

STAND. COM. REP. NO.

1297

Honolulu, Hawaii

MAR 17 , 2023

RE: S.B. No. 866
S.D. 1
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 866, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Clarify that the eligibility for the general excise tax exemption for certain affordable rental housing projects includes the nonreceipt of financing from the Hawaii Housing Finance and Development Corporation;
- (2) Allow certain affordable rental housing projects that meet the State's prevailing wage requirement to receive a waiver from county property taxes and various county development fees; and
- (3) Specify that the tax exemption for development of certain certified or approved affordable rental housing projects is not restricted to construction only.

Your Committee received testimony in support of this measure from the Chief Housing Officer of the Office of the Governor, Hawaii Housing Finance and Development Corporation, and Maui

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Chamber of Commerce. Your Committee received testimony in opposition to this measure from the Honolulu Board of Water Supply. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that supply chain issues, volatile market conditions, and inflation have contributed to the significant increase in construction costs, further exacerbating the already severe housing crisis in the State. Your Committee believes that the State and counties must make best efforts to reduce the costs associated with the development of affordable housing, which will ultimately increase the affordability of housing for Hawaii's residents.

Your Committee notes that this measure can appropriately serve as a vehicle to address labor standards and prevailing wages relating to the construction of affordable housing in the State.

Accordingly, your Committee has amended this measure by:

- (1) Inserting language that authorizes counties to promote certain labor standards through zoning ordinances for housing projects;
- (2) Including off-site construction of any public work project for purposes of the State's prevailing wage requirements;
- (3) Repealing the requirement that a qualified person or firm receive no other direct or indirect financing for the construction project from any other governmental contracting agency for purposes of the State's prevailing wage requirements for affordable housing projects;
- (4) Requiring that all orders from the Governor to set aside public lands for the development of affordable housing projects contain a provision that the construction of the development be subject to the State's prevailing wage requirements;
- (5) Changing the cap amount of the general excise tax and use tax exemptions the Hawaii Housing Finance and Development Corporation may approve or certify for an

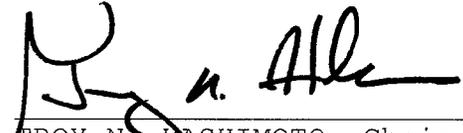


affordable rental housing project to an unspecified amount;

- (6) Changing the effective date to June 30, 3000, to encourage further discussion; and
- (7) Making technical, nonsubstantive amendments for the purposes of 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 S.B. No. 866, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 866, S.D. 1, H.D. 1, and be referred to your Committee on Economic Development.

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



TROY N. HASHIMOTO, Chair



