



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

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

Before the
House Committee on Housing
March 20, 2018, 10:00 a.m.
Conference Room 423

In consideration of
Senate Bill No. 2757, S.D.2
RELATING TO HOUSING

Chair Brower , Vice Chair Nakamura, and committee members:

The Office of the Governor **strongly supports** Senate Bill 2757, S.D.2. 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 and extends the sunset date to June 30, 2026 to allow for an entire project cycle.

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

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 HOUSING

March 20, 2018 at 10:00 a.m.
State Capitol, Room 423

In consideration of
S.B. 2757, S.D. 2
RELATING TO HOUSING.

The HHFDC **strongly supports** S.B. 2757, S.D. 2, an Administration bill. S.B. 2757, S.D. 2 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, 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 accept qualified residents with Section 8 Housing Choice Vouchers as a condition of certification for the exemption.

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 the development or rehabilitation of affordable rental projects to meet the high demand for affordable rentals statewide.

Thank you for the opportunity to testify.



**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 HOUSING
Tuesday, March 20, 2018
10:00 a.m.
State Capitol, Conference Room 423

in consideration of
SB2757, SD2
RELATING TO HOUSING.

Chair Brower, Vice Chair Nakamura, and Members of the Committee.

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

supports SB2757, SD2, an Administration bill.

SB2757, SD2 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 SB2757, SD2.

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

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To: The Honorable Tom Brower, Chair
and Members of the House Committee on Housing

Date: Tuesday, March 20, 2018
Time: 10:00 A.M.
Place: Conference Room 423, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 2757, S.D. 2, Relating to Housing

The Department of Taxation (Department) strongly supports S.B. 2757, S.D. 2, 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.

S.B. 2757, S.D. 2, 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 existing per year cap of \$7 million for the exemption. The measure also provides that project owners cannot refuse to rent 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 would otherwise 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.

Hawai'i Construction Alliance

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

March 18, 2018

The Honorable Tom Brower, Chair
The Honorable Nadine K. Nakamura, Vice Chair
and members
House Committee on Housing
415 South Beretania Street
Honolulu, Hawai'i 96813

RE: Strong Support for SB2757 SD2, Relating to Housing, and Request to Pass Unamended

Dear Chair Brower, Vice Chair Nakamura, 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 incentivize 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). SB2757 SD2 builds upon these efforts by extending to 6/30/2026, the certification requirements for exemption from the general excise tax for certain affordable rental housing projects; amending the certification requirements for exemption from the general excise tax for those affordable rental housing projects; and 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.

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 SB2757 SD2, unamended.**

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

Mahalo,



Tyler Dos Santos-Tam
Executive Director
Hawai'i Construction Alliance

HAWAII RENTAL HOUSING COALITION

March 18, 2018

The Honorable Tom Brower, Chair
The Honorable Nadine K. Nakamura, Vice-Chair
and Members
House Committee on Housing
Hawai'i State Legislature
415 S. Beretania Street
Honolulu, Hawai'i 96813

RE: Strong Support for SB2757 SD2

Dear Chair Brower, Vice-Chair Nakamura and Members of the Housing Committee:

The Hawaii Rental Housing Coalition (HRHC) is a non-profit citizens group comprised of landowners and developers, real estate industry professionals, Union representatives, segments of the non-profit community, and members of the banking industry who are committed to stimulating and supporting the private sector development of rental housing in the State of Hawaii. The HRHC's goal is to make it possible for the private sector to build rental housing for the workforce members of the community who earn less than 140% of the average median income (AMI) for their area. We seek to do this through a combination of reducing development/construction costs and the reduction of operating costs of the rental housing projects in order to make them financially viable to build and operate. For this we have sought the State's assistance in making GET exemptions available to qualified projects as defined under Act 54 which was passed last year.

We strongly urge you to favorably consider SB2757 HD2 which will remove the annual GET cap of \$7,000,000 on projects covered by Act 54, as well as remove the 5 year sunset on the applicability of Act 54, as well as clarifications to its scope. We strongly urge you to pass this bill out without further amendment.

The Hawaii Rental Housing Coalition is committed to bringing about a solution to building new rental housing that addresses the needs of our workforce population. We feel that with these actions on Act 54, the private sector will have some of the necessary tools to begin to address the rental housing needs of the workforce community in Hawaii.

Respectfully submitted,

/s/ Christine Nakashima-Heise

Christine Nakashima-Heise
Project Coordinator

SB-2757-SD-2

Submitted on: 3/19/2018 9:49:35 AM

Testimony for HSG on 3/20/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Oahu County Committee on Legislative Priorities, Democratic Party of Hawai'i	Support	No

Comments:

Testimony of
Christopher Delaunay, Government Relations Manager
Pacific Resource Partnership

THE HOUSE
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2018

COMMITTEE ON HOUSING
Representative Tom Brower, Chair
Representative Nadine K. Nakamura, Vice Chair

NOTICE OF HEARING
Tuesday, March 20, 2018
10 a.m.
State Capitol
Conference Room 423

Aloha Chair Brower, Vice Chair Nakamura 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 SB 2757, SD2.

Without the support and sacrifice of the State, counties, and HRHC members, it would be extremely difficult, if not impossible, to build more affordable rental housing in the near future for households whose incomes are at or below 140% AMI. State contributions consisting of GET exemptions, provided for in SB 2757, SD2, are an essential component of a collective effort with the private-sector (HRHC) and county governments to solve Hawaii's affordable housing crisis.

- HRHC members, including members of the banking community, developers, landowners, contractors, architects, and members of the engineering community have come together to propose changes that will reduce the cost of building affordable rental housing. Their contributions will make a meaningful impact on the economics of building and operating rental housing for households in the 80-140% AMI range.
- The City and County of Honolulu recently enacted Ordinance 18-1 which provides financial support for the creation and maintenance of affordable housing units that qualify as a rental housing project pursuant to Section 201H-36(a)(5) (Act 34, Session Laws of Hawaii 2017). These



(Continued From Page 1)

county incentives are dependent on the passage of SB 2757, SD2 and make it feasible for the private-sector to build more affordable rental housing in the near future.

As such, we recommend that this measure pass *unamended* since it is an essential component of a larger package that will create more affordable rental housing in the near future.

Thank you for allowing us to express our support on SB 2757, SD2, and we respectfully request your favorable consideration.

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.

LATE



SB2757 SD2
RELATING TO HOUSING
House Committee on Housing

March 20, 2018

10:00 a.m.

Room 423

The Office of Hawaiian Affairs (OHA) offers the following **COMMENTS** on SB2757 SD2, 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.¹ 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 situations² to reduce costs, live in homes they are struggling to afford.³ 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, SB2757 SD2 would, among other provisions, extend and expand the development incentives provided to projects qualifying under HRS section 201H-36, which are required to set aside all of their units for households at or below 140% of the Area Median Income (AMI), and set aside at least 20 percent of project units for households at or below 80% AMI. This would equate to a weighted average for all units

¹ 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.

². 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 (showing the average Native Hawaiian household size as 3.63, notably larger than the 2.62 average for non-Native Hawaiian households).

³24.8% 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. *Id.*

in a qualifying project to be 128% AMI.⁴ **Notably, half of the projected residential demand for 65,000 more housing units by 2025, is for units at or below 80% AMI.**⁵ Accordingly, to better serve the affordable housing needs of Native Hawaiians and Hawai'i residents generally, OHA respectfully requests that the Committee consider amending page 3, lines 3 through 17 of SB2757 SD2 to read as follows:

"~~(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.

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

⁵ 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.

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: SB 2757, SD-2

INTRODUCED BY: Senate Committee on Ways & Means

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. 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 incentives

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

Repeals the sunset date in Act 54, SLH 2017.

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. (The bill would repeal this sunset date.)

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 incentives.

Digested 3/16/2018



HAWAII REGIONAL COUNCIL OF CARPENTERS

March 19, 2018

Committee on Housing
Representative Tom Brower, Chair,
Representative Nadine Nakamura, Vice Chair
State Capitol

LATE

Statement of the Hawaii Regional Council of Carpenters in Support of SB 2757

Dear Chair Brower, Vice Chair Nakamura and Members of the House Committee on Housing:

We strongly **support SB 2757** relating to housing and ask that you pass this bill out of committee, unamended.

SB 2757 expands and extends to June 30, 2026, the certification for exemption from general excise tax and use tax costs for certain affordable rental housing projects pursuant to section 201H-36(a)(5), Hawaii Revised Statutes, and require said project owners to accept Section 8 Housing Choice Vouchers as a condition of certification.

In the 2017 session the Legislature passed an innovative piece of legislation, Act 54, to incentivise the building of rental housing by the private sector, with requirements that rents be affordable to those making below 80% AMI and to not exceed 140% AMI for a period of 30 years of affordability. In early 2018 the Honolulu City Council is set to pass a counterpart version of this bill that will exempt these projects from property taxes, park dedication fees and other incentives. This effort truly represents teamwork between the City and State, as well as business and labor organizations to work together to build sorely needed rental housing that our workforce can afford.

SB 2757 allows for more time to build under this program by extending it till 2026. This not only extends the incentives, but also extends the 15% wage reduction that construction unions have offered on these projects and the other cost reducing pledges made by developers, contractors, architects and banks. It removes the cap of \$7 million in total tax incentives for all projects under the program, essentially allowing the program to achieve as many rental units as it can build without limitation. And finally, it opens these rental units to Section 8 vouchers, which we think is a positive change to the current Act 54.

We respectfully request your support of SB 2757 which would enhance Act 54 and strengthen the incentives program to build rental housing.

Thank you for the opportunity to voice our opinion.

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