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## A BILL FOR AN ACT

RELATING TO HOUSING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

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PART I

2 SECTION 1. The legislature finds that the 2026 qualified  
3 allocation plan proposed by the Hawaii housing finance and  
4 development corporation falls short of what Hawaii's taxpayers  
5 and low-income residents deserve. As the State continues to  
6 face a worsening housing shortage, the qualified allocation plan  
7 must do more to prioritize perpetual affordability,  
8 government-owned housing, and shorter loan terms. Further,  
9 criteria such as readiness and income targeting should be  
10 de-emphasized to better align with long-term public interest and  
11 housing system reform.

12 The legislature also finds that the low-income housing tax  
13 credit is a direct handout of tax revenue to developers. The  
14 low-income housing tax credit is not a loan and thus is never  
15 repaid. The state rental housing revolving fund provides gap  
16 financing for most low-income housing tax credit projects and  
17 has become Hawaii's largest financing source for housing



1 development, supporting more than half of all housing  
2 construction statewide and crowding out other financing options  
3 due to its extremely generous terms. A typical rental housing  
4 revolving fund loan lasts for fifty-seven years, has an interest  
5 rate of only 0.15 per cent, defers repayment until the senior  
6 private loan is fully paid off, which often occurs decades  
7 later, and allows payments to be reduced based on the  
8 developer's cash flow. This represents a massive commitment of  
9 taxpayer dollars. Over the past decade, the rental housing  
10 revolving fund has received approximately \$1.047 billion in  
11 general fund appropriations, making it the second largest  
12 line-item investment in the state budget after the emergency and  
13 budget reserve fund.

14 The legislature further finds that Hawaii faces an urgent  
15 need for lasting, sustainable affordable housing, and  
16 strengthening the qualified allocation plan is critical to  
17 addressing this crisis. The State has a fiduciary duty to  
18 ensure that funds are used efficiently and responsibly to  
19 maximize housing production and reach as many residents as  
20 possible. Requiring perpetual affordability, prioritizing  
21 government-led developments, and incentivizing early loan



1 repayment will protect public investments, prevent displacement,  
2 and ensure that taxpayer dollars have long-term impact.

3 Accordingly, the purpose of this Act is to:

4 (1) Establish a working group to:

5 (A) Revise the Hawaii housing finance and development  
6 corporation's qualified allocation plan; and  
7 (B) Propose revisions to the prioritization of the  
8 rental housing revolving fund and the terms of  
9 loans made from the rental housing revolving  
10 fund;

11 (2) Require the Hawaii housing finance and development  
12 corporation to revise the 2026 qualified allocation  
13 plan to:

14 (A) Require perpetual affordability and prioritize  
15 government-owned development projects, applicants  
16 required to reinvest financial surpluses to  
17 produce more housing, and shorter loan terms; and  
18 (B) Deprioritize readiness and financially  
19 unsustainable income targeting categories; and

20 (3) Prohibit the Hawaii housing finance and development  
21 corporation from allocating low-income housing tax



1 credits or rental housing revolving fund moneys to  
2 projects without a perpetual affordability commitment.

## PART II

4 SECTION 2. (a) There is established a working group to  
5 revise the Hawaii housing finance and development corporation's  
6 qualified allocation plan and consider how to revise the  
7 prioritization of the rental housing revolving fund and the  
8 terms of loans made from the revolving fund. The Hawaii housing  
9 finance and development corporation shall provide administrative  
10 support to the working group.

11 (b) The working group shall:

12 (1) Revise the Hawaii housing finance and development  
13 corporation's qualified allocation plan to more  
14 effectively allocate federal and state low-income  
15 housing tax credits to projects that best meet the  
16 housing needs of the State; and  
17 (2) Make recommendations to revise the prioritization of  
18 the rental housing revolving fund and the terms of  
19 loans made from the revolving fund to support low-  
20 income rental housing projects and mixed-income rental  
21 projects.



3 (1) The executive director of the Hawaii housing finance  
4 and development corporation, or the executive  
5 director's designee, who shall serve as the  
6 chairperson of the working group;

7 (2) The executive director of the Hawaii public housing  
8 authority, or the executive director's designee;

jurisdiction over housing issues, or their designees;

(4) The chairperson of the senate standing committee on  
ways and means, or the chairperson's designee:

4 (5) The chairperson of the house of representatives  
5 standing committee on finance, or the chairpers  
6 designee; and

7 (6) Relevant stakeholders, as recommended by the members  
8 of the working group, who shall be invited by the  
9 working group's chairperson.

0 (d) The working group shall submit a report of its  
1 findings and recommendations, including any proposed



1 legislation, to the legislature no later than twenty days prior  
2 to the convening of the regular session of 2027.

3 (e) The members of the working group shall serve without  
4 compensation but shall be reimbursed for expenses, including  
5 travel expenses, necessary for the performance of their duties.

6 (f) No member of the working group shall be subject to  
7 chapter 84, Hawaii Revised Statutes, solely because of the  
8 member's participation in the working group.

9 (g) The working group shall be dissolved on June 30, 2027.

10 SECTION 3. There is appropriated out of the general  
11 revenues of the State of Hawaii the sum of \$ or so  
12 much thereof as may be necessary for fiscal year 2026-2027 to  
13 support the working group established by this part.

14 The sum appropriated shall be expended by the Hawaii  
15 housing finance and development corporation for the purposes of  
16 this part.

17 PART III

18 SECTION 4. (a) The Hawaii housing finance and development  
19 corporation shall amend the 2026 qualified allocation plan to:





1 (B) Units targeted at average area median income  
2 levels that are below those required pursuant to  
3 section 42 of the Internal Revenue Code of 1986,  
4 as amended.

5 (b) The Hawaii housing finance and development corporation  
6 may adopt rules pursuant to chapter 91, Hawaii Revised Statutes,  
7 to carry out the purposes of this part.

## PART IV

9 SECTION 5. Section 201H-15, Hawaii Revised Statutes, is  
10 amended by amending subsection (a) to read as follows:

11        "(a) The corporation is designated as a state housing  
12 credit agency to carry out section 42(h) (with respect to  
13 limitation on aggregate credit allowable with respect to a  
14 project located in a state) of the Internal Revenue Code of  
15 1986, as amended. As a state housing credit agency, the  
16 corporation shall determine the eligibility basis for a  
17 qualified low-income building, make the allocation of housing  
18 credit dollar amounts within the State, and determine the  
19 portion of the State's housing credit ceiling set aside for  
20 projects involving qualified nonprofit organizations[.];  
21 provided that the corporation shall not allocate low-income



1 housing credits to any project without a perpetual affordability  
2 commitment; provided further that, as used in this subsection,  
3 "perpetual" means the useful life of the project. The  
4 corporation shall file any certifications and annual reports  
5 required by section 42 (with respect to low-income housing  
6 credit) of the Internal Revenue Code of 1986, as amended."

7 SECTION 6. Section 201H-202, Hawaii Revised Statutes, is  
8 amended by amending subsection (e) to read as follows:

9 "(e) Except as provided in subsection (f), moneys  
10 available in the fund shall be used for the purpose of  
11 providing, in whole or in part, loans for rental housing  
12 projects [~~demonstrating~~] with a perpetual affordability  
13 commitment that demonstrate project readiness, efficiency, and  
14 feasibility acceptable to the corporation in the following order  
15 of priority:

16 (1) Projects or units in projects that are allocated  
17 low-income housing credits pursuant to the state  
18 housing credit ceiling under section 42(h) of the  
19 Internal Revenue Code of 1986, as amended, or projects  
20 or units in projects that are funded by programs of  
21 the United States Department of Housing and Urban



1 Development and United States Department of  
2 Agriculture Rural Development wherein:  
3 (A) At least fifty per cent of the available units  
4 are for persons and families with incomes at or  
5 below eighty per cent of the median family income  
6 of which at least five per cent of the available  
7 units are for persons and families with incomes  
8 at or below thirty per cent of the median family  
9 income; and  
10 (B) The remaining units are for persons and families  
11 with incomes at or below one hundred per cent of  
12 the median family income;  
13 provided that the corporation may establish rules to  
14 ensure full occupancy of fund projects; [provided  
15 further that for projects that were awarded low-income  
16 housing credits pursuant to this paragraph, priority  
17 shall be given to projects with a perpetual  
18 affordability commitment. For purposes of this  
19 paragraph, "perpetual" means the useful life of the  
20 project;] and



5 As used in this subsection "perpetual" means the useful life of  
6 the project."

7 PART V

8 SECTION 7. Statutory material to be repealed is bracketed  
9 and stricken. New statutory material is underscored.

10 SECTION 8. This Act shall take effect on July 1, 2050;  
11 provided that the amendments made to section 201H-202, Hawaii  
12 Revised Statutes, by section 6 of this Act shall not be repealed  
13 when that section is reenacted on June 30, 2030, pursuant to  
14 section 8 of Act 159, Session Laws of Hawaii 2025.

15

INTRODUCED BY:

JAN 23 2026



# H.B. NO. 1868

**Report Title:**

HHFDC; LIHTC; RHRF; Qualified Allocation Plan; Perpetual Affordability; Working Group; Report; Appropriation

**Description:**

Part II: Establishes a Working Group to revise the Hawaii Housing Finance and Development Corporation's Qualified Allocation Plan and propose revisions to the prioritization of the Rental Housing Revolving Fund and the terms of loans made from the Rental Housing Revolving Fund. Requires a report to the Legislature. Appropriates funds. Part III: Requires the HHFDC to make certain revisions to the 2026 Qualified Allocation Plan. Part IV: Prohibits the HHFDC from allocating Low-Income Housing Tax Credits or moneys from the Rental Housing Revolving Fund to projects without a perpetual affordability commitment.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

