

STAND. COM. REP. NO.

1357

Honolulu, Hawaii

MAR 24 2023

RE: H.B. No. 567
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committees on Hawaiian Affairs and Housing, to which was referred H.B. No. 567, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE DEPARTMENT OF HAWAIIAN HOME LANDS,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Exempt from general excise taxes certain projects developed by the Department of Hawaiian Home Lands;
- (2) Make permanent the exemption from school impact fee requirements for new housing projects developed by the Department of Hawaiian Home Lands;
- (3) Make permanent the issuance of county affordable housing credits to the Department of Hawaiian Home Lands; and
- (4) Ensure that the \$600,000,000 appropriated to the Department of Hawaiian Home Lands pursuant to Act 279, Session Laws of Hawaii 2022 (Act 279), is available for expenditure until June 30, 2025.

Your Committees received testimony in support of this measure from the Department of Hawaiian Home Lands, Department of



Education, Land Use Research Foundation of Hawaii, and seven individuals. Your Committees received testimony in opposition to this measure from one individual. Your Committees received comments on this measure from the Department of Taxation, School Facilities Authority, Office of Housing and Community Development of the County of Hawai'i, Tax Foundation of Hawaii, and Maui Chamber of Commerce.

Your Committees find that the State has a duty to provide affordable housing to native Hawaiians and that the excessively long beneficiary waitlist has resulted in lost opportunities for many beneficiaries and families. Thus, in 2022, the Legislature enacted Act 279 to help resolve the existing backlog, which provided \$600,000,000 in funds for the Department of Hawaiian Home Lands for the development of new housing and to provide housing assistance to those still on the waitlist. However, your Committees note that because appropriations are generally restricted from exceeding a period of three years, the \$600,000,000 in funding may be subject to lapse prior to its enacted sunset date. Therefore, this measure will ensure that the funds intended by Act 279 remain available for expenditure until June 30, 2025, as originally provided.

Your Committees also find that the Department of Hawaiian Home Lands' mission to provide below-market housing to beneficiaries warranted the provision of county affordable housing credits (as an incentive to private developers) and exemption from school impact fees (to help increase the amount of new housing developed and to offset the loss of Hawaiian Home Lands withdrawn for use as public schools). Your Committees find that while the laws that provided this necessary assistance are currently set to terminate in 2024, they remain just as important and critical today. Therefore, this measure eliminates the sunset provisions for these laws and makes permanent the affordable housing credits and school impact fee exemption for the Department of Hawaiian Home Lands. Further, this measure provides a new exemption from general excise taxes for certain Department of Hawaiian Home Lands housing projects to further support new housing development.

Your Committees have amended this measure by:



- (1) Expanding the proposed exemption from general excise taxes to both developments for homestead lots and housing projects;
- (2) Amending section 46-15.1(b), Hawaii Revised Statutes, to allow the County of Hawaii to enter into a memorandum of agreement with the Department of Hawaiian Home Lands to establish, modify, or clarify the conditions for the issuance, transfer, and redemption of county affordable housing credits, from the existing law, which only allows the County of Kauai and the City and County of Honolulu to do so;
- (3) Inserting an effective date of January 1, 2024, to allow the Department of Taxation time to make necessary system and form changes; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Lastly, your Committees note that the proposed new section, which exempts from general excise taxes certain projects developed by the Department of Hawaiian Home Lands, requires all claims for an exemption to be filed with and certified by the Department of Hawaiian Home Lands, and subsequently forwarded to the Department of Taxation. Your Committees note the testimony of the Department of Taxation, expressing concerns that while it would defer to the Department of Hawaiian Home Lands regarding its ability to certify the exemption pursuant to the requirements set forth in this measure, the Department of Taxation requests that a third-party certification requirement be utilized, as the Department of Taxation lacks the subject matter expertise to determine eligibility for the proposed exemption. Should your Committee on Ways and Means choose to deliberate on this measure, your Committees respectfully request that it consider implementing a process for third-party certification for general excise tax exemption claims.


As affirmed by the records of votes of the members of your Committees on Hawaiian Affairs and Housing that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 567, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B.



No. 567, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Hawaiian Affairs
and Housing,



STANLEY CHANG, Chair


MAILE S.L. SHIMABUKURO, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Hawaiian Affairs
HWN

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 567 HD2	HWN/HOU, WAM	March 21, 2023		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313		
Members	Aye	Aye (WR)	Nay	Excused
SHIMABUKURO, Maile S.L. (C)	/			
FEVELLA, Kurt (VC)			/	
IHARA, Jr., Les				/
KEOHOKALOLE, Jarrett	/			
RICHARDS, III, Herbert M. "Tim"	/			
TOTAL	3	-	1	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes

