JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAIʻI
DEPARTMENT OF TAXATION
Ka ʻOihana ʻAuhau
P.O. BOX 259
HONOLULU, HAWAIʻI 96809
PHONE NO: (808) 587-1540
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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 2385, Relating to Housing

BEFORE THE:
House Committee on Housing

DATE: Friday, February 6, 2026
TIME: 9:30 a.m.
LOCATION: State Capitol, Room 430

Chair Evslin, Vice-Chair Miyake, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2385 for your consideration.

H.B. 2385 expands general excise tax exemptions under section 237-29 for affordable housing projects by authorizing counties, under amended section 46-15.1, to develop low- and moderate-income housing eligible for certification by the Hawaii Housing Finance and Development Corporation (HHFDC) pursuant to section 201H-36.

The bill takes effect July 1, 2026, subject to several provisions that bar the repeal of this bill's amendments to previously established statutory sunset dates.

DOTAX defers to HHFDC on this bill but notes that it can administer the changes to the general excise tax exemption as provided in this bill.

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

DEAN MINAKAMI
EXECUTIVE DIRECTOR

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

Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING
February 06, 2026 at 9:30 a.m.
State Capitol, Room 430

In consideration of
HOUSE BILL 2385
RELATING TO HOUSING.

Chair Evslin, Vice Chair Miyake, and members of the Committee.

HHFDC has **comments** on House Bill 2385, which seeks to authorize HHFDC to approve and certify general excise tax (GET) exemptions for housing development projects under county housing incentive programs.

We support efforts to expand affordable housing opportunities statewide; however, we have the following comments:

1. We note that this bill provides greater flexibility with respect to affordability for projects developed under county housing programs than under State housing programs. Section 4(a)(4) requires that projects developed under State programs provide at least 50 percent of units for households at or below 80 percent of the area median income (AMI), with 20 percent at or below 60 percent AMI. Whereas Section 4(a)(5) allows county assistance program projects to qualify for GET exemptions if 50 percent of units are for households at or below 100 percent AMI.

   To avoid conflicting standards and ensure consistency across programs, we recommend that a single standard for affordability be established for State and county programs.

2. We note that the minimum term of affordability is shorter for projects developed under county programs than State programs. Section 4(b)(3) provides that new construction projects developed under State programs have a minimum affordability term of 30 years, whereas projects developed under county programs have a minimum term of 15 years.

To avoid conflicting standards and ensure consistency across programs, we recommend that a single standard with respect to the affordability term be established.

Thank you for the opportunity to testify.

GRASSROOT
INSTITUTE OF HAWAII

1050 Bishop St. #508
Honolulu, HI 96813
808-864-1776
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Removing barriers to Hawaii's prosperity

Feb. 6, 2026, 9:30 a.m.
Hawaii State Capitol
Conference Room 430and Videoconference

To: House Committee on Housing
Rep. Luke Evslin, Chair
Rep. Tyson Miyake, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY IN SUPPORT OF HB2385 — RELATING TO HOUSING

Aloha chair, vice chair and other committee members,

The Grassroot Institute of Hawaii **supports** HB2385, which would allow projects built under county affordable housing incentive programs, such as Honolulu's Bill 7 program, to be eligible for the state's general excise tax exemption for construction work that is already available to other affordable housing projects.

This could improve the financial viability of affordable housing projects and thus help reduce Hawaii's housing deficit.

And that deficit is significant. A 2024 update to the Hawaii Housing Planning Study estimated that the state needs 64,490 new housing units built between 2023 and 2027 to keep up with demand.[1]

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

[1] "Hawaii Housing Planning Study 2024," prepared by SMS Research and Marketing Services, Inc., FSR Consulting LLC and Ward Research, Inc. for the Hawai'i Housing Finance and Development Corporation, Table 39A, p. 124.

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai‘i Appleseed Center for Law and Economic Justice
Support for HB2385 – Relating to the Housing
Senate Committee on Housing
Friday, February 6, 2026 at 9:00AM Conf. Rm. 430 and via Videoconference

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Aloha Chair Evslin, Vice Chair Miyake, and members of the committee;

Mahalo for the opportunity to testify in **support of HB2385**, which would allow the Hawaii Housing Finance Development Corporation (HHFDC) to approve of GET exemptions for certain housing projects developed under county housing incentive programs.

The GET exemption is one of the most important tools in our 201H framework for making affordable and mixed-income housing projects pencil out. In a typical 201H project, GET is applied to almost every major construction contract; exempting those costs effectively functions like adding a substantial grant to the capital stack. That savings can close gaps that would otherwise prevent a project from moving forward, especially in a high-cost, high-interest environment.

Because the GET exemption reduces total development cost rather than adding new layers of complex financing, it is also one of the most efficient incentives the State can offer. It directly lowers the amount of equity, soft funding, or higher-interest debt that a project must carry. For many projects, the GET exemption is the difference between being financeable and being shelved.

By reinforcing and extending access to this exemption through HB2385, the Legislature is strengthening one of the best, most practical tools we have to incentivize production and make real projects pencil. I respectfully urge you to pass this measure.

Mahalo for the opportunity to testify.

CENTRE URBAN
REAL ESTATE

Martin M. Q. Nguyen, MRED
Managing Principal
CA DRE #02074177
HI RB-24080

February 5, 2026

Representative Luke A. Evslin
Committee on Housing
Hawai'i State House of Representatives
415 South Beretania Street
Honolulu, Hawaii 96813

RE: IN SUPPORT OF HB 2385 (2026) – RELATING TO HOUSING – GENERAL EXCISE TAX EXEMPTIONS FOR COUNTY HOUSING INCENTIVE PROGRAMS

Aloha Chair Evslin, Vice Chair Miyake, and Committee Members,

I am submitting testimony in my capacity as principal of Centre Urban Real Estate in **SUPPORT** of HB 2385 (2026), Relating to Housing. Our firm is currently working on two kamaʻāina workforce housing projects being developed under ROH Chapter 32, a City and County of Honolulu housing incentive program. These projects are located at 2533 Kāneloa Road and 1615 Ala Wai Boulevard, both in Waikīkī, and would result in the creation of 72 workforce housing units. We are currently pursuing additional project sites, centered around a high concentration of jobs and availability of public transit – places where we believe workforce housing is much needed – which HB 2385 would help further facilitate the creation of hundreds if not thousands of additional housing units.

HB 2385 is a smart, surgical bill that leverages existing State tools to support county-level housing incentive programs like Honolulu's ROH Chapter 32 (otherwise known as "Bill 7") and other county assistance programs. It does this primarily by authorizing the Hawaiʻi Housing Finance and Development Corporation (HHFDC) to extend general excise tax (GET) exemptions to certain projects at terms consistent with current county housing incentive programs by:

- **Amending HRS § 201H-36(a)** to add a new category of qualified projects - those "developed under a county assistance program approved by the corporation, where at least fifty per cent of the available units are for households with incomes at or below one hundred per cent of the area median family income" - that may receive HHFDC-certified GET exemptions; and,
- **Establishing a 15-year minimum** regulatory term for new construction projects developed under a county housing incentive program - versus the existing 30-year statutory minimum for HHFDC rental projects - which is still a significant affordability commitment and in alignment with most county housing incentive program requirements.

For county housing incentive programs like ROH Chapter 32 - which already set deep rent and AMI restrictions – HB 2385 provides exactly the kind of state-county alignment that can make or break a project's capital stack.

Honolulu's **ROH Chapter 32** has become the City and County's **flagship workforce housing program**, particularly for small-lot urban infill in older neighborhoods. At the same time, the Legislature has built a suite of State-level incentives - RHRF, DURF, and the **GET exemption under HRS § 201H-36**, among others - administered largely by HHFDC.

However, as with many new programs, we have encountered a few structural mismatches that require refinement. One of the most significant is the misalignment between the City's ROH Chapter 32 requirements and HHFDC's GET waiver requirements:

- ROH Chapter 32 requires a **15-year affordability period**, which in turn results in a **fixed 15-year real property tax (RPT) exemption**.
- HHFDC's statutory minimum for GET exemptions is **30 years of affordability** for new construction rental projects.

The result is that, if an ROH Chapter 32 project were to meet HHFDC's 30-year requirement for a GET waiver, there would be a **15-year period from year 16 to year 30** in which:

- The project remains subject to affordability restrictions; but
- The City's 15-year RPT exemption has already expired, and the project is now subject to paying full RPT under ROH Chapter 32 exemptions.

In effect, the project potentially spends its second 15 years in a kind of "limbo": still income restricted, but no longer fully recognized by local tax policy as an affordable project. Aligning the **GET exemption regulatory period for county assistance program projects to 15 years**, as HB 2385, is a practical and fair way to fix this mismatch - so that the duration of affordability, RPT relief, and GET relief all line up.

A second opportunity, closely related to HB 2385's purpose, is to improve how **HRS § 201H-36(a)(5)** functions. Currently, several county statutes reference HRS § 201H-36(a)(5) as the basis for various RPT and fee waivers. However, at the State level, HRS § 201H-36(a)(5) explicitly excludes rental income from GET waivers, which is inconsistent with other housing incentive programs. It is not surprising, then, that § 201H-36(a)(5) has seen very little, if any, use. Simply making § 201H-36(a)(5) consistent with other workforce housing programs - where GET relief is allowed on both construction and rental income - would significantly strengthen an existing State-led pathway, with already-existing county-level rules, for kamaʻāina workforce housing creation and make those aforementioned county waiver provisions more meaningful.

HB 2385 thoughtfully bridges these two worlds by treating these programs for kamaʻāina workforce housing as eligible for the same GET exemption framework that already exists for HHFDC and certain federally supported projects, while ensuring that statutorily required affordability periods for the State and Counties are in alignment. Put plainly: **if a housing project is subject to a regulatory agreement with an affordability requirement, it should qualify for both GET and RPT exemptions for the duration that the housing project remains affordable.**

For kamaʻāina workforce housing rental projects, GET and RPT relief can be the difference between a lender or investor seeing the deal as "barely pencil" versus "viable," especially in smaller infill projects where there is no large-scale economy of scale. From the development side, this is exactly what we have been urging: **stackable, predictable incentives** where State tools and county programs work together, rather than in silos.

To address the issues described above, my suggested amendments to HRS § 201H-36(a) and (b) are noted below. Changes currently proposed in HB 2385 are underlined and my additional revisions are **underlined and bolded**:

SECTION 4. Section 201H-36, Hawaii Revised Statutes, is amended by amending subsections (a) and (b) to read as follows:

"(a) In accordance with section 237-29, the corporation may approve and certify for exemption from general excise taxes any qualified person or firm involved with a newly constructed, or a moderately or substantially rehabilitated, project that is:

(1) Developed under this part;

(2) Developed under a government assistance program approved by the corporation, including but not limited to the United States Department of Agriculture's section 502 direct loan program and Federal Housing Administration's section 235 program;

(3) Developed under the sponsorship of a private nonprofit organization providing home rehabilitation or new homes for qualified families in need of decent, low-cost housing;

(4) Developed by a qualified person or firm to provide affordable rental housing where at least fifty per cent of the available units are for households with incomes at or below eighty per cent of the area median family income as determined by the United States Department of Housing and Urban Development, of which at least twenty per cent of the available units are for households with incomes at or below sixty per cent of the area median family income as determined by the United States Department of Housing and Urban Development; **~~or~~**

(5) Approved or certified from July 1, 2018, to June 30, 2030, and developed under a contract described in section 104-2(i)(2) by a qualified person or firm to provide affordable rental housing through new construction or substantial rehabilitation; provided that:

(A) The allowable general excise tax and use tax costs **~~shall apply to contracting only and~~** shall not exceed $30,000,000 per year in the aggregate for all projects approved and certified by the corporation; and

(B) All available units are for households with incomes at or below one hundred forty per cent of the area median family income as determined by the United States Department of Housing and Urban Development, of which at least twenty per cent of the available units are for households with incomes at or below eighty per cent of the area median family income as determined by the United States Department of Housing and Urban Development; provided that an owner shall not refuse to lease a unit solely because the applicant holds a voucher or certificate of eligibility under section 8 of the United States Housing Act of 1937, as amended**;**

or

(6) Developed under a county assistance program approved by the corporation, where at least fifty percent of the available units are for households with incomes at or below one hundred per cent of the area median family income as determined by the United States Department of Housing and Urban Development.

(b) To obtain certification for exemption under this section, rental housing projects shall, unless exempted by the corporation, enter into a regulatory agreement with the corporation to ensure the project's continued compliance with the applicable eligibility requirements set forth in subsection (a), as follows:

(1) For moderate rehabilitation projects, a minimum term of five years as specified in a regulatory agreement;

(2) For substantial rehabilitation projects, a minimum term of ten years as specified in a regulatory agreement; or

(3) For new construction projects, a minimum term of thirty years from the date of issuance of the certificate of occupancy; provided that for new construction projects developed under a county assistance program, the minimum term shall be fifteen years from the date of issuance of the certificate of occupancy."

Both elements - (1) bringing GET waiver requirements into alignment with county housing incentive programs, and (2) updating the § 201H-36(a)(5) framework so it can function like other workforce housing tools - would demonstrate that the Legislature is serious about supporting and expanding its leadership in creating housing in the 60% to 140% AMI rental range, and about preventing yet another day when more kamaʻāina - our family, friends, and neighbors - leave Hawaiʻi, some never to return.

Mahalo for the opportunity to testify and for your continued focus on solutions that leverage both State and county tools to address Hawaiʻi's housing crisis. I am happy to provide project-level numbers or further detail on how GET exemptions impact feasibility for ROH Chapter 32 and other kamaʻāina workforce housing projects.

If there are any questions or concerns, please don't hesitate to reach me at martin@centre-urban.com to discuss.

Sincerely,

Martin M. Q. Nguyen, MRED
Managing Principal
Centre Urban Real Estate Hawaii, LLC

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 430
FRIDAY, FEBRUARY 6, 2026 AT 9:30 A.M.

To The Honorable Representative Luke A. Evslin, Chair
The Honorable Representative Tyson K. Miyake, Vice Chair
Members of the Committee on Housing

SUPPORT HB2385 RELATING TO HOUSING

Housing has been one of the Maui Chamber's top priorities for years, given our ongoing housing crisis and the urgent need to increase the supply of affordable and workforce housing. The Maui Chamber of Commerce supports HB2385, as it creates a pathway for more housing development by authorizing the Hawaiʻi Housing Finance and Development Corporation (HHFDC) to approve general excise tax exemptions for projects under county housing incentive programs. This measure directly addresses barriers that have historically slowed the delivery of much-needed homes for local residents.

By enabling HHFDC to grant tax exemptions, HB2385 provides a meaningful incentive for developers to participate in county housing programs, particularly those focused on affordability. Reducing the tax burden can help offset rising construction costs and encourage investment in projects that might otherwise be financially unfeasible. This aligns with our position that all available tools should be utilized to stimulate housing production, especially in the face of persistent shortages and escalating costs across the state.

Furthermore, the bill's approach supports collaboration between state and county agencies, leveraging local initiatives to address unique community needs. Allowing counties to tailor incentive programs while ensuring state-level oversight through HHFDC can help streamline processes and facilitate a more responsive housing delivery system.

Mahalo for the opportunity to share our support. We ask that you move HB2385 forward.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

62 North Market St., Suite 302, Wailuku, Hawaii 96793 808-244-0081 legislation@MauiChamber.com MauiChamber.com

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Allows HHFDC to Certify for Exemption County Housing Incentive Programs

BILL NUMBER: HB 2385, SB 2676

INTRODUCED BY: HB by MIYAKE, AMATO, EVSLIN, GARCIA, ILAGAN, KAHALOA, KEOHOKAPU-LEE LOY, KILA, KITAGAWA, LOWEN, MARTEN, MATSUMOTO, REYES ODA, TAM; SB by HASHIMOTO, CHANG, KANUHA

EXECUTIVE SUMMARY: Authorizes the Hawaiʻi Housing Finance and Development Corporation to approve and certify general excise tax exemptions for certain housing development projects developed under county housing incentive programs. Makes conforming amendments.

SYNOPSIS: Amends section 46-15.1, HRS, to cut off the ability of county agencies to certify affordable housing projects for General Excise Tax exemption.

Amends section 201H-36, HRS, to allow HHFDC to approve and certify a project for exemption where at least 50% of the available units are for households with incomes at or below 100% cent of the area median family income as determined by HUD.

EFFECTIVE DATE: July 1, 2026.

STAFF COMMENTS: Section 237-29(a), HRS, states that all gross income received by any qualified person or firm for the planning, design, financing, construction, sale, or lease in the State of a housing project that has been certified or approved under section 201H-36 shall be exempt from general excise taxes.

Section 201H-36, HRS, states that the Hawaii housing finance and development corporation ("HHFDC") may approve and certify for exemption from general excise taxes any qualified person or firm involved with an affordable housing project.

Section 46-15.1, HRS, states that any county shall have the same powers as those granted the HHFDC pursuant to chapter 201H, HRS, provided, among other things, that county projects shall be granted an exemption from general excise or receipts taxes in the same manner as projects of the HHFDC pursuant to section 201H-36.

Although the bill's preamble gives the impression that the bill gives HHFDC the power to certify county housing projects which is additive to existing provisions, the bill language shows that the HHFDC's new power is to replace the county's existing power.

Digested: 2/4/2026

HB-2385
Submitted on: 2/5/2026 8:20:13 AM
Testimony for HSG on 2/6/2026 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Comments	Written Testimony Only

Comments:

Comment include DHHL   Johnnie-Mae L.Perry

2385 HB RELATING TO HOUSING.