

**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  
FAX NO: (808) 587-1560

**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. 3138, S.D. 1, Relating to Housing**

Date: Wednesday, February 26, 2020

Time: 1:40 P.M.

Place: Conference Room 211, State Capitol

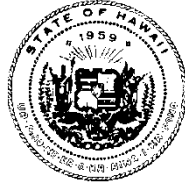
The Department of Taxation (Department) provides the following comments regarding S.B. 3138, S.D. 1. This measure expands the general excise tax (GET) exemption available to projects certified under section 201H-36(a)(5), Hawaii Revised Statutes (HRS).

Under current law, projects certified under section 201H-36(a)(5), HRS, are granted GET exemptions limited to contracting costs only. S.B. 3138, S.D. 1, would expand the exemption to cover all costs included in the source provision at section 237-29, HRS, which would include financing, sales, and leasing costs.

The Department notes that the Hawaii Housing Finance Development Corporation certifies this GET exemption. Therefore, this measure does not have a significant administrative impact on the Department.

Thank you for the opportunity to provide comments.

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

**SENATE COMMITTEE ON WAYS AND MEANS**

February 26, 2020 at 1:40 p.m.  
State Capitol, Room 211

In consideration of  
**S.B. 3138, S.D. 1**  
**RELATING TO HOUSING.**

The HHFDC supports S.B. 3138, S.D. 1, which expands the exemption from General Excise Taxes (GET) for projects developed under a contract described in §104-2(i)(2), HRS to (1) include affordable rents, subject to the annual limit of \$30,000,000 per year; and (2) allow said projects to be eligible for the exemption if they receive no other direct or indirect financing from any other governmental contracting agency of the State.

We believe these amendments will make this GET exemption more attractive to affordable rental housing developers, and therefore help add more rental units to the statewide inventory.

Thank you for the opportunity to provide written comments on this bill.



## HAWAII REGIONAL COUNCIL OF CARPENTERS

Senate Committee on Ways and Means  
The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair  
Wednesday, February 26, 2020  
1:40 PM, State Capitol Room 211

Statement of the Hawaii Regional Council of Carpenters – Strong Support for SB3138, SD1

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The Hawaii Regional Council of Carpenters (HRCC) writes in strong support of SB3138, SD1, which would remove the limit on costs eligible for exemption from general excise tax for development costs of affordable rental housing certified by the Hawaii housing finance and development corporation.

As you know, HRCC has been extremely concerned about the chronic deficiency of rental apartment housing across the state. Along with our partners in the banking, development, landowning, contracting, architecture, and engineering communities, we formed the “Hawaii Rental Housing Coalition,” with the aim of identifying and carrying out concrete private-sector steps to make a meaningful impact on the economics of building and operating rental housing for families in the 80-140% AMI range.

We are very grateful for the hard work of the legislature during previous sessions, which resulted in the passage of Act 54 (2017) and Act 39 (2018), establishing and expanding the 201H-36(a)(5) general excise tax program for certain rental housing projects.

We have been buoyed by the fact that several developers have expressed interest in or applied to utilize the program, but have been frustrated by a recent attorney general’s opinion which finds that the program, as currently drafted, cannot be utilized in combination with county-level incentives such as those in Ordinance 18-01 (also referred to as the “Bill 59 Incentives”).

SB3138, SD1 seeks to provide clarifying language to allow the 201H-36(a)(5) general excise tax program for certain rental housing projects to be used in combination with county-level incentives. Therefore, we humbly request your committee’s favorable action on SB3138, SD1.

Thank you for the opportunity to provide these comments in strong support of SB3138, SD1.

### STATE HEADQUARTERS & BUSINESS OFFICES

**OAHU:** 1311 Houghtailing Street, Honolulu Hawaii 96817-2712 • Ph. (808) 847-5761 Fax (808) 440-9188  
**HILO OFFICE:** 525 Kilauea Avenue, Room 205, Hilo, Hawaii 96720-3050 • Ph. (808) 935-8575 Fax (808) 935-8576  
**KONA OFFICE:** 75-126 Lunapule Road, Kailua-Kona, Hawaii 96740-2106 • Ph. (808) 329-7355 Fax (808) 326-9376  
**MAUI OFFICE:** 330 Hookahi Street, Wailuku, Maui 96793-1449 • Ph. (808) 242-6891 Fax (808) 242-5961  
**KAUAI OFFICE:** Kuhio Medical Ctr Bldg., 3-3295 Kuhio Hwy, Suite 201, Lihue, Kauai 96766-1040 • Ph. (808) 245-8511 Fax (808) 245-8911

Testimony of  
Pacific Resource Partnership

Senate Committee on Ways and Means  
The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair

SB 3138 SD1

Wednesday, February 26, 2020  
1:40 P.M.  
Conference Room 211

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

Pacific Research Partnership (PRP) writes in support of SB3138 SD1, which would remove the limit on costs eligible for exemption from general excise tax for development costs of affordable rental housing certified by the Hawaii housing finance and development corporation.

PRP is appreciative of the legislature's hard work resulting in the passage of Act 54 (2017) and Act 39 (2018), establishing and expanding the 201H-36(a)(5) general excise tax program for certain rental housing projects.

Since passage of the Acts 54 and 39, developers have expressed an interest in taking advantage of both state and county-level incentives, including those exemptions set forth by the City and County of Honolulu in Ordinance 18-01 (previously Bill 59 (2017) CD2, FD1). Ordinance 18-01 specifically referenced "qualifying rental housing projects pursuant to HRS Section 201 H-36(a)(5) (Act 54, Session Laws of Hawaii 2017)." Nevertheless, upon information and belief, a subsequent opinion by the state's attorney general's office found that the state program, as currently drafted, cannot be utilized in combination with county-level incentives such as those in Ordinance 18-01.

SB3138 SD1 provides clarifying language, including a provision that permits the 201H-36(a)(5) general excise tax program for certain rental housing projects to be used in combination with county-level incentives. As such, PRP respectfully requests your committee's favorable action on SB3138 SD1 and thank you for this opportunity to submit written testimony.





Mobile: 808.428.8717  
Email: lindaschatz@schatzcollaborative.com  
Schatzcollaborative.com

February 25, 2020

Senator Donovan Dela Cruz  
Ways & Means Committee  
State Capitol  
Honolulu, HI 96813

**SUBJECT: Support for S.B. 3138**

Dear Chair Dela Cruz and Senate Committee Members,

I develop rental workforce housing that serves the 80%-140%AMI households so I have firsthand knowledge of facing the challenges of feasibility for this type of housing and trying to convince investors and lenders to place their faith in the Hawaii rental market. I have developed all types of uses from retail, resort communities, office, and affordable workforce housing is one of the most difficult uses to develop and achieve feasibility. That is why I am submitting written testimony **in support of S.B. 3138.**

I recommend that the bill reference or follow Statute 15-306-2 which outlines the exemption of the General Excise Tax for affordable workforce and low-income projects that meet a specific AMI criterion. This statute has been in existence for some time and has been widely used by developers to achieve financial feasibility for housing projects that serve our residents. It is extremely helpful when bills, statutes, and county ordinances are aligned and consistent in affordability criteria and policy to ultimately find success in producing housing units for the people of Hawaii. It is the sum of the parts that makes these programs effective enough to facilitate feasible workforce rental projects.

I am also in support of the change in Section 2. Item 3 which states that this proposed bill can be used in conjunction with other County incentive programs, while any State programs would be excluded. All counties have their incentive programs to stimulate the development of rental housing but alone they cannot achieve feasibility. With these changes in this bill it will provide a combination of incentives to ensure feasibility for workforce **rental** projects that fit within the 80%AMI to 140%AMI range. These households are the most underserved and often are not eligible for any County, State, or Federal direct subsidies. Households in this AMI range are the backbone of our residential community who make up the essential



Mobile: 808.428.8717  
Email: [lindaschatz@schatzcollaborative.com](mailto:lindaschatz@schatzcollaborative.com)  
[Schatzcollaborative.com](http://Schatzcollaborative.com)

workforce that provides us services that keep our community safe and healthy. They are our fire fighters, police, nurses, medical technicians, teachers, postal worker, government worker, child day care worker, college teachers, senior care professional, etc.

I can count only a handful of workforce rental projects that have been developed over the last decade or so for these 80-140%AMI households. Most of the large rental projects for these households were built in the 60's through to the early 80's. Not much has been built since in 40 years. Almost half of our households in Hawaii need to rent. They have been making do by doubling and tripling up or finding subpar conditions in makeshift rental situations. My family is no exception with three generations and three households under one roof. As we've seen in the most recent DBEDT study with population decline on Oahu, they eventually leave Hawaii because they can no longer find the quality of life they deserve. With S.B. 3138 it provides a fighting chance for developers to produce rental projects of scale for these households who want to live and stay in our community. We need them to live in our community to keep us healthy, safe, and provide much needed services like educating our children.

Thank you again for the opportunity to submit this testimony. If there are any questions, or if additional information is needed, please do not hesitate to contact me at (808)428-8717.

Warmest Regards,

A handwritten signature in black ink that reads "Linda Schatz".

Linda Schatz  
Principal

**SB-3138-SD-1**

Submitted on: 2/25/2020 1:39:45 PM

Testimony for WAM on 2/26/2020 1:40:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Milo Spindt	Testifying for Kauai Housing Development Corporation	Support	No

Comments:

Aloha Senators,

During this housing crisis, it is important that the government use all means available to help reduce the cost of developing and maintaining affordable housing. The exemption from the general excise tax is a significant cost savings that directly impacts developers ability to provide affordable housing.

This bill is important because there are little or no subsidies for development of affordable housing in the "gap group" which provides housing for the primary workforce in Hawaii.

We urge you to pass this bill.

Thank you and Aloha,

Milo Spindt

Executive Director

Kauai Housing Development Corporation

A Hawaii Non-Profit Affordable Housing Development Company

February 25, 2020

Hawaii State Senate  
Committee on Ways and Means  
Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice Chair

RE: S.B. No. 3138, S.D. 1 – Relating to Housing

The Honorable Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Stanford Carr Development, LLC (SCD) strongly supports Senate Bill No. 3138 and commends the legislature in their efforts to facilitate the production of greater numbers of rental housing units for low to moderate income households. We are all too aware of the State's current housing crisis and this bill aims to alleviate some of the costs associated with the development of rental housing units by expanding the types of rental housing projects exempted from general excise taxes as well as allowing the terms of collective bargaining agreements and associated provisions to be deemed the prevailing wages in satisfaction of Chapter 104, Hawaii Revised Statutes, for the construction of certain rental housing projects.

This bill acknowledges the efforts by the private sector to improve the economics of building and operating rental housing in the State and helps address the dire shortage of rental housing units serving local families earning between 80 to 140 percent of the Area Median Income (AMI).

One of the existing categories of affordable housing projects eligible for certification as a rental housing project requires that at least 50 percent of available units be reserved for households with incomes at or below 80 percent AMI of which at least 20 percent of available units are reserved for households with incomes at or below 60 percent AMI. The proposed bill provides for an additional category of affordable rental housing where all of the available units are reserved for households earning at or below 140 percent of AMI of which at least 20 percent are reserved for families earning 80 percent AMI.

As a private developer of workforce rental housing serving households earning at or below 60 percent AMI, we rely heavily on governmental subsidies to help finance a project's construction. We recently completed Hale Kewalo, a 128-unit workforce rental project in Kakaako serving families earning between 30 and 60 percent AMI implementing Low-Income Housing Tax Credits (LIHTC), Tax-Exempt Private Activity Bonds, and exemptions from the payment of general excise taxes. The use of LIHTCs greatly subsidizes the development of affordable rental housing for households earning up to 60 percent AMI. No such subsidies are currently available for the development of rental housing units serving low and moderate households making their construction difficult if not impossible to underwrite and finance. This bill, however, will serve as a positive economic development tool by helping reduce construction costs making production of rental housing units more financially feasible.



In closing, we at SCD appreciate the opportunity to provide testimony in full support of this bill as it expands the types of rental housing projects eligible for general excise tax. We look forward to the passage of this bill and most importantly working with other members of the private sector to construct and develop sorely needed rental housing for local families.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stanford S. Carr', with a long horizontal flourish extending to the right.

Stanford S. Carr



Hunt Companies, Inc.  
737 Bishop St., Suite 2750  
Honolulu, HI 96813  
808-585-7900

**LATE**

Senator Donovan Dela Cruz, Chair  
Senator Gilbert Keith-Agaran, Vice Chair  
Committee on Ways and Means

**RE: SB 3138 SD1 – Relating to Housing – In Support  
February 26, 2020; 1:40 p.m.; Conference Room 211**

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and members of the Committee,

Hunt Companies - Hawaii is in support of SB 3138 SD1 which would remove the limit on costs eligible for exemption from general excise tax for development costs of affordable rental housing certified by the Hawaii housing finance and development corporation.

This bill takes a significant step towards addressing our current housing crisis by further incentivizing developers of affordable housing projects to continue building and closing the affordable housing shortage gap. We commend the legislature's tireless work with the enactment of Act 54 (2017) and Act 39 (2018), establishing and expanding the 201H-36(a)(5) general excise tax program for certain rental housing projects.

Thank you for the opportunity to provide testimony in support. We ask for your favorable consideration in passing this measure.

Sincerely,

Steven W. Colón  
President – Hawaii Division

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

Tuesday, February 25, 2020

Jeffrey Laupola  
Jeffrey.W.Laupola@gmail.com

**Support** for S.B. No. 3138 SD1, Relating to Housing

I was born and raised in Hawaii and like you, I love Hawaii.

I strongly support passing this bill to assist with the previous 2018 legislative efforts to help with affordable rental housing. This bill will reduce the cost to build affordable housing by almost 5 percent. Lower cost housing is a win for all of Hawaii and is targeted for the “Gap” group of people able and contemplating leaving Hawaii. We need these people, our friends and families, to stay in Hawaii.

Thank you for the opportunity to submit testimony and thank you for your service to the people of Hawaii as our elected leaders.

**SB-3138-SD-1**

Submitted on: 2/25/2020 10:34:25 AM

Testimony for WAM on 2/26/2020 1:40:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Blair Suzuki	Individual	Support	No

Comments:

I am writing in STRONG SUPPORT of SB3138.

I am testifying in my personal capacity. I am the Operations Manager at Otis Elevator Company. In our business here in Hawaii, our construction projects are estimated and bid at razor thin margins due to the competitive nature in the business. This competitive nature is due to the lack of development that actually pencils out, other than major high rise market condo projects.

The GET tax exemption would help stimulate growth in the affordable housing/workforce housing area, while also incentivizing companies to actually bid and see the projects through to completion. A 5% GET tax exemption would create a significant amount of money that would help flow down through all companies involved with the development, sale, and building of the projects that will benefit numerous companies and people employed in the various building trades.

Please support this bill.

Mahalo,

Blair Suzuki

**From:** [Edy Gomes](#)  
**To:** [WAM Testimony](#)  
**Subject:** Support for SB3138  
**Date:** Monday, February 24, 2020 10:36:11 PM

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Aloha,

I am writing in support of SB3138.

I am a medical student at JABSOM and there is a significant shortage of affordable housing or student housing near JABSOM. Most of the developments in Kakaako are market units that are not financially feasible for students. If developers did not have to pay GET taxes on affordable housing projects, more diverse projects would have a chance of being built. Please support SB3138.

Mahalo,

Edy Gomes

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**Edy Kaleimomi Gomes**  
MD Candidate, Class of 2021  
John A. Burns School of Medicine  
[ekgomes@hawaii.edu](mailto:ekgomes@hawaii.edu)

**SB-3138-SD-1**

Submitted on: 2/25/2020 11:17:40 AM

Testimony for WAM on 2/26/2020 1:40:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Sterling Higa	Individual	Support	No

Comments:

We need to reduce the cost of development to incentivize more workforce housing construction. This bill is a step in the right direction.

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

**LATE**

Tuesday, February 25, 2020

Reyn Kaupiko  
Reyn.Kaupiko@yahoo.com

**Support** for S.B. No. 3138 SD1, Relating to Housing

Hawaii is my home and forever will be. My wife and I have made the decision to give the same upbringing we experienced (that of growing up in Hawaii with its values, culture and practices) to our children. We have decided to forego the lower cost of living in the mainland and the better paying wages. This is a sacrifice we have cognizantly selected. With this being said, it does not make the sacrifice of living here in Hawaii any easier. We are fortunate with our living situation but am worried for that of our friends and family. With great likeliness the decision we were presented will not even be afforded to our children unless we better figure out how to provide during this housing crisis. That is why I strongly support passing this bill to assist with the previous 2018 legislative efforts to help with affordable rental housing.

This bill will reduce the cost to build affordable housing by almost 5 percent. Lower cost housing is a win for all of Hawaii and is targeted for the "Gap" group of people able and contemplating leaving Hawaii. We need these people, our friends and families, to stay in Hawaii.

Thank you for the opportunity to submit testimony and thank you for your service to the people of Hawaii as our elected leaders.

Respectfully,



Reyn Kaupiko

**LATE**

**SB-3138-SD-1**

Submitted on: 2/25/2020 8:09:56 PM

Testimony for WAM on 2/26/2020 1:40:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Colby Takeda	Individual	Support	No

Comments:

Addressing our affordable housing crisis can be one of the most impactful things that we do this legislative session. Please support this bill.

Thank you,

-Colby Takeda

Resident of Mililani