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GOVERNOR
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STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

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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

Exhibit 10