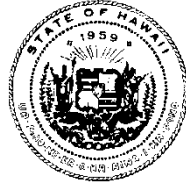


DAVID Y. IGE
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
HONOLULU, HAWAII 96817

Statement of
Hakim Ouansafi
Hawaii Public Housing Authority
Before the

SENATE COMMITTEE ON WAYS AND MEANS

Thursday, February 27, 2020
10:35 AM - Room 211, Hawaii State Capitol

In consideration of
SB 2695, SD1
RELATING TO HOUSING

Honorable Chair Dela Cruz, and Members of the Senate Committee on Ways and Means, thank you for the opportunity to provide testimony concerning Senate Bill (SB) 2695, SD1, relating to housing.

The Hawaii Public Housing Authority (HPHA) **strongly supports** SB 2695, SD1. This measure creates the housing incentive fund to be administered by the HPHA and creates a tax credit for individuals or corporations who contribute to the fund.

Hawaii faces a growing shortfall of affordable homes for low and middle-income populations. This includes working families, seniors on fixed incomes, people with disabilities, and other at-risk populations. Many of these families are rent-burdened, meaning they pay more than 30% of their income to housing costs. When that threshold is crossed, households must spend more on basic housing needs, leaving less income for other household essentials (like healthcare, transportation, food, and clothing). Moreover, a single financial setback can send a rent-burdened household into severe economic hardship or homelessness – impacting not only the residents, but neighborhoods, communities, and our economy.

This measure gives the HPHA the ability to administer the housing incentive fund, in addition to the \$50M from the state, which would be a catalyst to moving more quickly with the rehabilitation of HPHA's existing aged inventory and current and future redevelopment projects. This would allow any individual or entity to be part of the housing solution and their contribution would be immediately available to underwrite affordable housing units, either on

our own, through partnerships or through other creative means in order to contribute to fulfilling the Legislature's and Administration's goal of creating 22,500 affordable rental housing units by 2026 . Allowing the HPHA to administer this program will further assist the HPHA's mission to serve the very poor in the best communities possible. This will provide a vital resource to accomplish that goal, especially as HPHA works to diversify income levels at its traditional public housing developments, particularly with the eighty-three (83) acres located in TOD neighborhoods on Oahu.

Please know that this measure does not create competition with, nor would it diminish from, the mission of other agencies and departments. Instead, this measure will enhance and supplement our joint efforts to create affordable housing of all types, especially with serving the most vulnerable populations that other agencies and departments are not able to serve.

The HPHA appreciates the opportunity to provide the Committee with the HPHA's testimony in **strong support** of SB 2695, SD1, so long as it does not adversely impact the Governor's Supplemental Budget, and we thank you very much for your dedicated support.

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Rona M. Suzuki, Director
Department of Taxation

Re: **S.B. 2695, S.D. 1, Relating to Housing**

Date: Thursday, February 27, 2020

Time: 10:35 A.M.

Place: Conference Room 211, State Capitol

The Department of Taxation (Department) provides the following comments on S.B. 2695, S.D. 1.

S.B. 2695, S.D. 1, establishes a housing incentive fund and a nonrefundable income tax credit for contributions to the fund. The credit is equal to 20 percent of the amount contributed to the housing incentive fund. Carryovers of the credit may be used in subsequent taxable years, up until ten years from the year the credit was generated. The credit is to be certified by the Hawaii Public Housing Authority (HPHA) and capped at \$4 million per biennium. The bill is effective upon approval and applies to low-income buildings placed in service after December 31, 2020.

The Department appreciates that the duty of certifying the credit is assigned to HPHA, including administration of the aggregate cap. As with other credits that require a certification, the Department will work with the certifying agency on procedures and any required forms. The Department notes that the proposed 20 percent tax credit, with a \$4 million aggregate cap, will provide a credit for up to \$20 million in contributions per year.

The Department appreciates the effort of the Senate Committee on Housing to incorporate the Department's recommendations to clarify the credit and to amend the effective date. The Department is able to administer the credit with the current effective date.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2695, S.D. 1

**February 27, 2020
10:35 a.m.
Room 211**

RELATING TO HOUSING

The Department of Budget and Finance (B&F) has concerns with the creation of the Housing Incentive Fund (HIF).

Senate Bill (S.B.) No. 2695, S.D. 1: 1) establishes the HIF to be administered by the Hawai'i Public Housing Authority (HPHA) to fund the construction, rehabilitation, or preservation of multi-family housing for essential workers or low- to moderate-income households and to fund the HIF's administration; 2) authorizes the HIF to receive general obligation (G.O.) bond appropriations made by the Legislature and contributions from an individual, partnership, firm, or corporation; 3) sets reporting requirements for HPHA; 4) establishes a tax credit for contributors to the HIF and sets limits on the time period for claiming excess credit generated and aggregate tax credits allowed per biennium; 5) sets requirements for individuals and taxpaying entities for claiming the tax credit; 6) authorizes the Director of Finance to issue up to \$50,000,000 in G.O. bonds; and 7) appropriates the same amount to seed fund the HIF.

B&F does not support the creation of special funds that do not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding S.B. No. 2695, S.D. 1, it is uncertain whether the revenues will support the HIF once the G.O. bond seed funding is expended.

Thank you for your consideration of our comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Credit for Contributions to Housing Incentive Fund

BILL NUMBER: SB 2695, SD-1

INTRODUCED BY: Senate Committee on Housing

EXECUTIVE SUMMARY: Creates the housing incentive fund to be administered by the Hawaii public housing authority. Allows the fund to be seeded with general obligation bonds. Establishes an income tax credit for individuals or corporations who contribute to the fund in the amount of 20% of the amount contributed to the fund during the taxable year.

SYNOPSIS: Adds a new section to chapter 356D, HRS, to create the housing incentive fund. States that the fund shall be administered by the Hawaii public housing authority and shall be used for the construction, rehabilitation, or preservation of multifamily housing targeted to essential workers and low to moderate income households, including seniors and people with special needs, and for necessary expenses. Eligible recipients of funding by the housing incentive fund include state and county governments, and nonprofit organizations, public-private partnerships, or for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.

Adds a new section to chapter 235, HRS, allowing a nonrefundable credit equal to 20% of the amount contributed to the fund during the taxable year.

Provides that all claims, including any amended claims, for tax credits shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

Provides an aggregate cap on tax credits allowed to all eligible contributors of \$4 million per biennium.

EFFECTIVE DATE: This Act, upon its approval, shall apply to taxable years beginning after December 31, 2020.

STAFF COMMENTS: This bill apparently is intended to raise funds to develop affordable housing. Dearth of funds to develop housing, however, is driven by the draconian maze of permitting and regulatory processes required to bring those homes to market. While those regulatory guidelines are to insure 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 2/25/2020



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
THURSDAY, FEBRUARY 27, 2020 AT 10:35 A.M.**

To The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and
Members of the Committee on Ways and Means,

TESTIMONY IN SUPPORT OF SB2695 RELATING TO HOUSING

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, with approximately 650 members. I am writing share our support of SB2695.

The Maui Chamber of Commerce supports this bill to create a housing incentive fund. Upfront access to capital is important to get affordable housing projects started. We appreciate that this bill allows for a variety of homebuilders, including developers, nonprofits and public/private partnerships to use these funds. Further, we support the inclusion of a tax credit that will incentivize individuals and corporations contributions to the fund and affordable housing and rentals.

We appreciate the opportunity to testify on this matter and ask that this bill be passed.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



CATHOLIC CHARITIES HAWAI'I

TESTIMONY IN SUPPORT OF SB 2695 SD1: RELATING TO HOUSING

TO: Senator Donovan M. Dela Cruz, Chair, Senator Gilbert S.C. Keith-Agaran, Vice Chair, and Members, Committee on Ways & Means

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i

Hearing: **Thursday, February 27, 2020; 10:35 AM; CR 211**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members, Committee on Ways & Means:

Thank you for the opportunity to provide testimony **in support of SB 2695 SD1**, which would raise funds to develop affordable housing by establishing a housing incentive fund and an income tax credit for contributions to the fund. I am Rob Van Tassell, with Catholic Charities Hawai'i. We are also a member of Partners in Care

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 70 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has a long history of working in the areas of affordable housing and homelessness.

Hawaii's housing crisis is complex and demands a multifaceted approach to resolve the housing needs of essential workers and low to moderate income households, including seniors and people with special needs. The proposed Housing Incentive Fund is an innovative strategy that could enable the Hawaii Public Housing Authority (HPHA), that would administer this fund, to move more quickly to rehabilitate its current inventory of very affordable housing units which are quite aged. Creating a tax credit for individuals or corporations who contribute to the fund would help to leverage the initial \$50 million (in G.O. bonds) to increase HPHA's capacity to quickly return units to occupancy. Since many of these units have federal subsidies tied to them, the new tenant would only pay 30% of their household income for rent. With the extreme shortfall of affordable housing, especially for extremely low income households, this Fund could help to provide housing more quickly to families who are rent-burdened and often pay much more than 30% of their income on rent.

Futhermore, this Fund could be utilized to get new affordable housing projects started. A wide range of home building organizations could partner with HPHA and this fund for the construction, rehabilitation or preservation of multifamily housing.

We urge your support for SB 2695 SD1 and **\$50 million** to the Housing Incentive Fund which would be administered by HPHA. Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or bettylou.larson@catholiccharitieshawaii.org if you have any questions.



LATE

SB-2695-SD-1

Submitted on: 2/26/2020 10:36:32 AM

Testimony for WAM on 2/27/2020 10:35:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Rayne	Individual	Support	No

Comments: