

Honolulu, Hawaii

MAR 21 2018

RE: H.B. No. 2330
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B.
No. 2330, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Extend the certification requirements for an exemption from the general excise tax for certain affordable rental housing projects from June 30, 2022, to June 30, 2026; and
- (2) Amend the certification requirements for an exemption from the general excise tax for those affordable rental housing projects by:
 - (A) Applying the exemption to only newly constructed or substantially rehabilitated affordable rental housing projects;
 - (B) Repealing the requirement that the exemption apply to contracting only and repealing the per annum cap of \$7,000,000; and



- (C) Conditioning certification upon the project owners not refusing to lease units in the projects to qualified applicants solely because they hold a voucher or certificate of eligibility under the Section 8 Housing Choice Voucher Program.

Your Committee received testimony in support of this measure from the Office of the Governor; Department of Business, Economic Development, and Tourism; Department of Taxation; Hawaii Housing Finance and Development Corporation; Hawaii Public Housing Authority; Hawai'i Construction Alliance; Pacific Resource Partnership; Hawaii Women's Coalition; Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i; Hawaii Regional Council of Carpenters; and Hawaii Rental Housing Coalition. Your Committee received comments on this measure from the Office of Hawaiian Affairs and Tax Foundation of Hawaii.

Your Committee finds that the Special Action Team on Affordable Rental Housing has determined that additional incentives are needed to spur rental housing development to meet housing demands. Under existing law, the Hawaii Housing Finance and Development Corporation is authorized to certify that a housing project is entitled to an exemption from the general excise tax. Only after receiving this certification can a taxpayer claim the tax exemption. This measure provides incentives for developers to immediately start their housing developments to take advantage of the exemption from the general excise tax before the exemption sunsets. Furthermore, by requiring project owners to accept section 8 Housing Choice Vouchers as a condition of certification, this measure will increase the use of the Section 8 program statewide.

Written testimony submitted by the Office of Hawaiian Affairs indicates that half of the projected residential demand for 65,000 more housing units by 2025 is for units at or below eighty percent of the area median income. Thus, the Office of Hawaiian Affairs suggested an additional requirement for the certification for an exemption from the general excise tax to better serve the affordable housing needs of Native Hawaiians and Hawaii residents.

Accordingly, your Committee has amended this measure by:

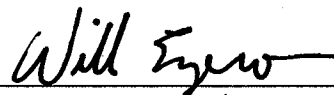


- (1) Adopting the language suggested by the Office of Hawaiian Affairs, which conditions the certification for an exemption from the general excise tax upon the total weighted average of all units provided in an approved and certified project being no more than one hundred percent of the area median family income; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Your Committee notes its concerns regarding the potential adverse impacts on project feasibility and believes that this additional requirement merits further discussion by your Committee on Ways and Means.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2330, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2330, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Housing,



WILL ESPERO, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Housing
HOU

Bill / Resolution No.:* HB 2330, HD1	Committee Referral: HOU, WAM	Date: 3/13/18		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Pass, unamended 2312 </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Pass, with amendments 2311 </div> <div style="text-align: center;"> <input type="checkbox"/> Hold 2310 </div> <div style="text-align: center;"> <input type="checkbox"/> Recommit 2313 </div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
ESPERO, Will (C)	✓			
HARIMOTO, Breene (VC)	✓			
GREEN, Josh	✓			
KAHELE, Kaiali'i				✓
NISHIHARA, Clarence K.				✓
TOTAL	3			2
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted </div>				
Chair's or Designee's Signature: <div style="text-align: center; font-family: cursive; font-size: 1.2em;">Breene Harimoto</div>				
<div style="display: flex; justify-content: space-between; font-size: 0.8em;"> <div>Distribution:</div> <div>Original</div> <div>Yellow</div> <div>Pink</div> <div>Goldenrod</div> </div> <div style="display: flex; justify-content: space-between; font-size: 0.8em; margin-top: 5px;"> <div>File with Committee Report</div> <div>Clerk's Office</div> <div>Drafting Agency</div> <div>Committee File Copy</div> </div>				

*Only one measure per Record of Votes