



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of  
**MIKE MCCARTNEY**  
Director  
Department of Business, Economic Development and Tourism  
before the  
**SENATE COMMITTEE ON HOUSING**  
Thursday, February 4, 2021  
1:00 p.m.  
State Capitol, Conference Room 225

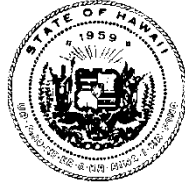
in consideration of  
**SB1062**  
**RELATING TO THE LOW-INCOME HOUSING TAX CREDIT.**

Chair Chang, Vice Chair Kanuha, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) **supports** SB1062, an Administration bill to extend the sunset date of Act 129, SLH 2016 by an additional 5 years. The proposed extension will allow for a full development cycle and provide HHFDC with time to better evaluate the merits of changes made by Act 129 to the State's Low-Income Housing Tax Credit.

Thank you for the opportunity to testify.

DAVID Y. IGE  
GOVERNOR



DENISE ISERI-MATSUBARA  
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  
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IN REPLY REFER TO:

Statement of  
**DENISE ISERI-MATSUBARA**  
Hawaii Housing Finance and Development Corporation  
Before the

**SENATE COMMITTEE ON HOUSING**

February 4, 2021 at 1:00 p.m.  
State Capitol, Room 225

In consideration of  
**S.B. 1062**  
**RELATING TO AFFORDABLE HOUSING.**

The HHFDC supports S.B. 1062, which would extend the sunset date of Act 129, SLH 2016 to December 31, 2026.

Act 129, SLH 2016, amended the calculation of the State LIHTC by amending the applicable period over which the credit may be claimed from ten to five years to increase the attractiveness of the State LIHTC, and generate more equity to finance affordable rental housing development. Act 129 currently has a sunset date of December 31, 2021.

HHFDC has been administering the State LIHTC in accordance with Act 129 since its enactment. However, HHFDC has not been able to fully evaluate the efficacy of Act 129 due to the overall adjustment in LIHTC pricing from 2016 and the economic downturn. Therefore, an extension of the sunset date by another 5 years would be helpful to better evaluate the impact of Act 129.

Thank you for the opportunity to testify.

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



ISAAC W. CHOY  
DIRECTOR OF TAXATION

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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To: The Honorable Stanley Chang, Chair;  
The Honorable Dru Mamo Kanuha, Vice Chair;  
and Members of the Senate Committee on Housing

From: Isaac W. Choy, Director  
Department of Taxation

Date: February 4, 2021  
Time: 1:00 P.M.  
Place: Via Video Conference, State Capitol

**Re: S.B. 1062, Relating to the Low Income Housing Tax Credit**

The Department of Taxation (Department) supports S.B. 1062, an Administration measure, and defers to the Hawaii Housing Finance and Development Corporation (HHFDC) on the merits of this bill.

S.B. 1062 extends the sunset date for the changes to the Low-Income Housing Tax Credit (LIHTC) provided under Hawaii Revised Statutes (HRS) section 235-110.8 made by Act 129, Session Laws of Hawaii 2016. In order to make the LIHTC more valuable to investors, Act 129 reduced the period over which the credit must be claimed by investors from ten years to five years. The proposed extension is from December 31, 2021 to December 31, 2026.

The Department is able to administer S.B. 1062 as currently written as it will not have a substantial administrative impact.

Thank you for the opportunity to provide testimony in support of this measure.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Low-Income Housing Tax Credit Extension

BILL NUMBER: SB 1062; HB 908

INTRODUCED BY: SB by KOUCHI by request; HB by SAIKI by request.

EXECUTIVE SUMMARY: Extends the sunset date of amendments to the State Low-Income Housing Tax Credit by an additional five years.

SYNOPSIS: Amends section 4 of Act 129, SLH 2016, to extend the sunset date of certain amendments to section 235-110.8, HRS, from December 31, 2021, to December 31, 2026.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This bill is part of the Administration package, sponsored by the Department of Business, Economic Development, and Tourism and identified as BED-10 (21).

Act 216, SLH 1988, adopted for Hawaii purposes the federal low-income rental housing credit that was part of the Tax Reform Act of 1986. The idea was to offset the repeal of tax shelters and other incentives to build rental housing under prior law, such as accelerated depreciation, capital gains preference, certain tax-exempt bonds, and to specifically target low-income rentals.

The federal credit is a 70% present value credit for qualified new construction and rehabilitation expenditures which are not federally subsidized, and 30% for those which are federally subsidized. State law prior to 2016 allowed for a credit of 50% of the “applicable percentage of the qualified basis” allowed under federal law to be taken over a period of 10 years, and Act 129, SLH 2016, shortened the 10-year period to 5 years. That Act, however, was a temporary measure to expire on December 31, 2021.

In its justification sheet for the bill, DBEDT professes that the five years since 2016 have not given it sufficient time to study the effects of the accelerated payout schedule and DBEDT asks for the extension to give it five more years to do so.

This credit is just one incentive to encourage developers to build affordable housing. Consideration should be given to a number of strategies including the 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 in order 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 2/1/2021



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

Senator Stanley Chang, Chair  
Senator Dru Mamo Kanuha, Vice Chair  
Committee on Housing

**RE: SB 1062 Relating to the Low-Income Housing Tax Credit – Support Intent**  
Thursday, February 4, 2021; 1:00 PM; conference room 225

Aloha Chair Chang, Vice Chair Kanuha and members of the committee:

Thank you for the opportunity to submit testimony in support of the intent of SB 1062, which extends the low-income housing tax credit program by an additional five years.

Hunt Companies – Hawaii and Hunt Capital Partners, LLC prefer SB 659 as it extends the program and also allows for the program to serve even more Hawaii residents at little to no additional cost to the state by expanding the market of buyers. Affordable housing developers use Hawaii’s low-income housing tax credit program to raise equity, selling the credits to Hawaii taxpayers who then in turn use them to offset their tax liability. Under the program, rents in these units stay well below market for up to 60 years.

We appreciate your efforts to address Hawaii’s affordable housing crisis.

Steven W. Colón  
President – Hawaii Division

Jeff Weiss  
President, Hunt Capital Partners, LLC

## **Testimony of Sugar Creek Capital**

### **Senate Committee on Housing**

**Thursday, February 4, 2021  
1:00 p.m.**

**State Capitol, Conference Room 225**

**On the following measure:**

**S.B. 1062, RELATING TO THE LOW-INCOME HOUSING TAX CREDIT**

Aloha Chair Chang, Vice-Chair Kanuha and Members of the Committee:

Sugar Creek Capital specializes in state low-income housing tax credit investments that benefit working families and fixed-income seniors across the state and the country.

**Sugar Creek Capital supports the intent of SB 1062.** However we feel it does not quite go far enough in addressing the amendments needed to ensure a robust and efficient LIHTC program.

We respectfully request this Committee move **forward with the amendments proposed in SB 659.** By doing so we can continue to address the overwhelming housing need in Hawaii.

Key Points about LIHTC in SB 659:

- Hawaii's state affordable housing tax credit is a long-standing, proven tool that allows for thousands of Hawaii residents to live with dignity. By extending the credit in SB 659, the state will see more private capital investment in low-income housing developments.
- The proposed measures in SB 659 will allow for this program to serve even more Hawaii residents at little to no cost to the state by expanding the pool of investors.
- Affordable housing developers use Hawaii tax credits to raise equity from investors. With these tax credit equity investments, rents in these units stay well below market rate rents far into the future.



**SUGAR CREEK CAPITAL**

*A forward approach.*

17 West Lockwood Avenue  
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**p:** 314-968-2205

- Affordable housing tax credit investors sell these credits to Hawaii taxpayers who then in turn use them to offset their tax liability.

Mahalo for the opportunity to provide testimony.