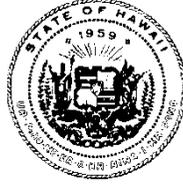


JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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Statement of DEAN MINAKAMI

Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

March 14, 2025 at 9:00 a.m.
State Capitol, Room 430

In consideration of
S.B. 826 SD1
RELATING TO THE LOW-INCOME HOUSING TAX CREDIT.

Chair Evslin, Vice Chair Miyake, and members of the Committee.

HHFDC has comments on SB 826 SD1, which exempts state departments and agencies from eligibility for the low-income housing tax credit (LIHTC).

The SD1 potentially makes the LIHTC tax credit unavailable to be taken for projects where the development, planning, or construction is done by *any* department or agency of the State, which can include HHFDC projects as well. It is unclear as to whether this exclusion applies to projects where state agencies act as co-developers with private entities, an example of which would be a state agency role as lessor of the land. Also, it is unclear as to whether this would apply to projects where state funds are utilized in conjunction with LIHTC financing, such as the use of the Rental Housing Revolving Fund.

In addition, the amendment specifies that the credit may be allocated "in any manner agreed to by the partners or members" of a partnership or LLC. It is unclear if this would include mission-driven investors, or non-traditional investors which may conflict with the rules and requirements of Internal Revenue Code §42. This would present a compliance risk with the IRS. We recommend **amending** the proposed language by stating "in any manner agreed to by the partners or members, as qualified under Section 42 of the Internal Revenue Code".

Thank you for the opportunity to testify on this bill.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 826, S.D. 1, Relating to the Low-Income Housing Tax Credit.

BEFORE THE:

House Committee on Housing

DATE: Friday, March 14, 2025

TIME: 9:00 a.m.

LOCATION: State Capitol, Room 430

Chair Evslin, Vice-Chair Miyake, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 826, S.D. 1, for your consideration.

S.B. 826, S.D. 1, amends section 235-110.8, Hawaii Revised Statutes (HRS), to clarify that State departments and agencies are not eligible for the Low-Income Housing Tax Credit.

The measure has a defective effective date of July 1, 2050, and would apply to taxable years beginning after December 31, 2024.

DOTAX can implement this bill for taxable years beginning after December 31, 2024.

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

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
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IN REPLY PLEASE REFER TO:

25:OED

Statement of
Hakim Ouansafi, Executive Director
Hawaii Public Housing Authority

Before the
HOUSE COMMITTEE ON HOUSING

Friday, March 14, 2025
9:00 AM – Room 430, Hawaii State Capitol

In consideration of
SB 826, SD1
RELATING TO THE LOW-INCOME HOUSING TAX CREDIT

Honorable Chair Evslin, and members of the House Committee on Housing, thank you for the opportunity to provide testimony **with strong concerns** on Senate Bill (SB) 826, SD1, which exempts state departments and agencies from eligibility for the Low-Income Housing Tax Credit (LIHTC).

The Hawaii Public Housing Authority (HPHA) is dedicated to providing safe, affordable housing and fostering equitable living environments free from discrimination for some of Hawaii's most vulnerable populations, including families earning less than 30% of the Area Median Income (AMI), individuals with disabilities, and elderly residents. This bill would have devastating consequences on the state's ability to preserve, renovate and develop affordable housing.

Key concerns:

1. Halting All HPHA Affordable Housing Development

By prohibiting any state department or agency from utilizing LIHTC, this bill would bring all HPHA developments to an abrupt stop, wasting millions in predevelopment funds and years of planning efforts. Major projects, such as Mayor Wright Homes (where we have already applied for tax credits for a 309-unit first-phase tower scheduled to break ground next year), Ka Lei Momi, and other critical affordable housing developments, would be rendered infeasible. It would also undermine the state's commitment to tackling the severe affordable housing shortage and



contradicts legislative efforts to have state departments and agencies increase affordable housing production.

2. Punishing Public-Private Partnerships (P3s) & Increasing Costs

This bill discourages developers from partnering with the state, ultimately punishing those who engage in public-private partnerships (P3s). Without tax credits, the state will be forced to fully fund affordable housing developments—a financial burden that could cost taxpayers hundreds of millions of dollars. Currently, Hawaii’s public housing repair backlog exceeds \$720 million. Without access to LIHTC, the ability to modernize and redevelop our public housing inventory will be eliminated, forcing closures and further exacerbating the state’s housing crisis. As you may know, the average age of HPHA’s public housing inventory is approximately 60 years old.

3. Loss of Federal Funding & Increased State Costs

HPHA receives federal funds based on occupied units. If projects are delayed or canceled, it will result in having to close units that are not compliant with HUD requirements resulting in a significant loss of federal dollars, requiring the state to shoulder the full financial burden of developing and maintaining public housing. Additionally, restricting tax credits will increase the cost of developing and renovating public housing, further straining already limited state resources.

4. Preventing Mixed-Income Communities & Concentrating Poverty

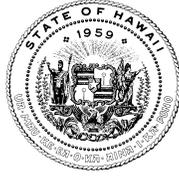
One of HPHA’s core missions is deconcentrating poverty by developing mixed-income, vibrant communities rather than isolated low-income housing projects. The LIHTC program enables diverse, sustainable neighborhoods by integrating market-rate, workforce, and low-income units. This bill undermines that effort, forcing all low-income residents to remain concentrated in aging public housing rather than fostering mixed-income developments that improve quality of life and economic mobility.

We urge the committee to consider the unintended consequences of this bill, which would undercut Hawaii’s affordable housing goals, increases state costs, eliminates federal funding opportunities, and force the closure of aging public housing units. For decades, LIHTC has been a proven tool for creating affordable housing—removing it from state agency developments will only exacerbate the crisis.

Mahalo for your time, consideration, and unwavering commitment to ensuring safe, stable, and affordable housing for all of Hawaii’s residents. We deeply appreciate your continued support and the opportunity to provide testimony today.

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

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



KALI WATSON
CHAIRPERSON, HHC
Ka Luna Ho'okele

KATIE L. LAMBERT
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TESTIMONY OF KALI WATSON, CHAIR
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON HOUSING
HEARING ON MARCH 14, 2025 AT 9:00AM IN CR 430

SB 826, SD 1, RELATING TO THE LOW-INCOME HOUSING TAX CREDIT

March 13, 2025

Aloha Chair Evslin, Vice Chair Miyake, and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) **opposes** this measure which exempts state departments and agencies from eligibility for the low-income housing tax credit (LIHTC). This bill would negatively impact DHHL which currently utilizes LIHTC for several development projects, including development projects that fulfill the purposes of Act 279, SLH 2022.

Thank you for your consideration of our testimony.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME; Exempts state departments and agencies from eligibility for the Low Income Housing Tax Credit

BILL NUMBER: SB 826 SD 1

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Exempts state departments and agencies from eligibility for the low-income housing tax credit.

SYNOPSIS: Amends section 235-110.8(b), HRS, by adding that the low income housing tax credit is not available for any development, planning, or construction by any department or agency of the State.

EFFECTIVE DATE: July 1, 2050; applies to taxable years beginning after December 31, 2024.

STAFF COMMENTS:

The low income housing tax credit program subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low and moderate income tenants. The federal government issues tax credits to state governments and the State housing agencies that award the credits to private developers of affordable rental housing projects through a competitive process. The Hawaii tax credit program largely mirrors the federal program, and the Hawaii Housing Finance and Development Corporation (HHFDC) abides by federal regulations that govern the award of tax credits to private developers.

We are not sure why this bill is needed. It appears to be unnecessary. The credit applies to each taxpayer subject to the net income tax. No government agency is subject to state income tax. To be eligible for the credit, the taxpayer must have “filed a net income tax return for a taxable year.” No government agency does that. Government departments or agencies are ineligible for the credit even without the amendment proposed in the bill.

Digested: 3/12/2025