

## **HAWAIIAN HOMES COMMISSION**

### **Budget Workshop**

Minutes of June 12, 2025, at 10:00 a.m.

Hale Pono'i, 91-5420 Kapolei Parkway, Kapolei, Oahu, 96707,  
and Interactive Conferencing Technology (ICT) Zoom

**PRESENT**      Kali Watson, Chairperson (ICT)  
                 Makai Freitas, West Hawai'i Commissioner  
                 Michael L. Kaleikini, East Hawai'i Commissioner  
                 Dennis L. Neves, Kauai Commissioner  
                 Pauline Namu'o, O'ahu Commissioner (ICT)  
                 Sanoe Marfil, O'ahu Commissioner (ICT)  
                 Walter Kaneakua, O'ahu Commissioner (ICT)

**EXCUSED**      Archie Kalepa, Maui Commissioner  
                 Lawrence Lasua, Moloka'i Commissioner

**COUNSEL**      R. Hokulei Lindsey, Deputy Attorney General

**STAFF**          Katie Lambert, Deputy to the Chairperson  
                 Richard Hoke, Executive Assistant to the Chairperson  
                 Leah Burrows-Nuuanu, Secretary to the Commission  
                 Kalani Fronda, Land Development Division Acting Administrator  
                 Kelbert Yoshida, Land Development Division Project Manager  
                 Lokahi Paulo, Land Development Division Kubota Consultant  
                 Debra Aliviado, System Modernization Project Manager  
                 Kerwin Yadao, IT Band B and Technical Lead for the System Modernization Project

### **ORDER OF BUSINESS**

#### **CALL TO ORDER**

The meeting was called to order at 10:00 am by Chairman Kali Watson. Three (3) members were present in person, and four (4)) members attended via Zoom, establishing a quorum. He noted that the meeting was for the budget workshop agenda.

#### **Motion/Action**

Moved by Commissioner Neves, seconded by Commissioner Kaneakua, to approve the agenda. Motion carried unanimously.

There were no public testimonies.

### **WORKSHOP DISCUSSION ON DHHL FY 2026 HAWAIIAN HOME LANDS BUDGET**

#### **ITEM - A    DHHL Sources of Funding: Federal, General Fund, General Obligation Bond, Trust Fund, Special Fund, etc.**

Deputy to the Chairperson Katie Lambert presented the DHHL Sources of Funding: Federal, General Fund, General Obligation Bond, Trust Fund, Special Fund, etc.

K. Lambert began the budget workshop by noting that she was presenting on behalf of the Department of Hawaiian Home Lands (DHHL) due to the current vacancy in the Administrative Services Officer (ASO) position. She explained that the presentation was intended to prepare the Commission ahead of a formal request for approval of the Fiscal Year (FY) 2026 budget scheduled for the following Monday.

She explained that the State of Hawai‘i’s fiscal year runs from July 1 through June 30. As of the presentation, the state was nearing the end of FY 2025. The FY 2026 budget had gone through the 2025 legislative process and was pending the Governor’s signature. House Bill 300, which includes the FY 2026 budget, was on the Governor’s potential veto list, but DHHL had not received any indication that their funding would be affected. K. Lambert also previewed the FY 2027 “sufficient sums” budget process, which would begin in September, in alignment with DHHL’s constitutional responsibility under Article XII, Section 1.

K. Lambert outlined the four constitutionally defined purposes for which the legislature must appropriate funds to DHHL:

1. Development of homestead lots (home, agriculture, farm, ranch)
2. Loans for homestead purposes
3. Rehabilitation projects (educational, economic, political, social, cultural)
4. Administrative and operating expenses

Although these purposes are normally presented in a specific order, she explained that for the sake of logical flow in the presentation, they would begin with Purpose 4 (Administrative and Operating) before moving on to other areas.

K. Lambert provided an overview of DHHL’s funding sources, divided into internal and external categories:

#### **Internal Funds:**

- **Special Funds:**
  - *Hawaiian Home Administration Account* – Used to supplement general funds for operations.
  - *Revenue Bond Special Fund* – Used for debt service, sourced from the Admin Account.
- **Trust Funds:**
  - *Hawaiian Home Lands Trust Fund* – Originated from Act 14 settlements (1995–2015).
  - *Native Hawaiian Rehabilitation Fund (NERF)* – Supports cultural and social programs, funded by 30% of ceded land revenues.
  - *Hawaiian Home Operating Fund* – Combines prior development and operating funds; covers appraisals, consultants, and capital improvements.
  - *Hawaiian Home Trust Fund* – Used for FHA 247 and USDA 184A loan programs.
  - *Hawaiian Homes Receipt Fund* – Holds interest income from other funds and is transferred as needed.
- **Revolving Funds:**
  - *Hawaiian Home Loan Fund* – Used when leases are canceled, surrendered, or have no successor.
  - *Hawaiian Home General Loan Fund* – Used for home repair, construction, farm loans, and related purposes.

#### **External Funds:**

- **General Funds** – Sought through the legislature to support operations and programs.
- **General Obligation Bonds** – Used for large capital purchases and facility maintenance.
- **Revenue Bonds** – Used for capital purchases backed by revenue-generating activities.
- **Federal Funds** – Include direct Congressional appropriations and departmental programs. Lambert noted a special revolving fund was established in 2021 to track NAHASDA loan servicing.

## **ITEM – B Presentation on DHHL Budget Sections**

### **Administrative and Operating Expenses**

K. Lambert reviewed the FY 2026 operating budget and highlighted key updates:

- **Full Restoration of 200 General Fund Positions:** Starting July 1, 2025, funding for all 200 authorized general-funded positions would be restored—resolving a long-standing issue of 19 unfunded positions. The HR team was actively coordinating with divisions to assess programmatic needs before recruitment.
- **Vacancy Status:** Of the 181 currently funded positions, 35 remained vacant. Once the 19 positions were added, 54 total vacancies were expected. Lambert clarified this count excluded federally funded positions, such as the 12 NAHASDA and 3 broadband positions, bringing the department's total authorized positions to 215.
- **Breakdown of the \$28 Million General Fund Budget:**
  - \$13.1 million for personnel
  - \$4.8 million for other current expenses
  - \$10 million designated for services to existing homestead communities (Purpose 3)
  - Core operational expenses (Purpose 4) covered under program ID HHL 625

K. Lambert explained a unique anomaly in FY 2026: while the legislature appropriated \$4.8 million in special funds, public budget records would show \$101 million. This discrepancy was due to a \$97 million adjustment related to Act 279 and the inability to encumber funds at the close of FY 2024. The legislature resolved this by raising the special fund ceiling for FY 2026, allowing DHHL to access the funds through June 30, 2026.

She also noted that an additional \$3.7 million had been appropriated to the operating fund. For non-appropriated funds, DHHL recommended using \$13 million in trust fund income.

K. Lambert emphasized that the FY 2026 budget would not draw from NERF, which had a balance of approximately \$3.7 million and was projected to generate only \$300,000 in new revenue. Instead, DHHL planned to use the \$10 million general fund appropriation to support Purpose 3 activities traditionally funded by NERF. This approach was designed to preserve trust resources.

She said the total FY 2026 operating budget was approximately **\$52.8 million**. Lambert compared it to the previous year, noting a **\$3.4 million decrease** from FY 2025. The decrease was due to two major FY 2025 trust fund expenditures that would not recur in FY 2026: a \$2.7 million system modernization initiative and a \$4.2 million federal grants initiative. The former would be partially continued in a reduced form; the latter had been absorbed into the Land Development Division.

## Presentation on Loans

K. Lambert reported no major changes in the department's loan programs. She highlighted the \$7 million NAHASDA revolving fund, which was established by budget proviso and remained a key tool in financing Native Hawaiian housing initiatives.

She concluded with a high-level overview of the department's trust and special fund balances. All balances were in stable condition. She reiterated that the NERF would not be used in FY 2026 and was expected to retain about \$4 million by year-end. The department prioritized using general funds to fulfill Purpose 3 obligations, preserving long-term trust fund integrity. K. Lambert closed by noting that the next section of the budget workshop would be presented by Kalani Fronda, who would cover the development budget and align it with Purposes 1 and 4.

## Development Budget - Purposes 1 and 4

Land Development Division, Acting Administrator Kalani Fronda presented the following:

K. Fronda noted the use of "Part A" and "Part B" to refer to development budget components related to Purpose 1 (Lot Development) and Purpose 4 (Operations & Maintenance), respectively. He stated that the presentation would be organized by county and that staff members were present to assist with any follow-up questions.

## **Hawai'i Island:**

1. **Hawai'i Community College Home Project** – A request of approximately \$63,000 was made to cover additional utility installation costs for a project in partnership with Hawai'i Community College. This project was structured to provide students with experience in home construction while also producing awardable homes for beneficiaries on the wait list.
2. **Honoka'a Land Acquisition and Pre-Development Reports** – Fronda noted that while funds were already appropriated for land acquisition, DHHL was requesting an additional \$2 million from trust funds to support technical and geotechnical reporting necessary for future development. He stated that the project team was available to provide more details if needed.

## **Kaua'i Projects:**

Fronda presented a \$4.45 million request for pre-development work in Kaua'i County. The funds were earmarked for various reports, including geotechnical and FIT (Feasibility, Infrastructure, and Timeline) studies. These were necessary steps toward preparing project lease awards anticipated for the following year.

### **Individual Assistance and Financial Assessment Services**

K. Fronda discussed the department's increased need for individual beneficiary assistance as lease awards ramp up. DHHL was working with service providers, including Hawai'i Community Assets, Helen Y. LLC, and Hawai'i Lending and Investments, to assess beneficiaries' financial readiness. The goal was to align development with actual capacity, rather than projected construction costs alone. He noted the department planned to issue approximately 2,200 leases in the current year and at least 3,500 the following year, which further justified the need for these support services.

### **Support for Award and Orientation Events**

To accommodate the surge in community events—such as lot selections, orientations, and project lease awards—DHHL requested an additional \$250,000. The funds would cover venue rentals and event logistics.

### **Purpose 4 (Part B): CIP for Operations and Maintenance**

Purpose 4 (labeled Part B), focusing on repair and maintenance projects funded through the \$20 million capital improvement project (CIP) appropriation approved by the legislature.

## **O'ahu Projects**

1. **Kapolei Sewer Repairs (\$7.4 million):** Repairs were targeted for long-standing homestead communities such as Maluōhai and Kaupe'a. The improvements aimed to meet county standards and eventually transfer management of these systems to the City and County of Honolulu.
2. **Islandwide Traffic Calming Measures (\$1.2 million):** DHHL planned to implement traffic calming solutions in collaboration with the Department of Facility Maintenance (DFM). The aim was to ensure compliance with city standards to facilitate future roadway transfers and reduce the department's operational load. Fronda noted that DHHL had only four staff overseeing hundreds of projects statewide.

## **Moloka'i Projects**

1. **Water System Improvements in Kapa'akea/Ōnēlei (\$3 million):** Funds would be used to improve a century-old water tank and explore the feasibility of assuming management of the MIS system, in response to leadership requests.

2. **Drainage Improvements (\$1 million):** Based on assessments following prior flooding events, these funds would begin implementing prioritized drainage solutions for the south shore region.
3. **Nā'iwa Development Support:** Additional funds were needed to cover new general excise tax obligations tied to the project. This would help open long-awaited lots for existing lessees and provide between 12 and 16 new lots for applicants on the waitlist.

### **Keaukaha Infrastructure Project**

K. Fronda addressed a long-standing project in Keaukaha (Hilo), stating that \$5.9 million had been appropriated toward master planning and infrastructure, including road and sewer improvements. He clarified that this was only a partial amount of the full project cost but a necessary step to begin implementation.

DHHL requested \$2 million in trust funds for general repairs and maintenance across various properties and offices, including the construction of firebreaks. This funding would enable flexible responses to district-level needs and emergencies. K. Fronda concluded the presentation by summarizing that both Part A (development projects) and Part B (operations and maintenance) had been addressed. He offered to take questions and noted that project managers were present to provide more technical responses as needed.

### **DISCUSSION**

Commissioner Kaleikini asked about the timeline for repairs in Keaukaha. K. Fronda noted they had recently met with the Mayor to explore potential partnerships to move the project forward.

Commissioner Kaleikini also asked about Honoka'a. Homestead Housing Specialist Sharene Tam explained that the Environmental Impact Statement (EIS) process had begun, with geotechnical work underway and a report expected within a month. She noted that Act 279 funds were used for land acquisition and \$1.2 million for pre-development, while the requested additional funds would cover architectural work and soil studies. Development could not proceed until these studies were completed, and the full EIS process was expected to take about two years.

Commissioner Neves inquired about the absence of budget figures for Waihe'e Mauka, noting that funding had previously been discussed in November. K. Fronda explained that the project was still progressing through pre-development and entitlement processes, with developers working on off-site improvements to prepare for on-site development. He confirmed that funds were already encumbered in a prior year, which is why no additional funds were being requested in the FY26 budget. However, when Commissioner Neves pointed out that no carryover was shown and the line item reflected zero, K. Fronda acknowledged the oversight and agreed to double-check and ensure the budget reflected those existing funds.

Commissioner Neves confirmed that the Moloka'i drainage improvements mentioned in the presentation were intended to address flooding issues in Kalama'ula and Kapa'akea. He shared that during a recent visit with Lawrence, they observed a large cleared area next to the fee simple lots where water and debris originate during heavy rains. He emphasized the need for the state to address that upstream area, noting that even if it's concreted, water flow issues will persist on the makai side. Commissioner Neves also inquired about the specifics of the Kekala sewer improvements, indicating he had heard the state was funding upgrades to the treatment plant, but wanted clarification on what DHHL was doing specifically for the Hawaiian homestead areas. K. Fronda responded that Kelbert would provide further details to address both his and Commissioner Kaleikini's questions.

LDD Project Manager Kelbert Yoshida explained that their section's objective was to assist families in closing out cesspools by installing sewer lines. Once the county's wastewater treatment plant was ready, it would be able to handle the added capacity. He later responded to Commissioner Neves and addressed a question from Mike about the timeline, stating that the project would proceed in phases, starting with installing a sewer main on Baker Avenue, followed by Andrews in a later phase. Initially, there would be dry lines until the treatment

plant could operate at a safe capacity without risking sewer failure that could impact Keaukaha residents or cause leaks into Puhi Bay.

K. Fronda explained that the request they submitted was only a portion of the \$20 million needed, and significantly more funding was still required to fully achieve their vision for the area.

Commissioner Neves brought up two additional items. First, he emphasized the importance of keeping the Kuleana project in Puhi Bay active despite ongoing water issues in the area. He noted that beneficiaries had already made significant efforts by rebuilding the Niu Valley Road, a one-way four-wheel-drive path, and relocating a temporary water tank from Anahola to support the rebuild. They intended to install the tank at the site, and Commissioner Neves stressed the need to support them in doing so. He also suggested working with Jonathan Scheuer and Sea Worm to connect the pool mine and use it to fill the tank, similar to filling a reservoir. He highlighted that the beneficiaries had invested considerable personal effort and were committed to living there. Second, Commissioner Neves asked for an update on the Courtyards at Waipouli project, including a breakdown of expenditures. He recounted the project's failed attempt to secure LIHTC funding, its pivot to HUD support, and recent DIRF funding. He requested a status update by the July 16 meeting, especially in light of reports from Interwest about electrical issues and the need for an assessment. Neves expressed concern over rising per-unit costs and wanted a clear picture of the project's financial and structural standing before his departure.

Commissioner Kaleikini, addressing Chair Watson and Kalani, mentioned that he had received several inquiries regarding the status of various projects. He referred to the existing spreadsheet, which listed project locations, islands, descriptions, and budget considerations, and suggested that it would be helpful to include a short summary for each project. This summary should briefly state the funding request, what the project entails, and the estimated timeline. He explained that such summaries would make it easier to respond to common questions from the public, like when Phase 2 in Honolulu would be available. Chair Watson then asked if there were any final questions or comments and invited Katie to provide a summary or closing remarks.

K. Lambert said she was available for questions about the administrative or operational budget but had no further comments, reminding everyone the workshop was to help prepare for Monday's submittal. In response to Commissioner Kaleikini's question about filling positions, she explained that DHHL's HR department, in coordination with Bryan and Jeremiah, was responsible. She noted challenges in hiring for the second Homestead Services Assistant in East Hawaii, a civil service position that requires coordination with the Department of Human Resources and Development. She highlighted efforts to use the state's fast-track "Operation Hire Hawaii" program, promoted vacancies at the Shaw Convention, and acknowledged a suggestion from beneficiaries to share job info with communities. She planned to follow up and improve access to job postings beyond the website, which may not be user-friendly for all.

Commissioner Neves asked about the status of scattered lots on Kauai, noting ongoing difficulties in getting information from the Island Supervisor. He pointed out a specific lot on Kukuihale near the highway that had been cleared but remained unissued, with the dust fence now deteriorating. He emphasized that multiple lots across Kauai appeared vacant or unused, with unclear statuses, and urged that they be addressed and issued promptly.

K. Fronda explained that some of the scattered lots on Kauai were still under lease agreements managed by HSD, and they were actively working through those issues. Other lots were being prepared to transfer to LDD for processing and eventual issuance. He added that Lokahi Pauole had been working on scattered lots statewide and could provide broader updates.

Land Development Division Kubota Consultant Lokahi Pauole explained that his role was to process vacant or deferred lots that had been returned to DHHL inventory and prepare them for award. He confirmed that there were scattered lots statewide, including several on Kauai. When Commissioner Neves referenced the lot at 447 Kukuihale Road, Pauole acknowledged it was one of the lots currently being worked on to return to rotation so it could be awarded and occupied.

K. Fronda explained that the lot in question was under consideration for subdivision due to its size, but access issues needed to be resolved first. He also noted that they were working with the awards team to identify lots that could be issued now, including both owner-building options and lots suitable for beneficiaries willing to make repairs or renovations, provided the structures passed assessment. K. Fronda emphasized the importance of increasing communication with district offices during their monthly meetings to ensure alignment. He added that while some lots appeared vacant, they were still encumbered by leases under HSD, which needed to be clarified in the process. Commissioner Neves responded with appreciation.

Commissioner Kaneakua thanked Chair Watson, Kalani, and the Deputy for presenting a comprehensive overview and echoed Commissioner Kaleikini's concerns about vacancies. He acknowledged the challenges in recruitment and retention but emphasized the need to communicate what actions were being taken to fill the 54 vacant positions, particularly in service areas that were overwhelmed due to understaffing. He recommended that the department not only acknowledge the vacancies but also explain the specific steps being taken to address them and share how the public—especially Native Hawaiians—could help. He noted that DHHL had been granted a rare reprieve in retaining these positions thanks to the efforts of the Chair and staff and stressed that moving quickly to fill them was vital to maintaining momentum and meeting beneficiary needs.

Chair Watson thanked Commissioner Kaneakua and asked all commissioners to help identify individuals interested in working for the department, especially on the Neighbor Islands, where the need was greatest. He emphasized that securing funding for 19 new positions during the last legislative session was hard-won and that leaving them vacant would undermine the department's credibility when the Legislature reconvenes in 2026. He noted ongoing staff turnover due to retirements and personal reasons, but also expressed optimism about new hires, many of whom were skilled, passionate, and connected to the mission as waitlisters or homesteaders. He encouraged commissioners to contact him or Katie with any questions about the positions.

#### **ITEM - C                      Presentation on DHHL Trust Fund Requests**

- System Modernization Project (Office of the Chairman)

System Modernization Project Manager Debbie Aliviado and IT Band B and System Modernization Lead Technician presented the following:

D. Aliviado requested a budget of \$1.145 million for fiscal year 2026 to continue work on transitioning from the old APICS system to the new Salesforce system. She explained that they were currently in the testing stage of the final part of the current phase, and the requested funding would support the next phase of the project.

Chair Watson asked for a summary of the system modernization progress, and D. Aliviado explained that the project began the previous year. They engaged with all divisions impacted by the transition from the old APICS system to Salesforce, identified their pain points, and worked on solutions to support their needs through the new technology.

K. Yadao explained that phase one of the modernization project, set to go live by the end of July, focused primarily on the Homestead Services Division (HSD) and their core processes. Phase two would expand to include infrastructure development within Salesforce, emphasizing cybersecurity and future enhancements, while still supporting HSD functions. D. Aliviado added that the current phase also included building out the paper lease project to support project lease awards handled by Michelle Kalani's team.

Chair Watson emphasized that the Salesforce system was essential to streamlining lease processing, successorships, developer coordination, and loan approvals, particularly given the volume of over 10,000 leases and 6,000 new awards. He noted the inefficiency of relying on hard copies, especially for Neighbor Island beneficiaries, and highlighted that partners like American Savings Bank had adopted Salesforce, become certified for 184A loans, and offered the system to nonprofits at no cost. He stressed that the system benefited staff, developers, lenders, and beneficiaries alike, and justified the need for continued funding to

move into phase two. Commissioner Neves added that he had just received the materials and needed time to review them.

Commissioner Marfil asked how Salesforce licenses would be managed, specifically whether they could be reassigned if an employee left. K. Yadao confirmed that licenses were not tied to individual staff and could be reassigned to another employee if someone departed from the department.

Chair Watson explained that the department was working to secure a quantity discount on Salesforce licenses, noting that around 16 other state entities were also using the system. He mentioned that the department was negotiating for a reduced purchase price and that others were impressed by the pricing DHHL was receiving. He emphasized the importance of training as many staff members as possible to use the system and to be able to share and explain the process.

Chair Watson stated that the Commission would convene in an executive session, citing HRS §92-5(a)(4) to consult with the Commission's attorneys regarding its powers, duties, privileges, immunities, and liabilities. Leah confirmed the prompt was on screen, and a motion to enter executive session was made.

#### MOTION

Commissioner Kaleikini moved the motion, and Commissioner Freitas seconded to resolve into an executive session.

#### **EXECUTIVE SESSION IN**

**10:55 AM**

The Commission convened an executive meeting pursuant to Section 92-5(a)(4), HRS, to consult with its attorney on questions and issues pertaining to the Commission's powers, duties, privileges, immunities, and liabilities on the following matter:

1. Briefing regarding fiduciary duties and responsibilities

#### **EXECUTIVE SESSION OUT**

**12:10 PM**

Chair Watson announced that the Commission had reconvened from Executive Session, during which it reviewed and discussed matters concerning the Commission's powers, duties, privileges, immunities, and liabilities related to its fiduciary duties as trustees under the Hawaiian Homes Commission Act.

#### ANNOUNCEMENTS AND ADJOURNMENT

Chair Watson announced that the next regular commission meeting would be held on June 16th and 17th at 9:30 a.m., then adjourned the meeting and thanked everyone for their participation, questions, and the staff for their presentations.

#### **ADJOURNMENT**


**12:15 PM**

Respectfully submitted:



Kali Watson, Chairman  
Hawaiian Homes Commission

Prepared by:

  
\_\_\_\_\_  
Leah Burrows-Nuuanu, Commission Secretary  
Hawaiian Homes Commission