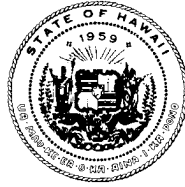


SB 971

Measure Title:	RELATING TO TAXATION.
Report Title:	Hawaii Housing Finance and Development Corporation; Taxation; General Excise Taxes for Eligible Rental Housing Projects; Exemption
Description:	Requires each rental housing project with a general excise tax exemption to enter into a regulatory agreement with the Hawaii housing finance and development corporation to ensure the project's continued eligibility for the tax exemption. Establishes minimum terms for the agreements depending on the type of project.
Companion:	
Package:	Housing and Homeless Legislative Package
Current Referral:	HSH, WAM
Introducer(s):	CHUN OAKLAND, DELA CRUZ, HARIMOTO



STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HUMAN SERVICES AND HOUSING

January 31, 2015 at 1:15 p.m.
State Capitol, Room 229

In consideration of
S.B. 971 RELATING TO TAXATION.

HHFDC supports S.B. 971, but prefers S.B. 1075, an Administration bill that is similar.

Presently, there is no minimum statutory affordability term required of rental projects under Section 201H-36, Hawaii Revised Statutes. Most rental projects are developed with assistance from HHFDC in the form of financing assistance, 201H exemptions, or the provision of land, and are thereby subject to regulatory agreements which dictate the level and terms of affordability. However, there may be projects that are constructed without governmental assistance that seek GET exemptions from HHFDC for construction.

Both bills would clarify that affordable rental projects must remain affordable for specified minimum periods of time, depending on the extent of the

- For moderate rehabilitation, five years;
- For substantial rehabilitation, ten years; and
- For new construction, thirty years.

However, because there is sometimes a significant lapse of time between the date a project is initially certified for the GET exemption and the date upon which construction is actually completed, HHFDC prefers S.B. 1075, which would trigger the start of these minimum periods either as set forth in a regulatory agreement executed with HHFDC, or upon issuance of a certificate of occupancy by the county in which the project is located, rather than upon the date of initial certification.

This would ensure that any improvements to the project that are exempted from GET will accrue to the benefit of lower income households for the useful life of the improvements. Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
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To: The Honorable Suzanne Chun Oakland, Chair
and Members of the Senate Committee on Human Services and Housing

Date: Saturday, January 31, 2015
Time: 1:15 P.M.
Place: Conference Room 229, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 971, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S.B. 971. The Department defers to the Department of Business, Economic Development, and Tourism (DBEDT) and the Hawaii Housing Finance and Development Corporation (HHFDC) on the merits of this bill and provides the following comments for your consideration.

S.B. 971 requires housing projects to enter into regulatory agreements with HHFDC to obtain certification for the exemption from general excise taxation (GET) under section 201H-36, Hawaii Revised Statutes (HRS).

HHFDC certifies the GET exemption under section 201H-36, HRS, and transmits the certifications to the Department. The regulatory agreements required by this bill will only affect HHFDC's certification process and will not affect the Department.

Thank you for the opportunity to provide comments.

January 31, 2015

The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services and Housing
State Capitol, Room 229
Honolulu, Hawaii 96813

RE: S.B. 971, Relating to Taxation

HEARING: Saturday, January 31, 2015, at 1:15 p.m.

Aloha Chair Chun Oakland, Vice Chair Green, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, submitting testimony on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai'i, and its 8,400 members. HAR **supports the intent** of S.B. 971, which requires each rental housing project with a general excise tax exemption to enter into a regulatory agreement with the Hawaii Housing Finance and Development Corporation (HHFDC) to ensure the project's continued eligibility for the tax exemption and establishes minimum terms for the agreements depending on the type of project.

S.B. 971 would encourage private sector investment and construction of rental housing for Hawaii's families by creating much needed units in Hawaii. It would also provide opportunities to qualified investors for a variety of housing developments and allocate exemptions necessary to ensure the financial feasibility of those developments.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing. As such, this program may help expand the much needed housing opportunities for Hawaii's families struggling to make ends meet and continue to address the States unique challenges related to affordable rentals.

Mahalo for the opportunity to submit testimony.

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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SUBJECT: GENERAL EXCISE, Rental housing project qualifications for tax exemption

BILL NUMBER: SB 971

INTRODUCED BY: Chun Oakland, Dela Cruz, Harimoto

EXECUTIVE SUMMARY: Requires a rental housing project with a general excise tax exemption to enter into a regulatory agreement with the Hawaii housing finance and development corporation (HHFDC) to qualify for the tax exemption. Establishes terms for the agreements for each type of project.

BRIEF SUMMARY: Amends HRS section 210H-36 to require a rental housing project with a general excise tax exemption to enter into a regulatory agreement with the HHFDC as a qualification for the tax exemption as follows: (1) for moderate rehabilitation projects, a minimum term of five years from the date of initial project certification; (2) for substantial rehabilitation projects, a minimum term of ten years from the date of initial project certification; and (3) for new construction projects, a minimum term of thirty years from the date of initial project certification.

EFFECTIVE DATE: July 1, 2016; applicable to projects initially certified after June 30, 2016

STAFF COMMENTS: This measure would add more qualifications for each rental housing project to ensure such projects are in compliance in order to continue to receive a general excise tax exemption under HRS section 237-29.

Digested 1/30/15