

SB 2592, SD1

THE CHAMBER OF COMMERCE OF HAWAII
1132 Bishop Street, Suite 402
Honolulu, Hawaii 96813

Comments to the Senate Committee on Ways and Means

Wednesday, February 24, 2010
10:00 AM

Conference Room 211

RE: Senate Bill 2592, Relating to the General Excise Tax
Senate Bill 2594, Relating to Housing
Senate Bill 2595, Relating to Housing

Chair Mercado Kim, Vice Chair Tsutsui, and members of the committee.

My name is Charles Ota, and I am the Vice President for Military Affairs with The Chamber of Commerce of Hawaii.

We submit the following comments in opposition to the above referenced bills.

The referenced bills propose to institute two new requirements in allowing for a general excise tax exemption to qualified persons or firms who receive rental income on newly constructed or moderately or substantially rehabilitated housing projects.

The bills seek to change HRS 201H-36 (a) (4) in establishing policy for granting GET exemptions for low and moderate income rental housing.

SB 2592 and SB 2594 propose to add a "qualified resident" requirement, which is not included under current rules.

SB 2592 and SB 2595 propose to add an annual gross income calculation for military members that would require including the basic allowance for housing (BAH) that is used by the federal government to provide housing off the base.

In earlier testimony to the Senate Committee on Education and Housing, we testified that both of the proposals are inappropriate and unfair, and would have negative consequences on military personnel.

The inclusion of a "qualified resident" requirement means that virtually all military personnel would be excluded as they are domiciled in their home states. We find it difficult to understand why the state would want to discriminate against military families who otherwise qualify for affordable housing. This is not currently a requirement under HRS 201H-36.

The inclusion of the BAH in calculating a military member's gross annual income is inappropriate. As we explained in testimony to the Senate Committee on Education and Housing, the federal government provides housing for active duty military personnel and their families.

In doing so, the government provides housing on military bases for single and married personnel in dormitories, apartments, and houses constructed with military construction funds. Whenever adequate housing is not available on the base, the government must resort to providing housing off the base in nearby communities. The government pays for the housing off-base with the BAH to cover the cost of rent and utilities. It should be made clear that military personnel are not responsible for providing for their own housing.

In recent years, the military elected to privatize its family housing program by establishing a partnership with private developers in a public-private venture (PPV). This is referred to as the Military Housing Privatization Initiative (MHPI) and includes all military bases in the US. The government finances this initiative by channeling BAH payments into the PPV partnership to pay for all construction, renovation, and property management costs.

To help clarify the above comments regarding the BAH, we would like to add that the federal government does not consider the BAH as part of an active duty military member's gross income calculation in qualifying for Title 1 benefits such as free school lunch program for low income families.

In light of the above, we ask that SB 2592, SB 2594, and SB 2595 be held or amended to remove any negative consequences on military personnel.

Thank you for the opportunity to submit comments on these bills.



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February 23, 2010

The Honorable Donna Mercado Kim, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: S.B. 2592 SD1 - Relating to the General Excise Tax

HEARING: Wednesday, February 24, 2010 at 10:00 a.m.

Aloha Chair Kim, Vice Chair Tsutsui and Members of the Committee:

I am Steve Colón, Senior Vice President of Ford Island Housing, LLC (“FIH”), the ground lessee and owner of The Waterfront at Pu’uloa, a rental housing project located at Iroquois Point/Pu’uloa, Ewa Beach, Hawaii (the “Pu’uloa Housing Project”). FIH **opposes** S.B. 2592 SD1 which allows a General Excise Tax exemption to qualified persons or firms who receive rental income on newly constructed or moderately or substantially rehabilitated housing projects from households that meet certain residency and annual income criteria.

S.B. 2592 SD1 modifies HRS §201H-36(a)(4) to require that for project qualification purposes: (a) a household’s gross annual income must be as calculated by the US Department of Housing and Urban Development in determining eligibility for the Section 8 program (which in the case of the military includes all regular pay, special pay and allowances); and (b) a household must include a “qualified resident” under HRS §201H-32 who is domiciled in the State of Hawaii.

FIH is unsure whether the Pu’uloa Housing Project can maintain its current GET exemption if it has to qualify using Section 8 gross annual income, and believes the project may not be able to qualify for its current exemption if it has to exclude military tenants, most of whom may not be “qualified residents” because they are not technically domiciled in Hawaii under federal law.

The Pu’uloa Housing Project consists of 1,446 two, three and four bedroom rental housing units that were constructed around 1960 (Iroquois Point) and 1975 (Pu’uloa) as federally-owned Navy housing.

FIH acquired the Pu’uloa Housing Project from the Navy in 2003 by way of a long-term lease under which FIH agreed to make renovations to all of the rental housing units over a period of time. The final phase of the renovations was completed in 2009. About half of the units in the Pu’uloa Housing Project are still occupied by active duty military personnel.

FIH paid GET on all of the Pu'uloa Housing Project rents until 2009, when the project received an exemption from GET for a portion of its rents from the Hawaii Housing Finance and Development Corporation under HRS §201H-36(a)(4). Under HHFDC rules, the project must pay GET on rents received from units occupied by households with incomes above 140% of the area median income.

FIH believes that with the income limits imposed by its current GET exemption, the Pu'uloa Housing Project is an excellent model for the preservation of affordable workforce housing in Hawaii.

Mahalo for the opportunity to testify. We urge you to hold this bill for the foregoing reasons.