

STAND. COM. REP. NO. **2406**

Honolulu, Hawaii

FEB 07 2020

RE: S.B. No. 2409
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 2409 entitled:

"A BILL FOR AN ACT RELATING TO DOWN PAYMENTS,"

begs leave to report as follows:

The purpose and intent of this measure is to encourage former residents to return to Hawaii by assisting them in making down payments for the purchase of primary residences.

Your Committee received testimony in support of this measure from Imua Alliance. Your Committee received testimony in opposition to this measure from the Hawaii Housing Financing and Development Corporation; Host Hotels and Resorts, Inc.; Investment Company Institute; Brookfield Properties; Waikele Premium Outlets; American Assets Trust, Inc.; Public Storage Hawaii Properties, LLC; Park Hotels & Resorts, Inc.; Hawai'i Association of Realtors; National Association of Real Estate Investment Trusts, Inc.; Land Use Research Foundation of Hawaii; Alexander & Baldwin Investments, LLC; OPTrust; Chamber of Commerce Hawaii; Securities Industry and Financial Markets Association; Douglas Emmett; and one individual. Your Committee received comments on this measure from the Department of Taxation, Department of Budget and Finance, and Tax Foundation of Hawaii.

Your Committee finds that the State has had a net loss of residents in past years. Those who move away from Hawaii cite the



high cost of living as a deciding factor. Your Committee further finds many who move away from Hawaii are often skilled and educated members of the workforce. In addition, your Committee finds that the failure to stem this loss represents a danger to Hawaii's economic future. This measure will provide an incentive for former residents and aid current residents to move back home by assisting them pay a down payment on the purchase of a primary residence.

Your Committee finds that the down payment program should be available to both current and future returning residents. Your Committee clarifies that the intent of this measure would be furthered if the program is restricted to only those purchasers who intend to own and occupy the residences.

Your Committee additionally finds that the Department of Taxation testified that one of the funding mechanisms for the down payment program, the taxation of real estate investment trusts, is administratively problematic. Your Committee notes that the Department of Taxation's testimony is that the potential benefits of this tax would not outweigh these problems. Accordingly, your Committee has amended this measure by:

- (1) Deleting the provisions relating to the taxation of Real Estate Investment Trusts;
- (2) Making available the down payment assistance to both existing residents and residents returning from out of state;
- (3) Requiring that buyers be Hawaii residents who are owner-occupants, and who own no other real property;
- (4) Changing the effective date to July 1, 2020; and
- (5) 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. 2409, as amended herein, and recommends that it pass Second



Reading in the form attached hereto as S.B. No. 2409, 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,



STANLEY CHANG, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Housing
HOU

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2409	HOU, WAM	1-28-20		
<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
CHANG, Stanley (C)	✓			
KANUHA, Dru Mamo (VC)	✓			
MORIWAKI, Sharon Y.	✓			
THIELEN, Laura H.	✓			
FEVELLA, Kurt	✓			
TOTAL	5			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes