

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
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

March 4, 2021 at 10:00 a.m.
State Capitol, Room 211

In consideration of
S.B. 39, S.D. 1
RELATING TO HOUSING.

The HHFDC *supports the intent* of S.B. 39, 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) deletes §104-2(i)(3), the provision that requires that projects receiving the exemption receive no other direct or indirect financing from any other governmental contracting agency, including the HHFDC.

We believe amendments to allow Act 54, SLH 2017 projects access to county-level incentives are necessary for private developers to actually utilize this incentive to build rental units for the targeted workforce market. However, we are concerned about the deletion of §104-2(i)(3) in the S.D.1, which extends beyond helping Act 54 projects to access county-level incentives to also accessing HHFDC financing programs such as tax-exempt bond financing, low-income housing tax credits, and revolving funds.

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

DAVID Y. IGE
GOVERNOR

JOSH GREEN
LIEUTENANT GOVERNOR



STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
www.labor.hawaii.gov

ANNE PERREIRA-
EUSTAQUIO
DIRECTOR

JOANN A. VIDINHAR
DEPUTY

March 4, 2021

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

Date: Thursday, March 4, 2021
Time: 10:00 a.m.
Place: Conference Room 221, State Capitol

From: Anne Perreira-Eustaquio, Director
Department of Labor and Industrial Relations (DLIR)

LATE

Re: S.B. No. 39 SD1 RELATING TO HOUSING

I. OVERVIEW OF PROPOSED LEGISLATION

Section 1 of this measure amends 104-2, Hawaii Revised Statutes (HRS), by striking 104-2(i)(3).

The DLIR offers comments on the proposal.

II. CURRENT LAW

The current law prohibits any other indirect or direct financing for construction projects to qualify for the provision in 104-2(i)(3).

III. COMMENTS ON THE SENATE BILL

The DLIR notes that §104-2(b)(2) excludes construction projects that are prosecuted under §104-2 (h) and (i). The department recognizes the acute need for workforce, rental housing projects for Hawaii's workers.

Hawai'i Construction Alliance

P.O. Box 179441
Honolulu, HI 96817
(808) 220-8892

March 4, 2021

The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair
and members
Senate Committee on Ways and Means
415 South Beretania Street
Honolulu, Hawai'i 96813

RE: SUPPORT for SB39 SD1 Relating to Housing

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members:

The Hawai'i Construction Alliance is comprised of the Hawai'i Regional Council of Carpenters; the Laborers' International Union of North America, Local 368; the Operative Plasterers' and Cement Masons' Union, Local 630; International Union of Bricklayers & Allied Craftworkers, Local 1; and the Operating Engineers, Local Union No. 3. Together, the member unions of the Hawai'i Construction Alliance represent 15,000 working men and women in the basic crafts of Hawai'i's construction industry.

This bill would remove the limit on eligible costs for exemption from GET for the development of affordable rental housing.

We are in support of this measure as a tool to combat the affordable housing crisis in Hawaii.

While there is a lack of housing at all income levels, the biggest need is for RENTAL housing which does not require the \$100,000 to \$200,000 down payment that is required to qualify for a mortgage.

The profit margins of developing affordable rentals are extremely thin, so a bill to allow developers to "stack" the state GET exemption along with county incentives would help to defray the cost of financing and constructing rentals.

Therefore, we strongly ask for your committee's favorable action on SB39 SD1.

Mahalo,



Nathaniel Kinney
Executive Director
Hawai'i Construction Alliance
execdir@hawaiiiconstructionalliance.org



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Schatzcollaborative.com

March 2, 2021

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

Re: SB 39, SD1 – IN SUPPORT

Aloha Chair Dela Cruz,

Affordable workforce rentals from 80%-140%AMI is difficult to pencil in Hawaii's economic environment. It is also a much-needed housing product that is under served and not eligible for State, County, or Federal subsidies. It is also the type of housing we need for our middle class who largely make up our community's essential workers. This bill will be providing relief to projects by reducing costs that in any other scenario would be infeasible to develop. It allows both union, State and Counties to be able to provide exemptions that share the burden of delivering affordable housing to the people of Hawaii.

The proposed changes will allow projects to use the City and County of Honolulu Ordinance 18-01 in addition to the GET waivers. This bill is an example of State, County, Unions, and the Development community coming together to share the burden of developing affordable workforce rentals for the people of Oahu.

Thank you again for the opportunity to share my 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



COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

March 3, 2021

The Honorable Senator Donovan Dela-Cruz
The Honorable Senator Gilbert Keith-Agaran
Senate Committee on Ways and Means

RE: **SB39 SD1 – Relating to Housing**
Hearing date: March 4, 2021 at 10:00AM

Aloha Chair Dela-Cruz, and Members of the Committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **SUPPORT** of SB39, SD1. NAIOP Hawaii is the local chapter of the nation’s leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals. NAIOP Hawaii strongly supports the development of housing for Hawaii residents at all levels of income, especially affordable housing projects.

SB39, SD1 removes the limit on the type of eligible costs for exemption from general excise tax for development of affordable rental housing certified by the Hawaii housing finance and development corporation. The measure further amends Hawaii Revised Statutes to allow persons or firms to receive other direct or indirect financing for construction projects from any other governmental contracting agency.

Hawaii is in critical need of affordable housing. The combination of restricted rents and high construction costs makes it almost impossible for affordable housing rental projects to achieve financial feasibility. SB39, SD1 provides much needed assistance to affordable rental housing developers, especially those serving households in the 60% to 140% AMI group. The additional funding and cost reductions provided by this measure are welcomed, as federal and state subsidy programs are either lacking or non-existent for this sector. NAIOP appreciates the Legislature’s commitment to assisting in the development of affordable housing.

Mahalo for your consideration,

Catherine Camp, President
NAIOP Hawaii

SB-39-SD-1

Submitted on: 3/3/2021 10:04:13 AM

Testimony for WAM on 3/4/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Yee	Testifying for MCYID	Support	No

Comments:

We are a local real estate development company working on a large affordable rental project in the urban core of Honolulu. We know firsthand the challenges of getting an affordable rental project to pencil financially. Incentives such as GET waivers, combined with waivers from the County can easily be the critical component of making or breaking an affordable rental project. I fully support SB39 which will help create much needed affordable rental housing for Hawai'i families.

LATE

▪ March 3, 2021

**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**

**RE: Testimony In Support of SB 39, SD1 Relating to
Housing**

March 4, 2021; 10:00am; CR 211 & Videoconference

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Committee Members,

My name is Stanford Carr and I am the President of Stanford Carr Development, LLC. We are a local development firm that has worked to provide the community with affordable housing opportunities. I am testifying in strong support of SB39, SD1 which would remove the limit on the types of eligible costs for exemption from the general excise tax for the development of affordable rental housing certified by HHFDC.

As we know, there is a severe shortage of affordable rental housing in Hawaii. Affordable housing developers face significant challenges in building more affordable rental units to meet the huge demand for such housing among local residents given high construction and financing costs in Hawaii. The removal of the limits on the general excise tax exemption for affordable rental housing projects will mitigate these development costs and thereby incentivize the construction of more badly needed affordable rentals throughout the state.

I also support the amendment that was made to the original SB 39 by the House Committee on Housing to repeal section 104-2(i)(3), Hawaii Revised Statutes because of legal concerns that under this statutory provision, developers are precluded from participating in the general excise tax exemption program if they also want to utilize the affordable housing incentives under City and County of Honolulu Ordinance 18-01. Allowing developers to use a combination of incentives under both state and county programs will further encourage developers to build more affordable rental housing, including workforce rental projects that fit within the 80% AMI to 140% AMI range which are financially challenging to build.

For all of these reasons, I respectfully ask the Committee to pass SB 39, SD1. Thank you for the opportunity to submit this testimony.



Stanford S. Carr