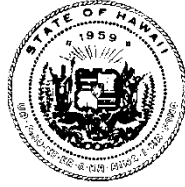


DAVID Y. IGE  
GOVERNOR



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

**HOUSE COMMITTEE ON HOUSING**

March 23, 2021 at 10:30 a.m.  
State Capitol, Room 423

In consideration of  
**S.B. 867, S.D. 1**  
**RELATING TO AFFORDABLE HOUSING.**

The HHFDC supports S.B. 867, S.D. 1, which would extend the sunset date of Act 129, SLH 2016 to December 31, 2027. We respectfully request that the Committee amend Section 4 of the S.D. 1 to insert an effective date of July 1, 2021.

Act 129, SLH 2016, amended the State LIHTC by amending the applicable period over which the credit may be claimed from ten to five years in the hopes that this would 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 6 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**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

To: The Honorable Nadine K. Nakamura, Chair;  
The Honorable Troy N. Hashimoto, Vice Chair;  
and Members of the House Committee on Housing

From: Isaac W. Choy, Director  
Department of Taxation

Date: March 23, 2021  
Time: 10:30 A.M.  
Place: Via Video Conference, State Capitol

**Re: S.B. 867, S.D. 1, Relating to Affordable Housing**

The Department of Taxation (Department) supports the intent of S.B. 867, S.D. 1, to increase the availability of housing for low income individuals and provides the following comments for your consideration. S.D. 1 has a defective effective date of July 1, 2050.

S.B. 867, S.D. 1, 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 State 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. S.B. 867, S.D. 1, proposes to extend this claim period by extending the sunset date from December 31, 2021 to December 31, 2027.

Assuming that a functional effective date is inserted, the Department is able to administer this measure as it will not have a substantial administrative impact.

Finally, the Department notes that P.L. 117-2, commonly known as the American Rescue Plan Act of 2021 (ARPA), provides State Coronavirus Fiscal Recovery Funds with certain limitations. Specifically, Section 9901 of the ARPA prohibits these funds from being used to, “either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase.” The “covered period” is defined as beginning on March 3, 2021 and ending on the last day of the state’s fiscal year in which the State’s stimulus funds are completely expended.

If the State fails to comply with this restriction on use of funds, it is required to repay an amount equal to the lesser of: (1) the amount of the applicable reduction to net tax revenue attributable to such violation; and (2) the amount of funds received by such state under Section 9901 of the ARPA.

The Department cautions that the enactment of any tax measure resulting in a revenue loss during the covered period may result in the State having to repay an amount equal to the projected revenue loss from the State Coronavirus Fiscal Recovery Funds that Hawaii receives.

Thank you for the opportunity to provide testimony on this measure.

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 HOUSE COMMITTEE ON HOUSING  
ON  
SENATE BILL NO. 867, S.D. 1

**March 23, 2021**  
**10:30 a.m.**  
**Via Videoconference**

RELATING TO AFFORDABLE HOUSING

The Department of Budget and Finance (B&F) offers comments on Senate Bill (S.B.) No. 867, S.D. 1.

S.B. No. 867, S.D. 1, extends the sunset date for the changes made by Act 129, SLH 2016, for the Low-Income Housing Tax Credit from December 31, 2021, to December 31, 2027.

B&F is concerned that the proposed measure would decrease revenues to the State general fund and impact the State's share of direct federal aid from the American Rescue Plan Act of 2021 (ARPA). Provisions of the ARPA specifically state:

*"A state or territory shall not use the funds provided under this section or transferred pursuant to section 603(c)(4) to either directly or indirectly offset a reduction in the net tax revenue of such state or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase."*

B&F notes that any reduction in State tax revenues could result in reduced ARPA funding. Hawai'i's estimated allocation of ARPA funds is in excess of \$1.6 billion and is critical to mitigating the negative financial impacts the COVID-19 pandemic has had on the State budget.

B&F defers to the Department of Taxation regarding the implementation of this bill.

Thank you for your consideration of our comments.

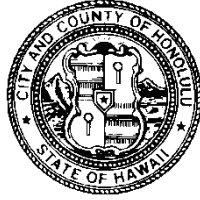
DEPARTMENT OF COMMUNITY SERVICES  
CITY AND COUNTY OF HONOLULU

925 DILLINGHAM BOULEVARD, SUITE 200 • HONOLULU, HAWAII 96817

PHONE: (808) 768-7762 • FAX: (808) 768-7792

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RICK BLANGIARDI  
MAYOR



SARAH ALLEN  
DIRECTOR  
  
JOY BARUA  
DEPUTY DIRECTOR

Testimony of  
JOY BARUA  
Deputy Director  
Department of Community Services

before the  
HOUSE COMMITTEE ON HOUSING  
Tuesday, March 23, 2021 10:30 AM  
Via Videoconference

Relating to SB 867 SD1 – RELATING TO AFFORDABLE HOUSING

Chair Nakamura, Vice Chair Hashimoto, and Members of the Committee:

The City and County of Honolulu Department of Community Services supports SB 867 SD1, which extends the Low-Income Housing Tax Credit (LIHTC) program for 6 years to 12/31/2027.

The measure is intended to mitigate the affordable housing crisis stemming from the economic impacts of COVID-19 by amending Section 4 of Act 129, Session Laws of Hawaii 2016 to extend the repeal date of the LIHTC program from December 31, 2021 to December 31, 2027.

The City and County of Honolulu Department of Community Services administers programs to meet the human services, workforce and housing needs of economically challenged individuals and families with special needs in the City and County of Honolulu.

The LIHTC program is essential to the financing of affordable rental projects serving households earning 60% AMI or less. The program contributes to increasing the inventory of affordable housing by incentivizing the private sector to build more affordable units and address the growing demand.

Thank you for the opportunity to testify on this measure.

**SB-867-SD-1**

Submitted on: 3/19/2021 2:22:07 PM

Testimony for HSG on 3/23/2021 10:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kaikea K. Blakemore	Neighborhood Place of Puna	Support	No

Comments:

We should do all we can to support low income rentals during Hawai'i's housing crisis.

Mahalo,

Kaikea K. Blakemore

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Extend low-income housing credit program

BILL NUMBER: SB 867, SD1

INTRODUCED BY: Senate Committee on Housing

EXECUTIVE SUMMARY: Extends the low-income housing tax credit program for 6 years to 12/31/2027.

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, 2027.

EFFECTIVE DATE: 7/1/2050.

STAFF COMMENTS: 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.

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.

The American Rescue Plan Act of 2021, signed into law by President Biden on March 11, 2021, contains provisions disqualifying or restricting federal aid that otherwise could be available to the State if new or extended tax incentives are enacted after March 3, 2021. Section 9901 of the Act enacts a new section 602(c)(2)(A) in Title VI of the Social Security Act which states:

A State or territory shall not use the funds provided under this section or transferred pursuant to section 603(c)(4) to either directly or indirectly offset a reduction in the net



tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase.

Section 602(g)(1) defines the “covered period” as beginning on March 3, 2021 and ending on the last day of the State’s fiscal year in which all federal aid dollars are either spent, returned, or recovered against the State by the Treasury.

Because this federal provision generally prohibits new or extended state tax credits, this bill may run afoul of ARPA’s prohibition.

Digested 3/20/2021

## **Testimony of Sugar Creek Capital**

### **House Committee on Housing**

**Tuesday, March 23, 2021  
10:30 a.m.  
State Capitol, Conference Room 423**

**On the following measure:  
S.B. 867 SD1, RELATING TO AFFORDABLE HOUSING**

Aloha Chair Nakamura, Vice-Chair Hashimoto 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 867 SD1.** 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 SD2, HD1.** By doing so we can continue to address the overwhelming housing need in Hawaii.

#### **Key Points about LIHTC in SB 659 SD2, HD1:**

- 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 SD2, HD1 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.



SUGAR CREEK CAPITAL

*A forward approach.*

17 West Lockwood Avenue  
St. Louis, MO 63119

p: 314-968-2205

- 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.
- 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.



COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION  
HAWAII CHAPTER

March 22, 2021

The Honorable Representative Nadine Nakamura  
The Honorable Representative Troy Hashimoto  
House Committee on Housing

RE: **SB 867- RELATING TO AFFORDABLE HOUSING.**  
**Hearing date: Tuesday, March 23, 2021 at 10:30AM**

Aloha Chair Nakamura, and Members of the Committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii to provide **SUPPORT** on SB 867. 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.

SB 867 extends the low-income housing tax credit program for 6 years to 12/31/2027. The measure amends Section 4 of Act 129, Session Laws of Hawaii 2016 to extend the repeal date of the low-income housing tax credit from December 31, 2021 to December 31, 2027. The measure is intended to mitigate the affordable housing crisis stemming from the economic impacts of COVID-19.

NAIOP believes SB 867 is vital to addressing the State's looming affordable housing crisis. The State's low-income housing tax credit program is essential to the financing of affordable rental projects serving households earning 60% AMI or less. Without the tax credit program none of these projects will be built by the private sector and the inventory of affordable units in the State will be unable to accommodate the growing demand.

Mahalo for your consideration,

A handwritten signature in black ink, appearing to read "Catherine Camp".

Catherine Camp, President  
NAIOP Hawaii



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

Representative Nadine Nakamura, Chair  
Representative Troy Hashimoto, Vice Chair  
Committee on Housing

RE: **SB 867 SD1 Relating to Affordable Housing – Support Intent**  
Tuesday, March 23, 2021; 10:30 AM; Via Videoconference

Aloha Chair Nakamura, Vice Chair Hashimoto and members of the committee:

Thank you for the opportunity to submit testimony in support of the intent of SB 867 SD1, which extends the low-income housing tax credit program for 6 years to 12/31/2027.

Hunt Companies – Hawaii and Hunt Capital Partners, LLC prefer SB 659 HD1 as it extends the program and also allows for the program to serve even more Hawaii residents 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