Home Lands and U.S. Department of Agriculture (USDA) to work cooperatively to improve rural homeownership and economic development programs and services for the benefit of rural residents, farmers and ranchers in the state of Hawai'i. USDA approved the DHHL Moloka'i Water System Phase 4 project in 2004 and the DHHL Maku'u Water Well project in 2005. DHHL is working out the technical details identified in the letter of conditions with both the national and local USDA offices to get the projects approved and implemented.

Planning

Island Plans: The Hawaiian Homes Commission has adopted Island Plan land use designations for Hawai'i (October 2002), Maui (April 2004), Kaua'i (May 2004) and Moloka'i (June 2005). Island Plans cover a 20-year planning horizon to guide DHHL development and use of its land assets. The Island Plans are transmitted to various state and county departments the Land Use Commission, Transportation, Education, Public Works, Parks and Recreation, and planning departments so that they can incorporate DHHL's likely development patterns into their functional plans.

These Island Plans facilitate better coordinated land use, water resource management, infrastructure development and delivery of Hawaiian agency services.

Regional Community Plans: The Planning Office is creating a series of regional plans that will help to identify partnerships and leverage resources to more effectively develop our lands and make improvements to existing homesteads. The regional plans encompass the area around our home-

Planning Office

steads and provide demographic data and socio-economic information about the region; identify elected officials, key stakeholders, and major landowners; identify planned and needed infrastructure improvements; and recommend projects – such as new roadways, sewer systems, and public facilities that are a priority to bringing improvements to the region.

To date, regional plans have been drafted for Kapolei and Waimānalo on O‘ahu; Kealahou/La‘i ‘Ōpua and Pu‘ukapu/Lālāmilo on Hawai‘i; Waiehu Kou/Paukūkalo, the Villages of Leiali‘i and Waiohuli on Maui; and Wailua on Kaua‘i. Eventually, 18 homestead regions will be covered.

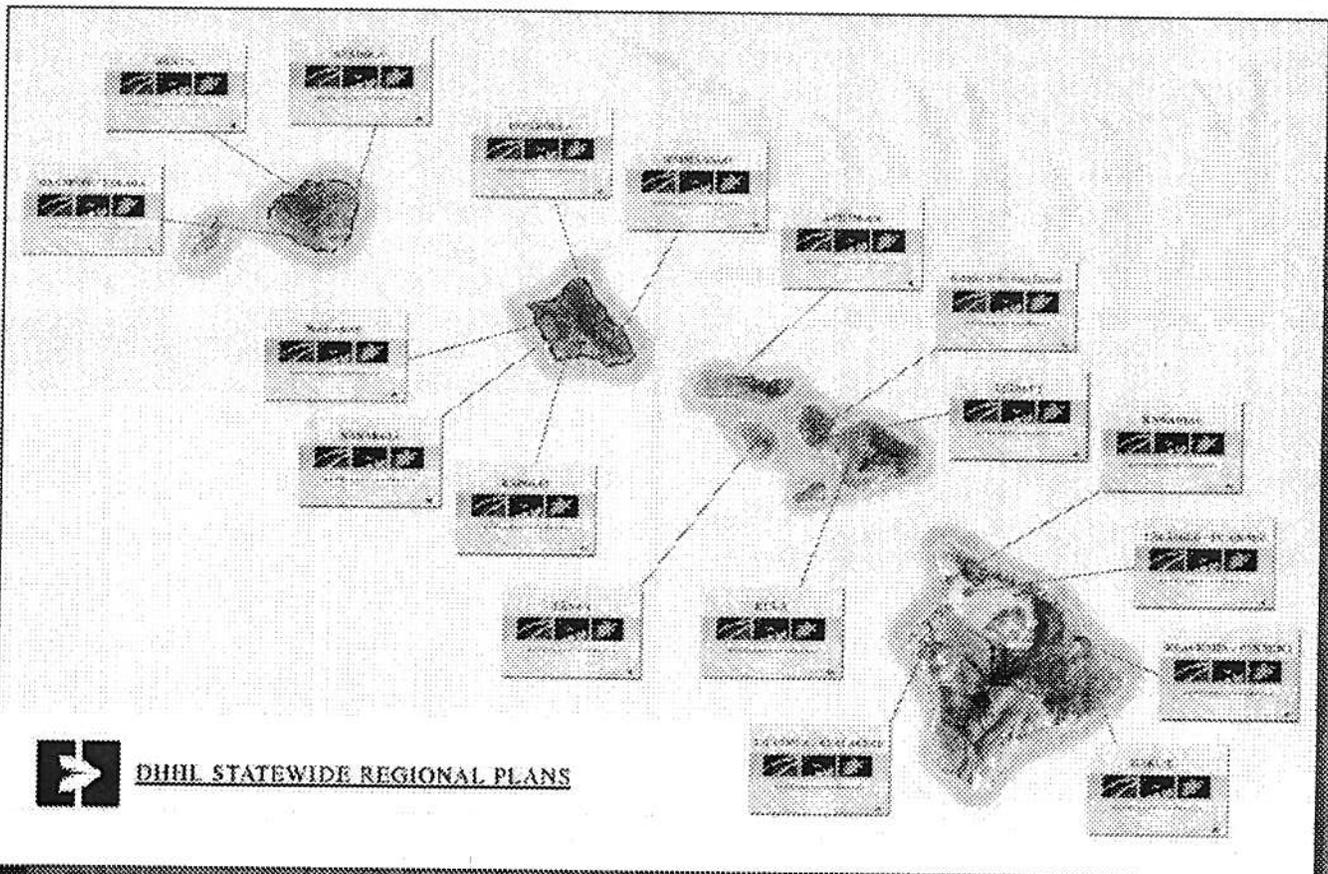
The regional plans have helped to move several priority projects forward, including funding for the North-South Road, the Kapolei Parkway Extension, and water storage and transmission system in Kapolei and funding for roadway and water improvements in La‘i ‘Ōpua.

Undivided Interest Award Program, Phase 2: The Undivided Interest Awards Program provides time for beneficiaries to prepare for homeownership while DHHL develops the project. The time allowed for preparation helps to ensure home ownership success. This program features

three phases (Ho‘ohiki, Ho‘opaepae, and Ho‘okō), and in the Ho‘ohiki phase, DHHL awards a group of individuals a non-parceled land base (before development begins).

The second phase of the Undivided Interest Awards Program, Ho‘opaepae, features quarterly newsletters to award-ees to support preparation for homeownership and facilitate community building. This year, the Planning Office produced newsletters for 320 Undivided Interest awardees at Kēōkea-Waiohuli and 300 awardees at La‘i ‘Ōpua. In the coming year, Ho‘opaepae will feature social gatherings and leadership training to further community building efforts.

Honokāia Pastoral Development Plan: A settlement agreement, signed in February 2005 to resolve the Aged Hawaiians lawsuit, has resulted in the following actions: The DHHL proceeded to offer new pastoral homesteads to the Waimea Pastoral Area List and 11 undivided interest leases were issued. DHHL initiated a ranch plan technical assistance efforts to assist eligible Honokāia and Pu‘ukapu pastoral lessees to secure additional acreage. Based on a ranch plan panel evaluation process, 10 new additional acreage homestead leases will be awarded. The Honokāia Development Plan has been completed and County subdi-



Planning Office

vision and construction approvals are pending. The Hawaiian Homes Commission has provided funds for roadway improvements at Honokāia.

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 interests such as its lands,

programs and native Hawaiian communities.

Land Acquisitions

State Land Transfers: Act 14, SpLH 1995, authorizes the transfer of 16,518 acres of public lands from the Department of Land and Natural Resources to DHHL to be designated as Hawaiian home lands, which will bring its inventory to 203,500 acres. As of June 30, 2006, 14,615 acres (88 percent) have been conveyed to DHHL.

Federal Land Transfers: The 1995 Hawaiian Home Lands Recovery Act (HHLRA), Public Law 104-42, provided 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 Hawai'i for Hawaiian home lands of equal value under the control of the federal government.

As of June 30, 2005, 483 acres (or 53 percent) of the total 913 acres due have been conveyed to DHHL.

Protecting the trust

Several lawsuits have been filed in recent years challenging the legal basis for various native Hawaiian rights and policies. These lawsuits and the philosophy they represent can have serious ramifications for the Hawaiian home lands trust and other resources and services that benefit native Hawaiians.

Federal Recognition: The Hawaiian Homes Commission 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.

Coordination: The Planning Office also provided support for DHHL to meet quarterly with leaders from homestead and applicant organizations in order to discuss and coordinate plans, strategies and actions.

Beneficiary Education: DHHL authorized dissemination of information about federal recognition and nation-building through mail outs, commission meeting discussions and an electronic newsletter delivered by e-mail. As part of DHHL's Public Policy Project, community workshop series on nation-building related topics were planned this year, and will be presented in 2007. Other highlights in beneficiary education are below.

Federal Excess Property Conveyed to DHHL
Under Hawaiian Home Lands Recovery Act of 1995, P.L. 104-42
As of June 30, 2006

<u>Federal Properties</u>	<u>Acres Authorized</u>	<u>Acres Received</u>	<u>Location</u>
Kalaeloa	586	278	'Ewa, O'ahu
Mānana Housing	20	20	Waiāwa, O'ahu
'Upolu Point	38	38	N. Kohala, Hawai'i
Omega Ha'ikū	167	147	Kāne'ohe, O'ahu
Hālawa	3	0	'Aiea, O'ahu
Leeward Community College	56	0	Waiawa, O'ahu
Waipahu FCC Site (\$16.9 M credit)	0	0	Waipahu, O'ahu
Barbers Point Raceway	16	0	'Ewa, O'ahu
Lualualei	27	0	Wai'anae, O'ahu
Total	913	483	(53%)

State Public Land Conveyed to DHHL
Under Act 14, SpLH 1995
As of June 30, 2006

<u>Island</u>	<u>No. Acres Authorized</u>	<u>No. Acres Conveyed</u>	<u>Percent Conveyed</u>
Kaua'i	1,948.579	1,995.302	102%
Maui	2,625.522	2,635.984	100%
Moloka'i	399.533	403.240	101%
Lāna'i	50.000	50.000	100%
O'ahu	441.138	206.930	47%
<u>Hawai'i</u>	<u>11,053.230</u>	<u>9,323.611</u>	<u>84%</u>
Total	16,518.002	14,615.067	88%