

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
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To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Isaac W. Choy, Director
Department of Taxation

Date: March 2, 2021
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

Re: S.B. 867, Relating to Affordable Housing

The Department of Taxation (Department) supports the intent of S.B. 767 to increase the availability of housing for low income individuals and provides the following comments for your consideration.

S.B. 867 extends the sunset date for the changes to 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 proposed an extension of this claim period from December 31, 2021 to December 31, 2027.

The Department is able to administer S.B. 867 as currently written as it will not have a substantial administrative impact.

Thank you for the opportunity to testimony on this measure.

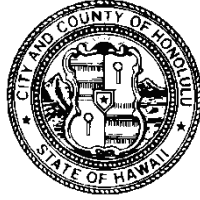
DEPARTMENT OF COMMUNITY SERVICES
CITY AND COUNTY OF HONOLULU

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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
SENATE COMMITTEE ON WAYS AND MEANS
Tuesday, March 2, 2021 9:30 AM
Via Videoconference

Relating to SB 867 – RELATING TO AFFORDABLE HOUSING

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

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

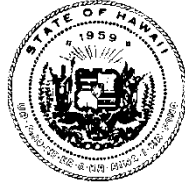
The measure is intended to mitigate the affordable housing crisis stemming from the economic impacts of COVID-19 by amending Section 4 of Act 129, Session Laws of Hawaii 2016 to extend the repeal date of the LIHTC program from December 31, 2021 to December 31, 2027.

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.

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

SENATE COMMITTEE ON WAYS AND MEANS

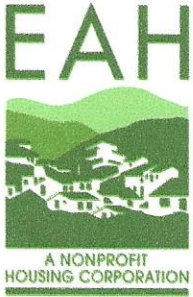
March 2, 2021 at 9:30 a.m.
State Capitol, Room 211

In consideration of
S.B. 867
RELATING TO AFFORDABLE HOUSING.

The HHFDC **supports** S.B. 867, which would extend the sunset date of Act 129, SLH 2016 to December 31, 2027.

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. An extension of another 6 years would be helpful to better evaluate the impact of Act 129.

Thank you for the opportunity to provide written comments in support of this bill.



February 25, 2021

Hawaii State Senate
Committee on Ways and Means
Attn: Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

SUBJECT: SB867 Relating to Affordable Housing, Tuesday, March 2, 2021, 9:30AM
PLACE: Conference Room 211

Testimony in Support

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee on Ways and Means: Thank you for this opportunity to submit testimony in strong support of SB867.

EAH relies on HHFDC for awards of LIHTCs. We have experienced the positive impact in pricing when the change was made from a 10-year cycle to a 5-year cycle for utilization of the State LIHTC. This increase in pricing has helped to reduce the financial "gap" we experience on all our projects thereby reducing the demand on the RHRF, which is always oversubscribed.

Please give SB867 your unanimous support for continuation of the 5-year cycle for utilization of the State LIHTC.

Mahalo for the opportunity to submit our thoughts on this issue.

Sincerely,

Kevin R. Carney, RB-16444
(PB), NAHP-E
Vice President, Hawaii

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: Upon approval.

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.

Digested 2/25/2021



STANFORD CARR DEVELOPMENT, LLC

▪ March 1, 2021

The Honorable Donovan M. Dela Cruz, Chair and Committee Members
Committee On Ways and Means
State Senate
State Capitol, Rm.211
Honolulu Hawaii 96813

RE: SB 867, Relating to Affordable Housing

Dear Chair Dela Cruz, Vice Chair Keith-Agaran and Committee Members,

My name is Stanford Carr and I am the CEO of Stanford Carr Development, LLC. We are a local development firm that has worked to provide the community with increased affordable housing opportunities. I am submitting this testimony in strong support of SB 867 which extends the sunset date with respect to the changes to the Low-Income Housing Tax Credit (LIHTC) provided under Hawaii Revised Statutes (HRS) section 235-110.8 that was enacted pursuant to Act 129 Session Laws of Hawaii 2016. Act 129 reduced the period over which investors must claim the credit from ten years to five years. SB 867 proposes to extend this claim period by an additional six years.

Since its enactment, Act 129 has helped to increase the attractiveness of the State LIHTC to investors which could generate more equity to finance affordable rental housing development in the future. This is important because the LIHTC program has been a critical financing tool to create badly needed affordable housing in Hawaii.

I would also like to clarify that while I support SB 867 for the reasons that I have stated, my preference would be for this Committee to seriously consider passing SB 659 SD1 which would not only extend the claim period for investors, but also includes additional provisions that will help to further strengthen the LIHTC program. This measure will expand the pool of investors and thereby enhance the ability of affordable housing developers to raise equity. Moreover, the measure provides a check and balance mechanism that regulates who and when the low-income credit may be taken, and is a good step towards providing more investors an opportunity to participate in the State LIHTC program.

Thank you for this opportunity to testify.

A handwritten signature in black ink, appearing to read 'Stanford S. Carr', written over a horizontal line.

Stanford S. Carr



49 South Hotel Street, Room 314 | Honolulu, HI 96813
www.lwv-hawaii.com | 808.531.7448 | voters@lwv-hawaii.com

COMMITTEE ON WAYS AND MEANS
TUESDAY, 3/2/21, 9:30 AM, Room No. 211

SB867 RELATING TO AFFORDABLE HOUSING
Beppie Shapiro, Legislative Committee, League of Women Voters of Hawaii

Chair Dela Cruz, Vice-Chair Keith-Agaran, and Committee Members:

The League of Women Voters of Hawaii supports this bill, which extends the low-income housing tax credit program for 6 years to 12/31/2027.

The League of Women Voters is a non-partisan activist organization which supports income assistance programs, based on need, that provide decent, adequate standards for food, clothing and shelter.

The introduction to SB867 clearly spells out the need for extending the low-income housing tax credit program. We urge you to pass this bill.

Thank you for the opportunity to submit testimony.



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



Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran, Vice Chair
Committee on Ways and Means

RE: **SB 867 Relating to Affordable Housing – Support Intent**
Tuesday, March 2, 2021; 9:30 AM; Via Videoconference

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and members of the committee:

Thank you for the opportunity to submit testimony in support of the intent of SB 867, 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 SD1 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