



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
LUIS P. SALAVERIA
Director

Department of Business, Economic Development and Tourism
before the

HOUSE COMMITTEE ON FINANCE

March 30, 2016 at 3:00 p.m.
State Capitol, Room 308

In consideration of
S.B. 2833, S.D. 2, H.D. 1
RELATING TO THE LOW-INCOME HOUSING TAX CREDIT.

Chair Luke, Vice Chair Nishimoto, and Members of the House Committee on Finance.

DBEDT ***supports the intent*** of S.B. 2833, S.D. 2, H.D. 1, which was originally an Administration bill. S.B. 2833, S.D. 2, H.D. 1, accelerates the period over which the credits may be claimed from 10 years to 5 years. This would help to increase the supply of affordable rental housing for low-income households by making the State Low-Income Housing Tax Credit more attractive to investors, and, therefore, raise more equity to finance the development of the affordable rental projects to which the credits are issued.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE

March 30, 2016 at 3:00 p.m.
State Capitol, Room 308

In consideration of
S.B. 2833, S.D. 2, H.D. 1
RELATING TO THE LOW-INCOME HOUSING TAX CREDIT.

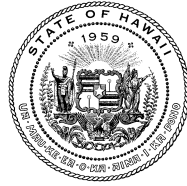
HHFDC *supports the intent* of S.B. 2833, S.D. 2, H.D. 1, which was originally an Administration bill aimed at increasing the value of the State Low-Income Housing Tax Credit by accelerating the period over which the credits may be claimed from 10 to 5 years. Making the State credit more competitive and valuable for investors will increase the level of funds available in Hawaii to build more affordable rentals. This is consistent with the Governor's housing strategy to build homes that people can afford.

We defer to the Department of Taxation on the enforcement, administration, and fiscal impacts of provisions of the H.D. 1 which double the amount of the State 4% non-volume cap LIHTCs and repeal certain provisions that require conformity of the State LIHTC to the Federal LIHTC.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Wednesday, March 30, 2016

Time: 3:00 P.M.

Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 2833, S.D. 2, H.D. 1, Relating to the Low-Income Housing Tax Credit.

The Department of Taxation (Department) appreciates the intent of the measure but has concerns regarding the nonconformity to the Internal Revenue Code (IRC) provisions relating to the at-risk and passive activity loss (PAL) limitation rules. The Department defers to the Hawaii Housing Finance and Development Corporation (HHFDC) on the merits of this bill and provides the following comments for your consideration.

S.B. 2833, S.D. 2, H.D. 1 distinguishes the amount of the State low-income housing tax credit (LIHTC) based on whether or not a building is financed by tax-exempt bonds, doubles the amount of the credit with respect to buildings financed by tax exempt bonds, reduces the term over which the credit is taken from ten to five years to increase the attractiveness of the credit, and provides that the IRC at risk and PAL rules do not apply. The measure is effective January 1, 2017 and applies to buildings allocated credits after December 31, 2016.

Two types of Low Income Housing Credits (LIHTCs) are available depending on the nature of the rental housing construction. The so-called 9% credit is generally reserved for new construction and is intended to subsidize 70% of a building's cost (not including land), while the so-called 4% credit is typically claimed for rehabilitated housing and new construction that is financed with tax-exempt bonds, and is intended to subsidize 30% of a building's cost (not including land). Each LIHTC project will fall into either the 9% category or the 4% category depending upon how the project is financed. The 9% and 4% categories are further divided by the construction method of the project- new construction or rehabilitating an existing structure, with rehabilitation completion within 24 months in order to be eligible for tax credits.

Currently, both the 9% credit and the 4% credit is claimed annually over a 10- year credit period. The actual credit rate fluctuates and is set by the United States Treasury to deliver a subsidy equal to 70% and 30% respectively of a project's qualified basis in present value terms.

For State tax purposes, the amount of the credit is set at 50% of the federal tax credit. Other than projects financed with tax exempt bonds, both the 9% and the 4% credit is subject to the federal allocation limit for the State, which for 2016 is \$3,264,990. Although credits allocated for projects financed with tax exempt bonds is not included in this cap, the total amount of the credit that can be allocated is limited by the amount of federal tax-free Private Activity Bonds that may be issued by the State.

With regards to credits that subject to the allocation cap (i.e. non tax exempt bond financed), the LIHTC is fully subscribed and the State will be unable to generate additional investment with respect to the 9% credit. Only projects that are financed with tax-exempt bonds are under subscribed, such that additional inducements may attract additional investors. The Department notes that implementing multiple incentives at the same time may prevent an examination of how effective any particular incentive was, and whether in fact it was required.

The House Committee on Housing amended this measure by providing that the at-risk rules found at IRC section 41(k) and the PAL rules of IRC section 469 do not apply. The Department notes that it always prefers conformity to the IRC where possible, as this provides clear guidance to both the Department and to taxpayers, since there is substantial guidance issued in the form of rules and regulations issued by the Internal Revenue Service (IRS), as well as court decisions regarding the various sections of the IRC. Conformity greatly minimizes the burden on the Department and taxpayers, thereby assisting compliance with Hawaii's tax law.

Both the at-risk and PAL rules apply to:

- Individuals (including partners and S corporation shareholders);
- Estates;
- Trusts (other than grantor trusts);
- Personal service corporations; and
- Closely held corporations.

Currently, losses from activities that exceed the amount the taxpayer has at-risk are disallowed for the current year, but are carried forward until the taxpayer increases the amount that he has at-risk at which time the losses up to that amount may be utilized. Similarly, losses from passive activities that exceed the income from passive activities are disallowed for the current year, but are carried forward until they may be used against passive income or the interest in the activity has been disposed of. If the relaxation of the at-risk and PAL rules applies, taxpayers would be able to immediately use any losses to offset income up to the full extent of ordinary income.

Congress originally enacted the at-risk provisions as part of the Tax Reform Act of 1976 in order to deter deductions from losses generated by tax shelters. Prior to the enactment, a taxpayer could increase his or her basis in the partnership by utilizing non-recourse loans for which the individual had no true economic risk. This increase in basis allowed the taxpayer to use investment losses to offset ordinary income. Although the IRS attempted to limit this

practice, its attempts were only marginally effective until the enactment of IRC Section 465.

Currently, nonrecourse financing is treated as at-risk only if the property is acquired by the taxpayer from a non-related person, and the financing is received from a lender in the business of lending (other than the seller of the property) or a government agency. If the at-risk rules are relaxed for the LIHTC, the investor could acquire the property from a related person at a greatly inflated price using nonrecourse liability (such that no individual partner has a liability in the event of default), and yet take virtually unlimited losses in connection with the property. In addition, the at-risk rules prevent a taxpayer from artificially increasing basis through the use of subscription promissory notes (whereby an investor promises to pay an amount in the future) which in fact are never paid. See e.g. Zeluck v. Commissioner, 103 TCM (2012), where the taxpayer contributed \$310,000 to a partnership in 2001 in the form of \$110,000 in cash and a \$200,000 note that matured on December 31, 2009. The taxpayer also guaranteed a note that was issued by the partnership up to an amount equal to the note he contributed, giving him an initial at-risk tax basis of \$310,000 (\$110,000 of cash plus \$200,000 of guaranteed debt). In 2001 and 2002, the taxpayer was allocated losses from the partnership that practically eliminated his at-risk tax basis, and in 2003 the partnership terminated. After the partnership terminated, no attempt was made to enforce payment of the taxpayer's note or the partnership's note on which the taxpayer never made any principal payments and failed to make all interest payments.

The PAL rules were enacted as part of the Tax Reform Act of 1986 to address widespread avoidance of tax through the generation of artificial losses from tax shelters and other trades or business for which the taxpayer did not bear sufficient economic risk. The passive activity loss rules focus on the source and character of losses rather than on the taxpayer's wherewithal to recognize such losses. Broadly speaking, the rules operate to prevent taxpayers from offsetting ordinary income from non-passive activities (i.e., wages or businesses they operate) with losses from passive activities in which the taxpayer does not materially participate, thereby insuring that all taxpayers pay a fair share of taxes on ordinary income. It should also be noted that if the PAL limitation rules are relaxed, a taxpayer will be able to shield their ordinary income and yet obtain capital gain treatment when the interest in the activity is sold.

Under section 201H-36, Hawaii Revised Statutes, HHFDC certifies that a housing project is entitled to the GET exemption, and upon such certification, a taxpayer is entitled to claim the GET exemption. The regulatory agreements and the determination of whether a taxpayer is eligible for the exemption remain with HHFDC, and as such, the Department will be able to implement any changes without any undue burden.

With the original effective date, the Department estimates losses of \$9 million in FY 2019, \$18 million in FY 2020 and \$27 million in FY 2021. The elimination of at-risk rules will increase the cost of the tax credit, but we are unable to determine the amount at this time.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Low-Income Housing Credit

BILL NUMBER: SB 2833, HD-1

INTRODUCED BY: House Committee on Housing

EXECUTIVE SUMMARY: Seeks to make the State low-income housing credit more valuable by reducing the payout period from ten to five years. As a policy matter, if it is considered desirable to offer incentives to develop such projects, consideration should be given to attacking the root causes of why such projects are prohibitively expensive, such as the permitting process.

BRIEF SUMMARY: This measure is sponsored by DBEDT, and is designated BED-23 (16). It amends HRS section 235-110.8 to provide that for each low-income housing project placed in service beginning on January 1, 2017, pursuant to IRC section 42(b), the state housing credit shall be recovered over 5 years instead of 10.

Deletes existing language stating that the at-risk rules in IRC sections 42(k) and 469 shall apply, and adds language stating explicitly that the at-risk rules shall not be applied with respect to investments in buildings and projects claiming this credit.

EFFECTIVE DATE: January 1, 2017, and shall apply to qualified low-income buildings awarded credits after December 31, 2016.

STAFF COMMENTS: Act 216, SLH 1988, adopted for Hawaii purposes the federal low-income rental housing credit that was part of the Tax Reform Act of 1986. The credit was enacted to offset the repeal of tax shelters and other incentives to build rental housing under prior law, such as accelerated depreciation, capital gains preference, certain tax-exempt bonds, and to specifically target low-income rentals.

The federal credit is a 70% present value credit for qualified new construction and rehabilitation expenditures which are not federally subsidized, and 30% for those which are federally subsidized. The existing state credit allows for a credit of 50% of the “applicable percentage of the qualified basis” allowed under federal law taken over a period of 10 years, and the proposed measure would shorten the 10-year period to 5 years.

While this is just one incentive to encourage developers to build affordable housing, consideration should be given to a number of strategies including the debt financing, partnerships with financial institutions who could then turn around and sell the credits, and the use of federal private activity bonds. Finally, apparently public officials still have not recognized that one of the greatest contributors to the cost of housing in Hawaii is the draconian maze of permitting and regulatory processes in order to bring those homes to market. While those regulatory guidelines are to insure the health and safety of the public, streamlining the process would accelerate the time needed to secure those permits thereby reducing the cost of financing. This savings would

Re: SB 2833; HD-1
Page 2

go a long way toward reducing the final cost of the house to the consumer. For example, for one housing project on Kauai, it took nearly five years to secure the necessary permits to build 14 affordable homes.

Digested 3/29/2016

March 30, 2016

The Honorable Sylvia Luke, Chair

House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: S.B. 2833, S.D.2, H.D.1, Relating to the Low-Income Housing Tax Credit

HEARING: Wednesday, March 30, 2016 at 3:00 p.m.

Aloha Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai'i, and its 8,900 members. HAR **supports** S.B. 2833, S.D.2, H.D.1 which increases funding for affordable rental housing development by making the state low-income housing tax credit more valuable; bases the amount of the tax credit on whether or not a building is financed by tax-exempt bonds; and reduces state tax credit period from ten to five years.

The State Low Income Housing Tax Credit (LIHTC) has been a valuable financing mechanism to generate the development or substantial rehabilitation of affordable rental housing. HAR believe this is one of the key incentives in encouraging developers to build affordable housing and rentals.

Under the program, HHFDC awards federal and state tax credits that may be used to obtain an offset in income tax liability for 10 years or may be syndicated to generate substantial project equity.

HAR believes S.B. 2833, S.D.2, H.D.1 will allow for a shorter recapture period for tax credits and to incentivize the development of affordable rental housing statewide.

Mahalo for the opportunity to testify.

COMMUNITY ALLIANCE ON PRISONS

P.O. Box 37158, Honolulu, HI 96837-0158

Phone/email: (808) 927-1214 / kat.caphi@gmail.com



COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair

Rep. Scott Nishimoto, Vice Chair

Wednesday, March 30, 2016

3:00 p.m.

Room 308

STRONG SUPPORT FOR SB 2833 SD2 HD1 - LOW INCOME RENTERS CREDIT

Aloha Chair Luke, Vice Chair Nishimoto and Members of the Committee:

My name is Kat Brady and I am the Coordinator of Community Alliance on Prisons, a community initiative promoting smart justice policies in Hawai'i for almost two decades. This testimony is respectfully offered on behalf of the 6,000 Hawai'i individuals living behind bars or under the "care and custody" of the Department of Public Safety. We are always mindful that approximately 1,400 of Hawai'i's imprisoned people are serving their sentences abroad thousands of miles away from their loved ones, their homes and, for the disproportionate number of incarcerated Native Hawaiians, far from their ancestral lands.

SB 2833 SD2 HD1 increases funding for affordable rental housing development by making the state low-income housing tax credit more valuable. It bases the amount of the tax credit on whether or not a building is financed by tax-exempt bonds and reduces state tax credit period from ten to five years.

Community Alliance on Prisons strongly supports this measure. The Low-Income Household Renter's credit was created almost 40 years ago to provide meaningful tax relief to low- and moderate-income households. It has not been updated in decades. We desperately need to alleviate the tax burden on renter families struggling to afford housing.

The housing market in Hawai'i has all but denied shelter to our struggling and most vulnerable residents while we build expensive condominium units for rich foreigners. Individuals exiting incarceration reenter the community with nothing or very little and many return to their economically-challenged families.

44% of Hawaii's households are renters and more than half of our renter-households are cost-burdened, spending more than 30% of their income on rent.

Almost three-quarters of Hawai'i's people are living at or near the poverty line spend more than half of their incomes on rent, while almost two-thirds of the moderate income renters earning 51-80% of the area median income are generally ineligible for public assistance.

A full-time worker needs to make \$31.61 per hour to be able to afford fair market rent for a 2-bedroom apartment. We know that most of Hawai'i's people don't earn nearly that per hour and the recent struggle in Hawai'i to raise the minimum wage to a mere \$10/hr. in 2017 illustrates that.

Community Alliance on Prisons respects the work of Hawai'i Appleseed and supports their recommended amendments. We hope that the committee does as well.

Our low-income households face the second highest tax burden in the nation. The lowest-income households pay over 13% of their income in taxes, while the top 20% pay 8% (or less).

Community Alliance on Prisons implores the committee to pass this important legislation to help our people climb out of the death spiral of poverty. Hawai'i must make sound public policy to support the people of this land.

Mahalo for this opportunity to testify.



CATHOLIC CHARITIES HAWAII

TESTIMONY in SUPPORT of SB 2833 SD2 HD1: RELATING TO THE LOW-INCOME HOUSING TAX CREDIT

TO: Rep. Sylvia Luke, Chair; Rep. Scott Y. Nishimoto, Vice-Chair, and Members, Committee of Finance

FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawaii

Hearing: Wednesday, 3/30/16; 3:00 PM; CR 308

Chair Luke, Vice Chair Nishimoto, and Members, Committee on Finance:

Thank you for the opportunity to provide testimony **in support of SB 2833, SD2, HD1** which would make the State Low-Income Housing Tax Credits more valuable. I am Betty Lou Larson representing Catholic Charities Hawaii.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 60 years. CCH has programs serving elders, children, developmentally disabled, homeless and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. A priority for advocacy this year is affordable housing and homelessness.

This bill would creatively provide more resources for the construction of affordable rental housing without any additional cost to the State, over time. By reducing the State tax credit period from ten years to five years, this makes these credits more valuable. Investors receive the same credit and the State "suffers" the same loss of revenue, but over 5 years instead of 10 years. The impact is to increase the amount that investors will pay for these state credits. The federal Low Income Housing Tax Credits are so valuable that they are now selling for close to \$1.00 for \$1.00 of credits!

Under this bill, the State tax credit could significantly increase the amount of funding going into projects for construction of new projects. Our housing crisis demands new and creative tools to leverage all available sources to create housing. To end homelessness and to help our children remain in Hawaii, the key is construction of more affordable rentals. Hawaii already has the most expensive housing in the country, at more than twice the national average. Rent for a 2 bedroom unit rose 67% in Honolulu in the last 10 years. We need to act now. This bill is a win-win solution to put more money into new construction of affordable rental units without additional cost to the State, over time.

Thank you very much for hearing and considering this important bill to provide more resources for the creation of affordable rental housing. Please contact me at (808) 373-0356 or bettylou.larson@catholiccharitieshawaii.org if you have any questions.



Testimony by In-State Partners

In Support of SB 2833 SD2 HD1
House Committee on Finance
Wednesday, March 30, 2016; 3:00 PM; CR 308

The Honorable Sylvia Luke, Chair and Members of the Committee on Finance:

My name is Rachel Stern, with InState Partners, testifying in very strong support of HB 2833 SD2 HD1 Relating to Housing.

Currently, for every 100 low-income families in Hawaii, there are only 29 affordable housing units available. Housing is considered “affordable” when a household spends less than 30 percent of their income on shelter and utilities. Households that spend more are considered cost-burdened and are frequently forced to make difficult financial tradeoffs with other basic necessities. Under these criteria, more than half of all Hawaii renters do not live in affordable housing.

State and Federal Low Income Housing Tax Credits can be a successful part of the solution to this affordable housing crisis. As the law is written now, the state provides a 50% match for the Federal credits for both 9% and 4% LIHTC projects. This bill instead creates a one-to-one match between state and federal credits for the 4% deals. As is expected, 4% LIHTC deals are much more difficult to finance, because they require developers to take on significantly more debt than the 9% projects. The current 50% state match to federal credits does not generate enough subsidy for the 4% projects to be economically viable, resulting in low developer and investor interest. As such, Hawaii is currently only using 60% of the state’s total possible Federal subsidies for these projects—a one-to-one match will help Hawaii bring more federal dollars to the state, and increase the amount of affordable housing projects being done on the islands.

We believe that this measure will be a great tool that will help the State address the short housing inventory. We urge you to pass this measure and welcome the chance to work with this committee and with the state departments to put forth a measure that incentivizes Hawaii developers and investors while building much needed low-income housing. Thank you for this opportunity to testify.



**Testimony to the House Committee on Finance
Wednesday, March 30, 2016 at 3:00 P.M.
Conference Room 308, State Capitol**

**RE: SENATE BILL 2833 SD2 HD1 RELATING TO THE LOW-INCOME HOUSING
TAX CREDIT**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** SB 2833 SD2 HD1, which proposes to increase funding for affordable rental housing development by making the state low-income housing tax credit more valuable. Bases the amount of the tax credit on whether or not a building is financed by tax-exempt bonds. Reduces state tax credit period from ten to five years.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber of Commerce of Hawaii and the Building Industry Association of Hawaii convened a conference (Houseless in Honolulu) in November of 2015 to raise awareness of one of Hawaii's most pressing issues - home affordability. With the median home price in the Islands now \$730,000, the repercussions are having a major impact on Honolulu's economy.

The Department of Business, Economic Development and Tourism forecasted demand for additional housing units by county is 25,847 units for Honolulu, 19,610 for Hawaii, 13,949 for Maui, and 5,287 for Kauai during the 2015-2025 period (DBEDT Report—Measuring Housing Demand in Hawaii, 2015-2025).

We believe that in order to address the current "Housing Crisis," there needs to be a shift in the focus of how government views housing development and move from our current "Regulatory" stance to a more "Production Oriented" stance. For example, this shift would have the City and County of Honolulu adopt a goal of approving an average of 2,500 new residential units each year over the next 10 year period to address the projected 25,847 unit demand.

Creating more incentives for investments in the State Low-Income Housing Tax Credit would provide the needed capital investment to produce more units at these price points.

We are in strong support of S.B. 2833 S.D. 2 H.D. 1, and appreciate the opportunity to express our views on this matter.

Testimony of
Pacific Resource Partnership

State of Hawaii
House of Representatives
Committee on Finance
Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair

SB 2833, SD2, HD1 – Low-Income Housing Tax Credit

Wednesday, March 30, 2016
3:00 P.M.
State Capitol – Room 308

Aloha Chair Luke, Vice Chair Nishimoto and members of the Committees:

We **support** SB 2833, SD2, HD1 which is proposed to increase funding for affordable rental housing development by making the state Low-Income Housing Tax Credit (LIHTC) more valuable. This measure reduces the applicable credit period of the state-low income housing tax credit from ten years to five years.

The LIHTC Program provides a financing tool for private developers and non-profit entities to construct or rehabilitate affordable rental units. Federal and state tax credits may be used to obtain a dollar-for-dollar reduction in income tax liability for ten years. Shortening the applicable credit period to five years would make the LIHTC more competitive and incentivize investors and developers to build or rehabilitate affordable rental housing statewide.

Thank you for the opportunity to share our views with you and we respectfully ask for your **support** on SB 2833, SD2, HD1.

About PRP

Pacific Resource Partnership (PRP) is a not-for-profit organization that represents the Hawaii Regional Council of Carpenters, the largest construction union in the state, and more than 240 of Hawaii's top contractors. Through this unique partnership, PRP has become an influential voice for responsible construction and an advocate for creating a stronger, more sustainable Hawaii in a way that promotes a vibrant economy, creates jobs and enhances the quality of life for all residents.



BIA-HAWAII

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Testimony to the House Committee on Finance Wednesday, March 30, 2016 3:00 pm State Capitol - Conference Room 308

RE: S.B. 2833 S.D. 2 H.D 1, Relating to Low Income Housing Tax Credit.

Dear Chair Luke, Vice-Chair Nishimoto, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA Hawaii is in **strong support** of S.B. 2833 S.D. 2 H.D. 1, which propose to increase funding for affordable rental housing development by making the state low-income housing tax credit more valuable. Bases the amount of the tax credit on whether or not a building is financed by tax-exempt bonds. Reduces state tax credit period from ten to five years.

The Building Industry Association of Hawaii and the Chamber of Commerce of Hawaii convened a conference (Houseless in Honolulu) in November of 2015 to raise awareness of one of Hawaii's most pressing issues - home affordability. With the median home price in the Islands now \$730,000, the repercussions are having a major impact on Honolulu's economy.

The Department of Business, Economic Development and Tourism forecasted demand for additional housing units by county is 25,847 units for Honolulu, 19,610 for Hawaii, 13,949 for Maui, and 5,287 for Kauai during the 2015-2025 period (DBEDT Report— Measuring Housing Demand in Hawaii, 2015-2025).

We believe that in order to address the current "Housing Crisis," there needs to be a shift in the focus of how government views housing development and move from our current "Regulatory" stance to a more "Production Oriented" stance. For example, this shift would have the City and County of Honolulu adopt a goal of approving an average of 2,500 new residential units each year over the next 10-year period to address the project 25,847 unit demand.

Creating more incentives for investments in the State Low-Income Housing Tax Credit would provide the needed capital investment to produce more units at these price points.

We are in strong support of S.B. 2833 S.D. 2 H.D. 1, and appreciate the opportunity to express our views on this matter.