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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 FINANCE
ON
SENATE BILL NO. 39, S.D. 2, H.D. 1

April 1, 2021
2:30 p.m.
Via Videoconference

RELATING TO HOUSING

The Department of Budget and Finance (B&F) offers comments on Senate Bill (S.B.) No. 39, S.D. 2, H.D. 1.

S.B. No. 39, S.D. 2, H.D. 1, clarifies that the eligibility for the general excise tax exemption includes the nonreceipt of financing from the Hawai'i Housing Finance and Development Corporation (HHFDC); allows certain affordable rental housing projects to receive a waiver of various development fees from a county; and removes the limit on the types of costs eligible for exemption from the general excise tax for development of affordable rental housing projects certified by HHFDC.

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 and HHFDC regarding the implementation of this bill.

Thank you for your consideration of our comments.



March 30, 2021

Representative Sylvia Luke, Chair
Representative Ty Cullen, Vice Chair
House Finance Committee
Hawaii State Legislature

Support of SB39 SD2 HD1

Dear Representative Luke, Representative Cullen and Members of the Committee on Housing,

Thank you for the opportunity to support SB39 SD2 HD1.

Affordable housing is one of our island's critical needs. As we begin to rebuild from the economic impacts of COVID-19, we want to support every effort to ensure our workforce has access to affordable housing. By removing the limits on GET exemptions, we hope that this bill will encourage developers and construction companies to build more affordable housing across the state.

KCRA is a collection of master-planned resorts and hotels, situated north of the Kona International Airport which represents more than 3,500 hotel and timeshare accommodations and an equal number of resort residential units. This is approximately 35 percent of the visitor accommodations available on the Island of Hawai'i. KCRA member properties annually pay more than \$25 million in TAT, \$25 million in GET and \$11 million in property taxes. KCRA members employ more than 5,000 Hawaii Island residents.

Sincerely,

A handwritten signature in black ink that reads "Stephanie P. Donoho". The signature is written in a cursive, flowing style.

Stephanie Donoho
Administrative Director

▪ April 1, 2021

The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
and Members of the House Committee On Finance

**RE: Testimony In Support of SB 39, SD2,HD1 Relating to Housing
April 1, 2021; 2:30PM; Conference Room Via Videoconference**

Dear Chair Luke, Vice Chair Cullen, 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, SD2, HD1 which, among its key provisions, 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 amendments that were made by the House Committee on Housing that are contained in this House Draft that will allow developers to participate in the general excise tax exemption program and still be able to utilize County affordable housing incentives. 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. However, I would respectfully ask that you delete the delayed effective date from this important measure.

For all of these reasons, I respectfully ask the Committee to pass SB 39, SD2, HD1. Thank you for the opportunity to submit this testimony.



Stanford S. Carr

SB-39-HD-1

Submitted on: 3/30/2021 1:11:43 PM

Testimony for FIN on 4/1/2021 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John D. Smith	Individual	Support	No

Comments:

I support this to be passed through legislature.