

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. 2448**  
**RELATING TO AFFORDABLE HOUSING.**

HHFDC offers the following comments to H.B. 2448, which provides that the exemption from the General Excise Tax (GET) for certified or approved housing projects will be granted at the point in time the project receives approval for the project's funding and begins to spend money on the project.

Pursuant to Section 201H-36(b), HRS, to obtain certification for exemption from GET, projects are required to enter into a regulatory agreement with the HHFDC. HHFDC's administrative rules for the program, Chapter 15-306, HAR, clearly state that the GET exemption shall be issued within 10 days of recordation of a project regulatory agreement committing the project to the appropriate minimum affordability terms as required in Section 201H-36(b), HRS. Therefore, we do not believe this bill is necessary for that stated purpose.

HHFDC also has concerns with the proposed amendment to add a new definition of "contracting" to §201H-36(a)(5) to include third-party consultants. The term "contracting" has a specific definition in Hawaii tax laws. Any variance from the existing definition of the term may create unanticipated ambiguities.

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. 2448, 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. 2448 and provides the following comments.

H.B. 2448 expands the general excise tax (GET) exemption for certain low-income housing projects certified by the Hawaii Housing Finance Development Corporation (HHFDC) to include "third-party consulting" work. H.B. 2448 also clarifies the timing of the applicability of the GET exemption for any project certified by HHFDC. The bill is effective upon approval.

Under Hawaii Revised Statutes (HRS) section 201H-36, HHFDC is responsible for certifying that a project is entitled to the GET exemption. Therefore, the Department defers to HHFDC regarding the merits of the expansion of the GET exemption.

The Department is able administer the bill with its current effective date. 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: GENERAL EXCISE, Clarify Start of Affordable Housing Exemption

BILL NUMBER: HB 2448; SB 2968

INTRODUCED BY: HB by BROWER, CACHOLA, HASHIMOTO, HOLT, ICHIYAMA, LOWEN, MATAYOSHI, MIZUNO, MORIKAWA, ONISHI, TARNAS, TODD; SB by KOUCHI by request

EXECUTIVE SUMMARY: Clarifies that the affordable housing exemption in section 201H-36, HRS, 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.

SYNOPSIS: Adds a new subsection to section 201H-36, HRS, to clarify that eligibility for the GET exemption under section 237-29, HRS, shall commence once the qualified person or firm has both: (1) received approval for the project's funding; and (2) begun to spend money on the project. A qualified person or firm who hires a third-party consultant or contractor to conduct work on a project shall be considered to have begun spending money on that project.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: 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.

Act 39, SLH 2018, expanded the second category by raising the cap to \$30 million and by moving the sunset date to June 30, 2030. It also added a proviso that an owner shall not refuse to lease a unit solely because the applicant uses a Section Eight voucher to pay some or all of the rent.

Re: HB 2448

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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. The challenge now is to make sure that taxpayers can afford the enhanced bill.

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



**RE: HB2448**  
**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.

**HB-2448**

Submitted on: 1/30/2020 8:37:24 AM

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



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: HB2448**  
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**Relating to Affordable Housing**

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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**  
**Relating to Affordable Housing**

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Sincerely,



Alana Kobayashi Pakkala  
Chief Operating Officer  
Kobayashi Group, LLC.