

**STATE OF HAWAII
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
INTERIM DIRECTOR

235 South Beretania Street, 6th Floor, Honolulu, Hawai'i 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawai'i 96804

Telephone: (808) 587-2846
Fax: (808) 587-2824
Web: <https://planning.hawaii.gov/>

Statement of
MARY ALICE EVANS, Interim Director

before the
HOUSE COMMITTEE ON FINANCE

Thursday, March 28, 2024
3:30 PM
State Capitol, Conference Room 308

in consideration of
**SB1099, SD1, HD1
RELATING TO TAXATION.**

Chair Yamashita, Vice Chair Kitagawa, and Members of the House Committee on Finance:

The Office of Planning and Sustainable Development (OPSD) **supports with comments** SB1099, SD1, HD1, which clarifies the authority of the counties to use the county surcharge on state tax revenues for housing infrastructure costs.

Since Act 48, Session Laws of Hawaii 2023 already allows Maui County to opt into using the county surcharge on state general excise tax to build housing infrastructure, this carryover bill just clarifies that housing infrastructure costs can include financing costs, which is a useful addition. However, both Act 48 and this bill only allow Maui County to use the new revenues to build housing infrastructure, and not roads. Currently, Hawaii and Kauai counties are only able to use surcharge revenues for transportation improvements, and not other infrastructure to support housing development. Since most infrastructure for new development is built in a package – with pipes and manholes under roads – OPSD recommends allowing Maui County to use surcharge revenues to build both housing and transportation infrastructure, by specifically allowing revenues to be used for the purposes described in paragraphs (g) (1), (2), and (3). We also suggest that the same flexibility be provided to the other counties with less than 500,000 population.

Act 48 prohibited counties that use surcharge revenues for housing infrastructure from passing on those costs to developers. OPSD suggests that given the magnitude of public investment needed on Maui, the surcharge revenues could be leveraged to produce more housing by eliminating this prohibition, and allowing cost-sharing between the counties and developers. This might include, for instance, counties providing a greater share of infrastructure costs when the developer is building more affordable housing.

Most importantly, OPSD recommends extending the end date for county surcharge collection for twenty years (for counties with less than 500,000 population) so that the revenues

can be used to support a larger bond issuance for major infrastructure investments, rather than to fund smaller annual pay-as-you-go projects. This new sustainable revenue source will be especially important for Maui County as the post-disaster federal funding starts to taper off.

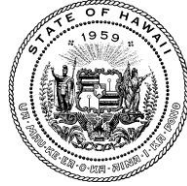
Per the Legislature's direction and funding in Act 88, SLH 2021, Sec. 39, OPSD recently completed the *TOD Infrastructure Finance and Delivery Strategy*, which identified possible revenue sources to fund infrastructure for housing development (see https://files.hawaii.gov/dbedt/op/lud/Reports/TOD_InfraFin_Strategy_20231221.pdf). The study identified the need for regular, predictable revenue sources to help finance regional public infrastructure to facilitate transit-oriented development on state, county, and private lands, and recommended these adjustments to expand the infrastructure financing capacity of the GET surcharge.

Increasing infrastructure investment to unlock housing production is supported by State and county agencies, developers, and affordable housing advocates.

Thank you for the opportunity to testify on this measure.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1540

FAX NO: (808) 587-1560

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 1099, S.D. 1, H.D. 1, Relating to Taxation

BEFORE THE:

House Committee on Finance

DATE: Thursday, March 28, 2024

TIME: 3:30 p.m.

LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 1099, S.D. 1, H.D. 1, for your consideration.

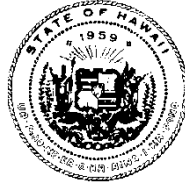
The Department appreciates the Committee on Labor and Government Operations' revision of this bill, which now appropriately reflects section 46-16.8, Hawaii Revised Statutes, as amended by Act 48, Session Laws of Hawaii (SLH) 2023. This bill clarifies that county surcharge revenues received by the counties may be used on "housing infrastructure costs," which includes "financing costs, including any related debt service and financing agreement costs."

S.B. 1099, S.D. 1, H.D. 1 is effective on July 1, 3000 and imposes no additional duties on the Department.

Thank you for the opportunity to provide comments on this bill.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
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

Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE
Thursday, March 28, 2024 at 3:30 p.m.
State Capitol, Room 308

In consideration of
S.B. 1099 SD1 HD1
RELATING TO TAXATION.

Chair Yamashita, Vice Chair Kitagawa, and members of the Committee.

HHFDC **supports** SB 1099 SD1 HD1, which expands the authority of the counties to use the revenues from county surcharge on state tax to include financing for housing infrastructure costs. In particular, this bill could help the County of Maui to finance its housing recovery efforts.

Thank you for the opportunity to testify on this bill.

Council Chair
Alice L. Lee

Vice-Chair
Yuki Lei K. Sugimura

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Tom Cook
Gabe Johnson
Tamara Paltin
Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Nohelani U'u-Hodgins



Director of Council Services
David M. Raatz, Jr., Esq.

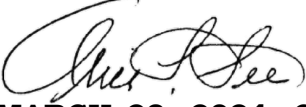
Deputy Director of Council Services
Richelle K. Kawasaki, Esq.

COUNTY COUNCIL

COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

March 27, 2024

TO: The Honorable Kyle T. Yamashita, Chair, and
Members of the Committee on Finance

FROM: Alice L. Lee
Council Chair 

SUBJECT: **HEARING OF MARCH 28, 2024; COMMENTS ON SB1099, SD1, HD1,
RELATING TO TAXATION**

Thank you for the opportunity to offer the following comments as an individual member of the Maui County Council:

1. Recovery from the August 2023 wildfires is causing unprecedented financial challenges for Maui County and the State.
2. To respond to the challenges, I suggest an amendment in the bill so that Maui County would be allowed additional time to amend its ordinance establishing a surcharge on the State General Excise Tax (Chapter 3.100, Maui County Code).
3. With additional time to amend its ordinance, the Maui County Council could consider changing the designated allocations for revenue from the surcharge. For instance, the ordinance now has a 20 percent set-aside for a State agency. I would suggest that the set-aside be suspended for three years to allow for the revenue to be appropriated to more urgent matters, such as infrastructure for County-supported housing projects.

Thank you for your consideration.

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RICHARD T. BISSEN, JR.
Mayor

JOSIAH K. NISHITA
Managing Director



OFFICE OF THE MAYOR
COUNTY OF MAUI
200 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov

TO: Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
House Committee on Finance

FROM: Richard T. Bissen, Jr., Mayor

DATE: March 28, 2024, 3:30pm

SUBJECT: **SB 1099, SD1, HD1- RELATING TO TAXATION**

Chair Yamashita, Vice Chair Kitagawa, and members of the Committee,

Thank you for allowing me the opportunity to **provide comments** on SB 1099 SD1 HD1. Maui County is the only County in the State which is restricted to use of the General Excise Tax (“GET”) collections only to the allowable provisions in Section 46-16.8(g)(3). SB 1099 SD1 HD1 expands on the definition of “Housing infrastructure” to include financing costs associated with construction efforts.

As the Committee is aware, West Maui has sustained a substantial amount of damage and needed investment following the tragic wildfires in August 2023. The recovery and rebuilding process following the devastating Lahaina fire is of utmost importance to our community, and providing assistance to affected individuals and businesses is crucial for their recovery.

While additional clarity and flexibility is appreciated, I must express concern regarding the proposed bill, if this bill is envisioned as a replacement for the State’s requested financial commitment to West Maui for rebuilding and recovery efforts. To date, Maui County has yet to receive any funds from GET collections and these future funds are slated for essential upgrades to infrastructure projects across the county, including; the Moloka‘i Reliable Capacity water project, Lāna‘i Waste Water Reclamation Facility Plan, Kamole Water Treatment Plant Filter Upgrades, the North Kīhei Mauka Transmission System and this funding will be used over the next few years for the Central Maui Wastewater Reclamation Facility (appr. > \$160 million), that will be essential to addressing Maui’s housing crisis.

In addition, GET funds will be used for West Maui recovery initiatives (wastewater pump station repairs, water infrastructure, etc.), which are critical for supporting temporary and permanent housing sites for West Maui residents and the ability to provide housing in our community. Our repopulation efforts with the County's GET funding serves to directly assist the State in its Non-Congregate Shelter financial obligations. Additionally, many projects needed in the recovery effort may be ineligible for tax-exempt financing or bonds, because of the type of project, the use, or lifespan and other factors, and the 2030 sunset date to GET collections by the Counties also creates future financing issues for issuing bonds on these time limited revenue sources.

Thank you for everything you all are doing for our communities, and our West Maui friends and families especially. I look forward to continued efforts, working with the Legislature on solutions that enhance the well-being and quality of life for all of our residents.

Mahalo for considering our concerns and for your attention to this matter.

Sincerely,

Richard T. Bissen Jr.
Mayor, County of Maui

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, USE, Allow county revenues to be used for affordable and workforce housing infrastructure, including roadways, water, and sewer.

BILL NUMBER: SB 1099 SD 1 HD 1

INTRODUCED BY: House Committee on Labor & Government Operations

EXECUTIVE SUMMARY: Clarifies the authority of the counties to use county surcharge on state tax revenues for housing infrastructure costs.

SYNOPSIS: Amends section 46-16.8(g) and (h), HRS, to include financing costs, any related debt service and financing agreement costs as Housing Infrastructure costs for which county surcharge revenues can be used:

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: The county surcharge on the General Excise Tax is used in the City & County of Honolulu to support its rail mass transit project. The law creating the county surcharge for the other counties allowed those counties to use the surcharge funds for transportation infrastructure.

Act 48, SLH 2023, allowed counties with a population of less than 500,000 (namely, any county other than the City & County of Honolulu) to use county surcharge funds for housing infrastructure as well. This bill clarifies that housing infrastructure includes financing costs.

Digested: 3/26/2024