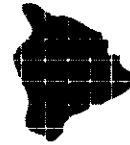




## LATE TESTIMONY

LAND USE RESEARCH  
FOUNDATION OF HAWAII

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February 17, 2011

Representative Angus L.K. McKelvey, Chair and Representative Isaac W. Choy, Vice Chair  
House Committee on Economic Revitalization and Business

**Support of HB 1307, Relating to Taxation (Provides a temporary tax credit for residential construction and remodeling projects. Requires report to the legislature comparing impact on jobs and the state budget for various tax credit applications. Sunsets 12/31/13.)**

**Thursday, February 17, 2011 at 9:00 a.m. in CR 312**

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide testimony **in support of HB 1307**, which provides for a residential construction and remodeling tax credit to individual taxpayers who own real property.

**HB 1307.** This bill establishes a residential construction and remodeling tax credit for individual taxpayers who own real property and who incur construction and remodeling costs related to new construction, alterations, or modifications of a residential apartment unit or house. HB 1307 shall apply to taxable years beginning after December 31, 2010, and ending prior to January 1, 2014.

### **Background.**

**The bill is consistent with State actions proposed by the Construction Industry Task Force.** In 2009, the Construction Industry Task Force ("CITF") was established pursuant to Senate Concurrent Resolution No. 132, S.D. 1 (2009) ("SCR 132") to determine the direct economic contributions of the local construction industry to the local economy, including the industry's impact on related industries such as housing. As directed in SCR 132, the CITF was tasked with developing a series of proposals for State actions to preserve and create new jobs in the local construction industry, thereby promoting overall economic growth. In doing so, the CITF's Tax & Incentives Committee made several recommendations to establish or increase tax credits to encourage continued development. Since that time, a number of bills proposing tax credits relating to the construction, development, or purchase of property, including the subject bill, have been introduced with the intent to implement the recommendations made and State actions proposed by the CITF.

**The bill conforms to the recommendations made by the Governor's Task Force on Affordable Housing Barriers.** Over the past years, LURF also participated in the Governor's Affordable Housing Regulatory Barriers Task Force, a statewide task force comprised of representatives from all four counties, business, labor, developers, architects, nonprofit providers of services, the State, and the legislature, whose purpose was to identify, address and propose regulatory reform and solutions to remove the barriers to the production of affordable housing. After finding that Hawaii's regulatory system has created a housing development environment that severely restricts the State's housing supply and impacts the cost of homes, the Task Force recognized the need for **incentives** for affordable housing development.

**The bill is analogous to tax credit legislation enacted in California.** HB 1307 is also conceptually analogous to legislation enacted by the State of California effective May 1, 2010 (which allocated \$100 million for state tax credits to buyers of new, unoccupied homes), in that the intent of both measures is to utilize tax credits as part of the State's effort to revitalize the economy by stimulating the local construction industry. (See attached article entitled, "Schwarzenegger Expected to Sign New \$10,000 California Homebuyer Tax Credit" which appeared in the March 24, 2010 edition of the *Sacramento Bee*.)

In the *Bee* article, California Assemblywoman, Anna Caballero stated that "[t]his tax credit has a *Sacramento Bee* proven track record. California's construction industry reported a 39 percent increase in building permits after the first round of tax credits began in March 2009 and proved even more popular than expected." The article also pointed to the fact that the housing stimulus was proposed by Governor Schwarzenegger in his January 2010 State of the State Address, to help revive the California economy.

HB 1307 is, in essence, the Hawaii counterpart of the California legislation, intended to stimulate residential construction and move residential projects forward.

**LURF's Position.** LURF supports the purpose of HB 1307, which is to create a construction and renovation tax credit for residential construction and remodeling projects, thereby stimulating the construction industry and creating jobs in Hawaii. The bill would provide much-needed affordable housing and benefit the construction industry, as well as the overall economy.

- **The bill will provide incentive for property owners to construct, improve or expand their residences, thereby revitalizing the local construction industry.**

The lack of affordable housing remains a significant problem affecting Hawaii and Hawaii's families. Finding ways to provide sufficient affordable housing and market housing for Hawaii's residents has been a major objective for our elected officials, state and county agencies, and members of the housing industry and business community. This bill will assist in this effort by incentivizing the construction, expansion and renovation of residences, thereby addressing the need for affordable housing, and in turn, boosting the local construction industry.

- **By helping to reviving the construction industry, the bill will in turn aid in stimulating the State's economy.**

In addition to providing much-needed affordable and market housing, HB 1307 will stimulate the economy and assist in getting people back to work. This measure will increase construction jobs, and in doing so, bring relief to the State's unemployment rate. Hawaii is presently in need of economic stimulus and other initiatives to counteract the negative impact that the world and national economies has had on the State's fiscal

condition. According to recent economic forecasts by First Hawaiian Bank and the University of Hawaii Economic Research Organization, the local construction industry will continue to be impacted for some time before a gradual recovery ensues. LURF understands further that while the amount of public works has increased over the years to help support the local construction industry, private construction makes up nearly two-thirds of the industry's total volume and continues to be hindered by the current economic conditions.

Back in 2001, in response to the effects of the September 11th terrorist attacks on the United States which had a devastating effect on Hawaii's economy, the Legislature met in special session to approve certain emergency measures. One such response was the enactment of Act 10, Third Special Session Laws of Hawaii (2001), which enhanced the then-existing hotel construction and remodeling tax credit. Act 10 raised the tax credit from four to ten percent for costs incurred prior to July 1, 2003 in order to assist the tourism industry in its efforts to attract more visitors to Hawaii, and to spark the local construction industry. Act 10 provided the stimulus needed to boost Hawaii's workforce and economy during past difficult economic times.

LURF believes that the tax credit proposed by HB 1307 would be an effective mechanism to assist in current efforts being made by the Legislature to revitalize Hawaii's workforce and economy.

**Conclusion.** LURF **strongly supports HB 1307**, as the bill attempts to implement the legislative recommendations of the Governor's Task Force, as well as the State actions proposed by the CITF, by addressing the immense need to provide affordable housing in Hawaii, and thereby promoting the local construction industry, stimulating the economy, and furthering the public interest and general welfare of the State.

Thank you for the opportunity to present our testimony regarding this matter.

THE SACRAMENTO BEE [sacbee.com](http://sacbee.com)

### More Information

- California homebuyer tax credit sought again
- Schwarzenegger proposes tax credit to spark new home building
- California Senate approves \$10,000 tax credit for new-home buyer
- California tax credit for new-home buyers bearing fruit

## Schwarzenegger expected to sign new \$10,000 California homebuyer tax credit

By Jim Wasserman

[jwasserman@sacbee.com](mailto:jwasserman@sacbee.com)

Published: Wednesday, Mar. 24, 2010 - 12:00 am | Page 1B

Last Modified: Wednesday, Mar. 24, 2010 - 10:48 am

Homebuyer tax credits are almost certainly returning.

Sacramento-area buyers can begin claiming \$10,000 tax credits starting May 1 under a bill expected to be signed soon by Gov. Arnold Schwarzenegger.

The legislation allocates \$200 million for more state tax credits – twice what was offered last year to 10,659 buyers of new, unoccupied homes. The state's newest housing stimulus will grant \$100 million in tax credits to first-time buyers of existing homes and \$100 million to anyone who buys a new, unoccupied home.

The state Franchise Tax Board on Tuesday estimated nearly 32,000 homeowners statewide might get the tax breaks. Buyers must close escrow or reserve a credit on or after May 1 and before or on Dec. 31 to qualify.

The bill, AB 183, passed both houses of the Legislature by near unanimous votes. But one local lawmaker, Assemblyman Roger Niello, R-Fair Oaks, voted against it.

"I think it's a lot of money in a deficit situation that doesn't have the desired benefit," Niello said Tuesday, noting that housing prices are still depressed despite earlier credits designed to stimulate the market.

Niello's view was clearly a minority one, however.

"This tax credit has a proven track record," said Assemblywoman Anna Caballero, D-Salinas, who authored the bill along with Sen. Roy Ashburn, R-Bakersfield. Caballero said California's construction industry reported a 39 percent increase in building permits after the first round of tax credits began in March 2009 and proved more popular than expected. It ran out last July 2.

Schwarzenegger spokesman Mike Naple said Tuesday the governor supports the bill "and is expected to sign it."

The governor signaled his intent Monday while signing two other budget bills. In a signing message, he commended the Legislature for approving the tax credit bill, saying it will stimulate "the housing industry, creating jobs for thousands of Californians."

Schwarzenegger proposed the housing stimulus in his January State of the State Address to help revive the

Schwarzenegger expected to sign new \$10,000 California homebuyer tax credit - Sacramento Business, ... Page 2 of California economy. The new state tax credit would take effect one day after expiration of a federal \$8,000 tax credit for first-time homebuyers.

As was the case last year, buyers won't be eligible for the full \$10,000 credit if they owe the state less than that amount over a three-year period. Buyers can get up to \$3,333 off their tax obligation in each of the three years after buying a house.

Buyers must be at least 18 years old and be unrelated to the seller. They must live in the home they buy. First-time buyers are defined as those who have not owned a home in the past three years.

The Franchise Tax Board estimates the tax credit will cost the state \$6 million for the fiscal year ending June 30 and \$69 million next year. For three years after that, it will cost the state treasury \$67 million, \$54 million and \$4 million.

This year's legislation is different in that it allows buyers of new homes to reserve a tax credit in advance. A buyer signing a sales contract in June can claim the credit in November when the house is completed, a capital-area building industry official said Tuesday.

"In our parlance, that allows dirt sales," said Dennis Rogers, a vice president at the Roseville-based North State Building Industry Association. "We'll be able to build new houses now and get jobs going."

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February 17, 2011

## LATE TESTIMONY

**The Honorable Angus L.K. McKelvey, Chair**  
House Committee on Economic Revitalization & Business  
State Capitol, Room 312  
Honolulu, Hawaii 96813

**RE: H.B. 1307 Relating to Taxation**

**HEARING: Thursday, February 17, 2011 at 9:00 a.m.**

Aloha Chair McKelvey, Vice Chair Choy, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, submits testimony on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,500 members. HAR **supports** S.B. 654, which provides for a temporary tax credit on residential construction and remodeling projects.

This measure provides for the availability of a tax credit deduction for Hawai'i taxpayers, limited to a certain percentage of the residential construction or remodeling costs paid by the taxpayer. Also, this important tax credit includes expenses incurred for the plans, design, construction, and equipment that are permanently affixed to the building or structure related to new construction, alterations, or modifications to a residential apartment unit or home.

HAR believes that this measure will not only help stimulate the real estate industry but allow homeowners to make improvements to their homes thereby adding value.

Mahalo for the opportunity to submit testimony.

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**GCA of Hawaii**

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

February 16, 2011

## **LATE TESTIMONY**

TO: THE HONORABLE REPRESENTATIVE ANGUS L.K. McKELVEY, CHAIR AND  
MEMBERS OF THE COMMITTEE ON ECONOMIC REVITALIZATION &  
BUSINESS

SUBJECT: H.B.1307, RELATING TO TAXATION.

### NOTICE OF HEARING

DATE: Thursday, February 17, 2011  
TIME: 9:00 AM  
PLACE: Conference Room 312

Dear Chair McKelvey and Members of the Committee:

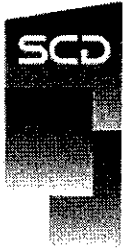
The General Contractors Association (GCA), an organization comprised of over five hundred and seventy (570) general contractors, subcontractors, and construction related firms, H.B.1307, Relating To Taxation provides a temporary tax credit for residential construction and remodeling projects of an unspecified per cent incurred after December 31, 2010 and ending on January 1, 2014.

In this period of high unemployment and economic stagnation in Hawaii's construction industry, the proposed tax credit will provide additional stimulus to spur additional residential construction and remodeling that may not otherwise be undertaken.

The GCA believes that any vehicle to stimulate Hawaii's economy and provide additional jobs will be helpful in this time of slow growth.

The GCA **supports** the passage of H.B. 1307 and recommends its passage.

Thank your for the opportunity to comment on this measure.



STANFORD CARR DEVELOPMENT, LLC

## LATE TESTIMONY

February 17, 2011

House Committee On Economic Revitalization & Business  
State Capitol, Hearing Conference Room 312  
415 South Beretania Street  
Honolulu, Hawaii 96813

RE: Testimony Supporting HB 1307: Relating To Taxation  
Hearing date Thursday, February 17, 2011 at 9:00 A.M.  
*via Capitol website: <http://www.capitol.hawaii.gov/emailtestimony/>*

Dear Honorable Chair Representative Angus L.K. McKelvey:

I am writing in **SUPPORT** of HB 1307 which provides for a residential construction and remodeling tax credit to qualified taxpayers who construct or remodel their principal residence. Construction is important to Hawaii's economy; it is one of the larger industries following tourism and government. This incentive would stimulate the construction of new homes like the Federal Tax Credit program did last year. Building trades, design and real estate professionals and a wide range of other supporting business have been affected by the recent economic downturn. This bill would support and stimulate jobs and directly have a positive economic impact to our community.

Thank you for considering our testimony. Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stanford S. Carr', written over a horizontal line.

Stanford S. Carr, President