

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



GOV. MSG. NO. 1317

EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

July 8, 2026

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

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

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

This is to inform you that on July 8, 2026, the following bill was signed into law:

H.B. NO. 2385, H.D. 3, S.D. 1, RELATING TO HOUSING.
C.D. 1 **ACT 215**

Mahalo,

A handwritten signature in black ink that reads "Josh Green M.D.".

Josh Green, M.D.
Governor, State of Hawai'i

A BILL FOR AN ACT

RELATING TO HOUSING.

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

1 SECTION 1. The legislature finds that, in 2023, affordable
2 housing was declared an emergency in the State, and Hawaii's
3 housing supply was cited as the most expensive in the nation.
4 It has been estimated that fifty thousand homes will be needed
5 in the next five years to address the State's housing crisis.

6 The legislature further finds that the general excise tax
7 exemption for low-income housing projects is a valuable
8 incentive for the development and operation of affordable rental
9 housing in the State. However, it has proven increasingly
10 difficult to offset rising construction costs and interest rates
11 using these exemptions alone, creating the need for additional
12 incentives to achieve project development and completion.

13 The legislature additionally finds that county assistance
14 programs that encourage the development of affordable housing,
15 when leveraged in addition to state-administered incentives,
16 would help to achieve comprehensive project financing and
17 maximize support for affordable housing development.



1 Accordingly, the purpose of this Act is to address the
2 ongoing shortage of affordable housing in the State by
3 authorizing, beginning January 1, 2027, the Hawaii housing
4 finance and development corporation, instead of the counties, to
5 approve and certify general excise tax exemptions for certain
6 housing development projects developed under county housing
7 incentive programs.

8 SECTION 2. Section 46-15.1, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) Notwithstanding any law to the contrary, any county
11 shall have and may exercise the same powers, subject to
12 applicable limitations, as those granted the Hawaii housing
13 finance and development corporation pursuant to chapter 201H
14 insofar as those powers may be reasonably construed to be
15 exercisable by a county for the purpose of developing,
16 constructing, financing, refinancing, or otherwise providing
17 low- and moderate-income housing projects and mixed-use
18 developments; provided that no county shall be empowered to
19 cause the State to issue general obligation bonds to finance a
20 project pursuant to this section; provided further that [county
21 ~~projects shall be granted an exemption from general excise or~~



1 ~~receipts taxes in the same manner as projects of the Hawaii~~
2 ~~housing finance and development corporation pursuant to section~~
3 ~~201H-36,]~~ a county shall not exercise authority granted to the
4 Hawaii housing finance and development corporation under section
5 201H-36(a) (6); provided further that county projects shall
6 prioritize walkability to the extent practicable; provided
7 further that section 201H-16 shall not apply to this section
8 unless federal guidelines specifically provide local governments
9 with that authorization and the authorization does not conflict
10 with any state laws. The powers shall include the power,
11 subject to applicable limitations, to:

12 (1) Develop and construct dwelling units, alone or in
13 partnership with developers;

14 (2) Acquire necessary land by lease, purchase, exchange,
15 or eminent domain;

16 (3) Provide assistance and aid to a public agency or other
17 person in developing and constructing new housing and
18 rehabilitating existing housing for elders of low- and
19 moderate-income, other persons of low- and
20 moderate-income, and persons displaced by any



- 1 governmental action, by making long-term mortgage or
2 interim construction loans available;
- 3 (4) Contract with any eligible bidders to provide for
4 construction of urgently needed housing for persons of
5 low- and moderate-income;
- 6 (5) Guarantee the top twenty-five per cent of the
7 principal balance of real property mortgage loans,
8 plus interest thereon, made to qualified borrowers by
9 qualified lenders;
- 10 (6) Enter into mortgage guarantee agreements with
11 appropriate officials of any agency or instrumentality
12 of the United States to induce those officials to
13 commit to insure or to insure mortgages under the
14 National Housing Act, as amended;
- 15 (7) Make a direct loan to any qualified buyer for the
16 downpayment required by a private lender to be made by
17 the borrower as a condition of obtaining a loan from
18 the private lender in the purchase of residential
19 property;
- 20 (8) Provide funds for a share, not to exceed fifty per
21 cent, of the principal amount of a loan made to a



1 qualified borrower by a private lender who is unable
2 otherwise to lend the borrower sufficient funds at
3 reasonable rates in the purchase of residential
4 property; and

5 (9) Sell or lease completed dwelling units.

6 For purposes of this section, a limitation is applicable to
7 the extent that it may reasonably be construed to apply to a
8 county."

9 SECTION 3. Section 201H-36, Hawaii Revised Statutes, is
10 amended by amending subsections (a) and (b) to read as follows:

11 "(a) In accordance with section 237-29, the corporation
12 may approve and certify for exemption from general excise taxes
13 any qualified person or firm involved with a newly constructed,
14 or a moderately or substantially rehabilitated, project that is:

15 (1) Developed under this part;

16 (2) Developed under a government assistance program
17 approved by the corporation, including but not limited
18 to the United States Department of Agriculture's
19 section 502 direct loan program and Federal Housing
20 Administration's section 235 program;



1 (3) Developed under the sponsorship of a private nonprofit
2 organization providing home rehabilitation or new
3 homes for qualified families in need of decent,
4 low-cost housing;

5 (4) Developed by a qualified person or firm to provide
6 affordable rental housing where at least fifty per
7 cent of the available units are for households with
8 incomes at or below eighty per cent of the [area]
9 median family income as determined by the United
10 States Department of Housing and Urban Development, of
11 which at least twenty per cent of the available units
12 are for households with incomes at or below sixty per
13 cent of the [area] median family income as determined
14 by the United States Department of Housing and Urban
15 Development; [or]

16 (5) Approved or certified from July 1, 2018, to June 30,
17 2030, and developed under a contract described in
18 section 104-2(i)(2) by a qualified person or firm to
19 provide affordable rental housing through new
20 construction or substantial rehabilitation; provided
21 that:



1 (A) The allowable general excise tax and use tax
2 costs [~~shall apply to contracting only and~~] shall
3 not exceed \$30,000,000 per year in the aggregate
4 for all projects approved and certified by the
5 corporation; and

6 (B) All available units are for households with
7 incomes at or below one hundred forty per cent of
8 the [area] median family income as determined by
9 the United States Department of Housing and Urban
10 Development, of which at least twenty per cent of
11 the available units are for households with
12 incomes at or below eighty per cent of the [area]
13 median family income as determined by the United
14 States Department of Housing and Urban
15 Development; provided that an owner shall not
16 refuse to lease a unit solely because the
17 applicant holds a voucher or certificate of
18 eligibility under section 8 of the United States
19 Housing Act of 1937, as amended[-]; or

20 (6) Developed under a county assistance program approved
21 by the corporation, where at least fifty per cent of



1 the available units are for households with incomes at
2 or below one hundred per cent of the median family
3 income as determined by the United States Department
4 of Housing and Urban Development.

5 (b) To obtain certification for exemption under this
6 section, rental housing projects shall, unless exempted by the
7 corporation, enter into a regulatory agreement with the
8 corporation to ensure the project's continued compliance with
9 the applicable eligibility requirements set forth in subsection
10 (a), as follows:

- 11 (1) For moderate rehabilitation projects, a minimum term
12 of five years as specified in a regulatory agreement;
13 (2) For substantial rehabilitation projects, a minimum
14 term of ten years as specified in a regulatory
15 agreement; or
16 (3) For new construction projects, a minimum term of
17 thirty years from the date of issuance of the
18 certificate of occupancy[-]; provided that for new
19 construction projects developed under a county
20 assistance program, the minimum term shall be fifteen



1 years from the date of issuance of the certificate of
2 occupancy."

3 SECTION 4. The Hawaii housing finance and development
4 corporation shall amend its administrative rules, pursuant to
5 chapter 91, Hawaii Revised Statutes, to conform to this Act.

6 SECTION 5. This Act does not affect rights and duties that
7 matured, penalties that were incurred, and proceedings that were
8 begun before its effective date.

9 SECTION 6. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 7. This Act shall take effect upon its approval;
12 provided that:

13 (1) Sections 2 and 3 shall take effect on January 1, 2027;

14 (2) The amendments made to section 46-15.1, Hawaii Revised
15 Statutes, by section 2 of this Act shall not be
16 repealed when that section is repealed and reenacted:

17 (A) On June 30, 2028, pursuant to section 4 of
18 Act 45, Session Laws of Hawaii 2024;

19 (B) On July 1, 2030, pursuant to:

20 (i) Section 3 of Act 141, Session Laws of Hawaii
21 2009, as amended by section 3 of Act 102,



1 Session Laws of Hawaii 2015, as amended by
2 section 1 of Act 80, Session Laws of Hawaii
3 2019, as amended by section 2 of Act 90,
4 Session Laws of Hawaii 2023; and

5 (ii) Section 3 of Act 98, Session Laws of Hawaii
6 2012, as amended by section 4 of Act 102,
7 Session Laws of Hawaii 2015, as amended by
8 section 50 of Act 55, Session Laws of Hawaii
9 2016, as amended by section 2 of Act 80,
10 Session Laws of Hawaii 2019, as amended by
11 section 3 of Act 90, Session Laws of Hawaii
12 2023; and

13 (C) On July 1, 2031, pursuant to section 4 of Act 31,
14 Session Laws of Hawaii 2024;

15 (3) The amendments made to section 201H-36, Hawaii Revised
16 Statutes, by section 3 of this Act shall not be
17 repealed when that section is repealed and reenacted
18 on June 30, 2030, pursuant to section 5 of Act 54,
19 Session Laws of Hawaii 2017, as amended by section 4
20 of Act 39, Session Laws of Hawaii 2018; and

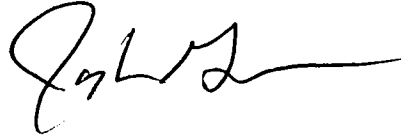


1 (4) On July 1, 2031, this Act shall be repealed and
2 sections 46-15.1 and 201H-36, Hawaii Revised Statutes,
3 shall be reenacted in the form in which they read
4 prior to the effective date of this Act.



H.B. NO. 2385
H.D. 3
S.D. 1
C.D. 1

APPROVED this 8th day of July, 2026

A handwritten signature in black ink, appearing to be 'Ike L. Aiea', written over a horizontal line.

GOVERNOR OF THE STATE OF HAWAII

HB No. 2385, HD 3, SD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 6, 2026
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-Third Legislature of the State of Hawaii, Regular Session of 2026.



Nadine K. Nakamura
Speaker
House of Representatives

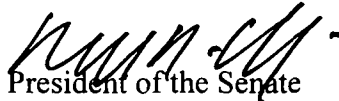


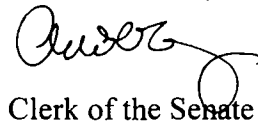
Brian L. Takeshita
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAI'I

Date: May 6, 2026
Honolulu, Hawai'i 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate
of the Thirty-Third Legislature of the State of Hawai'i, Regular Session of 2026.


President of the Senate


Clerk of the Senate