

STAND. COM. REP. NO. **2040**

Honolulu, Hawaii

**FEB 05 2018**

RE: S.B. No. 2757  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 2757 entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Extend to June 30, 2026, the certification requirements for exemption from the general excise tax for certain affordable rental housing projects; and
- (2) Amend the certification requirements for exemption from the general excise tax for those affordable rental housing projects by:
  - (A) Applying the exemption to only newly constructed affordable rental housing projects;
  - (B) Repealing the per annum cap of \$7,000,000 for contracting costs; and
  - (C) Conditioning certification upon the project owners not refusing to lease units in the projects to qualified applicants because they hold a voucher or certificate of eligibility under the Section 8 Housing Choice Voucher Program.



Your Committee received testimony in support of this measure from the Office of the Governor; Department of Business, Economic Development, and Tourism; Department of Taxation; Hawaii Housing Finance and Development Corporation; Hawaii Public Housing Authority; League of Women Voters of Hawaii; Hawaii Regional Council of Carpenters; Hawai'i Construction Alliance; Pacific Resource Partnership; and Helping Hands Hawai'i. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that the Special Action Team on Affordable Rental Housing has determined that additional incentives are needed to spur rental housing development to meet housing demands. Under existing law, the Hawaii Housing Finance and Development Corporation is authorized to certify that a housing project is entitled to an exemption from the general excise tax. Only after receiving this certification can a taxpayer claim the tax exemption. This measure provides incentives for developers to immediately start their housing developments to take advantage of the exemption from the general excise tax before the exemption sunsets. Furthermore, by requiring project owners to accept section 8 Housing Choice Vouchers as a condition of certification, this measure will increase the use of the Section 8 program statewide.

Your Committee has amended this measure by:

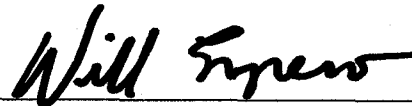
- (1) Adopting the language suggested by the Hawai'i Construction Alliance that clarifies that the exemption applies to approved or certified projects developed by a person or firm to provide affordable rental housing through new construction or substantial rehabilitation, to ensure that substantial rehabilitation projects, rather than only newly constructed projects, are included within the program; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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 S.B.



No. 2757, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2757, S.D. 1, and be referred to your Committee on Ways and Means.

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



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WILL ESPERO, Chair



The Senate  
 Twenty-Ninth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Housing**  
**HOU**

Bill / Resolution No.:* <i>SB 2757</i>	Committee Referral: <i>HOU, WAM</i>	Date: <i>1/30/18</i>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
ESPERO, Will (C)	✓			
HARIMOTO, Breene (VC)	✓			
GREEN, Josh	✓			
KAHELE, Kaiali'i	✓			
NISHIHARA, Clarence K.				✓
<b>TOTAL</b>	<i>4</i>			<i>1</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Breene Hart</i>				
<b>Distribution:</b> Original    Yellow    Pink    Goldenrod File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy				

\*Only one measure per Record of Votes