



March 29, 2017

Senator Gilbert S.C. Keith-Agaran, Chair
Senator Karl Rhoads, Vice Chair
Senate Committee on Judiciary and Labor

Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair
Senate Committee on Ways and Means

Support of HB 1179, HD2, SD1 Relating to Housing (Expands the types of rental housing projects that can be exempt from general excise taxes. Allows the terms of collective bargaining agreements and associated provisions to be deemed the prevailing wages and terms serving as the basis of compliance with Chapter 104, Hawaii Revised Statutes, for the construction of certain rental housing projects. Effective 7/1/2030.)

JDL/WAM Hrg: Thursday, March 30, 2017, 9:50 a.m., in Conf. Rm. 211

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, agricultural operations, renewable energy and housing for Hawaii residents of all income levels, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF **supports** the general purpose and intent of **HB 1179, HD2, SD1**, which is to improve the economics of building and operating rental housing in Hawaii.

HB 1179, HD2, SD1. This bill would: (1) allow the terms of collective bargaining agreements and associated provisions (CBA) to be deemed the prevailing wages and terms serving as the basis of compliance with Chapter 104, Hawaii Revised Statutes, for the construction of certain rental housing projects; and (2) expands the types of rental housing projects that can be exempt from general excise taxes (GET), by specifically providing for a GET exemption for affordable rental housing projects developed under a CBA, where all available units are for households with incomes at or below one hundred

forty per cent of the area median family income (AMI), as determined by the United States Department of Housing and Urban Development, of which at least twenty per cent of the available units are for households with incomes at or below eighty per cent AMI. Identical affordable housing projects which do not have an CBA, are not afforded the same GET tax exemption.

LURF's Position. Hawaii has a severe shortage of housing at all income levels, and including affordable rental housing. Private sector developers have been unable to produce sufficient rental housing because of the difficult economics of building and operating rental housing in Hawaii. This measure is the result of private sector landowners, developers, contractors, architects, engineers and labor unions, and other stakeholders who have agreed to take meaningful steps to improve the economics of building and operating rental housing in Hawaii. This bill would provide GET exemptions for affordable housing projects up to 140% AMI, only if the project is subject to a union CBA, and does not allow the same benefits for affordable housing projects without union CBAs.

If the purpose of this bill is to provide incentives to develop more affordable rental housing, perhaps this Committee could consider exploring the possibility of similar incentives for affordable housing projects which do not have CBAs.

Conclusion. For the above reasons, LURF **supports the intent of HB 1179, HD2, SD1,** and respectfully urges your favorable consideration.

Thank you for the opportunity to present testimony regarding this measure.