

JAN 21 2026

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## SENATE CONCURRENT RESOLUTION

REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM TO CONDUCT A STUDY ON THE FEASIBILITY OF UTILIZING MEZZANINE LOANS TO INCREASE THE RATE OF HOUSING PRODUCTION IN THE STATE.

1        WHEREAS, Hawaii is experiencing one of the worst housing  
2 shortages in the State's history; and

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4        WHEREAS, with the most expensive housing costs in the  
5 nation, the State primarily struggles with insufficient housing  
6 production and affordable housing inventory; and

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8        WHEREAS, the State's housing market is stuck in a  
9 problematic cycle that decreases affordability caused by high  
10 consumer demand relative to housing stock; and

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12       WHEREAS, housing developers today face a predicament where,  
13 in addition to higher development costs, the total availability  
14 of construction mortgages for housing development projects is  
15 falling, requiring them to utilize higher-cost equity financing,  
16 such as private equity and other non-traditional lenders that  
17 typically ask for significant equity (ownership stake) in the  
18 project, higher returns, and more; and

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20       WHEREAS, additionally, as the State's key housing agency,  
21 the Hawaii housing finance and development corporation  
22 determined via a cash flow analysis of their various housing  
23 programs that many programs held significant revolving periods,  
24 or the time it takes for the State to recoup the funding spent  
25 for each program; and

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27       WHEREAS, a mezzanine loan is a debt-equity instrument that  
28 is backed by the value of the project based on its historic and  
29 projected cash flows; and

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1        WHEREAS, mezzanine loans provide more flexibility in  
2 repayment terms and enables the financing of unsecured  
3 intangible assets, making it a much more attainable form of  
4 funding for smaller-sized companies; and

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6        WHEREAS, for housing developers, mezzanine loans could  
7 potentially help in financing a housing project by decreasing  
8 the amount of equity the developer will need to provide lenders  
9 to finance the construction; and

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11        WHEREAS, a state housing project using mezzanine loans  
12 tailored specifically for Hawaii's housing challenges could  
13 generate both more housing units and accelerate the recycling of  
14 revolving funds, utilizing taxpayer dollars in a more efficient  
15 manner than traditional state-funded housing programs; and

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17        WHEREAS, by conducting further research into mezzanine  
18 financing, the State can make informed decisions on the  
19 utilization of the debt equity financing mechanism to ease the  
20 housing shortage and address the needs of Hawaii's residents;  
21 now, therefore,

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23        BE IT RESOLVED by the Senate of the Thirty-third  
24 Legislature of the State of Hawaii, Regular Session of 2026, the  
25 House of Representatives concurring, that the Department of  
26 Business, Economic Development, and Tourism is requested to  
27 conduct a study on the feasibility of utilizing mezzanine loans  
28 to increase the rate of housing production in the State; and

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30        BE IT FURTHER RESOLVED that the Department of Business,  
31 Economic Development, and Tourism is requested to submit a  
32 report of its findings and recommendations, including any  
33 proposed legislation, to the Legislature no later than twenty  
34 days prior to the convening of the Regular Session of 2027; and

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36        BE IT FURTHER RESOLVED that a certified copy of this  
37 Concurrent Resolution be transmitted to the Director of  
38 Business, Economic Development, and Tourism.

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OFFERED BY: 

