

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

February 4, 2020 at 9:15 a.m.
State Capitol, Room 423

In consideration of
H.B. 2477
RELATING TO AFFORDABLE HOUSING.

The HHFDC **opposes** H.B. 2477, a bill that allows projects developed under a contract described in §104-2(i)(2), HRS to be approved for exemptions from General Excise Tax (GET) when they obtain site control. The bill defines "site control" as "the **execution** of any regulatory agreement between any qualified person or firm and **any** governmental entity for purposes of developing a project in accordance with this paragraph."

Under §201H-36(b), HRS, projects are required to enter into a regulatory agreement **with the HHFDC**. Except for the GET exemption, projects developed under a contract described in §104-2(i)(2), HRS, receive no other form of governmental assistance and therefore, there would be no other regulatory agreement with any other governmental entity. Additionally, because this GET exemption is legislatively capped at \$30,000,000 per year, HHFDC must track the exemption and is also a party to the regulatory agreement.

The program administrative rules, 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. We also note that Chapter 15-306, Hawaii Administrative Rules, provides that HHFDC may accept a claim for certification up to one year following the close of the claimant's taxable year for which the claim is made.

Thank you for the opportunity to testify.



MUTUAL HOUSING
ASSOCIATION OF HAWAII

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February 3, 2020

The Honorable Tom Brower, Chair
and the Members of the House Committee on Housing
Hawai'i State Capitol
415 South Beretania Street; Room 423
Honolulu, Hawai'i 96813

Dear Chair Brower and Committee Members:

Subject: House Bill 2477 - Relating to Affordable Housing

The Mutual Housing Association of Hawai'i, Inc. ("Mutual Housing") strongly supports provisions in House Bill 2477 which proposes to grant exemption from general excise taxes for new affordable housing projects that have secured site control to build or rehabilitate housing projects.

As an owner and developer of affordable rental housing, we can attest to the critical need for permanent and dedicated sources of funding to build new rental housing. Mutual Housing is currently building a 120-unit affordable rental project in East Kapolei targeting families earning less than 60% of median incomes. This project would not be possible without the significant financial savings provided by general excise tax exemption on our construction and development costs. However, under the current State laws, Mutual Housing had to wait until financing had been closed at the start of construction before we could offer GE tax exemptions to our consultants and contractors. This meant these our consultants and contractors had to wait two years during predevelopment work before we could offer them the GE tax exemption.

It will take years to develop the projects to meet all of the need in the state. The GE tax exemption is a critical tool helping organizations like Mutual Housing address our affordable rental shortage. Thank you for the opportunity to provide this testimony.

Sincerely,

David M. Nakamura
Executive Director

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 2477; SB 2973

INTRODUCED BY: HB by SAY, DECOITE, KONG, TOKIOKA, Eli; SB by KOUCHI by request

EXECUTIVE SUMMARY: Authorizes the Hawaii Housing Finance and Development Corporation to approve and certify for exemption from general excise taxes certain affordable housing projects once site control is obtained. Defines site control as the execution of any regulatory agreement between any qualified person or firm and any governmental entity for purposes of developing certain affordable housing projects.

SYNOPSIS: Amends section 201H-36, HRS, to provide that a project shall be approved pursuant to this paragraph when any qualified person or firm involved with a newly constructed, or a moderately or substantially rehabilitated, project obtains site control. "Site control" means the execution of any regulatory agreement between any qualified person or firm and any governmental entity for purposes of developing a project in accordance with this paragraph

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.

The amendment proposed by this bill restricts HHFDC from certifying a project until site control has been obtained.

In practice, vendors to an affordable housing developer claim the exemption for project related costs when they are given an approved Form G-37. If there is a considerable delay between incurring the costs and certification of the project, the vendors will not be able to claim the exemption on those costs and the project costs will increase, thereby frustrating the apparent purpose of the exemption.

Digested 1/31/2020

HB-2477

Submitted on: 2/3/2020 11:24:47 AM

Testimony for HSG on 2/4/2020 9:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Paul McElroy	Individual	Support	No

Comments:

TO: The Honorable Tom Brower, Chair
 House Committee on Housing

The Honorable Scot Z. Matayoshi, Vice Chair
 House Committee on Housing

FROM: Paul McElroy, Kobayashi Group, LLC

SUBJECT: HEARING OF FEBRUARY 4, 2020; TESTIMONY IN SUPPORT OF HB 2477 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 a study prepared by SMS Research & Marketing Services Hawai'i will need an additional 50,156 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.

Thank you for your consideration.

Paul McElroy,

Kobayashi Group

HB-2477

Submitted on: 2/3/2020 3:28:30 AM

Testimony for HSG on 2/4/2020 9:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jennifer Azuma Chrupalyk	Individual	Oppose	No

Comments:

These projects do not supply enough affordable units, and as long as there is a Fair Market Wage Disparity, this will never be successful. Offering tax breaks for foreign developers is not the answer, as it only supplies temporary jobs, and generates wealth beyond the sands of Hawai'i, meaning it does not contribute to our overall economic well being. Support wage increaases, and tax breaks for small businesses. That will generate a better economic flow and a higher success rate at getting people into permanent homes.

HB-2477

Submitted on: 2/3/2020 10:11:56 AM

Testimony for HSG on 2/4/2020 9:15:00 AM

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

Comments:

Affordable housing is much needed in the State of Hawaii. There is a severe shortage as demonstrated by previous studies. These are for working families. I am in support of this bill that provides affordable housing for working families.

HB-2477

Submitted on: 2/3/2020 10:39:20 AM

Testimony for HSG on 2/4/2020 9:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Heather de la Garza	Individual	Support	No

Comments:

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 a study prepared by SMS Research & Marketing Services Hawai'i will need an additional 50,156 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.

HB-2477

Submitted on: 2/3/2020 1:24:24 PM

Testimony for HSG on 2/4/2020 9:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Sandra Harano	Individual	Support	No

Comments:

I am in **support** of this important measure and thank you for the opportunity to testify. In order to address Hawai'i's affordable housing shortage, we must take drastic actions. The Joint Economic Package of bills made it clear that affordable housing is one of the State's priorities. According to a study prepared by SMS Research & Marketing Services Hawai'i will need an additional 50,156 housing units by 2025 with nearly seventy percent of those units designated as low-income households. HB 2477 will help developers reduce the cost of their affordable housing project making it more economically feasible. This bill will incentivize developers to construct affordable housing within the state and help to address the affordable housing shortage.

TESTIMONY OF HIGHRIDGE COSTA DEVELOPMENT COMPANY

HEARING DATE/TIME: Tuesday, February 4, 2020
9:15am
Conference Room 423, State Capitol

TO: House Committee on Housing

RE: **IN SUPPORT OF HB 2477**

LATE**LATE**

Dear Chair Brower, Vice-Chair Matayosi, and Committee Members:

My name is Natalie G. Mesa. I practice law in the areas of real estate, finance and business, with a particular emphasis on affordable housing development. I am local counsel for Highridge Costa, which is a development partner in the Kulana Hale at Kapolei project and is currently overseeing the construction of 154 units of low-income senior rental housing and 143 units of low-income multifamily rental housing in the heart of Kapolei. As President of Highridge Costa, Moe Mohanna works to bring well built, resident-focused affordable units to Hawaii's marketplace. In fact, affordable housing is the primary type of housing that Highridge Costa develops, both nationally and locally. With over 29,000 affordable units developed across the country, Moe Mohanna and Highridge Costa support both state and national legislation that benefits the housing needs of low- and moderate-income families.

As Chair Brower, Vice-Chair Matayosi, and the Committee Members are aware, Hawaii is suffering from a critical shortage of affordable housing. 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 a study prepared by SMS Research & Marketing Services, Hawai'i will need an additional 50,156 housing units by 2025 with nearly seventy percent of those units designated as low-income households.

HB 2477 will incentivize developers to construct affordable housing within the state and therefore address the affordable housing crisis. Accordingly, Highridge Costa **supports** HB 2477 to confirm that developers of eligible affordable housing projects may obtain the approval and certification of the Hawaii Housing Finance and Development Corporation for exemption from general excise tax as soon as a regulatory agreement is executed.

Respectfully Submitted,

/S/ Natalie G. Mesa

On behalf of
Highridge Costa Development Company LLC

Natalie G. Mesa
Settle Meyer Law, LLLC
900 Fort Street Mall, Suite 1800