

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
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Honolulu, Hawaii 96813
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IN REPLY REFER TO:

Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING

February 9, 2021 at 1:00 p.m.
State Capitol, Room 225

In consideration of
S.B. 39
RELATING TO HOUSING.

The HHFDC supports S.B. 39, 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) allow said projects to be eligible for the exemption if they receive no other direct or indirect financing from any other governmental contracting agency of the State.

We believe these amendments will make this GET exemption more attractive to affordable rental housing developers, and therefore help add more rental units to the statewide inventory.

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

February 9, 2021

To: The Honorable Stanley Chang, Chair,
The Honorable Dru Mamo Kanuha, Vice Chair, and
Members of the Senate Committee on Housing

Date: Tuesday, February 9, 2021
Time: 1:00 p.m.
Place: Conference Room 225, State Capitol

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

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

I. OVERVIEW OF PROPOSED LEGISLATION

Section 1 of this measure amends 104-2, Hawaii Revised Statutes (HRS), by attempting to narrow the exclusion of direct or indirect financing in 104(2)(i)(3), HRS. The department does not understand the purpose of the amendment.

The DLIR offers comments the proposal.

II. CURRENT LAW

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

III. COMMENTS ON THE SENATE BILL

The inclusion of "State" in 104(2)(i)(3), HRS, includes by definition the counties of Hawaii.



February 5, 2021

Senator Stanley Chang, Chair
Senator Dru Kanuha, Vice Chair
Senate Housing Committee
Hawaii State Legislature

Support of SB39

Dear Senator Chang, Senator Kanuha and Members of the Housing Committee,

Thank you for the opportunity to support SB39.

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 Ellison Onizuka Kona International Airport at Keahole, 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.

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



HAWAII REGIONAL COUNCIL OF CARPENTERS

Senate Committee on Housing
The Honorable Stanley Chang, Chair
The Honorable Dru Mamo Kanuha, Vice Chair
Tuesday, February 9, 2021
1:00 PM, State Capitol Room 225

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

Aloha Chair Chang, Vice Chair Kanuha, 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 the bill by striking Section 104-2(i)(3) in its entirety** to provide a starting point for further discussions throughout this legislative session on how to allow the GET waiver program to be utilized in conjunction with county-level incentives.

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

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February 8, 2021

Senate Committee on Housing
The Honorable Stanley Chang, Chair
The Honorable Dru Mamo Kanuha, Vice Chair
State Capitol
Honolulu, HI 96813

SUBJECT: Strong Support for S.B. 39

Dear Chair Chang, Vice Chair Kanuha, and Committee Members,

I develop rental workforce housing that serves the 80%-140%AMI households. I have firsthand knowledge of facing the challenges of feasibility for this type of housing and trying to convince investors and lenders to place their faith in the Hawaii rental market. I have developed all types of uses from retail, resort communities, office, and affordable workforce housing is one of the most difficult uses to develop and achieve feasibility. That is why I am submitting written testimony **in strong support of S.B. 39.**

I am a developer who would utilize this program to deliver workforce rental housing to our community. A suggested adjustment needs to be made which requires the deletion of Section 104-2(i)(3). I have analyzed this policy from a financial perspective and if these adjustments were made, they would also allow for County ordinance 18-01 to be utilized. The combination of these two policies would achieve financial feasibility for workforce rental housing which is one of the hardest housing products to build because it cannot receive State and Federal low-income housing tax credits or funds from the Rental Housing Revolving Fund.

With these changes in this bill, it will provide a combination of incentives to ensure feasibility for workforce rental projects that fit within the 80%AMI to 140%AMI range. These households are the most underserved and often are not eligible for any County, State, or Federal direct subsidies. Households in this AMI range are the backbone of our residential community who make up the essential workforce that provides us services that keep our community safe and healthy. They are our fire fighters, police, nurses, medical technicians, teachers, postal worker, government worker, child day care worker, college teachers, senior care professional, etc.



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I can count only a handful of workforce rental projects that have been developed over the last decade or so for these 80-140%AMI households. Most of the large rental projects for these households were built in the 60's through to the early 80's. Not much has been built since in 40 years. Almost half of our households in Hawaii need to rent. They have been making do by doubling and tripling up or finding subpar conditions in makeshift rental situations. My family is no exception with three generations and three households under one roof. As we've seen in the most recent DBEDT study with population decline on Oahu, they eventually leave Hawaii because they can no longer find the quality of life they deserve. With S.B. 39 and our suggested recommended, it provides a fighting chance for developers to produce rental projects of scale for these households who want to live and stay in our community.

Thank you again for the opportunity to submit this 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". The signature is fluid and cursive, with the first name being more prominent.

Linda Schatz
Principal

TO: Senator Stanley Chang, Chair
Committee on Housing

Senator Dru Mamo Kanuha , Vice Chair
Committee on Housing

FROM: Alana K. Pakkala

SUBJECT: HEARING OF FEBRUARY 9, 2021; TESTIMONY IN SUPPORT OF SB 39
RELATING TO HOUSING PROJECTS, GENERAL EXCISE TAX EXEMPTION,
PREVAILING WAGES, AND THE HAWAII HOUSING FINANCE DEVELOPMENT
CORPORATION

Thank you for the opportunity to submit testimony in **support** of this important measure. To assist in the development of affordable housing certain steps must be taken. Removing the limit on eligible costs for the General Tax Exemption for affordable housing will incentivize qualified owners or qualified firms to address the affordable housing shortage.

I commend the legislature for recognizing measures needed to be undertaken to alleviate our state's need of affordable housing.