

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION 2024 ANNUAL REPORT





This annual report fulfills the reporting requirements of section §201H-21 as well as §§201H-95(g), 201H-202(f), and 201H-206(i), Hawaii Revised Statutes (HRS).

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COVER PAGE Photos:

Left- Hale Na Koa O Hanakahi housing for veterans (Big Island). Source: Hawaii Tribune Herald.

Center- Wailuku Apartments dedication with Gino Soquena of the Hawaii Building & Construction Trades Council, Kerry Nicholson of Legacy Partners, Maui County Mayor Richard Bissen, and HHFDC's Dean Minakami (Maui). Source: Kaulana Mahina.

Right- Halewaiolu Senior Residences was completed in 2024 (Oahu). Source: City & County of Honolulu.

I. INTRODUCTION

A. EXECUTIVE DIRECTOR'S WELCOME

Aloha mai kakou,

HHFDC staff worked diligently in Fiscal Year 2024 to address the state's affordable housing needs. HHFDC assisted in the delivery of 1,085 units that were placed in service and provided financing or development assistance for 9,688 units that will be placed in service in the coming years.

Governor Josh Green, M.D., has declared a state of emergency to combat the affordable housing crisis and HHFDC was given the vital role of administering the Housing Emergency Proclamation (EP), certifying eligible projects for waivers of school impact fees and certain county development fees. From the time HHFDC took over this responsibility in February 2024 through the end of the fiscal year, the Corporation processed waivers for seven affordable or workforce housing projects totaling 3,631 units.

The unimaginable devastation caused by the Maui wildfires of August 8, 2023, caused more than 100 deaths and destroyed several thousand homes. Governor Green turned to HHFDC staff to stand up a program to assist survivors with a sudden and urgent need for housing. Approximately 600 families found immediate housing through the Hawaii Fire Relief Housing Program, which collected a pool of roughly 1,400 available properties that were offered on Maui and elsewhere. The National Council of State Housing Agencies honored the program with its coveted Award of Excellence for Special Achievement.

Other work that HHFDC has undertaken to aid Maui's recovery include opening the recently acquired Haggai International Institute to house survivors, initiating the reconstruction of Front Street Apartments, providing land for and aiding in the development of the Ka Lai Ola housing development at HHFDC's Villages of Leialii, and providing land to FEMA for the Kilohana interim housing project. Additionally, the 200-unit Kaiaulu O Kukuia project sponsored by HHFDC - the first multi-family housing project to open in Lahaina - began accepting residents in late 2024.

We thank our developer partners and the HHFDC Board for their dedication to the goal of adding more affordable housing units. And we say mahalo to the Green Administration and members of the State Legislature for their strong support.

Expect next year's Annual Report to provide you with an update on the success of several other promising new programs including the new down-payment assistance program that will provide up to \$60,000 to help qualifying households. We also plan to launch a new mortgage assistance program, providing below-market interest mortgage loans to qualifying households.

The work continues and we look forward to the year ahead.



Dean Minakami
Executive Director



B. CHAIRPERSON'S WELCOME

Aloha,

It's been an incredible honor serving as the chairperson of the HHFDC Board of Directors. I am fortunate to serve with a dedicated group of board members, colleagues who are committed to HHFDC's mission to use our resources efficiently and strategically in order to increase and preserve the supply of affordable housing throughout the State of Hawaii.

Looking back at last year, we were able to make great strides toward increasing the development output of new rental housing projects that will offer residents a range of affordable housing opportunities. By placing greater emphasis on financing projects that are the most shovel-ready to proceed, HHFDC has improved the utilization of its financial resources and accelerated unit delivery. Of course, this wouldn't be possible without the sustained efforts of HHFDC's dedicated staff and our developer partners.

As we look to the future, we recognize the need to make a slight pivot to increase support for first-time homeownership among our workforce "gap group" households with incomes between 80% and 140% of the AMI. To facilitate addressing this group's needs, we have laid the groundwork for staff to use HHFDC resources for reestablishing the Downpayment Loan Assistance and Hula Mae Mortgage Loan programs. In an era of sustained, high interest rates, these financing tools are critically needed to assist potential homebuyers.

Board members have also been working closely with Executive Director Minakami and senior staff on a strategic plan that maps out the organization's goals and objectives in the coming years. Part of that effort involves assisting those in our community who are without supportive housing and essential services. To address this need, we plan to increase our efforts with our nonprofit stakeholders to determine the community needs and resources available to create more supportive housing units.

Lastly, I want to extend the Board's sincere appreciation to our legislators for recognizing year after year the levels of financial resources that it takes to continue on our path of meeting Hawaii's housing needs. The housing issues we face are daunting. But with the Legislature's support, together we can take the right steps that will make a lasting and positive impact for the generations ahead.

Gary Mackler
Chairperson



C. PURPOSE OF REPORT; SCOPE OF ACTIVITIES COVERED

The Fiscal Year (FY) 2024 Hawaii Housing Finance and Development Corporation (HHFDC or the corporation) Annual Report provides an overview of our efforts, achievements, and ambitions in addressing the housing needs of the residents of Hawaii. It is intended to serve as a resource document to be used by our various stakeholders, including housing consumers, advocates, and developers; the Legislature; our partner state, county, and federal housing agencies; and the state's many individual and corporate taxpayers.

The Annual Report provides an overview of HHFDC and its role in providing housing solutions for Hawaii residents; a review of the various programs that deliver those solutions; a summary of other housing-related activities; information on recent historical housing unit deliveries; a projection of near- to medium-term production; highlights of the corporation's response to the Maui wildfires disaster; a review of recently enacted housing-related legislation; and insight into our efforts to attract and maintain a highly skilled professional staff and leverage technology to maximize productivity.

Except when noted otherwise, as we do when presenting facts on recent financing awards that adhere to a calendar year schedule, the information in this report is for the fiscal year ending June 30, 2024.

This annual report fulfills the reporting requirements of section §201H-21 as well as §§201H-95(g), 201H-202(f), and 201H-206(i), Hawaii Revised Statutes (HRS).



Photograph of HHFDC Staff

For other HHFDC reports and studies, including additional 2024 reports to the Legislature, please visit: <https://dbedt.hawaii.gov/hhfdc/resources/reports/>.

II. ABOUT HHFDC

A. CORPORATION OVERVIEW

MISSION STATEMENT

HHFDC's mission is to advance housing opportunities for the residents of Hawaii.

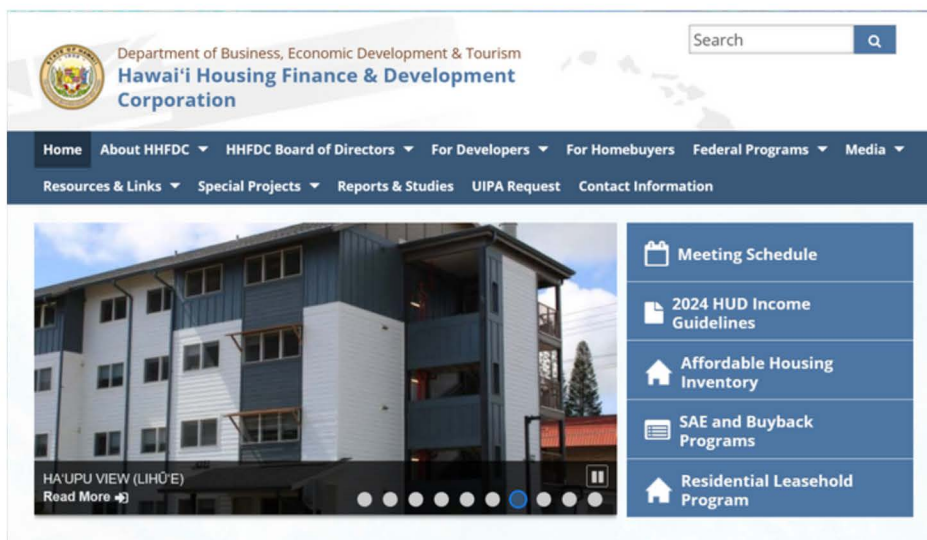
Established by the Legislature in 2006 to carry out the State of Hawaii's affordable housing financing and development functions, HHFDC offers a diverse array of programs, including Low-Income Housing Tax Credit (LIHTC), tax-exempt bond financing, and homebuyer assistance programs. Beyond that, HHFDC provides gap financing for affordable and workforce housing, regulatory relief through an expedited development program, interim and permanent mortgage loans for housing project construction and rehabilitation, and financing for regional infrastructure projects.

Additionally, HHFDC manages the development of state lands for housing and mixed uses, owns and maintains localized public infrastructure systems, and has a diverse, statewide real estate portfolio consisting of single-family residential and multi-family rental projects, agricultural lots, and commercial leases; 1,073 acres of developable lands on Maui and Hawaii Island; and two operating properties with 210 affordable rental units.

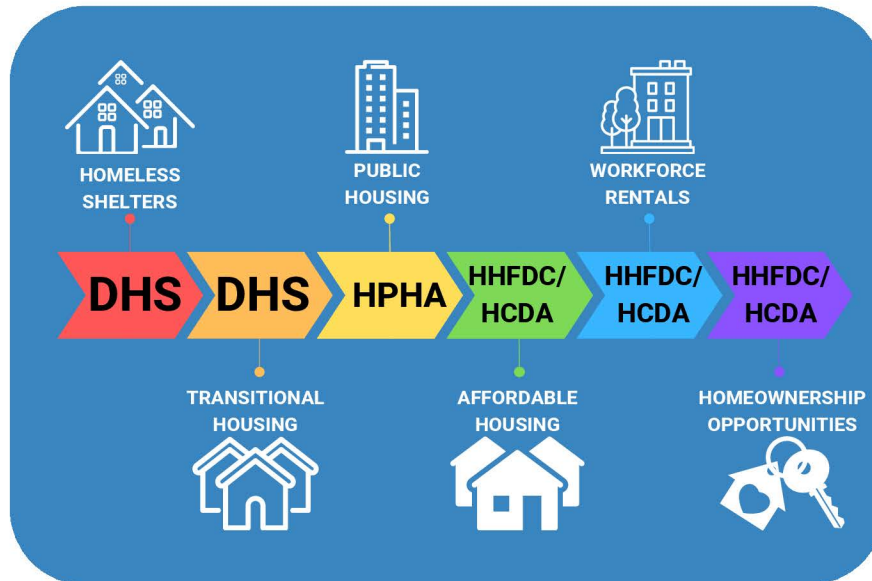
HHFDC has total assets of approximately \$2.4 billion as of June 30, 2024. For FY 2024, the corporation had an operating budget of approximately \$13.5 million and was authorized by the Legislature to employ 68 full-time professionals in various fields, including accounting, administrative support, asset management, development, finance, human resources, information technology, planning, procurement, project management, and public relations.

Many of HHFDC's housing programs are funded by the Legislature. In FY 2024, lawmakers appropriated \$150,000,000 for infusions into the corporation's two major proprietary funds.

For more details, please visit our website: www.dbedt.hawaii.gov/hhfdc.



B. THE CONTINUUM OF HOUSING



HHFDC plays a critical role in producing and preserving affordable and workforce housing in Hawaii, offering diverse solutions to meet community needs. Through various financing and development programs, HHFDC collaborates with private developers, other state agencies, the four counties, and the federal government to support a continuum of housing options. These include emergency shelters, transitional housing, public housing, affordable rentals, workforce rentals, and homeownership opportunities.

The U.S. Department of Housing and Urban Development (HUD) annually publishes income limits based on percentages of the Area Median Income (AMI) to determine eligibility for federal housing assistance programs. These limits, derived from the American Community Survey and other sources, set the maximum income that households can earn to qualify for assistance. Most HHFDC programs use these limits to determine maximum unit rents and sales prices, and to guide resource allocation and housing initiatives.

HHFDC focuses largely on serving three categories:

- Renters earning up to 60% of the AMI through LIHTC and other programs;
- Renters earning between 80% and 140% of the AMI through programs supporting workforce housing; and
- First-time homebuyers earning up to 140% of the AMI.

For current **HUD income limits** by county and household size for the State of Hawaii, please visit: <https://dbedt.hawaii.gov/hhfdc/2022/04/21/2022-hud-income-guidelines/>.

C. LEGISLATIVE HISTORY

HHFDC traces its origins to the Hawaii Housing Authority (HHA), established by the Territorial Legislature in 1935 in hopes that it could provide safe and sanitary housing for Hawaii's low-income residents.

In 1970, the Legislature expanded HHA's functions significantly, introducing development powers, creating the

Dwelling Unit Revolving Fund, and establishing programs for land reform, residential lease rent renegotiation, and housing finance. The agency had a mandate not only to provide rental housing but to facilitate the development of affordable homes for purchase.

HHA had added over 10,000 units to the state's housing stock by 1988 when its housing finance, development, and residential leasehold functions were transferred to the newly formed Housing Finance and Development Corporation (HFDC). HFDC's achievements included developing the 888-acre Villages of Kapolei in West Oahu.

Recognizing broader social and economic issues in the 1990s, the Legislature consolidated HHA, HFDC, and the Rental Housing Trust Fund into the Housing and Community Development Corporation of Hawaii (HCDCH) on July 1, 1998. But the combined agency was short-lived. In 2004, based on a recommendation from a task force charged with developing near-term solutions to Hawaii's affordable housing, HCDCH split into two entities to allow the state to more effectively concentrate on the development of affordable housing.

Pursuant to Act 196, Session Laws of Hawaii (SLH) 2005, as amended by Act 180, SLH 2006, HCDCH was abolished on July 1, 2006. In its place, the Hawaii Public Housing Authority (HPHA) was established as a public body and body corporate and politic and placed within the Department of Human Services (DHS) for administrative purposes. HHFDC was established as a public body and body corporate and politic and placed within the Department of Business, Economic Development, and Tourism (DBEDT) to focus on affordable housing financing and development. HHFDC's enabling legislation was codified as [Chapter 201H, HRS](#), and adheres to Section 26-35, HRS, for administrative supervision of the board.

D. GOVERNANCE STRUCTURE

The corporation is governed by a nine-member board of directors (the Board) that is tasked with establishing policies and executive direction for the corporation; approving major programs and actions; authorizing funding for development projects; approving the adoption, amendment, or repeal of Hawaii Administrative Rules (HAR) and procedures; and monitoring the status of projects receiving assistance.

Six members of the Board are public members appointed by the governor, serving staggered, four-year terms, as unpaid volunteers.

- Public members are appointed from the City and County of Honolulu (the City) and each of the counties of Hawaii, Maui, and Kauai.
- At least four members must have knowledge and expertise in public or private financing and development of affordable housing.
- At least one public member represents community advocates for low-income housing.

Three members are ex-officio voting members.

- The Director of DBEDT, or a designated representative;
- The Director of Finance, or a designated representative; and
- A representative of the Office of the Governor.



Executive Director Minakami and Chairperson Mackler with Board members Luis Salaveria, Sean Sasaki, Scott Glenn, Jay Kimura, Mary Alice Evans, Carol Reimann, Donn Mende, & Jason Bradshaw.

E. ORGANIZATIONAL STRUCTURE

HHFDC is organized into five branches under the Office of the Executive Director:

Office of the Executive Director

HHFDC is led by the Executive Director, to whom the Board has delegated the responsibility of managing the corporation's daily operations and maintaining general oversight of its administrative and business affairs. The Executive Director is aided by the Executive Assistant, who supervises the corporation's administrative functions and other support staff.

Administrative Services Branch

Placed within the Office of the Executive Director and under the supervision of the Executive Assistant, the Administrative Services Branch is composed of four offices that provide services relating to housing information, information technology, contract review, and human resources.

Planning, Evaluation and Compliance Branch

The Planning, Evaluation and Compliance Branch oversees program planning and evaluation, housing research, project compliance monitoring, and environmental review activities for the financing and development programs administered by HHFDC. The branch also manages a diverse real estate portfolio and coordinates the corporation's legislative, administrative rulemaking, and fair housing activities.

Fiscal Management Branch

The Fiscal Management Branch provides administrative assistance and advisory services in fiscal management, budget, and accounting for HHFDC. Offering consultative and technical services, and in

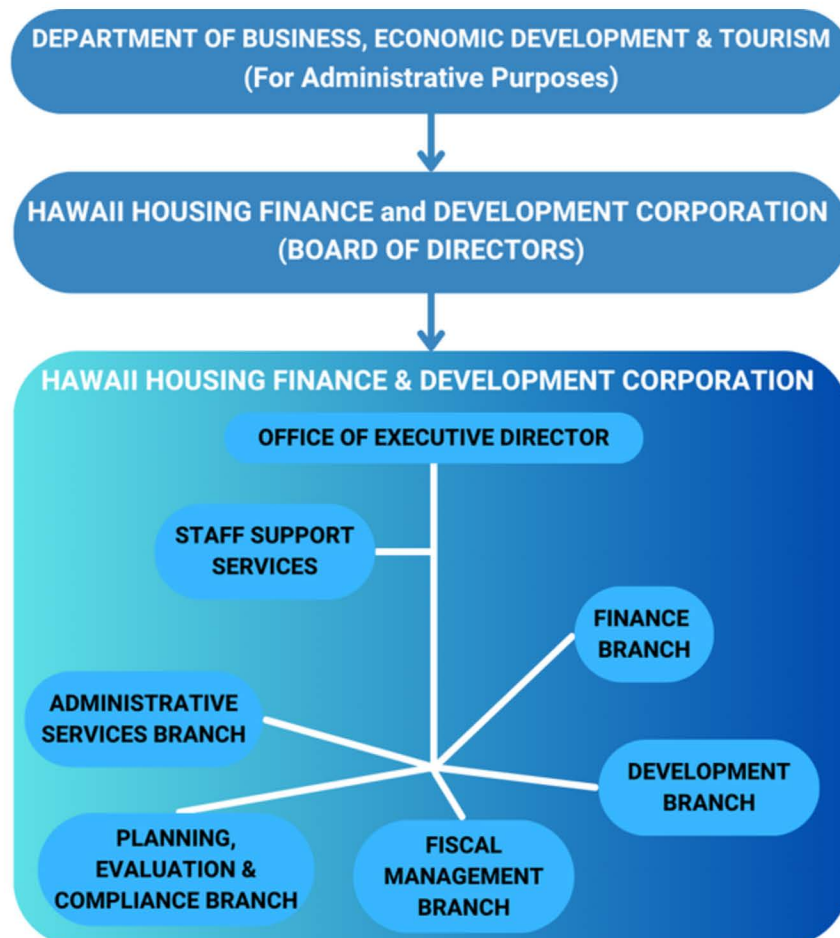
coordination with departmental budget staff, the Fiscal Management Branch oversees budget development, execution, and monitoring for all HHFDC programs. The branch also generates financial reports for other HHFDC branches and state agencies, in addition to providing financial information to the Legislature.

Development Branch

The Development Branch administers development assistance programs, underwrites interim construction loans, manages development of housing on state-owned lands, and develops and maintains infrastructure on properties owned by the corporation. Through its Real Estate Services Section, the branch oversees the sales of new affordable units developed with the corporation’s assistance and administers the related unit buyback, shared appreciation equity, deferred sales price, and leasehold homeownership programs.

Finance Branch

The Finance Branch administers a range of housing financing programs aimed at addressing affordable housing needs, such as the issuance of tax-exempt and taxable private activity bonds and the administration of federal funds allocated by HUD. Tax-exempt and private activity bonds support single-family mortgage loans and the development or acquisition of rental housing projects. Federal funds are primarily utilized for the acquisition, rehabilitation, or construction of affordable housing and may also provide rental or down payment assistance to eligible families. The branch is responsible for evaluating financing requests and presenting recommendations for loans and grants to developers, non-profit organizations, and contractors for approval by the Board. Additionally, it oversees projects throughout their development to ensure timely completion and compliance with funding source requirements.



III. FINANCING TOOLS

A. FINANCING TOOLS FOR DEVELOPERS

When presenting facts on financing awards, HHFDC adheres to a calendar year schedule.

LOW-INCOME HOUSING TAX CREDIT PROGRAM

HUD describes the Low-Income Housing Tax Credit (LIHTC) as the most important resource for creating affordable housing in the United States today. It was created by the Tax Reform Act of 1986 and authorizes state and local agencies to allocate federal tax credits for the acquisition, rehabilitation, or new construction of rental housing for low-income households.

LIHTC is HHFDC's largest program, in part because developers utilize it in conjunction with the Hula Mae Multi-Family Tax-Exempt Bond (HMMF) and Rental Housing Revolving Fund (RHRF) programs.

In accordance with the Internal Revenue Code (IRC), HHFDC awards LIHTC under a Qualified Allocation Plan (QAP) that is typically updated every two years and is subject to Board approval.

To see the current QAP, visit: <https://dbedt.hawaii.gov/hhfdc/files/2024/12/2025-QAP-FINAL-VERSION-12.4.24.pdf>

HHFDC awards LIHTC to developers of qualifying projects that meet affordability and tenant income criteria, typically serving households earning up to 60% of the AMI. Developers then "sell" these credits to investors in return for equity in the projects, reducing the amount of debt that projects must carry and providing investors with a dollar-for-dollar reduction in federal tax liability over ten years. In addition to the federal LIHTC, the State of Hawaii provides a state tax credit that matches 100% of the federal LIHTC amount but which is taken over five years.

There are two types of credits under the LIHTC program:

- 9% LIHTC are credits intended to cover approximately 70% of eligible project costs. The Internal Revenue Service, which administers the program, limits the amount of 9% credits that can be issued by each state based on its population (the so-called volume cap). For 2024, the State of Hawaii had \$4,176,000 of 9% credits to allocate.
- 4% LIHTC are credits intended to cover approximately 30% of eligible project costs. These are exempt from the volume cap limitation but must be accompanied by qualified private activity bond (PAB) financing through the HMMF program, the availability of which is limited by its own volume cap known as the bond cap. For 2024, the state had a bond cap of \$378,230,000.

During 2024, HHFDC awarded LIHTC reservations to 11 affordable housing projects, supporting the new construction or rehabilitation of 1,640 units (see Table 1).

TABLE 1			
2024 Low-Income Housing Tax Credit Award Reservations			
	<u>PROJECT NAME</u>	<u>COUNTY</u>	<u>TOTAL UNITS</u>
1	Hale O Piikea III (9%)	Maui	36
2	Jack Hall Waipahu (4%) - acq/rehab	Oahu	144
3	Kai Olino II (9%)	Kauai	27
4	Kaleimao Village (4%)	Oahu	127
5	Kuhio Park Redevelopment (4%)	Oahu	304
6	Lima Ola (4%)	Kauai	85
7	Maunakea Tower (4%) - acq/rehab	Oahu	379
8	Na Hale Makoa (4%)	Hawaii	140
9	Palolo Homes (4%) - acq/rehab	Oahu	306
10	Uahi Ridge II (9%)	Kauai	60
11	Villages of Laiopua III (9%)	Hawaii	32
			1,640



HULA MAE MULTI-FAMILY PROGRAM

Established under HRS 201H-72, the Hula Mae Multi-Family (HMMF) Tax-Exempt Bond Program provides low-interest financing to developers for the construction, rehabilitation, or acquisition of affordable rental housing in Hawaii. The program leverages the tax-exempt status of the bonds to offer favorable loan terms, reducing the financing costs for developers.

Private Activity Bond (PAB) allocations are determined annually by a formula established in the IRC, Section 146, based on population and inflation. The formula ensures each state receives the greater of the determined per capita multiplier or the minimum cap, both of which are adjusted annually. For 2024, the state had a bond cap of \$378,230,000.

PABs may also be allocated for other purposes, such as first-time homebuyer programs, airports, mass transit systems, water and sewage facilities, student loans, redevelopment projects, and certain energy infrastructure. As a result, the PAB allocation is a finite resource, requiring careful prioritization to ensure it is utilized effectively to meet the state's affordable housing and community development needs. The limited availability of PABs underscores the importance of strategic allocation to high-impact projects, as these bonds play a critical role in financing the development of affordable rental housing and other essential initiatives to address Hawaii's housing challenges.

Projects financed through HMMF must meet specific requirements, including rent and income restrictions, to ensure affordability for low- and moderate-income households. Developers using the program are also eligible to apply for federal 4% LIHTC, further enhancing the financial feasibility of affordable housing projects. HMMF plays a critical role in expanding Hawaii’s affordable housing inventory by attracting private capital through these incentives.

This section satisfies HRS §201H-95(g)

TABLE 2	
2024 Multi-Family Revenue Bond Authority	
Total Bond Authority	\$3,000,000,000
Authority Utilized	\$1,720,636,144
Remaining Balance	\$1,279,363,856

TABLE 3			
2024 Multi-Family Revenue Bond Applications (2/16/24)			
	PROJECT NAME	COUNTY	BONDS REQUEST
1	Aikanaha Residences Phase I	Maui	\$30,880,000
2	Aikanaha Residences Phase II	Maui	\$30,950,000
3	Courtyards at Waipouli (4% LIHTC)	Kauai	\$35,225,000
4	Hale Mahaolu Ke Kahua	Maui	\$44,053,548
5	Hale O Hauoli Apartments	Oahu	\$37,250,821
6	Hale Ola O Mohouli	Hawaii	\$33,832,877
7	Honuaula Living Community	Hawaii	\$39,800,000
8	Hoomalu at Waikoloa	Hawaii	\$73,000,000
9	Kahoapili	Oahu	\$60,871,902
10	Kapaa Homes	Kauai	\$39,229,379
11	Keawalau Diamond Head	Oahu	\$73,886,767
12	Keawalau Ewa	Oahu	\$50,168,742
13	Mayor Wright Homes - Building 1A	Oahu	\$107,151,110
14	Pahoa Ridge	Oahu	\$62,350,425
15	Pohukaina Commons Phase II	Oahu	\$66,311,713
16	Pua Lane Family Affordable (4% LIHTC)	Oahu	\$20,723,456
17	Waimanalo Apartments	Oahu	\$15,000,000
18	Waipahu Street Affordable Housing Development	Oahu	\$53,500,000
			\$874,185,740



TABLE 4**2024 Approval of Inducement Resolution**

	<u>PROJECT NAME</u>	<u>COUNTY</u>	<u>TOTAL UNITS</u>	<u>BOND ISSUE AMOUNT</u>	<u>APPROVAL OF INDUCEMENT RESOLUTION</u>	<u>STATUS</u>
1	Na Hale Makoa	Hawaii	140	\$42,165,000	07/13/2023	Construction
2	Hale O Piikea II	Maui	97	\$27,500,000	08/11/2022	Construction
3	Palolo Homes	Oahu	306	\$31,500,000	08/10/2023	Construction
4	Hale Pilina	Maui	179	\$58,808,173	07/11/2024	Predevelopment
5	Kuakini Heights	Hawaii	98	\$34,500,000	09/12/2024	Predevelopment
			820	\$194,473,173		

TABLE 5**2024 Approval to Issue Bonds**

	<u>PROJECT NAME</u>	<u>COUNTY</u>	<u>TOTAL UNITS</u>	<u>APPROVAL OF INDUCEMENT RESOLUTION</u>	<u>GOV. APPROVAL</u>	<u>BOND ISSUANCE DATE</u>	<u>AMOUNT</u>	<u>STATUS</u>
1	Halewiliko Highlands	Oahu	140	07/8/2021	8/31/2023	10/6/2023	\$32,272,676	Construction
2	Liloa Hale	Maui	117	07/14/2022	09/27/2023	07/11/2024	\$37,282,733	Construction
3	Rice Street Apartments	Kauai	66	07/14/2022	11/22/2023	n/a	\$22,000,000	Closing
4	Uahi Ridge	Kauai	96	08/11/2022	12/29/2022	08/30/2024	\$7,600,000	Construction
5	Na Hale Makoa	Hawaii	140	07/13/2023	11/21/2023	09/13/2024	\$42,165,000	Construction
6	Hale O Piikea II	Maui	97	08/11/2022	06/14/2024	10/04/2024	\$27,500,000	Construction
7	Palolo Homes	Oahu	306	08/10/2023	11/21/2023	11/08/2024	\$31,500,000	Construction
			962				\$200,320,409	



TABLE 6**2024 Issuance of Bonds for Construction**

	<u>PROJECT</u>	<u>COUNTY</u>	<u>TOTAL UNITS</u>	<u>BOND ISSUE AMOUNT</u>	<u>BOND ISSUE</u>	<u>BOND ISSUANCE</u>
1	Parkway Village at Kapolei - Lot 6	Oahu	236	08/31/2023	\$32,613,969	Series 2023A
					\$12,812,631	Series 2023B
					\$12,812,631	Series 2023C
2	Parkway Village at Kapolei - Lot 7	Oahu	167	08/31/2023	\$22,324,894	Series 2023A
					\$8,770,494	Series 2023B
					\$8,770,494	Series 2023C
3	Halewiliko Highlands	Oahu	140	10/06/2023	\$4,465,900	Series 2023A
					\$27,806,776	Series 2023B
4	Hale O Piikea I	Maui	90	10/20/2023	\$7,000,000	Series 2023A
					\$21,000,000	Series 2023B
5	HPHA School Street Redevelopment	Oahu	250	06/06/2024	\$85,152,621	Series 2024
			883		\$243,530,410	

2024 TABLE 7**Multi-Family Revenue Bond Activity by Fiscal Quarter**

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Applications Received			18	
Inducement Resolutions Approved	3			
Approval to Issue Bonds	2	3		2
Issuance of Bonds	2	2		1



RENTAL HOUSING REVOLVING FUND PROGRAM

Established under HRS 201H-202, the Rental Housing Revolving Fund (RHRF) provides equity gap low-interest loans or grants to qualified owners and developers for the development, pre-development, construction, acquisition, or preservation of affordable rental housing.

Projects are evaluated using HHFDC's QAP and other competitive criteria involving financial efficiency, feasibility, project readiness to proceed, and tenant quality of life. All projects are expected to financially close before the end of FY 2025. Preference is given to projects that meet certain statutory criteria, including those that provide at least 5% of the total number of units for persons and families with incomes up to 30% of the AMI, as well as projects that provide the maximum number of units for persons or families with incomes up to 80% of the AMI.

HHFDC also continues to incentivize developers to propose projects that are designed to provide the most housing for those at the lowest AMI, while remaining operationally viable.

Future plans for RHRF involve diversifying its use to provide a wider variety of loan programs to support other affordable housing initiatives, such as the preservation of existing affordable housing, rehabilitation, and mixed-income rental development communities.

Moving forward, HHFDC plans to strategically utilize RHRF to expand the development of permanent supportive housing (PSH), addressing the critical need for stable, long-term housing solutions for Hawaii's vulnerable populations. Those who require PSH units generally have incomes up to 30% of the AMI, thus requiring a high degree of subsidization to make them financially viable. Federal subsidies in the form of Section 8 vouchers and the counties' commitment to Project-Based Vouchers for rental assistance remain critical forms of assistance.

RHRF provides a dedicated, flexible source of low-cost financing specifically tailored to address the critical funding gaps in affordable housing projects. While traditional financing methods may require higher returns, interest rates, and other financing costs, RHRF prioritizes the creation of deeply affordable units by offering terms that align with the financial constraints of housing for extremely low-income households. It can be layered with federal and state subsidies, such as LIHTC, enabling developers to maintain financial feasibility while delivering housing for underserved populations.

By prioritizing projects that integrate affordable housing with on-site supportive services, HHFDC aims to foster greater housing stability and self-sufficiency for individuals experiencing homelessness or with special needs. This approach aligns with broader efforts to maximize the impact of RHRF resources while promoting sustainable, community-based housing solutions.



This section satisfies §201H-202(f)

TABLE 8						
Projects Funded Targeting 30% AMI and Below						
	<u>AWARD DATE</u>	<u>PROJECT NAME</u>	<u>ISLAND</u>	<u>30% AMI</u>	<u>TOTAL AFFORDABLE UNITS</u>	<u>% OF UNITS AT 30%AMI</u>
1	06/08/2023	Hale O Piikea III	Maui	4	35	11.1%
2	06/08/2023	Villages of Laiopua- Phase III	Hawaii	4	32	12.5%
3	07/13/2023	Na Hale Makoa	Hawaii	20	139	14.3%
4	08/10/2023	Kai Olino Phase 2	Kauai	5	27	18.5%
5	08/10/2023	Palolo Homes Rehabilitation	Oahu	36	305	11.8%
6	09/14/2023	Uahi Ridge Phase 2	Kauai	6	59	10.0%
7	11/09/2023	Hale Makana O Uluwehi	Oahu	2	39	5.0%
8	11/09/2023	Kaleimao Village (West Loch)	Oahu	7	126	5.5%
9	01/11/2024	Kuhio Park Low-Rise & Homes Redevelopment - Phase I	Oahu	28	302	9.2%
10	06/13/2024	330 Kuulei Apartment	Oahu	4	39	10.0%
11	06/13/2024	Hanapepe Residence Lots - 2A	Kauai	6	30	20.0%
12	06/13/2024	Kalepa 23	Kauai	12	80	15.0%
				134	1,213	



AFFORDABLE HOMEOWNERSHIP REVOLVING FUND PROGRAM

The Affordable Homeownership Revolving Fund (AHRF) program was established by Act 227, SLH 2021. It authorized HHFDC to provide loan funding to eligible homeownership projects in Hawaii. Eligible uses of funds include the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable for-sale housing units. Eligible applicants are community development financial institutions and nonprofit housing development organizations.

The new rules, HAR 15-321, became effective on November 27, 2023. The program launched with an initial offering of up to \$5 million and began accepting loan applications on May 15, 2024. Applications are accepted on a continuing basis until funding is exhausted.

Only one application was received during FY 2024. The applicant, Lima Ola, requested a total loan amount of \$1,871,313 for the new construction of four three-bedroom units in Lihue, Kauai. HHFDC's Board approved their application in August 2024.

The program continues to be evaluated for its effectiveness in providing a viable tool to finance affordable housing developments.

This section satisfies §201H-206(i).



Lima Ola - Eleele, Kauai

Besides the four units funded by AHRF, Kauai County's largest housing project is being completed in several phases with assistance from HHFDC's DURF program as well as other state, county, and federal funds. Phase I includes 40 rental units for seniors, 32 rentals for families, and 38 for-sale workforce housing. Phase II includes 97 rentals and 75 for-sale units. The 32-unit supportive housing component will be completed in FY 2025. Lima Ola truly offers housing options for the entire community.

Source: <https://www.eahhousing.org/apartments/lima-ola/>



HOME INVESTMENT PARTNERSHIP PROGRAM

The HOME Investment Partnerships Program (HOME) is a federally funded program created by the National Affordable Housing Act of 1990. The purpose of HOME is to expand the supply of decent, safe, affordable, and sanitary housing for households earning up to 80% of the AMI.

HOME funds may be used for a variety of activities including tenant-based rental assistance, downpayment loans for first-time homebuyers, rehabilitation loans for existing homeowners, property acquisition, new construction, reconstruction, moderate or substantial rehabilitation, site improvements, demolition, relocation expenses, loan guarantees, and other reasonable and necessary expenses related to the development of affordable housing. All HOME-assisted units must maintain affordability for a minimum period of 5 to 20 years, depending on the amount of HOME assistance invested in the units.

HHFDC is the designated agency for the State of Hawaii that administers the HOME program and receives approximately \$3 million in HOME funds from HUD each year. HHFDC allocates the HOME funding annually, on a rotating basis, to the counties of Hawaii, Kauai, and Maui. The City receives an allocation directly from HUD.

During FY 2024, HHFDC received \$3 million, which was allocated to Maui County, less 5% for HHFDC administrative and planning expenses. Maui County is using HOME funds for the construction of new, affordable rental housing units for Hale O Piikea, Phase III (six HOME-assisted units) and Hale Pilina (six HOME-assisted units). During FY 2024, two HOME-assisted projects were completed in Maui County: Kaiaulu O Halelea, Phase 1-A (seven HOME-assisted units) and Kaiaulu O Halelea, Phase 1-B (seven HOME-assisted units).

The HOME program expects to complete multiple projects in FY 2025. The projects expected to be completed include the Kaloko Heights Affordable Housing Project and the Hale Na Koa O Hanakahi Project, both on Hawaii Island. Additionally, the program is winding down its Tenant-Based Rental Assistance Program and administering a Downpayment Assistance Program to assist eligible homeowners in Kauai County with downpayment assistance or primary mortgage loans.



HOME AMERICAN RESCUE PLAN PROGRAM

The HOME American Rescue Plan (HOME-ARP) Program is a one-time, federally funded program created to benefit qualifying populations as defined in Section 3205 of the American Rescue Plan Act of 2021.

Qualifying populations for the program are identified as homeless; at risk of homelessness; fleeing, or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking; other populations for whom providing supportive services or assistance under section 212(a) of the Act (42 U.S.C. 12742(a)) would prevent the family's homelessness or would serve those with the greatest risk of housing instability; and veterans and families that include a veteran family member.

HOME-ARP funds may be used for the acquisition, production, or rehabilitation of affordable rental housing primarily for qualifying populations. HOME-ARP assisted units must maintain affordability for a minimum period of 15 years. At least 70% of HOME-ARP units must be reserved for households that meet one of the definitions of a qualifying population. The remaining 30% may be reserved for low-income households.

As with the HOME program, HHFDC is also the designated agency for the HOME-ARP Program. The one-time award was allocated to the counties of Hawaii, Kauai, and Maui, with the City receiving their allocation directly from HUD.

During FY 2024, Kauai County worked toward completing its HOME-ARP project, Lima Ola Supportive Housing. The project includes 32 units, nine of which are assisted by HOME-ARP. The HOME-ARP program expects to complete the Lima Ola Supportive Housing Project in FY 2025.

The counties of Hawaii and Maui are seeking HOME-ARP eligible projects. Maui County tentatively designated one unit in Hale O Piikea, Phase III to be HOME-ARP assisted. The program anticipates identifying eligible HOME-ARP projects in Hawaii and Maui counties in FY 2025 or FY 2026.



HOUSING TRUST FUND PROGRAM

The National Housing Trust Fund Program (HTF) is a federally funded program created by Section 1131 of Title 1 of the Housing and Economic Recovery Act of 2008. The purpose of HTF is to increase and preserve the supply of decent, safe, and sanitary affordable housing for primarily extremely low-income (30% of the AMI) households, including homeless families.

The funds may be used for the production or preservation of affordable rental housing through the acquisition, new construction, reconstruction, and/or rehabilitation of non-luxury housing with suitable amenities. All HTF-assisted units must maintain affordability for a minimum period of 30 years.

HHFDC is the designated agency for the State of Hawaii that administers the HTF program and receives approximately \$3 million in HTF funds from HUD each year. HHFDC allocates 50% of the HTF funding annually, on a rotating basis, to the counties of Hawaii, Kauai, and Maui, with the remaining 50% offered to the City.

During FY 2024, HHFDC received \$3 million. The City was offered its annual 50% allocation but did not accept it. Subsequently, the funds were allocated to Maui County, less 5% for HHFDC administrative and planning expenses. Maui County is using HTF funds for the new construction of affordable rental housing units at Hale O Piikea, Phase II Project (with 10 HTF-assisted units) and the Hale O Piikea Phase III Project (with four HTF-assisted units).

During FY 2024, two HTF-assisted projects were completed in Maui County. Kaiaulu O Halelea Phase 1-A is a 64-unit rental project in Kihei, Maui for households earning up to 60% of the AMI. Seven units are HTF-assisted units. Kaiaulu O Halelea, Phase 1-B is a 56-unit rental project in Kihei for households earning up to 60% of the AMI; seven units are HTF-assisted units.

The HTF program expects to complete several projects in FY 2025 in Hawaii Island. These include the Kaloko Heights Affordable Housing Project and Hale Na Koa O Hanakahi.



Kaiaulu O Halelea- Kihei, Maui
Source: <http://www.ikaikaohana.org/sponsor/kaiaulu-o-halelea/>

B. FINANCING TOOLS FOR HOMEOWNERS AND RENTERS

HULA MAE HOME MORTGAGE LOAN PROGRAM

The Housing Loan and Mortgage Program – otherwise known as the Hula Mae Single Family program established under HRS 201H-91 – offers mortgage financing at competitive interest rates to eligible first-time homebuyers. Since its establishment in 1979, the program has issued over \$1.948 billion of Hawaii Single Family Mortgage Purchase Revenue Bonds. Borrowers apply directly with participating lending institutions and must meet federal eligibility requirements, including income and purchase price limitations and the three-year, no prior ownership interest in a principal residence requirement.

The program became inactive in 2011, as loan rates offered by private-sector mortgage lenders were more competitive than the state could offer, making the state’s program obsolete.

However, the current high-interest rate environment is making it harder for local families to buy homes. During FY 2024, HHFDC worked to update HAR 15-314 to restart the program. In addition to competitive interest rates for first-time homebuyers, the 2025 Hula Mae Home Mortgage Loan Program will feature an option to combine assistance from the HHFDC’s Downpayment Loan Assistance Program.

DOWNPAYMENT LOAN ASSISTANCE PROGRAM

The Downpayment Loan Program was active between 1955 and 2013, providing eligible borrowers with low-interest downpayment loans to facilitate greater homeownership opportunities for Hawaii residents. Due to a lack of funding and the availability of alternative forms of assistance in the private and nonprofit sectors, the program has only ever made nine downpayment loans.

In light of the current high-interest rate environment, HHFDC anticipates restarting the program in 2025. During FY 2024, HHFDC staff worked to update Administrative Rules to restart the program. Per the newly adopted rules, it will allow up to \$60,000, but not greater than 15% of the home purchase price (or appraised value, whichever is less), to be financed as a loan. The downpayment loan may also be combined with assistance from the Hula Mae Home Mortgage Loan Program, which offers additional financing options and assistance to eligible first-time homebuyers.



HHFDC’s new Strategic Plan includes increasing the homeownership rate by:

- Pursuing new programs that financially support for-sale housing developments targeted to Hawaii residents. For example, the DURF Equity Pilot Program.
- Increasing assistance available to homebuyers. For example, the Hula Mae Home Mortgage Loan Program and Downpayment Loan Assistance Program.
- Supporting for-sale housing developments.

HHFDC’s David Oi, Dean Minakami, and Lorna Kometani at the 2024 Priced Into Paradise Expo at the Blaisdell Center with Councilmember Andria Tupola and realtor Janine Chang.

MORTGAGE CREDIT CERTIFICATE PROGRAM

The Mortgage Credit Certificate (MCC) program provides eligible first-time homebuyers with a certificate allowing them to claim direct tax credits against their federal income tax liability, freeing up income available to qualify for a mortgage loan and make monthly payments. The amount of credit is equivalent to 20% of the annual interest paid on a mortgage loan. MCCs are offered exclusively through participating lenders.

During FY 2024, HHFDC assisted 198 families with purchasing their first homes. Additionally, one family was assisted with a reissuance certificate after refinancing its existing mortgage loan.

Approximately 27 MCCs will be issued in FY 2025. Thereafter, MCC funds will be exhausted, with no plans to allocate additional funds as funds are being reallocated to mortgage and downpayment loan assistance. Reissuance certificates will continue to be provided to existing MCC holders who refinance their existing mortgage loans through participating lenders.

HOMEOWNER ASSISTANCE FUND

The Homeowner Assistance Fund (HAF) was established by Section 3206 of the American Rescue Plan Act of 2021 to mitigate financial hardships associated with the coronavirus pandemic. Funds are appropriated to eligible entities for qualified expenses relating to mortgages and housing, such as those that prevent homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship after January 21, 2020.

HHFDC received a subaward of HAF for the Oahu HAF Program. After a competitive procurement process, HHFDC selected the Council for Native Hawaiian Advancement (CNHA) to administer the Oahu HAF Program. The initial subaward to HHFDC was approximately \$29.6 million. During FY 2024, the State reduced the subaward to approximately \$12.5 million to fund alternate initiatives.

More than \$10 million in assistance has been provided to 431 unique homeowners living on Oahu. The program has been closed to new applications, is no longer active, and will not be reported on in future years.

HOMEBUYERS' CLUB PROGRAM

The Homebuyers' Club Program was established in 1993 via HRS 201H-171 to assist prospective homebuyers in overcoming barriers to homeownership. Administered by HHFDC, the program provides participants with education, counseling, and resources to improve their financial literacy, credit readiness, and budgeting skills in preparation for the home-buying process. After 1993, HUD-approved nonprofit housing counseling agencies were established statewide, providing those services more cost-effectively, rendering HHFDC's program obsolete.

RENTAL ASSISTANCE REVOLVING FUND

The Rental Assistance Revolving Fund (RARF) funds the Rental Assistance Program (RAP) created by the Legislature in 1981 to encourage the development of new or existing rental properties while maintaining rental rates for low and moderate-income families. The fund's purpose is to provide monthly rental subsidies.

As of June 30, 2024, there are eight projects comprised of 1,468 rental units with RAP commitments totaling \$29,864,530. A total of \$920,439 in rental assistance was approved and paid to the projects. RAP is no longer funded and is not accepting new projects.

IV. DEVELOPMENT PROGRAMS

A. DWELLING UNIT REVOLVING FUND

The Dwelling Unit Revolving Fund (DURF) was established pursuant to Act 105, SLH 1970, to carry out the purposes of the Housing Development Program. Act 132, SLH 2016, further authorized the use of DURF to finance regional infrastructure projects in conjunction with the counties, private landowners and developers. Funds may be used for the acquisition of real property; development and construction of residential, commercial, and industrial properties; interim and permanent loans to developers; and any and all things necessary to carry out the purposes of the Housing Development Program, including administrative expenses.

DURF continues to seek and use innovative ways of funding operations to increase affordable housing opportunities for low- and moderate-income households, and special needs groups. The new or existing projects strive to generate positive cashflows and revenues to be reinvested in future projects.

The following three projects received DURF loans:

University of Hawaii West Oahu (Kapolei, Oahu)

HHFDC is partnering with the University of Hawaii (UH) and the Hawaii Community Development Authority (HCDA) to develop housing at the University of Hawaii West Oahu (UHWO). Pursuant to a memorandum of understanding that has been executed, UH is making approximately 19 acres of land available for the project, HCDA is constructing offsite roadway improvements, and HHFDC will issue a request for proposals (RFP) for housing development. A \$5 million DURF loan was approved and will be made available to the selected developer to expedite planning and design of the project.

Kamakana Villages at Keahuolu (North Kona, Hawaii)

Kamakana Villages is a master-planned community on approximately 272 acres with approximately 1,569 units, of which more than 50% will be affordable to families up to 140% of the AMI. A \$3 million DURF loan has been issued to the master developer, SCD Kamakana, LLC, for land management and entitlement approvals for water well development for the project.

Laiopua Village 9 (Kealakehe, Hawaii)

Hawaii County was awarded \$4,250,000 in DURF for the master plan and environmental assessment of Village 9 and for the design, construction, and dedication to the county of an access road at Village 9, now called Alapono Place. Construction of the access road was completed in the summer of 2024. Alapono Place provides access to the county's Kukuiola Emergency Shelter and Permanent Supportive Housing Project on approximately 18 acres, and HHFDC's future tax credit rental project affordable to families up to 60% of the AMI on approximately 17 acres.



DURF Equity Pilot Program

Act 92, SLH 2023, authorized HHFDC to establish a five-year DURF Equity Pilot (DEP) Program, to be funded by DURF, to address the high, unmet demand of for-sale units by potential Hawaii homeowners. HHFDC is authorized to spend up to \$10 million from DURF.

Following Act 92's enactment, HHFDC staff worked with stakeholders to draft administrative rules for DEP, which included criteria for the prioritization of eligible buyers based on state goals and policies.

Since then, HHFDC staff has contracted equity purchases in 61 designated units at two projects, Kuilei Place and the Flats at Sky Ala Moana East, both located on Oahu. Of the \$10 million in authorized DURF, \$4,722,400 remains.

The first to express interest in the DEP Program, Kuilei Place is a mixed-use 43-tower complex in Moilili with 1,005 units geared towards working professionals. 603 of these units are set aside for lower-income tenants. By purchasing the equity in certain for-sale units such as this, HHFDC reduces the buyers' contributions to the unit price, making homeownership more possible for more Hawaii residents.

To read the DEP Reports to the Legislature, please visit: <https://dbedt.hawaii.gov/hhfdc/resources/reports/>



HHFDC participates in a variety of outreach efforts to inform prospective homebuyers of state resources. Pictured here is Loreen Kawewehi, Celeste Tran, and David Oi at the Honolulu Board of Realtors expo to promote the new DEP program.

B. 201H EXPEDITED PROCESSING

Pursuant to HRS 201H-38, HHFDC may develop either on behalf of the state or with an eligible developer, or may assist under a government assistance program, in the development of housing projects, which are exempt from all statutes, ordinances, charter provisions, and rules of any governmental agency relating to planning, zoning, construction standards for subdivisions, development, and improvement of land, and the construction of units thereon. Colloquially, these projects are referred to as “201H projects.”

HRS 201H provides for greater flexibility in the design of housing projects. The particular exemptions requested through the 201H process are reviewed by the appropriate county agencies. All 201H projects must comply with the respective county building permit processes; HRS 104 (Wages and Hours of Employees on Public Works), and HRS 343 (Environmental Impact Statements).

In FY 2024, HHFDC approved exemption requests for three projects: Pahoia Ridge (Oahu), Mayor Wright Homes Redevelopment (Oahu), and Ka Lei Momi Kapaa (Kauai).

Historically, one to two 201H applications were received, reviewed, and accepted by the development branch each year; however, volume has increased recently. Beginning in FY 2023, the branch received three applications, as shown in the table below. In FY 2025, the branch has received seven applications to date and expects to receive at least two more before the end of the fiscal year. When considered by calendar year (CY), five applications were received in CY 2023, and seven were received and six approved in CY 2024.

TABLE 9					
2024 Projects Approved for 201H Expedited Processing					
	<u>PROJECT NAME</u>	<u>LOCATION</u>	<u>STATUS</u>	<u>TOTAL UNITS (AFFORDABLE AND MARKET)</u>	<u>FOR SALE/RENTAL</u>
1	Ka Lei Momi Kapaa	Kapaa, Kauai	In progress	127	Rental
2	Kahoapili	Honolulu, Oahu	In progress	190	Rental or For-Sale
3	Kuilei Place	Honolulu, Oahu	In progress	1,005	For Sale
4	Mayor Wright Redevelopment	Honolulu, Oahu	In progress	2,448	Rental and For- Sale
5	Pahoia Ridge	Honolulu, Oahu	In progress	182	Rental
6	Pohukaina Commons	Honolulu, Oahu	In progress	625	Rental
				4,577	

The following two projects received 201H expedited processing:

Ililani (Kakaako, Oahu)

Ililani is a 328-unit, for-sale development in Kakaako, of which 197 are available to households earning between 80% and 140% of the AMI. Under HRS 201H-38, Ililani requested and was approved for exemptions from the City's building permit fee (\$445,000) and plan review fees (\$25,000). The savings realized were used to keep the construction costs lower and make the project affordable. Further, wastewater system facility charges (\$2,197,174) and water system facility charges (\$604,899) were deferred until the project's completion to facilitate positive cash flow during construction. Ililani was completed in April 2024.



Wailuku Apartments- Wailuku, Maui
Source: <https://yieldpro.com/2024/05/kaulana-mahina-apartments/>

Wailuku Apartments (Wailuku, Maui)

One of the first new developments to come online following the wildfires in August 2023, Wailuku Apartments (aka Kaulana Mahina Workforce Housing) is a 324-unit rental project with 195 affordable units available to households earning between 51% and 140% of the AMI. The developer has committed that only 129 (40% of the total units) will be available as market-rate units.

HHFDC provided a range of 201H exemptions for the project, including but not limited to exemptions relating to landscape and beautification fees (\$9,600), wastewater assessment fees (\$377,460), various building and construction code fees (\$61,110 (fire), \$58,816 (electrical), \$100,737 (plumbing), \$611,020 (building), improvements to public streets (\$1,078,010 and \$314,200), park assessment fees (\$1,782,000), and subdivision improvement fees (\$167,850). The requested exemptions were necessary for the developer to achieve and maintain the project's financial feasibility.

C. LAND DEVELOPMENT

A portfolio of real property owned, controlled, or acquired by negotiation, exchange, or purchase is made available to developers through the RFP process.

Plans are progressing on several properties under HHFDC's purview:

Leiwili Kapolei Mixed-Use Project (Kapolei, Oahu)

The Leiwili Kapolei Mixed-Use Project located at the eastern corner of Fort Barrette Road and Farrington Highway, is HHFDC's last large undeveloped property at the Villages of Kapolei. An RFP for the development of the property, known historically as "The Northwest Corner" location, was issued in May 2023 and awarded to Ikenakea Development LLC and the Michaels Organization in March 2024. The 201H application was approved by the Board in December 2024. The project will be developed in three phases, estimated to be completed between 2028 and 2033, and consist of a total of approximately 900 units plus commercial space.

Pohukaina Commons (formerly known as 690 Pohukaina) (Kakaako, Oahu)

The Pohukaina Commons project encompasses the remainder of the block between Halekauwila Street, Keawe Street, Pohukaina Street, and Mother Waldron Park in Kakaako, Oahu. HHFDC controls the site by Executive Order. The site has been subdivided into two parcels, one will be used by the Department of Education for a future educational facility and the other for Pohukaina Commons, the 625-unit residence for those earning between 30 and 100% of the AMI. The affordable housing project will be developed in two phases; Phase 1 received an RHRF award in November 2022. A pedestrian plaza with retail outlets and eateries is also envisioned. An RFP for the project was published in November 2021 and awarded to Highridge Costa Development Company, LLC in September 2022. The 201H exemptions for the project were approved in April 2023.

Kahului Civic Center (Kahului, Maui)

The Kahului Civic Center project is being developed under a Memorandum of Understanding between HHFDC, the Department of Accounting and General Services (DAGS), and Maui County on land controlled by HHFDC via Executive Order. It includes a residential housing component, a civic center to be developed by DAGS, and the new Kahului Transit Center recently completed by the county.

The residential component is being developed pursuant to an RFP that was issued in March 2023 and awarded to EAH Inc. in September 2023. It will contain 303 residential units developed in two phases. The Special Management Area application for the project was submitted in December 2024, and the developer anticipates applying to HHFDC for financing in the 2026 funding round.



D. GENERAL EXCISE TAX EXEMPTION

HHFDC may approve and certify for exemption from General Excise Taxes (GET) any qualified person or firm involved with a newly constructed or moderately or substantially rehabilitated project meeting specific income limits and eligibility criteria. HHFDC may also approve and certify the annual rental income of projects with rent terms that meet affordability criteria.

In FY 2024, HHFDC processed 544 GET exemption requests representing 13,426 total units.

E. LAND REFORM

The purpose of the Land Reform Act of 1967 was to encourage widespread ownership of fee simple lands among Hawaii's people. Under HRS 516, HHFDC assists lessees of single-family homes who wish to purchase the leased fee interest in their houseslots by petitioning the State to facilitate a lease-to-fee conversion through its use of eminent domain powers. Since the inception of the Land Reform Program, over 14,600 lessees have been assisted. HHFDC continues to provide assistance and information on the lease-to-fee conversion process, as well as promote negotiated settlements to reduce conversion costs.

HRS 519 provides the framework for the fair arbitration of renegotiated ground lease rents for one- or two-family residential leasehold lots and cooperative housing corporations. The Lease Rent Renegotiation Program is used when lessees and lessors are unable to agree on the amount of the new lease rent upon expiration of the fixed term of the lease.

F. GOVERNOR'S EMERGENCY PROCLAMATION ON HOUSING

In July 2023, Governor Green declared housing an emergency and issued the first Emergency Proclamation (EP) Relating to Housing to promote the speedy and safe construction of housing and related infrastructure. It was a bold attempt to streamline the construction process for housing, remove unnecessary red tape, and enable community partners to tackle homelessness and the housing shortage head-on. The proclamations have allowed approved projects to be exempted from paying school impact fees, receive approval of certain 201H exemptions from the respective county planning departments instead of the county councils, or be built on property zoned for commercial use.

On February 20, 2024, the fifth EP Relating to Affordable Housing transferred the duties of the Build Beyond Barriers Working Group to HHFDC, which has been processing developer applications for eligibility since then. As of June 30, 2024, seven affordable housing projects had been certified under the EP, representing a total of 3,631 units.



Governor Green announcing his emergency proclamation on housing.
Source: <https://www.tfhawaii.org/wordpress/blog/2023/11/06/crossing-the-rubicon-again/>

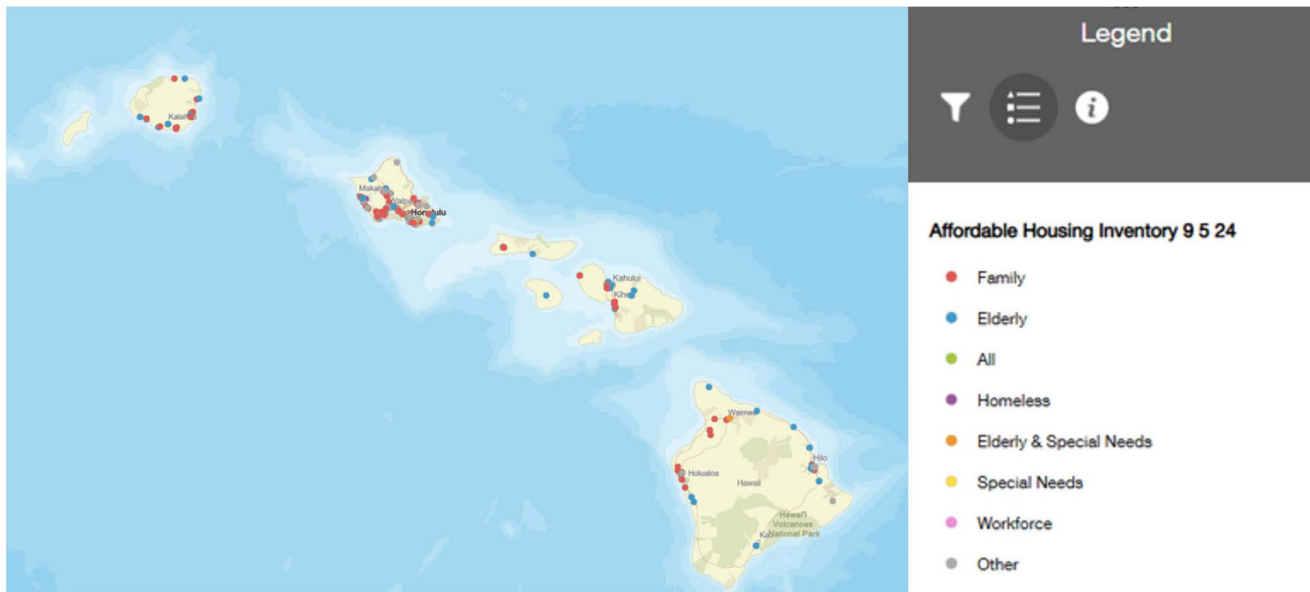
V. HOUSING INFORMATION SYSTEM

A. AFFORDABLE HOUSING INVENTORY REGISTRY

HRS 201H-6 requires HHFDC to develop and maintain a housing advocacy and information system to meet the needs and demands of housing consumers.

HHFDC's Affordable Housing Inventory Registry provides a practical resource to the public that can be used to find appropriate rental housing solutions based on location, household composition, and other needs. As such, HHFDC's goal is to include affordable rental housing projects statewide in a centralized location.

To expand the useability and accessibility of the Affordable Housing Inventory Registry, HHFDC this year created a new interactive web-mapping application where users can select suitable criteria from a series of filters (see Legend, below) to search the inventory more easily and have a better understanding of where projects are located. The interactive map shows the same information as the Affordable Housing Inventory List.



Source: <https://dbedt.hawaii.gov/hhfdc/affordable-housing-inventory/affordable-rental-housing-inventory/>

B. PLANNING STUDIES/REPORTS

HHFDC staff is hard at work on a number of plans and studies:

- The 2024 Hawaii Housing Planning Study (HHPS) is a comprehensive housing study prepared every five years that identifies current housing conditions, presents household demographic and economic characteristics, measures housing needs and preferences, and provides information on housing inventory and rental market conditions. Led by HHFDC, a consortium of state and county housing agencies is sponsoring the study. The 2024 HHPS is expected to be completed in early 2025.

- The HUD Community Planning and Development Consolidated Planning process is used to direct finite federal resources toward the development of affordable housing. The process includes the following plans and report:
 - The Consolidated Plan (ConPlan) provides a strategic five-year framework for the state and counties to assess their level of need for affordable housing. The ConPlan helps to identify priorities and make data-driven investment decisions for development. It is an application to HUD for funding through the HOME Investment Partnerships (HOME), National Housing Trust Fund (HTF), and Housing Opportunities for Persons with AIDS (HOPWA) programs. HHFDC's allocation of HOME funds is utilized in the counties of Hawaii, Kauai, and Maui. The City receives a separate allocation of these funds directly from HUD. HHFDC's allocation of HTF funds is utilized statewide, including the City.
 - The Annual Action Plan summarizes the actions, activities, and resources that will be used each year to address the priority needs and goals identified in the ConPlan. Both HOME and HTF programs are administered by HHFDC while the HOPWA program is administered by DHS.
 - The Consolidated Annual Performance Evaluation Report is an annual report submitted to HUD that summarizes the state's performance in meeting goals, priorities, and objectives of its ConPlan. During Program Year 2023 (July 1, 2023, to June 30, 2024), \$3,445,018 in HOME funds and \$3,942,431 in HTF funds were disbursed. For the upcoming Program Year 2024, the state received \$3 million in HOME funds and \$3,144,833 in HTF funds. Hawaii County received the entire allocation of HOME and HTF funds, which will be used toward the development of affordable rental units for households with maximum incomes up to 30% of the AMI as determined by HUD.
- The Analysis of Impediments to Fair Housing is required by HUD of all grantees of federal funds to affirmatively further fair housing. The purpose of the Analysis of Impediments to Fair Housing is to analyze current housing conditions and propose recommendations to overcome the effects of any identified impediments to fair housing choice. Led by HHFDC, a consortium of seven state and county housing agencies is participating in and funding the analysis. The Analysis of Impediments to Fair Housing is being prepared by UH and it is expected to be completed by mid-2025.

C. YIMBY WORKING GROUP

Act 305, SLH 2022, known as the Yes, In My Back Yard or YIMBY bill, requires HHFDC and HPHA as co-chairs to convene a working group to foster inter-agency coordination on housing and zoning issues, raise public awareness of efforts to reduce barriers to affordable housing development, and propose legislation. Members include the chairs of the House and Senate housing committees, executive directors or designees of the Office of Planning and Sustainable Development, Land Use Commission, HCDA, representatives from county agencies having authority over zoning, and other relevant stakeholders.



The working group met twice in 2022, and it identified insufficient infrastructure as the most pressing issue in housing development. In 2023, in response to infrastructure as the main development constraint, it commissioned a study to identify needed infrastructure, or clusters of infrastructure, where development would be the most impactful to support near-term housing development in each county.

Moving forward, HHFDC will use the YIMBY Working Group as a venue to discuss noteworthy issues. To read the YIMBY reports to the Legislature, please visit: <https://dbedt.hawaii.gov/hhfdc/resources/reports/>

D. HOUSING PRODUCTION SUMMARY

Projects Completed in FY 2024

TABLE 10							
Projects Completed in FY 2024							
	<u>ISLAND</u>	<u>PROJECT NAME</u>	<u>CONSTRUCTION TYPE</u>	<u>TOTAL UNITS</u>	<u>TYPE</u>	<u>PROGRAMS USED</u>	<u>DEVELOPER</u>
1	Hawaii	Villages of Laiopua - Village 4 Akau Phase II	New	24	Rentals & For-sale	LIHTC, RHRF, GET	Ikaika Ohana
2	Maui	Wailuku Apartments	New	252*	Rentals	201H, GET	BIT Wailuku LLC
3	Oahu	Halewaiolu Senior Residences	New	156	Rentals	LIHTC, RHRF, HMMF	EAH Housing
4	Oahu	Ililani	New	328	For-sale	201H, GET	Ililani, LLC
5	Oahu	Kokua (Senior)	New	224	Rentals	LIHTC, RHRF, HMMF, GET	Alakea Senior LP
6	Oahu	Meheula Vista IV	New	75	Rentals	LIHTC, RHRF, DURF, 201H, Land, GET	EAH Housing
7	Oahu	The Flats at Sky Ala Moana East	New	26	For-Sale	DURF	Avalon
				1,085			

*Wailuku Apartments consists of 324 units, 252 of which were delivered in FY 2024. 72 units will be delivered in FY 2025.





Villages of Laiopua - Kailua-Kona, Hawaii

DHHL's Village 4 Akau is a rent-with-option-to-purchase program aimed at low-income Native Hawaiian beneficiaries on the wait list. After the 15 year tax credit compliance period, they have the option to purchase. Along with the other three developments, the Villages of Laiopua will collectively house more than 580 beneficiaries and their families.

Source: <https://www.taxcreditcoalition.org/gallery/the-villages-of-laiopua/>

Five-Year Production Projection

HHFDC's unit delivery numbers are based on the best information available at the time of reporting. HHFDC routinely updates unit delivery projections and seeks additional information when applicable, and numbers may vary from prior or future reporting based on new information or error correction.

Forward-looking estimates are based on project schedules and will be revised as project schedules change. Estimates for years further in the future incorporate assumptions about applications that HHFDC expects to receive in the future, but receipt of any such applications is not guaranteed, and such estimates may vary greatly. Dates used to determine what fiscal year a unit delivered in may originate from certificates of occupancy, notices of completion, start of tenant move-ins, etc.

Total projection: 10,175 units

Number of Units Projected (FY 2025-2029)					
<u>FISCAL YEAR</u>	<u>NEW CONSTRUCTION</u>	<u>PRESERVATION</u>	<u>FOR RENT</u>	<u>FOR SALE</u>	<u>TOTAL</u>
2025	1,286	523	1,710	0	1,710
2026	1,507	458	1,926	39	1,965
2027	2,026	0	1,202	824	2,026
2028	TBD	TBD	1,272	1,080	2,639*
2029	TBD	TBD	1,635	0	1,835**

*Includes 287 units not yet determined if for rent or for sale

** Includes 200 units not yet determined if for rent or for sale

Projects Under Development- By County



Table 11				
HAWAII COUNTY				
	<u>PROJECT NAME</u>	<u>CONSTRUCTION TYPE</u>	<u>TOTAL UNITS</u>	<u>TYPE</u>
1	Hale Na Koa O Hanakahi (fka West Kawili Street Senior/Veteran Housing)	New	92	Rentals
2	Honuaula LLC	New	105	Rentals
3	Hualalai Court Apartment	New	104	Rentals
4	Kaloko Heights	New	100	Rentals
5	Kuakini Heights	New	100	Rentals
6	Na Hale Makoa	New	140	Rentals
7	Nani O Puna	Acq Rehab	32	Rentals
8	Villages of Laiopua III (DHHL)	New	32	Rentals
			705	





Table 12

KAUAI COUNTY

	<u>PROJECT NAME</u>	<u>CONSTRUCTION TYPE</u>	<u>TOTAL UNITS</u>	<u>TYPE</u>
1	Hanapepe Residence Lots- 2A	New	30	Rentals
2	Ka Lei Momi Kapaa	New	124	Rentals
3	Kai Olino Phase 1	New	48	Rentals
4	Kai Olino Phase 2	New	27	Rentals
5	Kalepa 23	Acq Rehab	80	Rentals
6	Lima Ola Phase 1 (Lot 2 Senior Rentals)	New	40	Rentals
7	Lima Ola Phase 1 (Lot 45 Family Rentals)	New	32	Rentals
8	Lima Ola Phase 1 (workforce development)	New	38	For Sale
9	Lima Ola Phase 1 (family)	New	45	Rentals
10	Lima Ola Phase 2 (Lots 29, 46, 51)	New	97	TBD
11	Lima Ola Phase 2 (Lots 29, 46, 51)	New	75	For Sale
12	Rice Street Apartments	New	66	Rentals
13	Uahi Ridge	New	96	Rentals
14	Uahi Ridge Phase 2	New	60	Rentals
			858	



Table 13

MAUI COUNTY

	<u>PROJECT NAME</u>	<u>CONSTRUCTION TYPE</u>	<u>TOTAL UNITS</u>	<u>TYPE</u>
1	Hale O Laie	Acq Rehab	120	Rentals
2	Hale O Piikea I	New	90	Rentals
3	Hale O Piikea II	New	97	Rentals
4	Hale O Piikea III	New	36	Rentals
5	Hale Pilina	New	179	Rentals
6	Kahului Civic Center	New	197	Rentals
7	Liloa Hale	New	117	Rentals
8	Villages of Leialii; Kaiaulu O Kukuia	New	200	Rentals
9	Wailuku Apartments (aka Kaulana Mahina Workforce Housing)	New	72	Rentals
			1,108	



Table 14				
HONOLULU COUNTY				
	PROJECT NAME	CONSTRUCTION TYPE	TOTAL UNITS	TYPE
1	330 Kuulei Apartments	New	40	Rentals
2	690 Pohukaina (Pohukaina Commons) Phase 2	New	194	Rentals
3	690 Pohukaina (Pohukaina Commons) Phase 1	New	431	Rentals
4	Ahuimanu Hui Koolau	New	1	Rentals
5	Gateway Rentals at Hoopili	New	348	Rentals
6	Halawa View Apartments II	New	302	Rentals
7	Hale Makana O Uluwehi	Acq Rehab	40	Rentals
8	Hale Moilili	New	278	Rentals
9	Hale Uhiwai Nalu Ph 2	New	50	Rentals
10	Halewiliko (fka Halewiliko Highlands)	New	140	Rentals
11	Hocking Building	New	40	Rentals
12	HPHA School Street Redevelopment Phase 1A	New	250	Rentals
13	Jack Hall Waipahu Apartments	Acq Rehab	144	Rentals
14	Kahoapili	New	190	TBD
15	Kahuina (Kakaako Block C)	New	737	For Sale
16	Kahuina (Kakaako Block C)	New	124	Rentals
17	Kaleimao Village West Loch	New	127	Rentals
18	Koa Vista I	New	96	Rentals
19	Koa Vista II	New	97	Rentals
20	Kuhio Park Low-Rise & Homes Redevelopment - Phase I	New	304	Rentals
21	Kuilei Place	New	1,005	For Sale
(continued on next page)				

HONOLULU COUNTY - (continued)				
	<u>PROJECT NAME</u>	<u>CONSTRUCTION TYPE</u>	<u>TOTAL UNITS</u>	<u>TYPE</u>
22	Leiwili Kapolei	New	344	Rentals
23	Liliha Civic Center	New	200	TBD
24	Maunakea Tower Apartments	Acq Rehab	379	Rentals
25	Mayor Wright Homes Redevelopment (Phase 1 Bldg A)	New	309	Rentals
26	Mayor Wright Homes Redevelopment (Phase 1 Bldg B)	New	354	Rentals
27	Nanaikeola Self-Help	New	87	For Sale
28	Pahoa Ridge	New	182	Rentals
29	Palolo Homes	Acq Rehab	306	Rentals
30	Parkway Village at Kapolei (Lot 6)	New	236	Rentals
31	Parkway Village at Kapolei (Lot 7)	New	169	Rentals
			7,504	



Parkway Village at Kapolei- Kapolei, Oahu

Source: <https://spectrumlocalnews.com/hi/hawaii/news/2024/12/18/new-parkway-village-at-kapolei-opens-to-offer-affordable-housing-in-west-oahu>

VI. REAL ESTATE PORTFOLIO

A. LEGACY DEVELOPMENT RESPONSIBILITIES

Villages of Kapolei

The Villages of Kapolei was developed pursuant to Act 15, SLH 1988. Act 15 provided the Housing Finance and Development Corporation (HFDC, predecessor to the HCDCH and HHFDC) with temporary powers to expedite the development of affordable housing. Specifically, it authorized HFDC to develop housing projects that were exempt from all statutes, ordinances, charter provisions, and rules of any governmental agency relating to planning, zoning, construction standards for subdivisions, development and improvement of land, and the construction of units thereon; provided that the project met minimum requirements of health and safety; did not contravene any safety standards or tariffs approved by the Public Utilities Commission for public utilities; and HFDC first conducted a public hearing after reasonable notice in the county in which the project was situated.

The City has not yet accepted the dedication of infrastructure in the Villages of Kapolei. While the city benefits from the real property tax revenues collected in part from the state's infrastructure improvements, HHFDC is relegated to continuing the maintenance of the roads, sidewalks, and other infrastructure at an average cost to the state taxpayer-financed DURF of more than \$1 million a year. The cost will soon increase to about \$10 million per year to pay for necessary road rehabilitation work in the Villages of Kapolei.

Accordingly, HHFDC maintains the infrastructure and has engaged a consultant to assist with the dedication. HHFDC is presently rehabilitating roadways in the Villages of Kapolei and recently executed a memorandum of agreement with the City that will transfer maintenance responsibilities of roadways to the city after they are rehabilitated.



Villages of Kapolei- Kapolei, Oahu

Source: https://en.wikipedia.org/wiki/Kapolei,_Hawaii#/media/File:Kapolei_Oahu_Aerial.jpg

Waiahole

Currently, HHFDC is engaged in contractually required lease rent renegotiations with Waiahole ground lessees who have not had a rent increase in 25 years. To date, lease amendments documenting the renegotiated rents for the 15-year lease period between June 30, 2023, and June 29, 2038, have been executed with 33 of the 78 lessees with whom HHFDC has reached agreement. Title issues due to lessee deaths and unconsented assignments have contributed to the slow pace of documentation.

With the assistance of a law firm retained by the state Department of the Attorney General, HHFDC has been preparing for a consolidated lease rent arbitration with ten agricultural lot lessees scheduled for March 2025.

HHFDC also owns the 1.0-million-gallon potable water system that services the valley. Approximately \$23 million has been spent to acquire the property and for capital improvements as of June 30, 2021. In addition, a total of \$11.4 million has been charged to the project for General Obligation Bond interest through June 30, 2003, when the bonds were retired.

The potable water system is nearing the end of its service life and upgrades to the system will be implemented in FY 2025 to keep the system operational. The long-term goal is to dedicate the water system to the Honolulu Board of Water Supply. In support of this goal, a contract for the design of a new potable water well, reservoir, and upgrades to transmission mains has been executed, and planning and design are underway.

B. LEASEHOLD HOMEOWNERSHIP PORTFOLIO

HHFDC manages over 500 residential leases with single-family and townhome owners across 13 housing development projects located statewide, excluding Waiahole Valley. The projects were sold from 1974 through 2005 under predecessor affordable sales programs, now referred to as the Residential Leasehold Program. Units were sold subject to leases with a 55-year term, and which currently have expiration dates ranging from mid-2029 through 2055. The leases vary by project in terms of lease rent, lease covenants, and other provisions, but all units were sold to households having incomes ranging between 80% and 120% of the then AMI with a 10-year use, sales, and transfer restriction (the Buyback Program). Units sold after 1990 are also subject to the Shared Appreciation Equity program.

In 2004, HHFDC adopted a Lease Extension Policy for the purpose of allowing homeowners to obtain long-term (e.g., 30-year) mortgage loans. Amended in 2011, the policy is only applicable to project units where the leased-fee interest is not available for purchase. Lease terms may not extend beyond December 31, 2055, and the lease rent must be fixed through the end of the term, as renegotiated between the homeowner and HHFDC.

On February 10, 2022, the Board approved a new leasehold policy based on the recommendations of the 2018 Permitted Interaction Group established to review current HHFDC leasehold policies and recommendations. These included provisions such as being fair and equitable for all, adding value and security for current and future generations, and avoiding displacement of lessees; a lease term of 99 years with a fixed rent for the initial 55 years based on common practice and to cover HHFDC administrative costs; and standardized lease provisions to effectively manage and enforce the lease based on current laws, regulations, and policies, preventing speculation and maintain property values.

At the October 10, 2024 board meeting, HHFDC staff presented a For Discussion to the Board, requesting clarification of the new lease rents for administrative purposes and an increase in land value during the fixed lease rent period as well as establishing a premium to prevent owners from making a windfall due to the value created with a 99-year lease.

C. MULTI-FAMILY PORTFOLIO

Legacy Multi-Family Portfolio

At its inception in 2006, HHFDC became the owner-operator of nine affordable multi-family rental housing projects with over 1,400 units located across three islands that were formerly owned by HHFDC's predecessor HCDCH. In 2013, HHFDC began a program to exit this non-core business activity through a series of four leasehold property dispositions to private firms that committed to property renovation programs while agreeing to subject the property to affordability restrictions for the duration of the ground lease (typically 75 years).

As of June 30, 2024, eight of nine property dispositions had been completed with the new owners committing to invest additional funding for various renovation programs. The properties were sold subject to affordability restrictions.

Nani O Puna (Pahoa, Hawaii)

HHFDC's sole remaining legacy multi-family asset is the 32-unit Nani O Puna farm laborer housing project located in Pahoa, Hawaii Island. The project was financed in part by a U.S. Department of Agriculture – Rural Development (USDA-RD) Section 514 Farm Labor Housing mortgage loan, which matures in April 2027. To be eligible, households must have incomes at or below 80% of the AMI.

Nani O Puna also has a USDA-RD Section 521 Rental Assistance Agreement, which is coterminous with the Section 514 loan. Section 521 provides a project-based rent subsidy which covers the difference between 30% of a tenant's monthly income and the actual monthly rental amount.

In August 2024, HHFDC in partnership with developer Ahe Group and the nonprofit Affordable Housing and Economic Development Foundation entered into an amendment, which retroactively reinstated the then-expired Purchase and Sale Agreement (PSA). The outside closing date under the amended PSA is December 31, 2025.



Nani O Puna - Pahoa, Hawaii

Source: <https://www.stemachdesign.com/nani-o-puna.html>

D. ASSISTANCE TO DISPLACED PERSONS

HRS 111 establishes a uniform policy for the fair and equitable treatment of owners, tenants, other persons, and business concerns lawfully residing on or lawfully occupying real property and displaced by the acquisition of real property for public or other purposes in the public interest and by building, zoning, and housing code enforcement activities. HHFDC must ensure that relocation payments are fair, reasonable, and promptly paid.

E. ENVIRONMENTAL REVIEW

In August 2019, amendments to HAR 11-200.1 became effective, allowing exemption for eligible affordable housing developments from preparation of an environmental assessment (EA)/environmental impact statement (EIS). Using this exemption, HHFDC assists developers in complying with HRS 343 using a streamlined process where a project can be declared exempt from the preparation of a full EA.

In addition, if an EA or EIS has already been prepared but is dated or the project parameters have changed, HHFDC can prepare a notice that no additional environmental review is needed for eligible projects. Finally, for those projects that do not qualify for the above, HHFDC can act as the approving agency in the preparation of EAs.

In 2024, HHFDC prepared eight EA exemption notices, no additional environmental review notices, and no environmental assessments:

- Pahoia Ridge Apartment Affordable Housing Project EA Exemption Notice; Honolulu, Oahu.
- Uahi Ridge Affordable Rental Housing Project EA Exemption Notice; Lihue, Kauai.
- 330 Kuulei Affordable Housing Project EA Exemption Notice; Kailua, Oahu.
- Ka Lei Momi Kapaa Affordable Housing Project EA Exemption Notice; Kapaa, Kauai.
- Mayor Wright Homes Redevelopment Project No Further Environmental Review Notice; Honolulu, Oahu.
- Kaulana Marina Apartments Drainage Improvements Project No Further Environmental Review Notice; Wailuku, Maui.
- Hale Moena Phases 3 and 4 Affordable Housing Project No Further Environmental Review Notice; Kapolei, Oahu.
- Waiahole Valley Water System Improvements Final EA; Waiahole, Oahu.

F. PROGRAM COMPLIANCE MONITORING

Compliance monitoring is performed for the following affordable rental programs, many of which have already been discussed in this report: federal and state LIHTC, HOME, HMMF, RAP, RHRF, 201H, DURF, Grants in Lieu of Low-Income Housing Allocations (Section 1602), HOME-ARP, HTF, Neighborhood Stabilization Program, RARF, state LIHTC Loan, and Tax Credit Assistance Program.

Compliance is performed for 168 affordable projects including 16,181 units under the above programs. Many projects are under multiple programs.

Under a compliance monitoring contract, staff assigns and reviews the work of the compliance monitoring contractor. In FY 2024, compliance monitoring reviews were performed for 59 projects throughout Hawaii. A total of 257 year-end reviews were conducted, and 135 quarterly reviews were conducted.

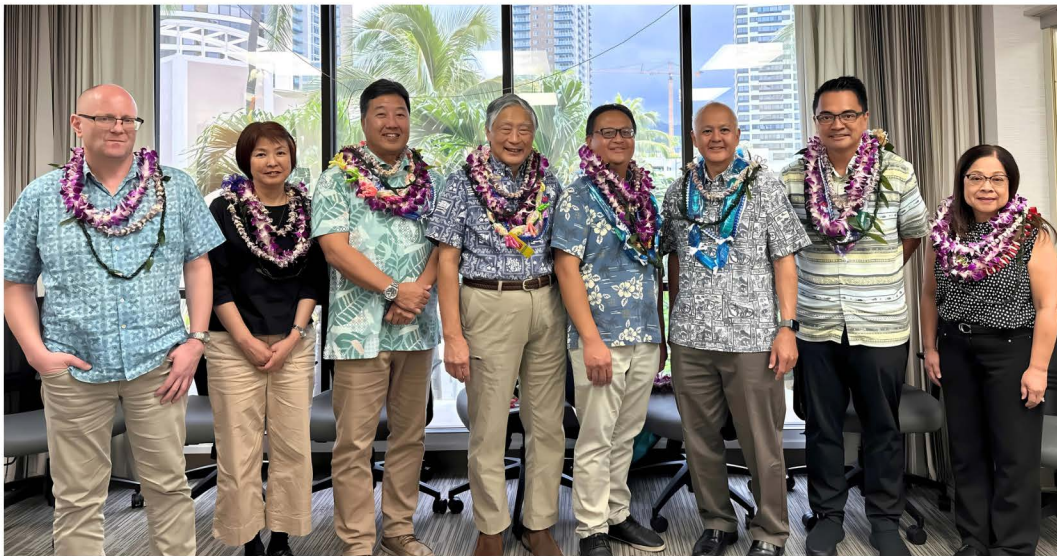
VII. OED SUPPORT SERVICES

A. HUMAN RESOURCES

HHFDC's Human Resources Office provides personnel staff support and advisory services to the Executive Director, managers, and employees of HHFDC; and manages various human resources programs and activities. HHFDC has invested in professional training and development. HHFDC sent staff to a variety of training courses and conferences locally and on the U.S. mainland to help enhance their knowledge and skill sets, and to apply best practices in their jobs. These included the Fair Housing Conference that staff attended virtually in April 2024, and the Hawaii Congress of Planning Officials' 2023 conference held in Waikiki in September 2023.

At the beginning of FY 2024, HHFDC had a staff of 59. By the end of FY 2024, 51 were still employed, which equates to an employee retention rate of 87%. This is an improvement of seven percent from FY 2023. High retention is beneficial because staff turnover is disruptive to HHFDC operations. This year, three employees were recognized for more than two decades of dedicated service; one has been with HHFDC for more than 30 years. During FY 2024, HHFDC filled 22 new positions, with many being filled by transfer of existing staff.

HHFDC has participated in the Hele Imua Internship Program that is offered by the state Department of Labor & Industrial Relations (DLIR). The program has allowed HHFDC supervisors and managers to train and work with select interns and recent graduates on their path to gainful employment. In FY 2024, HHFDC collaborated with DLIR and onboarded several interns who provided key assistance to the corporation's various branches as they learned invaluable on-the-job training.



HHFDC staff Chris Woodard, Kazuko Honda, Mark Yonamine, Craig Hirai, Merwyn Galicinao, Dean Minakami, Marc Orbito, and Medy Esmena honored for their many years of dedicated service to the State.

B. INFORMATION TECHNOLOGY

The Information Technology Office (ITO) is responsible for managing and maintaining the agency's technology assets, including computers, software, phone systems, and network infrastructure. In 2024, what was once a one-person team doubled to two. Not only has response time improved, but this expansion has also increased morale and allowed ITO to streamline and upgrade operations.

ITO recently undertook a complete refresh of all its technology assets, upgrading everything from network infrastructure and servers to computer workstations, with multiple large-screen monitors added to each. To enhance productivity, staff now have new accessories – mics, keyboards, ergonomic aids, and Bluetooth headsets. In addition to its core function, ITO is involved in larger, special projects aimed at improving the quality of the workplace and, by extension, the quality of life for the people of Hawaii. To save money and prevent overlap, ITO has established parity and integration with the State of Hawaii's Office of Enterprise Technology Services (ETS) by joining their network to the Hawaii.local domain, which provides greater and easier access to other state tech resources. In 2024, ITO continues to support green computing initiatives by reducing paper use, digitizing physically stored paper archives, leveraging ETS cloud services such as SharePoint and OneDrive, minimizing on-premises servers, adopting virtualization, and further integrating with ETS. ITO is also involved in workforce development and sustainability. Working with DLIR's Hele Imua internship program, ITO brought in interns to train in hopes that they could develop into future state employees. HHFDC has even hired one on a permanent basis.

With HHFDC staff now better equipped to achieve maximum efficiency, more enhancements lie ahead. Future initiatives include upgrading the HHFDC network to 10 Gbps bandwidth and creating an HHFDC SharePoint that AI can use to teach its model. This will create an in-house GPT for staff to query, making internal information easily accessible. ITO is also hoping that AI will eventually be able to perform a deep dive into HHFDC's functions, analyze and suggest improvements for efficiency.



ITO was instrumental in establishing the Hawaii Fire Relief Program that allowed HHFDC staff to assist Maui wildfire survivors in finding temporary housing after the August 2023 crisis. The team's quick response earned it a spot in the Technology-Enhanced Business Capability Awards Program, where it won in the "Digital Services: Government to Citizen" category. The project was also submitted to the National Association of State Chief Information Officers to represent Hawaii in the national competition. The Hawaii program was also recognized by the National Council of State Housing Agencies which honored it with its Award of Excellence for Special Achievement.

HHFDC's Randy Chu, Marc Orbito, and Helmer Betiong (holding the award) with DBEDT Director James Kunane Tokioka and ETS Chief Information Officer Christine Mai Sakuda at the Hawaii Digital Government Summit.

VIII. MAUI WILDFIRES RESPONSE & RECOVERY ACTIVITIES

A. HAWAII FIRE RELIEF HOUSING PROGRAM

The Hawaii Fire Relief Housing program launched in mid-August 2023 to connect Maui fire survivors in need of long-term housing with Hawaii homeowners willing to offer unoccupied rooms, units, or houses on a temporary basis. Using existing resources, it was initiated and set up within a week of the August 8, 2023, Lahaina and Kula wildfires. At its core was a web-based platform created in SharePoint by ITO. This platform allowed homeowners with available space to list their properties, which HHFDC maintained in a daily-updated database to help survivors find suitable temporary housing. In total, 605 families found housing through this initiative.

The Fire Relief program later merged with the helpingmaui.org initiative run by CNHA in Maui. This consolidation streamlined resources and reduced confusion for those seeking assistance.



President Joe Biden and First Lady Jill Biden toured the area devastated by the Lahaina wildfires with Governor Green and First Lady Green. President Biden has pledged his ongoing support to Maui of the nation. His Administration has provided nearly \$385 million in assistance to individuals and households for response and recovery efforts, including nearly \$300 million to provide safe housing to displaced survivors with damaged or destroyed homes. Another \$500 million was provided for debris removal, infrastructure rebuilding, and other emergency protective measures.

Photo: Courtesy of the Office of Governor Josh Green

B. HAWAII INTERIM HOUSING PROGRAM

The Hawaii Interim Housing Program (HIHP) is managed by the Office of Recovery and Resiliency in partnership with DHS and HHFDC. It assists those displaced by the Maui wildfires by placing survivor households in temporary state-sponsored housing at no cost to them. Its objective is to provide as many housing options as possible because each household has unique circumstances and needs. Those who have previously applied for assistance with the Federal Emergency Management Agency (FEMA) or the Red Cross may already be pre-populated in the application. Eligibility for HIHP is not assessed based on income, demographic makeup, or citizenship of household members.

These interim housing choices include Hale O Laie, Front Street Apartments, and Leialii.



Hale O Laie (Kihei, Maui)

Pursuant to Act 164, SLH 2023, HHFDC purchased the property to convert it into permanent workforce housing. In the aftermath of the wildfires, plans for the property quickly pivoted to providing interim housing for survivors. Formerly the Maui Sun Hotel and Haggai International Institute, and renamed Hale O Laie, the grounds feature 175 furnished guest rooms, various amenities, and a convenient location in a mixed-use neighborhood of Kihei.

HHFDC and Maui County have entered into a 75-year ground lease and related agreements, cementing intergovernmental cooperation on the project. Maui County is expected to lease and take possession in May 2025. In accordance with the Legislature's appropriation, the property will eventually be repurposed as a teacher and workforce housing project with public pre-K classroom space.

In the near term, HHFDC selected Paramount Hotels to operate the facility as temporary housing for wildfire disaster survivors deemed ineligible for reimbursement by FEMA. The phased opening of the building's guest rooms began in May 2024. It is estimated that the property can accommodate a total of 350 to 450 individuals. Paramount is also responsible for the completion of certain life safety repairs and minor improvements, which are expected to be completed over several months with the remaining appropriation.

Front Street Redevelopment (Lahaina, Maui)

Located on the northern side of Lahaina, Front Street Apartments was an affordable rental housing project with 142 studio, one-bedroom, and two-bedroom units. Originally completed in 2000, the apartments were financed with LIHTC.

Per the LIHTC program, 70 of the total units were set aside for households earning up to 50% of the AMI and 71 units were set aside for households earning up to 60% of the AMI. The project's LIHTC affordability restrictions ended after the initial 15-year compliance period and, to keep the apartments affordable, HHFDC purchased the leased-fee interest to the Front Street Site in 2019.

In the aftermath of the wildfire, the former lessee exercised its right to surrender the ground lease and entered into a Mutual Cancellation and Termination of Lease and a Release of Regulatory Agreements with HHFDC. The corporation's fee-simple title to the Front Street site is free and clear of the ground lease and restrictive covenants, which gives the corporation control over its redevelopment. In April 2024, the HHFDC Board authorized negotiations with Hale Mahaolu to redevelop the property.

HHFDC has acquired one adjacent parcel and is considering acquiring a second parcel to increase the project area by about half an acre. The added land area will support a slightly denser development of approximately 200 affordable units, all reserved for workforce households earning up to 140% of the AMI.

Leialii Partnerships (Lahaina, Maui)

In the wake of the August 2023 wildfire disaster and resulting critical housing shortage in West Maui, there has been renewed attention on the development of Leialii. Currently, two temporary housing projects with a combined 659 units are under construction there, having secured temporary access to water and wastewater services from Maui County.

To the east of the Department of Hawaiian Home Land's (DHHL) Village 1-A, DHS is constructing 450 modular units at a project known as Ka Lai Ola. Sandwiched between Ka Lai Ola to the north and Kukuia to the south, the 169-unit Kilohana temporary housing project of modular homes funded by FEMA and the state is also under construction. Certain infrastructure improvements for the Kilohana project are designed to be usable by a future DHHL permanent housing project.



IX. HOUSING-RELATED LEGISLATION



Bill signing ceremony with Governor Green and notable housing advocates at the Hawaii State Capitol.

Source: Courtesy of the Office of Governor Josh Green

Act 29 Hula Mae Single Family Program Feasibility Report

Act 29 requires HHFDC to submit a report to the 2026 Legislature which analyzes the feasibility of continuing to fund the operations of its Hula Mae Single Family Program. Inactive for over a decade due to an inability to compete with private lenders, HHFDC had been working to restart the program since before the legislative session due to the substantial and sustained increase in interest rates that began during the COVID-19 pandemic.

Act 30 County General Excise Tax Surcharge Monetization

Act 30 clarifies the authority of the counties to use the GET surcharge for county-appropriated housing infrastructure costs, including financing costs such as debt service. This allows the counties to monetize the GET surcharge through the issuance of bonds, potentially accelerating the construction of housing infrastructure.

Act 31 County Affordable Housing Credits Expansion

Among other things, Act 31 mandates that the counties issue affordable housing credits for certain units in projects developed under 201H-38 Expedited Processing and Review Program but do not receive LIHTC. The intent of the act, which sunsets in 2031, is to provide an additional financing tool for developers of certain affordable housing projects who face challenges due to increased interest rates and construction costs. These developers can now earn affordable housing credits that may be sold to developers of market-rate housing and commercial projects to fulfill county-imposed affordable housing requirements.

Act 34 HHFDC Regional State Infrastructure Bond Authority

Act 34 authorizes HHFDC to issue bonds for housing project infrastructure to finance the development of regional state infrastructure projects. Assessments against housing and mixed-use transit-oriented development projects specifically benefitting from the improvements may be used to repay the bondholders. Previously, HHFDC's bond authority was limited to strictly housing project development.

Act 35 Bond Cap Recycling Program

Act 35 authorizes HHFDC and the counties to establish a tax-exempt PAB volume cap recycling program for affordable rental housing. The program will allow for the preservation and recycling of prior year(s)' PAB volume cap that would otherwise expire upon repayment of construction period financing (resulting in redemption of bonds) for affordable rental housing development.

Act 37 County Zoning Mandates

Act 37 is intended to spur housing development by requiring the counties to allow multi-family residential development in all commercially zoned areas and reduce barriers to the repurposing of existing commercial buildings for residential use.

Act 38 Expedited Processing and Review Program Alternative Pathway

Act 38 provides an alternative pathway for housing projects to utilize HHFDC's Expedited Processing and Review Program, which provides certain affordable housing projects with exemptions from various laws affecting housing development.

Act 39 County Zoning Mandates

Act 39 legalizes two accessory dwelling units (ADUs) per residential lot (subject to certain restrictions), prohibits private covenants from restricting against ADUs, reduces impact fees for small homes, eliminates impact fees for homes that convert to multi-family without increasing the size of the house, and streamlines residential subdivisions within the urban state land use district. This promotes higher-density residential development on the limited lands already suitable for such development.

Act 45 County Housing Powers Expansion

Intended to facilitate development along Honolulu's Skyline system and at neighbor island county transit centers, Act 45 expands the counties' housing powers to allow for the issuance of bonds for mixed-use projects that are expected to include substantial housing components.

Act 235 Rental Housing Revolving Fund Amendments

Act 235 amends HRS 201H as it relates to HHFDC's RHRF, such as adding credit enhancement as a permitted use, repealing the authorization for grants, prohibiting loan forgiveness except in the event of foreclosure, prioritizing certain projects for award of funds (including those with a perpetual affordability commitment). The act also requires HHFDC to submit a report to the 2025 Legislature on plans to revolve funds back into RHRF to ensure its self-sufficiency.

Act 230 Relating to the State Budget

Operating Budget Items:

Total expenditure ceiling (MOF: W (revolving funds) \$16,022,225

Authorized Position Count = 71.00 total

Permanent (civil service) positions 23.00

Temporary (exempt) positions 48.00 (includes 3.0 new positions)

FY 2025 Capital Improvement Projects:

RHRF Infusion, Statewide ~ \$180,000,000 (MOF: C/ General Obligation (GO) Bonds)

DURF Infusion, Statewide ~ \$50,000,000 (MOF: C/ GO Bonds)

RHRF Tier II ~ \$25,000,000 (MOF: A/ General Funds)

Repave Papahehi Pl, Kuliouou, Oahu ~ \$500,000 (MOF: C/GO Bonds)

HHFDC requested an amendment to increase its operating expense ceiling financed from HHFDC's revolving funds by \$1,975,960 for personal services and other expenditures.

RESOLUTIONS

SCR 6 SD1

Approving the dedication of Kukuia Street, Lahaina, Hawaii, to Maui County.

SCR 43 SD1 HD1

Urging HHFDC to amend the priority for which LIHTC are allocated and monies in the RHRF are used and adopt certain administrative rules that incentivize the development of affordable housing in the state.

HCR 84 HD1

Urging HHFDC to amend their administrative rules to establish another pathway for housing projects seeking an exemption from state laws and rules.

HCR 118 HD1 SD1

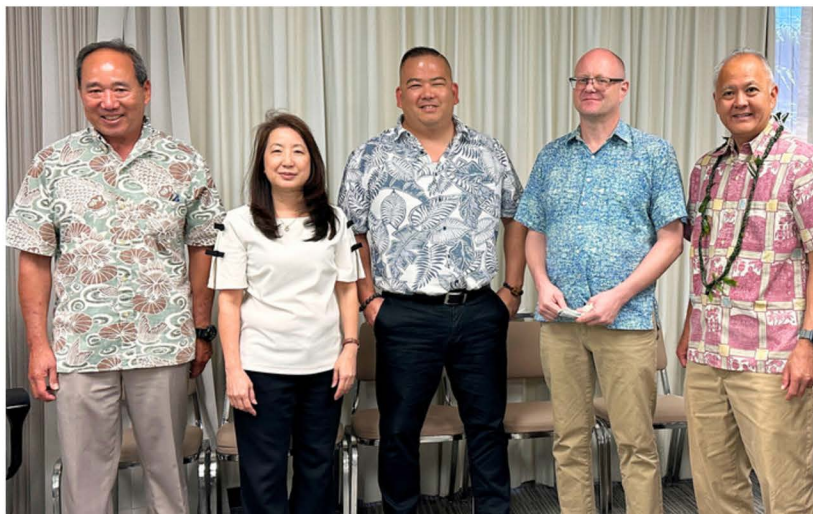
Urging the counties to amend or adopt ordinances to be consistent with HHFDC's rules regarding residential income requirements on housing projects.

HCR 131

Urging HHFDC to develop a 10-year plan to satisfy Hawaii's housing demand.

Future Priority Legislation

HHFDC supports initiatives to streamline regulatory and entitlement processes for land reclassification, permitting, public infrastructure, and environmental reviews. The corporation also supports providing subsidies and incentives, such as tax credits, exemptions, abatements, or waivers, to reduce the tax liability and development fees of developers. Further, HHFDC supports innovative and cost-effective design and construction methods such as modular, prefabricated, or container housing to lower construction costs and time, thereby boosting housing supply for Hawaii residents.



HHFDC's Senior Staff- Randy Chu, Holly Osumi, David Oi, Chris Woodard, and Dean Minakami.

X. APPENDICES

LIST OF ACRONYMS	
AHRF	Affordable Homeownership Revolving Fund
AMI	Area Median Income
CNHA	Council for Native Hawaiian Advancement
CY	Calendar Year
DAGS	Department of Accounting and General Services
DBEDT	Department of Business, Economic Development, and Tourism
DEP	DURF Equity Pilot Program
DHHL	Department of Hawaiian Home Lands
DHS	Department of Human Services
DLIR	Department of Labor and Industrial Relations
DURF	Dwelling Unit Revolving Fund
EA	Environmental Assessment
EIS	Environmental Impact Statement
EP	Emergency Proclamation
ETS	Office of Enterprise Technology Services
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
GET	General Excise Tax
HAF	Homeownership Assistance Fund
HAR	Hawaii Administrative Rules
HCDA	Hawaii Community Development Authority
HCDCH	Housing and Community Development Corporation of Hawaii
HFDC	Housing Finance and Development Corporation
HHA	Hawaii Housing Authority
HHFDC	Hawaii Housing Finance and Development Corporation
HHPS	Hawaii Housing Planning Study
HIHP	Hawaii Interim Housing Program

HMMF	Hula Mae Multi-Family (private activity bond)
HOPWA	Housing Opportunities for Persons with AIDS
HPHA	Hawaii Public Housing Authority
HRS	Hawaii Revised Statutes
HTF	Housing Trust Fund
HUD	US Department of Housing and Urban Development
IRC	Internal Revenue Code
ITO	Information Technology Office
LIHTC	Low-Income Housing Tax Credits
MCC	Mortgage Credit Certificate
PAB	Private Activity Bond
PSA	Purchase and Sale Agreement
PSH	Permanent Supportive Housing
QAP	Qualified Allocation Plan
RAP	Rental Assistance Program
RARF	Rental Assistance Revolving Fund
RFP	Request for Proposals
RHRF	Rental Housing Revolving Fund
SLH	Session Laws of Hawaii
TBD	To be determined
UH	University of Hawaii
UHWO	University of Hawaii - West Oahu
USDA-RD	US Department of Agriculture - Rural Development
VOK	Villages of Kapolei
YIMBY	Yes In My Back Yard



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Dedicated to Chris Woodard, Chief Planner, HHFDC