STAND. COM. REP. NO.

Honolulu, Hawaii , 2019 Fernan

RE: H.B. No. 1533 H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirtieth State Legislature Regular Session of 2019 State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 1533 entitled:

"A BILL FOR AN ACT RELATING TO HISTORIC PRESERVATION,"

begs leave to report as follows:

The purpose of this measure is to provide a tax credit for certified rehabilitation of a certified historic structure that results in the creation or rehabilitation of affordable housing units.

The North Shore Chamber of Commerce, O'ahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i, and a few individuals submitted testimony in support of this measure. The Department of Taxation, Department of Land and Natural Resources, and Historic Hawai'i Foundation offered comments on this measure.

A concerned individual provided oral testimony and noted that while the tax credit appears generous, preservation of buildings is a very expensive endeavor. Further, because tax credits are used to finance restoration projects with banks, it would be beneficial to lift the cap on the tax credit and allow the tax credit to be taken in the first year of the project.

HB1533 HD1 HSCR HSG HMS 2019-2095

STAND. COM. REP. NO. 528 Page 2

Your Committee notes the comment of a Committee member that the five percent tax credit enhancement for rehabilitating a historic structure to provide affordable housing may not be large enough to incentivize building owners to provide affordable housing. As a result, this measure may, in practice, serve to be a tax credit for the preservation of historic buildings only.

Your Committee has amended this measure by:

- Clarifying that the tax credit is for the rehabilitation of income-producing historic properties and providing for an enhanced credit for rehabilitation projects that produce affordable housing units;
- (2) Adding standard language regarding the applicability of federal tax code provisions and means of calculating property value and taxable income;
- (3) Applying the aggregate annual cap to calendar years rather than taxable years;
- (4) Including a recapture provision if the taxpayer abandons the intention to provide affordable housing or abandons the rehabilitation project;
- (5) Appropriating funds for one full-time, rather than parttime, equivalent position;
- (6) Changing its effective date to January 1, 2050, to promote further discussion; and
- (7) Making technical, nonsubstantive amendments for clarity, consistency, and style.

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. 1533, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1533, H.D. 1, and be referred to your Committee on Finance.

HB1533 HD1 HSCR HSG HMS 2019-2095

STAND. COM. REP. NO. 528 Page 3

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

TOM BROWER, Chair



State of Hawaii House of Representatives The THIRTIETH Legislature



Record of Votes of the Committee on Housing

Bill/Resolution No.: HB (533	Committe HSG,	e Referral: FIN	Date: 2-12-19		
The committee is reconsidering its previous decision on the measure.					
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit) 					
HSG Memb	ers	Ayes	Ayes (WR)	Nays	Excused
1. BROWER, Tom (C)					
2. MATAYOSHI, Scot Z.	(VC)				
3. AQUINO, Henry J.C.					
4. CULLEN, Ty J.K.					
5. HASHEM, Mark J.					
6. HASHIMOTO, Troy N.					5 // 4019 (CELAND ROOM)
7. WOODSON, Justin H.					
8. McDERMOTT, Bob	021 ·····				
1					
TOTAL (8))	4	2	Ø	2
The recommendation is:	Adopted If joint referral,	Not Adopted did not support recommendation			
If joint referral, did not support recommendation. committee acronym(s)					
Vice Chair's or designee's signature:					
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO					