

STAND. COM. REP. NO.

100

Honolulu, Hawaii

FEB 10 2021

RE: S.B. No. 1121
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Hawaiian Affairs, to which was referred
S.B. No. 1121 entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose and intent of this measure is to exempt any
housing development developed by the Department of Hawaiian Home
Lands from general excise taxes.

Your Committee received testimony in support of this measure
from the Department of Hawaiian Home Lands and one individual.
Your Committee received comments on this measure from the Tax
Foundation of Hawaii and one individual.

Your Committee finds that the Department of Hawaiian Home
Lands provides housing at affordable rates when compared to
similar housing available in Hawaii. However, the Department of
Hawaiian Home Lands does not receive sufficient funding to develop
house lots for all applicants on the waiting list. Additionally,
the Department of Hawaiian Home Lands does not currently receive
sufficient funding to reduce the waiting list by ninety percent
over the next decade. The Department of Hawaiian Home Lands has
stated that it would take one hundred eighty-two years to meet the
demand of the waitlist at its current rate. The Department of
Hawaiian Home Lands has provided a conservative estimate of
\$4,500,000,000 of infrastructure costs alone to develop twenty-



eight thousand lots, without accounting for new land acquisition. To further the interest of beneficiaries, the Department of Hawaiian Home Lands proposes that its housing development projects be exempt from general excise taxes that will result in cost savings to assure economic feasibility which will ultimately make feasible the production of lower cost housing units.

Your Committee has heard the concerns of the Tax Foundation of Hawaii that the proposed exemption presented in this measure is similar to the affordable housing exemptions in sections 46-15.1 and 201H-36, Hawaii Revised Statutes. However, the proposed exemption in this measure appears to be more relaxed. The existing low-income housing exemption requires a regulatory agreement of a duration of at least five years for moderately rehabilitated projects, ten years for substantially rehabilitated projects, and thirty years for new projects. The Tax Foundation of Hawaii notes that because the Department can exempt any developer from the compliance agreement requirement and there are no standards for when the exemption may be exercised, this uncertainty may lead to arbitrary interpretations and applications of the exemption. The Tax Foundation also noted several existing benefits that are unique to residents of Hawaiian homesteads and comments that the proposed tax exemption would be "layered" upon those existing benefits.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1121, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1121, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Hawaiian Affairs,




MAILE S.L. SHIMABUKURO, Chair



The Senate
Thirty-First Legislature
State of Hawai'i

Record of Votes
Committee on Hawaiian Affairs
HWN

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 1121	HWN, WAM	2/4/21		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
SHIMABUKURO, Maile S.L. (C)	X			
KEOHOKALOLE, Jarrett (VC)	X			
ACASIO, Laura	X			
IHARA, Jr., Les	X			
FEVELLA, Kurt	X			
TOTAL	5			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes