

Honolulu, Hawaii

February 13, 2014

RE: H.B. No. 2085

H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 2085 entitled:

"A BILL FOR AN ACT RELATING TO ECONOMIC SUSTAINABILITY,"

begs leave to report as follows:

The purpose of this measure is to incentivize efficient development of all types by:

- (1) Establishing an income tax credit for proposed development projects that will be located in areas that maximize the use of existing infrastructure and are located near affordable housing or mass transit; and
- (2) Establishing procedures for the Hawaii Housing Finance and Development Corporation to determine whether proposed projects qualify for the credit.

The Community Alliance for Mental Health and United Self Help supported this bill. The Hawaii Housing Finance and Development Corporation supported the bill's intent. The Tax Foundation of Hawaii provided comments on this bill.

Your Committee has amended this measure by:

- (1) Authorizing the Hawaii Housing Finance and Development Corporation to develop a mixed-use project containing



affordable housing within an area near rail transit on behalf of the State or any qualified person or firm;

- (2) Replacing the proposed income tax credit with a general excise tax exemption for qualified individuals or firms involved in the development of affordable housing within a project developed by the Hawaii Housing Finance and Development Corporation pursuant to this measure;
- (3) Authorizing the Corporation to establish and charge reasonable service fees and in consultation with the Department of Taxation, to adopt rules necessary to develop the project and facilitate the tax exemption;
- (4) Prohibiting counties from developing mixed-use projects pursuant to this measure in exercising their authority to perform the functions of the Hawaii Housing Finance and Development Corporation;
- (5) Specifying that taxpayers exempt from general excise taxes pursuant to this measure remain subject to the county surcharge for mass transit;
- (6) Applying the general excise tax exemption to taxable years beginning after December 31, 2015; and
- (7) Changing its effective date to July 1, 2014.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2085, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2085, H.D. 1, and be referred to the Committee on Finance.

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



MARK J. HASHEM, Chair



State of Hawaii
House of Representatives
The Twenty-seventh Legislature

HSCR 401-1A

Record of Votes of the Committee on Housing

| Bill/Resolution No.: HB 2085 | Committee Referral: HSG, FIN | Date: 02-10-14 | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------------------------|----------|----------|
| <input type="checkbox"/> The committee is reconsidering its previous decision on the measure. | | | | |
| The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit) | | | | |
| HSG Members | Ayes | Ayes (WR) | Nays | Excused |
| 1. HASHEM, Mark J. (C) | / | | | |
| 2. WOODSON, Justin H. (VC) | / | | | |
| 3. BELATTI, Della Au | | | | / |
| 4. CARROLL, Mele | | | | / |
| 5. CREAGAN, Richard | / | | | |
| 6. JORDAN, Jo | | | | / |
| 7. KOBAYASHI, Bertrand | / | | | |
| 8. MORIKAWA, Dee | / | | | |
| 9. OSHIRO, Marcus R. | / | | | |
| 10. MATSUMOTO, Lauren Kealohilani | / | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| TOTAL (10) | 7 | 0 | 0 | 3 |
| The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div> | | | | |
| Vice Chair's or designee's signature: _____ | | | | |
| Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO | | | | |