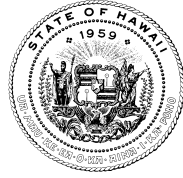


JOSH GREEN, M.D.  
GOVERNOR  
STATE OF HAWAII  
*Ke Kia'āina o ka Moku'āina 'o  
Hawaii*

SYLVIA J. LUKE  
LT. GOVERNOR  
STATE OF HAWAII  
*Ka Hope Kia'āina o ka Moku'āina  
'o Hawaii*



KALI WATSON  
CHAIRMAN, HHC  
*Ka Luna Ho'okele*

KATIE L. DUCATT  
DEPUTY TO THE CHAIRMAN  
*Ka Hope Luna Ho'okele*

**STATE OF HAWAII**  
**DEPARTMENT OF HAWAIIAN HOME LANDS**  
*Ka 'Oihana 'Āina Ho'opulapula Hawaii'i*

P. O. BOX 1879  
HONOLULU, HAWAII 96805

**TESTIMONY OF KALI WATSON, CHAIRMAN  
HAWAIIAN HOMES COMMISSION  
BEFORE THE SENATE COMMITTEE ON HAWAIIAN AFFAIRS AND  
THE SENATE COMMITTEE ON HOUSING  
HEARING ON FEBRUARY 6, 2024 AT 1:00PM IN CR 224**

**SB 2654, RELATING TO HOUSING**

February 6, 2024

Aloha Chairs Shimabukuro and Chang, Vice Chairs Fevella and Hashimoto, and Members of the Committees:

The Department of Hawaiian Home Lands (DHHL) strongly supports this bill which would exempt any development of homestead lots or housing for the DHHL from general excise and use taxes.

DHHL defines homestead lots as residential, agricultural, and pastoral 99-year homestead leases. DHHL includes all acquisition, planning, design, post design, and construction of offsite and onsite development costs in its quantification of eligible costs for GET exemption purposes. The following projects are funded with CIP and/or Act 279, SLH 2022 funds. Please see the attached Act 279 Projects Update for a complete list of Act 279 projects. These projects are underway and/or in the pipeline for construction. The GET cost savings from these development projects are approximate and could be used to develop more homestead lots.

<b>Projects Pending GET Exemption</b>	<b>Est. Dev. Costs</b>	<b>Est. GET Savings</b>
HHL Rent with Option to Purchase (La'i'ōpua) (163 Units)	\$ 5,000,000 (x 4.712%) =	<b>\$235,600</b>
Pu'uhona Subdivision (160 Lots)- 136 turnkey/ 24 vacant Lots	\$ 23,350,013 (x 4.712%) =	<b>\$1,100,252</b>
Pu'uhona Subdivision Site & Infrastructure Development	\$18,271,943.55 + \$5,509,000 (Water Tank) = \$23,780,643.55 (x 4.712%) =	<b>\$1,120,544</b>
Wailuku Single-Family Residential (204 Lots- 176 Units / 28 Vacant & Self-Help)	\$ 38,245,272 (x 4.712%) =	<b>\$1,802,117</b>

Wai'ehu Mauka Subdivision	\$ 79,574,040 (x 4.712%) =	<b>\$3,749,529</b>
820 Isenberg Street (Bowl-O-Drome site)- (277 Units)	\$ 137,000,000 (x 4.712%) =	<b>\$6,455,440</b>
Lana'i Residence Lots Phase 2B (Planning & Design)	\$ 1,910,000 (x 4.712%) =	<b>\$ 90,000</b>
Kalama'ula Agricultural Lots (Planning & Design)- (Up 65 Lots)	\$1,146,000 (x 4.712%) =	<b>\$ 54,000</b>
Hanapēpē Residence Lots Phase 2 Development- (82 Lots)	\$33,903,539 (x 4.712%)	<b>\$1,525,645</b>
Hanapēpē Residential Lots Phase 2 (75 lots)	\$20,000,000 (x 4.712%)	<b>\$942,400</b>
	<b>TOTAL:</b>	<b>\$17,075,527</b>

Other homestead projects in the pipeline include:

<b>Projects in the Pipeline for Development</b>	<b>Est. Dev. Costs</b>	<b>Est. GET Savings</b>
Ka'uluokaha'i IIC (130 residential lots)	\$20,000,000 (x 4.5%)	<b>\$900,000</b>
Kaupe'a Subdivision Phase 2- (60 lots)	\$50,878,221 (x 4.712%)	<b>\$2,397,382</b>
Kēōkea Waiohuli 2B (76 residential lots)	\$18,000,000 (x 4.712%)	<b>\$848,160</b>
Pulehunui Off-Site Infrastructure (100 agricultural lots)	\$50,000,000 (x 4.712%)	<b>\$2,356,000</b>
Villages of Leiali'i 1B (250 residential lots)	\$130,000,000 (x 4.712%)	<b>\$6,125,600</b>
Honokōwai Potable Water Development (1,200 mixed homestead lots)	\$30,000,000 (x 4.712%)	<b>\$1,413,600</b>
Kahikinui Access Improvements (75 pastoral lots)	\$ 5,000,000 (x 4.712%)	<b>\$235,600</b>
Nā'iwa Agricultural Subdivision (58 agricultural lots)	\$30,000,000 (x 4.712%)	<b>\$1,413,600</b>
Villages of La'i'ōpua 4 Hema (130 residential lots)	\$14,000,000 (x 4.712%)	<b>\$659,680</b>
Lana'i Residence Lots Subdivision Development (75 Lots)	\$20,000,000 (x 4.712%)	<b>\$942,400</b>
Kalama'ula Agricultural Lots Development (Up 65 Lots)	\$20,000,000 (x 4.712%)	<b>\$942,400</b>


	Total potential DHHL savings from GET exemptions:	<b>\$18,234,422</b>
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Thank you for your consideration of our testimony.

STATE OF HAWAII  
DEPARTMENT OF HAWAIIAN HOME LANDS

January 16-17, 2024

To: Chairman and Members, Hawaiian Homes Commission

From: Stewart Matsunaga, Administrator  
Land Development Division 

Subject: For Information Only  
Implementation Progress Report for Act 279, Session Laws of Hawaii 2022, as of  
January 9, 2024

RECOMMENDED MOTION/ACTION

None, for information only.

BACKGROUND

Act 279 enacted in Regular Session of 2022 of the 31<sup>st</sup> Legislature appropriated \$600,000,000 in general funds to provide a multi-pronged approach to reducing the Department of Hawaiian Home Lands (DHHL) waitlist. The \$600,000,000 will address the needs of those on the waitlist and those beneficiaries still waiting. (Excerpt from “Strategic Plan to Implement Act 279 of 2022 dated November 2022)

On August 16, 2022, the Hawaiian Homes Commission (HHC) approved the Strategic Approach to Implement Act 279 - August 2022. Further, on November 22, 2022, the HHC approved the Strategic Plan to Implement Act 279 of 2022.

Pursuant to Section 4(c), Act 279, DHHL shall submit the strategic plan, including findings, recommendations, and any proposed legislation, to the Legislature, no later than December 10, 2022. On December 6, 2022, copies of the Strategic Plan to Implement Act 279, SLH 2022 was transmitted to the Senate President and members of the Senate and President of the House and members of the House of Representatives, pursuant to Section 4(c), Act 279.

Procurement and implementation of approved Strategic Plan projects using State funds are authorized under:

- a. Section 220.5(a) using the Request for Proposals (RFP) procurement method, or competitive sealed proposals when project specifics are pre-determined, or
- b. Section 220.5(b) using the Request for Qualifications (RFQ) procurement method, similar to Professional Services, to procure a qualified developer for a project when projects specifics are not pre-determined.

An example of Section 220.5(a) would be the posting of an RFP for Kaupe‘a 2, in which DHHL determined a minimum of 60 single family homes and construction of a traffic signal.

Interested developers would provide Sealed Proposals to DHHL for evaluation by an internal Review/Selection Committee. In the RFP process, the lowest cost of infrastructure provided by the developer would result in the highest scoring. The award of the development agreement contract would be based on competitive scoring pre-established criteria.

An example of Section 220.5(b) would be the posting of an RFQ for Ka‘uluokaha‘i Master-planned Community involving the full infrastructure development and house construction of unplanned East Kapolei Parcels II-D, II-E, and II-F, along with house construction of East Kapolei II-C. In this process, the DHHL review committee evaluates the developers’ past like-experience, development team strength, and current capacity and financial ability to complete developments. The developer describes its project approach and solutions to implement the homestead development project. After qualified developers are ranked, the Chair authorizes the Selection Committee to negotiate project infrastructure costs, housing components, and schedule for development. Should negotiations fail with the first ranked developer, then the Selection Committee is authorized to negotiate with the next ranked developer.

RFQ responses for Villages of La‘i ‘Ōpua and Villages of Leiali‘i due in January 2024.

SUMMARY OF ACT 279 GENERAL FUND ALLOTMENTS:

Allotment #1 =	\$172,750,000 (Released 11/17/22)
Allotment #2 =	\$ 21,000,000 (Released 6/27/23)
Allotment #3 =	\$175,000,000 (Released 11/8/23)
Allotment #4 =	\$176,000,000 (Proposed for 2 RFQs)
Total =	\$588,847,828

SUMMARY OF PROJECT ENCUMBRANCES, APPROVED STRATEGIC PLAN:

Total Encumbered in FY 2023:	\$192,641,367
Projected Encumbrance 3 <sup>rd</sup> Quarter FY24:	\$178,959,000
Projected Encumbrance 4 <sup>th</sup> Quarter FY 24:	\$150,000,000

(RFQs for Villages of La‘i ‘Ōpua and Villages of Leiali‘i)

TOTAL ENCUMBERED/PLANNED TO FY 24: \$521,600,367\*

\*Balance of \$78,399,637 subject to Amended Strategic Plan and Project Deferral to FY 2025.

New Project Status:

Island	Subdivision/ Project	Lots	Phase	Estimated Encumbrances	Status
Oahu	Kaupe‘a, Phase 2	60	Dev Agreement	\$ 13,692,000	Awarded to Mark Development Negotiating Development Agreement for 30 turnkey lots and 30 LIHTC lots. AG review.
Oahu	East Kapolei II Master Developer	450	Dev Agreement	\$ 144,513,000 (Phase 1)	RFQ released 8/7/23; Awarded to Gentry.  Negotiating Development Agreement. Project to be phased. Phase 1 450 lots includes EK II-C (125 lots) house construction, EK II-D and EK II-E (325 lots and houses) and backbone utility and roadway infrastructure.  Phase 2 subject to Strategic Plan amendment and pending additional appropriation of \$60,000,000 for 250 lots in EK II-F. AG review
<u>Land/Project Acquisition RFP 1</u>					
Oahu	Waialua (Mill Camp)	92	Dev Agreement	\$ 20,754,000	Awarded to Mark Development Draft Development Agreement; AG review.
Oahu	Ewa Villages Pilina Homes	142	Dev Agreement	0	Developer drafting purchase agreement; Negotiating infrastructure fees. Fee structure not acceptable. Project offer reject letter being drafted.
Statewide	RFP#2		Acquisition/Dev Agreement		5 offers under consideration.  Potential \$59 million acquisition  Requires Amendment to Act 279 Strategic Plan and Budget
	<b>TOTAL</b>			<b>\$ 178,959,000</b>	<b>\$175,000,000 A-19 Allotment approved 11/8/23. Additional \$6M allotment required.</b>

Act 279 Implementation Status as of January 9, 2024, is attached as “Exhibit A”.

Land Acquisition and Development Project offers from second Request for Proposals is under review and will be submitted to HHC in the coming months.

Request for Proposals for new land and project acquisition proposed subject to HHC approval of Permitted Interaction Group recommendations.

RECOMMENDED MOTION/ACTION:

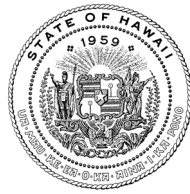
None—for information only.

DEPARTMENT OF HAWAIIAN HOME LANDS										
ACT 279 IMPLEMENTATION										
Project Status as of January 9, 2024										
				Act 279 Implementation Budget (Strategic Plan 2022)		Encumbrance Status as of Jan. 9, 2024				
Island	FY23 Subdivision/Project	Lots	Phase	FY 2023	FY 2024	Encumbered FY23	Encumbered FY24 to date	Projected Encumbrance FY24	Projected Encumbrance FY25	Status
Hawaii	Laiopua Villages 1 and 2, and N. Kona Water Development	400	Acq/ Dev Agrmt	\$ 4,000,000	\$ 63,000,000			\$ 67,000,000		Chair directs Request for Qualifications development agreement to include Villages 1 and 2 (400 lots), house construction in Village 4 Hema (125 homes). Village 5 unencumbered lots (55 lots) to be offered with homes in early 2024. Leg appropriation Act 88, SLH 2021 proviso for \$12.2M for water development and subdivision improvements "Encumbered" site appraisal and acquisition in progress. Developer Qualifications deadline is January 5, 2024. <b>One Developer Submittal received.</b>
Hawaii	Honomu Subsistence Ag Lots, Phase 2	40	Design/		\$ 6,000,000				\$ 6,000,000	Designs in process; IFB scheduled for <b>April 2024.</b>
Lanai	Lanai Residence Lots Offsite Infrastructure	75	Design	\$ 2,000,000			\$ 2,000,000			Contract with Bowers+Kubota executed, awaiting release of funds for contract certification. Schedule meeting with B+K and Pulama Lana, upon contract certification. Request to Release Act 279 funds submitted to B&F and Gov in September 2023. On October 19, 2023, Gov released \$65M and \$110M in Act 279 funds for 2nd and 3rd Quarters FY24, respectively. Discuss project collaboration with Pulama Lanai and County of Maui. <b>Contract certified on Dec. 1, 2023.</b>
Molokai	Hoolehua Scattered Lots	20	Construction		\$ 3,500,000				\$ 3,500,000	Draft EA in process, Cultural Impact Analysis in process. <b>IFB scheduled for April 2024.</b>
Molokai	Naiwa Ag Subdivision	16	Construction		\$ 6,000,000				\$ 6,000,000	FONSI approval and Final EA publication rescheduled to November or December 2023. Designs in process for 66 lots; construction bid scheduled for 1st Quarter 2024. 16 new subsistence agriculture lots qualify for Act 279 funding for infrastructure. Requires amending FY25 Sufficient Sums Purpose 1 budget request by \$25M for construction of site improvements for 50 existing agriculture lots awarded in the mid-1980's. <b>IFB scheduled for April 2024.</b>
Maui	Pu'unani Homestead Subdivision	161	Construction	\$ 17,500,000		\$ 17,171,944				Construction Contract Awarded to Maui Kupono Builders; \$17,171,944. Notice to proceed effective May 15, 2023. Groundbreaking May 24, 2023. Site work in progress. <b>House construction tentatively starting in Summer 2024.</b>
Maui	Pu'unani Homestead Subdivision (Offsite Water Tank)		Design/ Construction			\$ 5,509,000				Developer preparing plans and specifications for IFB in Fall 2023, subject to County DWS approval of construction plans and storage agreements. New estimate for construction = \$6.5M, due to changes in site plan improvements. Seek Stainless Steel tank as alternative construction method to reduce cost.
Maui	Leialii 1B Offsite Water (includes new DHHL Honokowai Well)		Construction	\$ 15,000,000				\$ 15,000,000		Honokowai Water Draft EA pending resolution of SHPD issues and Cultural Impact Analysis. On Dec. 8, 2023, LDD posts RFQ to include Leialii Offsite water, highway improvements and Leialii 1B subdivision, total 181 single family lots. Existing County of Maui's Offsite water tank services lots under 130' elevation. A booster pump, transmission and new offsite water tank needed to provide potable water and fire protection to Leialii 1B Inc. 2; 95 single family lots. In addition to Act 279 funding, Cost is exclusive of \$9,000,000 CIP appropriation for Honoapiilani highway improvements, for which SMA is in process and HHFDC DURF funding \$10,000,000 for Honokowai Water Well development. <b>Responses to RFQ on Jan. 16, 2024.</b>
Maui	Leialii 1B - Subdivision	181	Dev Agrmt		\$ 68,000,000			\$ 68,000,000		FONSI approved by HHC on October 16, 2023 and Final EA to be published in November 2023. On Dec. 8, 2023, LDD posts RFQ to include Leialii Offsite water, highway improvements and Leialii 1B subdivision, total 181 single family lots. Existing County of Maui's Wahikuli water tank services lots under 130' elevation and can provide potable water to 86 lots in Village 1B, Inc. 1. A booster pump, transmission and new offsite water tank needed to provide potable water and fire protection to Leialii 1B Inc. 2; 95 single family lots. In addition to Act 279 funding, construction cost is exclusive of \$9,000,000 CIP appropriation for Honoapiilani highway improvements, for which SMA is in process. Leialii 1B Increment 1 (86 single family lots) designs in process; coordinate Lahaina Civic Center booster pump and Wahikuli tank operations with County of Maui. <b>Responses to RFQ on Jan. 16, 2024.</b>
Maui	Honokowai Subsistence Ag Ph. 1	50	Design		\$ 5,000,000	\$ 1,470,000			\$ 3,530,000	Survey and design in process. Continuing design work on R-1 water easements and engineering. Amending scope of work to include access from Honoapiilani Highway, and establishment of sewer manholes at Honokowai makai boundary.
Oahu	Kaupea, Phase 2		Acq	\$ 8,250,000		\$ 8,250,000				Acquisition completed.



DEPARTMENT OF HAWAIIAN HOME LANDS										
ACT 279 IMPLEMENTATION										
Project Status as of January 9, 2024										
				Act 279 Implementation Budget (Strategic Plan2022)		Encumbrance Status as of Jan. 9, 2024				
Island	FY23 Subdivision/Project	Lots	Phase	FY 2023	FY 2024	Encumbered FY23	Encumbered FY24 to date	Projected Encumbrance FY24	Projected Encumbrance FY25	Status
Oahu	Kaupea, Phase 2	60	Dev Agrmt		\$ 14,750,000			\$ 13,692,000		Development Agreement awarded to Mark Development. Negotiations in progress; amount subject to change. Request to Release Act 279 funds submitted to B&F and Gov in September 2023. On October 19, 2023, Gov released \$65M and \$110M in Act 279 funds for 2nd and 3rd Quarters FY24, respectively. Contract certification (encumbrance projected for January 2024. Mark Development proposes to include cluster box consolidation and two playground areas for community use. Developer proposes 30 turnkey homes and 30 homes funded with Low Income Housing Tax Credits under a 15-year Rent with Option to Purchase program. <b>Development Agreement with Deputy AG for review.</b>
Oahu	East Kapolei II Master-planned Community	548	Design	\$ 24,000,000	\$ 88,000,000	\$ 33,080		\$ 144,513,000	\$ 60,000,000	RFQ issued 8/7/23 incorporating backbone infrastructure, East Kapolei II-C, II-D, II-E, and II-F. Responses due 9/8/23. Responses received; undergoing internal review for recommendation to Chair. Request to Release Act 279 funds submitted to B&F and Gov in September 2023. On October 19, 2023, Gov released \$65M and \$110M in Act 279 funds for 2nd and 3rd Quarters FY24, respectively. Original unit count of 421 lots at II-D, II-E, and II-F plus 127 Lots at II-C based on 2009 East Kapolei Masterplan = 548. Due to increase in developable area, add 152 lots, totalling 700 lots. Development Agreement with Deputy AG for review. Due to lack of adequate funding, defer EK II-F (250 lots) to FY25, subject to additional funding. <b>Development Agreement with AG for review.</b>
Oahu	East Kapolei IIA	300	Dev Agrmt	\$ 14,000,000						Deleted from Act 279 project list. <b>Priority on EK II-C, D, E, F</b>
Oahu	Maili Development	280	Dev Agrmt		\$ 60,000,000				\$ 60,000,000	FONSI and Final EA pending. Designs in process; bid scheduled for 2nd Quarter 2024, subject State Historic Preservation Division recommendations. Modified grading plan may be required; review project feasibility. <b>Project not ready to encumber in FY24.</b>
Oahu	Ewa Beach (former NOAA site)	600	Dev Agrmt		\$ 48,000,000				\$ 48,000,000	RFQ in 3rd Quarter FY24. Access, sewer, drainage and traffic issues need to be addressed. Chapter 343 and HUD ER compliance required. Consider RFQ for Developer to plan, design, construct infrastructure and housing. <b>Project not ready to encumber in FY24.</b>
Kauai	Hanapepe Residence Lots, Phase 2	82	Construction	\$ 23,000,000		\$ 17,800,126				Bids open on 12/21/22. Contract awarded to Hawaiian Dredging on 12/29/22. Groundbreaking August 23. Supply chain issues; start site construction in 1st Quarter 2024. On October 6, 2023 issued RFQ for architectural design, construction, financing and marketing of 82 houses. Pre-submittal conference on October 13, 2023. Submittal of Qualifications due Nov. 3, 2023. Mark Development, sole submittal of qualifications to be awarded; Development Agreement negotiations have commenced.
Kauai	Anahola Kuleana Phase 1 Pastoral	115	Construction		\$ 5,000,000				\$ 5,000,000	Road and drainage concepts in process. Access to lots will require grading and drainage culverts. Consultant to provide Rough order of magnitude. Tentative subdivision plat in 1st quarter 2024. Review Dam Safety requirements for Upper Anahola and Kealia Field 1 and review development of non-potable water source for subsistence ag and pasture leases. Reservoirs funded by Act 122, SLH 2014; \$3M. <b>Project construction not ready to bid.</b>
Statewide	Land/Project Acquisition		Professional Services			\$ 1,500,000				Project management contract with Bowers+Kubota; researching Villages of Leialii acquisition. HHC authorized Chair to negotiate and acquire 400+ acres from HHFDC. Provide supplemental soils investigations.
Statewide	Land/Project Acquisition		Acq/ Dev Agrmt	\$ 35,000,000						RFP let in November 2022. Eight offers received. Five proposals accepted; details below, award subject to negotiations with Rapid Development Team

DEPARTMENT OF HAWAIIAN HOME LANDS										
ACT 279 IMPLEMENTATION										
Project Status as of January 9, 2024										
				Act 279 Implementation Budget (Strategic Plan 2022)		Encumbrance Status as of Jan. 9, 2024				
Island	FY23 Subdivision/Project	Lots	Phase	FY 2023	FY 2024	Encumbered FY23	Encumbered FY24 to date	Projected Encumbrance FY24	Projected Encumbrance FY25	Status
Oahu	Ewa Villages (Haseko) Pilina Homes	142	Acq/ Dev Agrmt							Acquisition: \$17,646,772 Source: NAHASDA Development: \$20,239,443 Source: Act 279 Acquisition and development agreement negotiations in progress; amount subject to change. Request to Release Act 279 funds submitted to B&F and Gov in September 2023. On October 19, 2023, Gov released \$65M and \$110M in Act 279 funds for 2nd and 3rd Quarters FY24, respectively. Negotiated onsite infrastructure development costs are considered excessive for the type of project and the number of units proposed. LDD recommends to Chair to terminate negotiations. Alloted funds to be used for other Act 279 development projects.
Maui	Wailuku (DDC2 LLC)	207	Acq/ Dev Agrmt			\$ 45,038,800				Acquisition: \$5,200,000 Source: Act 279 Development: \$39,838,800 Source: Act 279 Development Agreement executed, funds encumbered.
Hawaii	Kaumana (Avalon Development)	168	Acq			\$ 2,000,000				Proposal acceptable for acquisition only. Sale closed 3/31/23; transaction completed. Funds encumbered.
Maui	Waiehu (DDC3 LLC)	366	Acq/ Dev Agrmt			\$ 93,868,417				Acquisition: \$12,240,000 Source: Act 279 Development: \$81,628,417 Source: Act 279 Development Agreement executed, funds encumbered.
Oahu	Waiialua (Mill Camp Development Group, LLC)	92	Acq/ Dev Agrmt					\$ 20,754,000		Original Proposal: Acquisition: \$1,990,000 Est. Development: \$12,368,633 Source: Act 279 Negotiating Development Agreement; amount increased. Request to Release Act 279 funds submitted to B&F and Gov in September 2023. On October 19, 2023, Gov released \$65M and \$110M in Act 279 funds for 2nd and 3rd Quarters FY24, respectively. <b>Development Agreement with AG for review.</b>
Statewide	Project Contingencies							\$ 5,248,240		Project contingency amounts for encumbered projects in FY 23. On October 19, 2023, Gov released \$65M and \$110M in Act 279 funds for 2nd and 3rd Quarters FY24, respectively.
Statewide	Land/Project Acquisition		Acq/ Dev Agrmt							RFP let in May 2023. Eighteen offers received. Five proposals under consideration; but premature to provide specific details at this time. Requires budget amendment.
Statewide	Land/Project Acquisition									RFP No. 3 let in January 2024. Proposals due Feb. 2, 2024. Will require amended strategic plan and budget.
Statewide	Project Financing/Partnerships			\$ 30,000,000					\$ 100,000,000	Interim house construction financing in order to reduce house pricing. Providing no interest loans to developments would result in \$15,00 to \$20,000 reduction in house price. <b>Defer until additional funds become available; i.e. NAHASDA.</b>
Statewide	Individual Assistance								\$ 60,000,000	Individual down payment or other assistance/subsidy.
Statewide	Project Management Staffing									\$5,000,000 proposed for Staffing to implement Act 279 projects. Requires proposal by Permitted interaction group and approval of full HHC.
	<b>Total</b>	<b>3,903</b>		<b>\$ 172,750,000</b>	<b>\$ 367,250,000</b>	<b>\$ 192,641,367</b>	<b>\$ 2,000,000</b>	<b>\$ 334,207,240</b>	<b>\$ 292,030,000</b>	11/17/22 \$172.75M Allotment released by Governor. 6/27/23 \$21.0M Allotment released by Governor. <b>10/19/23 \$175.0M Allotment released by Governor.</b> <b>Total released to date: \$368.75M</b> <b>Request to release \$176M to be submitted to B&amp;F and Gov by 2/1/24.</b>
	<b>Running Total Encumbrances</b>					<b>\$ 192,641,367</b>	<b>\$ 194,641,367</b>	<b>\$ 528,848,607</b>	<b>\$ 820,878,607</b>	



JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
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

**WRITTEN ONLY**  
TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEES ON HAWAIIAN AFFAIRS AND HOUSING  
ON  
SENATE BILL NO. 2654

**February 6, 2024**  
**1:00 p.m.**  
**Room 224 and Videoconference**

RELATING TO HOUSING

The Department of Budget and Finance (B&F) offers comments on this bill.

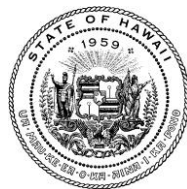
Senate Bill No. 2654 exempts gross income from Department of Hawaiian Home Lands (DHHL) housing developments from general excise taxes and authorizes DHHL to certify for exemption projects meeting criteria similar to those of the general excise tax exemption program operated by the Hawai'i Housing Finance and Development Corporation pursuant to Section 237-29, HRS.

B&F notes that rulemaking authority for the joint promulgation of administrative rules by DHHL and the Department of Taxation to implement the exemption should be added to this bill.

Thank you for your consideration of our comments.

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



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

GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 2654, Relating to Housing

**BEFORE THE:**

Senate Committees on Hawaiian Affairs and Housing

**DATE:** Tuesday, February 6, 2024

**TIME:** 1:00 p.m.

**LOCATION:** State Capitol, Room 224

Chairs Shimabukuro and Chang, Vice-Chairs Fevella and Hashimoto, and Members of the Committees:

The Department of Taxation ("Department") offers the following comments regarding S.B. 2654 for your consideration.

S.B. 2654 creates a new section in chapter 237, Hawaii Revised Statutes (HRS), to exempt from the general excise tax (GET) amounts received by any qualified person or firm, for the planning, design, financing, or construction of certain housing projects for the Department of Hawaiian Home Lands (DHHL). The bill would require all claims for exemption to be filed with and certified by DHHL and then forwarded to the Department. The bill has an effective date of January 1, 2025.

The Department defers to DHHL regarding its ability to certify the exemption pursuant to the requirements set forth in the bill, but requests that a third-party certification requirement be maintained. The Department lacks the subject matter expertise to determine eligibility for the exemption.

The Department is able to administer this bill as written. Thank you for the opportunity to provide comments on this measure.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exemption for development by Department of Hawaiian Home Lands

BILL NUMBER: SB 2654, HB 2034

INTRODUCED BY: SB by KEOHOKALOLE, MCKELVEY; HB by HOLT, AIU, KAHALOA, LOWEN, MARTEN, MIYAKE, MORIKAWA, NAKAMURA, QUINLAN, TODD

EXECUTIVE SUMMARY: Exempts any development of homestead lots or housing for the Department of Hawaiian Home Lands from general excise and use taxes.

SYNOPSIS: Amends chapter 237, HRS, by adding a new section to exempt amounts related to planning, design, financing, or construction activities conducted by a qualified person for a new construction, moderate rehabilitation, or substantial rehabilitation project for homestead lots or housing for the department of Hawaiian home lands (DHHL). The project may also be developed:

- (1) Under a government assistance program approved by DHHL;
- (2) Under the sponsorship of a nonprofit organization providing home rehabilitation or new homes on Hawaiian home lands for qualified families in need of decent, low-cost housing; or
- (3) To provide affordable rental housing where at least fifty per cent of the available units are for households with incomes at or below eighty per cent of the area median family income, as determined by the United States Department of Housing and Urban Development.

All claims for exemption shall be filed and certified by DHHL and forwarded to the department of taxation.

Allows DHHL to collect a reasonable service fee, the proceeds of which are to be deposited in the Hawaiian home operating fund described in section 213(e) of the Hawaiian Homes Commission Act of 1920.

Definitions are provided for “homestead lot”, “moderate rehabilitation”, “qualified person or firm” and “substantial rehabilitation”.

Amends section 238-3(j), HRS to exempt from the Use Tax any use of property, services, or contracting exempted by the above GET exemption.

EFFECTIVE DATE: January 1, 2025.

STAFF COMMENTS: Section 237-29(a), HRS, states that all gross income received by any qualified person or firm for the planning, design, financing, construction, sale, or lease in the

State of a housing project that has been certified or approved under section 201H-36 shall be exempt from general excise taxes.

Section 201H-36, HRS, states that the Hawaii housing finance and development corporation (“HHFDC”) may approve and certify for exemption from general excise taxes any qualified person or firm involved with an affordable housing project.

Section 46-16.7, HRS, states that any county shall have the same powers as those granted the HHFDC pursuant to chapter 201H, HRS, provided, among other things, that county projects shall be granted an exemption from general excise or receipts taxes in the same manner as projects of the HHFDC pursuant to section 201H-36.

It seems that the proposed exemption has many similarities to the affordable housing exemption now in sections 46-15.1 and 201H-36, HRS. The proposed exemption appears to be looser, however:

- The existing low-income housing exemption requires a regulatory agreement of at least five years for moderate rehabilitation projects, ten years for substantial rehabilitation projects, and thirty years for new projects. No regulatory agreement is required by this bill.

Because the housing development is on Hawaiian homestead land, the beneficiaries to reside in the developed homes would be receiving several benefits unique to Hawaiian homesteads, as detailed in <https://dhhl.hawaii.gov/applications/applying-for-hawaiian-home-lands/>:

- Annual lease rent of \$1.00 per year;
- 99-year lease;
- Lease term which can be extended for an additional 100 years, allowing passage of the homestead from generation to generation;
- Seven-year exemption from real property tax;
- Complete exemption of tax on land;
- Minimal real property tax after the first seven years (applies only to County of Kauai and City and County of Honolulu, Oahu);
- And other benefits.

These benefits should be taken into consideration to determine whether affordable housing development on Hawaiian home lands merits extension of the GET exemption to development on those lands as well. It is certainly arguable that the extension is warranted given that Hawaiian beneficiaries often have been waiting years or decades on the wait list for Hawaiian home lands.

Testimony Before the  
Senate Committee on Hawaiian Affairs  
Tuesday, January 6, 2024, at 1:00 p.m.  
By  
Maile Lu'uwai, President  
Keaukaha Pana'ewa Farmers Association

---

RE: Request for Amendments to SB 2654

Aloha Chair Shimabukuro, Vice Chair Fevella and Committee Members:

The Keaukaha Pana'ewa Farmers Association (KPFA) is a Hawaiian Homes Commission Act Beneficiary Association and Homestead Association controlled by beneficiaries, as defined by the Hawaiian Home Lands Recovery Act, 109 Stat. 537. KPFA is registered with the U.S. Department of Interior, 43 CFR §§ 47.10 and 48.6.

We are in general support of SB 2654 because we understand that the exemptions would reduce the housing costs for Hawaiian Home Land beneficiaries. We are requesting several amendments to SB 2654.

First, SB 2654 does not specifically state that the 'housing' development granted the exemptions is exclusively for Hawaiian Home Land beneficiaries. As a result, kupuna housing and rental housing projects could be developed and occupied by non-beneficiaries and these housing projects may be able to access these exemptions. This appears to be a critical flaw in SB 2654.

We request that SB 2654 be amended to clearly state that the tax exemptions apply only to housing projects that will be awarded to and/or occupied by Hawaiian Home Land beneficiaries.

Second, DHHL's movement to build rental housing appears in conflict with and dilutes the stated purpose of the Hawaiian Homes Commission Act. DHHL's use of Hawaiian Home Trust lands, personnel, federal funds, and other funding significantly diverts DHHL's resources, and thus, directly impacts and reduces DHHL's ability to build permanent housing and/or provide homestead lots to waitlist beneficiaries. It is not DHHL's kuleana to build rental housing.

We request that the Section II (3) referencing and applying the tax exemptions to rental housing be removed from SB 2654.

Third, we also request that the effective date for SB 2654 be amended from 1/1/25 to 7/1/24 so that projects that are in the process of development can benefit from these tax exemptions.

Mahalo,



Maile Lu'uwai  
President  
Keaukaha Pana'ewa Farmers Association



February 5, 2024

TESTIMONY IN SUPPORT OF SB 2654  
Senate Committee on Hawaiian Affairs  
Committee on Housing  
Tuesday, February 6, 2024, at 1 pm  
Conference room 224 and Videoconference

Aloha Chair Shimabukuro & Chang, Vice Chair Fevella & Hashimoto, and members of the Committee:

I am writing in staunch support of SB 2654, the proposed exemption of any development of homestead lots or housing for the Department of Hawaiian Homelands from General Excise and Use Taxes. Our mission at Dowling Company is to deliver homes for beneficiaries at the most affordable prices possible. The exemption of GE taxes will lower prices of homes in homestead projects and provide savings to the beneficiaries.

We also request the effective date of this Act be amended to July 1, 2024, instead of January 1, 2025. The following homestead projects that could benefit from this Act are as follows:

Pu‘uhona Homestead Project - commenced in May 2023 and the Project’s home construction will start in summer 2024, with the first delivery of homes by early 2025. Pu‘uhona will consist of 137 single-family turn-key homes and 24 improved lots.

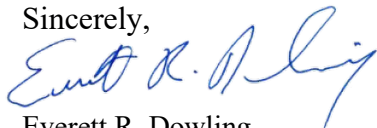
Waiehu Mauka Homestead Project - approximately 343 single-family turn-key homes and owner-builder lots and an additional 55 rural half-acre lots. Onsite and offsite infrastructure design work is underway and onsite and offsite construction for the Project will begin in early 2026. Delivery of the first homes will occur in late 2027.

Wailuku Single Family Homestead Project - work is underway with an environmental assessment being prepared for the planned 173 single-family turn-key homes and 31 vacant improved lots. Infrastructure construction for the Project will commence in summer 2026. Delivery of the first homes will begin in early 2028.

The above homestead projects will provide 763 new homes and improved lots for the Maui Homestead beneficiaries. We continue to explore opportunities to support the Department of Hawaiian Homes Commission fiduciary commitment to put Hawaiian families in homes.

We request your consideration to approve SB 2654 with the proposed amendment to the effective date noted above.

Sincerely,



Everett R. Dowling  
President



**SB-2654**

Submitted on: 2/4/2024 10:53:28 PM

Testimony for HWN on 2/6/2024 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
De Mont Kalai Manaole	Testifying for Hoomana Pono, LLC	Support	In Person

Comments:

We **STRONGLY SUPPORT** this bill, as it will facilitate building homes for the HHCA Trust Beneficiaries. Please pass this measure.

**SB-2654**

Submitted on: 2/3/2024 3:25:39 PM

Testimony for HWN on 2/6/2024 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
randy awo	Testifying for Hawaiian Homes Commissioner/ Beneficiary	Support	Written Testimony Only

Comments:

Stand in strong support of SB 2654

I submitted testimony in support of this bill however, would like to add the following:

#1,) SB 2654 does not indicate that tax exemptions are for the exclusive benefit of Native Hawaiian beneficiaries as defined under the Hawaiian Homes Commission Act. Therefore, I request that SB 2654 be amended to stipulate that tax exemptions as defined by this Act **shall** only apply to development or housing projects that will be awarded to or be occupied by native Hawaiians covered under the Hawaiian Homes Commission Act.

#2,) Item #3.) I strongly object to this item. And request that it be deleted. Our waitlist is rapidly approaching 29,000.00 and continues to grow. We cannot use trust assets that **do not** reduce the waitlist. These proposals constitute a breach of our fiduciary duties. It subjects our beneficiaries to further delays in attaining a lease award, particularly kupuna who have waited decades and continue to die on the list. The DHHL should not be used to become all things, to all citizens and all situations. Creating transitional housing and affordable rentals is a shared responsibility. Our state and County governments must do more to create these opportunities through legislation and partnerships.

#3.) I request that the effective date of this Act be amended to commence on **July 1st, 2024** rather than January 1, 2025. This will allow projects that are shovel ready or currently underway to benefit from tax exemptions sooner rather than later.

Mahalo nui - Randy

**SB-2654**

Submitted on: 1/31/2024 6:20:47 PM

Testimony for HWN on 2/6/2024 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Julia Estigoy-Kahoonei	Individual	Support	Written Testimony Only

Comments:

I support this bill to exempt excise tax on housing developments from DHHL

**SB-2654**

Submitted on: 1/31/2024 6:42:18 PM

Testimony for HWN on 2/6/2024 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Justin Silva	Individual	Oppose	Written Testimony Only

Comments:

Exempts any development of homestead lots or housing for the Department of Hawaiian Home Lands from general excise and use taxes

**SB-2654**

Submitted on: 1/31/2024 7:44:44 PM

Testimony for HWN on 2/6/2024 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Lu Ann Mahiki Lankford-Faborito	Individual	Support	Written Testimony Only

Comments:

Strong support.

**SB-2654**

Submitted on: 2/4/2024 6:17:59 PM

Testimony for HWN on 2/6/2024 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Momilani Awo	Individual	Support	Written Testimony Only

Comments:

Support

**SB-2654**

Submitted on: 2/5/2024 8:35:31 AM

Testimony for HWN on 2/6/2024 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Dennis L. Neves	Individual	Support	Written Testimony Only

Comments:

I am in support of this measure which would reduce housing costs for Hawaiian Homes Beneficiaries with the following proviso;

SB 2654 be amended to clearly state that the tax exemptions apply only to housing projects that will be awarded to and/or occupied exclusively by Hawaiian Home Land beneficiaries as defined by the HHCA.

I am in opposition to the section 3 of the bill as it uses trust lands that do not result in waitlist reduction.



TESTIMONY IN SUPPORT OF SB 2654  
Senate Committee on Hawaiian Affairs  
Committee on Housing  
Tuesday, February 6, 2024 at 1 pm  
Conference room 224 and Videoconference

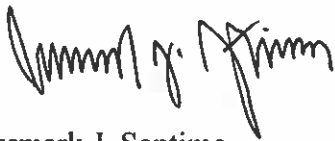
February 5, 2024

Aloha Hawaii State Legislators:

I am writing in strong support of SB 2654. I am a Waiohuli Undivided Interest Lessee of the Hawaiian Home Lands, waiting for over 19 years to be awarded a property in Waiohuli. Since 2005, and the delay of Waiohuli Homestead, the cost of construction and materials has almost tripled, making it very difficult for many beneficiaries to afford to purchase a home. The implementation of this bill would provide a substantial reduction in cost to the Hawaiian Homes beneficiaries for the Pu'uhona Homestead on Maui which has commenced sitework, and other Maui projects that have, or will soon begin development to benefit from this tax exemption. Please also amend the effective date of this Act to commence on July 1, 2024, rather than January 1, 2025.

Given the recent Lahaina Wild-Fires that devastated our Lahaina community, attention and support must be given to the native Hawaiians in Hawaii.

Mahalo for your consideration to get Native Hawaiians back on their land!



Rossmark J. Septimo  
Lessee of the Waiohuli Undivided Interest Homestead

**SB-2654**

Submitted on: 2/5/2024 12:55:31 PM

Testimony for HWN on 2/6/2024 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Kekoa Enomoto	Individual	Support	In Person

Comments:

393 Pueo Drive

Kula, Hawai`i 96790

Cellphone/text (808) 276-2713

Email: [paupena.kekoa@gmail.com](mailto:paupena.kekoa@gmail.com)

February 3, 2024

Aloha mai kakou e Hawai`i state Legislators,

I am a Hawaiian Homes Commission Act federal trust 38-year beneficiary, who is submitting this letter of support for SB 2654. The latter proposed Act seeks to exempt from General Excise & Use Taxes, any development of homestead lots or housing by or for the state Department of Hawaiian Home Lands. Passage and implementation of SB 2654 would provide a substantial reduction in cost to Hawaiian Homes beneficiaries for housing in Pu`uhona Hawaiian homestead subdivision and other upcoming DHHL projects on Maui.

I also urge lawmakers to amend SB 2654 to become effective July 1, 2024 — instead of the currently written effective date of January 1, 2025 — to benefit Pu'uhona Hawaiian homestead subdivision in Waikapu, Maui. The prospective beneficiary lessees of Pu`uhona may be starting homestead-lot selection this summer 2024.

I serve on the board of directors for the Valley Isle-based entities: Pa`upena Community Development Inc., and Na Kia`i (“guardians”) O Maui. The organizations are envisioning projects, such as development of more than 2,530 homes on 5,726 Hawaiian Homes acres. The

latter homestead homes would mitigate the housing crisis on Maui, where the median sales price is nearly \$1 million for a single-family home, per [www.rockethomes.com](http://www.rockethomes.com).

The mission of Pa`upena Community Development Inc. is to provide resources, training and advocacy to empower fellow Hawaiian Homes trust beneficiaries to build homes and self-sufficient communities. The 7-year-old IRS 501(c)(3) nonprofit based in Upcountry is envisioning two beneficiary-driven agricultural-housing projects on 646 Pulehunui homeland acres, and on 4,780 Keokea-Waiohuli homeland acres to provide up to 1,337 total subsistence-ag lots.

I am also vice president/director for Na Kia`i O Maui, a 5.5-month-old disaster-relief organization formed in the wake of the August 8, 2023, Maui wildfires. The mission of the entity, whose 501(c)(3) nonprofit application is pending IRS approval, is to meet community needs, including but not limited to providing emergency relief and assistance to everyone affected by natural disasters and fires. Na Kia`i O Maui is proposing to develop 1,200 homes on 300 Honokowai homeland acres in wildfires-devastated West Maui.

Thus, I appreciate this opportunity to present a letter of support for SB 2654, to provide tax support for the development of needed homestead lots and housing on Hawaiian Homes acreage on Maui and throughout the archipelago. I look forward to advocating remotely via videoconference during the related hearing.

Very sincerely yours,

Kekoa Enomoto

Director and immediate past chairwoman of the board,

Pa`upena Community Development Inc.

Vice president and director, Na Kia`i O Maui

**SB-2654**

Submitted on: 2/5/2024 5:15:52 PM

Testimony for HWN on 2/6/2024 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Kenani Gramberg	Individual	Support	Written Testimony Only

Comments:

Aloha,

I support this bill