DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
KA ʻOIHANA HOʻOMOHALA PĀʻOIHANA, ʻIMI WAIWAI A HOʻOMĀKAʻIKAʻI

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

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DEPT. COMM. NO. 392

DTS No. 202401171138ES

January 19, 2024

The Honorable Ronald D. Kouchi,
President and Members of the Senate
Thirty-Second State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki,
Speaker and Members of the House of Representatives
Thirty-Second State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Hawaii Housing Finance and Development Corporation's 2023 Annual Report, as required by Section 201H-21(1) and (3), 201H-95(g), and 201H-202(f), Hawaii Revised Statutes. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at: http://dbedt.hawaii.gov/overview/annual-reports-reports-to-the-legislature/.

Sincerely,

James Kunane Tokioka

Enclosure

c: Legislative Reference Bureau

HAWAIʻI HOUSING FINANCE AND DEVELOPMENT CORPORATION

2023 ANNUAL REPORT


Hale O Piʻikea groundbreaking


Hale Nā Koa ʻO Hanakahi blessing


Parkway Village blessing


Kahului Civic Center rendering.

This report fulfills the mandates required by Sections 201H-21 (1) and (3), 201H-95(g) and 201H-202(f) , Hawaii Revised Statutes.

The mission of the Hawaiʻi Housing Finance and Development Corporation is to increase and preserve the supply of affordable housing statewide by providing financing and development resources.

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The Hawaiʻi Housing Finance and Development Corporation (HHFDC) is administratively attached to the Department of Business, Economic Development and Tourism.

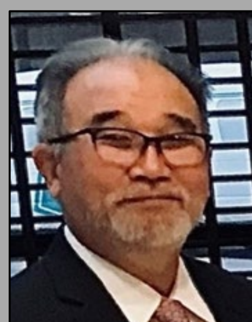
BOARD OF DIRECTORS

Gary Mackler
Chairperson (Kaua'i)

Carol Reimann
Vice Chairperson (Maui)

Sean Sasaki
Secretary (Honolulu)

Jason Bradshaw
Director (At large)



Jay Kimura
Director(Nonprofit)

Donn Mende
Director (Hawai'i)

Scott Glenn
Director (Ex Officio)
Governor's Representative

Luis Salaveria
Director (Ex Officio)
Finance Director

James Kunane Tokioka
Director (Ex Officio)
DBEDT Director

EXECUTIVE DIRECTOR'S MESSAGE

Aloha mai kākou,

HHFDC staff had much to celebrate in Fiscal Year 2023 as a sizable number of projects that we assisted in various ways either welcomed their first residents, began construction or reached other major milestones.

During the year, HHFDC assisted in the delivery of 527 units while managing total assets of approximately $1.7 billion.* Since its inception in 2006, HHFDC has facilitated the development of 14,268 affordable and workforce units statewide.

HHFDC staff projects that over the next five years, we will be able to assist in the delivery of 9,658 new or rehabilitated units. The dire lack of housing in Hawaiʻi spurred Governor Josh Green, M.D., to issue an emergency proclamation aimed at producing thousands of critically needed dwelling units across the state in the coming years and HHFDC is committed to help him achieve that goal.

Several significant affordable housing projects came online in 2023. They included the 105-unit Hale Makana O Moʻiliʻili mid-rise tower and the 110-unit Waikoloa Family Apartments in West Hawaiʻi.

The 2022 Legislature's passage of Act 236 infused $300 million into our Rental Housing Revolving Fund (RHRF). Half of that funding was dedicated to the construction of "Tier 2" rental projects targeted for households earning between 60% and 100% of the area median income (AMI).

The RHRF infusion helped to jump-start a host of affordable housing projects, including several transformative all-affordable housing projects. They included the 302-unit Hālawa View II, the 404-unit Parkway Village in Kapolei, the 200-plus-unit Hale O Piʻikea complex in Kīhei, the 92-unit Hale Nā Koa ʻO Hanakahi complex in Hilo and the 156-unit Aloha Iā Halewilikō at the old ʻAiea Sugar Mill site.

During Fiscal Year 2023, Request for Proposals (RFPs) were issued for developments on two state-owned properties: the Kahului Civic Center Mixed-Use Complex and the Villages of Kapolei Northwest Corner. HHFDC also processed 201H expedited development applications for four affordable housing projects that are projected to provide an additional 2,687 units.

The Liliha Civic Center and Iwilei Infrastructure Master Plan was also completed and published -- and is now serving as the guiding document for infrastructure improvements that are required to facilitate residential and commercial redevelopment in the busy area.

In Windward Oʻahu, staff reached 15-year rent agreements with 78 of 91 Waiāhole Valley agricultural, residential, and commercial lot lessees.

But the dedicated HHFDC staff will not be resting on our past successes, and we are planning to do much more in the new year. Personally, I am grateful to our Board of Directors for giving me the opportunity to lead the Corporation and I look forward to the opportunities that lie ahead!

**Pending Board approval of the final audit.*

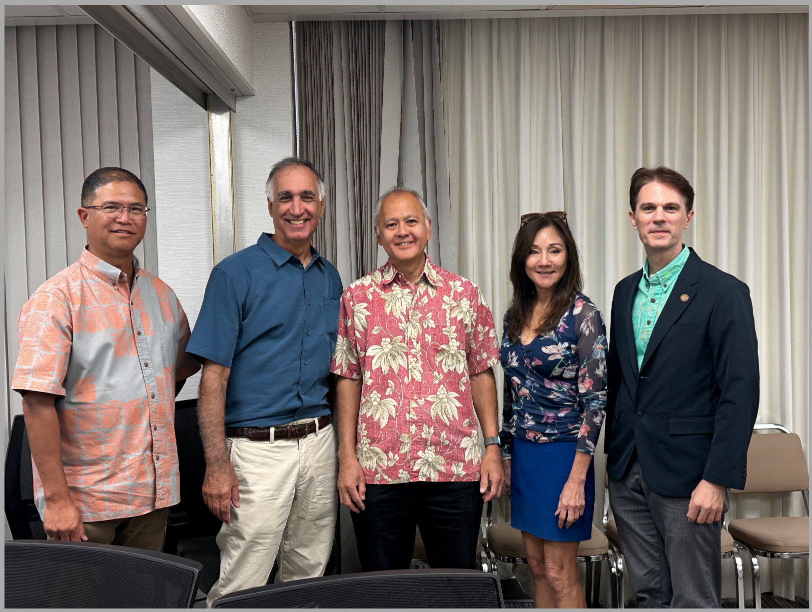
Dean Minakami
Executive Director

Legislative History

The Hawaiʻi Housing Finance and Development Corporation (HHFDC) was created to focus on the financing and development of affordable housing.

In 1997, the Legislature established the Housing and Community Development Corporation of Hawaiʻi (HCDCH) by consolidating the Hawaiʻi Housing Authority, the Housing Finance and Development Corporation and the Rental Housing Trust Fund Commission. HCDCH administered the state's public housing, homeless assistance, housing finance and housing development programs.

In 2005, the Legislature found that "the burden of administering the public housing projects in the State has overshadowed the ability of the HCDCH to pay sufficient attention to the financing and development of affordable housing." Therefore, Act 196, Session Laws of Hawaiʻi (SLH) 2005 as amended by Act 180, SLH 2006 and codified as Chapter 201H, Hawaiʻi Revised Statutes, separated the housing financing and development functions from HCDCH to create HHFDC.



DBEDT Director James Kunane Tokioka, Board Chairperson Gary Mackler, Board Vice Chairperson Carol Reimann and Governor's Representative Scott Glenn flank Dean Minakami after the Board appointed him as HHFDC Executive Director.

Corporation Governance Structure

HHFDC is governed by a nine-member Board of Directors which, among other things, establishes policies and executive direction for the Corporation.

Six members are appointed by the Governor from each of the counties of Honolulu, Hawaiʻi, Maui and Kauaʻi. At least four members must have knowledge and expertise in public or private financing and development of affordable housing, and one member must represent community advocates for low-income housing. Three members are ex-officio members: the Director of Business, Economic Development and Tourism (DBEDT), the Director of Finance, and a representative of the Governor's office.

HHFDC is attached to DBEDT for administrative purposes.

Organizational Structure

HHFDC is organized into an Office of the Executive Director and four branches, each with distinct responsibilities and tasks.

Among the chief duties of the Finance Branch is oversight and administration of the various financing programs that assist in the development of affordable housing. These include the Low-Income Housing Tax Credit (LIHTC) and the Rental Housing Revolving Fund (RHRF) programs.

The Development Branch 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 that are exempt from certain statutes, ordinances, charter provisions and rules of any government agency pertaining to planning, zoning, construction standards for subdivisions and other regulations, provided they comply with county building permit processes. These are commonly referred to as "201H projects."

It also oversees the Dwelling Unit Revolving Fund (DURF) to develop infrastructure deemed essential to the construction of affordable housing and to provide financing for affordable housing developments.

The Planning, Evaluation and Compliance Branch (PECB) performs overall planning, evaluation, research, real property portfolio management, and compliance monitoring activities for programs administered by HHFDC, and coordinates legislative and fair housing activities.

The Fiscal Management Branch oversees the financial assets administered by the Corporation.

The Administrative Services Branch, part of the Office of the Executive Director, provides support services including HHFDC‘s human resources, information technology, Board administration, contract review and public information functions.

Waiāhole Valley lease amendment signing

Summary of Core Functions

- **Development Financing:** Provide financing for affordable housing projects through various programs. (FIN/DEV)
- **Development Assistance:** Expedite required approvals and facilitate greater flexibility in the design of affordable housing projects. (DEV)
- **Developable Land:** Make real property available for the development of affordable housing. (DEV)
- **Compliance Monitoring:** Ensure that projects assisted by the agency comply with program requirements, including affordability restrictions. (PECB)
- **Planning:** Conduct long-range planning for affordable housing statewide. (PECB)
- **Legislative Affairs:** Support, promote and advocate for affordable housing legislation. (PECB)
- **Inventory Registry:** Maintain a registry of affordable housing projects statewide. (PECB)
- **Homeownership:** Increase homeownership through various programs. (FIN, DEV)
- **Legacy Responsibilities:** Manage lands and administer leases in Waiāhole Valley. Own and operate public infrastructure in Waiāhole Valley and the Villages of Kapolei. (PECB, DEV)
- **Leasehold Homeownership Portfolio:** Manage 500+ ground leases with single-family homeowners. (DEV)

FIN = Finance Branch, **DEV** = Development Branch, **PECB** = Planning, Evaluation and Compliance Branch

Highlights from 2023

- Received a record 28 applications in the 2022 Funding Round.
- Awarded 11 individual projects, totaling 2,156 housing units.
- Received 11 applications during a subsequent, second Tier 2 Funding Round exclusively for Tier 2 RHRF, resulting in four project awards totaling 759 additional units.
- Saw nine different affordable housing projects -- each with its own unique design, target populations and character -- break ground in 2023.
- Made significant progress toward reaching rent agreements with agricultural, residential and commercial lot lessees in Waiāhole Valley, ultimately reaching agreement with 78 of 91 lessees by the end of the calendar year.
- Assisted four projects in the processing of their 201H applications that were subsequently approved by the Honolulu City Council: The 190-unit Kahoapili project in Salt Lake, the 1,005-unit Kuilei Place project in Moʻiliʻili, the 631-unit 690 Pohukaina project (aka Pohukaina Commons) and the 861-unit Block C Kahuina project in Kakaʻako.
- Issued a Request for Proposals (RFP) for a contract to develop affordable housing units as part of the Kahului Civic Center Mixed-Use Complex. An award is anticipated in Fiscal 2024.
- Approved Self-Help Housing Corporation of Hawaiʻi as a certified and eligible developer and approved a Dwelling Unit Revolving Fund (DURF) interim loan of $7.68 million for the Nānāikeola project to create up to 88 for-sale self-help homes in Nānākuli.
- Closed on the leasehold sale of the 74-unit Kūlia I Ka Nu'u Affordable Rental Housing Project Waiʻanae to Solar Farm View Estates.

Five-Year Projection

HHFDC projects that it will assist in the financing and development of more than 9,500 affordable housing units over the next five years.

Five-Year Projection (2024-2028)				
Year	**Rental**	**For Sale**	**TBD**	**Total**
2024	1,466	331	0	1,797
2025	2,345	39	0	2,384
2026	1,237	1,092	0	2,329
2027	668	937	390	1,995
2028	781	275	97	1,153
TOTAL	**6,497**	**2,674**	**487**	**9,658**

DEVELOPMENT RESOURCES

HHFDC has a variety of resources to facilitate the development of affordable rental or for-sale housing. These resources include financing, expedited land use approvals under Chapter 201H, Hawaiʻi Revised Statutes, exemptions from general excise taxes, and real property.

FINANCING TOOLS

Rental Housing Revolving Fund (RHRF)

The Rental Housing Revolving Fund 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.

Preference is given to projects that meet certain statutory criteria. This includes projects that provide at least 5% of the total number of units for persons and families with incomes at or below 30% AMI, as well as projects that provide the maximum number of units for persons or families with incomes at or below 80% AMI.

The 2023 Legislature appropriated HHFDC $100 million for RHRF in Fiscal 2024, and an additional $180 million in Fiscal 2025. The source of this funding is the General Fund budget.

As of June 30, 2023, the RHRF had $490,715,767, all of which had been committed.

Low-Income Housing Tax Credits (LIHTC)

The LIHTC program is a major financing tool for non-profit and for-profit developers to construct or rehabilitate affordable rental housing. Under the program, HHFDC is the designated state housing credit agency that allocates LIHTC under the Tax Reform Act of 1986.

The State has a matching LIHTC program equal to 50% of the Federal LIHTC amount. Eligible taxpayers may claim LIHTC on their federal tax returns as a dollar-for-dollar offset on their tax liability for 10 years. State tax credits awarded after December 13, 2016, are for 5 years.

There are two types of LIHTC:

Volume Cap (or 9%) LIHTC: Tax credits that the Internal Revenue Service allows the State to issue for affordable housing purposes based on an annual per capita factor and the State's population. The annual per capita limit for 2023 was $2.75, which translates to approximately $3,960,539 in LIHTC that the State was able to allocate in 2023.

Non-Volume Cap (or 4%) LIHTC: LIHTC exempt from the volume cap limitation. These credits must be accompanied by tax-exempt financing under the State's bond volume cap. The limit under the non-volume cap LIHTC is based on the amount of State bond volume cap used for affordable multi-family housing.

Hula Mae Multi-Family Revenue Bond (HMMF) Program

The Hula Mae Multi-Family Revenue Bond Fund Program provides low-interest rate bond financing through the issuance of tax-exempt revenue bonds for the construction and/or acquisition and rehabilitation of rental housing projects.

Developers can secure 4% non-competitive low-income housing tax credits in conjunction with HMMF financing. HHFDC, with the approval of the Governor, is authorized to issue up to $3 billion* in revenue bonds. As of June 30, 2023, the program has issued 59 series of bonds totaling $1,477,105,735. A total of $460,603,215 has been committed to 12 projects pending bond issuance. The remaining uncommitted bond issuance authority is $1,062,291,050.

Hale Makana O Moʻiliʻili (Oʻahu) dedication

Dwelling Unit Revolving Fund (DURF)

DURF was established pursuant to Act 105, SLH 1970, which authorized the issuance of $125,000,000 of general obligation bonds to carry out the purposes of the Housing Development Program. 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; development of regional infrastructure; and all things necessary to carry out the purposes of the Housing Development Program, including administrative expenses.

The 2023 Legislature appropriated to HHFDC an additional $50 million to be used for DURF in Fiscal 2024 and an additional $50 million in Fiscal 2025.

Act 92, SLH 2023 authorized HHFDC to establish a five-year DURF equity pilot program and to use up to $10 million of existing DURF to address the demand for for-sale units by Hawaiʻi residents.

By purchasing the equity in for-sale developments, HHFDC helps to lower the amount paid by buyers. HHFDC's equity share is paid back upon resale of the unit along with a portion of the appreciation in equity. HHFDC strongly supported this bill.

HHFDC expects to contract to purchase equity in units beginning in Fiscal Year 2024. Under the program, funds would not be disbursed until the closing of the sale because it takes 18-24 months from pre-sale to completion of construction completion/sales closing. Funds will likely not be expended until FY 26.

As of June 30, 2023, DURF has outstanding commitments of $220,160,949 and $27,459,533 in available cash.

Rental Assistance Revolving Fund (RARF)

The RARF Interim Construction Loan Program provides below market interest rate interim construction loans for affordable rental housing projects (currently 4%-5%), as well as a limited amount of project-based rental assistance subsidies to qualified owners of rental projects. As of June 30, 2023, there are 10 projects comprised of 1,468 rental units with Rental Assistance Program commitments totaling $26,395,346.

The Rental Assistance Revolving Fund for construction and new projects is no longer active or funded. The Rental Assistance Program is also no longer funded but we continue to service our outstanding commitments to existing tenants and projects.

Affordable Homeownership Revolving Fund (AHRF)

Act 227, SLH 2021 established a new Affordable Homeownership Revolving Fund that facilitates home ownership and can expand self-help housing projects throughout the state.

AHRF will offer loans to nonprofit community development financial institutions and nonprofit housing development organizations who develop affordable homeownership housing projects, including self-help projects.

HHFDC anticipates making its first AHRF Program awards in summer 2024.

Act 227 appropriated $1 million of American Rescue Plan Act funds that were not released by the Department of Budget and Finance and lapsed pursuant to Act 314, SLH 2022.

The Supplemental Appropriations Act of 2022 appropriated $5 million of general funds for the purposes of the program. Act 93, SLH 2023 clarified that those funds are to be deposited into and expended from AHRF, where program loans can revolve after being repaid to fund future loans.

Proposed administrative rules for the AHRF Program failed to get the support of the community at a public hearing held in November 2022. Revised proposed rules received community support at a public hearing held in October 2023.

The Governor signed the administrative rules on November 17, 2023, and they became effective ten days later.

FEDERAL FUNDS

HOME Investment Partnerships Program (HOME)

The HOME Investment Partnerships Program (HOME) is a federally funded program created by the National Affordable Housing Act of 1990. HHFDC is the designated agency for the State of Hawaiʻi that administers the HOME program. The purpose of HOME is to expand the supply of decent, safe, affordable, and sanitary housing for households earning up to 80% AMI. HOME funds may be used for a variety of activities including tenant-based rental assistance, down payment 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 – 20 years, depending on the amount of HOME-assistance provided. HHFDC receives approximately $3 million in HOME funds from the U.S. Department of Housing and Urban Development (HUD) each year. Funds are allocated annually, on a rotating basis, to the counties of Hawaiʻi, Kauaʻi, and Maui. HHFDC received $3 million for Program Year (PY) 2023. The PY2023 funds were allocated to Maui County (less 5% for HHFDC administrative and planning expenses). Maui County is using a portion of funds for new construction of affordable rental housing units and seeking alternate uses for the balance of funds.

Housing Trust Fund (HTF)

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. HHFDC is the designated agency for the State of Hawaiʻi that administers the HTF Program. The purpose of HTF is to increase and preserve the supply of decent, safe, and sanitary affordable housing for primarily extremely low-income (30% AMI) households, including homeless families. The funds may be used for the production or preservation of affordable 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 receives approximately $3 million in HTF from the U.S. Department of Housing and Urban Development (HUD) annually. Half (50%) of the funds are allocated annually, on a rotating basis, to the counties of Hawaiʻi, Kauaʻi, and Maui, with the balance allocated to the City and County of Honolulu. However, the City and County of Honolulu has not expressed interest in receiving the funds for the past 4 years. HHFDC received $3.06 million for Program Year (PY) 2023. The PY2023 funds were allocated to Maui County (less 5% for HHFDC administrative and planning expenses). Maui County is using the funds for new construction of affordable rental housing units.

HOME-American Rescue Plan Program (HOME-ARP)

Section 3205 of the American Rescue Plan Act of 2021 (P.L. 117-2) ("ARP") appropriated a total of $5 billion in ARP funds for homelessness assistance and supportive services under Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12701 et seq.) ("NAHA") for the HOME Investment Partnerships Program. The program established for the use of ARP funds is the HOME-American Rescue Plan or "HOME-ARP" program. HHFDC received $6.4 million in HOME-ARP funds. HOME-ARP funds will be used for new construction of affordable rental housing units for qualifying individuals or families (qualifying populations) under the Act within the neighboring island counties of Hawaiʻi, Kauaʻi, and Maui. The City and County of Honolulu is an entitlement jurisdiction and will receive its own allocation.

The qualifying populations are broadly defined as:

a. Homeless;
b. At-risk of homelessness;
c. Fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking;
d. In other populations where 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;
e. Veterans and families that include a veteran family member that meet one of the preceding criteria.

Oʻahu Homeowner Assistance Fund flyer

Homeowner Assistance Fund Program (HAF)

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 by providing such funds as are appropriated to eligible entities for the purpose of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship after January 21, 2020, through qualified expenses related to mortgages and housing.

For those who qualify, the program may provide mortgage counseling or legal services and may cover up to $60,000 in mortgage and other eligible household expenses. In addition to mortgage payments, HAF assistance can cover property taxes, utility bills, homeowner association fees or other expenses.

Priority is given to homeowners with incomes at or below 100% AMI as well as applicants considered socially disadvantaged in accordance with Section 3206 of the American Rescue Plan Act.

HHFDC is a pass-through entity for the Oʻahu HAF program. The Hawaiʻi Department of Budget and Finance (B&F) received a total award of $50 million and allocated funds to the counties of Maui, Kauaʻi, and Hawaiʻi, as well as the City and County of Honolulu/Island of Oʻahu. HHFDC received approximately $29.6 million to administer the Oʻahu program but an undetermined portion of the funds are being reallocated to the County of Maui. The Oʻahu HAF program is ongoing in FY 2023 and is estimated to close in FY 2025.

DEVELOPMENT TOOLS

Kahului Civic Center Mixed-Use Complex rendering

Land

A portfolio of real property acquired by negotiation, exchange, or purchase, is made available to developers through the Request for Proposals (RFP) process.

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

- 690 Pohukaina Street: A 2-acre parcel next to Mother Waldron Park in the heart of the rapidly developing Kakaʻako neighborhood, the land was put under HHFDC jurisdiction via executive order from the Governor. In Fiscal 2023, HHFDC approved California-based Highridge Costa Development Co. as an eligible developer, then negotiated and executed a development agreement with the developer.
- Kahului Civic Center Mixed-Use Complex: A 5.6-acre, state-owned property in Kahului, Maui for which HHFDC issued a Request for Proposals and a Dwelling Unit Revolving Fund loan. An award is anticipated in Fiscal 2024.
- Villages of Kapolei Northwest Corner: A 19.5-acre parcel, centrally located at the corner of Fort Barrette Road and Kapolei Parkway, for which HHFDC issued an RFP. The RFP is scheduled to be awarded in 2024.


Kahoapili (Aliamanu) rendering

Chapter 201H Expedited Processing

Pursuant to Chapter 201H, Hawaii Revised Statutes, 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 that would be 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. These Chapter 201H exemptions provide for greater flexibility in the design of housing projects. The appropriate county councils must approve, approve with modifications, or disapprove projects within 45 days. All 201H projects must comply with the County building permit process, HRS Chapter 104 (Wages and Hours of Employees on Public Works), and HRS Chapter 343 (Environmental Impact Statements).

To be eligible, the majority of a project’s units must be affordable to households earning no more than 140% AMI, and HHFDC further encourages developers to provide units at a range of affordable income levels. Developers begin the 201H process by first contacting the appropriate county. If the county government does not accept the developer’s 201H application, HHFDC will consider the developer’s application. HHFDC requires the developer to conduct at least one public meeting to solicit community input on the proposed project.

In Fiscal 2023, HHFDC processed exemption requests for four projects, all on Oʻahu. They were the 1,005-unit Kuilei Place in Moʻiliʻili; the 190-unit Kahoapili project in Salt Lake; the 861-unit Kakaʻko Block C; and the 631-unit 690 Pohukaina project in Kakaʻako.

Exemptions from General Excise Taxes (GET)
HHFDC may approve and certify for exemption from GET any qualified person or firm involved with a newly constructed or moderately or substantially rehabilitated project meeting specific income and eligibility criteria.

FINANCING RESOURCES FOR FIRST-TIME HOMEBUYERS

Mortgage Credit Certificate (MCC) Program
The MCC program provides eligible first-time homebuyers with a direct tax credit against their federal income tax liability to make more 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 through participating lenders. As of June 30, 2023, the HHFDC has assisted 7,456 families in purchasing their first homes with the MCC program. During FY 2023, 48 new MCCs were issued and HHFDC continued to process reissuances related to mortgage refinances. The MCC program assisted 7 families who have refinanced their existing loans in FY 2023.

Land Programs – Chapters 516 and 519, HRS

The purpose of the Land Reform Act of 1967 was to encourage widespread ownership of fee simple lands among Hawaii's people. Pursuant to Chapter 516, HRS, HHFDC assists lessees of single-family homes to purchase the lease fee interest in their houselots by petitioning the state to facilitate a lease-to-fee conversion through its use of eminent domain powers. Since 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.

Chapter 519, HRS, 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.

Assistance to Displaced Persons - Chapter 111, HRS

Chapter 111, HRS, 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 assure that relocation payments are fair, reasonable, and promptly paid.

MAJOR COST CENTERS - STATE INFRASTRUCTURE OBLIGATIONS

Maintaining Waiāhole Valley Subdivision

In 1977, HHFDC's predecessor agency purchased most of Waiāhole Valley on O ahu to preserve the rural, agricultural character of the valley. Additional ceded lands in the valley were transferred from the Department of Land and Natural Resources in 1993.

In total, HHFDC owns 122 lots within the subdivision totaling approximately 596 acres, including leasable residential, agricultural, and commercial lots; lots used for infrastructure purposes; and open-space lots. HHFDC owns approximately 292 acres of additional lands located outside the subdivision.

As of June 30, 2023, approximately $25 million had been spent to acquire the Waiāhole Valley lands and undertake capital improvements, including stream appurtenances, drainage systems, and utilities in addition to the construction of the Waiāhole Water System (the WWS) to provide potable water service.

Additionally, 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.

Net Operating Losses

Historically, the ownership and operation of Waiāhole Valley has cost HHFDC approximately $1.4 million per year in land management, lease administration, and WWS operations and maintenance expenses. By contrast, lease rents, water-service charges, and other revenues have generated only approximately $300,000 annually. The resulting net operating losses are funded by DURF.

In July 2022, HHFDC and its 91 long-term lessees commenced rent renegotiations for the 15-year lease period beginning June 30, 2023. Most negotiations have concluded, and HHFDC expects that rental income will increase by approximately $280,000 per year beginning in FY 2024.

Waiāhole Water System Improvements

The WWS is nearing the end of its service life, and implementation of upgrades to the system commenced in FY 2023 to keep the system operational.

Planning and design of a new potable water well, reservoir, and upgrades to transmission mains are underway. A Final Environmental Assessment and Finding of No Significant Impact for the project was published on October 8, 2023. The estimated cost of the project is $25 million to $30 million.

Maintaining Infrastructure in the Villages of Kapolei

The City and County of Honolulu has not yet accepted dedication of infrastructure in the Villages of Kapolei. Therefore, HHFDC is obligated to maintain the infrastructure. In 2023, HHFDC executed a Memorandum of Agreement (MOA) with the City that establishes a process to transfer maintenance of infrastructure to the City. The MOA requires that roads be rehabilitated, an undertaking that will be a significant cost for HHFDC in the coming years. Rehabilitation of the pavement, drainage catch basins, and sidewalks of the major "backbone" roads have since been completed and maintenance responsibility of these items have been transferred to the City.

The current infrastructure budget is approximately $253 million. There has been no interest charged to the project because it was initially funded by the Homes Revolving Fund, which was repealed in 2003.

The Villages of Kapolei was developed pursuant to Act 15, SLH 1988. The Act provided the Housing Finance and Development Corporation (HFDC), predecessor to the HCDCH and HHFDC, with temporary powers to expedite the development of affordable housing.

It authorized the 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 the HFDC first conducted a public hearing on the project.

Planned/In Construction Projects

Aloha Iā Halewilikō (ʻAiea, Oʻahu) groundbreaking

690 Pohukaina: 631-unit family rental project in Kakaʻako, Oahu for households earning 30%-140% AMI. **201H/Land/DURF/RFP** *Developer: Highridge Costa Development Co. | Scheduled completion: 2027*

Aloha Iā Halewilikō (fka Halewilikō Highlands) : 140-unit rental project at the former ʻAiea Sugar Mill on Oʻahu for seniors earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: EAH Inc. |Scheduled completion: 2025*

Hālawa View Apartments II: 302-unit family rental project near the HART Aloha Stadium transit station in Aiea, Oʻahu for households earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Hawaii Community Development Board | Scheduled completion: 2025*

Hale Nā Koa ʻO Hanakahi: 92-unit senior rental project in Hilo, Hawaiʻi for those earning 30%-80% AMI. **LIHTC/HMMF/RHRF** *Developer: EAH Inc. | Scheduled completion: 2024*

Hale Moʻiliʻili: 278-unit family rental project next to Old Stadium Park on Oʻahu for households earning 30%-100% AMI. **RHRF2/LIHTC/HMMF** *Developer: Stanford Carr Development | Scheduled completion: 2026*

Hale O Piʻikea I: 90-unit family rental project in Kīhei, Maui for those earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: ʻIkenakea Piʻikea LP | Scheduled completion: 2024*

Hale O Piʻikea II: 97-unit elderly rental project in Kīhei, Maui for those earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: ʻIkenakea Piʻikea II LP | Scheduled completion: 2025*

Hale O Piʻikea III: 36-unit family rental project in Kīhei, Maui for those earning 30% to 60% AMI. **LIHTC/HMMF/RHRF** *Developer: ʻIkenākea Piʻikea III LP| Scheduled comopletion: 2025*

Hale Pilina Family I: 89-unit family rental project in Kahului, Maui for those earning 30%-60% AMI. **LIHTC/RHRF** *Developer: Catholic Charities Housing Development Corp | Scheduled completion: 2024*

Hale Uhiwai Nalu Phase 2: 50-unit family rental project in Kapolei, Oahu for those earning 30%-100% AMI. **RHRF** *Developer: Cloudbreak Hawaii II | Scheduled completion: 2025*

Planned/In Construction Projects

Ililani (Kakaʻako, Oʻahu) construction

Halewaiʻolu Senior Residences: 156-unit rental project in Chinatown, Oʻahu for seniors earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: The Michaels Organization | Scheduled completion: 2024*

Hocking Building (fka Hocking Hale): 40-unit rental project converting an historic building in Chinatown, Oʻahu for those earning 30%-50% AMI. **LIHTC/RHRF** *Developer: Hocking Hale LLP | Scheduled completion: 2024*

Honuaʻula Living Community: 105-unit family rental project in Kailua-Kona, Hawaiʻi, for those earning 40%-60% AMI. **LIHTC/HMMF** *Developer: Honuaʻula Living Community LP |Scheduled completion: 2025*

HPHA School Street Redevelopment Phase 1A: 250-unit senior rental project on the site of the current HPHA headquarters in Kalihi, for those earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: RHF Foundation |Scheduled completion: 2025*

Hualalai Court Apartments: 104-unit family rental project in Hilo, Hawaiʻi for households earning 80%-100% AMI. **RHRF2** *Developer: Hualalai Court LLC | Scheduled completion: 2025*

Ililani: 328-unit for-sale project in Kakaʻako, Oʻahu, 165 of which are affordable. **201H** *Developer: KAM Development LLC | Scheduled completion: 2024*

Kahuina (Block C): 124-unit family rental project in Kakaʻako, Oʻahu for households earning 80%-100% AMI. **RHRF2** *Developer: Kakaako Block C (Stanford Carr) | Scheduled completion: 2026*

Kahului Civic Center: 303-unit affordable rental project for households earning 30%-60% AMI that will share space with a bus hub and other government services. **Land/DURF/RFP** *Developer: EAH Housing |Scheduled completion: 2029*

Kai Olino: 48-unit family rental project in Eleʻele, Kauaʻi for households earning 30%-50% AMI. **LIHTC** *Developer: Okapu Land LLC | Scheduled completion: 2024*

Planned/In Construction Projects


Kaleimaʻo Village (ʻEwa, Oʻahu) rendering

Kaiāulu O Kapiʻolani: 64-unit rental project for families earning 30%-60% AMI in Hilo, Hawaiʻi.
LIHTC/HMMF/RHRF *Developer: Ikaika ʻOhana | Scheduled completion: 2025*

Kaiāulu O Kuku`ia: 200-unit rental project for families earning 30%-60% AMI in Lahaina, Maui.
LIHTC/HMMF/RHRF/Land/DURF/RFP *Developer: Ikaika ʻOhana | Scheduled completion: 2025*

Kaleimaʻo Village: 127-unit multifamily rental project for households earning 30%-60% AMI in ʻEwa, Oʻahu. **LIHTC/RHRF** *Developer: Komohale West Loch Venture LP | Scheduled completion: 2026*

Kaloko Heights: 100-unit family rental project in Kailua-Kona, Hawaiʻi for households earning 30%-60% AMI.
LIHTC/HMMF/RHRF *Developer: Hawaii Island Community Development Corporation | Scheduled completion: 2025*

Kaulana Mahina Apartments (fka Wailuku Apartments): 324-unit family rental project in Wailuku, Maui for households earning 80%-140% AMI.
201H *Developer: Schatz Collaborative, BIT Wailuku* **/***Scheduled completion: 2024*

Koa Vista I: 96-unit family rental project in Koa Ridge, Oʻahu for households earning 30%-60% AMI.
LIHTC/HMMF/RHRF *Developer: Koa Vista I LP| Scheduled Completion: 2025*

Koa Vista II: 97-unit family rental project in Koa Ridge, Oʻahu for households earning 80% AMI or less.
RHRF *Developer: Koa Vista II LP (Gary Furuta, Homes Hawaii Inc. | Scheduled completion: 2025*

Kokua Hale (fka the Kokua Project): 224-unit rental project for seniors earning 30%-60% AMI in Downtown Honolulu. **LIHTC/HMMF/RHRF** *Developer: Alakea Senior LP (Highridge Costa) | Scheduled Completion: 2024*

Kuilei Place: 1,005-unit for-sale project in Moʻiliʻili, Oʻahu , 630 units for families earning 60%-140% AMI.
201H *Developer: Kobayashi Group, Kaipuu Investors | Scheduled completion: 2026*

Liloa Hale: 117-unit elderly rental project in Kīhei, Maui for households earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Liloa Senior Housing LP | Scheduled completion: 2025*

Lima Ola Phase 1 (Sections I and II): 85-unit multifamily and senior project in Eleʻele, Kauaʻi for households earning 80% AMI or below. **DURF, LIHTC**
Developer: Kauaʻi County / Scheduled completion: 2025

Planned/In Construction Projects

Hālawa View Apartments II (Hālawa, Oʻahu) rendering

Lima Ola Phase 1 Permanently Supportive: 24-unit multifamily project in ʻEleʻele, Kauaʻi for households earning no more than 30% AMI. **DURF** *Developer: Kauaʻi County|Scheduled completion: 2025*

Lima Ola Phase 1 Workforce Development: 38 for-sale and rental units in ʻEleʻele, Kauaʻi for households earning no more than 140% AMI. **DURF** *Developer: Kauaʻi County | Scheduled completion: 2025*

Nā Hale Mākoa: 140-unit family rental project in Waikoloa, Hawaiʻi for households earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Kamakoa Nui LP| Scheduled completion: 2025*

Parkway Village at Kapolei (Lots 6 and 7): 405-unit family rental project in Kapolei, Oʻahu for households earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Kobayashi Group, Ahe Group| Scheduled completion: 2025*

Rice Street Apartments: 66-unit family rental project in Līhuʻe, Kauaʻi for households earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Rice Street Hale LLC | Scheduled completion: 2025*

Uahi Ridge: 96-unit family rental project in Līhuʻe, Kauaʻi for households earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: Uahi Ridge Hui LP | Scheduled completion: 2025*

Uahi Ridge II: 60-unit family rental project in Līhuʻe, Kauaʻi for households earning 30%-60% AMI. **LIHTC/RHRF** *Developer: Uahi Ridge Hui LP | Scheduled completion: 2026*

Villages of La`i`opua (DHHL): 24-unit family rental project in Kailua-Kona, Hawaiʻi for households earning 30%-60% AMI. **LIHTC/RHRF** *Developer: DHHL | Scheduled completion: 2024*

Villages of La`i`opua III (DHHL): 32-unit family rental project in Kailua-Kona, Hawaiʻi for households earning 30%-60% AMI. **LIHTC/HMMF/RHRF** *Developer: A0733 Kona, LP | Scheduled completion: 2025*

REPORTS TO THE LEGISLATURE

Pursuant to Section 201H-95(g), Hawaiʻi Revised Statutes, Relating to Hula Mae Multi-Family Revenue Bonds for Fiscal Year 2023:

Section 201H-95(g), Hawai'i Revised Statutes, requires the Hawaiʻi Housing Finance and Development Corporation (HHFDC) to submit an annual report to the Legislature describing the multi-family revenue bond activity under the Housing Loan and Mortgage Program, popularly known as the Hula Mae Multi-family Program (HMMF). Specifically, it requires annual reporting of the following information:

1. The amount of multifamily revenue bond authority utilized and remaining balance.
2. A description of multifamily project activity including dates, project names and descriptions, and bond amounts for the following activities:
    a. Application
    b. Approval of inducement resolutions
    c. Approval to issue bonds
    d. Issuance of bonds
3. A summary of the activity of the fund by quarter.

The required information is provided below.

Multi-family Revenue Bond Authority as of June 30, 2023:

Total Bond Authority	$3,000,000,000
Total Amount of HMMF Bonds Issued	$1,477,105,735
HMMF Bonds Approved by HHFDC Board and Pending Issuance	12
Total Amount of HMMF Bonds Pending Issuance	$460,603,215
Uncommitted HMMF Program Bond Authority	$1,062,291,050

During the 2023 Funding Round, HHFDC received the following applications for HMMF resources:

Project Name	Location	Project Type	Total Units	Amount Requested
Aikanaha	Maui	Family	212	$38,500,000
Courtyards at Waipouli	Kauaʻi	Family	82	$29,289,000
Front Street Apartments	Maui	Family	142	$21,378,261
Hale O Pi'ikea III	Maui	Family	36	$14,500,000
Hale O'Hauoli Apartments	Oʻahu	Elderly	100	$35,000,000
Hale Uhiwai Nalu – Phase III	Oʻahu	Family	180	$32,000,000
Hoʻomalu at Waikoloa	Hawaiʻi	Family	229	$64,560,198
Kahoapili	Oʻahu	Family	190	$52,844,805
Kaiāulu O Kalaeloa I	Oʻahu	Family	134	$64,732,000
Kaleimaʻo Village – West Loch	Oʻahu	Family	127	$30,376,937

Keawalau Diamond Head	O‘ahu	Family	234	$73,923,653
Keawalau Ewa	O‘ahu	Family	170	$47,026,368
Keawalau Mauka	O’ahu	Elderly	133	$36,438,993
Kuhio Park Redev. - Phase 1	O‘ahu	Family	304	$92,995,000
Liloa Hale*	Maui	Elderly	117	$37,282,733
Nā Hale Makoa	Hawai‘i	Family	140	$40,200,000
Pālolo Homes Acq. & Rehab	O‘ahu	Family	306	$31,500,000
Smith Beretania Apartments	O‘ahu	Family	164	$76,000,000
The Nook	O‘ahu	Family	35	$12,300,000
Uahi Ridge - Phase 2	Kaua‘i	Family	60	$17,500,000
Waimānalo Apartments	O‘ahu	Family	80	$20,000,000
TOTAL			**3,175**	**$868,347,948**

**Reapplication on a 2022 award.*

HHFDC approved the following inducement Resolutions for HMMF resources in Fiscal Year 2023*:

Project Name	Location	Project Type	Total Units	Amount
Hale Mo‘il‘iili	O’ahu	Family	278	$80,000,000
Hale O Pi'ikea II	Maui	Elderly	97	$23,500,000
Honua'ula Living Community	Hawai‘i	Family	105	$25,900,000
Koa Vista I	O’ahu	Elderly	96	$21,548,935
Liloa Hale	Maui	Elderly	117	$32,727,103
Parkway at Kapolei - Lot 6	O’ahu	Family	236	$58,239,230
Parkway at Kapolei - Lot 7	O’ahu	Family	169	$39,865,882
Rice Street Apartments	Kaua‘i	Family	66	$16,200,000
Uahi Ridge	Kaua‘i	Family	96	$34,080,000
TOTAL			**1,260**	**$332,061,150**

**The HMMF project awards are from the 2022 Funding Round application pool.*

HHFDC authorized issuance of the following HMMF Bonds in Fiscal Year 2023:

Project Name	Location	Project Type	Total Units	Amount
DE Thompson	O’ahu	Family	84	$8,000,000
Halawa View II & III	O’ahu	Family	302	$80,200,000
Hale Nā Koa ‘O Hanakahi*	Hawai‘i	Elderly	92	$30,149,457
Kaloko Heights Affordable	Hawai‘i	Family	100	$27,000,000
Koa Vista I	O’ahu	Elderly	96	$20,898,935
TOTAL			**674**	**$166,248,392**

**Formerly West Kawili.*

HMMF Bonds Issued in Fiscal Year 2023:

Project Name	Location	Project Type	Total Units	Amount
DE Thompson	O'ahu	Family	84	$8,000,000
Halawa View II & III Hale	O'ahu	Family	302	$80,200,000
Nā Koa ʻO Hanakahi*	Hawaiʻi	Elderly	92	$30,149,457
Kaloko Heights	Hawaiʻi	Family	100	$27,000,000
Affordable Koa Vista I	O'ahu	Elderly	96	$20,898,935
TOTAL			**674**	**$166,248,392**

**Formerly West Kawili*

Quarterly Summary of Fund Activity for Fiscal Year 2023 (as of end of each respective quarter)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total Bond Authority	$3,000,000,000	$3,000,000,000	$3,000,000,000	$3,000,000,000
Total Bonds Issued	$1,318,857,343	$1,349,006,800	$1,376,006,800	$1,477,105,735
Total Bonds Pending Issuance	$534,644,110	$584,144,110	$562,352,150	$460,603,215
Total Uncommitted Bond Authority	$1,146,498,547	$1,066,849,090	$1,061,641,050	$1,062,291,050

Pursuant to Section 201H-202, Hawaiʻi Revised Statutes, Relating to Rental Housing Revolving Fund for Fiscal Year 2023:

Section 201H-202(e), Hawaiʻi Revised Statutes (HRS), prioritizes projects or units in projects that are allocated low-income housing credits pursuant to the state housing credit ceiling under section 42(h) of the Internal Revenue Code of 1986, as amended, or projects or units in projects that are funded by programs of the United States Department of Housing and Urban Development and United States Department of Agriculture Rural Development wherein: At least 50% of the available units are for persons and families with incomes at or below 80% of the median family income of which at least 5% of the available units are for persons and families with incomes at or below 30% of the median family

family income; and the remaining units are for persons and families with incomes at or below 100% of the median family income.

Section 201H-202(f), Hawaiʻi Revised Statutes (HRS), requires the Hawaiʻi Housing Finance and Development Corporation (HHFDC) to "describ(e) the projects funded and, with respect to rental housing projects targeted for persons and families with incomes at or below thirty per cent (30%) of the median family income, its efforts to develop those rental housing projects, a description of proposals submitted for this target group and action taken on the proposals, and any barriers to developing housing for this target group."

RHRF activity for Fiscal Year 2023 is summarized below:

During the 2023 Funding Round, HHFDC received the following applications for RHRF resources:

Project Name	Location	Project Type	Total Units	Amount Requested**
1525 Piʻikoi Apartments	O’ahu	Family	34	$6,970,000
330 Kuʻulei Apartments	O’ahu	Family	40	$3,650,000
Aikanaha	Maui	Family	212	$20,945,600
Courtyards at Waipouli	Kauaʻi	Family	82	$25,000,000
Fort St. Mall Affordable Senior	O’ahu	Elderly	67	$14,079,720
Front Street Apartments	Maui	Family	142	$8,500,000
Hale Makana O Uluwehi	Oʻahu	Family	40	$4,750,000
Hale O Pi’ikea III	Maui	Family	36	$8,640,000
Hale Uhiwai Nalu – Phase III	Oʻahu	Family	180	$20,282,655
Hoʻomalu at Waikoloa	Hawaiʻi	Family	229	$32,000,000
Kahoapili	Oʻahu	Family	190	$28,708,539
Kaiāulu O Kalaeloa I	Oʻahu	Family	134	$33,500,000
Kai Olino Phase II	Kauaʻi	Family	27	$2,250,000
Kaleimaʻo Village – West Loch	Oʻahu	Family	127	$14,600,000
Keawalau Diamond Head	Oʻahu	Family	234	$34,500,000
Keawalau Ewa	Oʻahu	Family	170	$25,500,000
Keawalau Mauka	O’ahu	Elderly	133	$19,950,000
Kuhio Park Redev. – Phase 1	Oʻahu	Family	304	$49,493,161
Liloa Hale*	Maui	Elderly	117	$23,930,000
Na Hale Mākoa	Hawaiʻi	Family	140	$31,173,087
Pālolo Homes Acq. & Rehab	Oʻahu	Family	306	$14,965,000
The Nook	Oʻahu	Family	35	$7,500,000
Uahi Ridge - Phase 2	Kauaʻi	Family	60	$20,000,000
Villages of Laʻīʻopua III	Hawaiʻi	Family	32	$8,000,000
TOTAL			**3,071**	**$458,887,762**

**Reapplication of a 2022 project award.*

***Projects with multiple applications for RHRF list the higher amounts.*

HHFDC made the following project awards for RHRF in Fiscal Year 2023:

Project Name	Location	Project Type	Total Units	Amount	30% MFI Units
Hale Moʻiliʻili	O'ahu	Family	278	$41,500,000	6
Hale O Pi'ikea II	Maui	Elderly	97	$14,065,000	10
Hale O Pi'ikea III*	Hawaiʻi	Family	36	$6,742,414	4
Koa Vista I	O'ahu	Elderly	96	$17,500,000	10
Liloa Hale	Maui	Elderly	117	$16,250,000	12
Parkway at Kapolei - Lot 6	O'ahu	Family	236	$22,100,000	12
Parkway at Kapolei - Lot 7	O'ahu	Family	169	$14,100,000	9
Rice Street Apartments	Kauaʻi	Family	66	$10,581,793	4
Uahi Ridge	Kauaʻi	Family	96	$25,000,000	8
Villages of Laʻīʻopua III*	Hawaiʻi	Family	32	$7,650,000	4
TOTAL			**1,223**	**$175,489,207**	**79**

**Awarded with the 2023 Funding Round.*

Act 236, SLH 2022 appropriated a cash infusion of $300,000,000 for Fiscal Year 2023 into the RHRF, provided that up to $150,000,000 may be used for mixed-income rental projects targeted for individuals and families with incomes above sixty (60) percent and at or below one hundred (100) per cent of the median family income for the State of Hawaiʻi." A separate Funding Round, named RHRF Tier 2, was established by HHFDC for this purpose. The RHRF Tier 2 Funding Round was opened on August 15, 2022 with an application deadline of September 16, 2022.

RHRF Tier 2 activity for Fiscal Year 2023 is summarized below:

During the RHRF Tier 2 Funding Round, HHFDC received the following applications for RHRF resources:

Project Name	Location	Project Type	Total Units	Amount Requested
Hale O Pi'ikea III	Maui	Family	36	$17,380,000
Hibiscus Hill	O'ahu	Family	80	$29,500,000
Hualalai Court	Hawaiʻi	Family	104	$25,524,927
Kahuina – Block C	Oʻahu	Family	124	$24,000,000
Kai Olino Phase II	Kauaʻi	Family	27	$16,725,000
Koa Vista II	O'ahu	Family	97	$25,342,534
Kuʻulei Place	O'ahu	Family	165	$28,700,000
The Nook	Oʻahu	Family	35	$20,200,000
Pohukaina Commons	Oʻahu	Family	434	$67,500,291
Uahi Ridge II	Kauaʻi	Family	60	$20,600,000
Waiʻalae Apartments	Oʻahu	Family	254	$55,092,242
TOTAL			**1,416**	**$330,564,994**

HHFDC made the following project awards for RHRF Tier 2 in Fiscal Year 2023:

Project Name	Location	Project Type	Total Units	Amount
Hualalai Court	Hawaiʻi	Family	104	$25,524,927
Kahuina – Block C	Oʻahu	Family	124	$24,400,000
Koa Vista II	O’ahu	Family	97	$25,342,534
Pohukaina Commons	Oʻahu	Family	434	$67,500,291
TOTAL			**759**	**$142,367,752**

To see other reports to the Legislature, as well as other information on awards and applications each year, please visit HHFDC's website at https://dbedt.hawaii.gov/hhfdc/.

HOUSING-RELATED LEGISLATION PASSED IN 2023

Act 91, SLH 2023 Relating to the Hawai'i Housing Finance and Development Corporation (HB 675)

This act requires HHFDC to open two funding rounds each year for the receipt of applications for its various housing finance programs if sufficient funds are available.

Act 92, SLH 2023 Relating to the Dwelling Unit Revolving Fund (HB 677)

This act authorizes HHFDC to establish a five-year Dwelling Unit Revolving Fund (DURF) equity pilot program and to use up to $10 million in existing DURF to address the demand for for-sale units by Hawai'i residents, particularly for households earning between 80% and 120% of the AMI. By purchasing the equity in for-sale developments, HHFDC helps to lower the amount paid by buyers. HHFDC's equity share is paid back upon resale of the unit, along with a portion of the appreciation in equity.

Act 262, SLH 2023 Relating to Bonds (HB 923)

This act makes various amendments to Section 39B-2, HRS, to ensure fairness and equity in the allocation of the limited PAB cap, especially for counties that do not have PAB issuance programs (i.e., Maui and Hawa'ii). It allows the State to enter into agreements with the counties that return their PAB allocations to award projects in those counties. If the City & County of Honolulu retains its bond cap, HHFDC will not be able to award any additional 4% LIHTC for the remainder of the calendar year.

Act 93, SLH 2023 Relating to the Affordable Homeownership Revolving Fund (HB 992)

This act clarifies that the $5 million in general funds appropriated pursuant to Act 88, SLH 2021, as amended by Act 248, SLH 2022, shall be deposited into the Affordable Homeownership Revolving Fund (AHRF) for the purposes for which the revolving fund was established.

Act 35, SLH 2023 Relating to State Funds (HB 1018)

This act amends various general fund appropriations to help the State meet its American Rescue Plan Act (ARPA) maintenance of effort (MOE) obligations. HHFDC is one of four affected entities. This act extends by one day the appropriation lapse date to the following fiscal year to allow for the expenditure of general funds into the Rental Housing Revolving Fund (RHRF) to fulfill its financing award commitments. If this bill had not become law, the $300 million appropriation of general funds for the RHRF infusion under Act 236, SLH 2022 would have been jeopardized.

Act 48, SLH 2023 Relating to Taxation (HB 1363)

The cost of off-site infrastructure is a major barrier to affordable housing development statewide. These costs are typically paid for by private developers who, in turn, pass them on to homebuyers in the form of higher prices, and to renters in the form of higher rents. This act provides the counties with another source of funding to help pay for infrastructure to buy down the cost of housing. It also helps offset some of the burdens on DURF, which is used for infrastructure and is currently being depleted by the State's historical obligations in Waiāhole Valley and in the Villages of Kapolei.

Act 164, SLH 2023 (HB300 HD1 SD1 CD1) Relating to the State Budget

Operating Budget Items:

Total expenditure ceiling (MOF: W (revolving funds)):
FY 2024: $13,533,889
FY 2025: $14,046,265

Authorized Position Count
Permanent count: 23.00 Full Time Equivalent positions (FTE)
Temporary count: 45.00 FTE (includes three new positions)

HHFDC's authorized expenditure ceiling also includes the following:
FY 2024: $3,100,000 (MOF: N (Federal Funds))
FY 2025: $3,100,000 (MOF: N)

FY 2024: $3,000,000 (MOF: P (Other Federal Funds))
FY 2025: $3,000,000 (MOF: P)

Note: DURF and RHRF infusions are now categorized as "operating," not "CIP."

Cash Infusion for Dwelling Unit Revolving Fund, Statewide
FY2024: $50,000,000 (MOF: A (General Funds))
FY2025: $50,000,000 (MOF: A)

Cash Infusion for Rental Housing Revolving Fund, Statewide
FY2024: $100,000,000 (MOF: A)
FY2025: $180,000,000 (MOF: A)

Capital Improvement Project Items:
HHFDC received the following CIP request:

Cash Infusion for preschool classrooms, dedicated teacher housing, and affordable workforce housing development initiative, Kīhei, Maui.

FY2024: $45,000,000 (MOF: C)

Specifically, this is for plans, land acquisition, design and construction for repurposing existing facility; ground and site improvements, equipment and appurtenances.

Hale Makana O Moʻiliʻili (Oʻahu) dedication

Hocking Hale (Chinatown, Oʻahu) blessing

HAWAIʻI HOUSING FINANCE AND DEVELOPMENT CORPORATION
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Financial Statements
June 30, 2023

State of Hawaii
Hawaii Housing Finance and Development Corporation

(A Component Unit of the State of Hawaii)

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Independent Auditor's Report

The Auditor
State of Hawaii

The Board of Directors
Hawaii Housing Finance and Development Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaii, Hawaii Housing Finance and Development Corporation (the "Corporation"), a component unit of the State of Hawaii, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corporation as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Corporation are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corporation that is attributable to the transactions of the Corporation. They do not purport to, and do not, present fairly the financial position of the State of Hawaii, as of June 30, 2023,

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the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Correction of Error

As discussed in Note 18 to the financial statements, the Corporation recorded liabilities for committed obligations to complete construction during the prior year. This resulted in an overstatement of liabilities and an understatement of net position as of June 30, 2022. Accordingly, amounts reported for those items have been restated in the 2023 financial statements now presented, to correct the error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison schedules for the General Fund, HOME Investment Partnership Program, Housing Trust Fund Program, and Homeowner Assistance Fund Program be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the required supplementary information for net pension and OPEB liabilities, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The combining balance sheets, combining statements of net position, combining statements of revenues, expenses, and changes in net position, combining statements of revenues, expenses, and changes in fund balances, combining statements of cash flows, and reconciliations of cash and short-term investments are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheets, combining statements of net position, combining statements of revenues, expenses, and changes in net position, combining statements of revenues, expenses, combining statements of cash flows, reconciliations of cash and short-term investments, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2024, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
January 10, 2024

The management of the State of Hawaii, Hawaii Housing Finance and Development Corporation (the "Corporation") offers readers of the Corporation's financial statements this narrative overview and analysis of its financial activities for the year ended June 30, 2023. This document should be read in conjunction with the audited financial statements. All amounts presented in tables, unless otherwise indicated, are expressed in thousands of dollars.

Introduction

The Corporation was established by the State Legislature effective July 1, 2006, in accordance with Act 196, Session Laws of Hawaii ("SLH") 2005, as amended by Act 180, SLH 2006.

The Corporation's mission is to increase and preserve the supply of affordable housing statewide by providing financing and development resources. Resources include housing tax credits, low interest construction loans, equity gap loans, developable land, below-market leasehold interest, general excise tax exemptions, and expedited land use approvals.

The Corporation is administratively attached to the State Department of Business, Economic Development and Tourism. The Corporation's Board of Directors consists of nine members, six of whom are public members appointed by the Governor and confirmed by the State Senate. Public members are appointed from each of the counties of Honolulu, Hawaii, Maui and Kauai. At least four of the public 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 affiliated with private nonprofit organizations that serve the residents of low-income housing. The Director of Business, Economic Development and Tourism; the Director of Finance; and a representative of the Governor's Office are ex-officio voting members. All Corporation action is taken by the affirmative vote of at least five members.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements of the Corporation for the year ended June 30, 2023. The financial statements consist of the basic financial statements, related notes to the financial statements, and other required supplementary information. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the Corporation:

- The first two statements are government-wide financial statements that provide information about the Corporation's overall financial position and results of operations. These statements are presented on an accrual basis of accounting and consist of the Statement of Net Position and the Statement of Activities.

- The remaining statements are the fund financial statements of the Corporation's governmental funds, for which activities are funded primarily from appropriations from the State and Federal government, and the Corporation's major and non-major proprietary funds, which operate similarly to business-type activities. The governmental funds are presented on a modified accrual basis of accounting while the proprietary funds are presented on an accrual basis of accounting.

Government-wide Financial Statements
The government-wide financial statements report information about the Corporation as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position provides both short-term and long-term information about the Corporation's financial position, which assists in assessing the Corporation's economic condition at the end of the fiscal year. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Most of the Corporation's activities are business-type activities and are reported in its proprietary funds. The government-wide financial statements include two statements:

- The *Statement of Net Position* presents all of the Corporation's assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as "net position." Over time, increases and decreases in the Corporation's net position may serve as a useful indicator of the health of the financial position of the Corporation.

- The *Statement of Activities* presents information indicating how the Corporation's net position changed during the most recent fiscal year.

The government-wide financial statements of the Corporation are divided into two categories:

- *Governmental activities* – The activities in this section are primarily supported by State or Federal appropriations or by Federal contributions.

- *Business-type activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users.

Fund Financial Statements
The fund financial statements provide more detailed information about the Corporation's most significant funds and not the Corporation as a whole. The financial activities of the Corporation are recorded in individual funds, each of which is deemed to be a separate accounting entity. Funds are either reported as a major fund or a non-major fund. The Governmental Accounting Standards Board ("GASB") issued Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, which sets forth the minimum criteria for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements and are detailed in the supplementary information.

The Corporation has two types of funds:

- *Governmental Funds*

  - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

  - Governmental funds financial statements help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Corporation's programs.

  - The focus of the governmental funds is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision.

  - Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

- *Proprietary Funds* – The Corporation's only type of proprietary funds are its enterprise funds, which are used to account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing services to customers.

Notes to Financial Statements
The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Required Supplementary Information Other Than Management's Discussion and Analysis
In addition to the basic financial statements and accompanying notes, this report presents a section of required supplementary information ("RSI") other than management's discussion and analysis, which contains budget-to-actual schedules for the Corporation's General Fund, HOME Investment Partnership Program, Housing Trust Fund Program, and Homeowner Assistance Fund Program as well as accompanying notes, which are required for major governmental funds with legally adopted budgets.

Supplementary Information
Following the RSI other than management's discussion and analysis section, supplementary information presents details on combining information and reconciliation of cash and short-term investments of the non-major Governmental and Proprietary funds, which are not required to be presented.

Supplementary information also includes the Schedule of Expenditures of Federal Awards ("SEFA"). The SEFA reports federal awards expended by the Corporation on the cash basis of accounting for the year ended June 30, 2023.

Government-wide Financial Analysis
As noted earlier, the Statement of Net Position presents all of the Corporation's assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as net position. Over time, changes in net position may serve as a useful indicator of the Corporation's financial statements. As indicated below, as of June 30, 2023, the Corporation's total net position was approximately $1,760,800,000 an increase of approximately $151,200,000 (or 9.4%) from the previous year of approximately $1,609,600,000.

Government-Wide Condensed Statements of Net Position
June 30, 2023 and 2022
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2023	2022	2023	2022	2023	2022	Change
Current assets	$ 126,726	$ 65,923	$ 647,242	$ 662,057	$ 773,968	$ 727,980	6.3%
Restricted assets held by trustee	-	-	40,700	41,201	40,700	41,201	-1.2%
Capital assets	43	-	83,996	94,305	84,039	94,305	-10.9%
Lease receivable	-	-	4,671	-	4,671	-	-
Other assets	9,862	9,862	927,153	843,250	937,015	853,112	9.8%
Total assets	136,631	75,785	1,703,762	1,640,813	1,840,393	1,716,598	7.2%
Deferred outflows of resources	-	-	2,930	2,007	2,930	2,007	46.0%
Total assets and deferred outflows of resources	$ 136,631	$ 75,785	$ 1,706,692	$ 1,642,820	$ 1,843,323	$ 1,718,605	7.3%
Current liabilities	$ 22,658	$ 22,758	$ 7,124	$ 8,423	$ 29,782	$ 31,181	-4.5%
Noncurrent liabilities	-	-	44,136	74,497	44,136	74,497	-40.8%
Total liabilities	22,658	22,758	51,260	82,920	73,918	105,678	-30.1%
Deferred inflows of resources	-	-	8,614	3,378	8,614	3,378	155.0%
Net position							
Net investment in capital assets	43	-	83,939	94,233	83,982	94,233	-10.9%
Restricted	10,601	10,404	73,727	74,693	84,328	85,097	-0.9%
Unrestricted	103,329	42,623	1,489,152	1,387,596	1,592,481	1,430,219	11.3%
Total net position	113,973	53,027	1,646,818	1,556,522	1,760,791	1,609,549	9.4%
Total liabilities, deferred inflows of resources and net position	$ 136,631	$ 75,785	$ 1,706,692	$ 1,642,820	$ 1,843,323	$ 1,718,605	7.3%

*Prior year comparative amounts have not been changed to reflect the prior period adjustment of $29,573 to net position as described in note 18.

Total assets and deferred outflows of resources increased by approximately $124,700,000 (7.3%) during fiscal year 2023 primarily related to the increase in current assets of approximately $46,000,000 (6.3%) and increase in other assets by approximately $83,900,000 (9.8%), offset by the decrease in capital assets of approximately $10,300,000 (10.9%).

Current assets are comprised of cash and cash equivalents, current receivables and accrued interest. The increase in current assets was primarily due to the increase of receivables due from State for allotted but not yet expended appropriations in governmental activities of approximately $60,600,000, increase in accrued interest of approximately $7,900,000 in business-type activities, offset by the decrease of approximately $23,900,000 in cash and cash equivalents in business-type activities. Cash and cash equivalents in the business-type activities increased in the Dwelling Unit Revolving Fund by approximately $51,000,000 and Housing Finance Revolving Fund by approximately $4,800,000 offset by the decrease in the Rental Housing Revolving Fund of approximately $79,200,000.

Other assets are comprised of long-term portion of mortgage and construction loans receivable and inventories of development in progress and dwelling units. Other assets increased by approximately $83,900,000 primarily due to net increase in mortgages, notes and loans of approximately $82,200,000 and an increase in inventories of development in progress and dwelling units of $1,700,000.

Capital assets decreased by approximately $10,300,000 primarily due to the sale of leasehold interest in the affordable rental housing project, Kulia I Ka Nuu.

Total liabilities and deferred inflows of resources increased by $1,800,000 (1.7%) before a prior period adjustment of $29,573,000, during fiscal year 2023 primarily related to the increase in deferred inflows of resources on lease receivable of approximately $4,900,000, due to entering into new leases offset by decrease in accounts payable of approximately $2,000,000.

Restricted net position represents resources that are subject to external restrictions on how funds may be used, primarily including the assets held by trustee.

Unrestricted net position consists of net position that does not meet the definition of “restricted” or “net investment” in capital assets.

The Statement of Activities below presents information indicating how the Corporation's net position changed during the most recent fiscal year:

Government-Wide Statements of Activities
Years Ended June 30, 2023 and 2022
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2023	2022	2023	2022	2023	2022	Change
Revenues							
Program revenues							
Charges for services	$ -	$ -	$ 19,657	$ 11,956	$ 19,657	$ 11,956	64.4 %
Operating grants and contributions	10,213	9,039	57,166	51,359	67,379	60,398	11.6 %
General revenues							
State allotted appropriation, net of lapses	61,984	65,000	-	-	61,984	65,000	-4.6 %
Loss on disposal of capital assets	-	-	(1,745)	(6,421)	(1,745)	(6,421)	-72.8 %
Total revenues	72,197	74,039	75,078	56,894	147,275	130,933	12.5 %
Expenses							
Governmental activities							
Low-income housing service and assistance program	10,520	8,979	-	-	10,520	8,979	17.2 %
Business-type activities							
Rental assistance program	-	-	1,347	1,524	1,347	1,524	-11.6 %
Housing development program	-	-	9,013	9,158	9,013	9,158	-1.6 %
Multifamily mortgage loan programs	-	-	1,969	1,667	1,969	1,667	18.1 %
Single family mortgage loan program	-	-	965	2,039	965	2,039	-52.7 %
Other	-	-	1,793	2,304	1,793	2,304	-22.2 %
Total expenses	10,520	8,979	15,087	16,692	25,607	25,671	-0.2 %
Net change before transfers and lapses	61,677	65,060	59,991	40,202	121,669	105,262	15.6 %
Transfers	(731)	(26,314)	731	26,314	-	-	0.0 %
Change in net position	60,946	38,746	60,723	66,516	121,669	105,262	15.6 %
Net position, beginning of year, as restated	53,027	14,281	1,586,095	1,490,006	1,639,122	1,504,287	9.0 %
Net position, end of year	$ 113,973	$ 53,027	$ 1,646,818	$1,556,522	$1,760,791	$1,609,549	9.4 %

*Prior year comparative amounts have not been changed to reflect the prior period adjustment of $29,573 to net position as described in note 18.

Governmental Activities

For the year ended June 30, 2023, the Corporation's governmental activities increased its net position by approximately $61,000,000 (115.0%) to approximately $114,000,000, primarily as the result of revenues from the State-allotted appropriations, net of lapses, totaling approximately $62,000,000.

Business-type Activities

Revenues of the Corporation's business-type activities were primarily from charges for services, program investment income, and operating grants and contributions. Charges for services consist primarily of interest income of loans related to the Corporation's lending programs. Operating grants and contributions consist primarily of conveyance taxes.

For the year ended June 30, 2023, the Corporation's business-type activities increased its net position by approximately $61,900,000 (4.0%), before a prior period adjustment of $29,573,000. Revenues primarily consisted of $38,000,000 in conveyance taxes, approximately $10,900,000 in interest income on loans, approximately $16,500,000 in interest income, approximately $8,500,000 in other income including fees received for various program administration, approximately $2,800,000 in rental income, offset approximately $12,900,000 in expenses for the Corporation's various business-type functions and approximately $1,700,000 in losses on disposal of capital assets.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

As of June 30, 2023, the Corporation's governmental funds reported a total fund balance of approximately $114,000,000.

The governmental funds consist of five major funds. The major funds are the (1) General Fund, (2) General Obligation Bond Fund, (3) HOME Investment Partnership Program, (4) Housing Trust Fund Program, and (5) Homeowner Assistance Fund Program.

- The General Fund accounts for the State's general fund revenues appropriated by the State Legislature to the Corporation and transfers for subsequent use by the Corporation's other funds. The fund had a fund balance of approximately $700,000 as of June 30, 2023.
- The General Obligation Bond Fund is used to transfer proceeds from the State's issuance of general obligation bonds to the Corporation for subsequent use by the Corporation's other funds. The fund had a fund balance of approximately $102,700,000 as of June 30, 2023.
- The HOME Investment Partnership Program was established for the purpose of enhancing the State and local government's ability to provide affordable housing for low- and very low-income families through funding strategies designed to increase the supply of decent affordable housing by offering financial and technical assistance to participating jurisdictions. The fund had a fund balance of approximately $700,000 as of June 30, 2023.
- The Housing Trust Fund Program was established for the purpose of enhancing the State and local government's ability to provide affordable housing for extremely low-income families through funding strategies designed to increase the supply of decent affordable housing by offering financial and technical assistance to participating jurisdictions. The fund did not have a fund balance as June 30, 2023.

- The Homeowner Assistance Fund Program was established to mitigate financial hardships associated with the COVID-19 pandemic by providing funds to eligible entities for the purpose of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardships after January 21, 2020, through qualified expenses related to mortgages and housing. The fund did not have a fund balance as of June 30, 2023.

Proprietary Funds

As of June 30, 2023, the Corporation's proprietary funds reported total net position of approximately $1,646,800,000.

The proprietary funds consist of four major and four non-major funds. The major funds are the (1) Rental Housing Revolving Fund, (2) Dwelling Unit Revolving Fund, (3) Single Family Mortgage Purchase Revenue Bond Fund, and (4) the Housing Finance Revolving Fund.

- The Rental Housing Revolving Fund provides developers of qualified rental housing projects with loans and/or grants for the development, predevelopment, construction, acquisition, preservation and rehabilitation of rental housing units. The fund recognized an increase in net position of approximately $5,400,000 to approximately $1,036,800,000 as of June 30, 2023. The increase in net position was primarily due to the statutory maximum collection of conveyance taxes of $38,000,000 and interest income earned on mortgages, notes, loans and investments of approximately $4,800,000, and interest income of approximately $8,300,000, offset by operating expenses of approximately $1,300,000 and transfers out to the Dwelling Unit Revolving Fund of approximately $44,600,000.
- The Dwelling Unit Revolving Fund accounts for State funds used for acquiring, developing, selling, leasing and renting residential, commercial and industrial properties; providing mortgage and interim financing; rental income; sales proceeds; and interest earnings from the financing and investment of such funds. The fund recognized an increase in net position of approximately $52,900,000 to $498,900,000, before a prior period adjustment of $29,573,000, as of June 30, 2023. The increase in net position was primarily due to net transfers-in of approximately $44,900,000, interest income earned on mortgages, notes, loans and investments of approximately $5,000,000, interest income of approximately $7,000,000 and rental income of approximately $2,800,000, offset by a loss on disposal of capital assets of approximately $1,700,000 and operating expenses of approximately $7,600,000.
- The Single Family Mortgage Purchase Revenue Bond Fund accounts for the proceeds from the issuance of bonds used to make below-market interest rate mortgage loans and the repayment, interest and earnings from such loans and investment of such funds. The fund recognized an increase in net position of approximately $200,000 to $36,000,000 as of June 30, 2023. The increase in net position is primarily due to approximately $1,100,000 of interest on mortgages, notes, loans and mortgage-backed securities offset by the net decrease in the fair value of mortgage-backed securities of approximately $700,000 and operating expenses of approximately $300,000.

- The Housing Finance Revolving Fund was created to be used for long-term and other special financing provided by the Corporation. The fund also accounts for monies received and collected by the Corporation, not otherwise pledged or obligated nor required by law to be placed in another proprietary fund. The fund recognized an increase in net position of approximately $3,000,000 to $11,300,000 as of June 30, 2023. The increase in net position is primarily due to other income which includes various fees of approximately of $3,900,000 and interest income of approximately $400,000, offset by operating expenses of approximately $1,300,000.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2023, the Corporation's capital assets amounted to approximately $84,000,000 (net of accumulated depreciation of approximately $4,000,000), a decrease of approximately $10,300,000 (10.9%) primarily due to the removal of net capital assets of approximately $10,100,000 as a result of the sale of the leasehold interest of Kulia I Ka Nuu and depreciation expense of approximately $200,000.

Corporation's Capital Assets
June 30, 2023 and 2022
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2023	2022	2023	2022	2023	2022	Change
Land	$ -	$ -	$ 82,705	$ 82,705	$ 82,705	$ 82,705	0.0%
Buildings and improvements	-	-	4,452	14,736	4,452	14,736	-69.8%
Furniture, fixtures, and equipment	109	109	738	783	847	892	-5.0%
Subscription asset	43	-	-	-	43	-	100.0%
Total	152	109	87,895	98,224	88,047	98,333	-10.5%
Accumulated Depreciation	(109)	(109)	(3,899)	(3,920)	(4,008)	(4,029)	-0.5%
Total capital assets, net	$ 43	$ -	$ 83,996	$ 94,304	$ 84,039	$ 94,304	-10.9%

Debt Administration

Through June 30, 2023, approximately $3.8 billion of revenue bonds have been issued under various revolving bond funds of the Corporation and its predecessor entities, of which approximately $1,310,857,000 represents conduit debt. The revenue bonds are payable solely from the revenues and other monies and assets of the revenue bond funds and other assets of the Corporation pledged under the various bond indentures.

Under the Single Family Mortgage Purchase Revenue Bond Fund, revenue bonds payable decreased by approximately $600,000, net of premiums, to approximately $3,700,000 as of June 30, 2023, due to scheduled redemptions.

As of June 30, 2023, the bond ratings of the Single Family Mortgage Purchase revenue bonds were AA+, Aaa, and AAA for Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings.

During the year ended June 30, 2019, the Corporation adopted GASB Statement No. 91, *Conduit Debt Obligations*, and therefore derecognized all conduit bonds payable under the Multi-family Housing Revenue Bond Fund. As of June 30, 2023, conduit debt obligations outstanding amounted to approximately $500,400,000.

Requests for Information

This report is designed to provide an overview of the Corporation's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, Hawaii Housing Finance and Development Corporation, 677 Queen Street, Suite 300, Honolulu, Hawaii 96813.

	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Current assets			
Equity in cash and cash equivalents and investments in State Treasury	$ 22,639,234	$ 583,531,217	$ 606,170,451
Cash in banks	11,992	606,273	618,265
Receivables			
Mortgage loans	-	530,110	530,110
Accrued interest	-	58,268,752	58,268,752
Tenant receivables, less allowance for doubtful accounts of $2,039,864	-	74,826	74,826
Other receivables, less allowance for doubtful accounts of $135,591	113,281	2,988,883	3,102,164
Cash held by third parties	739,475	-	739,475
Due from State	103,347,965	-	103,347,965
Internal balances	(125,270)	125,270	-
Lease receivable	-	269,957	269,957
Prepaid expenses and other assets	-	847,059	847,059
Total current assets	126,726,677	647,242,347	773,969,024
Restricted assets held by trustee under revenue bond program			
Cash and cash equivalents	-	21,389,883	21,389,883
Investments	-	19,310,571	19,310,571
	-	40,700,454	40,700,454
Inventories – development in progress and dwelling units	-	53,911,465	53,911,465
Restricted deposits held in escrow	-	1,054,425	1,054,425
Mortgage loans, net of allowance for loan losses of $408,388	-	761,411,661	761,411,661
Notes and loans receivable	9,861,610	110,775,501	120,637,111
Lease receivable	-	4,670,976	4,670,976
Capital assets, net	43,200	83,995,601	84,038,801
Total assets	136,631,487	1,703,762,430	1,840,393,917
Deferred outflows of resources			
Deferred outflows on net pension liability	-	2,186,322	2,186,322
Deferred outflows on net OPEB liability	-	743,294	743,294
Total deferred outflows of resources	-	2,929,616	2,929,616
Total assets and deferred outflows of resources	$ 136,631,487	$ 1,706,692,046	$1,843,323,533

	Governmental Activities	Business-type Activities	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Accounts payable	$ 19,008	$ 325,826	$ 344,834
Accrued expenses			
Interest	-	8,031	8,031
Other	-	1,362,893	1,362,893
Due to other State departments	22,639,234	10,806	22,650,040
Security deposits	-	3,949,850	3,949,850
Note payable	-	14,871	14,871
Unearned income	-	423,279	423,279
Revenue bonds payable	-	1,028,000	1,028,000
Total current liabilities	22,658,242	7,123,556	29,781,798
Noncurrent Liabilities			
Note payable	-	41,750	41,750
Revenue bonds payable	-	2,657,094	2,657,094
Unearned income	-	22,132,839	22,132,839
Lease incentive liability	-	830,819	830,819
Net OPEB liability	-	8,422,997	8,422,997
Net pension liability	-	10,050,879	10,050,879
Total noncurrent liabilities	-	44,136,378	44,136,378
Total liabilities	22,658,242	51,259,934	73,918,176
Deferred inflows of resources			
Deferred inflows on lease receivable	-	4,855,614	4,855,614
Deferred inflows on net pension liability	-	2,115,601	2,115,601
Deferred inflows on net OPEB liability	-	1,642,994	1,642,994
Total deferred inflows of resources	-	8,614,209	8,614,209
Commitments and contingencies			
Net position			
Net investment in capital assets	43,200	83,938,980	83,982,180
Restricted by legislation and contractual agreements	10,601,088	73,727,232	84,328,320
Unrestricted	103,328,957	1,489,151,691	1,592,480,648
Total net position	113,973,245	1,646,817,903	1,760,791,148
Total liabilities, deferred inflows of resources, and net position	$ 136,631,487	$ 1,706,692,046	$1,843,323,533

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities as Restated	Total as Restated
Functions/Programs						
Governmental activities						
Low-income housing service and assistance program	$ 10,519,657	$ -	$ 10,213,396	$ (306,261)	$ -	$ (306,261)
Total governmental activities	10,519,657	-	10,213,396	(306,261)	-	(306,261)
Business-type activities						
Rental assistance program	1,346,869	4,880	831,887	-	(510,102)	(510,102)
Housing development program	9,013,347	7,862,825	9,671,541	-	8,521,019	8,521,019
Multifamily mortgage loan program	1,969,256	6,723,811	46,257,193	-	51,011,748	51,011,748
Single family mortgage loan program	964,366	1,137,851	-	-	173,485	173,485
Others	1,792,824	3,927,780	405,293	-	2,540,249	2,540,249
Total business-type activities	15,086,662	19,657,147	57,165,914	-	61,736,399	61,736,399
Total	$ 25,606,319	$ 19,657,147	$ 67,379,310	(306,261)	61,736,399	61,430,138
General revenues and transfers						
State allotted appropriations, net of lapses of $1,041,043				61,983,557	-	61,983,557
Net transfers				(731,344)	731,344	-
Loss on disposal of capital assets				-	(1,744,953)	(1,744,953)
Total general revenues and transfers				61,252,213	(1,013,609)	60,238,604
Change in net position				60,945,952	60,722,790	121,668,742
Net position, beginning of year, as restated				53,027,293	1,586,095,113	1,639,122,406
Net position, end of year				$ 113,973,245	$ 1,646,817,903	$ 1,760,791,148

	General Fund	General Obligation Bond Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Homeowner Assistance Fund Program	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in cash and cash equivalents and investments in State Treasury	$ -	$ -	$ -	$ -	$ 22,639,234	$ -	$ 22,639,234
Cash in Banks	-	-	7,989	4,003	-	-	11,992
Receivables	-	-	99,041	14,240	-	-	113,281
Cash held by third parties	-	-	739,475	-	-	-	739,475
Notes and loans receivable	-	-	-	-	-	9,861,610	9,861,610
Due from State	689,381	102,658,584	-	-	-	-	103,347,965
	$ 689,381	$ 102,658,584	$ 846,505	$ 18,243	$ 22,639,234	$9,861,610	$ 136,713,557
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ 19,008	$ -	$ -	$ -	$ -	$ -	$ 19,008
Due to other funds	-	-	107,027	18,243	-	-	125,270
Due to State	-	-	-	-	22,639,234	-	22,639,234
Total liabilities	19,008	-	107,027	18,243	22,639,234	-	22,783,512
Fund Balances							
Restricted	-	-	739,478	-	-	9,861,610	10,601,088
Committed	670,373	102,658,584	-	-	-	-	103,328,957
Total fund balances	670,373	102,658,584	739,478	-	-	9,861,610	113,930,045
Total liabilities and fund balances	$ 689,381	$ 102,658,584	$ 846,505	$ 18,243	$ 22,639,234	$9,861,610	$ 136,713,557

Total fund balances - governmental funds		$ 113,930,045
Amounts reported for governmental activities in the statement of net position are different because capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
These assets consist of the following:		
Furniture, fixtures, and equipment	108,693	
Subscription asset	43,200	
Accumulated depreciation	(108,693)	
Capital assets, net		43,200
Net position of governmental activities		$ 113,973,245

	General Fund	General Obligation Bond Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Homeowner Assistance Fund Program	Other Governmental Funds	Total Governmental Funds
Revenues							
State allotted appropriations	$ 1,524,600	$ 61,500,000	$ -	$ -	$ -	$ -	$ 63,024,600
Intergovernmental revenue	-	-	4,869,714	5,229,665	114,017	-	10,213,396
Total revenue	1,524,600	61,500,000	4,869,714	5,229,665	114,017	-	73,237,996
Expenditures							
Programs	-	-	4,497,211	5,078,114	-	-	9,575,325
Personnel services	-	-	121,100	128,688	54,476	-	304,264
Administration	155,391	-	22,083	15,102	31,052	-	223,628
Capital expenses	391,163	-	-	-	-	-	391,163
Professional services	-	-	32,227	7,761	28,489	-	68,477
Total expenditures	546,554	-	4,672,621	5,229,665	114,017	-	10,562,857
Excess revenue over expenditures	978,046	61,500,000	197,093	-	-	-	62,675,139
Other financing uses							
Net transfers	(16,630)	(714,714)	-	-	-	-	(731,344)
Excess of revenues over expenditures and other financing uses	961,416	60,785,286	197,093	-	-	-	61,943,795
Lapsed appropriations	(291,043)	(750,000)	-	-	-	-	(1,041,043)
Net change in fund balances	670,373	60,035,286	197,093	-	-	-	60,902,752
Fund balances, beginning of year	-	42,623,298	542,385	-	-	9,861,610	53,027,293
Fund balances, end of year	$ 670,373	$ 102,658,584	$ 739,478	$ -	$ -	$ 9,861,610	$ 113,930,045

Reconciliation of Governmental Funds – Statement of Revenues, Expenditures, and Change in Fund Balances to the Statement of Activities
Year Ended June 30, 2023

Net change in fund balances - governmental funds	$ 60,902,752
Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital expense	43,200
Change in net position - governmental activities	$ 60,945,952

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Assets and Deferred Outflows of Resources						
Current assets						
Equity in cash and cash equivalents and investments in State Treasury	$ 287,563,585	$ 248,310,440	$ -	$ 16,757,525	$ 30,899,667	$ 583,531,217
Cash in banks	-	596,273	-	-	10,000	606,273
Receivables						
Mortgage loans	514,132	15,978	-	-	-	530,110
Accrued interest	26,021,643	31,283,908	57,418	299,082	606,701	58,268,752
Tenant receivables, less allowance for doubtful accounts of $2,039,864	-	74,826	-	-	-	74,826
Other receivables, less allowance for doubtful accounts of $135,591	87,500	1,812,973	-	-	1,088,410	2,988,883
Total receivables	26,623,275	33,187,685	57,418	299,082	1,695,111	61,862,571
Due from other funds	-	900,000	4,438	188,335	3,604,414	4,697,187
Lease receivable	-	269,957	-	-	-	269,957
Prepaid expenses and other assets	-	768,689	2,685	-	75,685	847,059
Total current assets	314,186,860	284,033,044	64,541	17,244,942	36,284,877	651,814,264

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Restricted assets held by trustee under revenue bond program						
Cash and cash equivalents	-	-	21,389,883	-	-	21,389,883
Investments	-	-	19,310,571	-	-	19,310,571
Inventories - development in progress and dwelling units	-	53,911,465	-	-	-	53,911,465
Restricted deposits held in escrow	-	1,054,425	-	-	-	1,054,425
Mortgage loans, net of allowance for loan losses of $408,388	723,939,650	30,796,968	-	4,782,263	1,892,780	761,411,661
Notes and loans receivable	-	110,775,501	-	-	-	110,775,501
Lease receivable	-	4,670,976	-	-	-	4,670,976
Capital assets, net	123,109	83,600,200	40,135	139,235	92,922	83,995,601
Total assets	1,038,249,619	568,842,579	40,805,130	22,166,440	38,270,579	1,708,334,347
Deferred Outflows of Resources						
Deferred outflows on net pension liability	237,648	1,349,521	91,124	355,459	152,570	2,186,322
Deferred outflows on net OPEB liability	96,569	440,888	18,704	111,943	75,190	743,294
Total deferred outflows of resources	334,217	1,790,409	109,828	467,402	227,760	2,929,616
Total assets and deferred outflows of resources	$ 1,038,583,836	$ 570,632,988	$ 40,914,958	$ 22,633,842	$ 38,498,339	$1,711,263,963

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Liabilities, Deferred Inflows of Resources, and Net Position						
Current Liabilities						
Accounts payable	$ -	$ 253,602	$ 3,420	$ 18,907	$ 49,897	$ 325,826
Accrued expenses						
Interest	-	47	7,984	-	-	8,031
Other	166,166	789,833	34,481	229,851	142,562	1,362,893
Due to other funds	-	-	-	3,571,917	1,000,000	4,571,917
Due to other State departments	-	806	-	-	10,000	10,806
Security deposits	-	134,532	-	3,815,318	-	3,949,850
Note payable	-	14,871	-	-	-	14,871
Unearned income	-	384,615	-	-	38,664	423,279
Revenue bonds payable	-	-	1,028,000	-	-	1,028,000
Total current liabilities	166,166	1,578,306	1,073,885	7,635,993	1,241,123	11,695,473
Noncurrent Liabilities						
Note payable	-	41,750	-	-	-	41,750
Revenue bonds payable	-	-	2,657,094	-	-	2,657,094
Unearned income	87,367	22,045,472	-	-	-	22,132,839
Lease incentive liability	120,469	444,488	39,048	136,255	90,559	830,819
Net OPEB liability	427,023	5,543,149	456,143	1,397,777	598,905	8,422,997
Net pension liability	583,350	6,547,173	515,865	1,614,627	789,864	10,050,879
Total liabilities	1,384,375	36,200,338	4,742,035	10,784,652	2,720,451	55,831,851

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Deferred Inflows of Resources						
Deferred inflows on lease receivable	-	4,855,614	-	-	-	4,855,614
Deferred inflows on net pension liability	232,369	1,325,178	98,569	299,664	159,821	2,115,601
Deferred inflows on net OPEB liability	177,104	1,013,899	60,635	228,603	162,753	1,642,994
Total deferred inflows of resources	409,473	7,194,691	159,204	528,267	322,574	8,614,209
Net Position						
Net investment in capital assets	123,109	83,543,579	40,135	139,235	92,922	83,938,980
Restricted by legislation and contractual agreements	-	1,054,425	40,700,454	-	31,972,353	73,727,232
Unrestricted	1,036,666,879	442,639,955	(4,726,870)	11,181,688	3,390,039	1,489,151,691
Total net position	1,036,789,988	527,237,959	36,013,719	11,320,923	35,455,314	1,646,817,903
Total liabilities, deferred inflows of resources, and net position	$ 1,038,583,836	$ 570,632,988	$ 40,914,958	$ 22,633,842	$ 38,498,339	$ 1,711,263,963

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund as Restated	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds as Restated
Operating Revenues						
Conveyance tax	$ 38,000,000	$ -	$ -	$ -	$ -	$ 38,000,000
Rental	-	2,768,794	-	-	-	2,768,794
Interest on mortgages, notes, loans, and mortgage-backed securities	4,754,158	5,031,218	1,137,851	8,252	4,880	10,936,359
Sale of land and units, net	-	72,540	-	-	-	72,540
Other	336,536	2,638,487	-	3,919,528	1,633,117	8,527,668
Total operating revenues	43,090,694	10,511,039	1,137,851	3,927,780	1,637,997	60,305,361
Operating Expenses						
Personnel services	1,051,537	3,654,224	107,069	1,012,482	690,395	6,515,707
Programs	-	4,469,454	-	-	457,688	4,927,142
Housing assistance payments	-	-	-	-	1,113,523	1,113,523
Administration	147,018	236,891	19,498	225,104	89,136	717,647
Professional services	74,093	297,486	32,585	78,128	109,061	591,353
Depreciation	21,785	173,566	7,151	24,637	16,503	243,642
Provision for (recovery of) losses	-	(99,513)	-	(6,733)	-	(106,246)
Interest expense	-	-	101,246	-	-	101,246
Insurance	564	55,270	493	759	1,114	58,200
Capital expenses	897	2,774	-	-	-	3,671
Other	48	1,310	33	759	451	2,601
Total operating expenses	1,295,942	8,791,462	268,075	1,335,136	2,477,871	14,168,486
Operating income (loss)	41,794,752	1,719,577	869,776	2,592,644	(839,874)	46,136,875

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund as Restated	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds as Restated
Nonoperating Revenues (Expenses)						
Interest income	8,257,193	7,023,327	-	405,293	831,887	16,517,700
Loss on disposal of capital assets	-	(1,744,953)	-	-	-	(1,744,953)
Net decrease in fair value of mortgage-backed securities	-	-	(696,291)	-	-	(696,291)
Other expenses	-	(221,885)	-	-	-	(221,885)
Total nonoperating revenues (expenses)	8,257,193	5,056,489	(696,291)	405,293	831,887	13,854,571
Income (loss) before transfers	50,051,945	6,776,066	173,485	2,997,937	(7,987)	59,991,446
Net transfers	(44,638,762)	44,892,399	(1,465)	(3,987)	483,159	731,344
Change in net position	5,413,183	51,668,465	172,020	2,993,950	475,172	60,722,790
Net position, beginning of year, as restated	1,031,376,805	475,569,494	35,841,699	8,326,973	34,980,142	1,586,095,113
Net position, end of year	$ 1,036,789,988	$ 527,237,959	$ 36,013,719	$ 11,320,923	$ 35,455,314	$ 1,646,817,903

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Operating activities						
Cash received from tenants	$ -	$ 723,970	$ -	$ -	$ -	$ 723,970
Cash received from borrowers						
Principal payments	5,127,643	30,934	5,229	38,034	110,441	5,312,281
Interest income	2,420,842	7,790,639	1,145,612	8,034	5,520	11,370,647
Cash received from sale of land	-	2,406,720	-	-	-	2,406,720
Cash received from conveyance taxes	38,000,000	-	-	-	-	38,000,000
Cash received for payments on mortgage-back securities, net	-	-	2,204,000	-	-	2,204,000
Cash payments for issuance of loans receivable	(86,432,164)	(5,854,717)	-	-	-	(92,286,881)
Interest payments	-	-	(102,638)	-	-	(102,638)
Payments to employees	(1,105,563)	(3,869,808)	(148,150)	(1,012,621)	(720,536)	(6,856,678)
Payments to suppliers	(243,514)	(10,210,788)	(62,602)	(320,168)	(1,892,588)	(12,729,660)
Cash receipts from (payments to) other funds	(10,263)	(639,809)	2,673	999,794	(171,948)	180,447
Other cash receipts	336,403	2,581,174	-	4,813,807	1,035,199	8,766,583
Net cash from (used for) operating activities	(41,906,616)	(7,041,685)	3,044,124	4,526,880	(1,633,912)	(43,011,209)
Noncapital financing activities						
Principal paid on revenue bond maturities and redemptions	-	-	(642,433)	-	-	(642,433)
Intergovernmental tranfers	-	(221,885)	-	-	-	(221,885)
Transfers in (out)	(44,638,762)	44,892,399	(1,465)	(3,987)	483,159	731,344
Net cash from (used for) noncapital financing activities	(44,638,762)	44,670,514	(643,898)	(3,987)	483,159	(132,974)

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Capital and related financing activities						
Purchases of capital assets	-	(24,008)	-	-	-	(24,008)
Disposal of capital assets	-	8,344,319	-	-	-	8,344,319
Net cash from capital and related financing ctivities	-	8,320,311	-	-	-	8,320,311
Investing activities						
Interest received	7,372,349	4,758,614	-	244,230	650,095	13,025,288
Net cash from investing activities	7,372,349	4,758,614	-	244,230	650,095	13,025,288
Net change in cash and cash equivalents	(79,173,029)	50,707,754	2,400,226	4,767,123	(500,658)	(21,798,584)
Cash and cash equivalents, beginning of year	366,736,614	199,253,384	18,989,657	11,990,402	31,410,325	628,380,382
Cash and cash equivalents, end of year	$ 287,563,585	$ 249,961,138	$ 21,389,883	$16,757,525	$30,909,667	$ 606,581,798
Components of cash and cash equivalents						
Equity in cash and cash equivalents and investments in State Treasury	$ 287,563,585	$ 248,310,440	$ -	$16,757,525	$30,899,667	$ 583,531,217
Cash in banks	-	596,273	-	-	10,000	606,273
Restricted cash and cash equivalents held by trustee	-	-	21,389,883	-	-	21,389,883
Restricted deposits held in escrow	-	1,054,425	-	-	-	1,054,425
Cash and cash equivalents	$ 287,563,585	$ 249,961,138	$ 21,389,883	$16,757,525	$30,909,667	$ 606,581,798

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Operating activities						
Reconciliation of operating income (loss) to net cash from (used for) operating activities						
Operating income (loss)	$ 41,794,752	$ 1,719,577	$ 869,776	$ 2,592,644	$ (839,874)	46,136,875
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities						
Depreciation	21,785	173,566	7,151	24,637	16,503	243,642
Amortization	(20,893)	(77,089)	(6,773)	(23,630)	(15,706)	(144,091)
Lease amortization	-	(120,582)	-	-	-	-
Provision for losses	-	(99,513)	-	(6,733)	-	(106,246)
Rent subsidies applied to note payable	-	(15,359)	-	-	-	(15,359)
Interest expense settled through reduction of rental subsidies	-	634	-	-	-	634
Net pension expense	(32,025)	(120,528)	(3,619)	(31,774)	(21,234)	(209,180)
Net OPEB expense	(30,069)	(113,094)	(3,395)	(29,793)	(19,921)	(196,272)
Changes in assets and liabilities						
Mortgage loans receivable	(81,304,521)	28,850	5,229	38,034	110,441	(81,121,967)
Notes and loans receivable	-	(1,037,274)	-	-	-	(1,037,274)
Accrued interest receivable	(2,333,317)	(2,054,995)	7,761	(218)	640	(4,380,129)
Tenant receivables	-	32,552	-	-	-	32,552
Other receivables	(87,500)	(20,740)	-	-	(597,918)	(706,158)
Due to (from) other funds	(10,263)	(632,177)	2,673	999,794	(171,948)	188,079
Due to other State departments	-	(7,632)	-	-	-	(7,632)
Inventories -development in progress	-	(1,686,930)	-	-	-	(1,686,930)
Prepaid expenses and other assets	-	(768,675)	-	-	17,783	(750,892)
Investments	-	-	2,204,000	-	-	2,204,000
Accounts payable	-	(699,957)	(3,220)	7,453	(123,692)	(819,416)
Accrued interest payable	-	(12)	(1,392)	-	-	(1,404)
Other accrued expenses	8,068	18,038	(34,067)	61,428	11,014	64,481
Security deposits	-	(253,233)	-	895,038	-	641,805

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Unearned income	87,367	(183,883)	-	-	-	(96,516)
Estimated future costs of development	-	(1,123,229)	-	-	-	(1,123,229)
Net cash from (used for) operating activities	$ (41,906,616)	$ (7,041,685)	$ 3,044,124	$ 4,526,880	$ (1,633,912)	$ (43,011,209)
Supplemental Information						
Noncash Capital and Related Financing Activities						
Principal payments on note payable settled through reduction of rental subsidies	$ -	$ 14,725	$ -	$ -	$ -	$ -
Interest payments on mortgage note payable settled through reduction of rental subsidies	-	634	-	-	-	-

Note 1 - Organization and Summary of Significant Accounting Policies

Financial Reporting Entity

Chapter 201E, Hawaii Revised Statutes and Act 337, Session Laws of Hawaii ("SLH") 1987, created the Housing Finance and Development Corporation ("HFDC"). The HFDC was created to perform housing finance, housing development, and residential leasehold functions. The Hawaii Housing Authority, State of Hawaii ("Authority") was organized pursuant to the provisions of Chapter 356, Hawaii Revised Statutes. The Authority was created to provide safe and sanitary dwelling accommodations for low and moderate-income residents of Hawaii.

In accordance with Act 350, SLH 1997, effective July 1, 1998, the functions and employees of HFDC, as well as those of the Authority and the Rental Housing Trust Fund Commission, were transferred to the newly created Housing and Community Development Corporation of Hawaii ("HCDCH"). The purpose of Act 350, SLH 1997 was to consolidate all state housing functions previously administered by the Authority, HFDC and the Rental Housing Trust Fund Commission. HCDCH was a public body, both corporate and politic, and was for administrative purposes considered to be a part of the State Department of Business, Economic Development and Tourism. In accordance with Act 92, SLH 2003, effective July 1, 2003, the functions and employees of HCDCH were transferred to the State Department of Human Services for administrative purposes.

In accordance with Act 196, SLH 2005, as amended by Act 180, SLH 2006, HCDCH was split into two organizations to concentrate more effectively on the development of affordable housing. Effective July 1, 2006, HCDCH was bifurcated into (1) the Hawaii Public Housing Authority and (2) the Hawaii Housing Finance and Development Corporation (the "Corporation").

For financial reporting purposes, the Corporation includes all funds that are controlled by or dependent on the Corporation's Board of Directors. Control by or dependence on the Corporation was determined on the basis of statutory authority and monies flowing through the Corporation to each fund.

The financial statements of the Corporation include only the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Corporation, and are not intended to present fairly the financial position of the State of Hawaii (the "State") as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which include the Corporation's financial activities.

Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net position, and the statement of activities report information on the activities of the Corporation. Governmental activities, which normally are supported by State allotments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. State allotments and other items not included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than program revenues. The Corporation employs an indirect cost allocation system. The Corporation provides certain administrative services to its various funds. The cost of these services is allocated to the funds based on estimates of benefits provided to the funds.

Net position is restricted when constraints placed on it are either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restrictions of net position. When both restricted and unrestricted resources are available for use, generally it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed. Additionally, the Corporation would first use restricted, committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

The fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are summarized into a single column.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. In applying the susceptible to accrual concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when applicable requirements, including timing requirements, are met.

Principal revenue sources considered susceptible to accrual include federal grants and interest on investments. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State's present appropriation system. These revenues have been accrued in accordance with GAAP since they have been earned and are expected to be collected within 60 days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the Corporation.

Expenditures generally are recorded when a liability is incurred.

Proprietary Funds Financial Statements

The financial statements of proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described above.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Corporation's enterprise funds are conveyance tax revenues, rental income, and interest income earned on mortgages, notes, loans and mortgage-backed securities. Interest income from investments in State Treasury is reported as nonoperating income.

Fund Accounting

The financial activities of the Corporation are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Corporation uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

GAAP as established by the Governmental Accounting Standards Board ("GASB") sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements and detailed in the combining financial statements in the supplementary information section.

Governmental Funds

- **Governmental Funds** – These funds account for those activities that are primarily supported by State or Federal appropriations or by Federal contributions. Governmental Funds include the General Fund, General Obligation Bond Fund, HOME Investment Partnership Program, Housing Trust Fund Program, Homeowner Assistance Fund Program, and the Tax Credit Assistance Program ("TCAP").

  The Corporation reports the following as major governmental funds:

  - General Fund accounts for all financial resources of the State's general fund revenues appropriated by the State Legislature to the Corporation, except those required to be accounted for in another fund.

  - General Obligation Bond Fund accounts for the transfers of the proceeds of the State's general obligation bonds allotted to the Corporation for subsequent use by the Corporation's other funds.

  - HOME Investment Partnership Program accounts for all financial activities that are funded by the related federal grants. Substantially all of the fund's activity relates to providing affordable housing to residents of the State.

  - Housing Trust Fund Program accounts for all financial activities funded by the related federal grant. Substantially all of the fund's activity is related to providing affordable housing, with primary attention to rental housing for extremely low-income households.

  - Homeowner Assistance Fund Program accounts for all financial activities funded by the related federal grant. Substantially all of the fund's activity is related to providing mortgage or other eligible homeowner expense assistance to residents impacted by the coronavirus pandemic.

Proprietary Funds

- **Enterprise Funds** – These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to customers, or where sound financial management dictates that periodic determinations of results of operations are appropriate. Enterprise Funds include the Rental Housing Revolving Fund, Dwelling Unit Revolving Fund, Single Family Mortgage Purchase Revenue Bond Fund, Housing Finance Revolving Fund, and other funds. The other funds include the Rental Assistance Revolving Fund, Multifamily Housing Revenue Bond Fund, Disbursing Fund, and Grants in Aid Fund.

Under the revenue bond funds, proceeds from bond issues are used to make below-market interest rate mortgage loans to persons and families of low to moderate income for the purchase of owner-occupied single-family and condominium dwellings, provide interim construction loans, and permanent financing of affordable multi-family rental housing projects.

The Corporation reports the following as major proprietary funds:

- Rental Housing Revolving Fund provides developers of qualified rental housing projects with loans and/or grants for the development, predevelopment, construction, acquisition, preservation and rehabilitation of rental housing units.

- Dwelling Unit Revolving Fund accounts for State funds used for acquiring, developing, selling, leasing and renting residential, commercial and industrial properties, providing mortgage and interim financing, rental income, sales proceeds, and interest earnings from the financing and investment of such funds.

- Single Family Mortgage Purchase Revenue Bond Fund accounts for the proceeds from the issuance of bonds used to make below-market interest rate mortgage loans and the repayment of such loans, and investment income earned.

- Housing Finance Revolving Fund provides for long-term and other special financing provided by the Corporation. The fund also accounts for monies received and collected by the Corporation, not otherwise pledged or obligated nor required by law to be placed in another proprietary fund.

Equity in Cash and Cash Equivalents and Investments in State Treasury

The State Director of Finance is responsible for the safekeeping of cash and investments in the State Treasury in accordance with State laws. The Director of Finance may invest any monies of the State, which in the Director's judgment, are in excess of the amounts necessary for meeting the immediate requirements of the State. Cash is pooled with funds from other State agencies and departments and deposited into approved financial institutions or in the State Treasury Investment Pool. Funds in the investment pool accrue interest based on the average weighted cash balances of each account.

The State requires that depository banks pledge, as collateral, government securities held in the name of the State for deposits not covered by federal deposit insurance.

GAAP requires disclosures over common deposit and investment risks related to credit risk, interest rate risk, and foreign currency risk. Investments can be categorized by type, maturity and custodian to determine the level of interest rate, credit and custodial risk assumed by the Corporation. However, as these funds are held in the State investment pool, the Corporation does not manage these investments and the types of investments, and related interest rate, credit and custodial risks are not determinable at the Corporation's level. The risk disclosures and fair value leveling table of the State's investment pool are included in the State's Annual Comprehensive Financial Report ("ACFR") which may be obtained from the Department of Accounting and General Services' ("DAGS") website: *https://ags.hawaii.gov/reports/financial-reports/*.

Cash and short-term investments held outside of the State Treasury are primarily held in a financial institution outside of the State. The Corporation considers all cash and investments with original maturities of three months or less to be cash equivalents.

Cash and cash equivalents for the purpose of the statement of cash flows include all cash and highly liquid investments with original purchased maturities of three months or less. Cash and cash equivalents also include the Corporation's equity in cash and cash equivalents and investments held in the State Treasury.

The State's investments are reported at fair value within the fair value hierarchy established by GAAP. Investments in mutual funds are reported at fair value based on quoted market prices. Investments in U.S. government obligations are reported at fair value based on quoted prices or other observable inputs, including pricing matrices.

Investments

Investments in U.S. government securities with maturities of one year or less when purchased are stated at cost, which approximate fair value. Certificates of deposits are stated at amortized cost. All other investments are reported at fair value as described below.

Fair Value Measurements

For financial assets reported at fair value, the Corporation defines fair value as the price that would be received to sell an asset in the principal or most advantageous market in an orderly transaction between market participants. The Corporation measures fair value using assumptions developed based on market data obtained from independent external sources and the reporting entity's own assumptions. The hierarchy is broken down into levels based on the reliability of the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or Level 2 inputs are not available.

Inventories

Inventories consist of developments in progress and units available for sale. Developments in progress include construction in progress and land held for future development related to planned community projects – Villages of Kapolei (Oahu), Kamakana Villages of Keahuolu (West Hawaii), and Villages of Leialii (Maui). Costs included in developments in progress relate to the infrastructure construction for these planned community projects and costs related to the Corporation's projects at Alder Street and Waiahole Valley. Units available for sale include constructed units, developed lots, and repurchased units available for sale.

Inventories are stated at the lower of cost or estimated net realizable value. All estimated development, holding and disposition costs to the anticipated date of disposition are considered in the determination of estimated net realizable value. Estimated net realizable value represents management's estimates, based on management's plans and intentions, of sales price less development, holding and disposition costs, assuming that the development and disposition occurs in the normal course of business. Write-downs for estimated losses on inventories are recorded to the extent total estimated costs exceed total estimated revenues for a project.

The recognition of gain from the sale of units is dependent on a number of factors relating to the nature of the property sold, the terms of the sale, and the future involvement of the Corporation in the property sold. If a real estate transaction does not meet established financial criteria, profit recognition is deferred and recognized under the installment or cost recovery method until such time as the criteria are met.

Receivables

Receivable balances are composed of mortgage loans receivable and tenant receivables from the various projects and funds within the Corporation. Mortgage loans receivable are primarily second mortgages from nonprofit organizations and for-profit developers for the development, pre-development, construction, acquisition, preservation and substantial rehabilitation of rental housing units. Receivable amounts from tenants are related to rental arrangements. Allowance for doubtful accounts on receivables are typically established for any accounts over 90 days outstanding. For the year ended June 30, 2023, there were allowances for mortgage loan receivables, tenant receivables, and other receivables of approximately $408,000, $2,040,000, and $136,000, respectively.

Interfund Receivables and Payables

During the course of operations, transactions occur between funds that may result in amounts owed between funds. Those related to transactions for goods and services are classified as "due to and from other funds." See Note 17 for details of interfund transactions, including receivables and payables at fiscal year-end.

Capital Assets

Capital assets, which include land, building and improvements (including building improvements and leasehold improvements), furniture, fixtures, and equipment, are reported in the applicable governmental or business-type activities in the government-wide financial statements and proprietary funds financial statements. The capitalization thresholds are $5,000 for furniture, fixtures, and equipment, and $100,000 for land, building, and improvements.

Purchased and constructed capital assets are valued at cost. Donated capital assets are recorded at their acquisition value at the date of donation.

Depreciation expense is recorded in the government-wide and proprietary funds financial statements utilizing the straight-line method over the assets' estimated useful lives. No depreciation is recorded for land and land improvements. Generally, the useful lives are as follows:

	Governmental Activities	Proprietary Funds and Business-Type Activities
Building and improvements	25 years	10-40 years
Furniture, fixtures, and equipment	7 years	5-10 years

Leases

Lessee
The Corporation has a policy to recognize a lease liability and a right-to-use lease asset ("lease asset") in the government-wide financial statements. The Corporation recognizes lease liabilities with an initial, individual value of $25,000 or more with a lease term greater than one year. Variable payments based on future State of Hawaii performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the Corporation initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service.

Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Corporation has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the Corporation determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Corporation uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Corporation generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the State is reasonably certain to exercise.

The Corporation monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Lessor
The Corporation is a lessor for leases of office and commercial space and land. The Corporation recognizes leases receivable and deferred inflows of resources in the financial statements.

Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease receivable.

At the commencement of a lease, the Corporation initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the Corporation determines (1) the lease represents an exchange or exchange-like transaction in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, (2) the discount rate it uses to discount the expected lease receipts to present value, (3) lease term, and (4) lease receipts.

- As the Corporation's mission is to provide affordable housing to Hawaii residents, an exchange or exchange-like transaction represents lease rents greater than 50% of current fair market rents.

- The Corporation uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Corporation monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription Assets

Subscription assets are recognized at the subscription commencement date and represent the Corporation's underlying IT asset for the subscription term. Subscription assets are measured at the initial value of the of payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Subscription assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period is for 5 years.

Due from State and Due to State

Due from State are amounts that have been allotted to the Corporation from the State of Hawaii General Fund and General Obligation Bond Fund. Due to State are unexpended amounts from the Homeowner Assistance Fund Program. Any funds unused by the Program will be returned to the State of Hawaii Department of Budget and Finance.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows (inflows) of resources represent a consumption (acquisition) of net assets that apply to a future period. Except for the Corporation's contributions to the pension and other postemployment benefits ("OPEB") plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans which will be recognized as a reduction of the net pension and net OPEB liability in the subsequent fiscal year and the deferred outflows or inflows of resources for the net difference between projected actual earnings on plan investments which are amortized over five years, the deferred outflow and inflow of resources related to pension and OPEB resulted from differences between expected and actual experiences, changes in assumptions and changes in proportion on pension plan investments, which will be amortized over the average remaining service lives of plan members.

The Corporation defers recognition of certain lease income for lease receivables and recognizes income over the lease term.

Unearned Revenues

Unearned revenues at the fund level and government-wide level arise when the Corporation receives resources before it has a legal claim to them. In subsequent periods, when the revenue recognition criteria are met or when the Corporation has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

Accrued Vacation

Vacation leave accumulates at a rate of one and three-quarters working days for each month of service. Accumulation of such vacation credits is limited to 720 hours at calendar year-end and is convertible to pay upon termination of employment. Liabilities for accumulated unpaid vacation are accrued at the end of each accounting period utilizing current salary rates. Such vacation credits are recorded as other accrued expenses in the government-wide and the proprietary funds financial statements at the balance sheet date. Accumulated unpaid vacation estimated to be used or paid during the next year is approximately $233,000. Accrued vacation, which is included in other accrued expenses in the statement of net position, changed during the fiscal year 2023 as follows:

Balance, July 1, 2022	$ 758,000
Additions	356,000
Deletions	(341,000)
Balance, June 30, 2023	$ 773,000

Accumulated Sick Leave Pay

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limitation. Generally, sick leave may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a state employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the Employees' Retirement System of the State of Hawaii ("ERS"). Accumulated unpaid sick leave at June 30, 2023, amounted to approximately $1,884,000.

Postemployment Benefits Other than Pensions

The actuarial valuation of the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF") does not provide OPEB information by department or agency. Accordingly, the State's policy on the accounting and reporting for OPEB is to allocate a portion of the State's net OPEB liability, and any adjustment to the net OPEB liability, to component units and proprietary funds that are reported separately in stand-alone financial statements or in the State's ACFR. The State allocates annual OPEB expense to component units and proprietary funds based on their proportionate percentage of the State's total contribution to the EUTF plan.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the EUTF, and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

Pension Benefits

The actuarial valuation of the ERS does not provide pension benefits information by department or agency. Accordingly, the State's policy on the accounting and reporting for pension benefits is to allocate a portion of the State's net pension liability, and any adjustment to the net pension liability, to component units and proprietary funds that are reported separately in stand-alone financial statements or in the State's ACFR. The State allocates annual pension expense to component units and proprietary funds based on their proportionate percentage of the State's total covered payroll.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the ERS, and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

Risk Management

Liabilities related to certain types of losses (including torts, theft of, damage to, or destruction of assets, errors or omissions, natural disasters, and injuries to employees) are reported when it is probable that the losses have occurred, and the amount of those losses can be reasonably estimated.

Governmental Fund Balances

The Corporation accounts for governmental fund balances through a hierarchical fund balance classification structure based primarily on the extent to which a government is bound to follow constraints on how resources can be spent. Classifications include:

- **Restricted** – Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments.

- **Committed** – Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the State legislature and the Corporation's Board of Directors. The same formal action is required to rescind the commitment. Except for board actions where authority is delegated to the Corporation Executive Director.

- **Assigned** – Balances that are constrained by management to be used for specific purposes but are neither restricted nor committed.

- **Unassigned** – Residual balances that are not contained in the other classifications.

The fund balance of the TCAP was restricted for use in the construction of qualified low-income buildings for which a housing credit agency has made an allocation of low-income housing credits under Section 42 of the Internal Revenue Code.

The fund balance of the General Obligation Bond Fund was committed to finance the development or rehabilitation of affordable housing.

The fund balance of the HOME Investment Partnership Program was restricted to provide affordable housing to residents of the State.

The fund balance of the General Fund was committed for information technology improvements authorized by Act 236, Session Laws of Hawaii 2022.

Use of Estimates

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results may differ from those estimates.

New Accounting Pronouncements

GASB Statement No. 94

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to establish the definitions of public-private and public-public partnerships ("PPP") and availability payment arrangements ("APA") and provide uniform guidance on accounting and financial reporting for transactions that meet those definitions. The Corporation adopted GASB Statement No. 94 effective July 1, 2022. Adoption of this statement did not have a material impact on the Corporation's financial statements.

GASB Statement No. 96

As of July 1, 2022, the Corporation adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right to use subscription asset and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain subscription assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. As a result of implementing this standard, the Corporation recognized a subscription asset of $43,200. As a result of this adjustment, there was no effect on beginning net position. The additional disclosures required by this standard are included in Note 6.

GASB Statement No. 99

The GASB issued Statement No. 99, *Omnibus*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately, while other requirements are effective for fiscal years beginning after June 15, 2022 and June 15, 2023, respectively. Applicable requirements in the current year were not material to the Corporation, requirement effective for next fiscal year will be evaluated by the Corporation.

GASB Statement No. 100

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. The Corporation has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 101

The GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The Corporation has not determined the effect this Statement will have on its financial statements.

Note 2 - Deposits

At June 30, 2023, total cash and cash equivalents reported in the statement of net position consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Equity in cash and cash equivalents and investments in State Treasury	$ 22,639,234	$ 583,531,217	$ 606,170,451
Cash in banks (book balance)	11,992	606,273	618,265
Cash held by third parties	739,475	-	739,475
Restricted cash and cash equivalents held by trustee	-	21,389,883	21,389,883
Deposits held in trust	-	-	-
Restricted deposits held in escrow	-	1,054,425	1,054,425
Total cash and cash equivalents	$ 23,390,701	$ 606,581,798	$ 629,972,499

The bank balance of cash in bank was approximately $972,645, of which $561,263 was covered by federal deposit insurance and $411,382 was not covered and is uncollateralized. As of June 30, 2023, Level 1 inputs were used to determine the fair value of the money market funds that are included in cash and cash equivalents. The fair value of equity in investments in State Treasury is described in Note 1.

Note 3 - Investments

Investments at June 30, 2023 are summarized by maturity (in years) as follows:

	Less than 1	Greater than 1 and up to 5	Greater than 5 and up to 10	Greater than 10 and up to 20	Greater than 20	Reported Value
Mortgage-backed securities	$ -	$ 1,009,370	$ 2,533,331	$ 9,039,084	$ 6,728,786	$ 19,310,571

Investments summarized in the table above are reflected in the statement of net position as investments held by trustee under revenue bond program.

As of June 30, 2023, Level 2 inputs were used to determine the fair value of mortgage-backed securities.

The risks related to the Corporation's investments are as follows:

- **Interest Rate Risk** – The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

- **Credit Risk** – The revenue bond funds' trust indentures authorize the trustee to invest in certificates of deposit, money market funds, U.S. government or agency obligations, and repurchase agreements. The Corporation has no investment policy that would further limit its investment decisions. As of June 30, 2023, Federal National Mortgage Association ("FNMA") mortgage-backed securities were rated Aaa, AAA, and AA+ by Moody's Investors Service, Fitch, and Standard & Poor's Rating Services, respectively. As of August 2, 2023, Fitch downgraded FNMA rating from AAA to AA+. Money market funds are not rated. Certificates of deposit and securities of the Government National Mortgage Association are not considered to have credit risk exposure.

- **Concentration of Credit Risk** – The Corporation has no limit on the amount the Corporation may invest in any one issuer. As of June 30, 2023, the Corporation's investments were primarily with the FNMA and represent 98% of the Corporation's total investments.

- **Custodial Risk** – For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation's investments that are uninsured and unregistered are held by the Corporation's trust agent in the Corporation's name. The Corporation monitors the fair value of these securities and obtains additional collateral when appropriate.

Note 4 - Mortgage Loans and Notes and Loans Receivable

Mortgage loans and notes and loans receivable at June 30, 2023, comprised the following:

	Mortgage Loans	Notes and Loans
Mortgage loans bearing interest up to 5.50%, maturing at various dates through 2081	$ 762,350,159	$ -
Promissory notes bearing interest up to 5.00%, maturing at various dates through 2071	-	110,775,501
Non-interest bearing promissory notes, maturing at various dates through 2066	-	9,861,610
Allowance for loan losses	(408,388)	-
	761,941,771	120,637,111
Less: Current portion	(530,110)	-
Noncurrent portion	$ 761,411,661	$ 120,637,111

Mortgage and development loans are collateralized by real property. The mortgage loans of the revenue bond funds are also subject to primary mortgage and mortgage pool insurance coverage that, subject to aggregate loss limitations, reimburses the Corporation for all losses incurred, if any, from the disposition of real property acquired through foreclosure.

The promissory notes are collateralized by a second mortgage on the improvements of Kukui Gardens (see Note 13). The non-interest-bearing notes are collateralized by real property.

Note 5 - Leases

Lessee

The Corporation leases office building space under a noncancelable operating lease expiring in 2049. The lease has fixed rent payments through August 2023 with no minimum rent due through lease expiration.

Lessor

The Corporation leases land with a carrying value to various developers and home buyers. The lease receivable as of June 30, 2023, was $4,940,933. Deferred inflows related to these leases were $4,855,614 as of June 30, 2023. Interest revenue recognized on these leases was $184,893 for the year ended June 30, 2023. Principal receipts of $358,439 were recognized during the fiscal year. The interest rate on the leases range from 2.87% – 4.57%. The leases expire at various dates through 2055.

Note 6 - Subscription Assets

During the current year, the Corporation recognized a subscription-based information technology arrangement contract for the use of software. As of June 30, 2023, the value of the subscription asset was $43,200. The subscription was prepaid and therefore no liability is recorded. The subscription asset will be amortized through June 2028. The subscription asset is recorded in Capital Assets (See Note 7).

Note 7 - Capital Assets

Capital assets activity, including subscription assets, for the year ended June 30, 2023, was as follows:

	Balance at July 1, 2022	Additions	Disposals	Balance at June 30, 2023
Governmental Activities				
Depreciable Assets				
Furniture, fixtures, and equipment	$ 108,693	$ -	$ -	$ 108,693
Subscription asset	-	43,200	-	43,200
	108,693	43,200	-	151,893
Accumulated Depreciation				
Furniture, fixtures, and equipment	(108,693)	-	-	(108,693)
Subscription asset	-	-	-	-
Governmental activities capital assets, net	$ -	$ 43,200	$ -	$ 43,200
Business-Type Activities				
Depreciable Assets				
Building and improvements	$ 14,736,477	$ -	$ (10,284,000)	4,452,477
Furniture, fixtures, and equipment	834,409	24,009	(120,394)	738,024
	15,570,886	24,009	(10,404,394)	5,190,501
Accumulated Depreciation				
Building and improvements	(3,673,117)	(116,090)	241,666	(3,547,541)
Furniture, fixtures, and equipment	(298,683)	(127,552)	73,456	(352,779)
	(3,971,800)	(243,642)	315,122	(3,900,320)
	11,599,086	(219,633)	(10,089,272)	1,290,181
Land	82,705,420	-	-	82,705,420
Business-type activities capital assets, net	$ 94,304,506	$ (219,633)	$ (10,089,272)	$ 83,995,601

For the year ended June 30, 2023, approximately $244,000 of depreciation expense was charged to the business-type activities for housing development.

At June 30, 2023, capital assets for the proprietary funds consisted of the following:

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	Other Enterprise Funds	Total Enterprise Funds
Buildings and improvements	$ 86,683	$ 4,174,495	$ 28,097	$ 98,041	$ 65,161	$ 4,452,477
Furniture, fixtures, and equipment	87,849	422,136	45,680	106,214	76,145	738,024
	174,532	4,596,631	73,777	204,255	141,306	5,190,501
Less: Accumulated depreciation	(51,423)	(3,701,851)	(33,642)	(65,020)	(48,384)	(3,900,320)
	123,109	894,780	40,135	139,235	92,922	1,290,181
Land	-	82,705,420	-	-	-	82,705,420
Capital assets, net	$ 123,109	$ 83,600,200	$ 40,135	$ 139,235	$ 92,922	$ 83,995,601

Note 8 - Revenue Bond Fund – Reserve Requirements

Under the trust indentures between the Corporation and the trustee for the Single Family Mortgage Purchase revenue bonds, investment assets and cash are required to be held by the trustee in various accounts and funds, including debt service reserve accounts, loan funds, and mortgage loan reserve funds. The uses of these assets are restricted by the terms of the trust indentures.

At June 30, 2023, the following debt service reserves and mortgage loan reserves were required by the trust indentures in the Single Family Mortgage Purchase Revenue Bond Fund:

Debt service reserve requirements	$ 369,000
Mortgage loan reserve requirements	264,000
	$ 633,000

At June 30, 2023, approximately $498,000 and $1,323,000 of investment securities were being held in the debt service reserve and mortgage loan reserve funds, respectively, and are included in assets held by trustee in the statement of net position.

The trust indenture agreement also requires that the mortgage loan reserves for the Single Family Mortgage Purchase Revenue Bond Fund be funded from other than bond proceeds and, accordingly, the reserves have been funded by commitment fees at June 30, 2023.

Note 9 - Note Payable

The Dwelling Unit Revolving Fund has a mortgage note payable to the U.S. Department of Agriculture Office of Rural Development. The note was originated in October 1994, and is payable in monthly installments of approximately $1,300, including annual interest at 1.0%, due in April 2027. The note is collateralized by property and rental receipts and is subject to certain covenants, including requirements to fund reserve account. Additionally, the terms of the note prohibit the Project from incurring additional liabilities other than those arising from current operating expenses. In the event of default, the lender may declare the remaining loan balance to be immediately due and payable, take possession of the property, foreclose the mortgage, or exercise other options stated in the loan agreement.

Principal and interest payments on the mortgage note payable are settled through the application of monthly rental subsidies received from the USDA. For the year ended June 30, 2023, such rental subsidies applied, which are accounted for as rental revenue, approximated $15,400.

Note payable activity during the year was as follows:

	Balance at July 1, 2022	Additions	Reductions	Balance at June 30, 2023	Current Portion
Note payable	$ 71,346	$ -	$ (14,725)	$ 56,621	$ 14,871

The aggregate annual approximate debt service requirement of the mortgage note payable is as follows:

Years Ending June 30,	Principal	Interest	Total
2024	$ 15,000	$ 1,000	$ 16,000
2025	15,000	-	15,000
2026	15,000	-	15,000
2027	11,000	-	11,000
	$ 56,000	$ 1,000	$ 57,000

Note 10 - Single Family Mortgage Purchase Revenue Bonds Payable

Through June 30, 2023, approximately $1.9 billion of revenue bonds have been issued. The revenue bonds are payable from and collateralized by the revenues and other monies and assets of the revenue bond funds and other assets of the Corporation pledged under the indentures.

Single Family Mortgage Purchase revenue bonds payable at June 30, 2023 consisted of the following issuance:

2013 Series A	
Term bonds maturing in 2023 through 2027 (2.60%)	$ 3,685,094

The Single Family Mortgage Purchase revenue bonds with designated maturity dates may be redeemed at the option of the Corporation. The revenue bonds may also be redeemed without premium prior to maturity, at the option of the Corporation, as funds become available from undisbursed bond proceeds, principal payments, and prepayments of mortgages, excess amounts in the debt service reserve account, or excess revenues (as defined in the bond indentures).

During the year ended June 30, 2023, early redemptions totaled $0.

Revenue bonds activity during the year was as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Single Family Mortgage Purchase	$ 4,327,527	$ -	$ (642,433)	$ 3,685,094
Less: Current portion				(1,028,000)
				$ 2,657,094

The approximate annual debt service requirements through June 30, 2027 for revenue bonds are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	$ 1,028,000	$ 81,000	$ 1,109,000
2025	1,055,000	54,000	1,109,000
2026	1,082,000	26,000	1,108,000
2027	520,094	3,000	523,094
	$ 3,685,094	$ 164,000	$ 3,849,094

Interest on the Corporation’s Single Family Mortgage Purchase revenue bonds is considered gross income for federal income tax purposes and is not subject to rebates due to the U.S. Treasury.

Interest expense of approximately $101,000 was included as direct function expenses in the government-wide financial statement of activities during the year ended June 30, 2023.

In the event of default, as defined in the bond indenture, the bond trustee may, by giving 30 days written notice to the Corporation, declare the principal and interest on all bonds outstanding to be due and payable immediately, subject to remedies provided in the indenture.

Note 11 - Conduit Debt Obligations

From time to time, the Corporation has issued revenue bonds to provide financial assistance to private sector entities for the acquisition and rehabilitation of affordable multi-family rental housing developments. These bonds are special limited obligations of the Corporation, payable solely from and collateralized by a pledge of payments on the mortgage-backed securities. Neither the Corporation, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

As of June 30, 2023, conduit debt obligations outstanding amounted to approximately $500,375,000.

Note 12 - Commitments and Contingencies

Construction Contracts

At June 30, 2023, the Dwelling Unit Revolving Fund (“DURF”) had outstanding commitments to expend approximately $35,354,000 for land development and the construction and renovation of housing projects.

Loan Commitments

At June 30, 2023, the Rental Housing Revolving Fund had aggregate outstanding loan commitments of approximately $68,303,000.

Rental Subsidy Commitments

At June 30, 2023, the Rental Assistance Revolving Fund had aggregate outstanding rental subsidy commitments of approximately $23,499,000.

Development Costs

The Kapolei development project primarily consists of eight residential villages, a golf course, and certain commercial parcels spread over approximately 888 acres of land. As of June 30, 2023, all but 20 acres of remnant residential and business mixed-use parcels have been developed and sold. The estimated future cost of development for this project is an outstanding commitment in the amount of approximately $28,350,000. This commitment is primarily for the completion of certain infrastructure improvements for this project. Of this commitment, approximately $14,000,000 has been entered into via various construction contracts. As of June 30, 2023, the construction has not yet been completed.

Additionally, the Corporation has been in the process of developing two master planned communities on the neighbor islands. The Villages of Leialii is in West Maui and is located on public trust (ceded) land owned by the State. As of June 30, 2023, the Corporation still has development rights for most of the Leialii project and development costs related to Leialii were approximately $9,157,000 at June 30, 2023.

In 2008, the Corporation embarked on the development of another master planned community on non-ceded land in West Hawaii, named the Kamakana Villages at Keahuolu. On March 31, 2009, the Corporation entered into a development agreement and a related loan agreement to finance necessary predevelopment, planning and infrastructure costs with a master plan developer. Over the past several years, the master plan developer has worked on the project and was successful in obtaining numerous development entitlements and rights under related agreements (collectively, the “entitlements”). In fiscal year 2018, the Corporation and the master plan developer agreed to terminate all of their rights, duties and obligations to each other under the development agreement with certain entitlements assigned and assumed by the Corporation with consideration of certain outstanding loan balances deemed repaid in full, which amounted to approximately $21,918,000. Additionally, a portion of the development agreement and outstanding loan balance was transferred to another plan developer for completion. As of June 30, 2023, development costs related to Kamakana Villages of Keahuolu were approximately $22,523,000.

In 2020, the Corporation began the process of developing the mixed-use project Hale Kalele, which adds 200 affordable rental housing units in lower Makiki. As of June 30, 2023, development costs related to Hale Kalele project were approximately $18,769,000.

Also, the Corporation has other development costs and dwelling units of approximately $1,495,000 at June 30, 2023.

Torts and Litigation

The Corporation is involved in various actions, the outcome of which, in the opinion of management, will not have a material adverse effect on the Corporation’s financial position. Losses, if any, are either covered by insurance or will be paid from legislative appropriations of the State’s general fund.

Insurance

The State maintains certain insurance coverage to satisfy the bond indenture agreements as well as for other purposes but is substantially self-insured for all other perils including workers’ compensation. The State records a liability for risk financing and insurance related losses, including incurred but not reported, if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. Relevant disclosures are included in the State ACFR. At June 30, 2023, the State recorded an estimated loss for workers’ compensation, automobile, and general liability claims as long-term liabilities as the losses will not be liquidated with currently expendable available financial resources. The estimated losses will be paid from legislative appropriations of the State’s general fund. The Corporation’s portion of the State’s workers’ compensation liability was not material at June 30, 2023.

Note 13 - Kukui Gardens

On December 18, 2007, the Corporation purchased a portion of Kukui Gardens (the "Project"), an affordable housing project in Honolulu, Hawaii, for approximately $59,569,000. Concurrent with DURF's purchase of the Project, DURF sold the Project's improvements (including apartment units) and operating cash of approximately $38,527,000 to Kukui EAH/DGI Associates, L.P. ("EAH"), an unrelated third party, for no gain or loss, and leased the underlying land of approximately $21,042,000 to EAH pursuant to the terms of a 65-year land lease that expires on December 18, 2072.

To assist in financing the acquisition and redevelopment of the Project, the State contributed $25,000,000 to DURF during December 2007. Additionally, the Multi-family Housing Revenue Bond Fund issued $45,000,000 of revenue bonds to provide conduit financing to EAH for their acquisition of the Project's improvements and operating cash, as well as to provide capital for rental operations and the planned renovation of the apartment units. Upon completion of the renovations, $34,605,000 of the bonds was scheduled to be redeemed, leaving $10,395,000 of bonds outstanding to their stated maturity. In 2010, due to unfavorable global economic conditions, EAH requested and Citicorp Municipal Mortgage Inc., bondholder, agreed to increase the unredeemed bond balance by $3,270,000 to $13,665,000, which decreased the redemption at conversion to $31,335,000 from $34,605,000. In May 2012, the Project was completed and a payment of $31,335,000 was received. As of June 30, 2023, the conduit debt obligations of and notes receivable from EAH related to the project amounted to approximately $11,745,000 and $11,692,000, respectively. Currently, $2,821,000 of the conduit debt obligation bears interest at a fixed rate of 6.25% and matures through January 2042, while the remaining $8,923,000 bears interest at a rate of 4.91% and matures annually through January 2042. The conduit debt obligation includes monthly payments of principal and interest with principal payments that range from approximately $14,000 to $119,000. Any unpaid principal and accrued interest, together with any other expenses, are due upon maturity.

Additionally, EAH executed three promissory notes to DURF in an aggregate amount of $29,055,000, including approximately $4,055,000 related to cash advanced from DURF to EAH and $25,000,000 related to the terms of the land lease. Additionally, DURF recorded $25,000,000 of unearned income on the accompanying statement of net position related to this transaction. The unearned income will be amortized to rental income on a straight-line basis and the notes receivable will be reduced as cash is collected. Unearned income at June 30, 2023, related to the Project was approximately $19,020,000. The notes bear interest at 4.72% and are for a term of 58 years, with a final maturity date of December 17, 2065. Repayment of the notes is distributed into three periods as follows: (1) December 18, 2007 to December 31, 2012, no payments due; (2) January 1, 2013 to December 31, 2042, beginning April 1, 2013, 85% of the residual cash flow generated by the rental operations of the Project after expenses, as defined; and (3) January 1, 2043 to December 17, 2065, beginning April 1, 2043, 90% of the residual cash flow generated by the rental operations of the Project after expenses, as defined, with any unpaid principal sum and accrued interest together with any other costs, expenses, and other charges due to be paid at maturity.

EAH also executed a promissory note to DURF for $26,000,000 in September 2009 to assist EAH in rehabilitating the property. The note bears no interest and is for a term of 56 years, with a final maturity date of December 17, 2065. Repayment of the note is distributed into three periods as follows: (1) September 1, 2009 to December 31, 2012, no payments due; (2) January 1, 2013 to December 31, 2042, beginning April 1, 2013, 85% of the residual cash flow generated by the rental operations of the Project after expenses, as defined; and (3) January 1, 2043 to December 17, 2065, beginning April 1, 2043, 90% of the residual cash flow generated by the rental operations of the Project after expenses, as defined, with any unpaid principal sum and accrued interest together with any other costs, expenses, and other charges due to be paid at maturity.

During the year ended June 30, 2023, DURF recognized approximately $2,459,000 of interest income related to the outstanding promissory notes. As of June 30, 2023, DURF has recorded approximately $24,019,000 of interest income receivable related to the outstanding promissory notes.

Note 14 - Pension Plan

Plan Description

Generally, all full-time employees of the State and counties are required to be members of the ERS, a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at the ERS website: *http://ers.ehawaii.gov/resources/financials*.

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement plans. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% to 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012, is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class.

Noncontributory Class

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or surviving dependent children, no benefit is payable.

  Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and surviving dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the surviving dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

  Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

- *Disability and Death Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability.

  Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

Hybrid Class for Members Hired Prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

- *Death Benefits* – For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/ reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

  Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60.

- *Disability and Death Benefits* – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost, plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2023 were 24% for employees. Contributions to the pension plan from the Corporation were approximately $1,080,000 for the year ended June 30, 2023.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012, are required to contribute 7.8% of their salary. Contributory members hired after June 30, 2012, are required to contribute 9.8% of their salary. Hybrid members hired prior to July 1, 2012, are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012, are required to contribute 8.0% of their salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the Corporation reported a liability of approximately $10,051,000 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Corporation's proportion of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2022, the Corporation's proportion was 0.135%, which was a decrease of 0.025 percentage points from its proportion measured as of June 30, 2021.

The following changes were made to the actuarial assumptions as of June 30, 2021 to June 30, 2022:

- The administrative expenses assumption was increased from 0.35% to 0.40%.

- The general wage inflation assumption represents the average increase in wages in the general economy and is used to index salaries for each cohort of new entrants in projections. The general productivity component of the general wage inflation assumption for general employees decreased from 1.00% to 0.50%, that now yields a nominal assumption of 3.00%.

- The assumed salary increase schedules increased for all employees. These schedules include an ultimate component for general wage inflation that may add on additional increases for individual merit (which would include promotions) and then an additional component for step rates based on service. The schedules of assumed salary increase for General Employees increased to 4.66% from 4.41%.

- Retiree mortality was updated to the 2022 Public Retirees of Hawaii mortality tables. The rates are projected on a fully generational basis by the long-term rates of scale UMP from the year 2022 and with multiplier and setbacks based on plan and group experience.

For the year ended June 30, 2023, the Corporation recognized pension expense of approximately $894,000.

At June 30, 2023, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 180,040	$ (158,835)
Changes in assumptions	(290,676)	(149,219)
Net difference between projected and actual earnings on pension plan investments	1,087,450	(1,782,502)
Changes in proportion and differences between Corporation contributions and proportional share of contributions	106,700	(25,045)
Corporation contributions subsequent to the measurement date	1,102,808	-
	$ 2,186,322	$ (2,115,601)

At June 30, 2023, approximately $1,103,000 reported as deferred outflows of resources related to pensions resulting from Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2024	$ (267,850)
2025	(390,185)
2026	(723,199)
2027	356,720
2028	(7,573)
	$ (1,032,087)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS's Board of Trustees on August 8, 2022, based on the 2021 Experience Study for the five-year period from July 1, 2016 through June 30, 2021:

Inflation	2.50%
Payroll growth rate	3.50%
Investment rate of return	7.00% per year, compounded annual including inflation

There were no changes to ad hoc postemployment benefits including cost of living allowances.

Post-retirement mortality rates are based on the 2022 Public Retirees of Hawaii mortality table with full generational projections in future years. Pre-retirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member.

The long-term expected rate of return on pension plan investments was determined using a “top down approach” of the Client-Constrained Simulation-based Optimization Model (a statistical technique known as “re-sampling with a replacement” that directly keys in on specific plan-level risk factors as stipulated by the ERS's Board of Trustees) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return (real returns plus inflation) by the target asset allocation percentage.

The target allocation and best estimates of long-term expected rate of return for each major asset class are summarized in the following table:

Classes	Target Allocation	Long-Term Expected Rate of Return
Broad growth		
Private equity	13.5%	11.0%
Global equity	20.0%	8.5%
Low volatility equity	4.0%	7.8%
Global options	4.0%	6.4%
Credit	6.0%	7.7%
Core real estate	6.0%	6.4%
Non-core real estate	4.5%	9.5%
Timber/agriculture/infrastructure	5.0%	8.3%
Diversifying strategies		
TIPS	2.0%	3.3%
Global macro	4.0%	5.4%
Reinsurance	4.0%	6.4%
Alternative risk premia	8.0%	5.4%
Long-term Treasuries	5.0%	3.8%
Intermediate government	4.0%	3.2%
Systematic trend following	10.0%	6.2%
Total investments	100.0%	

Discount Rate

The discount rate used to measure the net pension liability was 7.00%, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Corporation's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Corporation's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Corporation's proportionate share of the net pension liability	$ 13,478,546	$ 10,050,879	$ 7,213,420

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS's financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. The ERS's complete financial statements are available at *http://www.ers.ehawaii.gov/resources/financials.*

Payables to the Pension Plan

The Corporation's contribution payable to the ERS was paid by June 30, 2023. Excess payments of $56,700 are being applied to amounts due in fiscal year 2024.

Required Supplementary Information and Disclosures

The State's ACFR includes the required disclosures and required supplementary information on the State's pension plan.

Note 15 - Post-Retirement Health Care and Life Insurance Benefits

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the EUTF, an agent multiple employer-defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues an annual financial report that is available to the public at *https://eutf.hawaii.gov/reports/*. The report may also be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Employees Covered by Benefit Terms

At July 1, 2022, the following number of plan members were covered by the benefit terms:

Inactive plan members of beneficiaries currently receiving benefits	39,326
Inactive plan members entitled to but not yet receiving benefits	7,564
Active plan member	48,678
Total plan members	95,568

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Corporation was approximately $478,000 for the year ended June 30, 2023. The employer is required to make all contributions for members.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the Corporation reported a net OPEB liability of approximately $8,423,000. The net OPEB liability was measured as of July 1, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2022, and the reporting date, June 30, 2023, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2023**,** the Corporation recognized OPEB expense of approximately $317,000.

At June 30, 2023**,** the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (1,532,385)
Changes in assumptions	79,465	(255,271)
Net difference between projected and actual earnings on OPEB plan investments	150,453	144,662
Corporation contributions subsequent to the measurement date	513,376	-
	$ 743,294	$ (1,642,994)

The approximate $513,000 reported as deferred outflows of resources related to OPEB resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	
2024	$ (344,753)
2025	(339,388)
2026	(364,462)
2027	(180,909)
2028	(183,564)
	$ (1,413,076)

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 9, 2023, based on the experience study covering the five-year period ended June 30, 2022 as conducted for the ERS:

Inflation	2.50%
Salary increases	3.75% to 6.75% including inflation
Investment rate of return	7.00%
Healthcare cost trend rates	
PPO*	Initial rate of 6.40% declining to a rate of 4.25% after 22 years
HMO*	Initial rate of 6.40% declining to a rate of 4.25% after 22 years
Contribution	Initial rate of 5.00% declining to a rate of 4.25% after 22 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Private equity	12.50%	11.72%
U.S. microcap	6.00%	8.28%
Global equity	27.50%	6.62%
Global options	5.00%	4.45%
Real assets	10.00%	6.59%
Private credit	8.00%	6.38%
TIPS	5.00%	1.35%
Long-term Treasuries	6.00%	2.32%
Alternative risk premia	5.00%	3.74%
Trend following	10.00%	4.53%
Reinsurance	5.00%	4.81%
Total investments	100.00%	

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend ACT 268 contributions for fiscal year ending June 30, 2021, and instead limit their contribution amounts to the OPEB benefits due. This relief provision related to OPEB funding was extended to fiscal years 2022 and 2023 by ACT 229, SLH 2021. The OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. The EUTF's complete financial statements are available at *https://eutf.hawaii.gov/reports/*.

Changes in Net OPEB Liability

The following table represents a schedule of changes in the Corporation's net OPEB liability. The ending balances are as of the measurement date, July 1, 2022.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2022	$ 12,496,901	$ 3,376,590	$ 9,120,311
Service cost	216,420	-	216,420
Interest on total net OPEB liability	723,043	-	723,043
Difference between expected and actual experience	(978,245)	-	(978,245)
Change in assumptions	(249,341)	-	(249,341)
Corporate contributions	-	477,707	(477,707)
Net investment loss	-	(69,162)	69,162
Benefit payments	(333,341)	(333,341)	-
Administrative expenses	-	(286)	286
Other	-	932	(932)
Net changes	(621,464)	75,850	(697,314)
Balance at June 30, 2023	$ 11,875,437	$ 3,452,440	$ 8,422,997

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following table presents the Corporation's net OPEB liability calculated using the discount rate of 7.00%, as well as what the Corporation's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Corporation's proportionate share of the net OPEB liability	$ 10,431,438	$ 8,422,997	$ 6,826,691

The following table presents the Corporation's net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the Corporation's net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Corporation's proportionate share of the net OPEB liability	$ 6,739,955	$ 8,422,997	$ 10,574,952

Payables to the OPEB Plan

The Corporation's contribution payable to EUTF was paid by June 30, 2023.

Required Supplementary Information and Disclosures

The State's ACFR includes the required disclosures and required supplementary information on the State's OPEB plan.

Note 16 - Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Note 17 - Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2023 is as follows:

Receivable Fund	Payable Fund	Amount
Dwelling Unit Revolving Fund	Non-major Enterprise Funds	$ 900,000
Housing Finance Revolving Fund	Non-major Enterprise Funds	100,000
Non-major Enterprise Funds	Housing Finance Revolving Fund	3,567,479
Non-major Enterprise Funds	HOME Investment Partnership Program Fund	31,432
Non-major Enterprise Funds	Housing Trust Fund Program	5,503
Housing Finance Revolving Fund	HOME Investment Partnership Program Fund	75,595
Housing Finance Revolving Fund	Housing Trust Fund Program	12,740
Single Family Mortgage Purchase Revenue Bond Fund	Housing Finance Revolving Fund	4,438
Total proprietary interfund balances		$ 4,697,187
Housing Finance Revolving Fund	HOME Investment Partnership Program Fund	$ 75,595
Housing Finance Revolving Fund	Housing Trust Fund Program	12,740
Non-major Enterprise Funds	HOME Investment Partnership Program Fund	31,432
Non-major Enterprise Funds	Housing Trust Fund Program	5,503
Total governmental interfund balances		$ 125,270

These balances are due to interfund goods or services provided or reimbursable expenditures and payments between funds.

Note 18 - Restatement

The Corporation recorded liabilities for committed obligations to complete construction during the prior year. This resulted in an overstatement of liabilities and an understatement of net position as of June 30, 2022 of approximately $29,573,000 on the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended 2022. Beginning net position was restated to retroactively account for the amounts as noted in the table below.

	As Previously Reported	Adjustment	As Restated
As of June 30, 2022			
Dwelling Unit Revolving Fund			
Net Position, Unrestricted	$ 445,996,591	$ 29,572,903	$ 475,569,494
Total Enterprise Funds and Business Type Activities			
Net Position, Unrestricted	$ 1,556,522,210	$ 29,572,903	$ 1,586,095,113

Note 19 - Subsequent Events

The Company has evaluated subsequent events through January 10, 2024, the date which the financial statements were available to be issued.

In August 2023 wildfires intensified by heavy winds destroyed nearly all of Lahaina, Maui.

As a result of these wildfires, claims have been filed against the Corporation. The potential amount of damages cannot be determined at this time. Management is unable to express an opinion as to the outcome of these claims and is of the opinion that any potential liability arising therefrom will not have a material adverse effect on the financial position of the Corporation because judgments against the State of Hawaii Corporation, if any, are judgments against the State of Hawaii and would be funded from legislative appropriation of the State of Hawaii's general fund.

As for other matters related to the wildfire destruction, management is currently determining the impact on the Corporation's operations.

Required Supplementary Information

	Original and Final Budgets	Budgetary Actual	Variance with Final Budget
Revenues			
Intergovernmental revenue	$ 1,524,600	$ 1,524,600	$ -
Expenditures			
Programs	1,524,600	(1,524,600)	-
Excess of revenues over expenditures	$ -	$ -	$ -

	Original and Final Budgets	Budgetary Actual	Variance with Final Budget
Revenues			
Intergovernmental revenue	$ 4,869,714	$ 4,869,714	$ -
Expenditures			
Low-income housing service and assistance programs	4,869,714	4,869,714	-
Excess of revenues over expenditures	$ -	$ -	$ -

	Original and Final Budgets	Budgetary Actual	Variance with Final Budget
Revenues			
Intergovernmental revenue	$ 5,229,665	$ 5,229,665	$ -
Expenditures			
Low-income housing service and assistance programs	5,229,665	5,229,665	-
Excess of revenues over expenditures	$ -	$ -	$ -

Budgetary Comparison Schedule – Homeowner Assistance Fund Program (Unaudited)
Year Ended June 30, 2023

	Original and Final Budgets	Budgetary Actual	Variance with Final Budget
Revenues			
Intergovernmental revenue	$ 114,017	$ 114,017	$ -
Expenditures			
Low-income housing service and assistance programs	114,017	114,017	$ -
Excess of revenues over expenditures	$ -	$ -	$ -

Note 1 - Budgeting and Budgetary Control

Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the budgetary comparison schedules are those estimates as compiled and reviewed by the State of Hawaii, Department of Budget and Finance.

Budgeted expenditures are derived primarily from the General Appropriations Act of 2021 (Act 88, SLH 2021), and from other authorizations contained in the State Constitution, Hawaii Revised Statutes, and other specific appropriation acts in various SLH. During July 2022, Act 248 SLH 2022 retroactively amended certain budgeted expenditures from the General Appropriations Act of 2021.

All expenditures of these appropriated funds are made pursuant to the appropriations in the fiscal 2021–2023 biennial budget. The General Fund, HOME Investment Partnership Program, Housing Trust Fund Program, and Homeowner Assistance Fund Program have legally appropriated annual budgets.

The final legally adopted budget in the accompanying budgetary comparison statements represents the original appropriation, transfers, and other legally authorized legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line-item level by department, program and source of funds as established in the General Appropriations Act of 2021. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detail level of control are maintained by and are available at the Corporation. During the year ended June 30, 2023, there were no expenditures in excess of available appropriations at the legal level of budgetary control.

To the extent not expended or encumbered, general fund appropriations generally lapse at the end of the fiscal year for which the appropriations are made. The State Legislature specifies the lapse date and any other contingencies which may terminate the authorizations for other appropriations.

The Corporation's annual budget is prepared on the budgetary basis of accounting with several differences from the preparation of the statement of revenues, expenditures, and change in fund balances under GAAP, principally related to (1) encumbrance of purchase orders and contract obligations, (2) accrued revenues and expenditures, and (3) unbudgeted programs (federal award programs). Reconciliations of the budgetary to GAAP basis operating results for the year ended June 30, 2023 were as follows:

	General Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Homeowner Assistance Fund Program
Excess of revenues over expenditures - actual (budgetary basis)	$ -	$ -	$ -	$ -
Revenues (expenses) for unbudgeted programs	978,046	197,093	-	-
Transfers	(16,630)	-	-	-
Excess of revenues over expenditures - GAAP basis	$ 961,416	$ 197,093	$ -	$ -

Supplementary Information

	Tax Credit Assistance Program	Total
Assets		
Notes and loans receivable	$ 9,861,610	$ 9,861,610
Total assets	$ 9,861,610	$ 9,861,610
Fund Balance		
Restricted	$ 9,861,610	$ 9,861,610
Total fund balance	$ 9,861,610	$ 9,861,610

	Tax Credit Assistance Program	Total
Revenues		
Intergovernmental revenue	$ -	$ -
Total revenues	-	-
Expenditures		
Programs	-	-
Personnel services	-	-
Administration	-	-
Professional services	-	-
Total expenditures	-	-
Excess of revenues over expenditures	-	-
Net change in fund balance	-	-
Fund balances, beginning of year	9,861,610	9,861,610
Fund balances, end of year	$ 9,861,610	$ 9,861,610

	Rental Assistance Revolving Fund	Multifamily Housing Revenue Bond Fund	Disbursing Fund	Grants in Aid Fund	Total
Assets and Deferred Outflows of Resources					
Current assets					
Equity in cash and cash equivalents and investments in State Treasury	$ 29,882,984	$ -	$ 1,016,683	$ -	$ 30,899,667
Cash in banks	-	-	10,000	-	10,000
Receivables					
Accrued interest	606,701	-	-	-	606,701
Other receivables, less allowance for doubtful accounts of $135,591	-	1,088,410	-	-	1,088,410
Due from other funds	-	3,567,479	36,935	-	3,604,414
Prepaid expenses and other assets	75,685	-	-	-	75,685
Total current assets	30,565,370	4,655,889	1,063,618	-	36,284,877
Mortgage loans	1,892,780	-	-	-	1,892,780
Capital assets, net	26,436	66,486	-	-	92,922
Total assets	32,484,586	4,722,375	1,063,618	-	38,270,579
Deferred outflows of resources					
Deferred outflows on net pension liability	41,540	111,030	-	-	152,570
Deferred outflows on net OPEB liability	18,744	56,446	-	-	75,190
Total deferred outflows of resources	60,284	167,476	-	-	227,760
Total assets and deferred outflows of resources	$ 32,544,870	$ 4,889,851	$ 1,063,618	$ -	$ 38,498,339

	Rental Assistance Revolving Fund	Multifamily Housing Revenue Bond Fund	Disbursing Fund	Grants in Aid Fund	Total
Liabilities, Deferred Inflows of Resources, and Net Position					
Current liabilities					
Accounts payable	$ 7,005	$ 27,938	$ 14,954	$ -	$ 49,897
Accrued expenses	45,317	97,245	-	-	142,562
Due to other funds	-	-	1,000,000	-	1,000,000
Due to other State departments	-	-	10,000	-	10,000
Unearned income	-	-	38,664	-	38,664
Total current liabilities	52,322	125,183	1,063,618	-	1,241,123
Noncurrent liabilities					
Lease incentive liability	25,755	64,804	-	-	90,559
Net OPEB liability	166,839	432,066	-	-	598,905
Net pension liability	209,961	579,903	-	-	789,864
Total noncurrent liabilities	402,555	1,076,773	-	-	1,479,328
Total liabilities	454,877	1,201,956	1,063,618	-	2,720,451
Deferred inflows of resources					
Deferred inflows on net pension liability	50,325	109,496	-	-	159,821
Deferred inflows on net OPEB liability	40,879	121,874	-	-	162,753
Total deferred inflows of resources	91,204	231,370	-	-	322,574
Commitments and contingencies					
Net position					
Net investment in capital assets	26,436	66,486	-	-	92,922
Restricted by legislation and contractual agreements	31,972,353	-	-	-	31,972,353
Unrestricted	-	3,390,039	-	-	3,390,039
Total net position	31,998,789	3,456,525	-	-	35,455,314
Total liabilities, deferred inflows of resources, and net position	$ 32,544,870	$ 4,889,851	$ 1,063,618	$ -	$ 38,498,339

	Rental Assistance Revolving Fund	Multifamily Housing Revenue Bond Fund	Disbursing Fund	Grants in Aid Fund	Total
Operating revenues					
Interest on mortgages, notes, loans and mortgage-backed securities	$ 4,880	$ -	$ -	$ -	$ 4,880
Other	-	1,633,117	-	-	1,633,117
Total operating revenues	4,880	1,633,117	-	-	1,637,997
Operating expenses					
Housing assistance payments	1,113,523	-	-	-	1,113,523
Programs	-	-	-	457,688	457,688
Personnel services	177,920	512,475	-	-	690,395
Professional services	15,014	94,047	-	-	109,061
Administration	34,881	54,255	-	-	89,136
Depreciation	4,694	11,809	-	-	16,503
Insurance	386	728	-	-	1,114
Other	451	-	-	-	451
Total operating expenses	1,346,869	673,314	-	457,688	2,477,871
Operating income (loss)	(1,341,989)	959,803	-	(457,688)	(839,874)
Nonoperating revenues					
Interest income	831,887	-	-	-	831,887
Total nonoperating revenues	831,887	-	-	-	831,887
Income (loss) before transfers	(510,102)	959,803	-	(457,688)	(7,987)
Net transfers	(909)	(2,251)	28,631	457,688	483,159
Change in net position	(511,011)	957,552	28,631	-	475,172
Net position, beginning of year	32,509,800	2,498,973	(28,631)	-	34,980,142
Net position, end of year	$ 31,998,789	$ 3,456,525	$ -	$ -	$ 35,455,314

	Rental Assistance Revolving Fund	Multifamily Housing Revenue Fund	Disbursing Fund	Grants in Aid Fund	Total
Operating activities					
Cash received from borrowers					
Principal payments	$ 110,441	$ -	$ -	$ -	$ 110,441
Interest income	5,520	-	-	-	5,520
Payments to employess	(187,827)	(532,709)	-	-	(720,536)
Payments to suppliers	(1,143,933)	(132,332)	13,865	(630,188)	(1,892,588)
Receipts from (payments to) other fund	-	(367,907)	23,459	172,500	(171,948)
Other cash receipts	-	1,035,199	-	-	1,035,199
Net cash from (used for) operating activities	(1,215,799)	2,251	37,324	(457,688)	(1,633,912)
Noncapital financing activities					
Transfers in (out)	(909)	(2,251)	28,631	457,688	483,159
Net cash from (used for) noncapital financing activities	(909)	(2,251)	28,631	457,688	483,159
Investing activities					
Interest received	650,095	-	-	-	650,095
Net cash from (used for) investing activities	650,095	-	-	-	650,095
Net change in cash and cash equivalents	(566,613)	-	65,955	-	(500,658)
Cash and cash equivalents, beginning of year	30,449,597	-	960,728	-	31,410,325
Cash and cash equivalents, end of year	$ 29,882,984	$ -	$ 1,026,683	$ -	$ 30,909,667

	Rental Assistance Revolving Fund	Multifamily Housing Revenue Fund	Disbursing Fund	Grants in Aid Fund	Total
Operating activities					
Reconciliation of operating income (loss) to net cash from (used for) operating activities	$ (1,341,989)	$ 959,803	$ -	$ (457,688)	$ (839,874)
Operating income (loss)					
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities					
Depreciation	4,695	11,808	-	-	16,503
Amortization	(4,467)	(11,239)	-	-	(15,706)
Net pension expense	(5,544)	(15,690)	-	-	(21,234)
Net OPEB benefit	(5,202)	(14,719)	-	-	(19,921)
Changes in assets and liabilities					
Mortgage loans receivable	110,441	-	-	-	110,441
Accrued interest receivable	640	-	-	-	640
Other receivables	-	(597,918)	-	-	(597,918)
Due to (from) other funds	-	(367,907)	23,459	172,500	(171,948)
Prepaid expenses and other assets	17,783	-	-	-	17,783
Accounts payable	7,005	27,938	13,865	(172,500)	(123,692)
Other accrued expenses	839	10,175	-	-	11,014
Net cash from (used for) operating activities	$ (1,215,799)	$ 2,251	$ 37,324	$ (457,688)	$ (1,633,912)

The Corporation's cash and short-term investments consist of the following as of June 30, 2023:

Equity in State Treasury investment pool – government-wide	$ 606,170,451
Cash in banks	618,265
Cash held by third parties	739,475
Restricted cash and cash equivalents held by trustee	21,389,883
Restricted deposits held in escrow	1,054,425
	$ 629,972,499

Total cash and short-term investments are in agreement with the State Comptroller's central accounting records as of June 30, 2023, as reconciled below:

	Appropriation Symbol	Balance at June 30,2023
Cash in State Treasury		
Special Funds	S-17-375-B	$ 29,807
	S-18-375-B	119,800
	S-19-375-B	672,229
	S-19-376-B	21,799
	S-20-314-B	5,884
	S-20-375-B	1,516,955
	S-20-376-B	75,000
	S-21-375-B	2,155,617
	S-21-376-B	3,100,848
	S-21-382-B	44,453
	S-22-375-B	1,495,775
	S-22-376-B	4,703,501
	S-22-544-B	22,639,234
	S-23-314-B	996,047
	S-23-320-B	22,283
	S-23-321-B	35,029
	S-23-375-B	64,986,866
	S-23-376-B	8,808,821
	S-23-378-B	29,883,320
	S-23-380-B	52,577,362
	S-23-381-B	44,939,142
	S-23-382-B	131,493,704
	S-23-390-B	233,802,036
Total cash held in State Treasury, as reported by the State Comptroller's accounting records		604,125,512

Balance carried forward	604,125,512
Reconciling items	
Journal vouchers not recorded by DAGS	2,044,939
Cash and short-term investments held outside State Treasury	
Cash in bank	618,265
Cash held by third parties	739,475
Restricted cash and cash equivalents held by trustee	21,389,883
Restricted deposits held in escrow	1,054,425
	25,846,987
Cash and short-term investments on statement of net position	$ 629,972,499

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Auditor
State of Hawaii

The Board of Directors
Hawaii Housing Finance and Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaii, Hawaii Housing Finance and Development Corporation (the "Corporation"), a component unit of the State of Hawaii as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation 's basic financial statements and have issued our report thereon dated January 10, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questions Costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Corporation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
January 10, 2024

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Auditor
State of Hawaii

The Board of Directors
Hawaii Housing Finance and Development Corporation

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited the Hawaii Housing Finance and Development Corporation's (the Corporation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended June 30, 2023. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation‘s federal program.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
January 10, 2024

Federal Grantor/Program of Cluster Title	Federal AL Number	Federal Expenditures	Pass-through Entity Identifying Number	Amounts Provided to Subrecipients
U.S. Department of Housing and Urban Development				
HOME Investment Partnership Program	14.239	$ 4,672,621		$ 4,497,211
Housing Trust Fund	14.275	5,229,665		5,078,114
U.S. Department of Treasury				
Passed through State Department of Budget and Finance				
American Rescue Plan Act of 2021-Homeowner Assistance Fund	21.026	114,017	HAF0002	-
Total expenditures		$ 10,016,303		$ 9,575,325

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on this schedule are presented using the accrual basis of accounting as described in Note 1 to the Corporation's basic financial statements except for subrecipient expenditures, which are recorded on the accrual basis. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or are limited as to reimbursement.

The Corporation has not elected to use the 10% de minimis cost rate.

Note 3 - Subrecipients

The Corporation provides grant funds through various subrecipients in the State of Hawaii. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

The Corporation has certain compliance responsibilities with respect to its subrecipients, including monitoring the subrecipients to help ensure they use the sub-awards as authorized by law, regulations, and the provisions of the grant agreements.

Section 1 - Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with the Uniform Guidance 2 CFR 200.516	No
Identification of major programs:	
Name of Federal Program or Cluster	Federal Financial Assistance Listing
Housing Trust Fund	14.275
Dollar threshold used to distinguish between Type A and Type B programs?	$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2023-001 Financial Close and Reporting
Material Weakness

Criteria: Applicable accounting standards and required documentation should be reviewed by management.

Condition: A prior period adjustment was recorded for an error in the application of recording committed obligations as a liability prior to them being incurred.

Cause: Certain accounting guidance had been misinterpreted, resulting in recognizing certain transactions incorrectly in prior years.

Effect: The financial statements were materially misstated. Errors noted in the current year had a material effect.

Recommendation: Management should ensure controls are in place to review and implement applicable accounting standards and related financial statement disclosure information.

Views of Responsible Officials:

Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None Reported

None Reported