

STAND. COM. REP. NO.

756

Honolulu, Hawaii

March 6, 2009

RE: H.B. No. 1043

H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fifth State Legislature  
Regular Session of 2009  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1043 entitled:

"A BILL FOR AN ACT RELATING TO LOW-INCOME HOUSING TAX CREDITS,"

begs leave to report as follows:

The purpose of this bill is to reduce the period over which state low-income housing tax credits are taken from ten years to five years.

The low-income housing tax credit program promotes the development of low-income rental housing. Investors purchase the credits from developers of such housing, who then apply the realization towards the development cost of the housing.

At present, there is a limited market for the state tax credits because of the problems in the capital market and competition with the state high technology tax credits. Thus, developers are not able to generate as much money from the sale of the credits. This situation has hindered the development of low-income rental housing in the State.

By accelerating the period in which the credit may be claimed, this bill attempts to increase the value of the credits to investors. Your Committee finds that this is a worthwhile goal.

HB1043 HD1 HSCR FIN HMS 2009-2740



Testimony in support of this bill was received from representatives of the Department of Taxation, Hawaii Housing Finance and Development Corporation (HHFDC), Land Use Research Foundation, Hawaii Association of Realtors, Pacific Housing Assistance Corporation, Pacific Resource Partnership, Central Pacific Bank, and Stanford Carr Development, LLC. The Tax Foundation of Hawaii submitted comments.

Representatives of the Hawaii Association of Realtors and Stanford Carr Development also mentioned that the State has the opportunity to monetize a portion of its federal low-income housing tax credit allocation. The federal American Recovery and Reinvestment Act of 2009 authorizes each state to elect to take a portion of the allocation as a grant. The State then may make subawards of the grant to developers of qualified low-income rental housing.

Your Committee finds that the State should take advantage of the opportunity. Monetizing the credit allows the State to use the full dollar value of the credit in cash. The cash may be used as grants or loans to leverage other credits or financial assistance for the development of low-income rental housing.

Accordingly, your Committee has amended this bill by adding a new part II based on language solicited by your Committee from HHFDC. Basically, part II authorizes the State to elect to receive the maximum low-income housing grant amount permitted under the American Recovery and Reinvestment Act of 2009. Part II also designates HHFDC to serve as the "state housing credit agency" and make subawards for the purpose authorized under the Act. Another provision makes a qualified low-income building that has received a subaward also eligible for the state low-income housing tax credit.

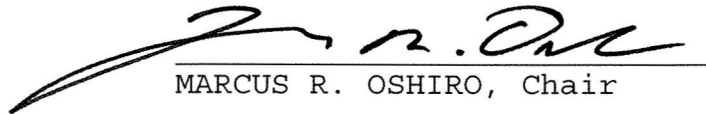
Part II also includes an appropriation section as a contingency should one be necessary. Since federal regulations have not yet been promulgated, it is not known whether the grant will be kept in a federal account, with the State allowed to draw down, or transmitted in cash to the State. If the latter occurs, part II requires the grant to be deposited into the Housing Finance Revolving Fund and appropriates the full amount for making subawards for low-income housing projects.

Technical, nonsubstantive amendments were also made for clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1043, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1043, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Finance,

  
MARCUS R. OSHIRO, Chair



