



Via Capitol Website

February 9, 2009

**Senate Committee on Education and Housing
Hearing Date: Monday, February 9, 2009, 1:15 p.m. in CR 225**

Testimony in Support of SB 278 – Relating to Low-Income Housing
(Enhances low-income housing tax credit along with lines of high technology tax credit.)

The Honorable Chair Sakamoto, Vice-Chair Kidani & EDH Members:

My name is David Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF is writing **in support** of **SB 278**, which will enhance the low-income housing tax credit would make affordable housing developments more attractive to investors. More investors may help with the housing shortage in Hawaii.

Background. The lack of affordable housing remains a significant problem affecting Hawaii. Finding ways to provide sufficient affordable housing and market housing for Hawaii's residents has been a major objective for our elected officials, and state and county agencies, and members of the housing industry and business community. For the past two years, LURF has participated in a statewide task force comprised of representatives from all four counties, business, labor, developers, architects, nonprofit providers of services, the State, and the legislature, whose purpose was to identify, address and propose regulatory reform and solutions to remove the barriers to the production of affordable housing.

SB 278. The purpose of this bill is to allow the low-income tax credit to be along the same lines as the high technology business investment tax credit.

SB 278 proposes to amend HRS §235-110.08 allowing a graduated level of tax incentives for investors in low-income housing developments.

SB 278 proposes the following:

(b) Each taxpayer subject to the tax imposed by this chapter, who has filed ~~[[a]]~~ net income tax return for a taxable year may claim a low-income housing tax credit against the taxpayer's net income tax liability. The amount of the credit shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed on a timely basis. A credit under this section may be claimed whether or not the taxpayer claims a federal low-income housing tax credit pursuant to section 42 of the Internal Revenue Code.

(c) ~~[The low-income housing tax credit shall be fifty per cent of the applicable percentage of the qualified basis of each building located in Hawaii. The applicable percentage shall be calculated as provided in section 42(b) of the Internal Revenue Code.]~~ The tax credit shall be as follows:

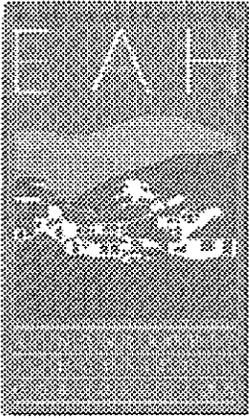
- (1) In the year the investment was made, thirty-five per cent;
 - (2) In the first year following the year in which the investment was made, twenty-five per cent;
 - (3) In the second year following the investment, twenty per cent;
 - (4) In the third year following the investment, ten per cent; and
 - (5) In the fourth year following the investment, ten per cent;
- of the investment made by the taxpayer in each low-income housing project, up to a maximum allowed credit in the year the investment was made, \$700,000; in the first year following the year in which the investment was made, \$500,000; in the second year following the year in which the investment was made, \$400,000; in the third year following the year in which the investment was made, \$200,000; and in the fourth year following the year in which the investment was made, \$200,000.

This credit may be claimed regardless of whether an investor applies for the federal low-income housing tax credit.

LURF's Position. The housing crisis in Hawaii has affected many families who are now forced to live with extended families because of high costs. Access to affordable housing is critical to our communities and any further delay of any affordable housing type projects will cause an even bigger crisis in the near future.

Thus, LURF supports incentives that allow affordable housing projects to be developed.

Thank you for the opportunity to submit testimony in **support** of SB 278.



February 11, 2009

Senator Norman Sakamoto, Chair
Senate Committee on Education and Housing
State Capitol, Room 230
Honolulu, Hawaii 96813

Subject: S.B. No's. 1161, 1118, 184 and 278; Hearing February 9, 2009; **Late Testimony in Support**

Dear Senator Sakamoto and Members of the Senate Committee on Education and Housing:

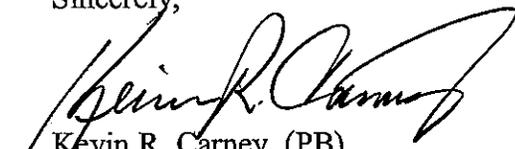
This is written testimony to follow-up with the verbal testimony I provided on Monday, February 9th. EAH Housing thanks the legislature and this committee for entertaining measures that would increase the value of low income housing tax credits and make them more competitive. We depend on the low income housing tax credit (LIHTC) as a primary source of equity financing for new developments and for acquisition and preservation of existing affordable rental housing.

HHFDC pointed out in their testimony that SB1161 would decrease the value of LIHTCs and that the language in SB861 would be more appropriate because it retains the value while reducing the take down period from 10 years to 5 years. **We support this position.**

Hawaii still has a housing crisis. As you can imagine, what was recognized as a housing crisis by the State legislature in 2006 as a shortfall in available affordable rental housing is now impacted by an increase in foreclosures. This has increased demand for more affordable rental housing. With a tax credit marketplace as small as Hawaii's it is critical that the LIHTC program be as competitive as possible in order to attract potential investors. As it stands today, the high technology business investment tax credit is much more attractive to potential investors. In general these bills make the LIHTC more competitive and we support these initiatives.

Thank you for this opportunity to submit our thoughts.

Sincerely,



Kevin R. Carney, (PB)
Vice President, Hawaii