

# HB 2330, HD1

Measure Title:	RELATING TO HOUSING.
Report Title:	Rental Housing Projects; General Excise Tax Exemption; Section 8 Housing Choice Vouchers
Description:	Extends exemption from general excise tax for development costs of affordable rental housing certified by HHFDC. Removes limits on costs eligible for exemption and authorizes exemption for substantially renovated projects. Prohibits discrimination against tenants based solely on receipt of Section 8 housing assistance. (HB2330 HD1)
Companion:	<a href="#">SB2757</a>
Package:	Governor
Current Referral:	HOU, WAM
Introducer(s):	SAIKI (Introduced by request of another party)



EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

Testimony of the Office of the Governor  
State of Hawai'i

Before the  
**Senate Committee on Housing**  
March 13, 2018, 2:45 p.m.  
Conference Room 225

In consideration of  
**House Bill No. 2330, H.D.1**  
**RELATING TO HOUSING**

Chair Espero , Vice Chair Harimoto, and Committee members:

The Office of the Governor **strongly supports** House Bill 2330, H.D.1. Housing is a top priority for the Ige administration. Governor Ige convened a housing task force comprised of representatives from the Land Use Research Foundation, the Building Industry Association, the development community, housing advocacy organizations, and the state legislature to work collaboratively on solutions to the housing shortage.

This measure supports the goals of the task force by improving the economics of building and operating rental housing in Hawai'i. Section 201H of the Hawaii Revised Statutes was amended under Act 54 last year to expand the types of rental housing projects that could be exempted from general excise tax (GET). This bill lifts the cap on GET exemptions to spur production, extends the sunset date to June 30, 2026 to allow for an entire project cycle, and makes clarifications related to eligible projects and tenant selection.

We urge you to pass this bill. Thank you for the opportunity to testify on this measure.

Denise Iseri-Matsubara  
Office of the Governor  
(808) 586-0805



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

DAVID Y. IGE  
GOVERNOR

LUIS P. SALAVERIA  
DIRECTOR

MARY ALICE EVANS  
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
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Statement of  
**LUIS P. SALAVERIA**  
Director  
Department of Business, Economic Development and Tourism  
before the

**SENATE COMMITTEE ON HOUSING**

Tuesday, March 13, 2018

2:45 PM

State Capitol, Conference Room 225

in consideration of  
**HB 2330, HD 1**  
**RELATING TO HOUSING.**

Chair Espero, Vice Chair Harimoto, and Members of the Committee.

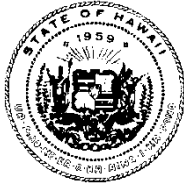
The Department of Business, Economic Development and Tourism (DBEDT)

**supports** HB2330, HD1, an Administration bill.

HB2330, HD1 would expand the general excise tax exemption for projects developed under a contract described in section 201H-2(i)(2), HRS, established by Act 54, Session Laws of Hawaii 2017. DBEDT supports this effort to provide a more robust incentive for the development of affordable rentals in the near term.

Thank you for the opportunity to offer support on HB2330, HD1.

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

### SENATE COMMITTEE ON HOUSING

March 13, 2018 at 2:45 p.m.  
State Capitol, Room 225

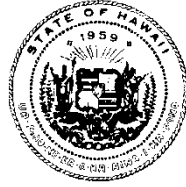
In consideration of  
**H.B. 2330, H.D. 1**  
**RELATING TO HOUSING.**

The HHFDC ***strongly supports*** H.B. 2330, H.D. 1, an Administration bill. H.B. 2330, H.D. 1 would expand the general excise tax exemption for rental projects developed by the private sector under a contract described in section 201H-2(i)(2), HRS, to include substantial rehabilitation projects and affordable rents, remove the per annum cap on such exemptions, extend the sunset date of Act 54, Session Laws of Hawaii (SLH) 2017, from June 30, 2022, to June 30, 2026, and require that certified projects not refuse qualified residents solely because they hold Section 8 Housing Choice Vouchers.

The proposed exemption of affordable rents would apply only to rental housing projects certified or approved by HHFDC before June 30, 2026, to provide an incentive to developers to act quickly to begin development and rehabilitation of more affordable rental projects to meet the high demand for affordable rentals statewide.

Thank you for the opportunity to testify.

DAVID Y. IGE  
GOVERNOR



HAKIM OUANSAFI  
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO  
EXECUTIVE ASSISTANT

**STATE OF HAWAII**  
HAWAII PUBLIC HOUSING AUTHORITY  
1002 NORTH SCHOOL STREET  
POST OFFICE BOX 17907  
HONOLULU, HAWAII 96817

Statement of  
**Hakim Ouansafi**  
Hawaii Public Housing Authority  
Before the

**SENATE COMMITTEE ON HOUSING**

**Tuesday, March 13, 2018**  
**2:45 PM**  
**Room 225, Hawaii State Capitol**

In consideration of  
**HB 2330, HD1**  
**RELATING TO HOUSING**

Honorable Chair Espero and Members of the Senate Committee on Housing, thank you for the opportunity to provide testimony concerning House Bill (HB) 2330, HD1, relating to housing.

The Hawaii Public Housing Authority (HPHA) **strongly supports** HB 2330, HD1. This Administration Bill expands and extends to June 30, 2026, the certification for exemption from general excise tax and use tax costs for certain rental housing projects pursuant to section 201H-36(a)(5), Hawaii Revised Statutes, to include affordable rents. Requires said project owners to accept Section 8 Housing Choice Vouchers as a condition of certification.

The Hawaii Public Housing Authority (HPHA) assists low-income families through the Housing Choice Voucher Program, also known as "Section 8". The Section 8 program is one of the federal government's major programs for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market, including single-family homes, townhouses and apartments.

Because of the overwhelming need in our community to assist our low-income families, the passage of this measure will greatly assist our Section 8 participants in being considered as tenants in these future projects. Due to the unfortunate stigma that Section 8 participants damage rental units, our Section 8 participants have a difficult time in finding landlords who will rent to them. The Section 8 program is an important part of the State's efforts in addressing the affordable housing needs of our low-income families that would otherwise be homeless, and the HPHA is willing to work and assist all future landlords that participate in these projects.

The HPHA appreciates the opportunity to provide the Senate Committee on Housing with the HPHA's testimony regarding HB 2330, HD1. We thank you very much for your dedicated support.

DAVID Y. IGE  
GOVERNOR

DOUGLAS S. CHIN  
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA  
DIRECTOR

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

**STATE OF HAWAII  
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221  
HONOLULU, HAWAII 96813

<http://tax.hawaii.gov/>  
Phone: (808) 587-1540 / Fax: (808) 587-1560  
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To: The Honorable Will Espero, Chair  
and Members of the Senate Committee on Housing

Date: Tuesday, March 13, 2018  
Time: 2:45 P.M.  
Place: Conference Room 225, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: H.B. 2330, H.D. 1, Relating to Housing

The Department of Taxation (Department) strongly supports H.B. 2330, H.D. 1, an Administration measure, defers to the Hawaii Housing Finance and Development Corporation (HHFDC) on the merits of this bill, and provides the following comments for your consideration.

H.B. 2330 H.D. 1 is intended to increase low income housing by extending the exemption from the general excise and use taxes costs for certain rental housing projects certified pursuant to Hawaii Revised Statutes (HRS) section 201H-36(a)(5) to June 30, 2026, expanding the exemption to cover rents, and repealing the per year cap of \$7 million for the exemption. The measure also provides that project owners cannot refuse to rent solely because the applicant is utilizing vouchers or certificates of eligibility under Section 8 of the United States Housing Act of 1937. The measure has a defective effective date of July 1, 2050 but otherwise would apply to taxable years beginning after December 31, 2017.

Under HRS section 201H-36, HHFDC certifies that a housing project is entitled to the tax exemption. Only after receiving such certification can a taxpayer claim the tax exemption. As the regulatory agreements and the eligibility determinations remain with HHFDC, this measure will not have a substantial administrative impact on the Department.

Thank you for the opportunity to provide testimony in support of this measure.



**HB2330 HD1**  
**RELATING TO HOUSING**  
Senate Committee on Housing

March 13, 2018

2:45 p.m.

Room 225

The Office of Hawaiian Affairs (OHA) offers the following **COMMENTS** on HB2330 HD1, which proposes to extend and provide additional incentives under Hawai‘i Revised Statutes (HRS) Chapter 201H, to developers who provide certified new or “substantially rehabilitated” housing for certain income levels, and who do not refuse to lease any such units to persons with section 8 housing vouchers..

OHA appreciates efforts to produce affordable rental housing options that will assist Native Hawaiians and many of Hawai‘i’s residents who are struggling to afford their rent. Native Hawaiians, whose homeownership rate is significantly lower than the state average, must rely substantially on the rental housing market.<sup>1</sup> Native Hawaiian renters also have a particular need for affordable rental units, as more than half of Native Hawaiian renters, many of whom already live in overcrowded situations<sup>2</sup> to reduce costs, live in homes they are struggling to afford.<sup>3</sup> Native Hawaiians may therefore be disproportionately impacted by the lack of affordable rental housing opportunities in the state. Accordingly, OHA supports the intended purpose of this measure, to encourage the generation of affordable rental housing opportunities, and discourage discrimination against low-income renters, through the extension and expansion of tax incentives for projects qualifying under HRS § 201H-36.

As amended, HB2330 HD1 would require that projects qualifying under HRS section 201H-36 set aside all units for households at or below 140% of the Area Median Income (AMI), with at least twenty percent of such units to be offered to households at or below 80% AMI. This would result in a maximum weighted average for all units in a qualifying project of 128% AMI.<sup>4</sup> **Notably, half of the projected residential demand for**

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<sup>1</sup> The Native Hawaiian homeownership rate for non-DHHL properties is only 38.9%, 18.3 percentage points below the statewide rate of 57.2%. See Census Bureau. (2017). American Community Survey (ACS) 1-year Estimates: 2016; DHHL: Homestead Services Division. (01/24/17) Commission submittal.

<sup>2</sup> The average Native Hawaiian household size was 3.63, notably larger than the 2.62 average for non-Native Hawaiian households. See SMS, HAWAI‘I HOUSING PLANNING STUDY, at 70 (2016), available at [https://dbedt.hawaii.gov/hhfdc/files/2017/03/State\\_HHPS2016\\_Report\\_031317\\_final.pdf](https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf).

<sup>3</sup> 24.8% of Native Hawaiian households, compared to 9.6% of state households include more than two generations or unrelated individuals. 14.1% of Native Hawaiian households, compared to 4.2% of state households have a hidden homeless family member. See *id*, at 70.

<sup>4</sup> This weighted average is calculated by multiplying the sum of the number of units provided at 140% AMI by 140, adding the number of units provided at 80 AMI multiplied by 80, and dividing by the total units in

**65,000 more housing units by 2025, is for units at or below 80% AMI.**<sup>5</sup> Accordingly, to better serve the affordable housing needs of Native Hawaiians and Hawai'i residents generally, we respectfully recommend that the Committee consider amending page 3, lines 3 through 15 of HB2330 HD1 to read:

~~"(B) All]~~ all available units are for households with incomes at or below one hundred forty per cent of the area median family income 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 of the area median family income as determined by the United States Department of Housing and Urban Development[-]; provided that the total weighted average of all units provided in an approved and certified project shall be no more than one hundred percent of the area median family income; provided further, that an owner shall not refuse to lease a unit in the project to a qualified applicant solely because the applicant holds a voucher or certificate of eligibility under section 8 of the United States Housing Act of 1937."

Mahalo for the opportunity to provide comments on this matter.

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the project. For example: If the total units in a project is 100 units, with 80 of these units at 140% AMI and 20 of these units at 80% AMI, the weighted average would equal  $((80 \times 140 = 11,200) + (20 \times 80 = 1,600))/100 = 128\%$  AMI.

<sup>5</sup> See SMS, HAWAI'I HOUSING PLANNING STUDY, Table 27b at 34 (2016), available at [https://dbedt.hawaii.gov/hhfdc/files/2017/03/State\\_HHPS2016\\_Report\\_031317\\_final.pdf](https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf).



# Hawai'i Construction Alliance

P.O. Box 179441  
Honolulu, HI 96817  
(808) 348-8885

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March 12, 2018

The Honorable Will Espero, Chair  
The Honorable Breene Harimoto, Vice Chair  
and members  
Senate Committee on Housing  
415 South Beretania Street  
Honolulu, Hawai'i 96813

**RE: Strong Support for HB2330 HD1, Relating to Housing**

Dear Chair Espero, Vice Chair Harimoto, and Members:

The Hawai'i Construction Alliance is comprised of the Hawai'i Regional Council of Carpenters; the Laborers' International Union of North America, Local 368; the Operative Plasterers' and Cement Masons' Union, Local 630; International Union of Bricklayers & Allied Craftworkers, Local 1; and the Operating Engineers, Local Union No. 3. Together, the member unions of the Hawai'i Construction Alliance represent 15,000 working men and women in the basic crafts of Hawai'i's construction industry.

As you know, the Hawai'i Construction Alliance has been extremely concerned about the chronic deficiency of rental apartment housing across the state. Along with our partners in the banking, development, landowning, contracting, architecture, and engineering communities, we formed the "Hawai'i Rental Housing Coalition," with the aim of identifying and carrying out concrete private-sector steps to make a meaningful impact on the economics of building and operating rental housing for families in the 80-140% AMI range.

We are very grateful for the hard work of your committee last session, wherein you passed HB1179, which became law as Act 54 (2017). HB2330 HD1 builds upon these efforts by expanding and extending to June 30, 2026, the certification for exemption from general excise tax and use tax costs for certain rental housing projects pursuant to section 201H-36(a)(5), Hawaii Revised Statutes, to include affordable rents, and by prohibiting discrimination against tenants based solely on receipt of Section 8 housing assistance.

The Hawai'i Construction Alliance remains committed to its leadership role in encouraging the production of rental housing across our state. We ask your committee to continue its diligent work in addressing our state's affordable rental housing crisis by favorably passing out HB2330 HD1.

Please do not hesitate to contact me should you have any questions.

Mahalo,



Tyler Dos Santos-Tam  
Executive Director  
Hawai'i Construction Alliance  
execdir@hawaiiiconstructionalliance.org

Testimony of  
Christopher Delaunay, Government Relations Manager  
Pacific Resource Partnership

THE SENATE  
THE TWENTY-NINTH LEGISLATURE  
REGULAR SESSION OF 2018

COMMITTEE ON HOUSING  
Senate Will Espero, Chair  
Senator Breene Harimoto, Vice Chair

NOTICE OF HEARING  
Tuesday, March 13, 2018  
2:45 p.m.  
State Capitol  
Conference Room 225

Aloha Chair Espero, Vice Chair Harimoto and Members of the Committee:

Pacific Resource Partnership (PRP) supports the Hawaii Rental Housing Coalition (HRHC) and the state and city governments in their continued efforts to find concrete solutions to build more affordable housing for households whose incomes are at or below 140% AMI and thus, supports HB 2330, HD1.

HB 2330, HD1 will improve the GET exemption package for affordable rental housing projects created in Act 54, Session Laws of Hawaii 2017, by removing the per annum cap on GET exemptions and extending the sunset date for these exemptions from June 30, 2022, to June 30, 2026.

In addition, the GET exemptions under Section 201H-36(a)(5), Hawaii Revised Statutes will also be made available to developers who will create more affordable rental housing units by substantially rehabilitating older buildings.

Thank you for allowing us to express our support for HB 2330, HD1, and we respectfully request your favorable consideration.



**(Continued From Page 1)**

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.*



## Hawaii Women's Coalition

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**COMMITTEE ON HOUSING**  
**Senator Will Espero, Chair**  
**Senator Breene Harimoto, Vice Chair**

DATE: Tuesday, March 13, 2018  
TIME: 2:45 p.m.  
PLACE: Conference Room 225

**STRONG SUPPORT FOR HB2339 HD1**

Aloha Chair Espero, Vice Chair Harimoto and members,

The Coalition is in strong support of this measure. We note Hawaii has the highest rate of homelessness and the highest percentage of homeless children in the nation. To afford a 2-bedroom market-rate apartment, a renter in Hawaii would need to make \$35.20 per hour, or over \$73,000 per year. As a result, the gap between this “housing wage” and the average renter’s wage is the widest in the nation, at \$19.56 per hour.

**The high cost of housing disproportionately affects low-income women, many of whom are single moms working multiple jobs just to feed their families. Women in Hawaii still make 20% less than men doing the same job so that any addition to their incomes will also multiply their ability to care for their families as well as add to the economy. It can mean the difference between women and their children living in a car, on the street or in actually housing.**

Please pass this bill out of committee.

Mahalo for the opportunity to testify,

Ann S. Freed Co-Chair, Hawai'i Women's Coalition  
Contact: [annsfreed@gmail.com](mailto:annsfreed@gmail.com) Phone: 808-623-5676

**HB-2330-HD-1**

Submitted on: 3/12/2018 2:37:01 PM

Testimony for HOU on 3/13/2018 2:45:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	Testifying for OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments: