

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. 39, S.D. 2
RELATING TO HOUSING.

The HHFDC **supports** S.B. 39, S.D. 2, **with requested amendments.** This bill expands the exemption from General Excise Taxes (GET) for projects developed under a contract described in §104-2(i)(2), HRS to include affordable rents, subject to the annual limit of \$30,000,000 per year. We believe it will make this GET exemption more attractive to private developers, and therefore help add more rental units to the statewide inventory.

HHFDC requests the following amendments to language starting on page 2, lines 9-13 of the S.D. 2, to read as follows:

- (3) The qualified person or firm has received no other direct or indirect financing for the construction project from ~~any other governmental contracting agency[,] of the State, including~~ the Hawaii housing finance and development corporation.

A project for which section 201H-36(a)(5) prevailing wages have been deemed the prevailing wages may receive a waiver of real property taxes, permitting fees, water and sewer development fees, and other such development fees from a county."

We further request that Section 4 of the bill be amended to have an effective date of July 1, 2021.

Thank you for the opportunity to testify.

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 23, 2021

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

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

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

Re: S.B. No. 39 SD2 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 department recognizes the acute need for workforce, rental housing projects for Hawaii's workers. The inclusion of "State" in 104(2)(i)(3), HRS, by statutory definition includes the counties of Hawaii.

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. 39, S.D. 2

March 23, 2021
10:30 a.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.

S.B. No. 39, S.D. 2, 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 the Hawai'i Housing Finance and Development Corporation (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.

SB-39-SD-2

Submitted on: 3/19/2021 2:06:33 PM

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

Submitted By	Organization	Testifier Position	Present at Hearing
Karen Seddon	The Michaels Organization	Support	No

Comments:

Testimony in STRONG SUPPORT of removing limits on the type of costs eligible for exemption from the general excise tax for the development of affordable rental housing certified by the Hawaii Housing Finance and Development Corporation.



March 22, 2021

Representative Nadine Nakamura, Chair
Representative Troy Hashimoto, Vice Chair
Committee on Housing
Hawaii State Legislature

Support of SB39 SD2

Dear Representative Nakamura, Representative Hashimoto and Members of the Committee on Housing,

Thank you for the opportunity to support SB39 SD2.

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



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: **SB39 SD2 – Relating to Housing**
Hearing date: 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 in **SUPPORT** of SB39, SD2. 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, SD2 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 previous committee removed the amendment allowing 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, SD2 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



HAWAII REGIONAL COUNCIL OF CARPENTERS

House Committee on Housing
The Honorable Nadine K. Nakamura, Chair
The Honorable Troy N. Hashimoto, Vice Chair
Tuesday, March 23, 2021
10:30 AM, State Capitol Room 423

Statement of the Hawaii Regional Council of Carpenters Support for SB39 and Recommended Amendments

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

The Hawaii Regional Council of Carpenters (HRCC) writes in strong support of SB39, which would remove the limit on eligible costs for exemption from general excise tax for development of affordable rental housing certified by the Hawaii housing finance and development corporation.

As you know, HRCC has been extremely concerned about the chronic deficiency of rental apartment housing across the state. Along with our partners in the banking, development, landowning, contracting, architecture, and engineering communities, we formed the “Hawaii Rental Housing Coalition,” with the aim of identifying and carrying out concrete private-sector steps to make a meaningful impact on the economics of building and operating rental housing for families in the 80-140% AMI range.

We are very grateful for the hard work of the legislature during previous sessions, which resulted in the passage of Act 54 (2017) and Act 39 (2018), establishing and expanding the 201H-36(a)(5) general excise tax program for certain rental housing projects.

We have been buoyed by the fact that several developers have expressed interest in or applied to utilize the program, but these developers have been impeded by a legal opinion that the program, as currently drafted, cannot be utilized in combination with county-level incentives such as those in Ordinance 18-01 (also referred to as the “Bill 59 Incentives”).

Therefore, **we would suggest amending Section 1 of the bill as follows** to allow the 201H-36(a)(5) GET waiver program to be utilized in conjunction with county-level incentives:

STATE HEADQUARTERS & BUSINESS OFFICES

OAHU: 1311 Houghtailing Street, Honolulu Hawaii 96817-2712 • Ph. (808) 847-5761 Fax (808) 440-9188
HILO OFFICE: 525 Kilauea Avenue, Room 205, Hilo, Hawaii 96720-3050 • Ph. (808) 935-8575 Fax (808) 935-8576
KONA OFFICE: 75-126 Lunapule Road, Kailua-Kona, Hawaii 96740-2106 • Ph. (808) 329-7355 Fax (808) 326-9376
MAUI OFFICE: 330 Hookahi Street, Wailuku, Maui 96793-1449 • Ph. (808) 242-6891 Fax (808) 242-5961
KAUAI OFFICE: Kuhio Medical Ctr Bldg., 3-3295 Kuhio Hwy, Suite 201, Lihue, Kauai 96766-1040 • Ph. (808) 245-8511 Fax (808) 245-8911

SECTION 1. Section 104-2, Hawaii Revised Statutes, is amended by amending subsection (i) to read as follows:

"(i) The terms of section 201H-36(a)(5) prevailing wages shall be deemed the prevailing wages serving as the basis of compliance with this chapter for work on the project when:

(1) The Hawaii housing finance and development corporation has approved and certified a qualified person or firm involved with a newly constructed, or moderately or substantially rehabilitated project under section 201H-36(a)(5) for exemption from general excise taxes;

(2) The qualified person or firm has entered into a contract with a general contractor or subcontractors whose workforce is subject to either:

(A) A collective bargaining agreement with a bona fide labor union for which a section 201H-36(a)(5) prevailing wage for the laborers and mechanics employed for the construction project has been approved by the director; or

(B) A project labor agreement with the group whose wages are reflected in the Hawaii prevailing wage schedule for which section 201H-36(a)(5) prevailing wages for the laborers and mechanics employed for the construction project have been approved by the director; and

(3) The qualified person or firm has received no other direct or indirect financing for the construction project from ~~any other governmental contracting agency[,] of the State, including~~ the Hawaii housing finance and development corporation.

A project for which section 201H-36(a)(5) prevailing wages have been deemed the prevailing wages may receive a waiver of real property taxes, permitting fees, water and sewer development fees, and other such development fees from a county."

Mahalo for the opportunity to provide these comments in strong support and to propose the aforementioned amendment.