

JOSH GREEN, M.D.
GOVERNOR



LATE

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

IN REPLY PLEASE REFER TO:

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

HOUSE COMMITTEE ON HOUSING

February 03, 2023 at 9:00 a.m.

State Capitol, Room 312

In consideration of
H.B. 1054
RELATING TO HOUSING.

HHFDC shares the enthusiasm for supporting our workforce with initiatives to secure rental housing they can afford and supplementing our state review processes to expedite the delivery of affordable housing.

HHFDC ***supports the intent*** of this measure which, among other things, requires HHFDC to establish a new rental deposit loan program for local workforce renters with zero interest loans for security deposits up to \$2,500 and makes an appropriation of \$2,500,000 for each year of the 2023-2025 fiscal biennium for this program.

However, there are some ***concerns related to implementation*** and we would like to take this opportunity to share them with this committee.

While HHFDC can sub-contract the implementation of the program to the counties or nonprofit corporations for the administration of the program, it still needs to manage, monitor, and handle disbursement of funds to the grantees. Implementation may involve a considerable amount of time given the statutory procurement and public proceeding process involved to establish any new program. An overall plan would have to be crafted on how to administer this program that outlines guidelines, standards, and metrics for the counties to follow. Administrative rules would have to be promulgated once the plan is completed. An additional staff position may be needed in order to manage the various contracts, disbursements, and collection of the required reports.

For any loan program, staff would also need to underwrite and perform risk analysis on applicants to ensure they are able to afford the monthly rent and repay the loan as well as to follow up on collections.

We remain committed to supporting these efforts and look forward to working with the administration on addressing these concerns.

Thank you for the opportunity to provide testimony.

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
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1054, Relating to Housing

BEFORE THE:

House Committee on Housing

DATE: Friday, February 3, 2023

TIME: 9:00 a.m.

LOCATION: State Capitol, Room 312

Chair Hashimoto, Vice-Chair Aiu, and Members of the Committee:

The Department of Taxation ("Department") supports H.B. 1054, an Administration measure, and offers the following comments.

Section 3 of the bill, which begins on page 4, exempts from general excise tax all gross income received by any qualified person or firm for the planning, design, financing, construction, sale, or lease of affordable housing units in the State that are part of a government agency's or approving body's condition for approval. The exemption excludes gross income received for projects certified or approved under section 201H-36, Hawaii Revised Statutes (HRS). The exemption shall take effect upon the bill's approval.

The Department suggests adding a certification requirement to section 3 of the bill, on page 4, lines 12 to 16, to help minimize invalid or fraudulent claims:

(a) All gross income received by any qualified person or firm for the planning, design, financing, construction, sale, or lease of affordable housing units in the State that are part of a government agency's or approving body's condition for approval and that have been certified by the

Department of Taxation Testimony
HB 1054
February 3, 2023
Page 2 of 2

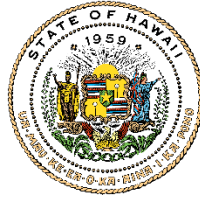
government agency or approving body shall be exempt from general excise taxes.

Further, because this bill will require tax form and system changes, the Department requests that the effective date of the bill be amended to no earlier than January 1, 2024. The Department notes, however, that due to the number of bills with tax law changes that have been introduced this year, the Department may not have the resources to implement all measures passed this session by January 1, 2024. The Department will continue to monitor the status of proposed legislation and will advise whether some changes will require a later effective date.

Thank you for the opportunity to provide testimony on this measure.

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA 'OIHANA KUMUWAIWAI 'ĀINA

P.O. BOX 621
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DAWN N.S. CHANG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE
MANAGEMENT
LAURA H.E. KAAKUA
FIRST DEPUTY
M. KALEO MANUEL
DEPUTY DIRECTOR - WATER
AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
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MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES
ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Testimony of
DAWN N.S. CHANG
Chairperson

Before the House Committee on
HOUSING

Friday, February 3, 2023
9:00 AM

State Capitol, Conference Room 212 Via Videoconference

In consideration of
HOUSE BILL 1054
RELATING TO HOUSING

House Bill 1054 proposes to amend Section 6E-2 Hawaii Revised Statutes (HRS), by changing the definition of “historic property”; and amend Sections 6E-8, 6E-10, and 6E-42, HRS, to require the Department of Land and Natural Resources (Department) to contract with third-party reviewers for affordable housing projects, if the Department is unable to complete its reviews in sixty days, provided that the consultant meets the Department’s professional qualifications standards and experience, and will provide their recommendation to Department within 30-days. **The Department appreciates the intent of this measure and offers comments, which are limited to SECTIONS 4, 5, 6, and 7.**

House Bill 1054 SECTION 4 would amend the definition of “historic property” from 50-years old to “100-years old. The Department agrees that the current definition which relies entirely on age alone to define what is or is not historic is flawed. In prior sessions, the Department has supported measures to amend the definition. However, the 100-years standard proposed in this measure would exclude, for example, places associated with people with historical events such as World War II and Statehood. The Department believes that defining historic property solely by age alone is the problem. Historical value is a reflection of age *and* association with events, people, architectural cohesiveness or distinction, or the potential to reveal valuable historic, scientific, or cultural information.

The Department recommends that Section 6E-2, HRS, be amended to read

"Historic property" means any building, structure, object, district, area, or site, including heiau and underwater site~~[, which]~~ that is over fifty years old[-] and meets the criteria to be placed into the Hawaii register of historic places or has important value to Native Hawaiians or other ethnic group of the state due to associations with cultural practices once carried out, or still carried out, at the

property or due to associations with traditional beliefs, events or oral accounts that are important to the group's history, traditional practices, and cultural identity. "

The Department recognizes the need to support affordable housing units in Hawaii, and acknowledges that even though review of such projects is one of our highest priorities, reviews of such submissions are not always completed as promptly as project proponents might like or within the time period provided by the administrative rules. The Department acknowledges and appreciates the support of the Legislature by creating 14 new positions in the State Historic Preservation Division (SHPD) during the last session. The Department believes once filled these positions will provide the SHPD will the capacity to reduce the time it takes to complete Chapter 6E, HRS, reviews of most projects, including affordable housing projects.

House Bill 1054 SECTION 5(d), SECTION 6(e), and SECTION 7(c) each requires the Department to "retain a third-party consultant to conduct the review[s]...) required by Sections 6E-8, 6E-10, or 6E-42, HRS. To avoid any appearance of a conflict of interest, the Department recommends that the third-party reviewer be selected and paid by the Department, with funds paid to the Department by the project proponent. The Department suggests the following language immediately following SECTION 5(d)(3), SECTION 6(e), and SECTION 7(c):

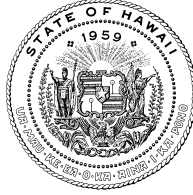
(3) The third-party consultant will contract to provide a recommendation to the department within thirty days of filling the request ~~with~~ by the department.

(4) The project proponent shall provide the funds to the department to pay for the contract with the third-part reviewer. Such funds will be deposited in the historic preservation fund and expended for that purpose.

As currently drafted the immediately following paragraph requires that these contracts be subject to approval of the appropriate Island Burial Council. The Department believes that this is contrary to the purposes of this measure. Making such contracts subject to the approval of the Island Burial Councils will delay execution of the contract and completion of recommendations by the third-party reviewer. The Island Burial Councils meet once per month and do not always make a quorum. Any proposed third-party contract will have to wait until the next Island Burial Council meeting, delaying execution of the contract for potentially up to a month. If the Island Burial Council does not make a quorum, execution of the contract will wait at least an additional month. The department strongly recommends that this paragraph be deleted from the measure in each section.

The Department does not have funds to contract with third party consultants and this mandate is not included in the Department's budget. While we believe this authorization would facilitate timely review of affordable housing projects, funds would need to be provided. The Department believes that the mechanism suggested above, where the project proponent would pay for the third-party consultant that is selected, approved, and contracted by the Department resolves this matter appropriately. Furthermore, it is difficult for the Department to determine in advance the cost estimate for a third-party consultant contract, thus, the Department cannot advise the Committee on a meaningful estimate of the costs of such third-part contracts but is willing to pursue this approach.

Mahalo for the opportunity to comment on this measure.



LATE

EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

Testimony of **Nani Medeiros**
Chief Housing Officer, Office of the Governor

Before the
House Committee Housing on
Friday, February 3, 2023
9:00 A.M. Conference Room 312

In consideration of
House Bill No. 1054
RELATING TO HOUSING

Aloha Chair Hashimoto, Vice-Chair Aiu, and Members of the Committee:

Mahalo for the opportunity to testify in support of House Bill 1054. This measure is an administration measure that proposes some of the components in the Governor's housing strategy and plans to make housing more affordable and accessible for our local people, and create incentives for increased development, and faster development, of affordable housing.

Section 2 of this measure creates a new rental deposit loan program that helps working individuals and families earning between 80% - 120% of the area median income (AMI). For example, this loan program would help individuals earning between \$53-\$80K/year, two person families earning between \$61-\$91K/year, and three person families earning between \$68K-\$102K/year. Zero interest loans up to \$2500 will be awarded to eligible applicants and be used as a security deposit for a rental offering of at least six months. This program helps single parents, and families and individuals who would like to secure rental housing and earn enough to cover monthly rental payments, but do not have savings resources to provide the first month's rent and a security deposit.

Section 3 of this measure creates a GET exemption for affordable housing units provided by developers as a condition of any government agency's or body's approval. This section provides parity for non-201H projects and may be an incentive for developers to provide more than the required number of affordable units in proposed development. We recognize this section needs some work, and ask the chair move the measure out with this section intact for further discussion with stakeholders, developers, HHFDC, and the Department of Taxation.

Chair Troy N. Hashimoto
February 2, 2023
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Sections 4 and 5 change to the definition of “historic property” from 50 to 100 years old and allow for SHPD to contract out for third party reviews under certain conditions.

Section 8 streamlines the approval process for 201H by addressing delays in review and processing times at the county level.

Sections 5, 6, 7, and 8 of House Bill 1054 are temporary and set to repeal on July1, 2028.

We appreciate your consideration of our request and look forward to working with you during session, as these issues and many others continue to be explored.

Mahalo,

Nani Medeiros

Council Chair
Alice L. Lee



Director of Council Services
Traci N. T. Fujita, Esq.


Councilmembers
Tom Cook
Gabe Johnson
Tasha Kama
Tamara Paltin
Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Yuki Lei K. Sugimura
Nohelani U'u-Hodgins

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

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

February 1, 2023

TO: The Honorable Representative Troy N. Hashimoto, Chair,
and Members of the House Committee on Housing

FROM: Alice L. Lee 
Maui County Council Chair

SUBJECT: **HEARING OF FEBRUARY 3, 2023; TESTIMONY IN SUPPORT OF
HB 1054, RELATING TO HOUSING**

Thank you for the opportunity to testify in **support** of this important measure. This measure would encourage development of affordable housing units, support workforce housing renters with direct loans for security deposits, and temporarily promote timely reviews of projects through targeted streamlined processes without compromising health and safety or historic preservation.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **support** this measure for the following reasons:

1. Lack of affordable housing options is the biggest barrier for employers to recruit and retain skilled workers, and the reason many Hawai'i residents are migrating to more affordable communities in the continental United States.
2. This measure will address the barrier by assisting those earning between 80 and 120% of area median income attain housing through a rental deposit loan program, which would provide zero percent interest loans for security deposits up to \$2,500.

For the foregoing reasons, I **support** this measure.

ocs:proj:legis:23legis:23testimony:hb1054_paf23-007(9)_kmat

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exemption for affordable housing; rental deposit loan program

BILL NUMBER: HB 1054, SB 1352 [GOV-06]

INTRODUCED BY: HB by SAIKI; SB by KOUCHI (Governor's Package)

EXECUTIVE SUMMARY: Establishes the rental deposit loan program and incentives to support development of affordable housing, local renters, third party reviewers, and address government processes to lower housing costs. Appropriates \$2,500,000 for each year of the 2023-2025 fiscal biennium for establishment of the rental deposit loan program.

SYNOPSIS: As it relates to taxation, this bill adds a new section to chapter 237, HRS, that would exempt all gross income received by any qualified person or firm for the planning, design, financing, construction, sale, or lease of affordable housing units in the State that are part of a government agency's or approving body's condition for approval.

This section shall not apply to gross income received by any qualified person or firm for housing projects certified or approved under section 201H-36.

EFFECTIVE DATE: The GET exemption is effective upon approval.

STAFF COMMENTS: Currently, HRS section 237-29 provides a GET exemption for the development of affordable housing. The HHFDC, under HRS section 201H-36, and county housing departments, under HRS section 46-15.1, can certify projects for the GET exemption.

The proposed new section to chapter 237, HRS, suffers from vagueness. The terms "qualified person or firm" are undefined. Perhaps the terms could be defined by cross-reference to administrative rules under section 201H-36, HRS, namely section 15-306-2, HAR.

It is unclear what is meant by "affordable housing units in the State that are part of a government agency's or approving body's condition for approval."

In any event, it is unclear whether there will be incremental benefit from the new GET exemption over and above the benefit provided by the existing exemption.

Digested: 2/1/2023

HB-1054

Submitted on: 2/1/2023 11:53:11 PM

Testimony for HSG on 2/3/2023 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

Please support HB1054.