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

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DEPT. COMM. NO. 250

DTS: 202601271304LE

February 11, 2026

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

The Honorable Nadine K. Nakamura,
Speaker and Members of the
House of Representatives
Thirty-Third State Legislature
State Capitol, Room 431
Honolulu, Hawaiʻi 96813

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

For your information and consideration, I am transmitting a copy of the Hawaii Housing Finance and Development Corporation's 2025 Annual Report, as required by Section 201H-21, Hawaii Revised Statutes (HRS). It also includes reporting requirements under sections 201H-95, 201H-202 and 201H-206, HRS.

In accordance with Section 93-16, Hawaiʻi 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
DBEDT Director

Enclosure

c: Legislative Reference Bureau

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

FY 2025 ANNUAL REPORT

HHFDC
HAWAII HOUSING FINANCE & DEVELOPMENT CORPORATION

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

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I. INTRODUCTION

A. EXECUTIVE DIRECTOR'S WELCOME

Dean Minakami



Aloha mai kakou,

HHFDC staff worked diligently in Fiscal Year 2025 to address the State's affordable housing needs. During this period, HHFDC assisted in the delivery of 1,460 units that were placed in service and provided financing or development assistance for 10,875 units that are expected to come online in the coming years.

We had 13 project financial closings from July 1, 2024, through June 30, 2025. Collectively, this started the construction of 1,608 units.

HHFDC also administers the expedited development and fee exemption program, and projects using this program often seek exemptions from certain state and county requirements. In FY 2025, HHFDC received eight applications and approved six.

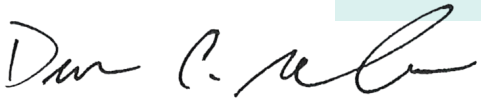
The new Hale Kamaaina Single Family Mortgage Loan Program is designed to assist first-time home buyers. Qualified borrowers may receive competitive, fixed-rate, 30-year mortgage financing with an option for down payment loan assistance. This is especially helpful to those families who qualify for mortgage loans but struggle to meet down payment requirements. HHFDC staff has already been fielding requests from those eager to learn more.

Thanks to the support of the 2024 State Legislature, HHFDC is implementing a new Bond Cap Recycling Program. This program allows the Corporation to preserve and reuse expiring Private Activity Bond volume cap. This has the potential to recycle approximately $100 million in bond cap annually that could then be used to develop up to 500 additional affordable housing units each year.

Among other notable achievements is the implementation of the Dwelling Unit Revolving Fund Equity Pilot (DEP) Program. This program creates additional homeownership opportunities for qualified purchasers by working with developers of for-sale projects to purchase equity in designated units, thus lowering the price of qualifying homes. In FY 2025, the Kuilei Place, Park at Keeaumoku, Modea, and Flats at Sky Ala Moana projects participated in the program.

Looking ahead, we know the road remains challenging—especially as federal housing funds face increased uncertainty. But with strong support from our legislative partners, the Green Administration, and the community, HHFDC will continue to work with urgency and resolve.

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





B. CHAIRPERSON'S WELCOME

Gary Mackler

Aloha,

In the fiscal year, HHFDC continued to make significant progress to create affordable rental options for Hawaii's resident families.

By leveraging its limited resources for the greatest impact, HHFDC either initiated, guided or partnered with experienced developer to deliver more than 1,460 new housing units across the State.

The Board was also excited to see the agency's shift into high gear on new initiatives aimed at helping first-time home buyers move past the financing roadblocks that often stand in their path to homeownership.

Adding to the success of HHFDC's Dwelling Unit Revolving Fund Equity Pilot Program, staff also administered the launch of newly established programs, Hale Kamaaina Single Family Mortgage Loan and Down payment Loan Assistance. Collectively, these programs are expected to make mortgage financing for Hawaii's gap-group residents more accessible and affordable.

Board members recognize that Hawaii's housing challenges are evolving. As such, HHFDC must remain adaptable and forward-thinking. I'm proud of the staff's work to modernize its systems, to maximize its limited financing resources, strengthen developer partnership, and identify new strategies to deliver housing across the income spectrum.



C. PURPOSE OF REPORT; SCOPE OF ACTIVITIES COVERED

This Fiscal Year (FY) 2025 Annual Report provides a comprehensive overview of the work carried out by the Hawaii Finance and Development Corporation ("HHFDC," "the agency," or "the corporation") in support of the state's housing goals. It highlights our progress, challenges, and future direction as we strive to create and preserve housing opportunities for the people of Hawaii.

It is intended to serve as a resource document to be used by our various stakeholders, including housing consumers, advocates, and developers; the Legislature; our partner state, county, and federal housing agencies; and the State's many individual and corporate taxpayers.

The Annual Report covers:

- HHFDC's mission and organizational structure
- Our portfolio of financing and development programs
- A summary of housing related activities and project highlights
- Data on recent housing production and 5-year projections
- Updates on our response to the Maui wildfires
- A summary of new housing-related legislation
- Insight into our efforts to modernize operations, invest in talent adopt smart technologies to improve service delivery

Unless otherwise noted, all data and activities in this report reflect the fiscal year ending June 30, 2025.

This report fulfills HHFDC's statutory reporting requirement under the following sections of the Hawaii Revised Statutes: Section §201H-21 as well as §§201H-95(g), 201H-202(f), and 201H-206(i).

For other HHFDC reports and studies, including additional 2025 reports to the Legislature, please visit: https://dbedt.hawaii.gov/hhfdc/resources/reports/

II. ABOUT HHFDC

A. CORPORATION OVERVIEW

MISSION STATEMENT

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

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

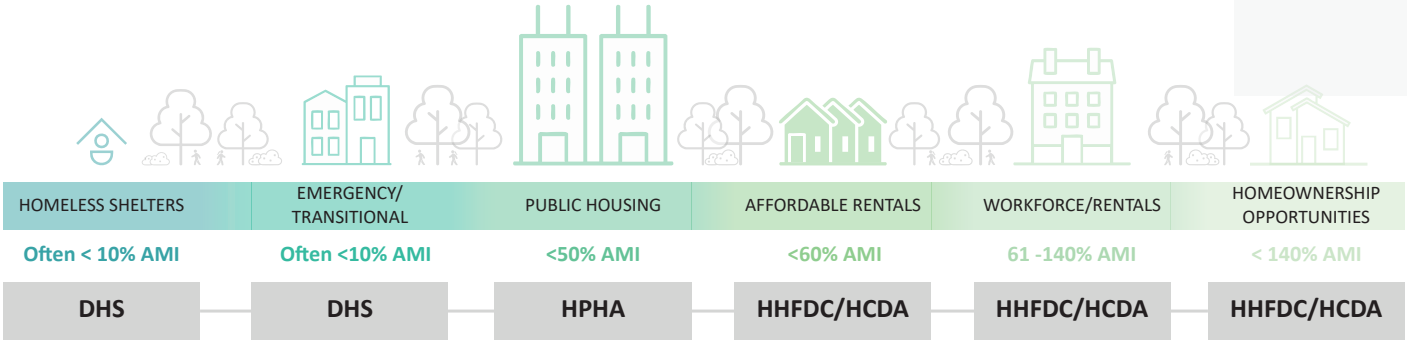
Additionally, HHFDC manages the development of state lands for housing and mixed uses, owns and maintains localized public infrastructure systems, and has a diverse statewide real estate portfolio consisting of single-family residential and multi-family rental projects, agricultural lots, and commercial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

HHFDC has total assets in excess of $2.4 billion as of June 30, 2025. For FY 2025, the corporation had an operating budget of approximately $16 million and was authorized to employ 71 full-time professionals in various fields, including accounting, administrative support, asset management, development, finance, human resources, information technology, planning, procurement, project management, and public relations.

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



B. THE CONTINUUM OF HOUSING



Housing in Hawaii exists on a continuum, from emergency shelters to permanent homeownership. No single agency can meet the State's housing challenges alone. That is why HHFDC works in collaboration with private developers, other state agencies, each of the four counties, and the federal government to support a continuum of housing options.

The U.S. Department of Housing and Urban Development (HUD) annually publishes income limits based on percentages of the area median income (AMI) to determine eligibility for federal housing assistance programs. These limits, derived from the American Community Survey and other sources, set the maximum income that households can earn to qualify for assistance.

These income limits help HHFDC determine program eligibility, set maximum unit rents and sales prices, and guide how housing resources are allocated. HHFDC's programs are primarily designed to serve:

- Renters earning up to 60% of the AMI through LIHTC and other programs
- Renters earning between 80% and 140% of the AMI through programs supporting mixed-income rental housing
- First-time homebuyers earning up to 140% of the AMI

C. LEGISLATIVE HISTORY

HHFDC traces its origins to the Hawaii Housing Authority (HHA), established by the Territorial Legislature in 1935 with the goal of providing safe and sanitary housing for Hawaii's low-income residents.

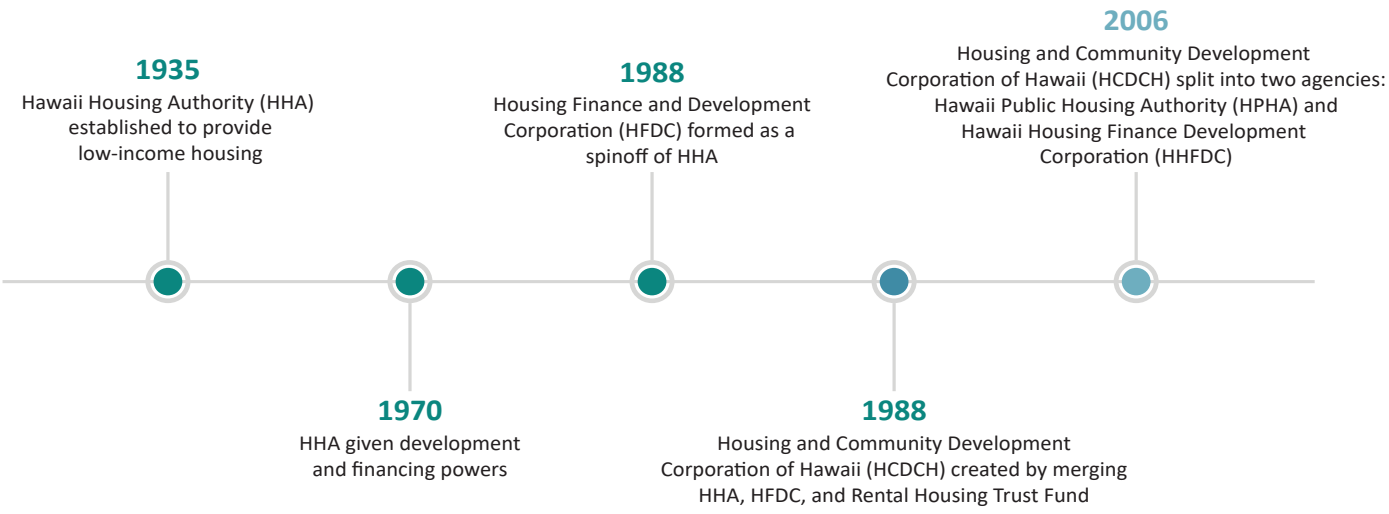
In 1970, the Legislature expanded HHA's mandates significantly, introducing development powers, creating the Dwelling Unit Revolving Fund, and establishing programs for land reform, residential lease rent renegotiation, and housing finance. The agency had a mandate not only to provide rental housing but to facilitate the development of affordable homes for purchase.

By 1988, HHA had added over 10,000 units to the state's housing inventory. That year, its housing finance, development, and residential leasehold functions were transferred to the newly formed Housing Finance and Development Corporation (HFDC). HFDC's notable achievements included the planning and development of the 888-acre Villages of Kapolei, one of Hawaii's largest master-planned communities.
(see "Legacy Development Responsibilities" in section VI)

In response to broader social and economic issues in the 1990s, the Legislature created the Housing and Community Development Corporation of Hawaii (HCDCH) on July 1, 1998, consolidating HHA, HFDC, and the Rental Housing Trust Fund (now known as the Rental Housing Revolving Fund).

However, the merger was short-lived. In 2004, a task force charged with finding near-term solutions to the state's affordable housing crisis recommended splitting HCDCH to better focus on distinct housing functions. This recommendation was adopted through Act 196, SLH 2005, and later amended by Act 180, SLH 2006. Effective July 1, 2006, the Legislature formally abolished HCDCH, creating two successor agencies:

> The Hawaii Public Housing Authority (HPHA) was established as a public body and body corporate and politic and was placed within the Department of Human Services (DHS) for administrative purposes. It focuses on public housing.
>
> HHFDC was established as a public body a corporate entity, and was incorporated within the Department of Business, Economic Development, and Tourism (DBEDT). It focuses on affordable housing financing and development. HHFDC's enabling legislation was codified as Chapter 201H, HRS, and adheres to Section 26-35, HRS, for administrative supervision of the board.



D. GOVERNANCE STRUCTURE

HHFDC is governed by a nine-member Board of Directors (the Board) responsible for establishing policy and executive direction for the corporation; approving major program initiatives and funding decisions; authorizing funding for development projects; overseeing the adoption, amendment, and repeal of Hawaii Administrative Rules (HAR) and procedures; and monitoring the progress and compliance of projects receiving HHFDC assistance.

Six Board members are public members, named by the governor and confirmed by the Senate. These members:

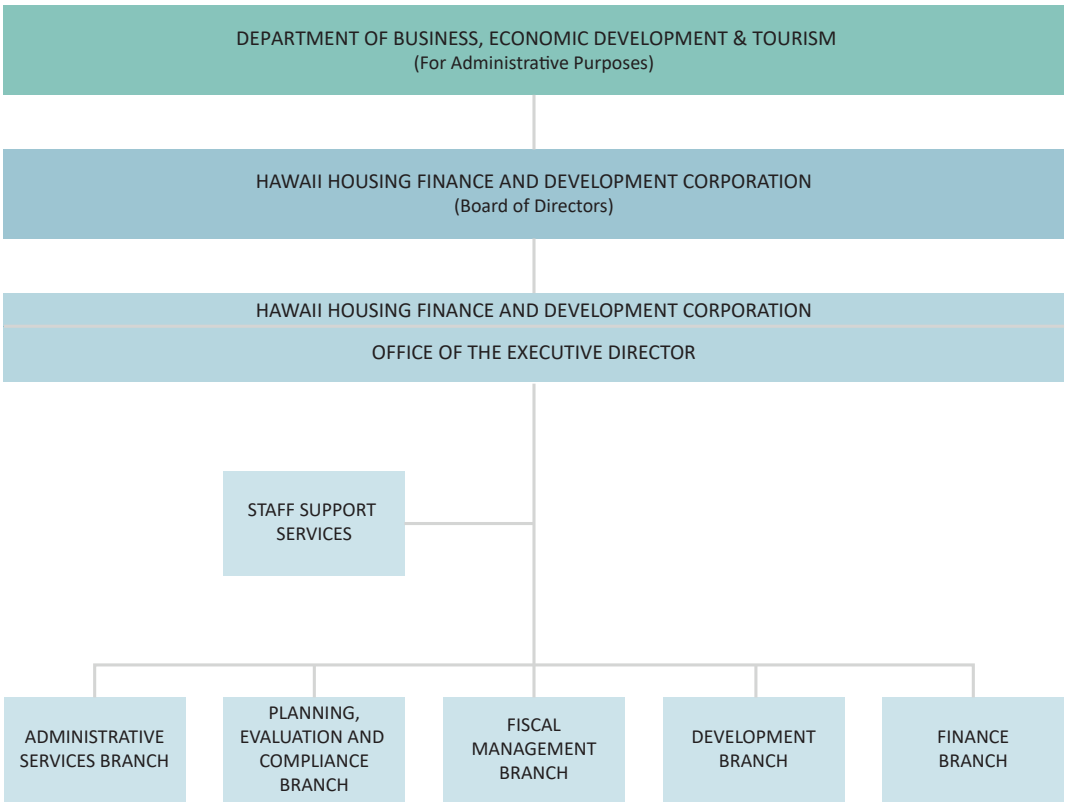
- Serve staggered, four-year terms as unpaid volunteers
- Represent each of the four counties: the City and County of Honolulu (the City), Hawaii, Maui, and Kauai
- Must include at least four individuals with expertise in public or private housing finance and development
- Must include at least one public member representative of low-income housing advocates

Three Board seats are held by ex-officio voting members, ensuring alignment with key state agencies and executive leadership:

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

Together, the Board brings a balanced mix of professional experience, public accountability, and regional representation to guide HHFDC's work.

E. ORGANIZATIONAL STRUCTURE



Under the leadership of the Executive Director, five specialized branches carry out the Corporation's mission to expand housing opportunities across Hawaii.

Office of the Executive Director

The Executive Director leads HHFDC and is responsible for day-to-day operations and overall strategy. The position is appointed by the Board and supported by the Executive Assistant, who manages administrative operations and internal coordination.

1. Administrative Services Branch

This branch keeps the agency running smoothly. Four key offices provide support services in:

- Housing information
- Information technology
- Contract review
- Human resources

2. Planning, Evaluation, and Compliance Branch

This is the agency's research and regulatory hub. It ensures that HHFDC programs stay aligned with state goals, legal mandates, and best practices. Key responsibilities include:

- Housing needs assessments, program planning and evaluation
- Environmental and historic reviews for housing projects
- Legislative coordination and administrative rule making
- Monitoring project compliance
- Managing HHFDC's real estate portfolio
- Leading fair housing initiatives

3. Fiscal Management Branch

This branch ensures financial integrity and transparency. It manages HHFDC's budget, accounting, and reporting systems. Responsibilities include:

- Budget planning, execution, and monitoring for all HHFDC programs
- Financial reports for other HHFDC branches and state agencies
- Coordination with departmental budget staff
- Providing information to the Legislature
- Technical assistance on fiscal procedures and compliance

4. Development Branch

The Development Branch brings housing from concept to construction. It:

- Administers development assistance programs
- Underwrites interim construction loans
- Manages the development of housing on state-owned lands
- Develops and maintains infrastructure under HHFDC's purview
- Manages real estate transactions for affordable homes, including shared appreciation equity, buybacks, leasehold homeownership programs, and deferred sales price

5. Finance Branch

This branch is the financial engine behind affordable housing delivery. It administers both state and federal funding programs to support housing development statewide. Core responsibilities:

- Issuing tax-exempt and taxable private activity bonds
- Annual allocation of Low-Income Housing Tax Credits
- Managing the Rental Housing Revolving Fund program
- Administering Federal Housing Grant Programs (HOME, HTF, HOME-ARP, etc.)
- Evaluating developer proposals and submitting formal recommendations for Board consideration
- Monitoring funded projects from construction through completion to ensure adherence to all compliance requirements

III. FINANCING TOOLS: STATE AND FEDERAL PROGRAMS

A. STATE FINANCING TOOLS FOR DEVELOPERS

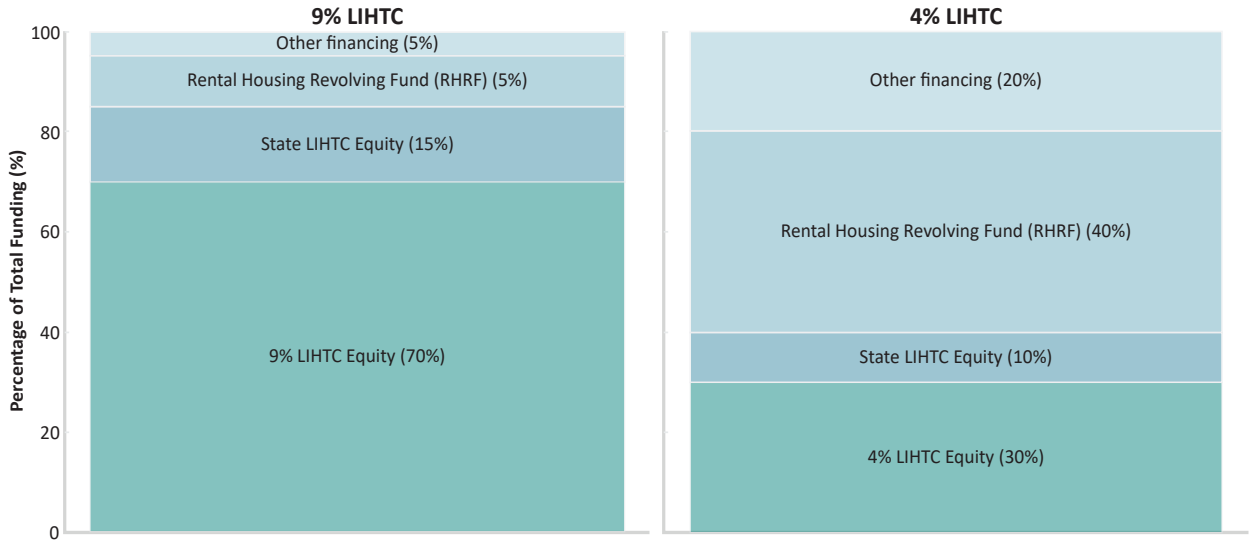
HHFDC administers several state-level financing programs that directly support affordable housing development. These tools provide flexible funding, tax incentives, and technical support to developers creating homes for Hawaii's low- and moderate-income families.

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

1. LOW-INCOME HOUSING TAX CREDIT PROGRAM

LIHTC is the most important resource for creating affordable housing in the United States today. No other tool produces deeply affordable rental housing at scale. It was created by the federal Tax Reform Act of 1986 and authorizes state and local agencies to allocate federal tax credits for the acquisition, rehabilitation, or new construction of rental housing for low-income households.

The LIHTC program continues to serve as HHFDC's principal financing mechanism for the development of affordable rental housing, in part because it can be combined with the Hula Mae Multi-Family (HMMF) Tax-Exempt Bond Program and the Rental Housing Revolving Fund (RHRF). Since 2010, the volume of LIHTC applications submitted to HHFDC has increased more than threefold.



There are two types of credits under the LIHTC program:

- The 9% LIHTC is designed to subsidize approximately 70% of a project's eligible development costs. The Internal Revenue Service (IRS) oversees the program and establishes an annual per-capita volume cap that limits each State's allocation. For 2025, the State of Hawaii was awarded $4,338,438 in new 9% credits. HHFDC also carried forward $650,418 in unused 2024 authority, yielding a total 2025 LIHTC allocation of $4,988,856.

- The 4% LIHTC provides a subsidy equivalent to roughly 30% of eligible development costs and is not limited by the federal per-capita volume cap applicable to the competitive 9% credit. Utilization of the 4% credit, however, requires the project to be financed with tax-exempt private activity bonds, such as those issued through HHFDC's HMMF Bond Program.

How it works:

Developers apply to HHFDC for an allocation of LIHTC. Credits are awarded to projects that meet federal rent and income restrictions, generally serving households earning up to 60% AMI, unless using the average income test. After receiving an award, developers typically syndicate or sell the credits to investors, generating equity that reduces the amount of permanent debt the project must carry. Investors, in turn, receive a dollar-for-dollar reduction in federal income tax liability over a ten-year credit period, subject to a fifteen-year federal compliance period and extended-use affordability requirements.

Hawaii law provides a state LIHTC equal to 50% of the federal credit, awarded concurrently when HHFDC makes a federal LIHTC allocation. The state credit may be claimed over a five-year credit period and significantly enhances project equity. Together, the federal and state credits form Hawaii's most important source of equity financing for affordable rental housing.

Program Administration: HHFDC administers the LIHTC program in accordance with Internal Revenue Code (IRC) Section 42, which requires each state housing agency to maintain a Qualified Allocation Plan (QAP). The QAP establishes the criteria, priorities, and preferences used to evaluate and select projects, incorporating federal mandates—such as serving the lowest-income households and ensuring long-term affordability—alongside HHFDC's state-specific policy objectives.

HHFDC updates its QAP approximately every two years. Revisions must be approved by the Board following a public hearing process under HRS Chapter 91, ensuring transparency and community input. The current QAP prioritizes project readiness, cost efficiency, financial feasibility, and geographic distribution to maximize the number of affordable units that can be produced with limited credit resources.

A public hearing on the proposed QAP was held in July 2025.

Visit the current QAP at:
https://dbedt.hawaii.gov/hhfdc/files/2024/12/2025-QAP-FINAL-VERSION-12.4.24.pdf

During 2025, HHFDC awarded LIHTC reservations to 8 affordable housing projects, supporting the new construction or rehabilitation of1,234 units (see Table 1).

Table 1

2025 Low-Income Housing Tax Credit Award Reservations

PROJECT NAME	County	Total Units
Aikanaha Residences	Maui	212
Honuaula Living Community	Hawaii	105
Hoonanea- Phase 1 at Hoopili Gateway	Oahu	191
Kehalani Apartments	Oahu	35
Laulima Ph 4- Maluhia	Oahu	70
VOK: Northwest Corner (Leiwili Kapolei) Buildings B&C	Oahu	344
Melia	Oahu	247
Villages of Laiopua- V4 Hema RP	Hawaii	30
		1,234

2. HULA MAE MULTI-FAMILY PROGRAM

Established under HRS §201H-72, the HMMF Tax-Exempt Bond Program provides below-market financing to developers for the construction, rehabilitation, or acquisition of affordable rental housing in Hawaii. By leveraging the tax-exempt status of the bonds, the program lowers borrowing costs and enhances financial feasibility—an especially critical tool in Hawaii's high-cost development environment.

Relationship to 4% LIHTC: Many developments financed with HMMF bonds also qualify for the federal 4% LIHTC, which generates additional equity and further strengthens project viability. Projects must satisfy the federal "50% test," meaning at least half of total aggregate basis is financed with tax-exempt private activity bonds.

HMMF bonds are classified as private activity bonds (PABs), which are subject to an annual federal volume-cap allocation determined by each state's population and indexed for inflation. For calendar year 2025, Hawaii's volume cap is $388,780,000, as set forth in IRS Revenue Procedure 2024-40.

How it works:

HHFDC issues tax-exempt revenue bonds on behalf of qualified developers to support affordable rental housing projects. To maintain tax-exempt status, projects must meet federal income and rent restrictions throughout the affordability period and comply with ongoing monitoring requirements, ensuring long-term benefits for low- and moderate-income households.

While PAB authority may be used for a broad range of public-purpose activities—including airports, mass transit, water and sewer facilities, student loan programs, and energy infrastructure—HHFDC strategically prioritizes affordable housing to maximize public benefit and ensure efficient use of the State's limited bond cap.

Demand for PAB financing has increased dramatically over the past decade, rising from less than $200 million in requests in 2010 to more than $1 billion in recent years.

Between 2021 and 2023, awards to projects that were not fully ready to proceed resulted in $113.5 million in supplemental bond allocations, highlighting the importance of readiness, feasibility, and timely project execution in HHFDC's selection process.

In 2025, HHFDC awarded $357,006,367 in HMMF financing, which will assist with the construction of 1,333 affordable housing units statewide.

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

Table 2

2025 Multi-Family Revenue Bond Authority	
Total Bond Authority	$ 3,000,000,000
Authority Utilized	$ 2,055,969,078
Remaining Balance	$ 944,030,922

Table 3

2025 Multi-Family Revenue Bond Applications (2/15/25)

	Project Name	County	Bond Request
1	1142 Kinau	Oahu	$64,000,000
2	Hale O Hauoli Apartments	Oahu	$40,556,857
3	Hale O Lipoa	Oahu	$70,000,000
4	Honuaula Living Community	Hawaii	$40,500,000
5	Hoola at Palamanui	Hawaii	$19,850,000
6	Hoomalu at Waikoloa	Hawaii	$76,000,000
7	Hoonanea- Phase I at Hoopili Gateway	Oahu	$58,000,000
8	HPHA Kaahumanu Homes Phase 1	Oahu	$114,248,557
9	Kaiaulu O Kapiolani	Hawaii	$38,326,000
10	Kamoiliili Apartments	Oahu	$77,000,000
11	Kehalani Apartments	Maui	$13,000,000
12	Keola Hoonanea Apartments	Oahu	$38,292,660
13	Lanakila Homes Phase 1	Hawaii	$61,260,446
14	Mayor Wright Homes- Ph 1 Bldg A	Oahu	126,256,367
15	Melia	Oahu	79,000,000
16	Naio at Palamanui	Hawaii	30,500,000
17	Pohukaina Commons Phase II	Oahu	73,647,247
18	Pua Lanoe Affordable	Oahu	$20,576,562
19	Smith Beretania Apartments	Oahu	81,300,000
20	The Hoku	Oahu	58,294,582
21	Villages of Laiopua- V4 Hema RP	Hawaii	14,750,000
22	VOK: Northwest Corner (Leiwili Kapolei) Building B	Oahu	75,000,000
23	VOK: Northwest Corner (Leiwili Kapolei) Building C	Oahu	75,000,000
24	Waimanalo Apartments	Oahu	17,000,000
			$1,362,359,278

Table 4

2025 Approval of Inducement Resolution

	Project Name	County	Total Units	Bond Issue Amount	Approval of Inducement Resolution	Total Units
1	Hale Pilina	Maui	178	**$58,804,401**	7/11/2024	Construction

Table 5

2025 Approval to Issue Bonds

	Project Name	County	Total Units	Approval of Inducement Resolution	Gov. Approval	Bond Issuance	Amount	Status
1	none							

Table 6

Issuance of Bonds for Construction

	Project	County	Total Units	Bond Issuance Date	Bond Issue	Bond Issuance Year/ Series
1	Liloa Hale	Maui	117	7/11/2024	6,300,000	Series 2024A
					$30,982,733	Series 2024B
2	Uahi Ridge	Kauai	96	8/30/2024	$7,600,000	Series 2024A
					$28,480,800	Series 2024B
3	Na Hale Makoa	Oahu	140	9/13/2024	$42,165,000	Series 2024
4	Hale O Piikea II	Maui	97	10/4/2024	$6,320,000	Series 2024A
					$21,180,000	Series 2024B
5	Palolo Valley Homes	Oahu	306	11/8/2024	$21,500,000	Series 2024A
					$10,000,000	Series 2024B
6	Hale Moiliili	Oahu	278	11/27/2024	$80,000,000	Series 2024
7	Rice Street Apartments	Kauai	66	12/20/2024	$9,694,000	Series 2024A
					$12,306,000	Series 2024B
8	Hale Pilina	Maui	179	4/30/2025	$11,588,000	Series 2025A
					$47,216,401	Series 2025B
			1,279		**$335,332,934**	

Table 7

2025 Multi-Family Revenue Bond Activity by Fiscal Quarter

	Q1	Q2	Q3	Q4
Applications Received	0	0	24	0
Inducement Resolutions Approved	1	0	0	0
Approvals to Issue Bonds	0	0	0	2
Issuance of Bonds	3	4	0	1

3. RENTAL HOUSING REVOLVING FUND PROGRAM

Established under HRS §201H-202, the Rental Housing Revolving Fund (RHRF) provides low-interest, subordinate financing to support the development, preservation, and rehabilitation of affordable rental housing statewide. RHRF enables projects to serve households across a wide affordability range—particularly those earning 30% to 80% AMI—by filling the funding gaps that cannot be supported through traditional debt or LIHTC equity.

RHRF is especially critical for producing units for the lowest-income households, including those earning below 30% and 50% AMI, whose rents often do not generate sufficient revenue to support project operating costs and permanent financing. These deeply affordable units are typically the most difficult to produce, and without RHRF's flexible, deeply subordinate financing, they would be financially infeasible for most developments.

How it works:

HHFDC administers RHRF through a competitive evaluation process that incorporates the QAP and additional scoring criteria. Applications are reviewed based on several key factors, including:

- *Financial efficiency, feasibility, and readiness to proceed:* Projects that are further along in design and permitting are less susceptible to cost escalation and are better positioned to begin construction promptly
- *Affordability depth*: Priority is given to developments that provide units affordable to households earning below 60% of AMI, with additional incentives for projects including 30% AMI units
- *Tenant quality of life and community integration:* HHFDC evaluates access to transportation, services, and amenities that support resident well-being and promote inclusive communities

All projects awarded RHRF financing are required to close on their financing within 18 months of the award date, ensuring that funds are deployed quickly and that projects remain on track to deliver urgently needed rental units. To support this accelerated timeline, HHFDC is implementing ProLink Solutions, a modern, cloud-based platform that will significantly improve loan management, compliance reporting, document submission, and real-time data tracking across all multi-family programs.

ProLink will streamline the post-award process for developers by providing a centralized portal for uploading required closing documents, monitoring project milestones, and receiving automated reminders of key deadlines, including the 18-month closing requirement. The platform will also enable faster, more accurate reporting and create a centralized data warehouse that integrates information from awards, underwriting, construction, and compliance phases, giving both developers and HHFDC a clearer view of project progress.

Together, these improvements will strengthen HHFDC's ability to manage funding cycles efficiently and ensure timely deployment of RHRF resources.

Looking ahead, HHFDC plans to diversify RHRF deployment to address a broader range of housing needs and long-term sustainability objectives, including:

- Expanding the application of funds towards rehabilitation and preservation of existing affordable and workforce housing properties
- Mixed-income rental communities that foster neighborhood equity and reduce economic segregation
- Support for long-term operational models that ensure affordability is sustained across generations
- Loan guarantees and credit enhancements authorized under Act 235, SLH 2024—modeled after the USDA Section 538 program—to expand access to private capital and lower overall financing costs
- Expansion of permanent supportive housing and other deeply affordable housing models that pair rental assistance with services for residents with the greatest housing needs.

4. PRIVATE ACTIVITY BOND VOLUME CAP RECYCLING PROGRAM

Created by Act 35, SLH 2024, HHFDC's Bond Volume Cap Recycling Program enhances the State's capacity to maximize scarce PAB resources. The program enables HHFDC to retain and reissue expiring PAB volume cap, ensuring that this critical financing authority remains available to support future affordable housing developments rather than permanently lapsing.

How it works:

When affordable rental housing projects repay their construction-period tax-exempt bond financing, the associated Private Activity Bond (PAB) authority is typically redeemed and would ordinarily expire immediately under federal law. Without intervention, this bond cap cannot be reused, and the State permanently loses valuable financing capacity. The new bond recycling mechanism allows HHFDC to capture and reissue this otherwise-expiring authority to support additional affordable housing projects.

Federal regulations provide only a limited window for recycling redeemed bond authority. Returned PAB cap may be reissued within 180 days of the bond redemption date or by the end of the following calendar year, whichever comes earlier. If it is not reissued within this timeframe, the authority permanently expires. Because most multi-family construction loans are repaid within 18 to 36 months, significant bond authority can lapse each year unless a formal recycling structure is in place. HHFDC's recycling program ensures this returned cap is preserved and redeployed, maximizing the impact of the State's scarce PAB resources.

The program will be supported by a dedicated staff position responsible for implementing recycling protocols and coordinating with bond issuers, lenders, developers, and other stakeholders. HHFDC estimates that recycling approximately $100 million in bond cap annually could support the development of up to 500 additional affordable rental units per year - substantially increasing statewide production capacity without requiring new federal allocations.

Bond recycling will be particularly important following the federal "One Big Beautiful Bill," which reduced the PAB threshold test for 4% LIHTC eligibility from 50% to 25%. While this change enables more projects to qualify for 4% credits, it also increases national demand for PAB authority, intensifying competition for Hawaii's limited annual volume cap. Recycling previously used cap will help offset this pressure and maintain a stable pipeline of affordable rental housing.

Beyond supporting new 4% LIHTC and HMMF developments, recycled bond authority may also be deployed strategically for the rehabilitation of existing affordable housing, mixed-income projects, and innovative financing structures that promote long-term affordability and financial resilience. This initiative demonstrates HHFDC's commitment to maximizing every available financing tool and advancing a self-sustaining housing finance system that meets the diverse and growing needs of Hawaii's communities.

This section satisfies **§201H-202(f):**

Table 8

Project Funded Targeting 30% AMI and Below

Award Date	Project Name	Island	30% AMI	Total Affordable Units	% of Units at 30% AMI
7/10/2025	Kehalani Apartments	Maui	3	35	8.6%
7/10/2025	Aikanaha Residences	Maui	64	210	30.5%
8/14/2025	Maluhia	Oahu	21	70	30.0%
8/14/2025	Melia	Oahu	13	246	5.3%
9/9/2025	Lai Opua V4	Hawaii	4	29	13.8%
10/9/2025	Leiwili Kapolei	Oahu	104	341	30.5%
10/9/2025	Hoonanea	Oahu	10	191	5.2%
11/20/2025	Mayor Wright 1A	Oahu	67	306	21.9%
			286	**1,428**	**20.0%**

5. AFFORDABLE HOMEOWNERSHIP REVOLVING FUND PROGRAM

The Affordable Homeownership Revolving Fund (AHRF) program was established by Act 227, SLH 2021 to provide low-cost financing for the development and preservation of affordable for-sale housing in Hawaii. AHRF can be used to finance a broad range of activities, including:

- Pre-development and land acquisition
- New construction of for-sale homes
- Rehabilitation and preservation of aging housing stock

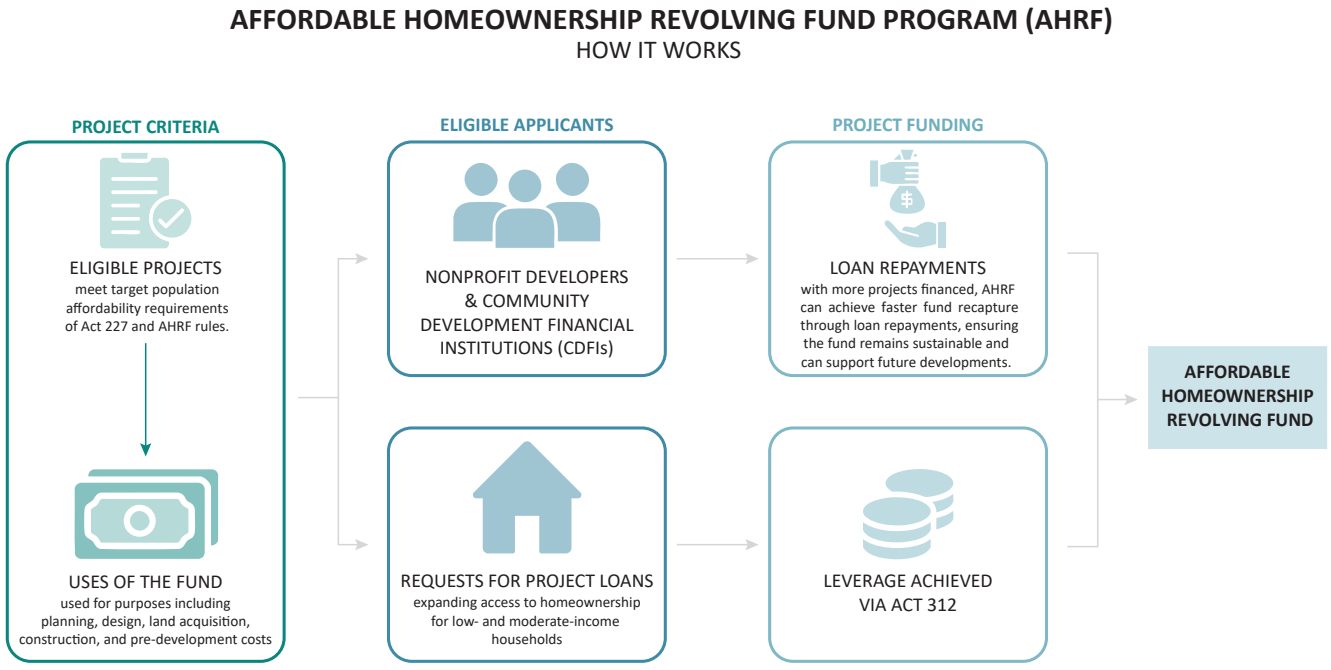
Eligible applicants include nonprofit housing developers and community development financial institutions (CDFIs) that are committed to expanding access to homeownership for low- and moderate-income households.

Following the effective date of HAR Chapter 15-321 on November 27, 2023, HHFDC launched AHRF with an initial allocation of up to $5 million. The program began accepting loan applications on May 15, 2024, and continues to accept applications on a rolling basis until all funds are fully obligated.

No new applications were received. During FY 2025, Lima Ola (Kauai) notified HHFDC that it would not pursue the loan awarded in the previous fiscal year because their project could not meet the required target AMI requirements under the program.

This past session, Act 312, SLH 2025, was enacted to enable CDFIs to access additional capital from federal, private, and philanthropic sources. This effectively amplifies the impact of AHRF funds and increases the total resources available for more affordable housing and for-sale housing projects. With more projects financed, AHRF can achieve faster fund recapture through loan repayments, ensuring the fund remains sustainable and can support future developments.

This section satisfies HRS **§201H-206.**



B. FEDERAL FINANCING TOOLS FOR DEVELOPERS

These federal programs play a vital role in HHFDC's overall strategy, especially for underserved island counties. By carefully layering these funds with state financing tools like RHRF and LIHTC, HHFDC continues to deliver deeply affordable housing where it's needed most

1. HOME PROGRAM

Created under the National Affordable Housing Act of 1990, the HOME program is the federal government's largest block grant dedicated to affordable housing. It supports the development of decent, safe, affordable, and sanitary housing for households earning up to 80% of the AMI.

HOME funds may be used for a wide range of activities, including tenant-based rental assistance (TBRA); down payment or primary mortgage loans for first-time home buyers; 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 costs related to the development of affordable housing. All HOME-funded units must remain affordable for five to twenty years, depending on the amount of assistance provided. Up to 10% of HOME funds may be used for administrative and planning expenses, and a minimum of 15% of HOME funds must be set aside for a Community Housing and Development Organization (CHDO) project.

As Hawaii's designated HOME Participating Jurisdiction, HHFDC receives approximately $3 million annually from HUD. These funds are allocated on a rotating basis to the counties of Hawaii, Kauai, and Maui. The City receives a direct allocation from HUD.

In FY 2025, HHFDC allocated HOME funds to Hawaii County, less 5% for administrative and planning expenses. Hawaii County is in the process of finalizing project selection. Projects selected are anticipated to be completed in a future fiscal year. Hawaii County plans to use the funds to support the construction of approximately nine affordable rental units.

During FY 2025, three HOME projects were completed: two in Hawaii County and one in Kauai County. In Hawaii County, the Kauhale I Ke Kula Uka Affordable Housing Project delivered 100 rental units, six of which were HOME-assisted, and TBRA Program concluded after providing monthly rental assistance to 93 households. On Kauai, five first-time homebuyers received down payment assistance through the Waimea Huakai Subdivision Project.

Looking ahead to FY 2026, the HOME program expects to complete several additional projects. On Kauai, up to four additional first-time homebuyers will receive down payment assistance through the Waimea Huakai. Construction completions anticipated next year include the Hale Na Koa O Hanakahi Project (Hawaii Island), the Lima Ola Multi-Family Project (on Kauai), and the Hale O Piikea Phase III Project (on Maui).

2. HOME AMERICAN RESCUE PLAN PROGRAM

The HOME-American Rescue Plan (HOME-ARP) is a one-time federal funding allocation created by the American Rescue Plan Act of 2021 to provide targeted assistance to populations facing acute housing instability, homelessness, or risk thereof. Qualifying populations include people experiencing or at risk of homelessness; those fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking; veterans and families with a veteran household member; and others facing extreme housing instability.

Funds may be used to acquire, build, or rehabilitate rental housing, with at least 70% of the units reserved for qualifying populations. The remaining 30% may serve other low-income households. All units must remain affordable for at least 15 years.

HHFDC administered the State's $6,413,733 one-time allocation and distributed funding to the counties of Hawaii, Kauai, and Maui. The City received its award directly from HUD. In FY 2025, an additional $307,219 was awarded to HHFDC due to an earlier HUD administrative allocation error. Hawaii and Maui counties accepted a portion of these additional funds; Kauai County declined, committing to supporting their units with their own funds.

In FY 2025, Kauai County completed its HOME-ARP project, Lima Ola Supportive Housing, which includes 32 total units, nine of which are assisted by HOME-ARP. Maui County's Hale O Piikea Phase Ill has 36 units, of which one is HOME-ARP assisted. Construction began in January 2025; it is approximately 40% complete. Maui County has also identified a new project, Ka Hale a Ke Ola (KHAKO) Rental Rehab, which will include eight units, all assisted by HOME-ARP. Hawaii County has selected Kuakini Heights Apartments, a 95-unit project with eight units supported by HOME-ARP.

3. HOUSING TRUST FUND PROGRAM

Created by Congress in 2008, the Housing Trust Fund (HTF) is a federal program dedicated to supporting the development, preservation, and operation of affordable housing for extremely low-income households defined as those earning no more than 30% AMI, as well as populations experiencing homelessness.

HTF funds may be used for the acquisition, new construction, reconstruction, or rehabilitation of non-luxury rental housing with suitable amenities. All assisted units must remain affordable for a minimum of 30 years, reflecting the program's focus on deep, lasting affordability.

As the State of Hawaii's designated HTF Grantee, HHFDC administers the program, receiving roughly $3 million per year in federal funding from HUD. Each year, 50% of HTF funds are allocated to the counties of Hawaii, Kauai, and Maui on a rotating basis; the remaining 50% is offered to the City.

In FY 2025, the City declined its allocation and the funds were reallocated to Hawaii County, less 5% for administrative and planning expenses. Hawaii County will use the funds to construct new affordable rental housing, including at least nine HTF-assisted units. The project has not been selected yet.

Several projects are expected to be completed in FY 2026, including Hale Na Koa O Hanakahi Project (on Hawaii Island), Hale o Piikea Phases II and III (on Maui), and Lima Ola Multi-Family Affordable Housing (on Kauai).

Lima Ola Multi-Family Affordable Housing (Kauai)





https://www.kauai.gov/files/assets/public/v/1/housing-agency/images/lima-ola-9-27-24-4.jpg?dimension=pageimage&w=480

NEW: Recent proposed federal budget cuts to HUD include a 44% reduction in funding, totaling approximately $33.6 billion, and significant restructuring of programs. The budget also proposes to eliminate funding to programs, such as HOME Investment Partnership and the Community Development Block Grant. These programs have historically served as essential gap financing tools, particularly for LIHTC projects.

While HHFDC continues to explore innovative state-based solutions, the sustainability of affordable housing development in Hawaii—especially for low- and moderate-income residents—depends on continued partnership across all levels of government. The sunset of HOME-ARP funds by 2026 further reinforces the urgency of this issue.

C. FINANCING TOOLS FOR HOMEOWNERS AND RENTERS

HHFDC offers direct support to individual homebuyers and renters. These programs help reduce financial barriers, expand access to homeownership, and offer tax relief to qualifying households.

1. HALE KAMAAINA SINGLE FAMILY MORTGAGE PROGRAM (fka HULA MAE HOME MORTGAGE LOAN PROGRAM)

Established by HRS §201H-91, the program formerly known as Hula Mae Single Family program offers competitive mortgage financing to eligible first-time home buyers. Since its launch in 1979, the program has issued over $1.948 billion in revenue bonds to support homeownership statewide.

The program became inactive in 2011, when private-sector mortgage rates outpaced what the State could offer. With rising interest rates again, HHFDC took steps in FY 2025 to revive and modernize the program. New rules, codified in Chapter 15-314, HAR, became effective in May 2025. The program has since been re-branched as the Hale Kamaaina Single Family Mortgage Program to reflect a broader, public-facing initiative, and was launched in Fall 2025.

Borrowers may apply directly through participating lenders and must meet income, purchase price, and first-time homebuyer eligibility criteria. It features an option to bundle loans with HHFDC's Down payment Loan Assistance Program.

A standalone Report to the Legislature, per Act 29, SLH 2024, contains more information about the program. Please check HHFDC's website:
https://dbedt.hawaii.gov/hhfdc/resources/reports/

2. DOWN PAYMENT LOAN ASSISTANCE PROGRAM

Originally active from 1955 to 2013, the Down payment Loan Assistance Program offered low-interest loans to help eligible homebuyers cover upfront housing costs. While only nine loans were issued historically, renewed demand—driven by today's financial climate—has made this tool relevant once again.

In FY 2025, staff adopted the updated administrative rules HAR 15-317, and a program relaunch is planned for Fall 2025. The new program offers a critical boost for families who qualify for mortgage loans but struggle to meet down payment requirements.

By combining Hula Mae mortgage loans with down payment loan assistance, HHFDC is offering a flexible, layered solution for first-time homebuyers.

3. MORTGAGE CREDIT CERTIFICATE PROGRAM

The MCC program provides first-time homebuyers with a federal tax credit equal to 20% of the annual mortgage interest paid. This tax credit reduces monthly costs and helps borrowers qualify for higher mortgage amounts. MCCs are available exclusively through participating lenders.

In FY 2025, 27 MCCs were issued, along with five reissuance certificates for existing participants. All available MCC funds were fully allocated by December 31, 2024.

Due to strategic reprioritization, HHFDC does not plan to allocate new MCC funding at this time. However, reissuance certificates will continue for existing MCC holders who refinance their mortgages.

4. HOMEBUYERS' CLUB PROGRAM

Established by HRS §201H-171 in 1993, the Homebuyers' Club Program offered credit and financial counseling to prepare residents for homeownership. Over time, these services became widely available through HUD-certified nonprofit agencies, delivering the same support at lower cost and greater reach.

As a result, HHFDC's Homebuyers' Club is no longer funded or active

5. RENTAL ASSISTANCE REVOLVING FUND (RARF)

The Rental Assistance Revolving Fund (RARF) funds the Rental Assistance Program (RAP), which was created by the Legislature in 1981 to encourage the development of new or existing rental properties while maintaining rental rates for low and moderate-income families. The fund's purpose is to provide monthly rental subsidies. As of June 30, 2025, there are seven projects comprised of 1,215 rental units with RAP commitments totaling $29,324,009. Although the program is no longer accepting new projects or funding, it continues to honor existing commitments until they sunset.

IV. DEVELOPMENT TOOLS

HHFDC's development tools address the structural, financial, and regulatory challenges that delay affordable housing projects. By activating State-owned lands, streamlining approvals, and reducing costs, these tools play a critical role in accelerating housing supply.

A. LAND ACCESS AND SITE CONTROL

These tools provide public land, infrastructure support, and equity resources to developers, enabling them to initiate or expand housing projects with reduced risk and upfront costs.

1. DWELLING UNIT REVOLVING FUND

The Dwelling Unit Revolving Fund (DURF) was established by Act 105, SLH 1970, to support the goals of the State's housing development programs. It provides a flexible source of capital for projects that expand housing opportunities for Hawaii's residents.

Funds may be used for the acquisition of real property; development and construction of residential, commercial, and industrial properties; interim and permanent loans to developers; and related administrative and operational expenses.

In 2016, the Legislature expanded DURF's scope under Act 132, SLH 2016, to include financing for regional infrastructure projects, allowing HHFDC to partner more effectively with the counties, private landowners, and developers.

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

These projects received DURF loans in FY 2025:

Waikiki Community Center Mixed-Use Project (Honolulu, Oahu)

This family rental housing project of approximately 135 to 200 residential units targeted to households at 140% AMI or below was approved for a $5 million interim pre-development DURF loan. The addition of affordable rental housing is a key component of the Waikiki Community Center (WCC) Campus Master Plan Vision, which identified this need as critically unmet in the community.

WCC currently provides direct services to kupuna, keiki, and the community through partnerships with non-profit organizations and civic groups. The loan terms (5% interest per annum, a two-point loan fee, and a five-year term) are generally more favorable than market or private financing. This support will allow the developer to begin the pre-development activities while securing permanent financing.

Nalu Waipouli (formerly known as Courtyards at Waipouli) (Kapaa, Kauai)

Nalu Waipouli is an acquisition and rehabilitation project developed by the Department of Hawaiian Home Lands (DHHL). The ten two-story buildings currently house a total of 82 one, two, and three- bedroom units. HHFDC's permanent DURF loan of $13,722,902 will partially finance the acquisition and rehabilitation of the project.

DHHL will utilize its rent with option to purchase model, which has been successfully implemented in its Villages of Laiopua V4 Akau project in Kona, Hawaii, and Hoolimalima project in Kapolei, Oahu. Nalu Waipouli addresses the critical shortage of available rental and prospective for-sale properties to the backlog of DHHL beneficiaries on the waiting list.

Kai Olino (Eleele, Kauai)

Kai Olino is a new 48-unit rental housing development located on a bluff overlooking Hanapepe Bay near the Port Allen Commercial Pier. All units are reserved for households earning 60% AMI and below market. Construction was nearly completed in February 2024 when a fire destroyed the 24 units in Building A, a three-story structure, and damaged a portion of the project's management office building.

Building B, which contains the remaining 24 units of Phase 1, was not affected and is now fully leased. HHFDC is providing an interim loan of $12 million to support the reconstruction of Building A and the repairs to the management office.

DURF EQUITY PILOT PROGRAM



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

The program allows HHFDC to invest directly in select for-sale units by purchasing a share of the equity. This structure lowers the buyer's out-of-pocket contribution, making homeownership more accessible for local families.

In FY 2025, the second year the program was in operation, HHFDC approved additional investments in 88 designated units at four Oahu-based projects:

- Kuilei Place (Honolulu, Oahu): 12 additional units using $1,239,600 in DURF
- Modea (Honolulu, Oahu): 25 units using $1,697,945 in DURF
- The Flats at Sky Ala Moana (Honolulu, Oahu): 25 units using $1,662,100
- The Park at Keeaumoku (Honolulu, Oahu): 26 units using $2,089,281 in DURF

While Modea and The Flats at Sky Ala Moana participated in the program, they are no longer active.

The total allocated amount during FY 2025 is $3,328,881. As of 6/30/2025, the available balance is $4,295,219.

By investing in equity rather than offering loans or grants, DEP provides a sustainable, revolving tool for helping more Hawaii families achieve homeownership without overextending their finances.

To view DEP reports to the Legislature, visit:
https://dbedt.hawaii.gov/hhfdc/resources/reports/

2. LAND DEVELOPMENT

HHFDC manages a portfolio of real property that is either owned, controlled, or acquired through negotiation, exchange, or purchase. These lands are strategically positioned for housing development and made available to qualified developers through a competitive Request for Proposals process.

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

FRONT STREET REDEVELOPMENT (Lahaina, Maui)

Originally completed in 2000, Front Street Apartments provided 142 affordable rental units for households earning up to 50% and 60% of the AMI. The project was developed under the federal LIHTC program and financed in part through HHFDC. To preserve affordability beyond the initial 15-year compliance period, HHFDC acquired the leased-fee interest in 2019.

The property was destroyed in the August 2023 Lahaina wildfire, which displaced hundreds of residents and underscored the ongoing need for affordable housing in West Maui. Following the disaster, the project's lessee exercised its right to surrender the ground lease, and HHFDC executed agreements to terminate the lease and related regulatory restrictions. HHFDC now holds fee-simple title to the site, providing full control over its future redevelopment.

In September 2024, the Board approved the acquisition of additional parcels, including 1050 Front Street and 60 Kenui Street, to expand the redevelopment footprint and increase housing capacity. The Board also authorized negotiations with Hale Mahaolu to lead the redevelopment effort. Preliminary plans envision approximately 200 new affordable rental units targeted to workforce households earning up to 140% of AMI.

While design and permitting remain contingent on water and wastewater capacity commitments from Maui County, recent discussions have identified a viable path forward. HHFDC has also requested expedited Special Management Area (SMA) permitting to accelerate redevelopment. Construction is expected to take several years, but these actions represent steady progress toward restoring critically needed housing in Lahaina.

Iwilei-Kapalama Infrastructure Master Plan and Liliha Civic Center (Honolulu, Oahu)

In March 2025, HHFDC published the Final Environmental Impact Statement (EIS) for two key initiatives: the Iwilei-Kapalama Infrastructure Master Plan and the Liliha Civic Center project, a State-owned development led jointly by HHFDC and the Department of Accounting and General Services (DAGS). Recognizing that inadequate infrastructure is a major impediment to development throughout this key TOD area, HHFDC executed a contract in March 2025 with a consultant to create a model to aid in implementing infrastructure improvements based on real-time development data from landowners in the Iwilei-Kapalama-Kalihi region.

Kahului Civic Center Mixed-Use Complex (Kahului, Maui)

The Kahului Civic Center project is being developed under a Memorandum of Understanding between HHFDC, DAGS, and Maui County on land controlled by HHFDC via Executive Order. The project includes three components: a 303-unit residential housing development called Kaiahale o Kahilihilu, affordable to households earning less than 60% AMI; a civic center to be developed by DAGS; and the new Kahului Transit Center.

In January 2025, HHFDC executed a development agreement with the development affiliate of EAH Housing. In June 2025, HHFDC approved 201H exemptions for Kaiahale o Kahiluhilu related to landscape, sidewalk, and electric vehicle charging station requirements under the Maui County Code. Maui County also approved exemptions for permits, plan review, inspection, and other fees. The savings of $3,078,442 will help lower construction costs and preserve the project's affordability commitment.

The SMA application, originally submitted in December 2024, was updated in May 2025. HHFDC continues to work with EAH and DAGS to resolve coordination issues stemming from EAH's deviation from the original utility plan. The developer anticipates applying to HHFDC for financing in the 2026 funding round.

VOK: Northwest Corner (fka Leiwili Kapolei) (Kapolei, Oahu)

Northwest Corner, also known as Leiwili, is a 900-unit mixed-use for-sale and rental project located in Kapolei, Oahu, consisting of one-, two-, and three-bedroom units. HHFDC owns the 26.5 acres fee simple property in the northwest corner of the Villages of Kapolei (VOK), which is not ceded land. Northwest Corner is proposed to be constructed in three phases with the workforce rental units, targeting 80-100% AMI affordability, to be constructed in phases 1 and 2, and the for-sale units for the 110%-140% AMI market to be completed in phase 3. The affordable rental units will be subject to an affordability restriction of 75 years to run concurrently with the ground lease. The for-sale affordable units will be subject to HHFDC's 10-year buyback restrictions and shared appreciation equity program.

Northwest Corner received certain exemptions from statutes, ordinances, and rules pursuant to 201H-38, including exemptions from applications fees of approximately $1,688,788 for plan review, building permit, grading permit, stormwater quality review and erosion and sediment control plan review, and trenching permit; infrastructure and public works fees and charges of $498,952 for wastewater system facility, stormwater drain connection, private storm drain connection license, and excavation and repair of streets and sidewalks; traffic and roadway improvements in Ewa of $1,120,150 to exempt Ewa highway masterplan impact fees; and deferral of payment of $3,265,607 for wastewater system facility charges and water system facility charges. Northwest Corner also received an exemption to allow a maximum building height of 130 feet instead of 60 feet and a full exemption from park dedication estimated at 99,000 square feet of park space. School impact fees were waived under the governor's affordable housing emergency proclamation.

The developer applied for LIHTC and RHRF funding in February 2025, and the first building permit is anticipated to be issued in May 2026.

Kaiaulu o Kukuia (fka Keawe Street Apartments) (Lahaina, Maui)

As part of the State's Villages of Leialii master-planned community in Lahaina, Kaiaulu o Kukuia is a low-rise project of 25 two-story buildings containing a total of 200 units developed on land owned by HHFDC. First priority is given to survivors of the 2023 Maui wildfires, with second priority going to other Maui families. The project used a Maui County 201H application to receive exemptions for permit, plan review, inspection, and other fees, as well as exemptions to land use and zoning designations. Kaiaulu o Kukuia is completing construction of the project, and the first 88 units were completed and leased by the end of 2024. Kaiaulu o Kukuia adds much-needed permanent, affordable rental housing stock to Maui's west side, as all units are set aside for households earning less than 60% AMI.

3. LAND REFORM

Although not actively used this fiscal year, HHFDC retains legacy land reform authorities that may be reactivated under future legislative direction. These include lease-to-fee conversion and rent renegotiation powers granted in 1970.

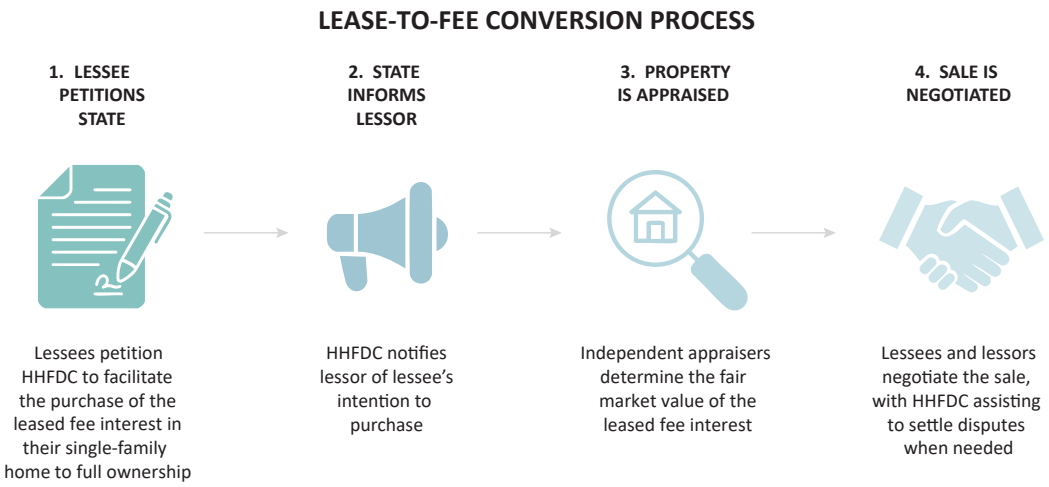
The Land Reform Act of 1967 was a landmark initiative aimed at expanding fee-simple land ownership among Hawaii's residents. Codified in HRS Chapter 516, the law empowers HHFDC to assist lessees of single-family homes in converting leased land to full ownership.

Through this program, eligible lessees can petition the State to acquire the leased fee interest in their houselots—using the State's eminent domain authority when necessary—to facilitate a lease-to-fee conversion.

Since the program's inception, over 14,600 lessees have been assisted. HHFDC continues to provide guidance and education on the lease-to-fee conversion process and support fair and negotiated settlements to help reduce overall conversion costs.

In addition, HRS Chapter 519 authorizes HHFDC to assist with the arbitration of ground lease rent renegotiations for one- or two-family residential leasehold lots and cooperative housing using corporations. This process is used when lessees and lessors cannot agree on a new lease rent amount at the end of a fixed lease term.

Together, these programs help preserve housing stability for families navigating the complexities of Hawaii's historic leasehold land system.



B. REGULATORY AND PROCESS

To accelerate housing production, HHFDC administers regulatory tools that reduce delays and financial barriers for developers.

1. 201H EXPEDITED PROCESSING

Under HRS §201H-38, HHFDC is authorized to partner with eligible developers or act on behalf of the State to advance housing projects that qualify for expedited development review. These projects, commonly referred to as "201H projects," may receive exemptions from certain state and county requirements related to zoning and land use; subdivision and development standards; and construction codes and design regulations.

The goal of the 201H process is to streamline approvals for projects that provide affordable housing while maintaining essential oversight.

While the 201H pathway allows for targeted regulatory exemptions, all projects must still comply with key state and local requirements, including:

- County building permit processes
- HRS Chapter 104 Wages and Hours of Employees on Public Works
- HRS Chapter 343 Environmental Impact Statements (EIS)

Each request for exemptions is carefully reviewed in coordination with the respective county agencies to ensure consistency with broader community planning goals.

In FY 2025, HHFDC approved exemption requests for these six projects:

Table 9

Projects Approved FY 2025 for 201H Expedited Processing

Project Name	Location	Total Units (Affordable and Market)	Sale/Rental
Hale Moena (Kapolei Mixed Use) Phases 3 & 4	Kapolei, Oahu	125	Rental
HPHA Kaahumanu Homes	Honolulu, Oahu	1,550	Rental and For Sale
HPHA Lanakila	Hilo, Hawaii	258	Rental
Kahului Civic Center	Kahului, Maui	303	Rental
Kakaako Block D (Waiakoa)	Honolulu, Oahu	1,025	For Sale
VOK: Northwest Corner (Leiwili Kapolei)	Kapolei, Oahu	900	For Sale
6		**4,161**	

Historically, one to two 201H applications were received, reviewed, and accepted by the Development Branch each year. However, the volume of applications received increased beginning in FY 2023 with a significant increase in FY 2025 as shown in Table 9a. In calendar year 2025, the branch expects to receive at least two more 201H applications.

Table 9a			
Projects Approved for 201H Expedited Processing			
Fiscal Year	Apps Received	Apps Approved	Units Approved
FY 2025	8	6	4,161
FY 2024	3	3	2,754
FY 2023	3	4	2,681

These projects received 201H expedited processing:

Kahului Civic Center (Maui)



Kahului Civic Center Source: https://ogden_images.s3.amazonaws.com/www.mauinews.com/images/2023/11/21054531/os-kahului-civic-center-housing-2-1100x608.jpg

Kuilei Place (Oahu)



Kuilei Place Source: https://assets.site-static.com/userFiles/2805/image/Ala_Moana_Towers/Kuilei_Place/kuilei_place_condo_mockup.jpg

Kuilei Place (Honolulu, Oahu)

Kuilei Place is a privately financed 1,005-unit, for-sale development in the Kapahulu/ Kaimuki/ Moiliili neighborhood. 603 units are available to households earning between 80% and 140% of the AMI. Kuilei Place was approved for certain exemptions from the City, including but not limited to, application fees such as building permit; plan review; grading, grubbing, and stockpiling; trenching permit; and infrastructure and public works fees. The $3,038,674 savings realized will be used to keep construction costs lower and the majority of the project affordable. The project will also defer payment of water system facility charges (estimated at $3,031,328) to minimize expenses during the construction. The project is successfully realizing sales utilizing the DURF Equity Program described earlier in this report. Kuilei Place began construction in January 2025 with a ground blessing in April 2025. Construction completion is anticipated in 2027.

2. GOVERNOR'S EMERGENCY PROCLAMATION ON HOUSING

In July 2023, Governor Josh Green declared a state of emergency on housing and issued the first Emergency Proclamation (EP) Relating to Housing to fast-track the speedy and safe construction of housing and related infrastructure. The proclamations marked a bold and urgent step toward addressing Hawaii's housing crisis, aiming to streamline permitting, reduce regulatory barriers, and enable cross-sector collaboration to deliver housing more efficiently.

Under the emergency framework, eligible housing projects have benefited from several key flexibilities, including:

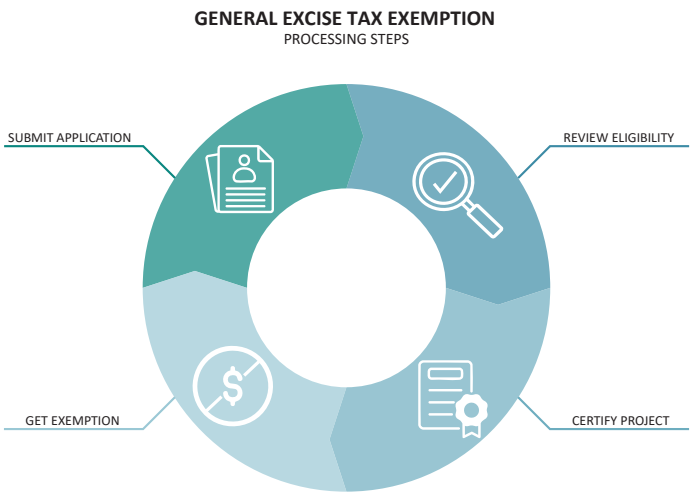
- Exemptions from school impact fees
- Approval of certain 201H exemptions from the respective county planning departments instead of the county councils
- The ability to construct housing on property zoned for commercial use

Since February 20, 2024, with the fifth EP, the duties of the Build Beyond Barriers Working Group have been transferred to HHFDC, which has been processing developer applications for eligibility since then. For FY 2025, 12 affordable housing projects had been certified, representing a total of 5,914 units, a 63% increase from last FY's totals.

C. COST REDUCTION TOOL

Through tax exemptions, HHFDC improves project financial feasibility, particularly for developments that serve low- and moderate-income households.

GENERAL EXCISE TAX EXEMPTION



HHFDC is authorized to approve and certify exemptions from Hawaii's General Excise Tax (GET) for eligible projects.

This exemption applies to:

- New construction or rehabilitation of affordable housing developments
- Projects that meet specific income limits and affordability requirements
- Annual rental income from units with certified rent levels aligned with state-defined affordability standards

In FY 2025, HHFDC processed 709 GET exemption requests representing 31,537 total units.

V. HOUSING INFORMATION SYSTEM

As part of HHFDC's commitment to data-driven decision-making, the Housing Information System (HIS) collects, analyzes, and disseminates housing data to guide policy, support funding strategies, and improve public transparency

A. AFFORDABLE HOUSING INVENTORY REGISTRY

Pursuant to HRS §201H-6, HHFDC is responsible for maintaining a housing advocacy and information system to support the needs of Hawaii's housing consumers.

To meet this mandate, HHFDC developed the Affordable Housing Inventory Registry, a centralized, public-facing resource that allows residents to search for affordable rental housing across the state. The registry is designed to support informed decision-making by helping individuals and families find options that match their location, household size, income level, and lifestyle needs.

HHFDC maintains an interactive web-mapping application that allows users to filter search results based on specific criteria, view rental project locations on a statewide map, and access the same data available in the static Affordable Housing Inventory List. This tool enhances transparency and helps connect people to housing options more effectively.

To explore the Affordable Housing Inventory, please visit:
https://dbedt.hawaii.gov/hhfdc/affordable-housing-inventory/affordable-rental-housing-inventory/

B. PLANNING STUDIES AND REPORTS

HHFDC leads and contributes to a wide range of housing studies and planning efforts that inform statewide housing strategies, direct federal resources, and support compliance with federal regulations. These efforts are conducted in collaboration with state, county, and academic partners and are grounded in data, equity, and long-term impact.

1. 2024 HAWAII HOUSING PLANNING STUDY (HHPS)

Prepared every five years, the HHPS is the state's most comprehensive housing market analysis. It provides:

- Current data on housing inventory and conditions
- Demographic and economic trends
- Analysis of housing demand and affordability gaps
- Insight into household preferences and needs

The HHPS is led by HHFDC in partnership with a consortium of state and county housing agencies.

To read this study, please visit:
https://dbedt.hawaii.gov/hhfdc/resources/reports/

2. HUD CONSOLIDATED PLANNING PROCESS

HHFDC participates in the State's HUD Community Planning and Development Consolidated Planning process, which governs how federal housing funds are prioritized and spent. This process includes the following three core components:

- **Consolidated Plan (ConPlan)**
  A five-year strategic plan that identifies affordable housing needs, sets funding priorities, and serves as the State's formal application for federal housing program funds.
- **Annual Action Plan (AAP)**
  Outlines specific actions, activities, and investments to be made each year in alignment with ConPlan goals.
- **Consolidated Annual Performance and Evaluation Report (CAPER)**
  An annual report to HUD measuring the State's progress in meeting the objectives and outcomes identified in the ConPlan.

These plans guide the use of federal housing funds, including those administered by HHFDC under the HOME and HTF programs for the counties of Hawaii, Kauai, and Maui.

To read this study, please visit:
https://dbedt.hawaii.gov/hhfdc/resources/reports/

3. ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING

To fulfill HUD's requirement to affirmatively further fair housing, HHFDC led the 2025 Analysis of Impediments to Fair Housing Choice in partnership with six state and county housing agencies. The study, conducted by the University of Hawaii, identified barriers to housing equity and proposed actionable strategies to remove them.

To read this study, please visit:
https://dbedt.hawaii.gov/hhfdc/resources/reports/

C. YIMBY WORKING GROUP

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

The working group met twice in 2022, and it identified insufficient infrastructure as the most pressing issue in housing development. In 2023, it commissioned a study to identify needed infrastructure, or clusters of infrastructure, where development would be the most impactful to support near-term housing development in each county. In 2024, the cost of infrastructure projects was provided to help identify the projects with the greatest impact on housing production. In 2025, the potential of local housing markets was assessed.

Moving forward, HHFDC will use the YIMBY Working Group as a venue to discuss noteworthy issues.

To read the YIMBY reports to the Legislature, please visit:
https://dbedt.hawaii.gov/hhfdc/resources/reports/

D. HOUSING PRODUCTION SUMMARY

1. PROJECT COMPLETED IN FY 2025

The table below summarizes developments that delivered new units in FY 2025, including rentals and for-sale homes across multiple islands. These projects reflect HHFDC's continued collaboration with private developers and use of tools such as LIHTC, RHRF, 201H, GET exemptions, and state land to bring housing online.

Table 10

Projects Completed in FY 2025

	Island	Name	Construction	Type	Program Used	Number of Units
1	Hawaii	Hale Na Koa O Hanakahi (fka West Kawili Street Senior/Veteran Housing)	new	rentals	LIHTC, RHRF, HMMF, HOME, HTF, GET	92
2	Oahu	Hocking Hale (Hocking Building)	new	rentals	LIHTC, RHRF, GET	40
3	Oahu	Jack Hall Waipahu Apartments	acq rehab	rentals	LIHTC, GET	144
4	Kauai	Kai Olino Phase 1 Bldg B	new	rentals	LIHTC	24
5	Kauai	Kai Olino Phase 2	new	rentals	LIHTC, RHRF	27
6	Hawaii	Kauhale I Ke Kula Uka (fka Kaloko Heights)	new	rentals	LIHTC, RHRF, HMMF, HOME, HTF	100
7	Oahu	Koa Vista 1	new	rentals	LIHTC, RHRF, HMMF, GET	96
8	Kauai	Lima Ola, Phase 1- Lot 1- Permanently Supportive Housing Project (MF RH Units)	new	rentals	HOME-ARP, DURF	32
9	Kauai	Lima Ola, Phase 1- Lot 2 Senior MF RH Units	new	rentals	LIHTC, DURF	40
10	Kauai	Lima Ola, Phase 1- Lot 45 Family MF RH Units	new	rentals	LIHTC, HOME, HTF, DURF	45
11	Oahu	Maunakea Tower Apartments	acq rehab	rentals	LIHTC, GET	379
12	Oahu	Parkway Village at Kapolei- Lot 7	new	rentals	LIHTC, RHRF, HMMF, EP, GET	169
13	Maui	Villages of Leialii (VOL): Kaiaulu O Kukuia (fka Keawe Street Apartments)	new	rentals	LIHTC, RHRF, HMMF, DURF, Land, GET	200
14	Maui	Wailuku Apartments (aka Kaulana Mahina Workforce Housing)	new	rentals	201H, GET	72
						1,460

Summary of Projects Completed in FY 2025				
New Construction	Preservation	For Rent	For Sale	Total
1,189	523	1,460	0	1,460

Kauhale I Ke Kula (Hawaii)



https://cdn.bigislandnow.com/ ile/ bigislandnow/2024/10/Kauhale-I-Ke-Kula-Uka-Exterior-entry-copy.jpg

Hale Na Koa Hanakahi (Hawaii)



https://www.eahhousing.org/apartments/hilo/

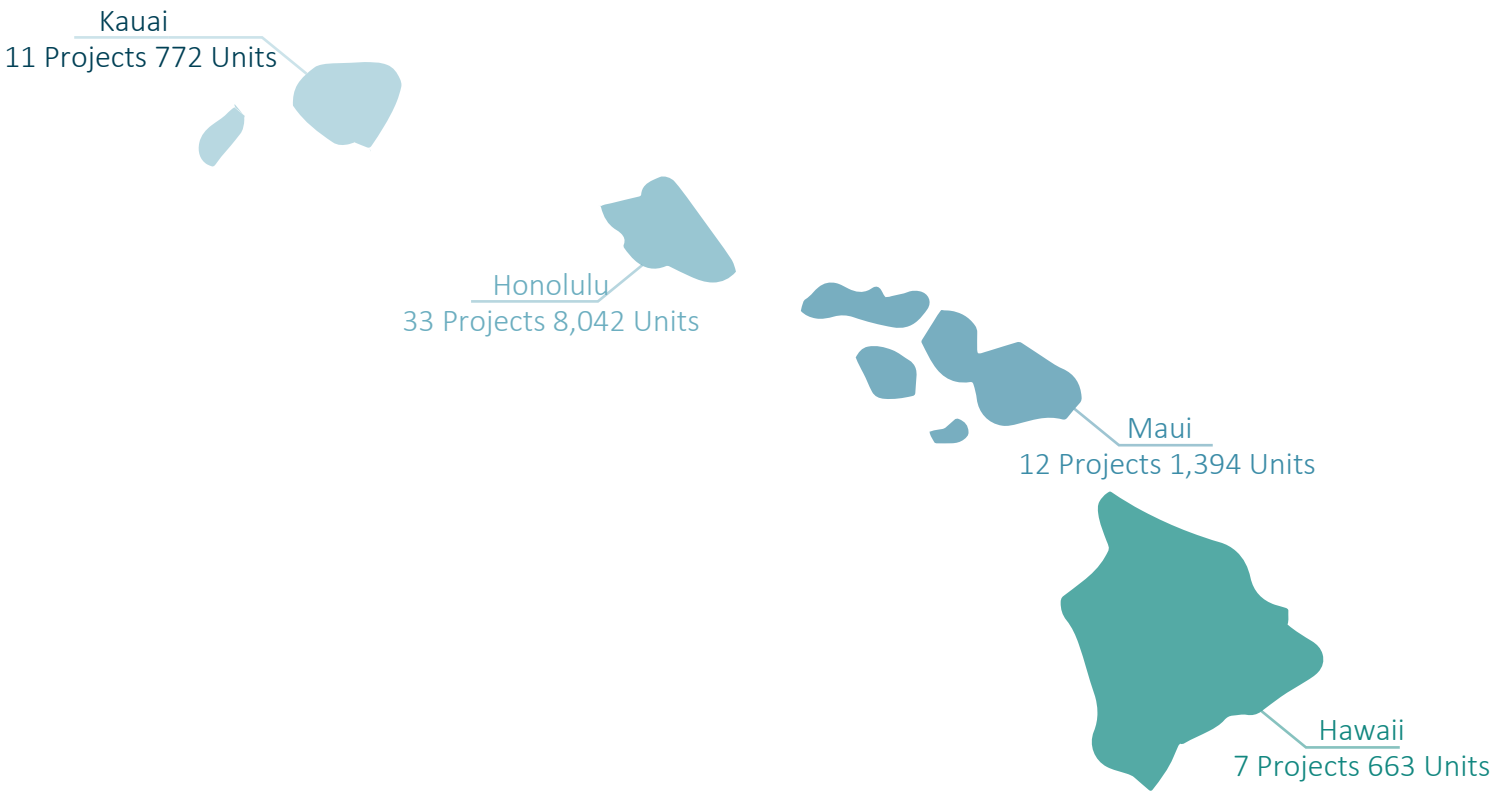
Five-Year Production Projection

HHFDC's unit delivery figures are based on the best available information at the time of reporting. Projections are routinely updated as additional information becomes available, and figures may differ from prior or future reports due to new data or the correction of earlier reporting errors.

Forward-looking estimates are tied to project schedules, which are adjusted as those schedules evolve. Projections for later fiscal years may include assumptions about future applications to HHFDC; however, the submission and approval of such applications are not guaranteed, and estimates may change significantly as a result.

The fiscal year in which a unit is recorded as delivered may be determined by various benchmarks, including the issuance of certificates of occupancy, notices of completion, or the start of tenant move-ins.

Number of Units Projected (FY 2026-2030)					
Fiscal Year	New Construction	Preservation	For Rent	For Sale	Total
2026	1,240	306	1,496	50	1,546
2027	1,172	202	1,374	0	1,374
2028	2,199	0	1,031	1,168	2,199
2029	3,553	0	2,816	737	3,553
2030	2,118	85	1,178	1,025	2,203
					10,875



3. Projects Under Development- By County

Tables 11 through 14 highlight affordable housing projects under development by each county. These projects, supported by HHFDC programs and partnerships, reflect the growing pipeline of new construction and rehabilitation efforts statewide.

Table 11

HAWAII COUNTY

Project Name	Construction Type	Type	Total Units
Honuaula Living Community	new	rentals	105
HPHA Lanakila	new	rentals	152
Hualalai Court Apartments	new	rentals	104
Kuakini Heights	new	rentals	100
Na Hale Makoa	new	rentals	140
Villages of Laiopua- V4 Akau Ph 3	new	rentals/ for sale	32
Villages of Laiopua- V4 Hema RP	new	rentals/ for sale	30
7 Projects			**663**

Kauai's development strategy includes infill construction and land-efficient designs to address high land costs and limited infrastructure, with a focus on community-scale projects to serve local working families.

Table 12			
KAUAI COUNTY			
Project Name	**Construction Type**	**Type**	**Total Units**
Hanapepe Residence Lots- 2A	new	rentals	30
Ka Lei Momi Kapaa (Kapaa Homes)	new	rentals	124
Kai Olino Phase 1 Bldg A	new	rentals	24
Kalepa 23	acq rehab	rentals	80
Lima Ola, Phase 1- SF FS Units (Lots 5-28 & 30-43)	new	for sale	38
Lima Ola, Phase 2- Lots 29, 46, & 51	new	tbd	97
Lima Ola, Phase 2- Lots 29, 46, & 51 SF FS Units	new	for sale	75
Nalu Waipouli (Courtyards at Waipouli)	acq rehab	rentals/ for sale	82
Rice Street Apartments	new	rentals	66
Uahi Ridge	new	rentals	96
Uahi Ridge Phase 2	new	rentals	60
11 Projects			**772**

Kauai's development strategy includes infill construction and land-efficient designs to address high land costs and limited infrastructure, with a focus on community-scale projects to serve local working families.

Table 13			
MAUI COUNTY			
Project Name	Construction Type	Type	Total Units
Aikanaha Residences	new	rentals	212
Front Street Apartments Redevelopment Phase 1	new	rentals	142
Front Street Apartments Redevelopment Phase 2	new	rentals	98
Hale O Laie	acq rehab	rentals	85
Hale O Piikea 1	new	rentals	90
Hale O Piikea 2	new	rentals	97
Hale O Piikea 3	new	rentals	36
Hale Pilina	new	rentals	179
Kahului Civic Center Mixed Use Phase 1	new	rentals	197
Kahului Civic Center Mixed Use Phase 2	new	rentals	106
Kehalani Apartments	new	rentals	35
Liloa Hale	new	rentals	117
12 Projects			**1,394**

Maui County's housing pipeline continues to reflect a mix of large-scale developments and smaller community-based efforts, with an emphasis on post-disaster recovery, workforce housing, and serving families at lower income levels.

Table 14			
CITY & COUNTY OF HONOLULU			
Project Name	Construction Type	Type	Total Units
330 Kuulei Apartments	new	rentals	40
690 Pohukaina (Pohukaina Commons) Phase 1	new	rentals	431
690 Pohukaina (Pohukaina Commons) Phase 2	new	rentals	194
Ahuimanu Hui Koolau Habitat for Humanity	new	for sale	1
Halawa View 2 (& 3) (Naulu Apartments)	new	rentals	302
Hale Makana O Uluwehi	acq rehab	rentals	40
Hale Moiliili	new	rentals	278
Hale Uhiwai Nalu Phase 2	new	rentals	50
Halewiliko Highlands (Aloha la Halewiliko)	new	rentals	140
Hoonanea- Phase I at Hoopili Gateway	new	rentals	192
HPHA School Street Redevelopment Phase 1A	new	rentals	250
Kakaako Block C (Kahuina) (for-sale units)	new	for sale	737
Kakaako Block C (Kahuina) (rental units)	new	rentals	124
Kakaako Block D (Waiakoa)	new	for sale	1,025
Kaleimao Village West Loch (Kaleimao)	new	rentals	127
Kaulu by Gentry (Kaulu)	new	for sale	4
Keawalau- Phase Ewa	new	rentals	170
Koa Vista 2	new	rentals	97
Kuhio Park Low-Rise & Homes Redevelopment- Phase 1	new	rentals	304
Kuilei Place	new	for sale	1,005
Laulima Ph 1	new	rentals	236
Laulima Ph 2	new	rentals	264
Laulima Ph 4- Maluhia	new	rentals	70
Mayor Wright Homes- Ph1 Bldg A	new	rentals	308
Mayor Wright Homes- Ph1 Bldg B	new	rentals	247
Melia	new	rentals	247
Nanaikeola Self-Help	new	for sale	87
Pahoa Ridge	new	rentals	182
Palolo Homes	acq rehab	rentals	306
Parkway Village at Kapolei- Lot 6	new	rentals	236
The Park at Keeaumoku	new	for sale	8
VOK Northwest Corner (Leiwili)- Phase 1 (Bldgs B & C)	new	rentals	344
33 Projects			**8,046**

Oahu represents the largest share of statewide development activity, with high-density projects concentrated in urban Honolulu and along major transit corridors. These efforts support seniors, low-income households, and first-time homebuyers.

VI. REAL ESTATE PORTFOLIO

HHFDC oversees a diverse portfolio of state-owned and -controlled properties designated for housing. These assets are strategically managed to enable public-private development partnerships and deliver housing solutions across the state.

A. LEGACY DEVELOPMENT RESPONSIBILITIES

1. Villages of Kapolei (Oahu)

The Villages of Kapolei (VOK) was established under Act 15, SLH 1988, which granted HFDC—a predecessor to HHFDC—special authority to expedite the development of affordable housing.

Specifically, Act 15 provided HFDC with temporary exemptions from various state and local requirements related to planning, zoning, subdivision standards, and land development. These powers were contingent upon compliance with minimum health and safety requirements, adherence to applicable utility standards approved by the Public Utilities Commission, and the holding of a public hearing in the respective county prior to development.

While the VOK community has grown significantly over the past several decades, the City has not yet accepted the dedication of the infrastructure. As a result, HHFDC continues to maintain the subdivision's roads, sidewalks, landscaping, drainage systems, street lighting, sewer system, and non-potable water system, even as the City collects real property tax revenues generated from properties in the area.

Currently, infrastructure maintenance is funded through DURF at a cost of more than $1 million annually. Additionally, ongoing roadway rehabilitation projects, as required by the City as a condition for dedication to the City, will cost approximately $10 million per year.

In FY 2025, HHFDC performed roadway rehabilitation, which included road resurfacing, sidewalk and drainage repairs, updated signage, pavement markings, vegetation clearing, and street lighting upgrades.Legal and technical work to dedicate the sewer system progressed, and surveys were conducted to plan perimeter fencing. Planning also began for the rehabilitation of additional roadways to City standards.

Village of Kapolei - Kapolei, Oahu



https://assets.agentfire3.com/uploads/sites/157/2020/08/1200px-Kapolei-Oahu-Aerial.jpg

Waiahole (Oahu)

In 1977, HHFDC's predecessor agency acquired the majority of Waiahole Valley on Oahu to preserve its rural and agricultural character. Additional ceded lands in the valley were transferred to HHFDC in 1993 from the Department of Land and Natural Resources (DLNR), further expanding the State's holdings in the area.

Today, HHFDC owns and manages 122 lots totaling about 596 acres within Waiahole Valley agricultural residential subdivision, as well as 292 acres outside it in open space, stream lots, and internal roadways.

HHFDC incurs approximately $1.4 million annually to administer 93 long-term ground leases, manage vacant and non-leasable parcels, and maintain roads, infrastructure, and other common areas. These costs are offset in part by lease rents, water service charges, and fees, which generate approximately $300,000 per year. The remaining shortfall is subsidized by DURF.

HHFDC has substantially concluded lease rent renegotiations for the next 25 years. To date, 46 of 78 lessees have signed lease amendments for the fifteen-year period from June 30, 2023, to June 29, 2038, and the pace of documentation continues to lag due to title complications, such as the death of original lessees or unconsented lease assignments.

HHFDC also owns and operates the one-million-gallon potable water system that services the agricultural/ residential lots and Waiahole Elementary School. Since 2021, approximately $25 million has been invested in capital improvements, and $11.4 million in General Obligation bond interest was charged to the project before the bonds were retired in 2003.

The current system is approaching the end of its service life. In FY 2025, HHFDC advanced key repairs to extend the service life of the water system. Mechanical, electrical, and structural upgrades moved forward, and planning began for reservoir tank repairs. HHFDC also completed field surveys to plan the removal of hazardous Albizia trees and advanced compliance with updated drinking water regulations from the Hawaii Department of Health, including system inventory updates and customer notifications on service line materials.

Waiahole Valley - Kaneohe, Oahu



https://cdn.hawaii.house/images_properties/lot1-kamehameha-hwy-kaneohe_202428826_0.jpg?id=202412291336

B. LEASEHOLD HOMEOWNERSHIP PORTFOLIO

Excluding the aforementioned Waiahole Valley, HHFDC currently manages more than 500 residential lease agreements with single-family and townhome owners across thirteen affordable housing projects statewide. These units were originally sold between 1974 and 2005 through predecessor agency programs and now fall under HHFDC's Residential Leasehold Program.

Each property was sold with a 55-year ground lease, with expiration dates ranging from 2029 to 2055. Lease terms vary by project—including lease rent amounts, covenants, and other provisions—but all original purchasers qualified under income guidelines of 80% to 120% of the AMI and were subject to HHFDC's Buyback Program, which includes ten-year use, sales, and transfer restrictions. Homes sold after 1990 are also subject to the Shared Appreciation Equity Program.

To support homeowners seeking long-term financing, HHFDC adopted a Lease Extension Policy in 2004, which was amended in 2011. The policy applies only to project sites where the leased-fee interest is not available for purchase and provides that lease terms may not extend beyond December 31, 2055; and lease rents must be fixed for the remainder of the lease following renegotiation with HHFDC.

In 2022, the Board approved a new leasehold policy developed in response to recommendations from a 2018 Permitted Interaction Group tasked with reviewing existing leasehold frameworks. The updated policy reflects modern housing needs and long-term affordability goals and includes the following key provisions to promote housing stability and preserve value for future generations:

- A 99-year lease term, with fixed rent for the first 55 years
- Rent set at levels sufficient to cover HHFDC's administrative costs
- Standardized lease provisions to align with current laws, regulations, and enforcement practices
- Safeguards against speculation and windfall profits

At its October 10, 2024, meeting, the Board received a For Discussion seeking clarification on several policy implementation issues, including how to calculate administrative lease rents, account for land value increases during the fixed rent period, and apply potential premiums to discourage windfall profits under the new 99-year lease terms. These discussions guide the implementation phase to ensure continued fairness, sustainability, and effective management of HHFDC's leasehold homeownership portfolio.

In July 2025, HHFDC held community meetings for the Uluwehi, Nahoa Apartments, and Hale Aupuni—projects with leases set to expire starting in 2029. Attendees received an overview of the new 99-year lease opportunity and key eligibility requirements, including compliance with existing lease covenants, owner-occupancy under the new lease, and completion of a homeownership counseling course.

Uluwehi Community Meeting





HHFDC plans to return to the Board early next year to finalize program rules. This timeline has been delayed due to the volume of lease extension requests and ongoing efforts to assist lessees with compliance.

C. MULTI-FAMILY PORTFOLIO

1. Legacy Portfolio

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

As of June 30, 2025, eight of nine property dispositions had been completed with the new owners committing to invest additional funding for various renovation programs. The properties were sold subject to affordability restrictions.

2. Nani O Puna (Pahoa, Hawaii)

HHFDC's sole remaining legacy multi-family asset is the 32-unit Nani O Puna farm laborer housing project in Pahoa, Hawaii Island. The project was financed in part by a U.S. Department of Agriculture - Rural Development (USDA-RD) Section 514 Farm Labor Housing mortgage loan, which matures in April 2027. To be eligible, households must have incomes at or below 80% of the AMI. Nani O Puna also has a USDA-RD Section 521 Rental Assistance Agreement, which is coterminous with the Section 514 loan. Section 521 provides a project-based rent subsidy that covers the difference between 30% of a tenant's monthly income and the actual monthly rental amount.

In August 2024, HHFDC, in partnership with developer Ahe Group and the nonprofit Affordable Housing and Economic Development Foundation, executed an amendment that retroactively reinstated the previously expired Purchase and Sale Agreement. However, the property disposition did not move forward as planned, with the Ahe Group formally withdrawing from the sale in June 2025.

HHFDC remains committed to the long-term stewardship of Nani O Puna and will continue to manage the property in collaboration with Hawaii Affordable Properties, Inc., ensuring continuity of operations and ongoing support for residents.

Nani O Puna - Pahoa, Hawaii



https://www.hawaiicounty.gov/home/showpublishedimage/7834/638024737071930000

D. ASSISTANCE TO DISPLACED PERSONS

Under HRS Chapter 111, the State of Hawaii establishes a uniform policy to ensure the fair and equitable treatment of individuals, families, and businesses that are lawfully occupying real property and are displaced due to public acquisition or government actions, including enforcement of building, zoning, or housing codes.

As a state agency, HHFDC is responsible for ensuring that any required relocation payments are fair, reasonable, and disbursed promptly to eligible occupants.

In practice, the vast majority of HHFDC-supported projects do not result in displacement. However, in cases where relocation is necessary, HHFDC typically requires the project developer to provide appropriate relocation assistance in accordance with applicable laws and best practices.

E. ENVIRONMENTAL REVIEW

HHFDC assists developers in meeting environmental review requirements in different ways.

In August 2019, amendments to HAR 11-200.1 allowed eligible affordable housing projects to bypass the preparation of an Environmental Assessment (EA) or Environmental Impact Statement (EIS) under HRS 343. HHFDC uses this exemption process to help developers meet environmental review requirements quickly, which can help accelerate development timelines.

For projects with outdated EAs or EISs, HHFDC may issue a prior determination notice stating no further environmental review is needed if certain criteria are met. Finally, if a project does not qualify for an exemption or prior determination, HHFDC can act as the approving agency on a new EA for an affordable housing project.

In Fiscal Year 2025, HHFDC supported project compliance with HRS 343 by preparing the following documents:

EA Exemption Notices:

- Aikanaha Residences Phase 1 and Phase 2 Affordable Housing Project – Wailuku, Maui
- Ka Lei Momi Kaahumanu Homes Redevelopment Mixed-Use Project – Honolulu, Oahu
- Ka Lei Momi Lanikila Homes Affordable Project – Hilo, Hawaii Island
- Kaiaulu O Kalaeloa Affordable Housing Project - Honolulu, Oahu
- Kamoiliili Apartments Affordable Housing Project - Honolulu, Oahu
- Keawalau Affordable Housing Project - Waipahu, Oahu
- Kehalani Affordable Housing Project - Wailuku, Maui
- Kemole Lane Apartments Affordable Housing Project – Honolulu, Oahu
- Melia Affordable Rental Project - Honolulu, Oahu
- Pua Lane Affordable Housing Project - Honolulu, Oahu

Prior Determination Notice:

- Gateway Rentals at Hoopili – East Kapolei, Oahu
- Kahului Civic Center Project – Kahului, Maui
- Leiwili Kapolei Mixed-Use Development Project – Kapolei, Oahu

Final EIS:

- Iwilei Infrastructure Improvements and Liliha Civic Center EIS – Iwilei, Oahu

F. PROGRAM COMPLIANCE MONITORING

HHFDC is responsible for compliance monitoring across a wide range of affordable rental housing programs, including federal and state LIHTC, HOME, HMMF, RAP, RHRF, 201H, DURF, Section 1602 Grants, HOME-ARP, HTF, the Neighborhood Stabilization Program, RARF, and the Tax Credit Assistance Program.

As of this reporting year, HHFDC performs compliance monitoring for 173 affordable housing projects statewide, encompassing a total of 16,436 units. Many of these projects receive support from multiple funding sources, each with its own compliance requirements.

Under a compliance monitoring contract, HHFDC staff oversee and review the work of its compliance monitoring contractor. In FY 2025, monitoring activities included site reviews for 61 projects throughout Hawaii. In total, 312 year-end reviews and 141 quarterly reviews were conducted.

In response to the growing scope of responsibilities, HHFDC established a new Housing Compliance Specialist position in FY 2025 to support the Housing Compliance Manager. Since HHFDC's formation in 2006, the size of its compliance portfolio has increased by 169%. In addition to this growth, the complexity of compliance work has also expanded significantly. The number of financing programs has more than doubled, and more projects are now financed using multiple sources. Additionally, an increasing number of properties include unique affordability restrictions tied to the conditions of sale and fall outside standard financing programs.

VII. SUPPORT SERVICES

A. HUMAN RESOURCES

The Human Resources Office at HHFDC provides personnel support and advisory services to the Executive Director, managers, and staff. The office oversees a range of human resources functions, including recruitment, employee development, retention, and compliance with personnel policies and procedures.

HHFDC continues to invest in professional growth by supporting staff participation in training programs and conferences, both locally and on the U.S. mainland. These opportunities are designed to enhance employee knowledge, expand skill sets, and promote the adoption of best practices across the agency.

At the start of fiscal year 2025, HHFDC had a staff of 64, with 63 remaining employed by year's end. HHFDC welcomed nine new hires, several of whom were internal promotional transfers. The agency also participated in the Operation Hire Hawaii, an expedited state hiring process, and welcomed two new hires who had been impacted by layoffs, resignations, or the loss of federal funding.

One employee was recognized for more than 30 years of service, having spent most of that time with HHFDC, and three employees were recognized for 20 years of service. Additionally, two managers were nominated and selected for DBEDT's Maui Economic Recovery Support Team of the Year.

HHFDC also participated in the Hele Imua Internship Program offered by the Department of Labor and Industrial Relations. Through this program, supervisors and managers provided mentorship and guidance to interns and recent graduates preparing for long-term employment. Five interns joined HHFDC in FY 2025, providing valuable support across multiple branches while gaining practical, hands-on experience.

B. INFORMATION TECHNOLOGY

The Information Technology Office manages and maintains HHFDC's technology infrastructure, including computers, software, telecommunication systems, and network resources. In 2025, ITO advanced HHFDC's modernization efforts by completing major initiatives and preparing the agency for the next stage of digital transformation.

The most significant milestone was the migration of all locally stored file servers to Microsoft SharePoint and cloud storage. This transition eliminated the agency's reliance on aging on-premise systems, strengthened disaster recovery, and enabled secure, real-time collaboration across teams. It also established the foundation for future use of artificial intelligence tools to help staff search, summarize, and analyze agency records.

ITO also upgraded the Board Room audio and video systems, improving sound and video quality for hybrid and remote meetings. New security protocols were implemented to prevent disruptions and ensure a safe and professional environment for both in-person and remote participants. Planning also began for a future 10 Gbps network upgrade to support cloud-based operations and AI integration.

In addition, ITO launched pilot programs to test emerging technologies. A limited group of staff began using Microsoft Teams Calling as a potential replacement for the current voice over Internet Protocol (VOIP) phone system. HHFDC also evaluated several generative AI platforms— including Microsoft Copilot, Google Gemini, and other tools— to identify the best fit for the agency's needs. To support responsible use, ITO developed internal AI guidelines and hosted a "lunch and learn" to introduce staff to these tools and ethical best practices. These steps position HHFDC to embrace innovation while safeguarding data security and ethical standards.

Looking ahead, HHFDC's Finance Branch is preparing for the implementation of Prolink Housing Software in late 2025. Prolink will automate project intake, developer compliance, and financial tracking, allowing staff to focus more on strategic oversight and partner engagement.

ITO also continued its collaboration with the State of Hawaii's Office of Enterprise Technology Services (ETS) through the IT Consolidation Plan 2025, contributing to discussions on shared services, cybersecurity, and governance, to align HHFDC's IT strategy with statewide priorities.

Through these efforts, ITO has strengthened HHFDC's core infrastructure and positioned the agency to adopt next-generation technologies that enhance efficiency, resilience, and service delivery.

VIII. MAUI WILDFIRES RECOVERY

A. HAWAII INTERIM HOUSING PROGRAM

The Hawaii Interim Housing Program (HIHP) was established to assist individuals and families displaced by the 2023 Maui wildfires. Managed by the Hawaii Office of Recovery and Resiliency in partnership with the DHS and HHFDC, the program offers temporary state-sponsored housing at no cost to survivor households not eligible for Federal Emergency Management Agency (FEMA) housing.

Those placed in interim housing will not be required to pay rent or utility bills through August 2025. HIHP stopped accepting new applications on January 15, 2025. FEMA ended in-person staffing at the two public-facing recovery centers on June 18, 2025.

The interim housing choices are Hale O Laie and Ka Lai Ola.

1. Hale O Laie (Kihei, Maui)

Pursuant to Act 164, SLH 2023, HHFDC acquired the former Maui Sun Hotel and Haggai International Institute, now renamed Hale O Laie. The 7.8-acre property, located in a mixed-use neighborhood of Kihei, features 175 fully furnished guest rooms and various on-site amenities.

Following the August 2023 wildfires, HHFDC quickly repurposed the facility to serve as interim housing for disaster survivors. In partnership with Maui County, HHFDC entered into a 75-year ground lease and related agreements, solidifying long-term intergovernmental collaboration. Paramount Hotels was selected to operate the facility, which began a phased opening of guest rooms in May 2024 to accommodate wildfire survivors who were ineligible for FEMA reimbursement. The property supported numerous Maui wildfire survivors.

During the first year of operations, Paramount completed key life safety repairs and additional capital improvements by June 30, 2025, using the remaining legislative appropriations. However, due to the continued need for survivor housing, the transition to a permanent teacher and workforce housing project, with planned public pre-K classroom space, has been delayed. Maui County is anticipated to take possession of the property in September 2026, with long-term redevelopment plans to proceed thereafter.

2. Ka Lai Ola (Lahaina, Maui)

The critical housing shortage following the August 2023 disaster renewed focus on developing the Villages of Leialii in West Maui. Two interim housing communities— Ka Lai Ola and Kilohana— are under construction with temporary water and wastewater infrastructure provided by Maui County. The project neighbors the Lahaina Civic Center.

Ka Lai Ola is developed by DHS in partnership with HomeAid Hawaii and the Hawaii Community Foundation. With 450 modular units, it is considered Maui's largest interim housing community. The project reached substantial completion in less than 18 months, compared to the four to six years such developments typically require. Families were able to move in just months after groundbreaking, made possible through emergency proclamations that streamlined permitting and ensured construction advanced quickly and safely.

In 2029, the site and its infrastructure will transfer to DHHL, accelerating housing for Native Hawaiians by 17 years.

B. FEMA HOUSING ASSISTANCE

FEMA has provided temporary housing through direct leasing, direct temporary housing units, and rental assistance to support disaster survivors on their path to recovery.

Nearly 1,200 households were enrolled in FEMA's temporary housing or rental assistance programs two years after the devastating wildfires. FEMA's direct temporary housing assistance is scheduled to end on February 10, 2026, having been extended from its original end date of February 10, 2025.

Kilohana (Lahaina, Maui)

The Kilohana modular homes project added another 167 units on 34 acres, developed by the U.S. Army Corps of Engineers in partnership with FEMA. The first units were completed in November 2024, with the full complex operational by February 2025. The modular homes were designed to last 30 years or more.

Some of the infrastructure improvements at Kilohana were built with future DHHL permanent housing in mind, offering flexibility for long-term housing development.

IX. HOUSING-RELATED LEGISLATION

This section summarizes the housing-related Acts and Resolutions enacted during the 2025 legislative session that affect HHFDC's programs, operations, and statewide housing initiatives. These measures span transit oriented development, historic preservation review, affordable housing finance, infrastructure planning, leasehold issues, and budget appropriations. Together, they shape the policy landscape in which HHFDC must plan, implement, and deliver its programs in the coming years.

A. LIST OF ACTS

Act 159 Relating to Transit-Oriented Development

Act 159 establishes a mixed-income sub-account within RHRF for five years to finance projects, including those located in transit-oriented development (TOD) areas, for qualified residents as defined in HRS §201H-32. However, the Act does not include an appropriation or authorization of fund transfers into the new sub-account, which limits its immediate implementation. The Act also requires the TOD Infrastructure Improvement District Board to consider transit-supportive density when identifying infrastructure needs, and mandates that the Hawaii Interagency Council for TOD to delineate TOD areas for each county in its strategic plan.

Act 160 Relating to Historic Preservation

Act 160 streamlines the historic preservation review process conducted by DLNR, State Historic Preservation Division by establishing firm deadlines, defining what constitutes a complete submittal, and allowing certain low-risk projects—particularly majority-residential TOD developments on pre-identified parcels—to bypass further review if best practices are followed.

Act 166 Relating to Housing

Act 166 establishes a government employee housing program to facilitate the creation of affordable residential/rental units for rent to government employees and the general public on state-owned land.

Act 189 Relating to the Keauhou Aquifer System

Act 189 establishes the Keauhou Aquifer System Monitoring Pilot Project. It requires DLNR, through the Commission on Water Resource Management and collaborating agencies, to collect groundwater data, conduct salinity and ecosystem impact assessments, and hold public meetings. DLNR must submit reports to the Legislature every six months and determine whether to continue, expand, or end the pilot.

The Keauhou aquifer is a vital resource for local communities, ecosystems, and cultural practices. Kamakana Villages, a 1,600-home master planned community in North Kona, has been on hold for the past ten years due to a lack of potable water.

Act 253 Relating to State Finances

Act 253 authorizes HHFDC to secure revenue bonds as a line of credit or other instrument of indebtedness for the Bond Volume Cap Recycling Program. A line of credit is needed for PAB recycling to provide liquidity and ensure that funds are readily available to pay off existing bonds as they mature or are redeemed. This will allow HHFDC to retire the old revenue bonds while waiting for new bonds to be issued or for cash flows from the underlying projects to become available. The line of credit acts as a financial bridge, maintaining continuity in funding and avoiding disruptions in the financing structure, which is critical for compliance with IRC Section 145.

Act 294 Relating to Housing

Act 294 prohibits the legislative body of a county from imposing stricter conditions than HHFDC, stricter AMI requirements, or a reduction in fee waivers to housing development proposals that would increase the cost of the project. Projects developed under 201H-38, HRS, must be primarily affordable. Conditions of approval and exactions often add significant cost to developments, which may make them infeasible.

Act 311 Relating to Historic Preservation Reviews

Act 311 requires DLNR to determine the effect of any proposed state or county housing projects that may affect a historical property, an aviation artifact, or a burial site within 90 days of a request for determination.

Act 250 Relating to the State Budget

Operating Budget Items:

Total expenditure ceiling (MOF: W (revolving funds)

FY 2026 $16,060,058

FY 2027 $15,889,058

Authorized Position Count

Permanent (civil service) positions	23.00
Temporary (exempt) positions	48.00
Total positions	71.00

Capital Improvement Projects:

Rental Housing Revolving Fund (RHRF) Infusion, Statewide

FY 2026: $50,000,000 (MOF: C/ General Obligation Bond Fund)

FY 2027: $50,000,000 (MOF: C)

Dwelling Unit Revolving Fund (DURF) Infusion, Statewide

FY 2026: $0

FY 2027: $40,000,000 (MOF: C)

RHRF Tier II for Affordable Housing

FY 2026: $50,000,000 (MOF: C)

FY 2027: $50,000,000 (MOF: C)

RHRF Infusion for HPHA Ka Lei Momi Mayor Wright Homes project on Oahu.

FY 2026: $56,000,000 (MOF: C)

RHRF Infusion for HPHA's predevelopment costs for other Ka Lei Momi projects.

FY 2026: $12,000,000 total (MOF: C) for the following projects:

$4,200,000 for Lanakila Homes predevelopment, Hawaii

$4,000,000 for Kapaa Homes predevelopment, Kauai

$3,050,000 for Kaahumanu Homes predevelopment, Oahu

$750,000 for Nanakuli Homes predevelopment, Oahu

HHFDC requested an amendment to the original bill to increase the operating expense ceiling financed by HHFDC's revolving funds (MOF: W) by $356,200 for FY 2026 and $185,200 for FY 2027 for Other Current Expenditures. Act 250 reflects the approved ceiling increases for computer software application and maintenance for AI licenses ($21,600 in FY 2026 and $21,600 in FY 2027) and consolidated loan application software ($231,000 in FY 2026 and $60,000 in FY 2027).

B. LIST OF RESOLUTIONS

HCR 78
Declares the intent that projects with housing units that qualify for housing credits under Act 31, SLH 2024, are still eligible to receive housing credits after the repeal of that Act if the housing projects were approved by HHFDC before July 1, 2031. Also requests that the corporation and each county include certain information when approving housing projects for housing credits.

HCR 157
Establishes the task force for SPEED (Simplifying Permitting for Enhanced Economic Development) to identify actions needed to expedite, facilitate, and coordinate state and intergovernmental permit processes.

SCR 60 SD1 HD1
Urges HHFDC to develop a plan to produce sufficient housing to meet the state's demand.

C. HOUSING POLICY PRIORITIES

HHFDC supports legislative efforts that help reduce barriers and improve efficiency in the development of affordable housing across Hawaii. Key priorities include streamlining regulatory and entitlement processes related to land reclassification, permitting, infrastructure development, and environmental review. These changes would help accelerate housing production while maintaining essential safeguards.

The corporation also advocates for expanded use of financial incentives—such as tax credits, fee waivers, exemptions, and abatements—to lower the overall cost burden for developers. These tools can improve project viability and increase the supply of affordable housing units.

In addition, HHFDC encourages the use of innovative, cost-effective construction technologies—including modular, prefabricated, and container housing—as a means to shorten development timelines and reduce construction costs. These approaches offer scalable solutions that can help meet the diverse housing needs of Hawaii's residents.

X. APPENDIX

List of Acronyms

A

AHRF	Affordable Homeownership Revolving Fund
AMI	Area Median Income

C

CDFI	Community Development Financial Institutions
CY	Calendar Year

D

DAGS	Department of Accounting and General Services
DBEDT	Department of Business, Economic Development, and Tourism
DEP	DURF Equity Pilot Program
DHHL	Department of Hawaiian Home Lands
DHS	Department of Human Services
DURF	Dwelling Unit Revolving Fund

E

EA	Environmental Assessment
EIS	Environmental Impact Statement
EP	Emergency Proclamation
ETS	Office of Enterprise Technology Services

F

FEMA	Federal Emergency Management Agency
FKA	Formerly Known As
FY	Fiscal Year

G

GET	General Excise Tax

H

HAR	Hawaii Administrative Rules
HCDCH	Housing and Community Development Corporation of Hawaii
HFDC	Housing Finance and Development Corporation
HHA	Hawaii Housing Authority
HHFDC	Hawaii Housing Finance and Development Corporation
HHPS	Hawaii Housing Planning Study
HIHP	Hawaii Interim Housing Program
HMMF	Hula Mae Multi-Family (private activity bond)
HOPWA	Housing Opportunities for Persons with AIDS
HPHA	Hawaii Public Housing Authority

H

HRS	Hawaii Revised Statutes
HTF	Housing Trust Fund
HUD	US Department of Housing & Urban Development

I

IRC	Internal Revenue Code
ITO	Information Technology Office

L

LIHTC	Low-Income Housing Tax Credits

M

MCC	Mortgage Credit Certificate

P

PAB	Private Activity Bond
PSH	Permanent Supportive Housing
PY	Program Year

S

SLH	Session Laws of Hawaii
SMA	Special Management Area

T

TBD	To Be Determined
TBRA	Tenant Based Rental Assistance

U

USDA-RD	U.S. Department of Agriculture- Rural Development

W

WCC	Waikiki Community Center

Y

YIMBY	Yes In My Back Yard

HHFDC
HAWAII HOUSING FINANCE &
DEVELOPMENT CORPORATION

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

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Website: https:/ /dbedt.hawaii.gov/hhfdc/

State of Hawaii
Hawaii Housing Finance and Development Corporation

(A Component Unit of the State of Hawaii)

Financial and Compliance Audit

June 30, 2025

Submitted by
The Auditor
State of Hawai'i

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Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
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PART I
Financial Statements

Report of Independent Auditors

The Auditor
State of Hawaii

The Board of Directors
Hawaii Housing Finance and Development Corporation

Opinions
We have audited the accompanying 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, 2025, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the index.

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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 Matters
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, 2025, 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.

As described in Note 1, the Corporation adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025. Our opinions are not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 14 and budgetary comparison schedules for the General Fund, HOME Investment Partnership Program, and Housing Trust Fund Program on pages 62 through 67 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 auditing standards generally accepted in the United States of America, 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 schedule of proportionate share of the net pension liability, the schedule of contributions, schedule of changes in the net other postemployment benefits ("OPEB") liability, and schedule of OPEB contributions 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 opinions on the basic financial statements are 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 sheet; combining statement of revenues, expenditures, and changes in fund balances; combining statement of net position; combining statement of revenues, expenses, and change in net position; combining statement 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. As described in Note 2 to the schedule of expenditures of federal awards, the accompanying schedule of expenditures of federal awards was prepared on the accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 combining non-major fund financial statements, reconciliation of cash and short-term investments, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 sheet; combining statement of revenues, expenditures, and changes in fund balances; combining statement of net position; combining statement of revenues, expenses, and change in net position; combining statement 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025 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.

Accuity LLP

Honolulu, Hawaii
December 15, 2025

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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, 2025. 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 advance housing opportunities for the residents of Hawaii. The Corporation is the leader of providing affordable housing resources in Hawaii, providing residents with opportunities to purchase or rent a home, and aiding developers with advancing their affordable housing projects.

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.

Prior Year Restatement Due to New Accounting Principle

In accordance with the implementation of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, net position was restated as of July 1, 2024.

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, 2025. The financial statements consist of the basic financial statements, related notes to the financial statements, other required supplementary information, and other 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 changes 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, and Housing Trust 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 accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis of accounting for the year ended June 30, 2025.

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, change in net position may serve as a useful indicator of the Corporation's financial statements. As indicated below, as of June 30, 2025, the Corporation's total net position was approximately $2,653,188,000, an increase of $322,669,000 (or 13.8%) from the previous year of approximately $2,330,519,000.

Government-Wide Condensed Statements of Net Position
June 30, 2025 and 2024
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2025	2024	2025	2024	2025	2024	Change
Current assets	$ 235,748	$ 8,062	$ 1,006,705	$ 1,162,326	$ 1,242,453	$ 1,170,388	6.2 %
Restricted assets held by trustee	-	-	41,928	41,407	41,928	41,407	1.3 %
Capital assets, net	112	139	141,933	139,497	142,045	139,636	1.7 %
Lease receivable	-	-	4,070	4,385	4,070	4,385	(7.2)%
Other assets	9,862	9,862	1,268,340	1,023,455	1,278,202	1,033,317	23.7 %
Total assets	245,722	18,063	2,462,976	2,371,070	2,708,698	2,389,133	13.4 %
Deferred outflows of resources	-	-	3,433	2,778	3,433	2,778	23.6 %
Total assets and deferred outflows of resources	$ 245,722	$ 18,063	$ 2,466,409	$ 2,373,848	$ 2,712,131	$ 2,391,911	13.4 %
Current liabilities	$ 628	$ 1,430	$ 7,250	$ 9,903	$ 7,878	$ 11,333	(30.5)%
Noncurrent liabilities	-	-	44,825	43,745	44,825	43,745	2.5 %
Total liabilities	628	1,430	52,075	53,648	52,703	55,078	(4.3)%
Deferred inflows of resources	-	-	6,240	6,314	6,240	6,314	(1.2)%
Net position							
Net investment in capital assets	112	139	141,906	139,456	142,018	139,595	1.7 %
Restricted	11,364	10,802	79,520	79,466	90,884	90,268	0.7 %
Unrestricted	233,618	5,692	2,186,668	2,094,964	2,420,286	2,100,656	15.2 %
Total net position	245,094	16,633	2,408,094	2,313,886	2,653,188	2,330,519	13.8 %
Total liabilities, deferred inflows of resources and net position	$ 245,722	$ 18,063	$ 2,466,409	$ 2,373,848	$ 2,712,131	$ 2,391,911	13.4 %

Total assets and deferred outflows of resources increased by approximately $320,220,000 (13.4%) during fiscal year 2025 primarily related to the increase in other assets of $244,885,000 (23.7%), increase in current assets by approximately $72,065,000 (6.2%), and increase in capital assets, net by approximately $2,409,000 (1.7%).

- 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 $227,926,000, increase in accrued interest of approximately $6,776,000 in business-type activities, and approximately $2,276,000 increase in receivables due from other State government, offset by the decrease of approximately $163,712,000 in cash and cash equivalents and decrease in current notes and loans receivable of approximately $1,430,000. Cash and cash equivalents in the business-type activities decreased in the Rental Housing Revolving Fund by approximately $188,542,000, whereas cash and cash equivalents increased by approximately $25,837,000 in the Dwelling Unit Revolving Fund in business-type activities.

- Other assets are comprised of long-term portion of mortgage and construction loans receivable and inventories of development in progress and dwelling units. The increase in other assets is primarily due to a net increase in non-current mortgages, notes and loans of approximately $247,903,000 in the Rental Housing Revolving Fund and the Dwelling Unit Revolving Fund, offset by a decrease in inventories of development in progress and dwelling units of $2,952,000 in the Dwelling Unit Revolving Fund.

- Capital assets are comprised of property and equipment reported net of depreciation. Net capital assets increased by approximately $2,409,000, primarily due to building improvements, furniture, fixtures, and equipment for the affordable workforce housing project, Hale O Laie, less depreciation, in the Dwelling Unit Revolving Fund.

Total liabilities and deferred inflows of resources decreased by $2,449,000 (4.0%) primarily related to the decrease in net OPEB and pension liabilities of approximately $953,000, decrease in amounts due to other State departments for the Homeowner Assistance Fund Program of approximately $802,000 due to disbursement of program and administrative costs, decrease in deferred inflows of resources on lease receivable of approximately $374,000, decrease in accounts payable and other accrued expenses of approximately $2,191,000, principal payment on revenue bonds payable of approximately $560,000, offset by an increase in unearned income of approximately $810,000, and the recognition of compensated absences of approximately $1,799,000 due to the implementation of GASB Statement No. 101, *Compensated Absences*.

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, 2025 and 2024
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2025	2024	2025	2024	2025	2024	Change
Revenues							
Program revenues							
Charges for services	$ -	$ -	$ 12,692	$ 13,577	$ 12,692	$ 13,577	(6.5)%
Operating grants and contributions	6,370	14,092	70,794	75,176	77,164	89,268	(13.6)%
General revenues							
State allotted appropriations, net of lapses	266,243	506,380	-	-	266,243	506,380	(47.4)%
Total revenues	272,613	520,472	83,486	88,753	356,099	609,225	(41.5)%
Expenses							
Governmental activities							
Low-income housing service and assistance program	5,893	14,154	-	-	5,893	14,154	(58.4)%
Business-type activities							
Rental assistance program	-	-	1,276	1,212	1,276	1,212	5.3 %
Housing development program	-	-	17,296	14,424	17,296	14,424	19.9 %
Multifamily mortgage loan program	-	-	2,686	2,537	2,686	2,537	5.9 %
Single family mortgage loan program	-	-	901	364	901	364	147.5 %
Others	-	-	1,364	6,806	1,364	6,806	(80.0)%
Total expenses	5,893	14,154	23,523	25,343	29,416	39,497	(25.5)%
Net change before transfers and contributions	266,720	506,318	59,963	63,410	326,683	569,728	(42.7)%
Contributions to other state departments	-	-	(3,050)	-	(3,050)	-	100.0 %
Net transfers	(38,259)	(603,658)	38,259	603,658	-	-	100.0 %
Change in net position	228,461	(97,340)	95,172	667,068	323,633	569,728	(43.2)%
Net position							
Beginning of year	16,633	113,973	2,313,886	1,646,818	2,330,519	1,760,791	32.4 %
Adjustment for change in accounting principle	-	-	(964)	-	(964)	-	100.0 %
End of year	$ 245,094	$ 16,633	$ 2,408,094	$ 2,313,886	$ 2,653,188	$ 2,330,519	13.8 %

Governmental Activities

For the year ended June 30, 2025, the Corporation's governmental activities increased its net position by approximately $228,461,000 (1,374%) to approximately $245,094,000 primarily as the result of the State allotted appropriations net of lapses, totaling approximately $266,243,000, offset by transfers-out to the Proprietary Funds of approximately $38,259,000.

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, 2025, the Corporation's business-type activities increased its net position by approximately $95,172,000 (4.1%) to approximately $2,408,094,000. Revenues primarily consisted of $38,000,000 in conveyance taxes, approximately $22,845,000 in non-operating interest income, approximately $10,364,000 in interest income on loans, approximately $5,975,000 in other income including fees received for various program administration, approximately $2,288,000 in rental income, approximately $3,565,000 in grant income, and transfers-in from the General Fund and the General Obligation Bond Fund of approximately $38,259,000, offset by approximately $23,523,000 in expenses for the Corporation's various business-type functions, and approximately $3,050,000 in contribution of property to other state departments.

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, 2025, the Corporation's governmental funds reported a total fund balance of approximately $244,983,000.

The governmental funds consist of four major funds and two non-major funds. The major funds are the (1) General Fund, (2) General Obligation Bond Fund, (3) HOME Investment Partnership Program, and (4) Housing Trust 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 recognized an increase in fund balances of approximately $764,000 to $1,641,000 as of June 30, 2025. The increase in fund balances was primarily due to state allotted appropriations of $37,810,000, offset by net transfers-out to the proprietary funds of approximately $36,328,000 and expenditures of approximately $57,000. The transfer-out included funding for the Rental Housing Revolving Fund infusion of $25,000,000, which included funds for the development of affordable rental housing program projects between 80% to 100% area median income range; Dwelling Unit Revolving Fund infusion of $8,810,000; and approximately $2,518,000 in funding operation expenditures of the Hale O Laie property relating to housing certain survivors of the Maui wildfires.

- 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 recognized an increase in fund balances of approximately $227,163,000 to $231,978,000 as of June 30, 2025. The increase in fund balance was primarily due to state allotted appropriations of $230,000,000, offset by net transfers-out to the proprietary funds of approximately $1,931,000. The transfers-out included funding for capital improvements of Hale O Laie of approximately $1,898,000.

- 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 recognized an increase of approximately $562,000 to $1,503,000 as of June 30, 2025. The increase in fund balances was primarily due to program revenues of approximately $2,648,000, offset by program expenditures of approximately $2,086,000.

- 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 had no changes in fund balances as of June 30, 2025, as the revenues equaled to the expenditures.

Proprietary Funds

As of June 30, 2025, the Corporation's proprietary funds reported total net position of approximately $2,408,094,000.

The proprietary funds consist of four major and five 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 $79,524,000 to $1,656,816,000 as of June 30, 2025. 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 $5,175,000; interest income of approximately $12,661,000; and net transfers-in from the General Fund of $25,000,000, offset by operating expenses of approximately $1,687,000.

- 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 $13,303,000 to $657,854,000 as of June 30, 2025. The increase in net position was primarily due to net transfers-in of approximately $13,222,000 from the General Fund and the General Obligation Bond Fund; interest income earned on mortgages, notes, loans and investments of approximately $3,941,000; interest income of approximately $8,717,000; rental income of approximately $2,288,000; grant income of approximately $3,565,000, and other operating income of approximately $1,916,000, offset by operating expenses of approximately $17,296,000 and approximately $3,050,000 contribution of property to other state departments.

- 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 $790,000 to $37,887,000 as of June 30, 2025. The increase in net position is primarily due to approximately $1,242,000 of interest on mortgages, notes, loans, and mortgage-backed securities, and net increase in the fair value of mortgage-backed securities of approximately $449,000, offset by operating expenses of approximately $901,000.

- 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 $841,000 to $13,756,000 as of June 30, 2025. The increase in net position is primarily due to other income which includes various fees of approximately $1,469,000 and interest income of approximately $695,000, offset by operating expenses of approximately $1,326,000.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2025, the Corporation's capital assets amounted to approximately $142,045,000 (net of accumulated depreciation and amortization of approximately $7,566,000), an increase of approximately $2,409,000 (1.7%) primarily due to building improvements, furniture, fixtures, and equipment for the affordable workforce housing project, Hale O Laie, less depreciation, in the Dwelling Unit Revolving Fund.

Corporation's Capital Assets
June 30, 2025 and 2024
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2025	2024	2025	2024	2025	2024	Change
Land	$ -	$ -	$ 91,034	$ 90,190	$ 91,034	$ 90,190	0.9 %
Subscription asset in development	-	-	146	-	146	-	100.0 %
Buildings and improvements	-	-	56,106	53,798	56,106	53,798	4.3 %
Furniture, fixtures and equipment	209	220	2,073	759	2,282	979	133.1 %
Subscription asset	43	43	-	-	43	% 43	0.0
Total	252	263	149,359	144,747	149,611	145,010	3.2 %
Accumulated depreciation	(120)	(115)	(7,426)	(5,250)	(7,546)	(5,365)	40.7 %
Amortization of subscription asset	(20)	(9)	-	-	(20)	(9)	122.2 %
Total capital assets, net	$ 112	$ 139	$ 141,933	$ 139,497	$ 142,045	$ 139,636	1.7 %

Debt Administration

Through June 30, 2025, approximately $4.3 billion of revenue bonds have been issued under various revolving bond funds of the Corporation and its predecessor entities, of which approximately $2,055,969,000 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 $560,000, net of premiums, to approximately $2,671,000 as of June 30, 2025 due to scheduled redemptions.

As of June 30, 2025, the bond ratings of the Single Family Mortgage Purchase revenue bonds were AA+, Aa1, and AA+ for Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings, respectively.

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 Multifamily Housing Revenue Bond Fund. As of June 30, 2025, conduit debt obligations outstanding amounted to approximately $878,675,000.

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.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Statement of Net Position
June 30, 2025

	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	$ 627,680	$ 910,202,571	$ 910,830,251
Cash in banks	22,376	1,166,099	1,188,475
Receivables			
Mortgage loans	-	531,729	531,729
Notes and loans	-	9,830,000	9,830,000
Accrued interest	-	78,578,463	78,578,463
Tenant receivables, less allowance for doubtful accounts of $2,267,575	-	94,056	94,056
Other receivables, less allowance for doubtful accounts of $135,591	131,072	2,805,912	2,936,984
Total receivables	131,072	91,840,160	91,971,232
Cash held by third parties	1,502,838	-	1,502,838
Due from State	233,618,123	-	233,618,123
Internal balances	(153,459)	153,459	-
Due from other State departments, net	-	2,275,586	2,275,586
Leases receivable	-	315,279	315,279
Prepaid expenses and other assets	-	752,177	752,177
Total current assets	235,748,630	1,006,705,331	1,242,453,961
Restricted assets held by trustee under revenue bond program			
Cash and cash equivalents	-	26,074,094	26,074,094
Investments	-	15,853,440	15,853,440
	-	41,927,534	41,927,534
Inventories – development in progress and dwelling units	-	34,662,289	34,662,289
Restricted deposits held in escrow	-	1,150,010	1,150,010
Mortgage loans, net of allowance for loan losses of $402,388	-	1,142,115,142	1,142,115,142
Notes and loans receivable	9,861,610	90,412,677	100,274,287
Leases receivable	-	4,070,115	4,070,115
Capital assets, net	111,792	141,932,951	142,044,743
Total assets	245,722,032	2,462,976,049	2,708,698,081
Deferred outflows of resources			
Deferred outflows on net pension liability	-	1,826,314	1,826,314
Deferred outflows on net OPEB liability	-	1,606,192	1,606,192
Total deferred outflows of resources	-	3,432,506	3,432,506
Total assets and deferred outflows of resources	$ 245,722,032	$2,466,408,555	$2,712,130,587

The accompanying notes are an integral part of these financial statements.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Current liabilities			
Accounts payable	$ -	$ 1,547,626	$ 1,547,626
Accrued expenses			
Interest	-	5,808	5,808
Compensated absences	-	469,020	469,020
Other	-	777,695	777,695
Due to other State departments	627,680	-	627,680
Security deposits	-	3,568,479	3,568,479
Note payable	-	15,172	15,172
Unearned income	-	384,615	384,615
Revenue bonds payable	-	482,000	482,000
Total current liabilities	627,680	7,250,415	7,878,095
Noncurrent liabilities			
Accrued compensated absences	-	1,329,872	1,329,872
Note payable	-	11,558	11,558
Revenue bonds payable	-	2,188,510	2,188,510
Unearned income	-	20,793,965	20,793,965
Lease incentive liability	-	542,633	542,633
Unrealized gain on sale of units and land	-	1,743,437	1,743,437
Net OPEB liability	-	6,776,405	6,776,405
Net pension liability	-	11,437,735	11,437,735
Total liabilities	627,680	52,074,530	52,702,210
Deferred inflows of resources			
Deferred inflows on leases receivable	-	4,103,888	4,103,888
Deferred inflows on net pension liability	-	151,766	151,766
Deferred inflows on net OPEB liability	-	1,983,966	1,983,966
Total deferred inflows of resources	-	6,239,620	6,239,620
Commitments and contingencies			
Net position			
Net investment in capital assets	111,792	141,906,221	142,018,013
Restricted by legislation and contractual agreements	11,364,437	79,520,240	90,884,677
Unrestricted	233,618,123	2,186,667,944	2,420,286,067
Total net position	245,094,352	2,408,094,405	2,653,188,757
Total liabilities, deferred inflows of resources, and net position	$ 245,722,032	$2,466,408,555	$2,712,130,587

The accompanying notes are an integral part of these financial statements.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Statement of Activities
Year Ended June 30, 2025

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities						
Low-income housing service and assistance program	$ 5,892,932	$ -	$ 6,370,054	$ 477,122	$ -	$ 477,122
Total governmental activities	5,892,932	-	6,370,054	477,122	-	477,122
Business-type activities						
Rental assistance program	1,276,391	4,365	666,642	-	(605,384)	(605,384)
Housing development program	17,295,805	2,209,488	18,218,072	-	3,131,755	3,131,755
Multifamily mortgage loan program	2,686,310	7,763,959	50,661,217	-	55,738,866	55,738,866
Single family mortgage loan program	900,718	1,241,530	449,046	-	789,858	789,858
Others	1,363,902	1,472,314	800,239	-	908,651	908,651
Total business-type activities	23,523,126	12,691,656	70,795,216	-	59,963,746	59,963,746
Total	$ 29,416,058	$ 12,691,656	$ 77,165,270	477,122	59,963,746	60,440,868
General revenues and transfers						
State allotted appropriations, net of lapses of $1,567,102				266,242,945	-	266,242,945
Contributions to other state departments				-	(3,049,970)	(3,049,970)
Net transfers				(38,259,037)	38,259,037	-
Total general revenues and transfers				227,983,908	35,209,067	263,192,975
Change in net position				228,461,030	95,172,813	323,633,843
Net position						
Beginning of year, as previously reported				16,633,322	2,313,885,911	2,330,519,233
Adjustment for change in accounting principle				-	(964,319)	(964,319)
Beginning of year, as restated				16,633,322	2,312,921,592	2,329,554,914
End of year				$ 245,094,352	$ 2,408,094,405	$ 2,653,188,757

The accompanying notes are an integral part of these financial statements.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Governmental Funds
Balance Sheet
June 30, 2025

	General Fund	General Obligation Bond Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in cash and cash equivalents and investments in State Treasury	$ -	$ -	$ -	$ -	$ 627,680	$ 627,680
Cash in banks	-	-	7,898	14,478	-	22,376
Receivables	-	-	106,612	24,460	-	131,072
Cash held by third parties	-	-	1,502,838	-	-	1,502,838
Notes and loans receivable	-	-	-	-	9,861,610	9,861,610
Due from State	1,640,575	231,977,548	-	-	-	233,618,123
Total assets	$ 1,640,575	$ 231,977,548	$ 1,617,348	$ 38,938	$ 10,489,290	$ 245,763,699
Liabilities and Fund Balances						
Liabilities						
Due to other funds	$ -	$ -	$ 114,521	$ 38,938	$ -	$ 153,459
Due to State	-	-	-	-	627,680	627,680
Total liabilities	-	-	114,521	38,938	627,680	781,139
Fund balances						
Restricted	-	-	1,502,827	-	9,861,610	11,364,437
Committed	1,640,575	231,977,548	-	-	-	233,618,123
Total fund balances	1,640,575	231,977,548	1,502,827	-	9,861,610	244,982,560
Total liabilities and fund balances	$ 1,640,575	$ 231,977,548	$ 1,617,348	$ 38,938	$ 10,489,290	$ 245,763,699

The accompanying notes are an integral part of these financial statements.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total fund balances – governmental funds		$ 244,982,560
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 not reported in the funds. These assets consist of the following		
Furniture, fixtures and equipment	$ 208,724	
Subscription asset	43,200	
Accumulated depreciation and amortization	(140,132)	
Capital assets, net		111,792
Net position of governmental activities		$ 245,094,352

The accompanying notes are an integral part of these financial statements.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2025

	General Fund	General Obligation Bond Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Other Governmental Funds	Total Governmental Funds
Revenues						
State allotted appropriations	$ 37,810,047	$ 230,000,000	$ -	$ -	$ -	$ 267,810,047
Intergovernmental revenue	-	-	2,647,629	2,920,128	802,297	6,370,054
Total revenues	37,810,047	230,000,000	2,647,629	2,920,128	802,297	274,180,101
Expenditures						
Programs	-	-	1,855,771	2,724,246	702,450	5,282,467
Personnel services	-	-	174,802	158,441	70,700	403,943
Administration	41,252	-	8,075	12,265	-	61,592
Capital expenses	16,236	-	-	-	-	16,236
Professional services	-	-	46,939	25,176	29,147	101,262
Total expenditures	57,488	-	2,085,587	2,920,128	802,297	5,865,500
Excess of revenues over expenditures	37,752,559	230,000,000	562,042	-	-	268,314,601
Other financing uses						
Net transfers	(36,327,750)	(1,931,287)	-	-	-	(38,259,037)
Excess of revenues over expenditures and and other financing uses	1,424,809	228,068,713	562,042	-	-	230,055,564
Lapsed appropriations	(661,038)	(906,064)	-	-	-	(1,567,102)
Net change in fund balances	763,771	227,162,649	562,042	-	-	228,488,462
Fund balances						
Beginning of year	876,804	4,814,899	940,785	-	9,861,610	16,494,098
End of year	$ 1,640,575	$ 231,977,548	$ 1,502,827	$ -	$ 9,861,610	$ 244,982,560

The accompanying notes are an integral part of these financial statements.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2025

Net change in fund balances – total governmental funds		$ 228,488,462
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 and amortization expense.		
Capital expense	$ (27,432)	
Total depreciation and amortization expense		(27,432)
Change in net position – governmental activities		$ 228,461,030

The accompanying notes are an integral part of these financial statements.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Proprietary Funds
Statement of Net Position
June 30, 2025

	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	$ 496,164,593	$ 358,674,894	$ -	$ 20,106,185	$ 35,256,899	$ 910,202,571
Cash in banks	-	1,156,099	-	-	10,000	1,166,099
Receivables						
Mortgage loans	531,729	-	-	-	-	531,729
Notes and loans	-	9,830,000	-	-	-	9,830,000
Accrued interest	37,018,295	40,098,916	44,107	607,696	809,449	78,578,463
Tenant receivables, less allowance for doubtful accounts of $2,267,575	-	94,056	-	-	-	94,056
Other receivables, less allowance for doubtful accounts of $135,591	-	1,965,607	-	-	840,305	2,805,912
Total receivables	37,550,024	51,988,579	44,107	607,696	1,649,754	91,840,160
Due from other funds	-	900,000	-	406,335	5,643,346	6,949,681
Lease receivable	-	315,279	-	-	-	315,279
Prepaid expenses and other assets	-	623,446	2,685	-	126,046	752,177
Due from other State departments	-	2,285,586	-	-	-	2,285,586
Total current assets	533,714,617	415,943,883	46,792	21,120,216	42,686,045	1,013,511,553
Restricted assets held by trustee under revenue bond program						
Cash and cash equivalents	-	-	26,074,094	-	-	26,074,094
Investments	-	-	15,853,440	-	-	15,853,440
Total restricted assets	-	-	41,927,534	-	-	41,927,534
Inventories – development in progress and dwelling units	-	34,662,289	-	-	-	34,662,289
Restricted deposits held in escrow	-	1,150,010	-	-	-	1,150,010
Mortgage loans, net of allowance for loan losses of $402,388	1,125,741,778	9,958,919	-	4,743,283	1,671,162	1,142,115,142
Notes and loans receivable	-	90,412,677	-	-	-	90,412,677
Lease receivable	-	4,070,115	-	-	-	4,070,115
Capital assets, net	83,643	141,517,657	26,145	241,688	63,818	141,932,951
Total assets	1,659,540,038	697,715,550	42,000,471	26,105,187	44,421,025	2,469,782,271
Deferred outflows of resources						
Deferred outflows on net pension liability	285,847	929,027	96,889	327,647	186,904	1,826,314
Deferred outflows on net OPEB liability	320,633	750,493	93,559	256,449	185,058	1,606,192
Total deferred outflows of resources	606,480	1,679,520	190,448	584,096	371,962	3,432,506
Total assets and deferred outflows of resources	$1,660,146,518	$ 699,395,070	$ 42,190,919	$ 26,689,283	$ 44,792,987	$2,473,214,777

The accompanying notes are an integral part of these financial statements.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Proprietary Funds
Statement of Net Position
June 30, 2025

	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	$ -	$ 1,284,299	$ 151,500	$ 86,611	$ 25,216	$ 1,547,626
Accrued expenses						
Interest	-	22	5,786	-	-	5,808
Compensated absences	70,034	250,489	23,662	65,025	59,810	469,020
Other	115,848	411,251	41,558	118,271	90,767	777,695
Due to other funds	1,050	-	194,550	5,600,622	1,000,000	6,796,222
Due to other State departments	-	-	-	-	10,000	10,000
Security deposits	-	51,178	-	3,517,301	-	3,568,479
Note payable	-	15,172	-	-	-	15,172
Unearned income	-	384,615	-	-	-	384,615
Revenue bonds payable	-	-	482,000	-	-	482,000
Total current liabilities	186,932	2,397,026	899,056	9,387,830	1,185,793	14,056,637
Noncurrent liabilities						
Unrealized gain on sale of units and land	-	1,743,437	-	-	-	1,743,437
Accrued compensated absences, net of current portion	194,884	723,622	68,496	178,024	164,846	1,329,872
Note payable	-	11,558	-	-	-	11,558
Revenue bonds payable	-	-	2,188,510	-	-	2,188,510
Unearned income	1,548,768	19,245,197	-	-	-	20,793,965
Lease incentive liability	78,682	290,309	25,503	88,992	59,147	542,633
Net OPEB liability	174,445	4,630,298	410,435	1,134,563	426,664	6,776,405
Net pension liability	805,866	7,253,298	604,057	1,830,002	944,512	11,437,735
Total liabilities	2,989,577	36,294,745	4,196,057	12,619,411	2,780,962	58,880,752
Deferred inflows of resources						
Deferred inflows on lease receivable	-	4,103,888	-	-	-	4,103,888
Deferred inflows on net pension liability	24,238	81,196	7,634	22,340	16,358	151,766
Deferred inflows on net OPEB liability	317,037	1,061,421	99,793	291,841	213,874	1,983,966
Total deferred inflows of resources	341,275	5,246,505	107,427	314,181	230,232	6,239,620
Net position						
Net investment in capital assets	83,643	141,490,927	26,145	241,688	63,818	141,906,221
Restricted by legislation and contractual agreements	-	1,150,010	41,927,534	-	36,442,696	79,520,240
Unrestricted	1,656,732,023	515,212,883	(4,066,244)	13,514,003	5,275,279	2,186,667,944
Total net position	1,656,815,666	657,853,820	37,887,435	13,755,691	41,781,793	2,408,094,405
Total liabilities, deferred inflows of resources, and net position	$1,660,146,518	$ 699,395,070	$ 42,190,919	$ 26,689,283	$ 44,792,987	$2,473,214,777

The accompanying notes are an integral part of these financial statements.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Proprietary Funds
Statement of Revenues, Expenses, and Change in Net Position
Year Ended June 30, 2025

	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 revenues						
Conveyance tax	$ 38,000,000	$ -	$ -	$ -	$ -	$ 38,000,000
Rental	-	2,288,441	-	-	-	2,288,441
Interest on mortgages, notes, loans, and mortgage-backed securities	5,175,065	3,940,634	1,241,530	2,404	4,365	10,363,998
Other	374,829	1,916,491	-	1,468,910	2,215,065	5,975,295
Total operating revenues	43,549,894	8,145,566	1,241,530	1,471,314	2,219,430	56,627,734
Operating expenses						
Programs	-	9,992,661	-	-	38,307	10,030,968
Personnel services	1,347,498	4,207,777	472,450	928,138	895,588	7,851,451
Housing assistance payments	-	-	-	-	1,057,172	1,057,172
Administration	203,278	373,975	314,492	307,208	229,613	1,428,566
Professional services	104,243	305,739	24,905	58,732	68,255	561,874
Depreciation	22,545	2,103,916	7,153	25,595	17,255	2,176,464
Insurance	870	87,814	754	929	1,428	91,795
Interest expense	-	-	76,807	-	-	76,807
Provision for (recovery of) losses	-	155,940	-	(4,431)	-	151,509
Capital expenses	7,790	66,042	1,284	8,563	5,995	89,674
Other	630	1,941	2,873	838	541	6,823
Total operating expenses	1,686,854	17,295,805	900,718	1,325,572	2,314,154	23,523,103
Operating income (loss)	41,863,040	(9,150,239)	340,812	145,742	(94,724)	33,104,631
Nonoperating revenues (expenses)						
Interest income	12,661,217	8,716,994	-	695,115	771,766	22,845,092
Intergovernmental revenue	-	3,565,000	-	-	-	3,565,000
Contributions to other state departments	-	(3,049,970)	-	-	-	(3,049,970)
Net increase in fair value of mortgage-backed securities	-	-	449,046	-	-	449,046
Other expenses	-	-	-	(23)	-	(23)
Total nonoperating revenues	12,661,217	9,232,024	449,046	695,092	771,766	23,809,145
Income before transfers	54,524,257	81,785	789,858	840,834	677,042	56,913,776
Net transfers	25,000,000	13,221,560	-	-	37,477	38,259,037
Change in net position	79,524,257	13,303,345	789,858	840,834	714,519	95,172,813
Net position						
Beginning of year, as previously reported	1,577,422,807	645,119,131	37,118,730	13,060,891	41,164,352	2,313,885,911
Adjustment for change in accounting principle	(131,398)	(568,656)	(21,153)	(146,034)	(97,078)	(964,319)
Beginning of year, as restated	1,577,291,409	644,550,475	37,097,577	12,914,857	41,067,274	2,312,921,592
End of year	$1,656,815,666	$ 657,853,820	$ 37,887,435	$ 13,755,691	$ 41,781,793	$2,408,094,405

The accompanying notes are an integral part of these financial statements.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2025

	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
Cash flows from operating activities						
Cash received from tenants	$ -	$ 1,881,409	$ -	$ -	$ -	$ 1,881,409
Cash received from borrowers						
Principal payments	7,607,691	18,297,396	-	18,117	110,956	26,034,160
Interest income	4,567,564	4,763,683	1,248,480	2,404	4,388	10,586,519
Cash received from sale of land	-	1,616,734	-	-	-	1,616,734
Cash received from conveyance taxes	38,000,000	-	-	-	-	38,000,000
Cash received for payments on mortgage-backed securities, net	-	-	2,157,111	-	-	2,157,111
Cash payments for issuance of loans receivable	(275,127,979)	(1,186,306)	-	-	-	(276,314,285)
Interest payments	-	(12)	(78,021)	-	-	(78,033)
Payments to employees	(1,695,392)	(5,615,006)	(489,640)	(1,476,588)	(1,154,586)	(10,431,212)
Payments to suppliers	(338,983)	(12,597,521)	(210,898)	(341,849)	(1,459,185)	(14,948,436)
Cash receipts from (payments to) other funds	-	(2,316,070)	161,867	678,113	(768,239)	(2,244,329)
Other cash receipts	1,649,047	1,797,447	-	1,197,488	1,892,414	6,536,396
Net cash provided by (used in) operating activities	(225,338,052)	6,641,754	2,788,899	77,685	(1,374,252)	(217,203,966)
Cash flows from noncapital financing activities						
Principal paid on revenue bond maturities and redemptions	-	-	(560,044)	-	-	(560,044)
Intergovernmental transfers	-	3,565,000	-	-	-	3,565,000
Transfers in	25,000,000	13,221,560	-	-	37,477	38,259,037
Net cash provided by (used in) noncapital financing activities	25,000,000	16,786,560	(560,044)	-	37,477	41,263,993
Cash flows from capital and related financing activities						
Purchases of capital assets	(2,406)	(4,457,607)	(280)	(149,757)	(2,096)	(4,612,146)
Net cash used in capital and related financing activities	(2,406)	(4,457,607)	(280)	(149,757)	(2,096)	(4,612,146)
Cash flows from investing activities						
Interest received	11,798,267	6,766,182	-	530,903	675,515	19,770,867
Net cash provided by investing activities	11,798,267	6,766,182	-	530,903	675,515	19,770,867
Net increase (decrease) in cash and cash equivalents	(188,542,191)	25,736,889	2,228,575	458,831	(663,356)	(160,781,252)
Cash and cash equivalents						
Beginning of year	684,706,784	335,244,114	23,845,519	19,647,354	35,930,255	1,099,374,026
End of year	$ 496,164,593	$ 360,981,003	$ 26,074,094	$ 20,106,185	$ 35,266,899	$ 938,592,774
Components of cash and cash equivalents						
Equity in cash and cash equivalents and investments in State Treasury	$ 496,164,593	$ 358,674,894	$ -	$ 20,106,185	$ 35,256,899	$ 910,202,571
Cash in banks	-	1,156,099	-	-	10,000	1,166,099
Restricted cash and cash equivalents held by trustee	-	-	26,074,094	-	-	26,074,094
Restricted deposits held in escrow	-	1,150,010	-	-	-	1,150,010
Cash and cash equivalents	$ 496,164,593	$ 360,981,003	$ 26,074,094	$ 20,106,185	$ 35,266,899	$ 938,592,774

The accompanying notes are an integral part of these financial statements.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2025

	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
Cash flows from operating activities						
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ 41,863,040	$ (9,150,239)	$ 340,812	$ 145,742	$ (94,724)	$ 33,104,631
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	22,545	2,103,916	7,153	25,595	17,255	2,176,464
Amortization	(20,893)	(77,089)	(6,773)	(23,631)	(15,706)	(144,092)
Lease amortization	-	(68,939)	-	-	-	(68,939)
Provision for (recovery of) losses	-	155,940	-	(4,431)	-	151,509
Rent subsidies applied to note payable	-	(15,358)	-	-	-	(15,358)
Interest expense settled through reduction of rental subsidies	-	337	-	-	-	337
Net pension benefit	(20,879)	(69,945)	(6,577)	(19,244)	(14,097)	(130,742)
Net OPEB benefit	(188,035)	(629,534)	(59,188)	(173,092)	(126,844)	(1,176,693)
Increase in fair value of mortgage-backed securities	-	-	449,046	-	-	449,046
Changes in assets and liabilities						
Mortgage loans receivable	(267,520,288)	20,766,397	-	18,118	110,956	(246,624,817)
Notes and loans receivable	-	285,327	-	-	-	285,327
Accrued interest receivable	(607,501)	(3,116,657)	6,950	-	23	(3,717,185)
Tenant receivables	-	259,689	-	-	-	259,689
Other receivables	-	(117,118)	-	-	(237,676)	(354,794)
Due to (from) other funds	(1,281)	(7)	161,867	678,113	(768,239)	70,453
Due to (from) other State departments	-	(2,316,063)	-	-	-	(2,316,063)
Inventories – development in progress and dwelling units	-	(97,785)	-	-	-	(97,785)
Prepaid expenses and other assets	-	280,554	-	-	(101,285)	179,269
Investments	-	-	1,708,065	-	-	1,708,065
Accounts payable	-	(256,538)	140,183	57,896	(25,856)	(84,315)
Accrued interest payable	-	(12)	(1,214)	-	-	(1,226)
Accrued compensated absences	105,618	-	57,739	(97,373)	15,039	81,023
Other accrued expenses	(244,598)	(707,750)	(9,164)	(258,582)	(133,098)	(1,353,192)
Security deposits	-	(6,089)	-	(271,426)	-	(277,515)
Unearned income	1,274,220	(425,343)	-	-	-	848,877
Estimated future costs of development	-	(155,940)	-	-	-	(155,940)
Net cash provided by (used in) operating activities	$ (225,338,052)	$ 6,641,754	$ 2,788,899	$ 77,685	$ (1,374,252)	$ (217,203,966)

The accompanying notes are an integral part of these financial statements.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2025

	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
Supplemental information						
Noncash capital and related financing activities						
Principal payments on note payable settled through reduction of rental subsidies	$ -	$ 15,021	$ -	$ -	$ -	$ 15,021
Interest payments on mortgage note payable settled through reduction of rental subsidies	-	337	-	-	-	337
Contributions to other state departments transferred from inventories – development in progress and dwelling units	-	3,049,970	-	-	-	3,049,970

The accompanying notes are an integral part of these financial statements.

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, 2025, 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
The financial statements of governmental funds 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 held in the State Treasury investment pool 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.

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, Grants in Aid Fund, and Affordable Homeownership Revolving 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 multifamily 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 financial institutions 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 project at 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. Based on management's plans and intentions, estimated net realizable value represents management's estimates 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. As of June 30, 2025, there were allowances for mortgage loan receivables, tenant receivables and other receivables of approximately $402,000, $2,268,000 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 18 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, land improvements, building, and building and leasehold 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
Buildings 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 present value of $100,000 or more for land and building leases, and $25,000 or more for equipment and other leases with a lease term greater than one year. Variable payments based on future State 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 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.

Due from State and Due to State
Due from State are amounts that have been allotted to the Corporation from the State 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 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.

Compensated Absences
It is the Corporation's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits, as well as participate in the leave donation pool and the direct sharing programs (collectively, "compensated absences"). A liability is recognized only for leave that is (a) attributable to services already rendered, (b) accumulates, and (c) is more likely than not to be used, paid or settled. The liability for vacation and compensatory time leave is measured using the pay or salary rates in effect at the financial statement date, including shortage differentials. The measurement also includes fringe benefits. The liability for sick leave that is more likely than not to be used, paid or settled through cash or noncash means is measured using the historical average use approach. This method is based upon the Corporation's historical experience with sick leave usage through payouts over the last five years, and considers past trends to determine the amount of sick leave expected to be used or paid in the future. The liability for the leave donation pool is measured using the average rate of entitled employees utilizing the leave donation as of the financial statement date. The liability for the direct sharing program is measured using the rate of the employee utilizing the leave as of the financial statement date. All leave is accrued when incurred and reported in the statement of net position.

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.

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").

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 as such 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 as such 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's 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, SLH 2022, and Hale O Laie project operation expenditures.

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. 101
During fiscal year 2025, the Corporation implemented GASB 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. This Statement requires recognition of a liability for compensated absences that (1) is attributed to services already rendered; (2) accumulates; and (3) is more likely than not to be used for time off or otherwise paid or settled.

Upon implementation of this Statement, the beginning net position balances as of July 1, 2024 were restated to reflect the cumulative effect of the Statement. The impact of the changes as of July 1, 2024 are summarized in the table below:

Reporting Unit	Beginning Net Position (As previously reported)	Adjustment for GASB 101 Implementation	Beginning Net Position (As restated)
Rental Housing Revolving Fund	$1,577,422,807	$ (131,398)	$1,577,291,409
Dwelling Unit Revolving Fund	$ 645,119,131	$ (568,656)	$ 644,550,475
Single Family Mortgage Purchase Revenue Bond Fund	$ 37,118,730	$ (21,153)	$ 37,097,577
Housing Finance Revolving Fund	$ 13,060,891	$ (146,034)	$ 12,914,857
Other Enterprise Funds	$ 41,164,352	$ (97,078)	$ 41,067,274
Business-Type Activities	$2,313,885,911	$ (964,319)	$2,312,921,592

GASB Statement No. 102

The GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of the Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. Implementation of this Statement did not have a significant impact on the Corporation's financial statements or disclosures.

GASB Statement No. 103

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of the Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025. The Corporation has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 104

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The primary objective of the Statement is to improve users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025. The Corporation has not determined the effect this Statement will have on its financial statements.

2. Deposits

At June 30, 2025, 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	$ 627,680	$ 910,202,571	$ 910,830,251
Cash in banks (book balance)	22,376	1,166,099	1,188,475
Cash held by third parties	1,502,838	-	1,502,838
Restricted cash and cash equivalents held by trustee	-	26,074,094	26,074,094
Restricted deposits held in escrow	-	1,150,010	1,150,010
Total cash and cash equivalents	$ 2,152,894	$ 938,592,774	$ 940,745,668

The bank balance of cash in bank was approximately $2,233,000, of which $537,000 was covered by federal deposit insurance. As of June 30, 2025, 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.

3. Investments

Investments at June 30, 2025 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 15	Greater than 15	Reported Value
Mortgage-backed securities	$ 23,261	$ 1,409,751	$ 529,940	$ 2,757,507	$ 11,132,981	$ 15,853,440

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, 2025, 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, 2025, Federal National Mortgage Association ("FNMA") mortgage-backed securities were rated AA+, Aa1, and AA+ by Standard & Poor's Rating Services, Moody's Investors Service, and Fitch, respectively. 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, 2025, 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.

4. Mortgage Loans and Notes and Loans Receivable

Mortgage loans and notes and loans receivable at June 30, 2025 comprised the following:

	Mortgage Loans	Notes and Loans
Mortgage loans bearing interest up to 5.50%, maturing at various dates through 2081	$1,143,049,259	$ -
Promissory notes bearing interest up to 5.00%, maturing at various dates through 2071	-	100,242,677
Non-interest bearing promissory notes, maturing at various dates through 2066	-	9,861,610
Allowance for loan losses	(402,388)	-
	1,142,646,871	110,104,287
Less: Current portion	(531,729)	(9,830,000)
Noncurrent portion	$1,142,115,142	$ 100,274,287

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 14). The non-interest bearing notes are collateralized by real property.

5. Leases

Lessee

The Corporation leases office building space under a noncancelable operating lease expiring in 2049. The lease had fixed rent payments through August 2023 with no minimum rent due through lease expiration. The related right-to-use lease asset, lease liability, rent expense, and future minimum lease payments were not material for the year ended June 30, 2025.

Lessor

The Corporation leases land with a carrying value to various developers and home buyers. The lease receivable as of June 30, 2025 was approximately $4,385,000. Deferred inflows related to these leases were approximately $4,104,000 as of June 30, 2025. Interest revenue recognized on these leases was approximately $99,000 for the year ended June 30, 2025. Principal receipts of approximately $293,000 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.

6. Subscription Assets

The Corporation recognized a subscription-based information technology arrangement contract for the use of software in 2023. As of June 30, 2025, the net book value of the subscription asset was approximately $23,000. The subscription was prepaid and therefore no liability is recorded. The subscription asset is amortized over a five-year period through March 2028. The subscription asset is recorded in Capital Assets (see Note 7).

The Corporation has entered into a subscription-based information technology arrangement contract with ProLink Solutions, Inc. for the use of Software-as-a-Service solution to intake and manage the Corporation's affordable housing financing programs and asset management workflow from application intake through construction completion, asset management, and compliance, in 2025. As of June 30, 2025, the subscription asset is in the initial implementation stage and has not yet been placed into service. Accordingly, the subscription liability has not been recognized. Costs incurred to date relate to capitalizable implementation activities, including configuration, coding, and testing are recorded as a subscription assets in development in Capital Assets (see Note 7).

7. Capital Assets

Capital assets activity, including subscription assets, for the year ended June 30, 2025 was as follows:

	Balance at July 1, 2024	Additions	Disposals	Balance at June 30, 2025
Governmental activities				
Depreciable assets				
Furniture, fixtures and equipment	$ 220,078	$ -	$ (11,354)	$ 208,724
Subscription asset	43,200	-	-	43,200
	263,278	-	(11,354)	251,924
Accumulated depreciation and amortization				
Furniture, fixtures and equipment	(115,414)	(15,912)	11,354	(119,972)
Subscription asset	(8,640)	(11,520)	-	(20,160)
	(124,054)	(27,432)	11,354	(140,132)
Governmental activities capital assets, net	$ 139,224	$ (27,432)	$ -	$ 111,792
Business-type activities				
Depreciable assets				
Buildings and improvements	$ 53,798,324	$ 2,307,706	$ -	$ 56,106,030
Furniture, fixtures and equipment	758,754	1,313,857	-	2,072,611
	54,557,078	3,621,563	-	58,178,641
Accumulated depreciation				
Building and improvements	(4,784,129)	(1,950,863)	-	(6,734,992)
Furniture, fixtures and equipment	(465,327)	(225,601)	-	(690,928)
	(5,249,456)	(2,176,464)	-	(7,425,920)
	49,307,622	1,445,099	-	50,752,721
Land	90,189,647	844,020		91,033,667
Subscription assets in development	-	146,563	-	146,563
Business-type activities capital assets, net	$ 139,497,269	$ 2,435,682	$ -	$ 141,932,951

For the year ended June 30, 2025, approximately $27,000 and $2,176,000 of depreciation and amortization expense was charged to the governmental activities and business-type activities, respectively.

At June 30, 2025, 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
Buildings and improvements	$ 86,683	$ 55,828,048	$ 28,097	$ 98,041	$ 65,161	$ 56,106,030
Furniture, fixtures and equipment	92,751	1,740,652	45,960	112,380	80,868	2,072,611
	179,434	57,568,700	74,057	210,421	146,029	58,178,641
Less: Accumulated depreciation	(95,791)	(7,084,710)	(47,912)	(115,296)	(82,211)	(7,425,920)
	83,643	50,483,990	26,145	95,125	63,818	50,752,721
Land	-	91,033,667	-	-	-	91,033,667
Subscription assets in development	-	-	-	146,563	-	146,563
Net capital assets	$ 83,643	$ 141,517,657	$ 26,145	$ 241,688	$ 63,818	$ 141,932,951

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, 2025, 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	$ 267,000
Mortgage loan reserve requirements	212,000
	$ 479,000

At June 30, 2025, approximately $498,000 and $1,322,000 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, 2025.

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, 2025, such rental subsidies applied, which are accounted for as rental revenue, approximated $15,000.

Note payable activity during the year was as follows:

	Balance at July 1, 2024	Additions	Reductions	Balance at June 30, 2025	Current Portion
Note payable	$ 41,751	$ -	$ (15,021)	$ 26,730	$ 15,172

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

	Principal	Interest	Total
Years ending June 30,			
2026	$ 15,172	$ 198	$ 15,370
2027	11,558	49	11,607
	$ 26,730	$ 247	$ 26,977

10. Single Family Mortgage Purchase Revenue Bonds Payable

Through June 30, 2025, 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, 2025 consisted of the following issuance:

2013 Series A	
Term bonds maturing in 2025 through 2030 (2.60%)	$ 2,670,510

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).

There were no early redemptions during the year ended June 30, 2025.

Revenue bonds activity during the year was as follows:

	Balance at July 1, 2024	Additions	Reductions	Balance at June 30, 2025
Single Family Mortgage Purchase	$ 3,230,554	$ -	$ (560,044)	$ 2,670,510
Less: Current portion				(482,000)
				$ 2,188,510

The approximate annual debt service requirements through 2030 for revenue bonds are as follows:

	Principal	Interest	Total
Years ending June 30,			
2026	$ 482,000	$ 63,000	$ 545,000
2027	510,000	50,000	560,000
2028	540,000	36,000	576,000
2029	570,000	22,000	592,000
2030	569,000	6,000	575,000
	$ 2,671,000	$ 177,000	$ 2,848,000

In accordance with the Indenture, the revenue bonds are due July 1, 2037. Each month, the Corporation deposits all revenues and payments received on the transferred Federal National Mortgage Association ("FNMA Securities") to the credit of the principal and interest accounts of the debt. These monthly deposits fluctuate based on the underlying FNMA Securities performance and any payments made to date are representative of actual payments made through year end. Therefore, the Corporation's future annual debt service requirements for the revenue bonds are undeterminable at this time.

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 $77,000 was included as direct function expenses in the government-wide statement of activities during the year ended June 30, 2025.

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.

11. Changes in Other Long-Term Liabilities

The following is a summary of changes in long-term liabilities, other than note payable and revenue bonds payable, included in the business-type activities during the year ended June 30, 2025:

	Balance at July 1, 2024 (As restated)	Additions	Deductions*	Balance at June 30, 2025	Current Portion
Accrued compensated absences	$ 1,910,970	$ -	$ (112,078)	$ 1,798,892	$ 469,020
Unearned income	20,368,368	1,603,856	(793,644)	21,178,580	384,615
Lease incentive liability	686,725	-	(144,092)	542,633	-
Unrealized gain on sale of units and land	1,743,437	-	-	1,743,437	-
Net OPEB liability	8,349,248	179,617	(1,752,460)	6,776,405	-
Net pension liability	10,818,372	2,100,215	(1,480,852)	11,437,735	-
	$ 43,877,120	$ 3,883,688	$ (4,283,126)	$ 43,477,682	$ 853,635

* Accrued compensated absences are reported as net deductions.

12. 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 multifamily 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, 2025, conduit debt obligations outstanding amounted to approximately $878,675,000.

13. Commitments and Contingencies

Construction Contracts
At June 30, 2025, the Dwelling Unit Revolving Fund ("DURF") had outstanding commitments to expend approximately $27,921,000 for land development and the construction and renovation of housing projects.

Loan Commitments
At June 30, 2025, the Rental Housing Revolving Fund and DURF had aggregate outstanding loan commitments of approximately $64,244,000 and $4,592,000, respectively.

Rental Subsidy Commitments
At June 30, 2025, the Rental Assistance Revolving Fund had aggregate outstanding rental subsidy commitments of approximately $18,911,000.

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, 2025, 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 $57,952,000. This commitment is primarily for the completion of certain infrastructure improvements for this project. Of this commitment, approximately $11,865,000 has been obligated via various construction contracts. As of June 30, 2025, 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 in West Maui is located on public trust (ceded) land owned by the State. As of June 30, 2025, the Corporation still has development rights for most of the Leialii project and development costs related to Leialii were approximately $9,288,000 as of June 30, 2025.

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. The master plan developer successfully obtained 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 of the Manawalea Street Extension, which was completed in fiscal year 2023 and dedicated to the County of Hawaii. As of June 30, 2025, development costs related to Kamakana Villages of Keahuolu were approximately $22,300,000.

Also, the Corporation has other development costs and dwelling units of approximately $3,074,000 as of June 30, 2025.

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.

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 and other entities. The cases were settled as to the State's involvement. In July of 2025, the defendants, including the State entered into an agreement to create a pool of money for all claims arising out of the fire. The legislature approved the State's payment.

The individual plaintiffs have to go through mediation or arbitration to decide how much money they are entitled to. The State and other defendants are not involved in that process.

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, 2025, 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, 2025.

14. 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 Multifamily 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, 2025, the conduit debt obligations of and notes receivable from EAH related to the project amounted to approximately $11,252,000 and $11,195,000, respectively. Currently, $2,705,000 of the conduit debt obligation bears interest at a fixed rate of 6.25% and matures through January 2042, while the remaining $8,547,000 bears interest at a rate of 2.82% and matures annually through January 2042. The conduit debt obligation includes monthly payments of principal and interest with principal payments that range from approximately $16,000 to $133,000. 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, 2025 related to the Project was approximately $18,251,000. 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, 2025, DURF recognized approximately $2,600,000 of interest income related to the outstanding promissory notes. As of June 30, 2025, DURF has recorded approximately $27,900,000 of interest income receivable related to the outstanding promissory notes.

15. 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. Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

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 are 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/re-entry 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 are 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 are 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 2025 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the pension plan from the Corporation were approximately $1,505,000 for the year ended June 30, 2025.

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, 2025, the Corporation reported a net pension liability of approximately $11,438,000 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024, the Corporation's proportion was 0.17%, which was an increase of 0.01% from its proportion measured as of June 30, 2023.

There were no changes in actuarial assumptions as of June 30, 2023 to June 30, 2024. There were no changes between the measurement date, June 30, 2024, and the reporting date, June 30, 2025, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2025, the Corporation recognized pension expense of approximately $1,374,000.

At June 30, 2025, 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
Differences between expected and actual experience	$ 352,899	$ (68,362)
Changes in assumptions	(308,569)	(73,923)
Net difference between projected and actual earnings on pension plan investments	139,216	-
Changes in proportion and differences between Corporation contributions and proportional share of contributions	138,018	(9,481)
Corporation contributions subsequent to the measurement date	1,504,750	-
	$ 1,826,314	$ (151,766)

At June 30, 2025, approximately $1,505,000 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 ended June 30, 2026.

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

Years ending June 30,	
2026	$ (34,000)
2027	114,000
2028	64,000
2029	26,000
2030	-
	$ 170,000

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS 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 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 geometric rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Rate of Return
Broad growth		
Public equity	20.00 %	7.20 %
Private equity	19.00 %	9.90 %
Liquid credit	4.00 %	6.50 %
Private credit	8.00 %	9.20 %
Real estate	9.00 %	6.30 %
Infrastructure	7.00 %	7.30 %
Timber/agriculture/infrastructure	3.00 %	5.30 %
Diversifying strategies		
Systematic trend following	8.00 %	3.80 %
Long U.S. treasuries	4.00 %	4.30 %
Intermediate government	14.00 %	4.00 %
Reinsurance	4.00 %	5.30 %
Total investments	100.00 %	

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	$ 15,277,256	$ 11,437,735	$ 8,257,457

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 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://ers.ehawaii.gov/resources/financials.

Payables to the Pension Plan
The Corporation's proportionate share of amounts payable to the ERS was approximately $138,000 as of June 30, 2025.

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

16. Post-Retirement Health Care and Life Insurance Benefits Plan Description

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 201 Merchant Street, Honolulu, Hawaii 96813.

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, 2024, the following number of State plan members was covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	40,158
Inactive plan members entitled to but not yet receiving benefits	7,381
Active plan members	49,427
Total plan members	96,966

Contributions
Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Corporation was approximately $1,356,000 for the year ended June 30, 2025. 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, 2025, the Corporation reported a net OPEB liability of approximately $6,776,000. The net OPEB liability was measured as of July 1, 2024, 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, 2024, and the reporting date, June 30, 2025, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2025**,** the Corporation recognized OPEB expense of approximately $180,000.

At June 30, 2025, 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	$ -	$ (1,843,660)
Changes in assumptions	45,433	(140,306)
Net difference between projected and actual earnings on OPEB plan investments	204,448	-
Corporation contributions subsequent to the measurement date	1,356,311	-
	$ 1,606,192	$ (1,983,966)

The approximate $1,356,000 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 ended June 30, 2026.

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

Years ending June 30,	
2026	$ (614,000)
2027	(386,000)
2028	(389,000)
2029	(185,000)
2030	(160,000)
	$ (1,734,000)

Actuarial Assumptions

The total OPEB liability in the July 1, 2024 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 6.20% declining to a rate of 4.25% after 20 years
HMO**	Initial rate of 6.20% declining to a rate of 4.25% after 20 years
Contribution	Initial rate of 5.00% declining to a rate of 4.25% after 20 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

** Includes prescription drug assumptions.

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	15.00 %	10.10 %
U.S. microcap	3.00 %	8.30 %
Global equity	30.00 %	6.00 %
Real assets	12.00 %	5.00 %
Private credit	10.00 %	7.80 %
TIPS	2.50 %	2.10 %
Long treasuries	5.00 %	2.60 %
Reinsurance	5.50 %	5.10 %
Alternative risk premia	5.00 %	3.80 %
Trend following	10.00 %	2.40 %
Tail risk/ long volatility	2.00 %	(1.30)%
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. 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, 2024.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2024	$ 12,170,415	$ 3,821,167	$ 8,349,248
Service cost	329,197	-	329,197
Interest on total net OPEB liability	1,119,289	-	1,119,289
Difference between expected and actual experience	(1,252,887)	-	(1,252,887)
Corporation contributions	-	1,162,766	(1,162,766)
Net investment income	-	606,344	(606,344)
Benefit payments	(574,887)	(574,887)	-
Administrative expenses	-	(586)	586
Other	-	(82)	82
Net change	(379,288)	1,193,555	(1,572,843)
Balance at June 30, 2025	$ 11,791,127	$ 5,014,722	$ 6,776,405

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	$ 8,736,719	$ 6,776,405	$ 5,199,971

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	$ 5,117,990	$ 6,776,405	$ 8,888,431

Payables to the OPEB Plan
The Corporation's contribution payable to EUTF was paid by June 30, 2025.

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

17. 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.

18. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2025 is as follows:

Receivable Fund	Payable Fund	Amount
Housing Finance Revolving Fund	Non-major Enterprise Funds	$ 100,000
Housing Finance Revolving Fund	Rental Housing Revolving Fund	1,050
Non-major Enterprise Funds	Housing Finance Revolving Fund	5,600,622
Dwelling Unit Revolving Fund	Non-major Enterprise Funds	900,000
Housing Finance Revolving Fund	Single Family Mortgage Purchase Revenue Bond Fund	194,550
	Total proprietary interfund balances	$ 6,796,222
Housing Finance Revolving Fund	HOME Investment Partnership Program Fund	$ 82,632
Non-major Enterprise Funds	HOME Investment Partnership Program Fund	31,889
Non-major Enterprise Funds	Housing Trust Fund Program	10,835
Housing Finance Revolving Fund	Housing Trust Fund Program	28,103
	Total governmental interfund balances	$ 153,459

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

Required Supplementary Information Other than Management's Discussion and Analysis (Unaudited)

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Budgetary Comparison Schedule – General Fund (Unaudited)
Year Ended June 30, 2025

	Original and Final Budgets	Budgetary Actual	Variance with Final Budget
Revenues			
State allotted appropriations	$ 37,810,047	$ 37,810,047	$ -
Expenditures			
Programs	37,810,047	36,385,238	1,424,809
Excess of revenues over expenditures	$ -	$ 1,424,809	$ 1,424,809

See report of independent auditors and accompanying note to the required supplementary information.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Budgetary Comparison Schedule – HOME Investment Partnership Program (Unaudited)
Year Ended June 30, 2025

	Original and Final Budgets	Budgetary Actual	Variance with Final Budget
Revenues			
Intergovernmental revenue	$ 3,762,374	$ 2,647,629	$ (1,114,745)
Expenditures			
Low-income housing service and assistance programs	3,762,374	2,085,587	1,676,787
Excess of revenues over expenditures	$ -	$ 562,042	$ 562,042

See report of independent auditors and accompanying note to the required supplementary information.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Budgetary Comparison Schedule – Housing Trust Fund Program (Unaudited)
Year Ended June 30, 2025

	Original and Final Budgets	Budgetary Actual	Variance with Final Budget
Revenues			
Intergovernmental revenue	$ 4,284,547	$ 2,920,128	$ (1,364,419)
Expenditures			
Low-income housing service and assistance programs	4,284,547	2,920,128	1,364,419
Excess of revenues over expenditures	$ -	$ -	$ -

See report of independent auditors and accompanying note to the required supplementary information.

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 2023 (Act 164, SLH 2023) amended by the Supplemental Appropriations Act of 2024 (Act 230, SLH 2024), and from other authorizations contained in the State Constitution, Hawaii Revised Statutes, and other specific appropriation acts in various SLH.

All expenditures of these appropriated funds are made pursuant to the appropriations in the fiscal 2023–2025 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 2023 amended by the Supplemental Appropriations Act of 2024. 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, 2025, 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 changes 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, 2025 were as follows:

	General Fund	HOME Investment Partnership Program	Housing Trust Fund Program
Excess of revenues over expenditures – actual (budgetary basis)	$ 1,424,809	$ 562,042	$ -
Program expenditures transferred	36,327,750	-	-
Transfers	(36,327,750)	-	-
Excess of revenues over expenditures and other financing uses	$ 1,424,809	$ 562,042	$ -

See report of independent auditors.

Supplementary Information

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2025

	Homeowner Assistance Fund Program	Tax Credit Assistance Program	Total
Assets			
Equity in cash and cash equivalents and investments in State Treasury	$ 627,680	$ -	$ 627,680
Notes and loans receivable	-	9,861,610	9,861,610
Total assets	$ 627,680	$ 9,861,610	$ 10,489,290
Liabilities and Fund Balances			
Liabilities			
Due to State	$ 627,680	$ -	$ 627,680
Total liabilities	627,680	-	627,680
Fund balance			
Restricted	-	9,861,610	9,861,610
Total fund balance	-	9,861,610	9,861,610
Total liabilities and fund balance	$ 627,680	$ 9,861,610	$ 10,489,290

See report of independent auditors.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2025

	Homeowner Assistance Fund Program	Tax Credit Assistance Program	Total
Revenues			
Intergovernmental revenue	$ 802,297	$ -	$ 802,297
Total revenues	802,297	-	802,297
Expenditures			
Programs	702,450	-	702,450
Personnel services	70,700	-	70,700
Professional services	29,147	-	29,147
Total expenditures	802,297	-	802,297
Excess of revenues over expenditures	-	-	-
Net change in fund balances	-	-	-
Fund balances			
Beginning of year	-	9,861,610	9,861,610
End of year	$ -	$ 9,861,610	$ 9,861,610

See report of independent auditors.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Non-major Enterprise Funds
Combining Statement of Net Position
June 30, 2025

	Rental Assistance Revolving Fund	Affordable Homeownership 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	$ 29,325,250	$ 5,001,000	$ -	$ 930,649	$ -	$ 35,256,899
Cash in banks	-	-	-	10,000	-	10,000
Receivables						
Accrued interest	704,325	105,124	-	-	-	809,449
Other receivables, less allowance for doubtful accounts of $135,591	-	-	840,305	-	-	840,305
Due from other funds	-	-	5,597,259	46,087	-	5,643,346
Prepaid expenses and other assets	78,521	-	-	47,525	-	126,046
Total current assets	30,108,096	5,106,124	6,437,564	1,034,261	-	42,686,045
Mortgage loans	1,671,162	-	-	-	-	1,671,162
Capital assets, net	17,644	-	46,174	-	-	63,818
Total assets	31,796,902	5,106,124	6,483,738	1,034,261	-	44,421,025
Deferred outflows of resources						
Deferred outflows on net pension liability	25,965	-	160,939	-	-	186,904
Deferred outflows on net OPEB liability	28,922	-	156,136	-	-	185,058
Total deferred outflows of resources	54,887	-	317,075	-	-	371,962
Total assets and deferred outflows of resources	$ 31,851,789	$ 5,106,124	$ 6,800,813	$ 1,034,261	$ -	$ 44,792,987
Liabilities, Deferred Inflows of Resources, and Net Position						
Current liabilities						
Accounts payable	$ -	$ -	$ -	$ 24,261	$ 955	$ 25,216
Accrued expenses						
Compensated absences	14,889	-	44,921	-	-	59,810
Other	17,340	-	73,427	-	-	90,767
Due to other funds	-	-	-	1,000,000	-	1,000,000
Due to other State departments	-	-	-	10,000	-	10,000
Total current liabilities	32,229	-	118,348	1,034,261	955	1,185,793
Noncurrent liabilities						
Accrued compensated absences, net of current portion	42,023	-	122,823	-	-	164,846
Lease incentive liability	16,822	-	42,325	-	-	59,147
Net OPEB liability	125,357	-	301,307	-	-	426,664
Net pension liability	236,505	-	708,007	-	-	944,512
Total noncurrent liabilities	420,707	-	1,174,462	-	-	1,595,169
Total liabilities	452,936	-	1,292,810	1,034,261	955	2,780,962
Deferred inflows of resources						
Deferred inflows on net pension liability	3,172	-	13,186	-	-	16,358
Deferred inflows on net OPEB liability	41,465	-	172,409	-	-	213,874
Total deferred inflows of resources	44,637	-	185,595	-	-	230,232
Commitments and contingencies						
Net position						
Net investment in capital assets	17,644	-	46,174	-	-	63,818
Restricted by legislation and contractual agreements	31,336,572	5,106,124	-	-	-	36,442,696
Unrestricted	-	-	5,276,234	-	(955)	5,275,279
Total net position	31,354,216	5,106,124	5,322,408	-	(955)	41,781,793
Total liabilities, deferred inflows of resources, and net position	$ 31,851,789	$ 5,106,124	$ 6,800,813	$ 1,034,261	$ -	$ 44,792,987

See report of independent auditors.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Non-major Enterprise Funds
Combining Statement of Revenues, Expenses, and Change in Net Position
Year Ended June 30, 2025

	Rental Assistance Revolving Fund	Affordable Homeownership 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	$ 4,365	$ -	$ -	$ -	$ -	$ 4,365
Other	-	1,000	2,214,065	-	-	2,215,065
Total operating revenues	4,365	1,000	2,214,065	-	-	2,219,430
Operating expenses						
Programs	-	-	-	-	38,307	38,307
Personnel services	164,341	-	731,247	-	-	895,588
Housing assistance payments	1,057,172	-	-	-	-	1,057,172
Administration	37,116	-	192,497	-	-	229,613
Professional services	11,774	-	56,481	-	-	68,255
Depreciation	4,797	-	12,458	-	-	17,255
Insurance	490	-	938	-	-	1,428
Capital expenses	591	-	5,404	-	-	5,995
Other	110	-	431	-	-	541
Total operating expenses	1,276,391	-	999,456	-	38,307	2,314,154
Operating income (loss)	(1,272,026)	1,000	1,214,609	-	(38,307)	(94,724)
Nonoperating revenues						
Interest income	666,642	105,124	-	-	-	771,766
Total nonoperating revenues	666,642	105,124	-	-	-	771,766
Income (loss) before transfers	(605,384)	106,124	1,214,609	-	(38,307)	677,042
Net transfers	-	-	-	-	37,477	37,477
Change in net position	(605,384)	106,124	1,214,609	-	(830)	714,519
Net position						
Beginning of year, as previously stated	31,991,776	5,000,000	4,172,701	-	(125)	41,164,352
Adjustment for change in accounting principle	(32,176)	-	(64,902)	-	-	(97,078)
Beginning of year, as restated	31,959,600	5,000,000	4,107,799	-	(125)	41,067,274
End of year	$ 31,354,216	$ 5,106,124	$ 5,322,408	$ -	$ (955)	$ 41,781,793

See report of independent auditors.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Non-major Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2025

	Rental Assistance Revolving Fund	Affordable Homeownership Revolving Fund	Multifamily Housing Revenue Bond Fund	Disbursing Fund	Grants in Aid Fund	Total
Cash flows from operating activities						
Cash received from borrowers						
Principal payments	$ 110,956	$ -	$ -	$ -	$ -	$ 110,956
Interest income	4,388	-	-	-	-	4,388
Payments to employees	(240,337)	-	(914,249)	-	-	(1,154,586)
Payments to suppliers	(1,128,033)	-	(266,989)	(26,686)	(37,477)	(1,459,185)
Receipts (payments) to other funds, net	(7)	-	(793,473)	25,241	-	(768,239)
Other cash receipts	-	1,000	1,976,385	(84,971)	-	1,892,414
Net cash provided by (used in) operating activities	(1,253,033)	1,000	1,674	(86,416)	(37,477)	(1,374,252)
Cash flows from noncapital financing activities						
Transfers in	-	-	-	-	37,477	37,477
Net cash provided by noncapital financing activities	-	-	-	-	37,477	37,477
Cash flows from capital and related financing activities						
Purchase of capital assets	(422)	-	(1,674)	-	-	(2,096)
Net cash used in capital and related financing activities	(422)	-	(1,674)	-	-	(2,096)
Cash flows from investing activities						
Interest received	675,515	-	-	-	-	675,515
Net cash provided by investing activities	675,515	-	-	-	-	675,515
Net increase (decrease) in cash and cash equivalents	(577,940)	1,000	-	(86,416)	-	(663,356)
Cash and cash equivalents						
Beginning of year	29,903,190	5,000,000	-	1,027,065	-	35,930,255
End of year	$ 29,325,250	$ 5,001,000	$ -	$ 940,649	$ -	$ 35,266,899
Components of cash and cash equivalents						
Equity in cash and cash equivalents and investments in State Treasury	$ 29,325,250	$ 5,001,000	$ -	$ 930,649	$ -	$ 35,256,899
Cash in banks	-	-	-	10,000	-	10,000
Cash and cash equivalents	$ 29,325,250	$ 5,001,000	$ -	$ 940,649	$ -	$ 35,266,899
Cash flows from operating activities						
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ (1,272,026)	$ 1,000	$ 1,214,609	$ -	$ (38,307)	$ (94,724)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	4,797	-	12,458	-	-	17,255
Amortization	(4,466)	-	(11,240)	-	-	(15,706)
Net pension benefit	(2,734)	-	(11,363)	-	-	(14,097)
Net OPEB benefit	(24,590)	-	(102,254)	-	-	(126,844)
Changes in assets and liabilities						
Mortgage loans receivable	110,956	-	-	-	-	110,956
Accrued interest receivable	23	-	-	-	-	23
Other receivables	-	-	(237,676)	-	-	(237,676)
Due to (from) other funds	(7)	-	(793,473)	25,241	-	(768,239)
Prepaid expenses and other assets	(16,314)	-	-	(84,971)	-	(101,285)
Accounts payable	-	-	-	(26,686)	830	(25,856)
Accrued compensated absences	(9,414)	-	24,453	-	-	15,039
Other accrued expenses	(39,258)	-	(93,840)	-	-	(133,098)
Net cash provided by (used in) operating activities	$ (1,253,033)	$ 1,000	$ 1,674	$ (86,416)	$ (37,477)	$ (1,374,252)

See report of independent auditors.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Reconciliation of Cash and Short-Term Investments
June 30, 2025

The Corporation's cash and short-term investments consist of the following as of June 30, 2025:

Equity in State Treasury investment pool – Government-wide	$ 910,830,251
Cash in banks	1,188,475
Cash held by third parties	1,502,838
Restricted cash and cash equivalents held by trustee	26,074,094
Restricted deposits held in escrow	1,150,010
	$ 940,745,668

Total cash and short-term investments are in agreement with the State Comptroller's central accounting records as of June 30, 2025, as reconciled below:

	Appropriation Symbol	Balance at June 30, 2025
Cash in State Treasury		
Special Funds	S-17-375-B	$ 29,807
	S-18-375-B	63,378
	S-19-376-B	8,000
	S-20-314-B	5,884
	S-20-375-B	359,221
	S-21-375-B	663,221
	S-21-376-B	61,950
	S-21-382-B	28,494
	S-22-375-B	273,670
	S-22-376-B	4,000
	S-22-544-B	627,680
	S-23-375-B	3,405,118
	S-24-375-B	3,579,761
	S-23-381-B	228,574
	S-24-381-B	45,674
	S-23-376-B	6,052,658
	S-24-376-B	6,191,356
	S-24-321-B	56,000
	S-25-380-B	71,958,025
	S-25-390-B	424,204,356
	S-25-321-B	96,331
Subtotal		517,943,158

See report of independent auditors.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Reconciliation of Cash and Short-Term Investments
June 30, 2025

	Appropriation Symbol	Balance at June 30, 2025
Subtotal carried forward		517,943,158
Special Funds (continued)	S-25-376-B	7,598,865
	S-25-375-B	67,729,199
	S-25-381-B	43,921,211
	S-25-382-B	238,277,698
	S-25-320-B	42,250
	S-25-378-B	29,324,398
	S-25-314-B	937,673
	S-25-379-B	5,001,000
Total cash held in State Treasury, as reported by the State Comptroller's accounting records		910,775,452
Reconciling items		
Journal vouchers not recorded by DAGS		54,799
Cash and short-term investments held outside State Treasury		
Cash in bank		1,188,475
Cash held by third parties		1,502,838
Restricted cash and cash equivalents held by trustee		26,074,094
Restricted deposits held in escrow		1,150,010
		29,915,417
Cash and short-term investments on Statement of Net Position		$ 940,745,668

See report of independent auditors.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Program or Cluster Title	Federal Financial Assistance Listing ("AL") Number	Pass-through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development				
HOME Investment Partnership Program	14.239		$ 2,085,587	$ 1,855,771
Housing Trust Fund	14.275		2,920,128	2,724,246
U.S. Department of Treasury				
Passed through State Department of Budget and Finance – COVID-19 American Rescue Plan Act of 2021 – Homeowner Assistance Fund	21.026	HAF0002	802,297	702,450
Total federal expenditures			$ 5,808,012	$ 5,282,467

See report of independent auditors and accompanying notes to the schedule of expenditures of federal awards.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

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, except for subrecipient expenditures, which are recorded on the cash 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.

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 cash 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.

3. Indirect Costs

The Corporation has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. Subrecipients

The Corporation provides grant funds to 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.

PART II
Compliance and Internal Control

Report of Independent Auditors 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*

The Auditor
State of Hawaii

The Board of Directors
Hawaii Housing Finance and Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, 2025, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated December 15, 2025.

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.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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.

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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*.

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawaii
December 15, 2025

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Report of Independent Auditors
on Compliance for Each Major Federal Program
and on Internal Control Over Compliance
Required by the Uniform Guidance

The Auditor
State of Hawaii

The Board of Directors
Hawaii Housing Finance and Development Corporation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited the State of Hawaii, 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 each of the Corporation's major federal programs for the year ended June 30, 2025. The Corporation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Auditors' 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 programs.

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Auditors' 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 generally accepted auditing standards, *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 generally accepted auditing standards, *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 Auditors' 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.

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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.

Accuity LLP

Honolulu, Hawaii
December 15, 2025

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State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I – Summary of Auditors' Results

Financial Statements		
Type of auditors' report issued	**Unmodified**	
Internal control over financial reporting		
• Material weakness(es) identified?	__ Yes	**√** No
• Significant deficiency(ies) identified not considered to be material weakness(es)?	__ Yes	**√** None reported
Noncompliance material to financial statements noted?	__ Yes	**√** No
Federal Awards		
Internal control over major programs		
• Material weakness(es) identified?	__ Yes	**√** No
• Significant deficiency(ies) identified not considered to be material weakness(es)?	__ Yes	**√** None reported
Type of auditors' 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	__ Yes	**√** No
Identification of major programs		

AL Number	**Name of Federal Program**
14.275	Housing Trust Fund

Dollar threshold used to distinguish between Type A and Type B programs	**$750,000**	
Auditee qualified as low-risk auditee?	__ Yes	**√** No

See report of independent auditors.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section II – Financial Statement Findings

No current year financial statement findings.

Section III – Federal Award Findings and Questioned Costs

No current year federal award findings or questioned costs.

See report of independent auditors.

State of Hawaii
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaii)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

No prior year audit findings.