

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

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GOVERNOR

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Statement of  
**LUIS P. SALAVERIA**  
Director  
Department of Business, Economic Development and Tourism  
before the  
**SENATE COMMITTEE ON WAYS AND MEANS**  
Tuesday, April 3, 2018  
10:00 a.m.  
State Capitol, Conference Room 211

in consideration of  
**HB2330, HD1, SD1**  
**RELATING TO HOUSING.**

Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee.

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

**supports** HB2330, HD1, SD1, an Administration bill, **with amendments, as proposed**  
**by HHFDC.**

HB2330, HD1, SD1, as amended, 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, SD1.

DAVID Y. IGE  
GOVERNOR

DOUGLAS S. CHIN  
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA  
DIRECTOR

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF TAXATION**  
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HONOLULU, HAWAII 96813  
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To: The Honorable Donovan M. Dela Cruz, Chair  
and Members of the Senate Committee on Ways and Means

Date: Tuesday, April 3, 2018  
Time: 10:00 A.M.  
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

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

The Department of Taxation (Department) strongly supports H.B. 2330, H.D. 1, S.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, S.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.

The Department notes that the Senate Committee on Housing amended the measure to provide that the weighted average of rent for all units in an approved and certified project cannot be more than one hundred percent of the area median family income.

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 SD1**  
**RELATING TO HOUSING**  
Senate Committee on Ways and Means

April 3, 2018

10:00 a.m.

Room 211

The Office of Hawaiian Affairs (OHA) offers the following **COMMENTS** on HB2330 HD1 SD1, 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 struggle 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.

**Notably, half of the projected residential demand for 65,000 more housing units by 2025, is for units at or below 80% AMI.<sup>4</sup> As amended, HB2330 HD1 SD1 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. To better reflect the housing demand of local residents, this measure's current draft further requires**

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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, HAWAII 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).

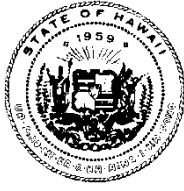
<sup>3</sup> 24.8% of Native Hawaiian households, compared to 9.6% of state households include more than two generations or unrelated individuals. 14.1% of Native Hawaiian households, compared to 4.2% of state households have a hidden homeless family member. See *id*, at 70.

<sup>4</sup> See SMS, HAWAII 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).

**that the total weighted average of all units in a qualifying project be at or below 100% AMI.**

OHA believes that given Native Hawaiians' and other Hawai'i residents' significant demand for affordable rental units at or below 80% AMI, the bold and creative housing policies such as those provided in this measure – which would extend and expand valuable cost-saving incentives to developers, in exchange for the production of housing units at lower income levels – is an important and positive step forward.

Mahalo for the opportunity to provide comments on this matter.



**STATE OF HAWAII**

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

IN REPLY REFER TO:

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

**SENATE COMMITTEE ON WAYS AND MEANS**

April 3, 2018 at 10:00 a.m.  
State Capitol, Room 211

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

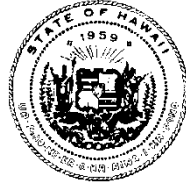
The HHFDC **supports** H.B. 2330, H.D. 1, S.D. 1, an Administration bill, **with a requested amendment.**

H.B. 2330, H.D. 1, S.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.

**HHFDC respectfully requests an amendment to delete language on page 3, lines 11 through 14, in the S.D. 1.** This added language adds an income criterion for the program that may negatively impact the feasibility of the housing projects. This would essentially defeat the purpose of this bill – to provide an incentive for private sector rental housing development.

Thank you for the opportunity to provide written comments on this bill.

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 WAYS AND MEANS**

**Tuesday, April 3, 2018**  
**10:00 AM**  
**Room 211, Hawaii State Capitol**

In consideration of  
**HB 2330, HD1, SD1**  
**RELATING TO HOUSING**

Honorable Chair Dela Cruz and Members of the Senate Committee on Ways and Means, thank you for the opportunity to provide testimony concerning House Bill (HB) 2330, HD1, SD1, relating to housing.

The Hawaii Public Housing Authority (HPHA) **strongly supports** HB 2330, HD1, SD1. This Administration Bill 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.

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 Ways and Means with the HPHA's testimony regarding HB 2330, HD1, SD1. We thank you very much for your dedicated support.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Expand and Extend Affordable Rental Housing Exemption

BILL NUMBER: HB 2330, HD-1, SD-1

INTRODUCED BY: Senate Committee on Housing

EXECUTIVE SUMMARY: Expands and extends to June 30, 2026, the affordable housing exemption from general excise tax and use tax costs for certain rental housing projects pursuant to section 201H-36(a)(5), Hawaii Revised Statutes. Requires affordable rental project owners to accept Section 8 Housing Choice Vouchers as a condition of certification.

SYNOPSIS: Amends section 201H-36(a)(5), HRS, to apply to projects approved or certified from July 1, 2018, to June 30, 2026.

Requires projects in this category to be newly constructed or substantially rehabilitated.

Repeals the requirement that the allowable GET and Use Tax exemptions apply to contracting only and do not exceed \$7 million in the aggregate.

Adds a proviso the total weighted average of all units provided in an approved and certified project shall be no more than one hundred per cent of the area median family income.

Adds a proviso that an owner of a project in this category cannot refuse to lease a unit in the project to a qualified applicant solely because the applicant holds a Section 8 voucher.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: This bill is sponsored by the Department of Business, Economic Development, and Tourism and is designated BED-15 (18).

Currently, the HHFDC may certify affordable rental housing projects under HRS 201H-36 as qualifying for the exemption under HRS 237-29.

One of the existing categories of affordable housing projects that can be certified is an affordable rental housing project where at least 50% of the available units are for households with incomes at or below 80% of the area median family income, of which at least 20% of the available units are for households with incomes at or below 60% of the area median family income.

Act 54, SLH 2017, added another category of affordable rental housing project, where all available units are for households with incomes at or below 140% of the area median family income, of which at least 20% of the available units are for households with incomes at or below 80% of the area median family income. However, the developer would need to use a union contractor whose collective bargaining agreement or project labor agreement was properly submitted to DLIR under Hawaii's Little Davis-Bacon Act. Furthermore, the allowable GET

and Use Tax costs apply to contracting only, are not to exceed \$7 million per year for all projects in this category, and this category sunsets on June 30, 2022.

This bill would expand the second category by deleting the requirement that eligible costs be for contracting only, by deleting the \$7 million per year cap, and by moving the sunset date to June 30, 2026.

If the policy goal is to build more affordable housing, we need to be wary of attaching conditions to the goal that would bog down the process. This bill takes away some of the conditions that were attached in the 2017 legislation, and the challenge now is to make sure that taxpayers can afford the enhanced bill.

Digested 3/29/2018



**HB-2330-SD-1**

Submitted on: 4/1/2018 8:29:09 PM

Testimony for WAM on 4/3/2018 10:00:00 AM

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

Comments:

To the Honorable Donovan M. Dela Cruz, Chair; the Honorable Gilbert S.C. Keith-Agaran, Vice-Chair and Members of the Committee on Ways and Means:

Good morning, my name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") on Legislative Priorities of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on **HB2330 HD1 SD1** regarding Rental Housing Projects; General Excise Tax Exemption; and Section 8 Housing Choice Vouchers.

The OCC on Legislative Priorities is in favor of **HB2330 HD1 SD1** and supports its passage.

**HB2330 HD1 SD1** is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it 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; and prohibits discrimination against tenants based solely on receipt of Section 8 housing assistance, effective on 07/01/2050.

Specifically, the DPH Platform provides that "Housing is a basic human need and we believe that adequate, accessible, affordable, and safe housing should be available to all residents of Hawai'i. Affordable housing that is fair in proportion to individual income is the basis of prosperity for our citizens and stability in our economy. Recent and past real estate bubbles have fueled disproportionate rent increases, a key contributor to homelessness. Therefore, we support efforts to promote truly affordable housing for all citizens who rent. (Platform of the DPH, P. 7, Lines 340-344 (2016)).

We believe in the concept of "Housing First" to develop affordable, stable housing and support services to break the cycle of homelessness for people with the fewest housing options.

We support dedicated social services and housing opportunities for Hawaii's homeless population to get them off the streets and reintegrated into society, with specific devoted services for disenfranchised groups including but not limited to, the Hawaiian community, aged-out foster kids, youth, returning veterans, the aged, and lesbian, gay, bisexual and transgender homeless." (Platform of the DPH, P. 7, Lines 352-358 (2016)).

Given that **HB2330 HD1 SD1** 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; and prohibits discrimination against tenants based solely on receipt of Section 8 housing assistance, effective on 07/01/2050, it is the position of the OCC on Legislative Priorities to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ Melodie Aduja

Melodie Aduja, Chair, OCC on Legislative Priorities

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