

DAVID Y. IGE
GOVERNOR



DENISE ISERI-MATSUBARA
INTERIM 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
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

January 30, 2020 at 9:45 a.m.
State Capitol, Room 423

In consideration of
H.B. 2261
RELATING TO AFFORDABLE HOUSING.

HHFDC *offers the following comments* on H.B. 2261, which would:

1. Remove the sunset date of Act 129, SLH 2016, which amended the State Low-Income Housing Tax Credit (LIHTC) by accelerating from 10 to 5 years the period over which the credit could be taken and allowing HHFDC to issue the State credit at the same amounts as the Federal LIHTC per year for that 5-year period; and
2. Deletes the 5-year limitation on the State LIHTC, making it the same as the Federal LIHTC.

This measure would double the amount of State LIHTCs that may be issued to an affordable rental housing project, as the language deleted by this bill is to clarify that overall, the State LIHTC does not exceed 50 percent of the Federal LIHTC. This would result in additional equity generated from the sale of State LIHTCs to investors to accrue to eligible rental housing developments.

HHFDC believes that it may be premature to make permanent the changes made by Act 129, SLH 2016, much less to increase the State LIHTC so that it is equal to the Federal LIHTC. Projects awarded State LIHTC after Act 129's effective date are only now starting to be completed. Therefore, we respectfully suggest amending this bill to simply extend the sunset date of Act 129 for another 5 years so that HHFDC may study its impact further.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
Phone: (808) 587-1540 / Fax: (808) 587-1560
Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Tom Brower, Chair;
The Honorable Scot Z. Matayoshi, Vice Chair;
and Members of the House Committee on Housing

From: Rona M. Suzuki, Director
Department of Taxation

Re: **H.B. 2261, Relating to Affordable Housing**

Date: Thursday, January 30, 2020

Time: 9:45 A.M.

Place: Conference Room 423, State Capitol

The Department of Taxation (Department) appreciates the intent of H.B. 2261 and provides the following comments. H.B. 2261 amends the Hawaii low-income housing tax credit (LIHTC) by removing the language limiting the credit to five years of claims, effectively doubling the credit. H.B. 2261 also makes the credit permanent. The bill is effective upon approval.

The LIHTC is certified by the Hawaii Housing Finance Development Corporation. The Department administers the credit claimed on tax returns and the impact on State revenue.

Prior to 2016, the Hawaii LIHTC was equal to 50% of the federal LIHTC and was claimed over the same 10-year period as the federal credit. Act 129, Session Laws of Hawaii 2016, amended the LIHTC to allow the full federal LIHTC, but for a 5-year period rather than the federally allowed 10-year period. This accelerated the economic benefits to the claimants while ensuring that the Hawaii LIHTC was still 50% of the federal.

H.B. 2261 removes the 5-year period, thus reinstating the 10-year period, but does not reinstate the 50% limitation. This will allow the full federal credit over the full 10-year period.

The proposed the bill becomes effective upon approval and will thus apply to existing credits allocated after December 31, 2016. This retroactive expansion of the credit will provide a benefit to taxpayers that have already generated credits and will not stimulate low-income housing since those taxpayers have already engaged in the activity the credit is encouraging. Therefore, the Department recommends the effective date be amended to apply only to projects certified after the bill becomes effective.

Thank you for the opportunity to provide comments.



January 29, 2020

To: **Rep. Tom Brower, Chair**
Rep. Scot Matayoshi, Vice Chair & Members of the
Committee on Housing

From: **Kali Watson**
Executive Director
Hawaiian Community Development Board
Honolulu, Hawaii 96813

Re: **Hearing on HBs 2261, 2262, 2263, 2447, 2448, 2449 Relating to Affordable**
Housing Development
January 30, 2020 at 9:45 am
Conference Room 423, State Capitol

TESTIMONY IN SUPPORT

Dear Chairperson Brower & Vice Chair Matayoshi of the Housing Committee, and Members:

Thank you for the opportunity to provide testimony in support to HBs **2261, 2262, 2263, 2447, 2448, 2449** relating to affordable housing development. These bills would all address various hurdles to the process of developing affordable housing for the people of Hawaii.

House Bill 2261 makes permanent the low-income housing tax credit program administered by the Hawaii Housing Finance and Development Corporation and removes the 5-year limitation on claiming the tax credit.

House Bill 2262 authorizes the Hawaii Housing Finance and Development Corporation to reimburse any qualified person or firm for any predevelopment costs of certain affordable rental housing projects. Includes reimbursement for predevelopment costs for certain affordable rental housing projects among the permissible uses of Dwelling Unit Revolving Fund and Rental Housing Revolving Fund moneys.

House Bill 2263 authorizes expenditures from the dwelling unit revolving fund for pre-development fees associated with affordable housing development.

House Bill 2447 temporarily exempts affordable housing projects from all state fees related to discretionary approval or ministerial permitting. Sunsets on January 1, 2032.

House Bill 2448 provides that an exemption from the general excise tax established by section 201H-36, Hawaii Revised Statutes, that has been approved by the Hawaii Housing Finance and Development Corporation shall be provided once the qualified person or firm has received approval for project funding and begun to spend money on the project.

President
Richard Soo

Secretary/Treasurer
Jackie Burke

Board Members
Linda Ahue
Duane Hewlen
Puni Kekauoha
Alfred "Bobby" Willing
Helen O'Connor

President/CEO
Kali Watson

Senior VP
Patti Barbee

House Bill 2449 requires that when developers make cash payments in lieu of providing the required reserved housing units in the development of residential projects for the Hawaii Community Development Authority, the cash payments shall be deposited into the rental housing revolving fund.

As a nonprofit developer it is pretty clear that it takes significant time and money to obtain the necessary entitlement and then develop such projects. These bills which makes a key funding source permanent, provides reimbursement of predevelopment costs, expands the use of a funding source (DURF), reduces the costs of permitting fees, quickens the timing access to GET exemption, and creates an additional funding source to the gap funding for developers from the cash payments to HCDA, all help make affordable housing more possible. Most importantly, the end users, people needing affordable housing, are the true beneficiaries.

Hawaiian Community Development Board is a nonprofit developer focusing primarily on beneficiaries of the Hawaiian Homes Commission Act of 1921, but also works with non-beneficiaries.

I urge you to please pass these measures, HBs **2261, 2262, 2263, 2447, 2448, 2449.**

Pupuka I Holomua,

A handwritten signature in black ink that reads "Kali Watson". The signature is written in a cursive, flowing style.

Kali Watson
President/CEO
Hawaiian Community
Development Board (HCDB)

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Extend Low-Income Housing Credit

BILL NUMBER: HB 2261; SB 2970

INTRODUCED BY: HB by HAR, BROWER, DECOITE; SB by KOUCHI by request

EXECUTIVE SUMMARY: Makes permanent the low-income housing tax credit program administered by the Hawaii Housing Finance and Development Corporation and removes the 5-year limitation on claiming the tax credit.

SYNOPSIS: Amends section 235-110.8, HRS, to delete the provisions in subsection (d) that limit the tax credit to the first five years.

Amends section 4 of Act 129, SLH 2016, to delete the sunset date.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: While this bill generally is just one incentive to encourage developers to build affordable housing, consideration should be given to many strategies including debt financing, partnerships with financial institutions who could then turn around and sell the credits, and the use of federal private activity bonds. Finally, one of the greatest contributors to the cost of housing in Hawaii is the draconian maze of permitting and regulatory processes required to bring those homes to market. While those regulatory guidelines are to ensure the health and safety of the public, streamlining the process would accelerate the time needed to secure those permits thereby reducing the cost of financing. This savings would go a long way toward reducing the final cost of the house to the consumer.

Digested 1/28/2020

January 29, 2020

Honorable Tom Brower, Chair
Honorable Scot Matayoshi, Vice Chair
House Committee on Housing
415 South Beretania Street Room 438
State Capitol
Honolulu, HI 96813

LATE

RE: HB2261
Hearing of January 30, 2020 Testimony in Support
Relating to Affordable Housing

Chair Brower, Vice Chair Matayoshi and Committee Members,

Thank you for the opportunity to testify in **support** of this important measure. In order to address Hawai'i's affordable housing shortage, drastic actions must be taken. The Joint Economic Package of bills made it clear that affordable housing is one of the State's priorities. According to the 2018 affordable rental housing report and ten-year plan, Hawai'i will need an additional 64,693 housing units by 2025 with nearly seventy percent of those units designated as low-income households. This bill will incentivize developers to construct affordable housing within the state and therefore address the affordable housing crisis.

Sincerely,

Bert Kobayashi
Senior Advisor
Kobayashi Group, LLC.



January 29, 2020

LATE

To: **Rep. Tom Brower, Chair**
Rep. Scot Matayoshi, Vice Chair & Members of the
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Pupuka I Holomua,

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Kali Watson
President/CEO
Hawaiian Community
Development Board (HCDB)

HB-2261

Submitted on: 1/30/2020 8:34:58 AM

Testimony for HSG on 1/30/2020 9:45:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Elton Wong	Individual	Support	No

Comments:

TO: The Honorable Tom Brower, Chair

House Committee on Housing

FROM: Elton Wong

Kobayashi Group, LLC

SUBJECT: HEARING OF JANUARY 30, 2020; TESTIMONY IN SUPPORT OF HB ---
RELATING TO AFFORDABLE HOUSING

Thank you for the opportunity to testify in support of this important measure. In order to address Hawai'i's affordable housing shortage, drastic actions must be taken. The Joint Economic Package of bills made it clear that affordable housing is one of the State's priorities. According to the 2018 affordable rental housing report and ten-year plan, Hawai'i will need an additional 64,693 housing units by 2025 with nearly seventy percent of those units designated as low-income households. This bill will incentivize developers to construct affordable housing within the state and therefore address the affordable housing crisis.

January 30, 2020

Honorable Tom Brower, Chair
Honorable Scot Matayoshi, Vice Chair
House Committee on Housing
415 South Beretania Street Room 438
State Capitol
Honolulu, HI 96813

LATE

LATE

RE: HB2261
Hearing of January 30, 2020 Testimony in Support
Relating to Affordable Housing

Chair Brower, Vice Chair Matayoshi and Committee Members,

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Sincerely,



Paul McElroy
Vice President
Development & Construction
Kobayashi Group, LLC

January 30, 2020

Honorable Tom Brower, Chair
Honorable Scot Matayoshi, Vice Chair
House Committee on Housing
415 South Beretania Street Room 438
State Capitol
Honolulu, HI 96813

LATE

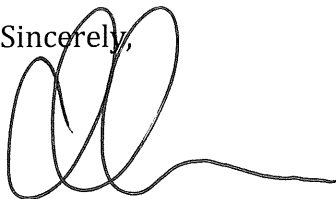
LATE

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Hearing of January 30, 2020 Testimony in Support
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Sincerely,



Alana Kobayashi Pakkala
Chief Operating Officer
Kobayashi Group, LLC.