

A BILL FOR AN ACT

RELATING TO HOUSING.

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

1 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 0.25 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 \$1,216,100,000 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.

3 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;
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; and



1 (3) Comply with any and all federal requirements.

2 (c) The working group shall consist of the following
3 members:

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

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

10 (3) The chairpersons of the senate and house of
11 representatives standing committees having
12 jurisdiction over housing issues, or their designees;

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

15 (5) The chairperson of the house of representatives
16 standing committee on finance, or the chairperson's
17 designee: and

18 (6) Relevant stakeholders, as recommended by the members
19 of the working group, who shall be invited by the
20 working group's chairperson.



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

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

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

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

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

PART III

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



- 1 (1) Require all projects to make a perpetual affordability
- 2 commitment to qualify for receipt of federal and state
- 3 low-income housing tax credits;
- 4 (2) Increase the number of points awarded for:
 - 5 (A) Government-owned projects, including:
 - 6 (i) Projects owned by the State or a county;
 - 7 (ii) Projects on state- or county-owned land; and
 - 8 (iii) Projects that are required to be conveyed to
 - 9 the State or a county at a definite time for
 - 10 nominal consideration;
 - 11 (B) Projects owned by an organization obliged to use
 - 12 all financial surpluses generated by the project
 - 13 to construct, manage, or rehabilitate more
 - 14 housing; and
 - 15 (C) Projects of applicant developers who:
 - 16 (i) Have demonstrated accelerated full repayment
 - 17 into the rental housing revolving fund of
 - 18 past rental housing revolving fund loans; or
 - 19 (ii) Request a shorter repayment term; and
- 20 (3) Reduce the number of points awarded for the:
 - 21 (A) Applicant's readiness criterion; and



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, for the purposes of this
3 subsection, "perpetual" means the useful life of the project.

4 The 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 For the purposes of this subsection "perpetual" means the useful
6 life of the project."

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.



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. Effective 7/1/2050. (SD1)

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