# HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

# 2024 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 (HRS).

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**COVER PAGE Photos**:
Left- Hale Na Koa O Hanakahi housing for veterans (Big Island). Source: Hawaii Tribune Herald.
Center- Wailuku Apartments dedication with Gino Soquena of the Hawaii Building & Construction Trades Council, Kerry Nicholson of Legacy Partners, Maui County Mayor Richard Bissen, and HHFDC’s Dean Minakami (Maui). Source: Kaulana Mahina.
Right- Halewaiolu Senior Residences was completed in 2024 (Oahu). Source: City & County of Honolulu.

# I. INTRODUCTION

## A. EXECUTIVE DIRECTOR'S WELCOME

Aloha mai kakou,

HHFDC staff worked diligently in Fiscal Year 2024 to address the state's affordable housing needs. HHFDC assisted in the delivery of 1,085 units that were placed in service and provided financing or development assistance for 9,688 units that will be placed in service in the coming years.

Governor Josh Green, M.D., has declared a state of emergency to combat the affordable housing crisis and HHFDC was given the vital role of administering the Housing Emergency Proclamation (EP), certifying eligible projects for waivers of school impact fees and certain county development fees. From the time HHFDC took over this responsibility in February 2024 through the end of the fiscal year, the Corporation processed waivers for seven affordable or workforce housing projects totaling 3,631 units.

The unimaginable devastation caused by the Maui wildfires of August 8, 2023, caused more than 100 deaths and destroyed several thousand homes. Governor Green turned to HHFDC staff to stand up a program to assist survivors with a sudden and urgent need for housing. Approximately 600 families found immediate housing through the Hawaii Fire Relief Housing Program, which collected a pool of roughly 1,400 available properties that were offered on Maui and elsewhere. The National Council of State Housing Agencies honored the program with its coveted Award of Excellence for Special Achievement.

Other work that HHFDC has undertaken to aid Maui's recovery include opening the recently acquired Haggai International Institute to house survivors, initiating the reconstruction of Front Street Apartments, providing land for and aiding in the development of the Ka Lai Ola housing development at HHFDC's Villages of Leialii, and providing land to FEMA for the Kilohana interim housing project. Additionally, the 200-unit Kaiaulu O Kukuia project sponsored by HHFDC - the first multi-family housing project to open in Lahaina - began accepting residents in late 2024.

We thank our developer partners and the HHFDC Board for their dedication to the goal of adding more affordable housing units. And we say mahalo to the Green Administration and members of the State Legislature for their strong support.

Expect next year's Annual Report to provide you with an update on the success of several other promising new programs including the new down-payment assistance program that will provide up to $60,000 to help qualifying households. We also plan to launch a new mortgage assistance program, providing below-market interest mortgage loans to qualifying households.

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

Dean Minakami
Executive Director

## B. CHAIRPERSON'S WELCOME

Aloha,

It's been an incredible honor serving as the chairperson of the HHFDC Board of Directors. I am fortunate to serve with a dedicated group of board members, colleagues who are committed to HHFDC's mission to use our resources efficiently and strategically in order to increase and preserve the supply of affordable housing throughout the State of Hawaii.

Looking back at last year, we were able to make great strides toward increasing the development output of new rental housing projects that will offer residents a range of affordable housing opportunities. By placing greater emphasis on financing projects that are the most shovel-ready to proceed, HHFDC has improved the utilization of its financial resources and accelerated unit delivery. Of course, this wouldn't be possible without the sustained efforts of HHFDC's dedicated staff and our developer partners.

As we look to the future, we recognize the need to make a slight pivot to increase support for first-time homeownership among our workforce "gap group" households with incomes between 80% and 140% of the AMI. To facilitate addressing this group's needs, we have laid the groundwork for staff to use HHFDC resources for reestablishing the Downpayment Loan Assistance and Hula Mae Mortgage Loan programs. In an era of sustained, high interest rates, these financing tools are critically needed to assist potential homebuyers.

Board members have also been working closely with Executive Director Minakami and senior staff on a strategic plan that maps out the organization's goals and objectives in the coming years. Part of that effort involves assisting those in our community who are without supportive housing and essential services. To address this need, we plan to increase our efforts with our nonprofit stakeholders to determine the community needs and resources available to create more supportive housing units.

Lastly, I want to extend the Board's sincere appreciation to our legislators for recognizing year after year the levels of financial resources that it takes to continue on our path of meeting Hawaii's housing needs. The housing issues we face are daunting. But with the Legislature's support, together we can take the right steps that will make a lasting and positive impact for the generations ahead.

Gary Mackler
Chairperson

## C. PURPOSE OF REPORT; SCOPE OF ACTIVITIES COVERED

The Fiscal Year (FY) 2024 Hawaii Housing Finance and Development Corporation (HHFDC or the corporation) Annual Report provides an overview of our efforts, achievements, and ambitions in addressing the housing needs of the residents 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 provides an overview of HHFDC and its role in providing housing solutions for Hawaii residents; a review of the various programs that deliver those solutions; a summary of other housing-related activities; information on recent historical housing unit deliveries; a projection of near- to medium-term production; highlights of the corporation's response to the Maui wildfires disaster; a review of recently enacted housing-related legislation; and insight into our efforts to attract and maintain a highly skilled professional staff and leverage technology to maximize productivity.

Except when noted otherwise, as we do when presenting facts on recent financing awards that adhere to a calendar year schedule, the information in this report is for the fiscal year ending June 30, 2024.

**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 (HRS).**

Photograph of HHFDC Staff

For other HHFDC reports and studies, including additional 2024 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.**

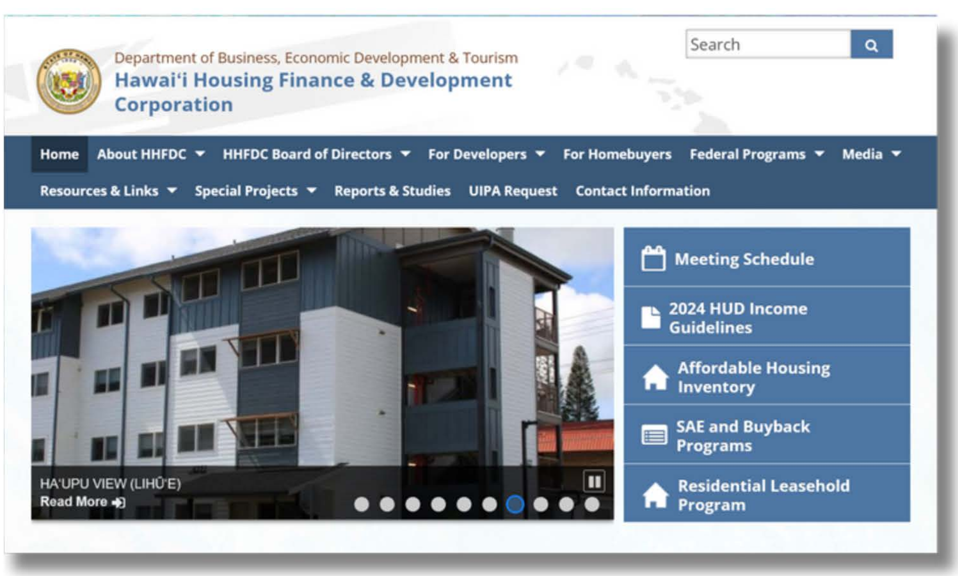
Established by the Legislature in 2006 to carry out the State of Hawaii's affordable housing financing and development functions, HHFDC offers a diverse array of programs, including Low-Income Housing Tax Credit (LIHTC), tax-exempt bond financing, and homebuyer assistance programs. Beyond that, HHFDC 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.

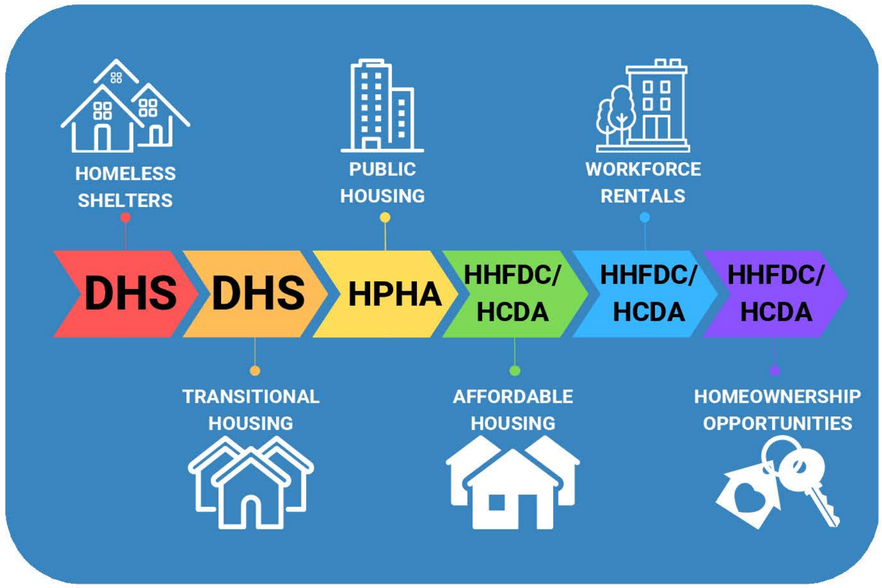
HHFDC has total assets of approximately $2.4 billion as of June 30, 2024. For FY 2024, the corporation had an operating budget of approximately $13.5 million and was authorized by the Legislature to employ 68 full-time professionals in various fields, including accounting, administrative support, asset management, development, finance, human resources, information technology, planning, procurement, project management, and public relations.

Many of HHFDC's housing programs are funded by the Legislature. In FY 2024, lawmakers appropriated $150,000,000 for infusions into the corporation's two major proprietary funds.

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



## B. THE CONTINUUM OF HOUSING




HHFDC plays a critical role in producing and preserving affordable and workforce housing in Hawaii, offering diverse solutions to meet community needs. Through various financing and development programs, HHFDC collaborates with private developers, other state agencies, the four counties, and the federal government to support a continuum of housing options. These include emergency shelters, transitional housing, public housing, affordable rentals, workforce rentals, and homeownership opportunities.

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. Most HHFDC programs use these limits to determine maximum unit rents and sales prices, and to guide resource allocation and housing initiatives.

HHFDC focuses largely on serving three categories:

- 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 workforce housing; and
- First-time homebuyers earning up to 140% of the AMI.

For current **HUD income limits** by county and household size for the State of Hawaii, please visit: https://dbedt.hawaii.gov/hhfdc/2022/04/21/2022-hud-income-guidelines/.

## C. LEGISLATIVE HISTORY

HHFDC traces its origins to the Hawaii Housing Authority (HHA), established by the Territorial Legislature in 1935 in hopes that it could provide safe and sanitary housing for Hawaii's low-income residents.

In 1970, the Legislature expanded HHA's functions 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.

HHA had added over 10,000 units to the state's housing stock by 1988 when its housing finance, development, and residential leasehold functions were transferred to the newly formed Housing Finance and Development Corporation (HFDC). HFDC's achievements included developing the 888-acre Villages of Kapolei in West Oahu.

Recognizing broader social and economic issues in the 1990s, the Legislature consolidated HHA, HFDC, and the Rental Housing Trust Fund into the Housing and Community Development Corporation of Hawaii (HCDCH) on July 1, 1998. But the combined agency was short-lived. In 2004, based on a recommendation from a task force charged with developing near-term solutions to Hawaii's affordable housing, HCDCH split into two entities to allow the state to more effectively concentrate on the development of affordable housing.

Pursuant to Act 196, Session Laws of Hawaii (SLH) 2005, as amended by Act 180, SLH 2006, HCDCH was abolished on July 1, 2006. In its place, the Hawaii Public Housing Authority (HPHA) was established as a public body and body corporate and politic and placed within the Department of Human Services (DHS) for administrative purposes. HHFDC was established as a public body and body corporate and politic and placed within the Department of Business, Economic Development, and Tourism (DBEDT) to focus 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

The corporation is governed by a nine-member board of directors (the Board) that is tasked with establishing policies and executive direction for the corporation; approving major programs and actions; authorizing funding for development projects; approving the adoption, amendment, or repeal of Hawaii Administrative Rules (HAR) and procedures; and monitoring the status of projects receiving assistance.

Six members of the Board are public members appointed by the governor, serving staggered, four-year terms, as unpaid volunteers.

- Public members are appointed from the City and County of Honolulu (the City) and each of the counties of Hawaii, Maui, and Kauai.
- At least four 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.

Three members are ex-officio voting members.

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

Executive Director Minakami and Chairperson Mackler with Board members Luis Salaveria, Sean Sasaki, Scott Glenn, Jay Kimura, Mary Alice Evans, Carol Reimann, Donn Mende, & Jason Bradshaw.

## E. ORGANIZATIONAL STRUCTURE

HHFDC is organized into five branches under the Office of the Executive Director:

Office of the Executive Director
HHFDC is led by the Executive Director, to whom the Board has delegated the responsibility of managing the corporation’s daily operations and maintaining general oversight of its administrative and business affairs. The Executive Director is aided by the Executive Assistant, who supervises the corporation’s administrative functions and other support staff.

Administrative Services Branch
Placed within the Office of the Executive Director and under the supervision of the Executive Assistant, the Administrative Services Branch is composed of four offices that provide services relating to housing information, information technology, contract review, and human resources.

Planning, Evaluation and Compliance Branch
The Planning, Evaluation and Compliance Branch oversees program planning and evaluation, housing research, project compliance monitoring, and environmental review activities for the financing and development programs administered by HHFDC. The branch also manages a diverse real estate portfolio and coordinates the corporation’s legislative, administrative rulemaking, and fair housing activities.

Fiscal Management Branch
The Fiscal Management Branch provides administrative assistance and advisory services in fiscal management, budget, and accounting for HHFDC. Offering consultative and technical services, and in

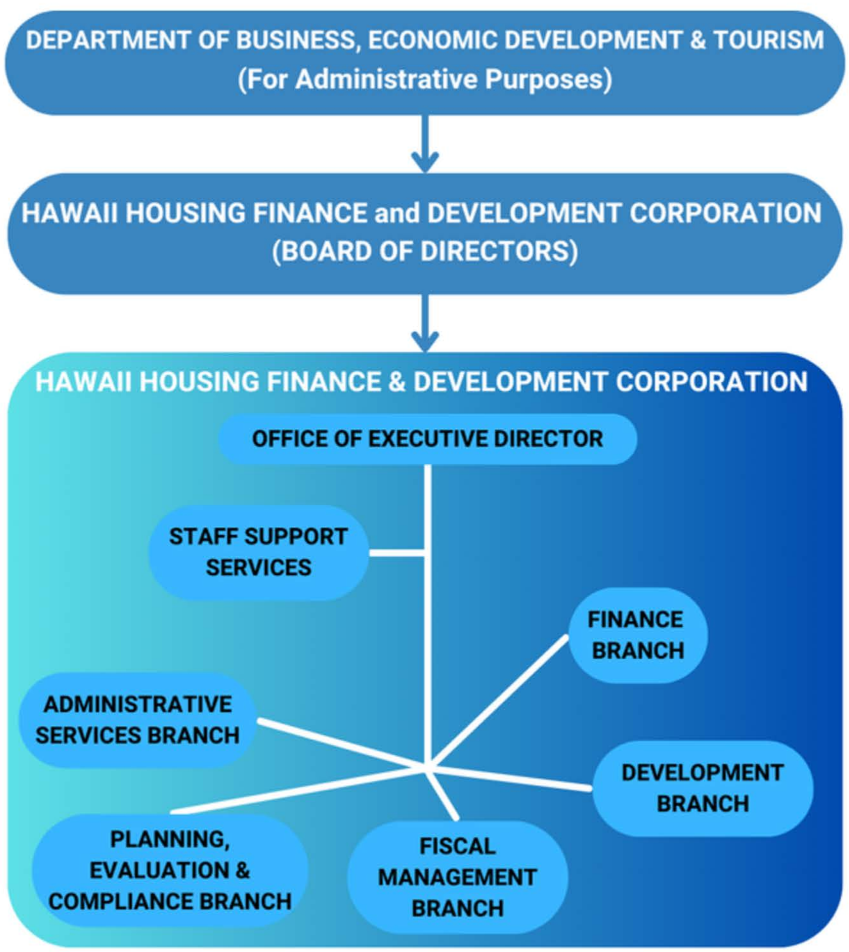
coordination with departmental budget staff, the Fiscal Management Branch oversees budget development, execution, and monitoring for all HHFDC programs. The branch also generates financial reports for other HHFDC branches and state agencies, in addition to providing financial information to the Legislature.

Development Branch

The Development Branch administers development assistance programs, underwrites interim construction loans, manages development of housing on state-owned lands, and develops and maintains infrastructure on properties owned by the corporation. Through its Real Estate Services Section, the branch oversees the sales of new affordable units developed with the corporation's assistance and administers the related unit buyback, shared appreciation equity, deferred sales price, and leasehold homeownership programs.

Finance Branch

The Finance Branch administers a range of housing financing programs aimed at addressing affordable housing needs, such as the issuance of tax-exempt and taxable private activity bonds and the administration of federal funds allocated by HUD. Tax-exempt and private activity bonds support single-family mortgage loans and the development or acquisition of rental housing projects. Federal funds are primarily utilized for the acquisition, rehabilitation, or construction of affordable housing and may also provide rental or down payment assistance to eligible families. The branch is responsible for evaluating financing requests and presenting recommendations for loans and grants to developers, non-profit organizations, and contractors for approval by the Board. Additionally, it oversees projects throughout their development to ensure timely completion and compliance with funding source requirements.



# III. FINANCING TOOLS

## A. FINANCING TOOLS FOR DEVELOPERS

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

### LOW-INCOME HOUSING TAX CREDIT PROGRAM

HUD describes the Low-Income Housing Tax Credit (LIHTC) as the most important resource for creating affordable housing in the United States today. It was created by the 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.

LIHTC is HHFDC's largest program, in part because developers utilize it in conjunction with the Hula Mae Multi-Family Tax-Exempt Bond (HMMF) and Rental Housing Revolving Fund (RHRF) programs.

In accordance with the Internal Revenue Code (IRC), HHFDC awards LIHTC under a Qualified Allocation Plan (QAP) that is typically updated every two years and is subject to Board approval.

To see the current QAP, visit: https://dbedt.hawaii.gov/hhfdc/files/2024/12/2025-QAP-FINAL-VERSION-12.4.24.pdf

HHFDC awards LIHTC to developers of qualifying projects that meet affordability and tenant income criteria, typically serving households earning up to 60% of the AMI. Developers then "sell" these credits to investors in return for equity in the projects, reducing the amount of debt that projects must carry and providing investors with a dollar-for-dollar reduction in federal tax liability over ten years. In addition to the federal LIHTC, the State of Hawaii provides a state tax credit that matches 100% of the federal LIHTC amount but which is taken over five years.

There are two types of credits under the LIHTC program:

- 9% LIHTC are credits intended to cover approximately 70% of eligible project costs. The Internal Revenue Service, which administers the program, limits the amount of 9% credits that can be issued by each state based on its population (the so-called volume cap). For 2024, the State of Hawaii had $4,176,000 of 9% credits to allocate.
- 4% LIHTC are credits intended to cover approximately 30% of eligible project costs. These are exempt from the volume cap limitation but must be accompanied by qualified private activity bond (PAB) financing through the HMMF program, the availability of which is limited by its own volume cap known as the bond cap. For 2024, the state had a bond cap of $378,230,000.

During 2024, HHFDC awarded LIHTC reservations to 11 affordable housing projects, supporting the new construction or rehabilitation of 1,640 units (see Table 1).

| TABLE 1 | | | |
|---|---|---|---|
| **2024 Low-Income Housing Tax Credit Award Reservations** | | | |
| | **PROJECT NAME** | **COUNTY** | **TOTAL UNITS** |
| 1 | Hale O Piikea III (9%) | Maui | 36 |
| 2 | Jack Hall Waipahu (4%) - acq/rehab | Oahu | 144 |
| 3 | Kai Olino II (9%) | Kauai | 27 |
| 4 | Kaleimao Village (4%) | Oahu | 127 |
| 5 | Kuhio Park Redevelopment (4%) | Oahu | 304 |
| 6 | Lima Ola (4%) | Kauai | 85 |
| 7 | Maunakea Tower (4%) - acq/rehab | Oahu | 379 |
| 8 | Na Hale Makoa (4%) | Hawaii | 140 |
| 9 | Palolo Homes (4%) - acq/rehab | Oahu | 306 |
| 10 | Uahi Ridge II (9%) | Kauai | 60 |
| 11 | Villages of Laiopua III (9%) | Hawaii | 32 |
| | | | **1,640** |

## HULA MAE MULTI-FAMILY PROGRAM

Established under HRS 201H-72, the Hula Mae Multi-Family (HMMF) Tax-Exempt Bond Program provides low-interest financing to developers for the construction, rehabilitation, or acquisition of affordable rental housing in Hawaii. The program leverages the tax-exempt status of the bonds to offer favorable loan terms, reducing the financing costs for developers.

Private Activity Bond (PAB) allocations are determined annually by a formula established in the IRC, Section 146, based on population and inflation. The formula ensures each state receives the greater of the determined per capita multiplier or the minimum cap, both of which are adjusted annually. For 2024, the state had a bond cap of $378,230,000.

PABs may also be allocated for other purposes, such as first-time homebuyer programs, airports, mass transit systems, water and sewage facilities, student loans, redevelopment projects, and certain energy infrastructure. As a result, the PAB allocation is a finite resource, requiring careful prioritization to ensure it is utilized effectively to meet the state's affordable housing and community development needs. The limited availability of PABs underscores the importance of strategic allocation to high-impact projects, as these bonds play a critical role in financing the development of affordable rental housing and other essential initiatives to address Hawaii's housing challenges.

Projects financed through HMMF must meet specific requirements, including rent and income restrictions, to ensure affordability for low- and moderate-income households. Developers using the program are also eligible to apply for federal 4% LIHTC, further enhancing the financial feasibility of affordable housing projects. HMMF plays a critical role in expanding Hawaii's affordable housing inventory by attracting private capital through these incentives.

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

| **TABLE 2** | |
|---|---|
| **2024 Multi-Family Revenue Bond Authority** | |
| Total Bond Authority | $3,000,000,000 |
| Authority Utilized | $1,720,636,144 |
| Remaining Balance | $1,279,363,856 |

| **TABLE 3** | | | |
|---|---|---|---|
| **2024 Multi-Family Revenue Bond Applications (2/16/24)** | | | |
| | **PROJECT NAME** | **COUNTY** | **BONDS REQUEST** |
| 1 | Aikanaha Residences Phase I | Maui | $30,880,000 |
| 2 | Aikanaha Residences Phase II | Maui | $30,950,000 |
| 3 | Courtyards at Waipouli (4% LIHTC) | Kauai | $35,225,000 |
| 4 | Hale Mahaolu Ke Kahua | Maui | $44,053,548 |
| 5 | Hale O Hauoli Apartments | Oahu | $37,250,821 |
| 6 | Hale Ola O Mohouli | Hawaii | $33,832,877 |
| 7 | Honuaula Living Community | Hawaii | $39,800,000 |
| 8 | Hoomalu at Waikoloa | Hawaii | $73,000,000 |
| 9 | Kahoapili | Oahu | $60,871,902 |
| 10 | Kapaa Homes | Kauai | $39,229,379 |
| 11 | Keawalau Diamond Head | Oahu | $73,886,767 |
| 12 | Keawalau Ewa | Oahu | $50,168,742 |
| 13 | Mayor Wright Homes - Building 1A | Oahu | $107,151,110 |
| 14 | Pahoa Ridge | Oahu | $62,350,425 |
| 15 | Pohukaina Commons Phase II | Oahu | $66,311,713 |
| 16 | Pua Lane Family Affordable (4% LIHTC) | Oahu | $20,723,456 |
| 17 | Waimanalo Apartments | Oahu | $15,000,000 |
| 18 | Waipahu Street Affordable Housing Development | Oahu | $53,500,000 |
| | | | **$874,185,740** |

| TABLE 4 | | | | | | |
|---|---|---|---|---|---|---|
| **2024 Approval of Inducement Resolution** | | | | | | |
| | **PROJECT NAME** | **COUNTY** | **TOTAL UNITS** | **BOND ISSUE AMOUNT** | **APPROVAL OF INDUCEMENT RESOLUTION** | **STATUS** |
| 1 | Na Hale Makoa | Hawaii | 140 | $42,165,000 | 07/13/2023 | Construction |
| 2 | Hale O Piikea II | Maui | 97 | $27,500,000 | 08/11/2022 | Construction |
| 3 | Palolo Homes | Oahu | 306 | $31,500,000 | 08/10/2023 | Construction |
| 4 | Hale Pilina | Maui | 179 | $58,808,173 | 07/11/2024 | Predevelopment |
| 5 | Kuakini Heights | Hawaii | 98 | $34,500,000 | 09/12/2024 | Predevelopment |
| | | | **820** | **$194,473,173** | | |

| TABLE 5 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **2024 Approval to Issue Bonds** | | | | | | | | |
| | **PROJECT NAME** | **COUNTY** | **TOTAL UNITS** | **APPROVAL OF INDUCEMENT RESOLUTION** | **GOV. APPROVAL** | **BOND ISSUANCE DATE** | **AMOUNT** | **STATUS** |
| 1 | Halewiliko Highlands | Oahu | 140 | 07/8/2021 | 8/31/2023 | 10/6/2023 | $32,272,676 | Construction |
| 2 | Liloa Hale | Maui | 117 | 07/14/2022 | 09/27/2023 | 07/11/2024 | $37,282,733 | Construction |
| 3 | Rice Street Apartments | Kauai | 66 | 07/14/2022 | 11/22/2023 | n/a | $22,000,000 | Closing |
| 4 | Uahi Ridge | Kauai | 96 | 08/11/2022 | 12/29/2022 | 08/30/2024 | $7,600,000 | Construction |
| 5 | Na Hale Makoa | Hawaii | 140 | 07/13/2023 | 11/21/2023 | 09/13/2024 | $42,165,000 | Construction |
| 6 | Hale O Piikea II | Maui | 97 | 08/11/2022 | 06/14/2024 | 10/04/2024 | $27,500,000 | Construction |
| 7 | Palolo Homes | Oahu | 306 | 08/10/2023 | 11/21/2023 | 11/08/2024 | $31,500,000 | Construction |
| | | | **962** | | | | **$200,320,409** | |

| TABLE 6 | | | | | | |
|---|---|---|---|---|---|---|
| **2024 Issuance of Bonds for Construction** | | | | | | |
| | **PROJECT** | **COUNTY** | **TOTAL UNITS** | **BOND ISSUE AMOUNT** | **BOND ISSUE** | **BOND ISSUANCE** |
| 1 | Parkway Village at Kapolei - Lot 6 | Oahu | 236 | 08/31/2023 | $32,613,969 | Series 2023A |
| | | | | | $12,812,631 | Series 2023B |
| | | | | | $12,812,631 | Series 2023C |
| 2 | Parkway Village at Kapolei - Lot 7 | Oahu | 167 | 08/31/2023 | $22,324,894 | Series 2023A |
| | | | | | $8,770,494 | Series 2023B |
| | | | | | $8,770,494 | Series 2023C |
| 3 | Halewiliko Highlands | Oahu | 140 | 10/06/2023 | $4,465,900 | Series 2023A |
| | | | | | $27,806,776 | Series 2023B |
| 4 | Hale O Piikea I | Maui | 90 | 10/20/2023 | $7,000,000 | Series 2023A |
| | | | | | $21,000,000 | Series 2023B |
| 5 | HPHA School Street Redevelopment | Oahu | 250 | 06/06/2024 | $85,152,621 | Series 2024 |
| | | | **883** | | **$243,530,410** | |

| 2024 TABLE 7 | | | | |
|---|---|---|---|---|
| **Multi-Family Revenue Bond Activity by Fiscal Quarter** | | | | |
| | **Q1** | **Q2** | **Q3** | **Q4** |
| Applications Received | | | 18 | |
| Inducement Resolutions Approved | 3 | | | |
| Approval to Issue Bonds | 2 | 3 | | 2 |
| Issuance of Bonds | 2 | 2 | | 1 |

RENTAL HOUSING REVOLVING FUND PROGRAM

Established under HRS 201H-202, the Rental Housing Revolving Fund (RHRF) provides equity gap low-interest loans or grants to qualified owners and developers for the development, pre-development, construction, acquisition, or preservation of affordable rental housing.

Projects are evaluated using HHFDC's QAP and other competitive criteria involving financial efficiency, feasibility, project readiness to proceed, and tenant quality of life. All projects are expected to financially close before the end of FY 2025. Preference is given to projects that meet certain statutory criteria, including those that provide at least 5% of the total number of units for persons and families with incomes up to 30% of the AMI, as well as projects that provide the maximum number of units for persons or families with incomes up to 80% of the AMI.

HHFDC also continues to incentivize developers to propose projects that are designed to provide the most housing for those at the lowest AMI, while remaining operationally viable.

Future plans for RHRF involve diversifying its use to provide a wider variety of loan programs to support other affordable housing initiatives, such as the preservation of existing affordable housing, rehabilitation, and mixed-income rental development communities.

Moving forward, HHFDC plans to strategically utilize RHRF to expand the development of permanent supportive housing (PSH), addressing the critical need for stable, long-term housing solutions for Hawaii's vulnerable populations. Those who require PSH units generally have incomes up to 30% of the AMI, thus requiring a high degree of subsidization to make them financially viable. Federal subsidies in the form of Section 8 vouchers and the counties' commitment to Project-Based Vouchers for rental assistance remain critical forms of assistance.

RHRF provides a dedicated, flexible source of low-cost financing specifically tailored to address the critical funding gaps in affordable housing projects. While traditional financing methods may require higher returns, interest rates, and other financing costs, RHRF prioritizes the creation of deeply affordable units by offering terms that align with the financial constraints of housing for extremely low-income households. It can be layered with federal and state subsidies, such as LIHTC, enabling developers to maintain financial feasibility while delivering housing for underserved populations.

By prioritizing projects that integrate affordable housing with on-site supportive services, HHFDC aims to foster greater housing stability and self-sufficiency for individuals experiencing homelessness or with special needs. This approach aligns with broader efforts to maximize the impact of RHRF resources while promoting sustainable, community-based housing solutions.

This section satisfies §201H-202(f)

| TABLE 8 | | | | | | |
|---|---|---|---|---|---|---|
| **Projects Funded Targeting 30% AMI and Below** | | | | | | |
| | **AWARD DATE** | **PROJECT NAME** | **ISLAND** | **30% AMI** | **TOTAL AFFORDABLE UNITS** | **% OF UNITS AT 30%AMI** |
| 1 | 06/08/2023 | Hale O Piikea III | Maui | 4 | 35 | 11.1% |
| 2 | 06/08/2023 | Villages of Laiopua- Phase III | Hawaii | 4 | 32 | 12.5% |
| 3 | 07/13/2023 | Na Hale Makoa | Hawaii | 20 | 139 | 14.3% |
| 4 | 08/10/2023 | Kai Olino Phase 2 | Kauai | 5 | 27 | 18.5% |
| 5 | 08/10/2023 | Palolo Homes Rehabilitation | Oahu | 36 | 305 | 11.8% |
| 6 | 09/14/2023 | Uahi Ridge Phase 2 | Kauai | 6 | 59 | 10.0% |
| 7 | 11/09/2023 | Hale Makana O Uluwehi | Oahu | 2 | 39 | 5.0% |
| 8 | 11/09/2023 | Kaleimao Village (West Loch) | Oahu | 7 | 126 | 5.5% |
| 9 | 01/11/2024 | Kuhio Park Low-Rise & Homes Redevelopment - Phase I | Oahu | 28 | 302 | 9.2% |
| 10 | 06/13/2024 | 330 Kuulei Apartment | Oahu | 4 | 39 | 10.0% |
| 11 | 06/13/2024 | Hanapepe Residence Lots - 2A | Kauai | 6 | 30 | 20.0% |
| 12 | 06/13/2024 | Kalepa 23 | Kauai | 12 | 80 | 15.0% |
| | | | | **134** | **1,213** | |

AFFORDABLE HOMEOWNERSHIP REVOLVING FUND PROGRAM

The Affordable Homeownership Revolving Fund (AHRF) program was established by Act 227, SLH 2021. It authorized HHFDC to provide loan funding to eligible homeownership projects in Hawaii. Eligible uses of funds include the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable for-sale housing units. Eligible applicants are community development financial institutions and nonprofit housing development organizations.

The new rules, HAR 15-321, became effective on November 27, 2023. The program launched with an initial offering of up to $5 million and began accepting loan applications on May 15, 2024. Applications are accepted on a continuing basis until funding is exhausted.

Only one application was received during FY 2024. The applicant, Lima Ola, requested a total loan amount of $1,871,313 for the new construction of four three-bedroom units in Lihue, Kauai. HHFDC's Board approved their application in August 2024.

The program continues to be evaluated for its effectiveness in providing a viable tool to finance affordable housing developments.

This section satisfies §201H-206(i).

Source: https://www.eahhousing.org/apartments/lima-ola/

**Lima Ola - Eleele, Kauai**

**Besides the four units funded by AHRF, Kauai County's largest housing project is being completed in several phases with assistance from HHFDC's DURF program as well as other state, county, and federal funds. Phase I includes 40 rental units for seniors, 32 rentals for families, and 38 for-sale workforce housing. Phase II includes 97 rentals and 75 for-sale units. The 32-unit supportive housing component will be completed in FY 2025. Lima Ola truly offers housing options for the entire community.**

## HOME INVESTMENT PARTNERSHIP PROGRAM

The HOME Investment Partnerships Program (HOME) is a federally funded program created by the National Affordable Housing Act of 1990. The purpose of HOME is to expand the supply of decent, safe, affordable, and sanitary housing for households earning up to 80% of the AMI.

HOME funds may be used for a variety of activities including tenant-based rental assistance, downpayment loans for first-time homebuyers, 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 expenses related to the development of affordable housing. All HOME-assisted units must maintain affordability for a minimum period of 5 to 20 years, depending on the amount of HOME assistance invested in the units.

HHFDC is the designated agency for the State of Hawaii that administers the HOME program and receives approximately $3 million in HOME funds from HUD each year. HHFDC allocates the HOME funding annually, on a rotating basis, to the counties of Hawaii, Kauai, and Maui. The City receives an allocation directly from HUD.

During FY 2024, HHFDC received $3 million, which was allocated to Maui County, less 5% for HHFDC administrative and planning expenses. Maui County is using HOME funds for the construction of new, affordable rental housing units for Hale O Piikea, Phase III (six HOME-assisted units) and Hale Pilina (six HOME-assisted units). During FY 2024, two HOME-assisted projects were completed in Maui County: Kaiaulu O Halelea, Phase 1-A (seven HOME-assisted units) and Kaiaulu O Halelea, Phase 1-B (seven HOME-assisted units).

The HOME program expects to complete multiple projects in FY 2025. The projects expected to be completed include the Kaloko Heights Affordable Housing Project and the Hale Na Koa O Hanakahi Project, both on Hawaii Island. Additionally, the program is winding down its Tenant-Based Rental Assistance Program and administering a Downpayment Assistance Program to assist eligible homeowners in Kauai County with downpayment assistance or primary mortgage loans.

## HOME AMERICAN RESCUE PLAN PROGRAM

The HOME American Rescue Plan (HOME-ARP) Program is a one-time, federally funded program created to benefit qualifying populations as defined in Section 3205 of the American Rescue Plan Act of 2021.

Qualifying populations for the program are identified as homeless; at risk of homelessness; fleeing, or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking; other populations for whom providing supportive services or assistance under section 212(a) of the Act (42 U.S.C. 12742(a)) would prevent the family's homelessness or would serve those with the greatest risk of housing instability; and veterans and families that include a veteran family member.

HOME-ARP funds may be used for the acquisition, production, or rehabilitation of affordable rental housing primarily for qualifying populations. HOME-ARP assisted units must maintain affordability for a minimum period of 15 years. At least 70% of HOME-ARP units must be reserved for households that meet one of the definitions of a qualifying population. The remaining 30% may be reserved for low-income households.

As with the HOME program, HHFDC is also the designated agency for the HOME-ARP Program. The one-time award was allocated to the counties of Hawaii, Kauai, and Maui, with the City receiving their allocation directly from HUD.

During FY 2024, Kauai County worked toward completing its HOME-ARP project, Lima Ola Supportive Housing. The project includes 32 units, nine of which are assisted by HOME-ARP. The HOME-ARP program expects to complete the Lima Ola Supportive Housing Project in FY 2025.

The counties of Hawaii and Maui are seeking HOME-ARP eligible projects. Maui County tentatively designated one unit in Hale O Piikea, Phase III to be HOME-ARP assisted. The program anticipates identifying eligible HOME-ARP projects in Hawaii and Maui counties in FY 2025 or FY 2026.

## HOUSING TRUST FUND PROGRAM

The National Housing Trust Fund Program (HTF) is a federally funded program created by Section 1131 of Title 1 of the Housing and Economic Recovery Act of 2008. The purpose of HTF is to increase and preserve the supply of decent, safe, and sanitary affordable housing for primarily extremely low-income (30% of the AMI) households, including homeless families.

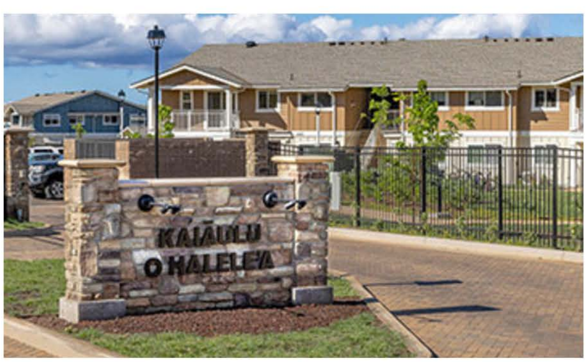
The funds may be used for the production or preservation of affordable rental housing through the acquisition, new construction, reconstruction, and/or rehabilitation of non-luxury housing with suitable amenities. All HTF-assisted units must maintain affordability for a minimum period of 30 years.

HHFDC is the designated agency for the State of Hawaii that administers the HTF program and receives approximately $3 million in HTF funds from HUD each year. HHFDC allocates 50% of the HTF funding annually, on a rotating basis, to the counties of Hawaii, Kauai, and Maui, with the remaining 50% offered to the City.

During FY 2024, HHFDC received $3 million. The City was offered its annual 50% allocation but did not accept it. Subsequently, the funds were allocated to Maui County, less 5% for HHFDC administrative and planning expenses. Maui County is using HTF funds for the new construction of affordable rental housing units at Hale O Piikea, Phase II Project (with 10 HTF-assisted units) and the Hale O Piikea Phase III Project (with four HTF-assisted units).

During FY 2024, two HTF-assisted projects were completed in Maui County. Kaiaulu O Halelea Phase 1-A is a 64-unit rental project in Kihei, Maui for households earning up to 60% of the AMI. Seven units are HTF-assisted units. Kaiaulu O Halelea, Phase 1-B is a 56-unit rental project in Kihei for households earning up to 60% of the AMI; seven units are HTF-assisted units.

The HTF program expects to complete several projects in FY 2025 in Hawaii Island. These include the Kaloko Heights Affordable Housing Project and Hale Na Koa O Hanakahi.




Kaiaulu O Halelea- Kihei, Maui
Source: http://www.ikaikaohana.org/sponsor/kaiaulu-o-halelea/

## B. FINANCING TOOLS FOR HOMEOWNERS AND RENTERS

### HULA MAE HOME MORTGAGE LOAN PROGRAM

The Housing Loan and Mortgage Program — otherwise known as the Hula Mae Single Family program established under HRS 201H-91 — offers mortgage financing at competitive interest rates to eligible first-time homebuyers. Since its establishment in 1979, the program has issued over $1.948 billion of Hawaii Single Family Mortgage Purchase Revenue Bonds. Borrowers apply directly with participating lending institutions and must meet federal eligibility requirements, including income and purchase price limitations and the three-year, no prior ownership interest in a principal residence requirement.

The program became inactive in 2011, as loan rates offered by private-sector mortgage lenders were more competitive than the state could offer, making the state's program obsolete.

However, the current high-interest rate environment is making it harder for local families to buy homes. During FY 2024, HHFDC worked to update HAR 15-314 to restart the program. In addition to competitive interest rates for first-time homebuyers, the 2025 Hula Mae Home Mortgage Loan Program will feature an option to combine assistance from the HHFDC's Downpayment Loan Assistance Program.

### DOWNPAYMENT LOAN ASSISTANCE PROGRAM

The Downpayment Loan Program was active between 1955 and 2013, providing eligible borrowers with low-interest downpayment loans to facilitate greater homeownership opportunities for Hawaii residents. Due to a lack of funding and the availability of alternative forms of assistance in the private and nonprofit sectors, the program has only ever made nine downpayment loans.

In light of the current high-interest rate environment, HHFDC anticipates restarting the program in 2025. During FY 2024, HHFDC staff worked to update Administrative Rules to restart the program. Per the newly adopted rules, it will allow up to $60,000, but not greater than 15% of the home purchase price (or appraised value, whichever is less), to be financed as a loan. The downpayment loan may also be combined with assistance from the Hula Mae Home Mortgage Loan Program, which offers additional financing options and assistance to eligible first-time homebuyers.


**HHFDC's new Strategic Plan includes increasing the homeownership rate by:**

- **Pursuing new programs that financially support for-sale housing developments targeted to Hawaii residents. For example, the DURF Equity Pilot Program.**
- **Increasing assistance available to homebuyers. For example, the Hula Mae Home Mortgage Loan Program and Downpayment Loan Assistance Program.**
- **Supporting for-sale housing developments.**

HHFDC's David Oi, Dean Minakami, and Lorna Kometani at the 2024 Priced Into Paradise Expo at the Blaisdell Center with Councilmember Andria Tupola and realtor Janine Chang.

## MORTGAGE CREDIT CERTIFICATE PROGRAM

The Mortgage Credit Certificate (MCC) program provides eligible first-time homebuyers with a certificate allowing them to claim direct tax credits against their federal income tax liability, freeing up income available to qualify for a mortgage loan and make monthly payments. The amount of credit is equivalent to 20% of the annual interest paid on a mortgage loan. MCCs are offered exclusively through participating lenders.

During FY 2024, HHFDC assisted 198 families with purchasing their first homes. Additionally, one family was assisted with a reissuance certificate after refinancing its existing mortgage loan.

Approximately 27 MCCs will be issued in FY 2025. Thereafter, MCC funds will be exhausted, with no plans to allocate additional funds as funds are being reallocated to mortgage and downpayment loan assistance. Reissuance certificates will continue to be provided to existing MCC holders who refinance their existing mortgage loans through participating lenders.

## HOMEOWNER ASSISTANCE FUND

The Homeowner Assistance Fund (HAF) was established by Section 3206 of the American Rescue Plan Act of 2021 to mitigate financial hardships associated with the coronavirus pandemic. Funds are appropriated to eligible entities for qualified expenses relating to mortgages and housing, such as those that prevent homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship after January 21, 2020.

HHFDC received a subaward of HAF for the Oahu HAF Program. After a competitive procurement process, HHFDC selected the Council for Native Hawaiian Advancement (CNHA) to administer the Oahu HAF Program. The initial subaward to HHFDC was approximately $29.6 million. During FY 2024, the State reduced the subaward to approximately $12.5 million to fund alternate initiatives.

More than $10 million in assistance has been provided to 431 unique homeowners living on Oahu. The program has been closed to new applications, is no longer active, and will not be reported on in future years.

## HOMEBUYERS’ CLUB PROGRAM

The Homebuyers’ Club Program was established in 1993 via HRS 201H-171 to assist prospective homebuyers in overcoming barriers to homeownership. Administered by HHFDC, the program provides participants with education, counseling, and resources to improve their financial literacy, credit readiness, and budgeting skills in preparation for the home-buying process. After 1993, HUD-approved nonprofit housing counseling agencies were established statewide, providing those services more cost-effectively, rendering HHFDC’s program obsolete.

## RENTAL ASSISTANCE REVOLVING FUND

The Rental Assistance Revolving Fund (RARF) funds the Rental Assistance Program (RAP) 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, 2024, there are eight projects comprised of 1,468 rental units with RAP commitments totaling $29,864,530. A total of $920,439 in rental assistance was approved and paid to the projects. RAP is no longer funded and is not accepting new projects.

# IV. DEVELOPMENT PROGRAMS

## A. DWELLING UNIT REVOLVING FUND

The Dwelling Unit Revolving Fund (DURF) was established pursuant to Act 105, SLH 1970, to carry out the purposes of the Housing Development Program. Act 132, SLH 2016, further authorized the use of DURF to finance regional infrastructure projects in conjunction with the counties, private landowners and developers. 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 any and all things necessary to carry out the purposes of the Housing Development Program, including administrative expenses.

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 cashflows and revenues to be reinvested in future projects.

The following three projects received DURF loans:

<u>University of Hawaii West Oahu (Kapolei, Oahu)</u>

HHFDC is partnering with the University of Hawaii (UH) and the Hawaii Community Development Authority (HCDA) to develop housing at the University of Hawaii West Oahu (UHWO). Pursuant to a memorandum of understanding that has been executed, UH is making approximately 19 acres of land available for the project, HCDA is constructing offsite roadway improvements, and HHFDC will issue a request for proposals (RFP) for housing development. A $5 million DURF loan was approved and will be made available to the selected developer to expedite planning and design of the project.

<u>Kamakana Villages at Keahuolu (North Kona, Hawaii)</u>

Kamakana Villages is a master-planned community on approximately 272 acres with approximately 1,569 units, of which more than 50% will be affordable to families up to 140% of the AMI. A $3 million DURF loan has been issued to the master developer, SCD Kamakana, LLC, for land management and entitlement approvals for water well development for the project.

<u>Laiopua Village 9 (Kealakehe, Hawaii)</u>

Hawaii County was awarded $4,250,000 in DURF for the master plan and environmental assessment of Village 9 and for the design, construction, and dedication to the county of an access road at Village 9, now called Alapono Place. Construction of the access road was completed in the summer of 2024. Alapono Place provides access to the county’s Kukuiola Emergency Shelter and Permanent Supportive Housing Project on approximately 18 acres, and HHFDC’s future tax credit rental project affordable to families up to 60% of the AMI on approximately 17 acres.

## DURF Equity Pilot Program

Act 92, SLH 2023, authorized HHFDC to establish a five-year DURF Equity Pilot (DEP) Program, to be 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 from DURF.

Following Act 92's enactment, HHFDC staff worked with stakeholders to draft administrative rules for DEP, which included criteria for the prioritization of eligible buyers based on state goals and policies.

Since then, HHFDC staff has contracted equity purchases in 61 designated units at two projects, Kuilei Place and the Flats at Sky Ala Moana East, both located on Oahu. Of the $10 million in authorized DURF, $4,722,400 remains.

The first to express interest in the DEP Program, Kuilei Place is a mixed-use 43-tower complex in Moilili with 1,005 units geared towards working professionals. 603 of these units are set aside for lower-income tenants. By purchasing the equity in certain for-sale units such as this, HHFDC reduces the buyers' contributions to the unit price, making homeownership more possible for more Hawaii residents.

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


HHFDC participates in a variety of outreach efforts to inform prospective homebuyers of state resources. Pictured here is Loreen Kawewehi, Celeste Tran, and David Oi at the Honolulu Board of Realtors expo to promote the new DEP program.

## B. 201H EXPEDITED PROCESSING

Pursuant to HRS 201H-38, HHFDC may develop either on behalf of the state or with an eligible developer, or may assist under a government assistance program, in the development of housing projects, which are exempt from all statutes, ordinances, charter provisions, and rules of any governmental agency relating to planning, zoning, construction standards for subdivisions, development, and improvement of land, and the construction of units thereon. Colloquially, these projects are referred to as “201H projects.”

HRS 201H provides for greater flexibility in the design of housing projects. The particular exemptions requested through the 201H process are reviewed by the appropriate county agencies. All 201H projects must comply with the respective county building permit processes; HRS 104 (Wages and Hours of Employees on Public Works), and HRS 343 (Environmental Impact Statements).

In FY 2024, HHFDC approved exemption requests for three projects: Pahoa Ridge (Oahu), Mayor Wright Homes Redevelopment (Oahu), and Ka Lei Momi Kapaa (Kauai).

Historically, one to two 201H applications were received, reviewed, and accepted by the development branch each year; however, volume has increased recently. Beginning in FY 2023, the branch received three applications, as shown in the table below. In FY 2025, the branch has received seven applications to date and expects to receive at least two more before the end of the fiscal year. When considered by calendar year (CY), five applications were received in CY 2023, and seven were received and six approved in CY 2024.

**TABLE 9**

**2024 Projects Approved for 201H Expedited Processing**

| | PROJECT NAME | LOCATION | STATUS | TOTAL UNITS (AFFORDABLE AND MARKET) | FOR SALE/RENTAL |
|---|---|---|---|---|---|
| 1 | Ka Lei Momi Kapaa | Kapaa, Kauai | In progress | 127 | Rental |
| 2 | Kahoapili | Honolulu, Oahu | In progress | 190 | Rental or For-Sale |
| 3 | Kuilei Place | Honolulu, Oahu | In progress | 1,005 | For Sale |
| 4 | Mayor Wright Redevelopment | Honolulu, Oahu | In progress | 2,448 | Rental and For-Sale |
| 5 | Pahoa Ridge | Honolulu, Oahu | In progress | 182 | Rental |
| 6 | Pohukaina Commons | Honolulu, Oahu | In progress | 625 | Rental |
| | | | | **4,577** | |

The following two projects received 201H expedited processing:

Ililani (Kakaako, Oahu)

Ililani is a 328-unit, for-sale development in Kakaako, of which 197 are available to households earning between 80% and 140% of the AMI. Under HRS 201H-38, Ililani requested and was approved for exemptions from the City's building permit fee ($445,000) and plan review fees ($25,000). The savings realized were used to keep the construction costs lower and make the project affordable. Further, wastewater system facility charges ($2,197,174) and water system facility charges ($604,899) were deferred until the project's completion to facilitate positive cash flow during construction. Ililani was completed in April 2024.

Wailuku Apartments- Wailuku, Maui
Source: https://yieldpro.com/2024/05/kaulana-mahina-apartments/

Wailuku Apartments (Wailuku, Maui)

One of the first new developments to come online following the wildfires in August 2023, Wailuku Apartments (aka Kaulana Mahina Workforce Housing) is a 324-unit rental project with 195 affordable units available to households earning between 51% and 140% of the AMI. The developer has committed that only 129 (40% of the total units) will be available as market-rate units.

HHFDC provided a range of 201H exemptions for the project, including but not limited to exemptions relating to landscape and beautification fees ($9,600), wastewater assessment fees ($377,460), various building and construction code fees ($61,110 (fire), $58,816 (electrical), $100,737 (plumbing), $611,020 (building), improvements to public streets ($1,078,010 and $314,200), park assessment fees ($1,782,000), and subdivision improvement fees ($167,850). The requested exemptions were necessary for the developer to achieve and maintain the project's financial feasibility.

## C. LAND DEVELOPMENT

A portfolio of real property owned, controlled, or acquired by negotiation, exchange, or purchase is made available to developers through the RFP process.

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

### Leiwili Kapolei Mixed-Use Project (Kapolei, Oahu)

The Leiwili Kapolei Mixed-Use Project located at the eastern corner of Fort Barrette Road and Farrington Highway, is HHFDC's last large undeveloped property at the Villages of Kapolei. An RFP for the development of the property, known historically as "The Northwest Corner" location, was issued in May 2023 and awarded to Ikenakea Development LLC and the Michaels Organization in March 2024. The 201H application was approved by the Board in December 2024. The project will be developed in three phases, estimated to be completed between 2028 and 2033, and consist of a total of approximately 900 units plus commercial space.

### Pohukaina Commons (formerly known as 690 Pohukaina) (Kakaako, Oahu)

The Pohukaina Commons project encompasses the remainder of the block between Halekauwila Street, Keawe Street, Pohukaina Street, and Mother Waldron Park in Kakaako, Oahu. HHFDC controls the site by Executive Order. The site has been subdivided into two parcels, one will be used by the Department of Education for a future educational facility and the other for Pohukaina Commons, the 625-unit residence for those earning between 30 and 100% of the AMI. The affordable housing project will be developed in two phases; Phase 1 received an RHRF award in November 2022. A pedestrian plaza with retail outlets and eateries is also envisioned. An RFP for the project was published in November 2021 and awarded to Highridge Costa Development Company, LLC in September 2022. The 201H exemptions for the project were approved in April 2023.

### Kahului Civic Center (Kahului, Maui)

The Kahului Civic Center project is being developed under a Memorandum of Understanding between HHFDC, the Department of Accounting and General Services (DAGS), and Maui County on land controlled by HHFDC via Executive Order. It includes a residential housing component, a civic center to be developed by DAGS, and the new Kahului Transit Center recently completed by the county.

The residential component is being developed pursuant to an RFP that was issued in March 2023 and awarded to EAH Inc. in September 2023. It will contain 303 residential units developed in two phases. The Special Management Area application for the project was submitted in December 2024, and the developer anticipates applying to HHFDC for financing in the 2026 funding round.

## D. GENERAL EXCISE TAX EXEMPTION

HHFDC may approve and certify for exemption from General Excise Taxes (GET) any qualified person or firm involved with a newly constructed or moderately or substantially rehabilitated project meeting specific income limits and eligibility criteria. HHFDC may also approve and certify the annual rental income of projects with rent terms that meet affordability criteria.

In FY 2024, HHFDC processed 544 GET exemption requests representing 13,426 total units.

## E. LAND REFORM

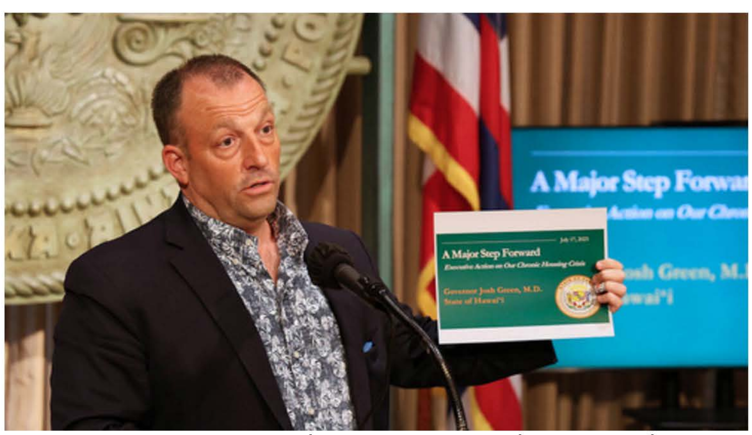
The purpose of the Land Reform Act of 1967 was to encourage widespread ownership of fee simple lands among Hawaii's people. Under HRS 516, HHFDC assists lessees of single-family homes who wish to purchase the leased fee interest in their houselots by petitioning the State to facilitate a lease-to-fee conversion through its use of eminent domain powers. Since the inception of the Land Reform Program, over 14,600 lessees have been assisted. HHFDC continues to provide assistance and information on the lease-to-fee conversion process, as well as promote negotiated settlements to reduce conversion costs.

HRS 519 provides the framework for the fair arbitration of renegotiated ground lease rents for one- or two-family residential leasehold lots and cooperative housing corporations. The Lease Rent Renegotiation Program is used when lessees and lessors are unable to agree on the amount of the new lease rent upon expiration of the fixed term of the lease.

## F. GOVERNOR'S EMERGENCY PROCLAMATION ON HOUSING

In July 2023, Governor Green declared housing an emergency and issued the first Emergency Proclamation (EP) Relating to Housing to promote the speedy and safe construction of housing and related infrastructure. It was a bold attempt to streamline the construction process for housing, remove unnecessary red tape, and enable community partners to tackle homelessness and the housing shortage head-on. The proclamations have allowed approved projects to be exempted from paying school impact fees, receive approval of certain 201H exemptions from the respective county planning departments instead of the county councils, or be built on property zoned for commercial use.

On February 20, 2024, the fifth EP Relating to Affordable Housing transferred the duties of the Build Beyond Barriers Working Group to HHFDC, which has been processing developer applications for eligibility since then. As of June 30, 2024, seven affordable housing projects had been certified under the EP, representing a total of 3,631 units.




Governor Green announcing his emergency proclamation on housing.
Source: https://www.tfhawaii.org/wordpress/blog/2023/11/06/crossing-the-rubicon-again/

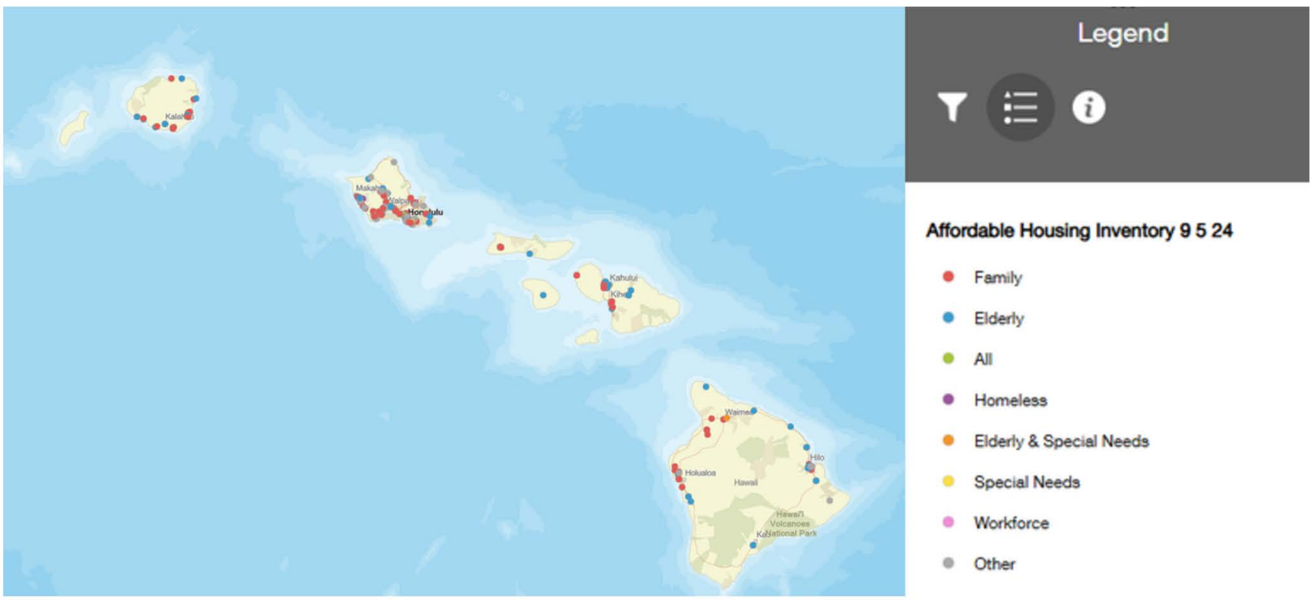
# V. HOUSING INFORMATION SYSTEM

## A. AFFORDABLE HOUSING INVENTORY REGISTRY

HRS 201H-6 requires HHFDC to develop and maintain a housing advocacy and information system to meet the needs and demands of housing consumers.

HHFDC's Affordable Housing Inventory Registry provides a practical resource to the public that can be used to find appropriate rental housing solutions based on location, household composition, and other needs. As such, HHFDC's goal is to include affordable rental housing projects statewide in a centralized location.

To expand the useability and accessibility of the Affordable Housing Inventory Registry, HHFDC this year created a new interactive web-mapping application where users can select suitable criteria from a series of filters (see Legend, below) to search the inventory more easily and have a better understanding of where projects are located. The interactive map shows the same information as the Affordable Housing Inventory List.




Source: https://dbedt.hawaii.gov/hhfdc/affordable-housing-inventory/affordable-rental-housing-inventory/

## B. PLANNING STUDIES/REPORTS

HHFDC staff is hard at work on a number of plans and studies:

- The 2024 Hawaii Housing Planning Study (HHPS) is a comprehensive housing study prepared every five years that identifies current housing conditions, presents household demographic and economic characteristics, measures housing needs and preferences, and provides information on housing inventory and rental market conditions. Led by HHFDC, a consortium of state and county housing agencies is sponsoring the study. The 2024 HHPS is expected to be completed in early 2025.

- The HUD Community Planning and Development Consolidated Planning process is used to direct finite federal resources toward the development of affordable housing. The process includes the following plans and report:

  - The Consolidated Plan (ConPlan) provides a strategic five-year framework for the state and counties to assess their level of need for affordable housing. The ConPlan helps to identify priorities and make data-driven investment decisions for development. It is an application to HUD for funding through the HOME Investment Partnerships (HOME), National Housing Trust Fund (HTF), and Housing Opportunities for Persons with AIDS (HOPWA) programs. HHFDC's allocation of HOME funds is utilized in the counties of Hawaii, Kauai, and Maui. The City receives a separate allocation of these funds directly from HUD. HHFDC's allocation of HTF funds is utilized statewide, including the City.

  - The Annual Action Plan summarizes the actions, activities, and resources that will be used each year to address the priority needs and goals identified in the ConPlan. Both HOME and HTF programs are administered by HHFDC while the HOPWA program is administered by DHS.

  - The Consolidated Annual Performance Evaluation Report is an annual report submitted to HUD that summarizes the state's performance in meeting goals, priorities, and objectives of its ConPlan. During Program Year 2023 (July 1, 2023, to June 30, 2024), $3,445,018 in HOME funds and $3,942,431 in HTF funds were disbursed. For the upcoming Program Year 2024, the state received $3 million in HOME funds and $3,144,833 in HTF funds. Hawaii County received the entire allocation of HOME and HTF funds, which will be used toward the development of affordable rental units for households with maximum incomes up to 30% of the AMI as determined by HUD.

- The Analysis of Impediments to Fair Housing is required by HUD of all grantees of federal funds to affirmatively further fair housing. The purpose of the Analysis of Impediments to Fair Housing is to analyze current housing conditions and propose recommendations to overcome the effects of any identified impediments to fair housing choice. Led by HHFDC, a consortium of seven state and county housing agencies is participating in and funding the analysis. The Analysis of Impediments to Fair Housing is being prepared by UH and it is expected to be completed by mid-2025.

## C. YIMBY WORKING GROUP

Act 305, SLH 2022, known as the Yes, In My Back Yard or YIMBY bill, requires HHFDC and HPHA as co-chairs 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, executive directors or designees of the Office of Planning and Sustainable Development, Land Use Commission, HCDA, representatives from county agencies having authority over zoning, and other relevant stakeholders.

The working group met twice in 2022, and it identified insufficient infrastructure as the most pressing issue in housing development. In 2023, in response to infrastructure as the main development constraint, 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.

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

### Projects Completed in FY 2024

**TABLE 10**

**Projects Completed in FY 2024**

| | ISLAND | PROJECT NAME | CONSTRUCTION TYPE | TOTAL UNITS | TYPE | PROGRAMS USED | DEVELOPER |
|---|---|---|---|---|---|---|---|
| 1 | Hawaii | Villages of Laiopua - Village 4 Akau Phase II | New | 24 | Rentals & For-sale | LIHTC, RHRF, GET | Ikaika Ohana |
| 2 | Maui | Wailuku Apartments | New | 252* | Rentals | 201H, GET | BIT Wailuku LLC |
| 3 | Oahu | Halewaiolu Senior Residences | New | 156 | Rentals | LIHTC, RHRF, HMMF | EAH Housing |
| 4 | Oahu | Ililani | New | 328 | For-sale | 201H, GET | Ililani, LLC |
| 5 | Oahu | Kokua (Senior) | New | 224 | Rentals | LIHTC, RHRF, HMMF, GET | Alakea Senior LP |
| 6 | Oahu | Meheula Vista IV | New | 75 | Rentals | LIHTC, RHRF, DURF, 201H, Land, GET | EAH Housing |
| 7 | Oahu | The Flats at Sky Ala Moana East | New | 26 | For-Sale | DURF | Avalon |
| | | | | **1,085** | | | |

*Wailuku Apartments consists of 324 units, 252 of which were delivered in FY 2024. 72 units will be delivered in FY 2025.


Villages of Laiopua - Kailua-Kona, Hawaii
DHHL's Village 4 Akau is a rent-with-option-to-purchase program aimed at low-income Native Hawaiian beneficiaries on the wait list. After the 15 year tax credit compliance period, they have the option to purchase. Along with the other three developments, the Villages of Laiopua will collectively house more than 580 beneficiaries and their families.
Source: https://www.taxcreditcoalition.org/gallery/the-villages-of-laiopua/

## Five-Year Production Projection

HHFDC's unit delivery numbers are based on the best information available at the time of reporting. HHFDC routinely updates unit delivery projections and seeks additional information when applicable, and numbers may vary from prior or future reporting based on new information or error correction.

Forward-looking estimates are based on project schedules and will be revised as project schedules change. Estimates for years further in the future incorporate assumptions about applications that HHFDC expects to receive in the future, but receipt of any such applications is not guaranteed, and such estimates may vary greatly. Dates used to determine what fiscal year a unit delivered in may originate from certificates of occupancy, notices of completion, start of tenant move-ins, etc.

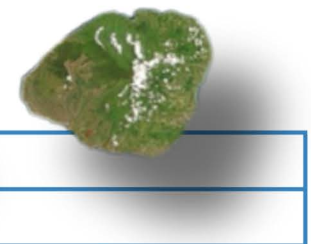
**Total projection: 10,175 units**

| **Number of Units Projected (FY 2025-2029)** | | | | | |
|---|---|---|---|---|---|
| **FISCAL YEAR** | **NEW CONSTRUCTION** | **PRESERVATION** | **FOR RENT** | **FOR SALE** | **TOTAL** |
| 2025 | 1,286 | 523 | 1,710 | 0 | 1,710 |
| 2026 | 1,507 | 458 | 1,926 | 39 | 1,965 |
| 2027 | 2,026 | 0 | 1,202 | 824 | 2,026 |
| 2028 | TBD | TBD | 1,272 | 1,080 | 2,639* |
| 2029 | TBD | TBD | 1,635 | 0 | 1,835** |

*Includes 287 units not yet determined if for rent or for sale
** Includes 200 units not yet determined if for rent or for sale

Projects Under Development- By County

| Table 11 | | | | |
|---|---|---|---|---|
| **HAWAII COUNTY** | | | | |
| | **PROJECT NAME** | **CONSTRUCTION TYPE** | **TOTAL UNITS** | **TYPE** |
| 1 | Hale Na Koa O Hanakahi (fka West Kawili Street Senior/Veteran Housing) | New | 92 | Rentals |
| 2 | Honuaula LLC | New | 105 | Rentals |
| 3 | Hualalai Court Apartment | New | 104 | Rentals |
| 4 | Kaloko Heights | New | 100 | Rentals |
| 5 | Kuakini Heights | New | 100 | Rentals |
| 6 | Na Hale Makoa | New | 140 | Rentals |
| 7 | Nani O Puna | Acq Rehab | 32 | Rentals |
| 8 | Villages of Laiopua III (DHHL) | New | 32 | Rentals |
| | | | **705** | |



| Table 12 | | | | |
|---|---|---|---|---|
| KAUAI COUNTY | | | | |
| | **PROJECT NAME** | **CONSTRUCTION TYPE** | **TOTAL UNITS** | **TYPE** |
| 1 | Hanapepe Residence Lots- 2A | New | 30 | Rentals |
| 2 | Ka Lei Momi Kapaa | New | 124 | Rentals |
| 3 | Kai Olino Phase 1 | New | 48 | Rentals |
| 4 | Kai Olino Phase 2 | New | 27 | Rentals |
| 5 | Kalepa 23 | Acq Rehab | 80 | Rentals |
| 6 | Lima Ola Phase 1 ( Lot 2 Senior Rentals) | New | 40 | Rentals |
| 7 | Lima Ola Phase 1 (Lot 45 Family Rentals) | New | 32 | Rentals |
| 8 | Lima Ola Phase 1 (workforce development) | New | 38 | For Sale |
| 9 | Lima Ola Phase 1 (family) | New | 45 | Rentals |
| 10 | Lima Ola Phase 2 (Lots 29, 46, 51) | New | 97 | TBD |
| 11 | Lima Ola Phase 2 (Lots 29, 46, 51) | New | 75 | For Sale |
| 12 | Rice Street Apartments | New | 66 | Rentals |
| 13 | Uahi Ridge | New | 96 | Rentals |
| 14 | Uahi Ridge Phase 2 | New | 60 | Rentals |
| | | | **858** | |

**Table 13**

**MAUI COUNTY**

| | **PROJECT NAME** | **CONSTRUCTION TYPE** | **TOTAL UNITS** | **TYPE** |
|---|---|---|---|---|
| 1 | Hale O Laie | Acq Rehab | 120 | Rentals |
| 2 | Hale O Piikea I | New | 90 | Rentals |
| 3 | Hale O Piikea II | New | 97 | Rentals |
| 4 | Hale O Piikea III | New | 36 | Rentals |
| 5 | Hale Pilina | New | 179 | Rentals |
| 6 | Kahului Civic Center | New | 197 | Rentals |
| 7 | Liloa Hale | New | 117 | Rentals |
| 8 | Villages of Leialii; Kaiaulu O Kukuia | New | 200 | Rentals |
| 9 | Wailuku Apartments (aka Kaulana Mahina Workforce Housing) | New | 72 | Rentals |
| | | | **1,108** | |

**Table 14**

**HONOLULU COUNTY**

| | PROJECT NAME | CONSTRUCTION TYPE | TOTAL UNITS | TYPE |
|---|---|---|---|---|
| 1 | 330 Kuulei Apartments | New | 40 | Rentals |
| 2 | 690 Pohukaina (Pohukaina Commons) Phase 2 | New | 194 | Rentals |
| 3 | 690 Pohukaina (Pohukaina Commons) Phase 1 | New | 431 | Rentals |
| 4 | Ahuimanu Hui Koolau | New | 1 | Rentals |
| 5 | Gateway Rentals at Hoopili | New | 348 | Rentals |
| 6 | Halawa View Apartments II | New | 302 | Rentals |
| 7 | Hale Makana O Uluwehi | Acq Rehab | 40 | Rentals |
| 8 | Hale Moiliili | New | 278 | Rentals |
| 9 | Hale Uhiwai Nalu Ph 2 | New | 50 | Rentals |
| 10 | Halewiliko (fka Halewiliko Highlands) | New | 140 | Rentals |
| 11 | Hocking Building | New | 40 | Rentals |
| 12 | HPHA School Street Redevelopment Phase 1A | New | 250 | Rentals |
| 13 | Jack Hall Waipahu Apartments | Acq Rehab | 144 | Rentals |
| 14 | Kahoapili | New | 190 | TBD |
| 15 | Kahuina (Kakaako Block C) | New | 737 | For Sale |
| 16 | Kahuina (Kakaako Block C) | New | 124 | Rentals |
| 17 | Kaleimao Village West Loch | New | 127 | Rentals |
| 18 | Koa Vista I | New | 96 | Rentals |
| 19 | Koa Vista II | New | 97 | Rentals |
| 20 | Kuhio Park Low-Rise & Homes Redevelopment - Phase I | New | 304 | Rentals |
| 21 | Kuilei Place | New | 1,005 | For Sale |

**(continued on next page)**

| HONOLULU COUNTY - (continued) | | | | |
|---|---|---|---|---|
| | **PROJECT NAME** | **CONSTRUCTION TYPE** | **TOTAL UNITS** | **TYPE** |
| 22 | Leiwili Kapolei | New | 344 | Rentals |
| 23 | Liliha Civic Center | New | 200 | TBD |
| 24 | Maunakea Tower Apartments | Acq Rehab | 379 | Rentals |
| 25 | Mayor Wright Homes Redevelopment (Phase 1 Bldg A) | New | 309 | Rentals |
| 26 | Mayor Wright Homes Redevelopment (Phase 1 Bldg B) | New | 354 | Rentals |
| 27 | Nanaikeola Self-Help | New | 87 | For Sale |
| 28 | Pahoa Ridge | New | 182 | Rentals |
| 29 | Palolo Homes | Acq Rehab | 306 | Rentals |
| 30 | Parkway Village at Kapolei (Lot 6) | New | 236 | Rentals |
| 31 | Parkway Village at Kapolei (Lot 7) | New | 169 | Rentals |
| | | | **7,504** | |

Parkway Village at Kapolei- Kapolei, Oahu

Source: https://spectrumlocalnews.com/hi/hawaii/news/2024/12/18/new-parkway-village-at-kapolei-opens-to-offer-affordable-housing-in-west-oahu

# VI. REAL ESTATE PORTFOLIO

## A. LEGACY DEVELOPMENT RESPONSIBILITIES

### Villages of Kapolei

The Villages of Kapolei was developed pursuant to Act 15, SLH 1988. Act 15 provided the Housing Finance and Development Corporation (HFDC, predecessor to the HCDCH and HHFDC) with temporary powers to expedite the development of affordable housing. Specifically, it authorized HFDC to develop housing projects that were exempt from all statutes, ordinances, charter provisions, and rules of any governmental agency relating to planning, zoning, construction standards for subdivisions, development and improvement of land, and the construction of units thereon; provided that the project met minimum requirements of health and safety; did not contravene any safety standards or tariffs approved by the Public Utilities Commission for public utilities; and HFDC first conducted a public hearing after reasonable notice in the county in which the project was situated.

The City has not yet accepted the dedication of infrastructure in the Villages of Kapolei. While the city benefits from the real property tax revenues collected in part from the state's infrastructure improvements, HHFDC is relegated to continuing the maintenance of the roads, sidewalks, and other infrastructure at an average cost to the state taxpayer-financed DURF of more than $1 million a year. The cost will soon increase to about $10 million per year to pay for necessary road rehabilitation work in the Villages of Kapolei.

Accordingly, HHFDC maintains the infrastructure and has engaged a consultant to assist with the dedication. HHFDC is presently rehabilitating roadways in the Villages of Kapolei and recently executed a memorandum of agreement with the City that will transfer maintenance responsibilities of roadways to the city after they are rehabilitated.

Villages of Kapolei- Kapolei, Oahu
Source: https://en.wikipedia.org/wiki/Kapolei,_Hawaii#/media/File:Kapolei_Oahu_Aerial.jpg

Waiahole

Currently, HHFDC is engaged in contractually required lease rent renegotiations with Waiahole ground lessees who have not had a rent increase in 25 years. To date, lease amendments documenting the renegotiated rents for the 15-year lease period between June 30, 2023, and June 29, 2038, have been executed with 33 of the 78 lessees with whom HHFDC has reached agreement. Title issues due to lessee deaths and unconsented assignments have contributed to the slow pace of documentation.

With the assistance of a law firm retained by the state Department of the Attorney General, HHFDC has been preparing for a consolidated lease rent arbitration with ten agricultural lot lessees scheduled for March 2025.

HHFDC also owns the 1.0-million-gallon potable water system that services the valley. Approximately $23 million has been spent to acquire the property and for capital improvements as of June 30, 2021. In addition, a total of $11.4 million has been charged to the project for General Obligation Bond interest through June 30, 2003, when the bonds were retired.

The potable water system is nearing the end of its service life and upgrades to the system will be implemented in FY 2025 to keep the system operational. The long-term goal is to dedicate the water system to the Honolulu Board of Water Supply. In support of this goal, a contract for the design of a new potable water well, reservoir, and upgrades to transmission mains has been executed, and planning and design are underway.

## B. LEASEHOLD HOMEOWNERSHIP PORTFOLIO

HHFDC manages over 500 residential leases with single-family and townhome owners across 13 housing development projects located statewide, excluding Waiahole Valley. The projects were sold from 1974 through 2005 under predecessor affordable sales programs, now referred to as the Residential Leasehold Program. Units were sold subject to leases with a 55-year term, and which currently have expiration dates ranging from mid-2029 through 2055. The leases vary by project in terms of lease rent, lease covenants, and other provisions, but all units were sold to households having incomes ranging between 80% and 120% of the then AMI with a 10-year use, sales, and transfer restriction (the Buyback Program). Units sold after 1990 are also subject to the Shared Appreciation Equity program.

In 2004, HHFDC adopted a Lease Extension Policy for the purpose of allowing homeowners to obtain long-term (e.g., 30-year) mortgage loans. Amended in 2011, the policy is only applicable to project units where the leased-fee interest is not available for purchase. Lease terms may not extend beyond December 31, 2055, and the lease rent must be fixed through the end of the term, as renegotiated between the homeowner and HHFDC.

On February 10, 2022, the Board approved a new leasehold policy based on the recommendations of the 2018 Permitted Interaction Group established to review current HHFDC leasehold policies and recommendations. These included provisions such as being fair and equitable for all, adding value and security for current and future generations, and avoiding displacement of lessees; a lease term of 99 years with a fixed rent for the initial 55 years based on common practice and to cover HHFDC administrative costs; and standardized lease provisions to effectively manage and enforce the lease based on current laws, regulations, and policies, preventing speculation and maintain property values.

At the October 10, 2024 board meeting, HHFDC staff presented a For Discussion to the Board, requesting clarification of the new lease rents for administrative purposes and an increase in land value during the fixed lease rent period as well as establishing a premium to prevent owners from making a windfall due to the value created with a 99-year lease.

## C. MULTI-FAMILY PORTFOLIO

### Legacy Multi-Family 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, 2024, 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.

### Nani O Puna (Pahoa, Hawaii)

HHFDC's sole remaining legacy multi-family asset is the 32-unit Nani O Puna farm laborer housing project located 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 which 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 entered into an amendment, which retroactively reinstated the then-expired Purchase and Sale Agreement (PSA). The outside closing date under the amended PSA is December 31, 2025.

Nani O Puna - Pahoa, Hawaii
Source: https://www.stemachdesign.com/nani-o-puna.html

## D. ASSISTANCE TO DISPLACED PERSONS

HRS 111 establishes a uniform policy for the fair and equitable treatment of owners, tenants, other persons, and business concerns lawfully residing on or lawfully occupying real property and displaced by the acquisition of real property for public or other purposes in the public interest and by building, zoning, and housing code enforcement activities. HHFDC must ensure that relocation payments are fair, reasonable, and promptly paid.

## E. ENVIRONMENTAL REVIEW

In August 2019, amendments to HAR 11-200.1 became effective, allowing exemption for eligible affordable housing developments from preparation of an environmental assessment (EA)/environmental impact statement (EIS). Using this exemption, HHFDC assists developers in complying with HRS 343 using a streamlined process where a project can be declared exempt from the preparation of a full EA.

In addition, if an EA or EIS has already been prepared but is dated or the project parameters have changed, HHFDC can prepare a notice that no additional environmental review is needed for eligible projects. Finally, for those projects that do not qualify for the above, HHFDC can act as the approving agency in the preparation of EAs.

In 2024, HHFDC prepared eight EA exemption notices, no additional environmental review notices, and no environmental assessments:

- Pahoa Ridge Apartment Affordable Housing Project EA Exemption Notice; Honolulu, Oahu.
- Uahi Ridge Affordable Rental Housing Project EA Exemption Notice; Lihue, Kauai.
- 330 Kuulei Affordable Housing Project EA Exemption Notice; Kailua, Oahu.
- Ka Lei Momi Kapaa Affordable Housing Project EA Exemption Notice; Kapaa, Kauai.
- Mayor Wright Homes Redevelopment Project No Further Environmental Review Notice; Honolulu, Oahu.
- Kaulana Marina Apartments Drainage Improvements Project No Further Environmental Review Notice; Wailuku, Maui.
- Hale Moena Phases 3 and 4 Affordable Housing Project No Further Environmental Review Notice; Kapolei, Oahu.
- Waiahole Valley Water System Improvements Final EA; Waiahole, Oahu.

## F. PROGRAM COMPLIANCE MONITORING

Compliance monitoring is performed for the following affordable rental programs, many of which have already been discussed in this report: federal and state LIHTC, HOME, HMMF, RAP, RHRF, 201H, DURF, Grants in Lieu of Low-Income Housing Allocations (Section 1602), HOME-ARP, HTF, Neighborhood Stabilization Program, RARF, state LIHTC Loan, and Tax Credit Assistance Program.

Compliance is performed for 168 affordable projects including 16,181 units under the above programs. Many projects are under multiple programs.

Under a compliance monitoring contract, staff assigns and reviews the work of the compliance monitoring contractor. In FY 2024, compliance monitoring reviews were performed for 59 projects throughout Hawaii. A total of 257 year-end reviews were conducted, and 135 quarterly reviews were conducted.

# VII. OED SUPPORT SERVICES

## A. HUMAN RESOURCES

HHFDC's Human Resources Office provides personnel staff support and advisory services to the Executive Director, managers, and employees of HHFDC; and manages various human resources programs and activities. HHFDC has invested in professional training and development. HHFDC sent staff to a variety of training courses and conferences locally and on the U.S. mainland to help enhance their knowledge and skill sets, and to apply best practices in their jobs. These included the Fair Housing Conference that staff attended virtually in April 2024, and the Hawaii Congress of Planning Officials' 2023 conference held in Waikiki in September 2023.

At the beginning of FY 2024, HHFDC had a staff of 59. By the end of FY 2024, 51 were still employed, which equates to an employee retention rate of 87%. This is an improvement of seven percent from FY 2023. High retention is beneficial because staff turnover is disruptive to HHFDC operations. This year, three employees were recognized for more than two decades of dedicated service; one has been with HHFDC for more than 30 years. During FY 2024, HHFDC filled 22 new positions, with many being filled by transfer of existing staff.

HHFDC has participated in the Hele Imua Internship Program that is offered by the state Department of Labor & Industrial Relations (DLIR). The program has allowed HHFDC supervisors and managers to train and work with select interns and recent graduates on their path to gainful employment. In FY 2024, HHFDC collaborated with DLIR and onboarded several interns who provided key assistance to the corporation's various branches as they learned invaluable on-the-job training.

HHFDC staff Chris Woodard, Kazuko Honda, Mark Yonamine, Craig Hirai, Merwyn Galicinao, Dean Minakami, Marc Orbito, and Medy Esmena honored for their many years of dedicated service to the State.

## B. INFORMATION TECHNOLOGY

The Information Technology Office (ITO) is responsible for managing and maintaining the agency's technology assets, including computers, software, phone systems, and network infrastructure. In 2024, what was once a one-person team doubled to two. Not only has response time improved, but this expansion has also increased morale and allowed ITO to streamline and upgrade operations.

ITO recently undertook a complete refresh of all its technology assets, upgrading everything from network infrastructure and servers to computer workstations, with multiple large-screen monitors added to each. To enhance productivity, staff now have new accessories — mics, keyboards, ergonomic aids, and Bluetooth headsets. In addition to its core function, ITO is involved in larger, special projects aimed at improving the quality of the workplace and, by extension, the quality of life for the people of Hawaii. To save money and prevent overlap, ITO has established parity and integration with the State of Hawaii's Office of Enterprise Technology Services (ETS) by joining their network to the Hawaii.local domain, which provides greater and easier access to other state tech resources. In 2024, ITO continues to support green computing initiatives by reducing paper use, digitizing physically stored paper archives, leveraging ETS cloud services such as SharePoint and OneDrive, minimizing on-premises servers, adopting virtualization, and further integrating with ETS. ITO is also involved in workforce development and sustainability. Working with DLIR's Hele Imua internship program, ITO brought in interns to train in hopes that they could develop into future state employees. HHFDC has even hired one on a permanent basis.

With HHFDC staff now better equipped to achieve maximum efficiency, more enhancements lie ahead. Future initiatives include upgrading the HHFDC network to 10 Gbps bandwidth and creating an HHFDC SharePoint that AI can use to teach its model. This will create an in-house GPT for staff to query, making internal information easily accessible. ITO is also hoping that AI will eventually be able to perform a deep dive into HHFDC's functions, analyze and suggest improvements for efficiency.


**ITO was instrumental in establishing the Hawaii Fire Relief Program that allowed HHFDC staff to assist Maui wildfire survivors in finding temporary housing after the August 2023 crisis. The team's quick response earned it a spot in the Technology-Enhanced Business Capability Awards Program, where it won in the "Digital Services: Government to Citizen" category. The project was also submitted to the National Association of State Chief Information Officers to represent Hawaii in the national competition. The Hawaii program was also recognized by the National Council of State Housing Agencies which honored it with its Award of Excellence for Special Achievement.**

HHFDC's Randy Chu, Marc Orbito, and Helmer Betiong (holding the award) with DBEDT Director James Kunane Tokioka and ETS Chief Information Officer Christine Mai Sakuda at the Hawaii Digital Government Summit.

# VIII. MAUI WILDFIRES RESPONSE & RECOVERY ACTIVITIES

## A. HAWAII FIRE RELIEF HOUSING PROGRAM

The Hawaii Fire Relief Housing program launched in mid-August 2023 to connect Maui fire survivors in need of long-term housing with Hawaii homeowners willing to offer unoccupied rooms, units, or houses on a temporary basis. Using existing resources, it was initiated and set up within a week of the August 8, 2023, Lahaina and Kula wildfires. At its core was a web-based platform created in SharePoint by ITO. This platform allowed homeowners with available space to list their properties, which HHFDC maintained in a daily-updated database to help survivors find suitable temporary housing. In total, 605 families found housing through this initiative.

The Fire Relief program later merged with the helpingmaui.org initiative run by CNHA in Maui. This consolidation streamlined resources and reduced confusion for those seeking assistance.

President Joe Biden and First Lady Jill Biden toured the area devastated by the Lahaina wildfires with Governor Green and First Lady Green. President Biden has pledged his ongoing support to Maui of the nation. His Administration has provided nearly $385 million in assistance to individuals and households for response and recovery efforts, including nearly $300 million to provide safe housing to displaced survivors with damaged or destroyed homes. Another $500 million was provided for debris removal, infrastructure rebuilding, and other emergency protective measures.

Photo: Courtesy of the Office of Governor Josh Green

### B. HAWAII INTERIM HOUSING PROGRAM

The Hawaii Interim Housing Program (HIHP) is managed by the Office of Recovery and Resiliency in partnership with DHS and HHFDC. It assists those displaced by the Maui wildfires by placing survivor households in temporary state-sponsored housing at no cost to them. Its objective is to provide as many housing options as possible because each household has unique circumstances and needs. Those who have previously applied for assistance with the Federal Emergency Management Agency (FEMA) or the Red Cross may already be pre-populated in the application. Eligibility for HIHP is not assessed based on income, demographic makeup, or citizenship of household members.

These interim housing choices include Hale O Laie, Front Street Apartments, and Leialii.


Hale O Laie (Kihei, Maui)

Pursuant to Act 164, SLH 2023, HHFDC purchased the property to convert it into permanent workforce housing. In the aftermath of the wildfires, plans for the property quickly pivoted to providing interim housing for survivors. Formerly the Maui Sun Hotel and Haggai International Institute, and renamed Hale O Laie, the grounds feature 175 furnished guest rooms, various amenities, and a convenient location in a mixed-use neighborhood of Kihei.

HHFDC and Maui County have entered into a 75-year ground lease and related agreements, cementing intergovernmental cooperation on the project. Maui County is expected to lease and take possession in May 2025. In accordance with the Legislature's appropriation, the property will eventually be repurposed as a teacher and workforce housing project with public pre-K classroom space.

In the near term, HHFDC selected Paramount Hotels to operate the facility as temporary housing for wildfire disaster survivors deemed ineligible for reimbursement by FEMA. The phased opening of the building's guest rooms began in May 2024. It is estimated that the property can accommodate a total of 350 to 450 individuals. Paramount is also responsible for the completion of certain life safety repairs and minor improvements, which are expected to be completed over several months with the remaining appropriation.

Front Street Redevelopment (Lahina, Maui)

Located on the northern side of Lahaina, Front Street Apartments was an affordable rental housing project with 142 studio, one-bedroom, and two-bedroom units. Originally completed in 2000, the apartments were financed with LIHTC.

Per the LIHTC program, 70 of the total units were set aside for households earning up to 50% of the AMI and 71 units were set aside for households earning up to 60% of the AMI. The project's LIHTC affordability restrictions ended after the initial 15-year compliance period and, to keep the apartments affordable, HHFDC purchased the leased-fee interest to the Front Street Site in 2019.

In the aftermath of the wildfire, the former lessee exercised its right to surrender the ground lease and entered into a Mutual Cancellation and Termination of Lease and a Release of Regulatory Agreements with HHFDC. The corporation's fee-simple title to the Front Street site is free and clear of the ground lease and restrictive covenants, which gives the corporation control over its redevelopment. In April 2024, the HHFDC Board authorized negotiations with Hale Mahaolu to redevelop the property.

HHFDC has acquired one adjacent parcel and is considering acquiring a second parcel to increase the project area by about half an acre. The added land area will support a slightly denser development of approximately 200 affordable units, all reserved for workforce households earning up to 140% of the AMI.

<u>Leialii Partnerships  (Lahaina, Maui)</u>

In the wake of the August 2023 wildfire disaster and resulting critical housing shortage in West Maui, there has been renewed attention on the development of Leialii. Currently, two temporary housing projects with a combined 659 units are under construction there, having secured temporary access to water and wastewater services from Maui County.

To the east of the Department of Hawaiian Home Land's (DHHL) Village 1-A, DHS is constructing 450 modular units at a project known as Ka Lai Ola. Sandwiched between Ka Lai Ola to the north and Kukuia to the south, the 169-unit Kilohana temporary housing project of modular homes funded by FEMA and the state is also under construction. Certain infrastructure improvements for the Kilohana project are designed to be usable by a future DHHL permanent housing project.

# IX. HOUSING-RELATED LEGISLATION

Bill signing ceremony with Governor Green and notable housing advocates at the Hawaii State Capitol.
Source: Courtesy of the Office of Governor Josh Green

## Act 29 Hula Mae Single Family Program Feasibility Report

Act 29 requires HHFDC to submit a report to the 2026 Legislature which analyzes the feasibility of continuing to fund the operations of its Hula Mae Single Family Program. Inactive for over a decade due to an inability to compete with private lenders, HHFDC had been working to restart the program since before the legislative session due to the substantial and sustained increase in interest rates that began during the COVID-19 pandemic.

## Act 30 County General Excise Tax Surcharge Monetization

Act 30 clarifies the authority of the counties to use the GET surcharge for county-appropriated housing infrastructure costs, including financing costs such as debt service. This allows the counties to monetize the GET surcharge through the issuance of bonds, potentially accelerating the construction of housing infrastructure.

## Act 31 County Affordable Housing Credits Expansion

Among other things, Act 31 mandates that the counties issue affordable housing credits for certain units in projects developed under 201H-38 Expedited Processing and Review Program but do not receive LIHTC. The intent of the act, which sunsets in 2031, is to provide an additional financing tool for developers of certain affordable housing projects who face challenges due to increased interest rates and construction costs. These developers can now earn affordable housing credits that may be sold to developers of market-rate housing and commercial projects to fulfill county-imposed affordable housing requirements.

## Act 34 HHFDC Regional State Infrastructure Bond Authority

Act 34 authorizes HHFDC to issue bonds for housing project infrastructure to finance the development of regional state infrastructure projects. Assessments against housing and mixed-use transit-oriented development projects specifically benefitting from the improvements may be used to repay the bondholders. Previously, HHFDC's bond authority was limited to strictly housing project development.

## Act 35 Bond Cap Recycling Program

Act 35 authorizes HHFDC and the counties to establish a tax-exempt PAB volume cap recycling program for affordable rental housing. The program will allow for the preservation and recycling of prior year(s)' PAB volume cap that would otherwise expire upon repayment of construction period financing (resulting in redemption of bonds) for affordable rental housing development.

### Act 37 County Zoning Mandates

Act 37 is intended to spur housing development by requiring the counties to allow multi-family residential development in all commercially zoned areas and reduce barriers to the repurposing of existing commercial buildings for residential use.

#### Act 38 Expedited Processing and Review Program Alternative Pathway

Act 38 provides an alternative pathway for housing projects to utilize HHFDC's Expedited Processing and Review Program, which provides certain affordable housing projects with exemptions from various laws affecting housing development.

### Act 39 County Zoning Mandates

Act 39 legalizes two accessory dwelling units (ADUs) per residential lot (subject to certain restrictions), prohibits private covenants from restricting against ADUs, reduces impact fees for small homes, eliminates impact fees for homes that convert to multi-family without increasing the size of the house, and streamlines residential subdivisions within the urban state land use district. This promotes higher-density residential development on the limited lands already suitable for such development.

### Act 45 County Housing Powers Expansion

Intended to facilitate development along Honolulu's Skyline system and at neighbor island county transit centers, Act 45 expands the counties' housing powers to allow for the issuance of bonds for mixed-use projects that are expected to include substantial housing components.

### Act 235 Rental Housing Revolving Fund Amendments

Act 235 amends HRS 201H as it relates to HHFDC's RHRF, such as adding credit enhancement as a permitted use, repealing the authorization for grants, prohibiting loan forgiveness except in the event of foreclosure, prioritizing certain projects for award of funds (including those with a perpetual affordability commitment). The act also requires HHFDC to submit a report to the 2025 Legislature on plans to revolve funds back into RHRF to ensure its self-sufficiency.

### Act 230 Relating to the State Budget

Operating Budget Items:

- Total expenditure ceiling (MOF: W (revolving funds) $16,022,225

Authorized Position Count = 71.00 total

- Permanent (civil service) positions 23.00
- Temporary (exempt) positions 48.00 (includes 3.0 new positions)

FY 2025 Capital Improvement Projects:

- RHRF Infusion, Statewide ~ $180,000,000 (MOF: C/ General Obligation (GO) Bonds)
- DURF Infusion, Statewide ~ $50,000,000 (MOF: C/ GO Bonds)
- RHRF Tier II ~ $25,000,000 (MOF: A/ General Funds)
- Repave Papahehi Pl, Kuliouou, Oahu ~ $500,000 (MOF: C/GO Bonds)

HHFDC requested an amendment to increase its operating expense ceiling financed from HHFDC's revolving funds by $1,975,960 for personal services and other expenditures.

**RESOLUTIONS**

SCR 6 SD1

Approving the dedication of Kukuia Street, Lahaina, Hawaii, to Maui County.

SCR 43 SD1 HD1

Urging HHFDC to amend the priority for which LIHTC are allocated and monies in the RHRF are used and adopt certain administrative rules that incentivize the development of affordable housing in the state.

HCR 84 HD1

Urging HHFDC to amend their administrative rules to establish another pathway for housing projects seeking an exemption from state laws and rules.

HCR 118 HD1 SD1

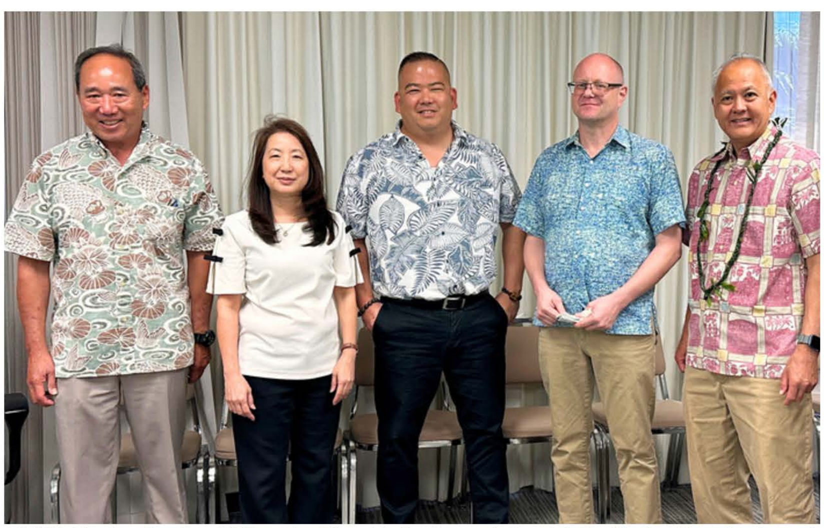
Urging the counties to amend or adopt ordinances to be consistent with HHFDC's rules regarding residential income requirements on housing projects.

HCR 131

Urging HHFDC to develop a 10-year plan to satisfy Hawaii's housing demand.

Future Priority Legislation

HHFDC supports initiatives to streamline regulatory and entitlement processes for land reclassification, permitting, public infrastructure, and environmental reviews. The corporation also supports providing subsidies and incentives, such as tax credits, exemptions, abatements, or waivers, to reduce the tax liability and development fees of developers. Further, HHFDC supports innovative and cost-effective design and construction methods such as modular, prefabricated, or container housing to lower construction costs and time, thereby boosting housing supply for Hawaii residents.



HHFDC's Senior Staff- Randy Chu, Holly Osumi, David Oi, Chris Woodard, and Dean Minakami.

# X. APPENDICES

| LIST OF ACRONYMS | |
| --- | --- |
| AHRF | Affordable Homeownership Revolving Fund |
| AMI | Area Median Income |
| CNHA | Council for Native Hawaiian Advancement |
| CY | Calendar Year |
| 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 |
| DLIR | Department of Labor and Industrial Relations |
| DURF | Dwelling Unit Revolving Fund |
| EA | Environmental Assessment |
| EIS | Environmental Impact Statement |
| EP | Emergency Proclamation |
| ETS | Office of Enterprise Technology Services |
| FEMA | Federal Emergency Management Agency |
| FY | Fiscal Year |
| GET | General Excise Tax |
| HAF | Homeownership Assistance Fund |
| HAR | Hawaii Administrative Rules |
| HCDA | Hawaii Community Development Authority |
| 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 |
| HRS | Hawaii Revised Statues |
| HTF | Housing Trust Fund |
| HUD | US Department of Housing and Urban Development |
| IRC | Internal Revenue Code |
| ITO | Information Technology Office |
| LIHTC | Low-Income Housing Tax Credits |
| MCC | Mortgage Credit Certificate |
| PAB | Private Activity Bond |
| PSA | Purchase and Sale Agreement |
| PSH | Permanent Supportive Housing |
| QAP | Qualified Allocation Plan |
| RAP | Rental Assistance Program |
| RARF | Rental Assistance Revolving Fund |
| RFP | Request for Proposals |
| RHRF | Rental Housing Revolving Fund |
| SLH | Session Laws of Hawaii |
| TBD | To be determined |
| UH | University of Hawaii |
| UHWO | University of Hawaii - West Oahu |
| USDA-RD | US Department of Agriculture - Rural Development |
| VOK | Villages of Kapolei |
| YIMBY | Yes In My Back Yard |

# HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813

Phone: (808) 587-0620
Website: https://dbedt.hawaii.gov/hhfdc/

**Dedicated to Chris Woodard, Chief Planner, HHFDC**

# State of Hawaii
# Hawaii Housing Finance and Development Corporation

(A Component Unit of the State of Hawaii)

**Financial and Compliance Audit**

**June 30, 2024**

**Submitted by**
**The Auditor**
**State of Hawaiʻi**

# State of Hawaii
# Hawaii Housing Finance and Development Corporation
**(A Component Unit of the State of Hawaii)**
## Index
## June 30, 2024

**Page(s)**

**Supplementary Information**

# PART I
# Financial Statements

ACCUITY

# 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, 2024, 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, 2024, 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 Matter**

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, 2024, 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.

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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.

**Required Supplementary Information**
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 and budgetary comparison schedules for the General Fund, HOME Investment Partnership Program, Housing Trust Fund Program, and Homeowner Assistance Fund

Program on pages 63 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 required supplementary information for net pension and OPEB liabilities 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 opinion on the basic financial statements is 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, expenses, 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, expenses, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024 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 20, 2024

ACCUITY

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, 2024. 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.

**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, 2024. 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 change 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, Housing Trust Fund Program, and Homeowner Assistance 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, 2024.

### 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, 2024, the Corporation's total net position was approximately $2,330,519,000, an increase of $569,728,000 (or 32.4%) from the previous year of approximately $1,760,791,000.

**Government-Wide Condensed Statements of Net Position**
**June 30, 2024 and 2023**
**(in thousands of dollars)**

| | Governmental Activities | | Business-Type Activities | | Total | | Percent |
|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | Change |
| Current assets | $ 8,062 | $ 126,726 | $ 1,162,326 | $ 647,242 | $ 1,170,388 | $ 773,968 | 51.2 % |
| Restricted assets held by trustee | - | - | 41,407 | 40,700 | 41,407 | 40,700 | 1.7 % |
| Capital assets, net | 139 | 43 | 139,497 | 83,996 | 139,636 | 84,039 | 66.2 % |
| Lease receivable | - | - | 4,385 | 4,671 | 4,385 | 4,671 | (6.1)% |
| Other assets | 9,862 | 9,862 | 1,023,455 | 927,153 | 1,033,317 | 937,015 | 10.3 % |
| Total assets | 18,063 | 136,631 | 2,371,070 | 1,703,762 | 2,389,133 | 1,840,393 | 29.8 % |
| Deferred outflows of resources | - | - | 2,778 | 2,930 | 2,778 | 2,930 | (5.2)% |
| Total assets and deferred outflows of resources | $ 18,063 | $ 136,631 | $ 2,373,848 | $ 1,706,692 | $ 2,391,911 | $ 1,843,323 | 29.8 % |
| Current liabilities | $ 1,430 | $ 22,658 | $ 9,903 | $ 7,124 | $ 11,333 | $ 29,782 | (61.9)% |
| Noncurrent liabilities | - | - | 43,745 | 44,136 | 43,745 | 44,136 | (0.9)% |
| Total liabilities | 1,430 | 22,658 | 53,648 | 51,260 | 55,078 | 73,918 | (25.5)% |
| Deferred inflows of resources | - | - | 6,314 | 8,614 | 6,314 | 8,614 | (26.7)% |
| Net position | | | | | | | |
| Net investment in capital assets | 139 | 43 | 139,456 | 83,939 | 139,595 | 83,982 | 66.2 % |
| Restricted | 10,802 | 10,601 | 79,466 | 73,727 | 90,268 | 84,328 | 7.0 % |
| Unrestricted | 5,692 | 103,329 | 2,094,964 | 1,489,152 | 2,100,656 | 1,592,481 | 31.9 % |
| Total net position | 16,633 | 113,973 | 2,313,886 | 1,646,818 | 2,330,519 | 1,760,791 | 32.4 % |
| Total liabilities, deferred inflows of resources and net position | $ 18,063 | $ 136,631 | $ 2,373,848 | $ 1,706,692 | $ 2,391,911 | $ 1,843,323 | 29.8 % |

Total assets and deferred outflows of resources increased by approximately $548,588,000 (29.8%) during fiscal year 2024 primarily related to the increase in current assets of $396,420,000 (51.2%), increase in capital assets by approximately $55,597,000 (66.2%), and increase in other assets by approximately $96,302,000 (10.3%).

- Current assets are comprised of cash and cash equivalents, current receivables and accrued interest. The increase in current assets was primarily due to net increase in cash and cash equivalents of $469,364,000, increase in current notes and loans receivable of approximately $11,260,000, and accrued interest of approximately $13,534,000 in business-type activities, offset by the decrease of approximately $97,656,000 in receivables due from State for allotted but not yet expended appropriations in governmental activities. Cash and cash equivalents in the business-type activities increased in the Rental Housing Revolving Fund by approximately $397,143,000, the Dwelling Unit Revolving Fund by approximately $85,248,000, the Other Enterprise Funds by approximately $5,021,000, and the Housing Finance Revolving Fund by approximately $2,890,000, whereas cash and cash equivalents decreased by approximately $21,209,000 in the Homeowner Assistance Fund Program of governmental 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 $112,562,000 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 $16,297,000 in the Dwelling Unit Revolving Fund, mainly due to the reclassification of $15,725,000 from inventories to capital assets for placing in service the Corporation's ownership portion of the Hale Kalele building.

- Capital assets are comprised of property and equipment reported net of depreciation. Net capital assets increased by approximately $55,597,000, primarily due to placing the Hale Kalele building in service and the acquisition of the land and building of approximately $41,000,000 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 $21,140,000 (25.6%) primarily related to the decrease in amounts due to other State departments for the Homeowner Assistance Fund Program of approximately $21,209,000 due to disbursement of program and administrative costs and the return of de-obligated unexpended funds to the Department of Budget and Finance of $16,425,000, offset by increases in accounts payable and other accrued expenses of approximately $2,808,000.

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, 2024 and 2023**
**(in thousands of dollars)**

| | Governmental Activities | | Business-Type Activities | | Total | | Percent |
|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | Change |
| **Revenues** | | | | | | | |
| Program revenues | | | | | | | |
| Charges for services | $ - | $ - | $ 13,577 | $ 19,657 | $ 13,577 | $ 19,657 | (30.9)% |
| Operating grants and contributions | 14,092 | 10,213 | 75,176 | 57,166 | 89,268 | 67,379 | 32.5 % |
| General revenues | | | | | | | |
| State allotted appropriations, net of lapses | 506,380 | 61,984 | - | - | 506,380 | 61,984 | 717.0 % |
| Loss on disposal of capital assets | - | - | - | (1,745) | - | (1,745) | 0.0 % |
| Total revenues | 520,472 | 72,197 | 88,753 | 75,078 | 609,225 | 147,275 | 313.7 % |
| **Expenses** | | | | | | | |
| Governmental activities | | | | | | | |
| Low-income housing service and assistance program | 14,154 | 10,520 | - | - | 14,154 | 10,520 | 34.5 % |
| Business-type activities | | | | | | | |
| Rental assistance program | - | - | 1,212 | 1,347 | 1,212 | 1,347 | (10.0)% |
| Housing development program | - | - | 14,424 | 9,013 | 14,424 | 9,013 | 60.0 % |
| Multifamily mortgage loan program | - | - | 2,537 | 1,969 | 2,537 | 1,969 | 28.8 % |
| Single family mortgage loan program | - | - | 364 | 965 | 364 | 965 | (62.3)% |
| Others | - | - | 6,806 | 1,792 | 6,806 | 1,792 | 279.8 % |
| Total expenses | 14,154 | 10,520 | 25,343 | 15,086 | 39,497 | 25,606 | 54.2 % |
| Net change before transfers and lapses | 506,318 | 61,677 | 63,410 | 59,992 | 569,728 | 121,669 | 368.3 % |
| Net transfers | (603,658) | (731) | 603,658 | 731 | - | - | 100.0 % |
| Change in net position | (97,340) | 60,946 | 667,068 | 60,723 | 569,728 | 121,669 | 368.3 % |
| **Net position** | | | | | | | |
| Beginning of year | 113,973 | 53,027 | 1,646,818 | 1,586,095 | 1,760,791 | 1,639,122 | 7.4 % |
| End of year | $ 16,633 | $ 113,973 | $ 2,313,886 | $ 1,646,818 | $ 2,330,519 | $ 1,760,791 | 32.4 % |

### Governmental Activities

For the year ended June 30, 2024, the Corporation's governmental activities decreased its net position by approximately $97,340,000 (-85.4%) to approximately $16,633,000 primarily as the result of transfers-out to the Proprietary Funds of approximately $603,658,000, offset by the State allotted appropriations net of lapses, totaling approximately $506,380,000.

### 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, 2024, the Corporation's business-type activities increased its net position by approximately $667,068,000 (40.5%) to approximately $2,313,886,000. Revenues primarily consisted of $38,000,000 in conveyance taxes, approximately $29,783,000 in non-operating interest income, approximately $11,638,000 in interest income on loans, approximately $6,808,000 in other income including fees received for various program administration, approximately $2,300,000 in rental income, and transfers-in from the General Fund and the General Obligation Bond Fund of approximately $603,658,000, offset by approximately $25,343,000 in expenses for the Corporation's various business-type functions.

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, 2024, the Corporation's governmental funds reported a total fund balance of approximately $16,494,000.

The governmental funds consist of five major funds and one non-major fund. The major funds are the (1) General Fund, (2) General Obligation Bond Fund, (3) HOME Investment Partnership Program, (4) Housing Trust Fund Program, and (5) Homeowner Assistance 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 balance of approximately $206,000 to $877,000 as of June 30, 2024. The increase in fund balance was primarily due to state allotted appropriations of $461,500,000, offset by net transfers-out to the proprietary funds of approximately $460,912,000 and expenditures of approximately $360,000. The transfer-out included funding for the Rental Housing Revolving Fund infusion of $400,000,000, 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 $50,000,000; funding of seed money for the Affordable Homeownership Revolving Fund of $5,000,000; funding of $5,000,000 in matching funds for a City and County of Honolulu grant program to incentivize the construction of affordable rental housing units; and approximately $839,000 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 a decrease in fund balance of approximately $97,844,000 to $4,815,000 as of June 30, 2024. The decrease in fund balance was primarily due to the net transfers-out to the proprietary funds of approximately $142,746,000, offset by the state allotted appropriations of $45,000,000. The transfers-out included funding for earmarked projects under the Rental Housing Revolving Fund of $81,500,000; funding for the acquisition of Hale O Laie of approximately $41,124,000; and the Dwelling Unit Revolving Fund infusion of $20,000,000.

- 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 $201,000 to $941,000 as of June 30, 2024. The increase in fund balance was primarily due to program revenues of approximately $5,370,000, offset by program expenditures of approximately $5,168,000.

- 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 change in fund balance as of June 30, 2024, as the revenues equaled to the expenditures.

- The Homeowner Assistance Fund Program was established to mitigate financial hardships associated with the COVID-19 pandemic by providing funds to eligible entities for the purpose of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardships after January 21, 2020, through qualified expenses related to mortgages and housing. The fund had no change in fund balance as of June 30, 2024, as the revenues equaled to the expenditures.

**Proprietary Funds**
As of June 30, 2024, the Corporation's proprietary funds reported total net position of approximately $2,313,886,000.

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 $540,633,000 to $1,577,423,000 as of June 30, 2024. 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 $5,197,000; interest income of approximately $17,222,000; and net transfers-in from the General Fund and the General Obligation Bond Fund of $481,500,000, offset by operating expenses of approximately $1,649,000.

- 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 $117,881,000 to $645,119,000 as of June 30, 2024. The increase in net position was primarily due to net transfers-in of approximately $112,065,000 from the General Fund and the General Obligation Bond Fund; interest income earned on mortgages, notes, loans and investments of approximately $5,067,000; interest income of approximately $10,646,000; rental income of approximately $2,300,000; and other operating income of approximately $2,108,000, offset by operating expenses of approximately $14,424,000.

- 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 $1,105,000 to $37,119,000 as of June 30, 2024. The increase in net position is primarily due to approximately $1,363,000 of interest on mortgages, notes, loans and mortgage-backed securities, and net increase in the fair value of mortgage-backed securities of approximately $106,000, offset by operating expenses of approximately $364,000.

- 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 $1,740,000 to $13,061,000 as of June 30, 2024. The increase in net position is primarily due to other income which includes various fees of approximately $2,732,000 and interest income of approximately $714,000, offset by operating expenses of approximately $1,713,000.

### Capital Assets and Debt Administration

### Capital Assets

As of June 30, 2024, the Corporation's capital assets amounted to approximately $139,636,000 (net of accumulated depreciation and amortization of approximately $5,374,000), an increase of approximately $55,597,000 (66.2%) primarily due to placing the Hale Kalele building in service and the acquisition of the land and building of approximately $41,000,000 for the affordable workforce housing project, Hale O Laie, less depreciation, in the Dwelling Unit Revolving Fund.

**Corporation's Capital Assets**
**June 30, 2024 and 2023**
**(in thousands of dollars)**

| | Governmental Activities | | Business-Type Activities | | Total | | Percent |
|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | Change |
| Land | $ - | $ - | $ 90,190 | $ 82,705 | $ 90,190 | $ 82,705 | 9.1 % |
| Buildings and improvements | - | - | 53,798 | 4,452 | 53,798 | 4,452 | 1108.4 % |
| Furniture, fixtures and equipment | 220 | 109 | 759 | 738 | 979 | 847 | 15.6 % |
| Subscription asset | 43 | 43 | - | - | 43 | 43 | 0.0 % |
| Total | 263 | 152 | 144,747 | 87,895 | 145,010 | 88,047 | 64.7 % |
| Accumulated depreciation | (115) | (109) | (5,250) | (3,899) | (5,365) | (4,008) | 33.9 % |
| Amortization of subscription asset | (9) | - | - | - | (9) | - | N/A |
| Total capital assets, net | $ 139 | $ 43 | $ 139,497 | $ 83,996 | $ 139,636 | $ 84,039 | 66.2 % |

### Debt Administration

Through June 30, 2024, approximately $4.1 billion of revenue bonds have been issued under various revolving bond funds of the Corporation and its predecessor entities, of which approximately $1,720,636,000 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 $455,000, net of premiums, to approximately $3,231,000 as of June 30, 2024 due to scheduled redemptions.

As of June 30, 2024, the bond ratings of the Single Family Mortgage Purchase revenue bonds were AA+, Aaa, and AA+ for Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings.

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, 2024, conduit debt obligations outstanding amounted to approximately $572,764,000.

**Maui Wildfires**

In August 2023, wildfires intensified by heavy winds caused widespread damage in Lahaina, Maui. The Corporation and other State departments (collectively, the "State") have been named as a defendant in cases arising out of the Maui wildfires. Other defendants in these cases include non-State entities. The cases allege, among other claims, that the defendants' negligence caused wrongful death, personal injury, and property damage. The parties have agreed to a $4.04 billion global settlement in mediation. Multiple insurance companies that paid out claims to wildfire victims refused to participate in the settlement and want to pursue subrogation claims and sue the defendants for reimbursement of monies they paid to the victims. Whether the insurance companies have the right to pursue the subrogation claims is pending before the Hawaii Supreme Court.

Management is of the opinion that any liability arising therefrom will not have a material adverse effect on the financial position of the Corporation if funded by legislative appropriations from the State General Fund.

**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, 2024

| | 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 | $ 1,429,977 | $1,073,111,810 | $1,074,541,787 |
| Cash in banks | 81,861 | 1,327,410 | 1,409,271 |
| Receivables | | | |
| Mortgage loans | - | 536,562 | 536,562 |
| Notes and loans | - | 11,259,622 | 11,259,622 |
| Accrued interest | - | 71,802,470 | 71,802,470 |
| Tenant receivables, less allowance for doubtful accounts of $2,116,598 | - | 353,745 | 353,745 |
| Other receivables, less allowance for doubtful accounts of $135,591 | 150,984 | 2,451,118 | 2,602,102 |
| Total receivables | 150,984 | 86,403,517 | 86,554,501 |
| Cash held by third parties | 940,814 | - | 940,814 |
| Due from State | 5,691,843 | - | 5,691,843 |
| Internal balances | (232,874) | 232,874 | - |
| Leases receivable | - | 281,873 | 281,873 |
| Prepaid expenses and other assets | - | 968,892 | 968,892 |
| Total current assets | 8,062,605 | 1,162,326,376 | 1,170,388,981 |
| Restricted assets held by trustee under revenue bond program | | | |
| Cash and cash equivalents | - | 23,845,519 | 23,845,519 |
| Investments | - | 17,561,505 | 17,561,505 |
| | - | 41,407,024 | 41,407,024 |
| Inventories – development in progress and dwelling units | - | 37,614,489 | 37,614,489 |
| Restricted deposits held in escrow | - | 1,089,287 | 1,089,287 |
| Mortgage loans, net of allowance for loan losses of $405,020 | - | 895,481,061 | 895,481,061 |
| Notes and loans receivable | 9,861,610 | 89,268,382 | 99,129,992 |
| Leases receivable | - | 4,385,394 | 4,385,394 |
| Capital assets, net | 139,224 | 139,497,269 | 139,636,493 |
| Total assets | 18,063,439 | 2,371,069,282 | 2,389,132,721 |
| Deferred outflows of resources | | | |
| Deferred outflows on net pension liability | - | 1,211,216 | 1,211,216 |
| Deferred outflows on net OPEB liability | - | 1,567,256 | 1,567,256 |
| Total deferred outflows of resources | - | 2,778,472 | 2,778,472 |
| Total assets and deferred outflows of resources | $ 18,063,439 | $2,373,847,754 | $2,391,911,193 |

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, 2024

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Liabilities, Deferred Inflows of Resources, and Net Position** | | | |
| Current liabilities | | | |
| Accounts payable | $ 140 | $ 1,631,941 | $ 1,632,081 |
| Accrued expenses | | | |
| Interest | - | 7,034 | 7,034 |
| Other | - | 2,884,437 | 2,884,437 |
| Due to other State departments | 1,429,977 | 40,477 | 1,470,454 |
| Security deposits | - | 3,845,994 | 3,845,994 |
| Note payable | - | 15,021 | 15,021 |
| Unearned income | - | 423,279 | 423,279 |
| Revenue bonds payable | - | 1,055,000 | 1,055,000 |
| Total current liabilities | 1,430,117 | 9,903,183 | 11,333,300 |
| Noncurrent liabilities | | | |
| Note payable | - | 26,730 | 26,730 |
| Revenue bonds payable | - | 2,175,554 | 2,175,554 |
| Unearned income | - | 19,945,089 | 19,945,089 |
| Lease incentive liability | - | 686,725 | 686,725 |
| Unrealized gain on sale of units and land | - | 1,743,437 | 1,743,437 |
| Net OPEB liability | - | 8,349,248 | 8,349,248 |
| Net pension liability | - | 10,818,372 | 10,818,372 |
| Total liabilities | 1,430,117 | 53,648,338 | 55,078,455 |
| Deferred inflows of resources | | | |
| Deferred inflows on leases receivable | - | 4,477,852 | 4,477,852 |
| Deferred inflows on net pension liability | - | 286,773 | 286,773 |
| Deferred inflows on net OPEB liability | - | 1,548,880 | 1,548,880 |
| Total deferred inflows of resources | - | 6,313,505 | 6,313,505 |
| Commitments and contingencies | | | |
| Net position | | | |
| Net investment in capital assets | 139,224 | 139,455,518 | 139,594,742 |
| Restricted by legislation and contractual agreements | 10,802,395 | 79,466,068 | 90,268,463 |
| Unrestricted | 5,691,703 | 2,094,964,325 | 2,100,656,028 |
| Total net position | 16,633,322 | 2,313,885,911 | 2,330,519,233 |
| Total liabilities, deferred inflows of resources, and net position | $ 18,063,439 | $2,373,847,754 | $2,391,911,193 |

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, 2024

| | | 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 | $ 14,154,482 | $ - | $ 14,092,014 | $ (62,468) | $ - | $ (62,468) |
| Total governmental activities | 14,154,482 | - | 14,092,014 | (62,468) | - | (62,468) |
| Business-type activities | | | | | | |
| Rental assistance program | 1,212,222 | 4,659 | 1,200,550 | - | (7,013) | (7,013) |
| Housing development program | 14,424,170 | 2,306,910 | 17,933,304 | - | 5,816,044 | 5,816,044 |
| Multifamily mortgage loan program | 2,537,321 | 7,164,128 | 55,222,188 | - | 59,848,995 | 59,848,995 |
| Single family mortgage loan program | 364,146 | 1,363,372 | 105,785 | - | 1,105,011 | 1,105,011 |
| Others | 6,805,760 | 2,738,470 | 714,273 | - | (3,353,017) | (3,353,017) |
| Total business-type activities | 25,343,619 | 13,577,539 | 75,176,100 | - | 63,410,020 | 63,410,020 |
| Total | $ 39,498,101 | $ 13,577,539 | $ 89,268,114 | (62,468) | 63,410,020 | 63,347,552 |
| **General revenues and transfers** | | | | | | |
| State allotted appropriations, net of lapses of $119,467 | | | | 506,380,533 | - | 506,380,533 |
| Net transfers | | | | (603,657,988) | 603,657,988 | - |
| Total general revenues and transfers | | | | (97,277,455) | 603,657,988 | 506,380,533 |
| Change in net position | | | | (97,339,923) | 667,068,008 | 569,728,085 |
| **Net position** | | | | | | |
| Beginning of year | | | | 113,973,245 | 1,646,817,903 | 1,760,791,148 |
| End of year | | | | $ 16,633,322 | $ 2,313,885,911 | $ 2,330,519,233 |

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, 2024

| | General Fund | General Obligation Bond Fund | HOME Investment Partnership Program | Housing Trust Fund Program | Homeowner Assistance Fund Program | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Equity in cash and cash equivalents and investments in State Treasury | $ - | $ - | $ - | $ - | $ 1,429,977 | $ - | $ 1,429,977 |
| Cash in banks | - | - | 43,780 | 38,081 | - | - | 81,861 |
| Receivables | - | - | 140,526 | 10,458 | - | - | 150,984 |
| Cash held by third parties | - | - | 940,814 | - | - | - | 940,814 |
| Notes and loans receivable | - | - | - | - | - | 9,861,610 | 9,861,610 |
| Due from State | 876,944 | 4,814,899 | - | - | - | - | 5,691,843 |
| Total assets | $ 876,944 | $ 4,814,899 | $ 1,125,120 | $ 48,539 | $ 1,429,977 | $ 9,861,610 | $ 18,157,089 |
| **Liabilities and Fund Balances** | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | $ 140 | $ - | $ - | $ - | $ - | $ - | $ 140 |
| Due to other funds | - | - | 184,335 | 48,539 | - | - | 232,874 |
| Due to State | - | - | - | - | 1,429,977 | - | 1,429,977 |
| Total liabilities | 140 | - | 184,335 | 48,539 | 1,429,977 | - | 1,662,991 |
| Fund balances | | | | | | | |
| Restricted | - | - | 940,785 | - | - | 9,861,610 | 10,802,395 |
| Committed | 876,804 | 4,814,899 | - | - | - | - | 5,691,703 |
| Total fund balances | 876,804 | 4,814,899 | 940,785 | - | - | 9,861,610 | 16,494,098 |
| Total liabilities and fund balances | $ 876,944 | $ 4,814,899 | $ 1,125,120 | $ 48,539 | $ 1,429,977 | $ 9,861,610 | $ 18,157,089 |

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, 2024**

| | | |
|---|---|---|
| Total fund balances – governmental funds | | $ 16,494,098 |
| 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 | $ 220,078 | |
| Subscription asset | 43,200 | |
| Accumulated depreciation and amortization | (124,054) | |
| Capital assets, net | | 139,224 |
| Net position of governmental activities | | $ 16,633,322 |

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 Change in Fund Balances
### Year Ended June 30, 2024



| | General Fund | General Obligation Bond Fund | HOME Investment Partnership Program | Housing Trust Fund Program | Homeowner Assistance Fund Program | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| State allotted appropriations | $ 461,500,000 | $ 45,000,000 | $ - | $ - | $ - | $ - | $ 506,500,000 |
| Intergovernmental revenue | - | - | 5,369,705 | 3,938,052 | 4,784,257 | - | 14,092,014 |
| Total revenues | 461,500,000 | 45,000,000 | 5,369,705 | 3,938,052 | 4,784,257 | - | 520,592,014 |
| **Expenditures** | | | | | | | |
| Programs | - | - | 4,976,878 | 3,763,251 | 4,729,454 | - | 13,469,583 |
| Personnel services | - | - | 179,535 | 156,529 | 52,741 | - | 388,805 |
| Administration | 187,611 | - | 9,715 | 7,570 | 708 | - | 205,604 |
| Capital expenses | 172,188 | - | - | - | - | - | 172,188 |
| Professional services | - | - | 2,270 | 10,702 | 1,354 | - | 14,326 |
| Total expenditures | 359,799 | - | 5,168,398 | 3,938,052 | 4,784,257 | - | 14,250,506 |
| Excess of revenues over expenditures | 461,140,201 | 45,000,000 | 201,307 | - | - | - | 506,341,508 |
| Other financing uses | | | | | | | |
| Net transfers | (460,912,332) | (142,745,656) | - | - | - | - | (603,657,988) |
| Excess (deficiency) of revenues over (under) expenditures and other financing uses | 227,869 | (97,745,656) | 201,307 | - | - | - | (97,316,480) |
| Lapsed appropriations | (21,438) | (98,029) | - | - | - | - | (119,467) |
| Net change in fund balances | 206,431 | (97,843,685) | 201,307 | - | - | - | (97,435,947) |
| **Fund balances** | | | | | | | |
| Beginning of year | 670,373 | 102,658,584 | 739,478 | - | - | 9,861,610 | 113,930,045 |
| End of year | $ 876,804 | $ 4,814,899 | $ 940,785 | $ - | $ - | $ 9,861,610 | $ 16,494,098 |

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 Change in Fund Balances to the Statement of Activities
### Year Ended June 30, 2024

| | | |
|---|---|---|
| Net change in fund balances – total governmental funds | | $ (97,435,947) |
| 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 | $ 96,024 | |
| Total depreciation and amortization expense | | 96,024 |
| Change in net position – governmental activities | | $ (97,339,923) |

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, 2024

| | 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 | $ 684,706,784 | $ 332,837,417 | $ - | $ 19,647,354 | $ 35,920,255 | $1,073,111,810 |
| Cash in banks | - | 1,317,410 | - | - | 10,000 | 1,327,410 |
| Receivables | | | | | | |
| Mortgage loans | 536,562 | - | - | - | - | 536,562 |
| Notes and loans | - | 11,259,622 | - | - | - | 11,259,622 |
| Accrued interest | 35,547,844 | 35,054,585 | 51,057 | 435,763 | 713,221 | 71,802,470 |
| Tenant receivables, less allowance for doubtful accounts of $2,116,598 | - | 353,745 | - | - | - | 353,745 |
| Other receivables, less allowance for doubtful accounts of $135,591 | - | 1,848,489 | - | - | 602,629 | 2,451,118 |
| Total receivables | 36,084,406 | 48,516,441 | 51,057 | 435,763 | 1,315,850 | 86,403,517 |
| Due from other funds | - | 900,000 | - | 297,968 | 4,876,332 | 6,074,300 |
| Lease receivable | - | 281,873 | - | - | - | 281,873 |
| Prepaid expenses and other assets | - | 904,000 | 2,685 | - | 62,207 | 968,892 |
| Total current assets | 720,791,190 | 384,757,141 | 53,742 | 20,381,085 | 42,184,644 | 1,168,167,802 |
| Restricted assets held by trustee under revenue bond program | | | | | | |
| Cash and cash equivalents | - | - | 23,845,519 | - | - | 23,845,519 |
| Investments | - | - | 17,561,505 | - | - | 17,561,505 |
| Total restricted assets | - | - | 41,407,024 | - | - | 41,407,024 |
| Inventories – development in progress and dwelling units | - | 37,614,489 | - | - | - | 37,614,489 |
| Restricted deposits held in escrow | - | 1,089,287 | - | - | - | 1,089,287 |
| Mortgage loans, net of allowance for loan losses of $405,020 | 858,216,657 | 30,725,316 | - | 4,756,970 | 1,782,118 | 895,481,061 |
| Notes and loans receivable | - | 89,268,382 | - | - | - | 89,268,382 |
| Lease receivable | - | 4,385,394 | - | - | - | 4,385,394 |
| Capital assets, net | 103,782 | 139,163,966 | 33,018 | 117,526 | 78,977 | 139,497,269 |
| Total assets | 1,579,111,629 | 687,003,975 | 41,493,784 | 25,255,581 | 44,045,739 | 2,376,910,708 |
| Deferred outflows of resources | | | | | | |
| Deferred outflows on net pension liability | 172,935 | 622,499 | 23,725 | 275,698 | 116,359 | 1,211,216 |
| Deferred outflows on net OPEB liability | 218,401 | 880,481 | 39,778 | 265,090 | 163,506 | 1,567,256 |
| Total deferred outflows of resources | 391,336 | 1,502,980 | 63,503 | 540,788 | 279,865 | 2,778,472 |
| Total assets and deferred outflows of resources | $1,579,502,965 | $ 688,506,955 | $ 41,557,287 | $ 25,796,369 | $ 44,325,604 | $2,379,689,180 |

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, 2024

| | 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 | $ - | $ 1,540,837 | $ 11,317 | $ 28,715 | $ 51,072 | $ 1,631,941 |
| Accrued expenses | | | | | | |
| Interest | - | 34 | 7,000 | - | - | 7,034 |
| Other | 388,348 | 1,524,456 | 63,988 | 571,241 | 336,404 | 2,884,437 |
| Due to other funds | 2,331 | 7 | 32,683 | 4,806,398 | 1,000,007 | 5,841,426 |
| Due to other State departments | - | 30,477 | - | - | 10,000 | 40,477 |
| Security deposits | - | 57,267 | - | 3,788,727 | - | 3,845,994 |
| Note payable | - | 15,021 | - | - | - | 15,021 |
| Unearned income | - | 384,615 | - | - | 38,664 | 423,279 |
| Revenue bonds payable | - | - | 1,055,000 | - | - | 1,055,000 |
| Total current liabilities | 390,679 | 3,552,714 | 1,169,988 | 9,195,081 | 1,436,147 | 15,744,609 |
| Noncurrent liabilities | | | | | | |
| Unrealized gain on sale of units and land | - | 1,743,437 | - | - | - | 1,743,437 |
| Note payable | - | 26,730 | - | - | - | 26,730 |
| Revenue bonds payable | - | - | 2,175,554 | - | - | 2,175,554 |
| Unearned income | 274,548 | 19,670,541 | - | - | - | 19,945,089 |
| Lease incentive liability | 99,575 | 367,398 | 32,276 | 112,623 | 74,853 | 686,725 |
| Net OPEB liability | 414,274 | 5,489,094 | 457,109 | 1,395,812 | 592,959 | 8,349,248 |
| Net pension liability | 695,055 | 6,940,214 | 538,680 | 1,770,112 | 874,311 | 10,818,372 |
| Total liabilities | 1,874,131 | 37,790,128 | 4,373,607 | 12,473,628 | 2,978,270 | 59,489,764 |
| Deferred inflows of resources | | | | | | |
| Deferred inflows on lease receivable | - | 4,477,852 | - | - | - | 4,477,852 |
| Deferred inflows on net pension liability | 43,016 | 157,697 | 6,424 | 49,525 | 30,111 | 286,773 |
| Deferred inflows on net OPEB liability | 163,011 | 962,147 | 58,526 | 212,325 | 152,871 | 1,548,880 |
| Total deferred inflows of resources | 206,027 | 5,597,696 | 64,950 | 261,850 | 182,982 | 6,313,505 |
| Net position | | | | | | |
| Net investment in capital assets | 103,782 | 139,122,215 | 33,018 | 117,526 | 78,977 | 139,455,518 |
| Restricted by legislation and contractual agreements | - | 1,089,287 | 41,407,024 | - | 36,969,757 | 79,466,068 |
| Unrestricted | 1,577,319,025 | 504,907,629 | (4,321,312) | 12,943,365 | 4,115,618 | 2,094,964,325 |
| Total net position | 1,577,422,807 | 645,119,131 | 37,118,730 | 13,060,891 | 41,164,352 | 2,313,885,911 |
| Total liabilities, deferred inflows of resources, and net position | $1,579,502,965 | $ 688,506,955 | $ 41,557,287 | $ 25,796,369 | $ 44,325,604 | $2,379,689,180 |

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
### June 30, 2024

| | 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 | - | 2,300,038 | - | - | - | 2,300,038 |
| Interest on mortgages, notes, loans, and mortgage-backed securities | 5,196,746 | 5,067,033 | 1,363,372 | 6,241 | 4,659 | 11,638,051 |
| Sale of land and units, net | - | 118,292 | - | - | - | 118,292 |
| Other | 362,979 | 2,108,453 | - | 2,732,229 | 1,604,403 | 6,808,064 |
| Total operating revenues | 43,559,725 | 9,593,816 | 1,363,372 | 2,738,470 | 1,609,062 | 58,864,445 |
| **Operating expenses** | | | | | | |
| Programs | - | 7,564,147 | - | - | 5,092,985 | 12,657,132 |
| Personnel services | 1,316,311 | 4,780,219 | 186,197 | 1,367,319 | 947,480 | 8,597,526 |
| Housing assistance payments | - | - | - | - | 922,709 | 922,709 |
| Administration | 174,620 | 297,880 | 51,212 | 238,474 | 157,278 | 919,464 |
| Professional services | 132,900 | 327,797 | 27,933 | 79,909 | 52,837 | 621,376 |
| Depreciation | 21,823 | 1,278,943 | 7,117 | 24,681 | 16,572 | 1,349,136 |
| Insurance | 830 | 87,731 | 632 | 1,107 | 1,491 | 91,791 |
| Interest expense | - | - | 89,419 | - | - | 89,419 |
| Provision for (recovery of) losses | - | 70,547 | - | (1,972) | - | 68,575 |
| Capital expenses | 1,073 | 10,037 | 178 | 1,297 | 847 | 13,432 |
| Other | 1,537 | 6,869 | 1,458 | 1,917 | 1,235 | 13,016 |
| Total operating expenses | 1,649,094 | 14,424,170 | 364,146 | 1,712,732 | 7,193,434 | 25,343,576 |
| Operating income (loss) carried forward | 41,910,631 | (4,830,354) | 999,226 | 1,025,738 | (5,584,372) | 33,520,869 |



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
## June 30, 2024

| | 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 income (loss) brought forward | 41,910,631 | (4,830,354) | 999,226 | 1,025,738 | (5,584,372) | 33,520,869 |
| **Nonoperating revenues (expenses)** | | | | | | |
| Interest income | 17,222,188 | 10,646,398 | - | 714,273 | 1,200,550 | 29,783,409 |
| Net increase in fair value of mortgage-backed securities | - | - | 105,785 | - | - | 105,785 |
| Other expenses | - | - | - | (43) | - | (43) |
| Total nonoperating revenues | 17,222,188 | 10,646,398 | 105,785 | 714,230 | 1,200,550 | 29,889,151 |
| Income before transfers | 59,132,819 | 5,816,044 | 1,105,011 | 1,739,968 | (4,383,822) | 63,410,020 |
| Net transfers | 481,500,000 | 112,065,128 | - | - | 10,092,860 | 603,657,988 |
| Change in net position | 540,632,819 | 117,881,172 | 1,105,011 | 1,739,968 | 5,709,038 | 667,068,008 |
| **Net position** | | | | | | |
| Beginning of year | 1,036,789,988 | 527,237,959 | 36,013,719 | 11,320,923 | 35,455,314 | 1,646,817,903 |
| End of year | $1,577,422,807 | $ 645,119,131 | $ 37,118,730 | $ 13,060,891 | $ 41,164,352 | $2,313,885,911 |

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
## June 30, 2024

| | 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 | $ - | $ 1,081,872 | $ - | $ - | $ - | $ 1,081,872 |
| Cash received from borrowers | | | | | | |
| Principal payments | 2,298,717 | 8,231,895 | - | 30,090 | 110,662 | 10,671,364 |
| Interest income | 1,358,930 | 7,795,017 | 1,369,733 | 3,372 | 4,682 | 10,531,734 |
| Cash received from sale of land | - | 1,869,953 | - | - | - | 1,869,953 |
| Cash received from conveyance taxes | 38,000,000 | - | - | - | - | 38,000,000 |
| Cash received for payments on mortgage-backed securities, net | - | - | 1,854,851 | - | - | 1,854,851 |
| Cash payments for issuance of loans receivable | (136,598,154) | (2,752,503) | - | - | - | (139,350,657) |
| Interest payments | - | (13) | (90,403) | - | - | (90,416) |
| Payments to employees | (1,255,737) | (4,638,414) | (180,836) | (1,212,212) | (866,834) | (8,154,033) |
| Payments to suppliers | (329,523) | (8,393,330) | (80,290) | (336,528) | (6,230,435) | (15,370,106) |
| Cash receipts from (payments to) other funds | - | 29,678 | 37,121 | 1,124,848 | (1,271,911) | (80,264) |
| Other cash receipts | 637,659 | 2,074,268 | - | 2,705,638 | 2,090,184 | 7,507,749 |
| Net cash provided by (used in) operating activities | (95,888,108) | 5,298,423 | 2,910,176 | 2,315,208 | (6,163,652) | (91,527,953) |
| **Cash flows from noncapital financing activities** | | | | | | |
| Principal paid on revenue bond maturities and redemptions | - | - | (454,540) | - | - | (454,540) |
| Transfers in | 481,500,000 | 112,065,128 | - | - | 10,092,860 | 603,657,988 |
| Net cash provided by (used in) noncapital financing activities | 481,500,000 | 112,065,128 | (454,540) | - | 10,092,860 | 603,203,448 |
| **Cash flows from capital and related financing activities** | | | | | | |
| Purchases of capital assets | (2,496) | (41,117,339) | - | (2,972) | (2,627) | (41,125,434) |
| Net cash used in capital and related financing activities | (2,496) | (41,117,339) | - | (2,972) | (2,627) | (41,125,434) |
| **Cash flows from investing activities** | | | | | | |
| Interest received | 11,533,803 | 9,036,764 | - | 577,593 | 1,094,007 | 22,242,167 |
| Net cash provided by investing activities | 11,533,803 | 9,036,764 | - | 577,593 | 1,094,007 | 22,242,167 |
| Net increase in cash and cash equivalents | 397,143,199 | 85,282,976 | 2,455,636 | 2,889,829 | 5,020,588 | 492,792,228 |
| **Cash and cash equivalents** | | | | | | |
| Beginning of year | 287,563,585 | 249,961,138 | 21,389,883 | 16,757,525 | 30,909,667 | 606,581,798 |
| End of year | $ 684,706,784 | $ 335,244,114 | $ 23,845,519 | $ 19,647,354 | $ 35,930,255 | $1,099,374,026 |
| | | | | | | |
| **Components of cash and cash equivalents** | | | | | | |
| Equity in cash and cash equivalents and investments in State Treasury | $ 684,706,784 | $ 332,837,417 | $ - | $ 19,647,354 | $ 35,920,255 | $1,073,111,810 |
| Cash in banks | - | 1,317,410 | - | - | 10,000 | 1,327,410 |
| Restricted cash and cash equivalents held by trustee | - | - | 23,845,519 | - | - | 23,845,519 |
| Restricted deposits held in escrow | - | 1,089,287 | - | - | - | 1,089,287 |
| Cash and cash equivalents | $ 684,706,784 | $ 335,244,114 | $ 23,845,519 | $ 19,647,354 | $ 35,930,255 | $1,099,374,026 |

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
## June 30, 2024

| | 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) | $ 41,910,631 | $ (4,830,354) | $ 999,226 | $ 1,025,738 | $ (5,584,372) | $ 33,520,869 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | | | |
| Depreciation | 21,823 | 1,278,943 | 7,117 | 24,681 | 16,572 | 1,349,136 |
| Amortization | (20,894) | (77,090) | (6,772) | (23,632) | (15,706) | (144,094) |
| Lease amortization | - | (138,396) | - | - | - | (138,396) |
| Provision for (recovery of) losses | - | 70,547 | - | (1,972) | - | 68,575 |
| Rent subsidies applied to note payable | - | (15,357) | - | - | - | (15,357) |
| Interest expense settled through reduction of rental subsidies | - | 487 | - | - | - | 487 |
| Net pension benefit | (12,935) | (47,418) | (1,931) | (14,893) | (9,054) | (86,231) |
| Net OPEB benefit | (148,674) | (545,400) | (22,217) | (171,390) | (104,142) | (991,823) |
| Changes in assets and liabilities | | | | | | |
| Mortgage loans receivable | (134,299,437) | 87,630 | - | 30,090 | 110,662 | (134,071,055) |
| Notes and loans receivable | - | 10,247,497 | - | - | - | 10,247,497 |
| Accrued interest receivable | (3,837,816) | (2,126,743) | 6,361 | - | 23 | (5,958,175) |
| Tenant receivables | - | (278,919) | - | - | - | (278,919) |
| Other receivables | 87,500 | (35,516) | - | - | 485,781 | 537,765 |
| Due to (from) other funds | 2,331 | 7 | 37,121 | 1,124,848 | (1,271,911) | (107,604) |
| Due to other State departments | - | 29,671 | - | - | - | 29,671 |
| Inventories – development in progress and dwelling units | - | 571,606 | - | - | - | 571,606 |
| Prepaid expenses and other assets | - | (135,311) | - | - | 13,478 | (121,833) |
| Investments | - | - | 1,854,851 | - | - | 1,854,851 |
| Accounts payable | - | 1,287,235 | 7,897 | 9,808 | 1,175 | 1,306,115 |
| Accrued interest payable | - | (13) | (984) | - | - | (997) |
| Other accrued expenses | 222,182 | 734,623 | 29,507 | 341,390 | 193,842 | 1,521,544 |
| Security deposits | - | (77,265) | - | (26,591) | - | (103,856) |
| Unearned income | 187,181 | (631,494) | - | - | - | (444,313) |
| Estimated future costs of development | - | (70,547) | - | - | - | (70,547) |
| Net cash provided by (used in) operating activities | $ (95,888,108) | $ 5,298,423 | $ 2,910,176 | $ 2,318,077 | $ (6,163,652) | $ (91,525,084) |

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
## June 30, 2024

| | 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 | $ - | $ 14,870 | $ - | $ - | $ - | $ 14,870 |
| Interest payments on mortgage note payable settled through reduction of rental subsidies | - | 487 | - | - | - | 487 |
| Capital assets transferred from inventories – development in progress and dwelling units | - | 15,725,370 | - | - | - | 15,725,370 |



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, 2024, 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.

  - Homeowner Assistance Fund Program accounts for all financial activities funded by the related federal grant. Substantially all of the fund's activity is related to providing mortgage or other eligible homeowner expense assistance to residents impacted by the COVID-19 pandemic.

*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, 2024, there were allowances for mortgage loan receivables, tenant receivables and other receivables of approximately $405,000, $2,117,000 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, building and 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.

**Accrued Vacation**

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. Such vacation credits are recorded as other accrued expenses in the government-wide and the proprietary funds financial statements at the balance sheet date. Accumulated unpaid vacation estimated to be used or paid during the next year is approximately $269,000. Accrued vacation, which is included in other accrued expenses in the statement of net position, changed during fiscal year 2024 as follows:

| | | |
|---|---|---|
| **Balance at July 1, 2023** | $ | 773,000 |
| Additions | | 453,000 |
| Reductions | | (347,000) |
| **Balance at June 30, 2024** | $ | 879,000 |

**Accumulated Sick Leave Pay**

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"). Accumulated unpaid sick leave at June 30, 2024 amounted to approximately $2,306,000.

**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 separately in stand-alone financial statements or 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 separately in stand-alone financial statements or 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. 99***
The GASB issued Statement No. 99, *Omnibus*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement were effective immediately, while other requirements are effective for fiscal years beginning after June 15, 2022 and June 15, 2023, respectively. The requirements of this Statement did not have a material effect on the Corporation's financial statements.

***GASB Statement No. 100***
The GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The Corporation adopted this Statement effective July 1, 2023. Adoption of this Statement did not have a material impact on the Corporation's financial statements.

***GASB Statement No. 101***

The GASB issued 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The Corporation has not determined the effect this Statement will have on its financial statements.

***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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024. The Corporation has not determined the effect this Statement will have on its financial statements.

***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, 2024, 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 | $ 1,429,977 | $1,073,111,810 | $1,074,541,787 |
| Cash in banks (book balance) | 81,861 | 1,327,410 | 1,409,271 |
| Cash held by third parties | 940,814 | - | 940,814 |
| Restricted cash and cash equivalents held by trustee | - | 23,845,519 | 23,845,519 |
| Restricted deposits held in escrow | - | 1,089,287 | 1,089,287 |
| Total cash and cash equivalents | $ 2,452,652 | $1,099,374,026 | $1,101,826,678 |

The bank balance of cash in bank was approximately $916,000, of which $544,000 was covered by federal deposit insurance. As of June 30, 2024, 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, 2024 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 | $ 39,625 | $ 988,438 | $ 1,676,026 | $ 3,045,795 | $ 11,811,621 | $ 17,561,505 |

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, 2024, 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, 2024, Federal National Mortgage Association ("FNMA") mortgage-backed securities were rated AA+, Aaa, 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, 2024, 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, 2024 comprised the following:

| | Mortgage Loans | Notes and Loans |
|---|---|---|
| Mortgage loans bearing interest up to 5.50%, maturing at various dates through 2081 | $ 896,422,643 | $ - |
| Promissory notes bearing interest up to 5.00%, maturing at various dates through 2071 | - | 100,528,004 |
| Non-interest bearing promissory notes, maturing at various dates through 2066 | - | 9,861,610 |
| Allowance for loan losses | (405,020) | - |
| | 896,017,623 | 110,389,614 |
| Less: Current portion | (536,562) | (11,259,622) |
| Noncurrent portion | $ 895,481,061 | $ 99,129,992 |

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 has 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, 2024.

**Lessor**
The Corporation leases land with a carrying value to various developers and home buyers. The lease receivable as of June 30, 2024 was approximately $4,667,000. Deferred inflows related to these leases were approximately $4,478,000 as of June 30, 2024. Interest revenue recognized on these leases was approximately $188,000 for the year ended June 30, 2024. Principal receipts of approximately $374,000 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, 2024, the net book value of the subscription asset was approximately $35,000.

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).

## 7. Capital Assets

Capital assets activity, including subscription assets, for the year ended June 30, 2024 was as follows:

| | Balance at July 1, 2023 | Additions | Disposals | Balance at June 30, 2024 |
|---|---|---|---|---|
| **Governmental activities** | | | | |
| Depreciable assets | | | | |
| Furniture, fixtures and equipment | $ 108,693 | $ 111,385 | $ - | $ 220,078 |
| Subscription asset | 43,200 | - | - | 43,200 |
| | 151,893 | 111,385 | - | 263,278 |
| Accumulated depreciation and amortization | | | | |
| Furniture, fixtures and equipment | (108,693) | (6,721) | - | (115,414) |
| Subscription asset | - | (8,640) | - | (8,640) |
| | (108,693) | (15,361) | - | (124,054) |
| Governmental activities capital assets, net | $ 43,200 | $ 96,024 | $ - | $ 139,224 |
| **Business-type activities** | | | | |
| Depreciable assets | | | | |
| Buildings and improvements | $ 4,452,477 | $ 49,345,847 | $ - | $ 53,798,324 |
| Furniture, fixtures and equipment | 738,024 | 20,730 | - | 758,754 |
| | 5,190,501 | 49,366,577 | - | 54,557,078 |
| Accumulated depreciation | | | | |
| Building and improvements | (3,547,541) | (1,236,588) | - | (4,784,129) |
| Furniture, fixtures and equipment | (352,779) | (112,548) | - | (465,327) |
| | (3,900,320) | (1,349,136) | - | (5,249,456) |
| | 1,290,181 | 48,017,441 | - | 49,307,622 |
| Land | 82,705,420 | 7,484,227 | | 90,189,647 |
| Business-type activities capital assets, net | $ 83,995,601 | $ 55,501,668 | $ - | $ 139,497,269 |

For the year ended June 30, 2024, approximately $15,000 and $1,349,000 of depreciation and amortization expense was charged to the governmental activities and business-type activities, respectively.

At June 30, 2024, 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 | $ 53,520,342 | $ 28,097 | $ 98,041 | $ 65,161 | $ 53,798,324 |
| Furniture, fixtures and equipment | 90,345 | 434,771 | 45,680 | 109,186 | 78,772 | 758,754 |
| | 177,028 | 53,955,113 | 73,777 | 207,227 | 143,933 | 54,557,078 |
| Less: Accumulated depreciation | (73,246) | (4,980,794) | (40,759) | (89,701) | (64,956) | (5,249,456) |
| | 103,782 | 48,974,319 | 33,018 | 117,526 | 78,977 | 49,307,622 |
| Land | - | 90,189,647 | - | - | - | 90,189,647 |
| Net capital assets | $ 103,782 | $ 139,163,966 | $ 33,018 | $ 117,526 | $ 78,977 | $ 139,497,269 |

## 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, 2024, 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 | $ 323,000 |
| Mortgage loan reserve requirements | 240,000 |
| | $ 563,000 |

At June 30, 2024, 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, 2024.

## 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, 2024, 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, 2023 | Additions | Reductions | Balance at June 30, 2024 | Current Portion |
|---|---|---|---|---|---|
| Note payable | $ 56,621 | $ - | $ (14,870) | $ 41,751 | $ 15,021 |

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

| | Principal | Interest | Total |
|---|---|---|---|
| **Years ending June 30,** | | | |
| 2025 | $ 15,000 | $ 1,000 | $ 16,000 |
| 2026 | 15,000 | - | 15,000 |
| 2027 | 12,000 | - | 12,000 |
| | $ 42,000 | $ 1,000 | $ 43,000 |

## 10. Single Family Mortgage Purchase Revenue Bonds Payable

Through June 30, 2024, 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, 2024 consisted of the following issuance:

| | |
|---|---|
| **2013 Series A** | |
| Term bonds maturing in 2025 through 2027 (2.60%) | $ 3,230,554 |

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, 2024.

Revenue bonds activity during the year was as follows:

| | Balance at July 1, 2023 | Additions | Reductions | Balance at June 30, 2024 |
|---|---|---|---|---|
| Single Family Mortgage Purchase | $ 3,685,094 | $ - | $ (454,540) | $ 3,230,554 |
| Less: Current portion | | | | (1,055,000) |
| | | | | $ 2,175,554 |

The approximate annual debt service requirements through June 30, 2027 for revenue bonds are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| **Years ending June 30,** | | | |
| 2025 | $ 1,055,000 | $ 69,000 | $ 1,124,000 |
| 2026 | 1,082,000 | 41,000 | 1,123,000 |
| 2027 | 1,094,000 | 13,000 | 1,107,000 |
| | $ 3,231,000 | $ 123,000 | $ 3,354,000 |

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 $89,000 was included as direct function expenses in the government-wide statement of activities during the year ended June 30, 2024.

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, 2024:

| | Balance at July 1, 2023 | Additions | Reductions | Balance at June 30, 2024 | Current Portion |
|---|---|---|---|---|---|
| Unearned income | $ 20,812,681 | $ 1,012,222 | $ (1,456,535) | $ 20,368,368 | $ 423,279 |
| Lease incentive liability | 830,819 | - | (144,094) | 686,725 | - |
| Unrealized gain on sale of units and land | 1,743,437 | - | - | 1,743,437 | - |
| Net OPEB liability | 8,422,997 | 439,628 | (513,377) | 8,349,248 | - |
| Net pension liability | 10,050,879 | 1,870,304 | (1,102,811) | 10,818,372 | - |
| | $ 41,860,813 | $ 3,322,154 | $ (3,216,817) | $ 41,966,150 | $ 423,279 |

## 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, 2024, conduit debt obligations outstanding amounted to approximately $572,764,000.

## 13. Commitments and Contingencies

### Construction Contracts

At June 30, 2024, the Dwelling Unit Revolving Fund ("DURF") had outstanding commitments to expend approximately $34,263,000 for land development and the construction and renovation of housing projects.

### Loan Commitments

At June 30, 2024, the Rental Housing Revolving Fund and DURF had aggregate outstanding loan commitments of approximately $76,465,000 and $6,399,000, respectively.

### Rental Subsidy Commitments

At June 30, 2024, the Rental Assistance Revolving Fund had aggregate outstanding rental subsidy commitments of approximately $20,111,000.

**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, 2024, 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 $60,948,000. This commitment is primarily for the completion of certain infrastructure improvements for this project. Of this commitment, approximately $14,312,000 has been entered into via various construction contracts. As of June 30, 2024, 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, 2024, the Corporation still has development rights for most of the Leialii project and development costs related to Leialii were approximately $9,224,000 as of June 30, 2024.

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. As of June 30, 2024, 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 $6,091,000 as of June 30, 2024.

**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 State and other defendants have agreed to an approximately $4.04 billion global settlement in mediation, which is currently going subrogation. The judgments against the Corporation are judgments against the State and would be funded from legislative appropriation of the State's general fund.

As for other matters related to the wildfire destruction, management is currently determining the impact on the Corporation's operations.

**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, 2024, 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, 2024.

## 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, 2024, the conduit debt obligations of and notes receivable from EAH related to the project amounted to approximately $11,561,000 and $11,466,000, respectively. Currently, $2,821,000 of the conduit debt obligation bears interest at a fixed rate of 6.25% and matures through January 2042, while the remaining $8,740,000 bears interest at a rate of 4.78% and matures annually through January 2042. The conduit debt obligation includes monthly payments of principal and interest with principal payments that range from approximately $15,000 to $16,000. 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, 2024 related to the Project was approximately $18,635,000. 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, 2024, DURF recognized approximately $2,500,000 of interest income related to the outstanding promissory notes. As of June 30, 2024, DURF has recorded approximately $25,400,000 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 2024 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the pension plan from the Corporation were approximately $1,227,000 for the year ended June 30, 2024.

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, 2024, the Corporation reported a net pension liability of approximately $10,818,000 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the Corporation's proportion was 0.16%, which did not change from its proportion measured as of June 30, 2022.

There were no changes in actuarial assumptions as of June 30, 2022 to June 30, 2023. There were no changes between the measurement date, June 30, 2023, and the reporting date, June 30, 2024, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2024, the Corporation recognized pension expense of approximately $1,140,000.

At June 30, 2024, 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 | $ 214,047 | $ (114,426) |
| Changes in assumptions | (304,016) | (112,341) |
| Net difference between projected and actual earnings on pension plan investments | - | (38,988) |
| Changes in proportion and differences between Corporation contributions and proportional share of contributions | 74,560 | (21,018) |
| Corporation contributions subsequent to the measurement date | 1,226,625 | - |
| | $ 1,211,216 | $ (286,773) |

At June 30, 2024, approximately $1,227,000 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, 2025.

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,** | |
|---|---|
| 2025 | $ 82,000 |
| 2026 | 342,000 |
| 2027 | (502,000) |
| 2028 | (217,000) |
| 2029 | (7,000) |
| | $ (302,000) |

**Actuarial Assumptions**

The total pension liability in the June 30, 2023 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 Real Rate of Return |
|---|---|---|
| Broad growth | | |
| Private equity | 13.50 % | 10.00 % |
| Global equity | 20.00 % | 7.90 % |
| Low volatility equity | 4.00 % | 7.10 % |
| Global options | 4.00 % | 5.80 % |
| Credit | 6.00 % | 8.00 % |
| Core real estate | 6.00 % | 6.00 % |
| Non-core real estate | 4.50 % | 7.90 % |
| Timber/agriculture/infrastructure | 5.00 % | 7.20 % |
| Diversifying strategies | | |
| TIPS | 2.00 % | 3.20 % |
| Global macro | 4.00 % | 6.00 % |
| Reinsurance | 4.00 % | 7.00 % |
| Alternative risk premia | 8.00 % | 5.00 % |
| Long-term treasuries | 5.00 % | 3.80 % |
| Intermediate government | 4.00 % | 3.20 % |
| Systematic trend following | 10.00 % | 4.70 % |
| 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 | $ 14,402,466 | $ 10,818,372 | $ 7,850,126 |

**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 contribution payable to the ERS was not paid by June 30, 2024. The proportionate share of amounts payable of $12,000 are being applied to amounts due in fiscal year 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 P.O. Box 2121, Honolulu, Hawaii 96805-2121.

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, 2023, the following number of plan members were covered by the benefit terms:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 40,136 |
| Inactive plan members entitled to but not yet receiving benefits | 7,520 |
| Active plan members | 48,709 |
| Total plan members | 96,365 |

**Contributions**

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Corporation was approximately $1,163,000 for the year ended June 30, 2024. 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, 2024, the Corporation reported a net OPEB liability of approximately $8,349,000. The net OPEB liability was measured as of July 1, 2023, 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, 2023, and the reporting date, June 30, 2024, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2024, the Corporation recognized OPEB expense of approximately $171,000.

At June 30, 2024, 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 | $ - | $ (1,328,311) |
| Changes in assumptions | 60,554 | (220,569) |
| Net difference between projected and actual earnings on OPEB plan investments | 343,936 | - |
| Corporation contributions subsequent to the measurement date | 1,162,766 | - |
| | $ 1,567,256 | $ (1,548,880) |

The approximate $1,163,000 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, 2024.

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,** | |
|---|---|
| 2025 | $ (362,000) |
| 2026 | (390,000) |
| 2027 | (188,000) |
| 2028 | (191,000) |
| 2029 | (13,000) |
| | $ (1,144,000) |

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2023 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 6.30% declining to a rate of 4.25% after 21 years |
| HMO* | Initial rate of 6.30% declining to a rate of 4.25% after 21 years |
| Contribution | Initial rate of 5.00% declining to a rate of 4.25% after 21 years |
| Dental | 4.00% |
| Vision | 2.50% |
| Life insurance | 0.00% |

* Blended rates for medical and prescription drugs.

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** |
|---|---|---|
| Global equity | 27.50 % | 7.60 % |
| Private equity | 15.00 % | 10.00 % |
| Real assets | 12.00 % | 4.30 % |
| Private credit | 10.00 % | 7.80 % |
| Trend following | 10.00 % | 2.40 % |
| Long treasuries | 5.50 % | 2.40 % |
| TIPS | 5.00 % | 2.00 % |
| Reinsurance | 5.00 % | 3.40 % |
| Alternative risk premia | 5.00 % | 3.30 % |
| U.S. microcap | 3.00 % | 8.70 % |
| Tail risk/ long volatility | 2.00 % | (1.10)% |
| Global options | 0.00 % | 4.90 % |
| 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, 2023.

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|---|---|---|---|
| **Balance at July 1, 2023** | $ 11,875,437 | $ 3,452,440 | $ 8,422,997 |
| Service cost | 135,135 | - | 135,135 |
| Interest on total net OPEB liability | 462,693 | - | 462,693 |
| Difference between expected and actual experience | (45,520) | - | (45,520) |
| Corporation contributions | - | 513,375 | (513,375) |
| Net investment income | - | 112,374 | (112,374) |
| Benefit payments | (257,330) | (257,330) | - |
| Administrative expenses | - | (159) | 159 |
| Other | - | 467 | (467) |
| Net change | 294,978 | 368,727 | (73,749) |
| **Balance at June 30, 2024** | $ 12,170,415 | $ 3,821,167 | $ 8,349,248 |

**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 | $ 10,440,584 | $ 8,349,248 | $ 6,680,002 |

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 | $ 6,482,341 | $ 8,349,248 | $ 10,738,818 |

**Payables to the OPEB Plan**

The Corporation's contribution payable to EUTF was paid by June 30, 2024.

**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, 2024 is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Housing Finance Revolving Fund | Dwelling Unit Revolving Fund | $ 7 |
| Housing Finance Revolving Fund | Non-major Enterprise Funds | 100,007 |
| Housing Finance Revolving Fund | Rental Housing Revolving Fund | 2,331 |
| Non-major Enterprise Funds | Housing Finance Revolving Fund | 4,806,398 |
| Dwelling Unit Revolving Fund | Non-major Enterprise Funds | 900,000 |
| Housing Finance Revolving Fund | Single Family Mortgage Purchase Revenue Bond Fund | 32,683 |
| | Total proprietary interfund balances | $ 5,841,426 |
| | | |
| Housing Finance Revolving Fund | HOME Investment Partnership Program Fund | $ 136,437 |
| Non-major Enterprise Funds | HOME Investment Partnership Program Fund | 47,898 |
| Non-major Enterprise Funds | Housing Trust Fund Program | 22,036 |
| Housing Finance Revolving Fund | Housing Trust Fund Program | 26,503 |
| | Total governmental interfund balances | $ 232,874 |

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

## 19. Subsequent Event

Effective July 1, 2024, the State of Hawaii entered into multiple settlement agreements regarding Temporary Hazard Pay with unions for periods covering dates in March 2020 through March 2022, for those employees who performed essential functions during the COVID-19 pandemic. Total accrued payroll and benefits for the year ended June 30, 2024, related to temporary hazard pay for the Corporation was approximately $1.3 million to be funded by the Corporation’s proprietary fund.

Act 049, SLH 2024 provided emergency appropriations for public employment cost items and cost adjustments for employees of certain collective bargaining units. Effective July 1, 2024, the State appropriated a total of $458.8 million as a result of a negotiated settlement for employees who met certain requirements during the COVID-19 pandemic.

# 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, 2024

| | Original and Final Budgets | Budgetary Actual | Variance with Final Budget |
|---|---|---|---|
| **Revenues** | | | |
| State allotted appropriations | $ 461,500,000 | $ 461,500,000 | $ - |
| **Expenditures** | | | |
| Programs | 461,500,000 | 461,272,131 | 227,869 |
| Excess of revenues over expenditures | $ - | $ 227,869 | $ 227,869 |

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, 2024

| | Original and Final Budgets | Budgetary Actual | Variance with Final Budget |
|---|---|---|---|
| **Revenues** | | | |
| Intergovernmental revenue | $ 4,965,825 | $ 5,369,705 | $ 403,880 |
| **Expenditures** | | | |
| Low-income housing service and assistance programs | 4,965,825 | 5,168,398 | (202,573) |
| Excess of revenues over expenditures | $ - | $ 201,307 | $ 201,307 |

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, 2024

| | Original and Final Budgets | Budgetary Actual | Variance with Final Budget |
|---|---|---|---|
| **Revenues** | | | |
| Intergovernmental revenue | $ 3,941,832 | $ 3,938,052 | $ (3,780) |
| **Expenditures** | | | |
| Low-income housing service and assistance programs | 3,941,832 | 3,938,052 | 3,780 |
| Excess of revenues over expenditures | $ - | $ - | $ - |

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 – Homeowner Assistance Fund Program (Unaudited)
## Year Ended June 30, 2024

| | Original and Final Budgets | Budgetary Actual | Variance with Final Budget |
|---|---|---|---|
| **Revenues** | | | |
| Intergovernmental revenue | $ 5,838,231 | $ 4,784,257 | $ (1,053,974) |
| **Expenditures** | | | |
| Low-income housing service and assistance programs | 5,838,231 | 4,784,257 | 1,053,974 |
| 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), 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. 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, 2024, 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 change 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, 2024 were as follows:

| | General Fund | HOME Investment Partnership Program | Housing Trust Fund Program | Homeowner Assistance Fund Program |
|---|---|---|---|---|
| Excess of revenues over expenditures – actual (budgetary basis) | $ 227,869 | $ 201,307 | $ - | $ - |
| Program expenditures transferred | 460,912,332 | - | - | - |
| Transfers | (460,912,332) | - | - | - |
| Excess of revenues over expenditures and other financing uses | $ 227,869 | $ 201,307 | $ - | $ - |

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 Fund**
**Combining Balance Sheet**
**June 30, 2024**

| | Tax Credit Assistance Program | Total |
|---|---|---|
| **Assets** | | |
| Notes and loans receivable | $ 9,861,610 | $ 9,861,610 |
| Total assets | $ 9,861,610 | $ 9,861,610 |
| **Fund balance** | | |
| Restricted | $ 9,861,610 | $ 9,861,610 |
| Total fund balance | $ 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 Governmental Fund
## Combining Statement of Revenues, Expenses, and Change in Fund Balances
## Year Ended June 30, 2024

| | Tax Credit Assistance Program | Total |
|---|---|---|
| **Revenues** | | |
| Total revenues | $ - | $ - |
| **Expenditures** | | |
| Total expenditures | - | - |
| 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, 2024

| | 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 | $ 29,903,190 | $ 5,000,000 | $ - | $ 1,017,065 | $ - | $ 35,920,255 |
| Cash in banks | - | - | - | 10,000 | - | 10,000 |
| Receivables | | | | | | |
| Accrued interest | 713,221 | - | - | - | - | 713,221 |
| Other receivables, less allowance for doubtful accounts of $135,591 | - | - | 602,629 | - | - | 602,629 |
| Due from other funds | - | - | 4,803,786 | 72,546 | - | 4,876,332 |
| Prepaid expenses and other assets | 62,207 | - | - | - | - | 62,207 |
| Total current assets | 30,678,618 | 5,000,000 | 5,406,415 | 1,099,611 | - | 42,184,644 |
| Mortgage loans | 1,782,118 | - | - | - | - | 1,782,118 |
| Capital assets, net | 22,019 | - | 56,958 | - | - | 78,977 |
| Total assets | 32,482,755 | 5,000,000 | 5,463,373 | 1,099,611 | - | 44,045,739 |
| Deferred outflows of resources | | | | | | |
| Deferred outflows on net pension liability | 21,888 | - | 94,471 | - | - | 116,359 |
| Deferred outflows on net OPEB liability | 40,847 | - | 122,659 | - | - | 163,506 |
| Total deferred outflows of resources | 62,735 | - | 217,130 | - | - | 279,865 |
| Total assets and deferred outflows of resources | $ 32,545,490 | $ 5,000,000 | $ 5,680,503 | $ 1,099,611 | $ - | $ 44,325,604 |
| **Liabilities, Deferred Inflows of Resources, and Net Position** | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | $ - | $ - | $ - | $ 50,947 | $ 125 | $ 51,072 |
| Accrued expenses | 90,748 | - | 245,656 | - | - | 336,404 |
| Due to other funds | 7 | - | - | 1,000,000 | - | 1,000,007 |
| Due to other State departments | - | - | - | 10,000 | - | 10,000 |
| Unearned income | - | - | - | 38,664 | - | 38,664 |
| Total current liabilities | 90,755 | - | 245,656 | 1,099,611 | 125 | 1,436,147 |
| Noncurrent liabilities | | | | | | |
| Lease incentive liability | 21,288 | - | 53,565 | - | - | 74,853 |
| Net OPEB liability | 164,973 | - | 427,986 | - | - | 592,959 |
| Net pension liability | 230,675 | - | 643,636 | - | - | 874,311 |
| Total noncurrent liabilities | 416,936 | - | 1,125,187 | - | - | 1,542,123 |
| Total liabilities | 507,691 | - | 1,370,843 | 1,099,611 | 125 | 2,978,270 |
| Deferred inflows of resources | | | | | | |
| Deferred inflows on net pension liability | 7,657 | - | 22,454 | - | - | 30,111 |
| Deferred inflows on net OPEB liability | 38,366 | - | 114,505 | - | - | 152,871 |
| Total deferred inflows of resources | 46,023 | - | 136,959 | - | - | 182,982 |
| Commitments and contingencies | | | | | | |
| Net position | | | | | | |
| Net investment in capital assets | 22,019 | - | 56,958 | - | - | 78,977 |
| Restricted by legislation and contractual agreements | 31,969,757 | 5,000,000 | - | - | - | 36,969,757 |
| Unrestricted | - | - | 4,115,743 | - | (125) | 4,115,618 |
| Total net position | 31,991,776 | 5,000,000 | 4,172,701 | - | (125) | 41,164,352 |
| Total liabilities, deferred inflows of resources, and net position | $ 32,545,490 | $ 5,000,000 | $ 5,680,503 | $ 1,099,611 | $ - | $ 44,325,604 |

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, 2024

| | 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 | $ 4,659 | $ - | $ - | $ - | $ - | $ 4,659 |
| Other | - | - | 1,604,403 | - | - | 1,604,403 |
| Total operating revenues | 4,659 | - | 1,604,403 | - | - | 1,609,062 |
| **Operating expenses** | | | | | | |
| Programs | - | - | - | - | 5,092,985 | 5,092,985 |
| Personnel services | 235,716 | - | 711,764 | - | - | 947,480 |
| Housing assistance payments | 922,709 | - | - | - | - | 922,709 |
| Administration | 39,734 | - | 117,544 | - | - | 157,278 |
| Professional services | 8,254 | - | 44,583 | - | - | 52,837 |
| Depreciation | 4,711 | - | 11,861 | - | - | 16,572 |
| Insurance | 510 | - | 981 | - | - | 1,491 |
| Capital expenses | 235 | - | 612 | - | - | 847 |
| Other | 353 | - | 882 | - | - | 1,235 |
| Total operating expenses | 1,212,222 | - | 888,227 | - | 5,092,985 | 7,193,434 |
| Operating income (loss) | (1,207,563) | - | 716,176 | - | (5,092,985) | (5,584,372) |
| **Nonoperating revenues** | | | | | | |
| Interest income | 1,200,550 | - | - | - | - | 1,200,550 |
| Total nonoperating revenues | 1,200,550 | - | - | - | - | 1,200,550 |
| Income (loss) before transfers | (7,013) | - | 716,176 | - | (5,092,985) | (4,383,822) |
| Net transfers | - | 5,000,000 | - | - | 5,092,860 | 10,092,860 |
| Change in net position | (7,013) | 5,000,000 | 716,176 | - | (125) | 5,709,038 |
| **Net position** | | | | | | |
| Beginning of year | 31,998,789 | - | 3,456,525 | - | - | 35,455,314 |
| End of year | $ 31,991,776 | $ 5,000,000 | $ 4,172,701 | $ - | $ (125) | $ 41,164,352 |

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, 2024

| | 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 | $ 110,662 | $ - | $ - | $ - | $ - | $ 110,662 |
| Interest income | 4,682 | - | - | - | - | 4,682 |
| Payments to employees | (219,069) | - | (647,765) | - | - | (866,834) |
| Payments to suppliers | (969,789) | - | (203,779) | 35,993 | (5,092,860) | (6,230,435) |
| Receipts (payments) to other funds, net | 7 | - | (1,236,307) | (35,611) | - | (1,271,911) |
| Other cash receipts | - | - | 2,090,184 | - | - | 2,090,184 |
| Net cash provided by (used in) operating activities | (1,073,507) | - | 2,333 | 382 | (5,092,860) | (6,163,652) |
| **Cash flows from noncapital financing activities** | | | | | | |
| Transfers in | - | 5,000,000 | - | - | 5,092,860 | 10,092,860 |
| Net cash provided by noncapital financing activities | - | 5,000,000 | - | - | 5,092,860 | 10,092,860 |
| **Cash flows from capital and related financing activities** | | | | | | |
| Purchase of capital assets | (294) | - | (2,333) | - | - | (2,627) |
| Net cash used in capital and related financing activities | (294) | - | (2,333) | - | - | (2,627) |
| **Cash flows from investing activities** | | | | | | |
| Interest received | 1,094,007 | - | - | - | - | 1,094,007 |
| Net cash provided by investing activities | 1,094,007 | - | - | - | - | 1,094,007 |
| Net increase in cash and cash equivalents | 20,206 | 5,000,000 | - | 382 | - | 5,020,588 |
| **Cash and cash equivalents** | | | | | | |
| Beginning of year | 29,882,984 | - | - | 1,026,683 | - | 30,909,667 |
| End of year | $ 29,903,190 | $ 5,000,000 | $ - | $ 1,027,065 | $ - | $ 35,930,255 |
| | | | | | | |
| **Components of cash and cash equivalents** | | | | | | |
| Equity in cash and cash equivalents and investments in State Treasury | $ 29,903,190 | $ 5,000,000 | $ - | $ 1,017,065 | $ - | $ 35,920,255 |
| Cash in banks | - | - | - | 10,000 | - | 10,000 |
| Cash and cash equivalents | $ 29,903,190 | $ 5,000,000 | $ - | $ 1,027,065 | $ - | $ 35,930,255 |
| | | | | | | |
| **Cash flows from operating activities** | | | | | | |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | | | |
| Operating income (loss) | $ (1,207,563) | $ - | $ 716,176 | $ - | $ (5,092,985) | $ (5,584,372) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | | | |
| Depreciation | 4,711 | - | 11,861 | - | - | 16,572 |
| Amortization | (4,467) | - | (11,239) | - | - | (15,706) |
| Net pension benefit | (2,302) | - | (6,752) | - | - | (9,054) |
| Net OPEB benefit | (26,482) | - | (77,660) | - | - | (104,142) |
| Changes in assets and liabilities | | | | | | |
| Mortgage loans receivable | 110,662 | - | - | - | - | 110,662 |
| Accrued interest receivable | 23 | - | - | - | - | 23 |
| Other receivables | - | - | 485,781 | - | - | 485,781 |
| Due to (from) other funds | 7 | - | (1,236,307) | (35,611) | - | (1,271,911) |
| Prepaid expenses and other assets | 13,478 | - | - | - | - | 13,478 |
| Accounts payable | (7,005) | - | (27,938) | 35,993 | 125 | 1,175 |
| Other accrued expenses | 45,431 | - | 148,411 | - | - | 193,842 |
| Net cash provided by (used in) operating activities | $ (1,073,507) | $ - | $ 2,333 | $ 382 | $ (5,092,860) | $ (6,163,652) |

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, 2024

The Corporation's cash and short-term investments consist of the following as of June 30, 2024:

| | |
|---|---|
| Equity in State Treasury investment pool – Government-wide | $1,074,541,787 |
| Cash in banks | 1,409,271 |
| Cash held by third parties | 940,814 |
| Restricted cash and cash equivalents held by trustee | 23,845,519 |
| Restricted deposits held in escrow | 1,089,287 |
| | $1,101,826,678 |

Total cash and short-term investments are in agreement with the State Comptroller's central accounting records as of June 30, 2024, as reconciled below:

| | Appropriation Symbol | Balance at June 30, 2024 |
|---|---|---|
| **Cash in State Treasury** | | |
| Special Funds | S-17-375-B | $ 29,807 |
| | S-18-375-B | 89,954 |
| | S-19-376-B | 8,000 |
| | S-20-314-B | 5,884 |
| | S-20-375-B | 989,691 |
| | S-21-375-B | 857,903 |
| | S-21-376-B | 353,963 |
| | S-21-382-B | 28,494 |
| | S-22-375-B | 831,145 |
| | S-22-376-B | 4,703,501 |
| | S-22-544-B | 1,429,977 |
| | S-24-380-B | 59,116,196 |
| | S-24-390-B | 625,591,024 |
| | S-24-320-B | 35,789 |
| | S-23-375-B | 6,037,018 |
| | S-24-375-B | 71,482,009 |
| | S-23-381-B | 228,574 |
| | S-24-381-B | 45,493,040 |
| | S-24-382-B | 205,264,876 |
| | S-23-376-B | 6,052,658 |
| | S-24-376-B | 8,394,921 |
| Subtotal | | 1,037,024,424 |

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, 2024

| | Appropriation Symbol | Balance at June 30, 2024 |
|---|---|---|
| Subtotal carried forward | | 1,037,024,424 |
| Special Funds (continued) | S-24-321-B | 141,733 |
| | S-24-378-B | 29,903,873 |
| | S-23-379-B | 5,000,000 |
| | S-23-314-B | 2,475 |
| | S-24-314-B | 985,961 |
| Total cash held in State Treasury, as reported by the State Comptroller's accounting records | | 1,073,058,466 |
| **Reconciling items** | | |
| Journal vouchers not recorded by DAGS | | 1,483,321 |
| **Cash and short-term investments held outside State Treasury** | | |
| Cash in bank | | 1,409,271 |
| Cash held by third parties | | 940,814 |
| Restricted cash and cash equivalents held by trustee | | 23,845,519 |
| Restricted deposits held in escrow | | 1,089,287 |
| | | 27,284,891 |
| Cash and short-term investments on Statement of Net Position | | $1,101,826,678 |

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, 2024

| 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 | | $ 5,168,398 | $ 4,976,878 |
| Housing Trust Fund | 14.275 | | 3,938,052 | 3,763,251 |
| **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 | 4,784,257 | 4,729,454 |
| Total federal expenditures | | | $ 13,890,707 | $ 13,469,583 |

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

**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 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, 2024, 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 20, 2024.

**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.

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**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. 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 20, 2024

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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, 2024. The Corporation's major federal programs are 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 programs for the year ended June 30, 2024.

**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.

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 20, 2024

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### 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 |
|---|---|
| 14.239 | HOME Investment Partnership Program |
| 21.026 | COVID-19 Homeowner Assistance 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.

## 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.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

DEAN MINAKAMI
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
PHONE: (808) 587-0620

IN REPLY REFER TO:

24:FMB/078 ml

Ho

December 20, 2024

Accuity LLP
First Hawaiian Center
999 Bishop Street, Suite 2300
Honolulu, Hawaii 96813

Thank you for the opportunity to provide comments on the Schedule of Findings and Questioned Costs issued in connection with the Independent Auditors' Report 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* for the fiscal year ended June 30, 2024. Please refer to the attachment for our comment on the status of prior audit finding.

If you should have any questions, please contact Holly Osumi, Chief Financial Officer, at (808) 587-0601.

Sincerely,

Dean Minakami
Executive Director

Attachment

# 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, 2024

| Finding No. | Description | Classification | Status: Resolved | Status: Unresolved | Current Year Finding No. |
|---|---|---|---|---|---|
| 2023-001 | Financial Close and Reporting | Material Weakness | **X** | | N/A |

### Corrective Action Plan

**Finding No. 2023-001 Financial Close and Reporting (Material Weakness)**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, a prior period adjustment was recorded as of June 30, 2023 to remove the liability for estimated future costs of development for the Villages of Kapolei project under the Dwelling Unit Revolving Fund and instead disclosed these committed obligations as a commitment in the notes to the financial statements.

Management reviewed the matter and consulted with the current audit firm, Accuity LLP, and will continue to disclose these committed obligations as a commitment in the notes to the financial statements in accordance with GASB Statement No. 62.

**Person Responsible:** Holly Osumi, Chief Financial Officer

**Anticipated Completion Date:** 6/30/24

**Status:** Resolved