



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2026**

ON THE FOLLOWING MEASURE:

H.B. NO. 2385, H.D. 1, RELATING TO HOUSING.

BEFORE THE:

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

DATE: Wednesday, February 18, 2026 **TIME:** 9:30 a.m.

LOCATION: State Capitol, Room 423

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Lindsey Hostetter-Takaesu, Deputy Attorney General or
Linda Chow, Deputy Attorney General

Chair Ilagan and Members of the Committee:

The Department of the Attorney General (Department) provides the following comments.

This bill amends sections 46-15.1 and 201H-36, Hawaii Revised Statutes (HRS), to authorize the Hawaii Housing Finance and Development Corporation (HHFDC) to approve and certify general excise tax exemptions for certain housing development projects developed under county housing incentive programs.

At the February 6, 2026, hearing on this bill, the House Committee on Housing asked the Department to review whether the bill unintentionally strips counties of the authority to approve and certify general excise tax exemptions for county projects, which was not the Committee's intent. The Committee on Housing also requested that the Department testify before this Committee and suggest any needed corrections to the bill.

Section 4 of the bill adds section 201H-36(a)(5), HRS, which expands HHFDC's authority to approve and certify general excise tax exemptions by adding a new project category for developments under a county assistance program approved by HHFDC (page 8, lines 3-8).

Section 2 of the bill amends section 46-15.1, HRS, by adding the following clause: ". . . provided further that county projects initially approved and certified prior to

July 1, 2026, shall be granted an exemption from general excise or receipts taxes in the same manner as projects of the Hawaii housing finance and development corporation pursuant to section 201H-36 . . ." (page 2, line 20, through page 3, line 2).

Because section 46-15.1, HRS, provides that counties may exercise the same powers as HHFDC pursuant to chapter 201H, the bill's expansion of HHFDC's authority under section 201H-36, HRS, may be construed to expand county authority as well. However, the date-based clause added in section 2 (page 2, line 20) may also be construed to limit county authority after July 1, 2026.

To clarify legislative intent and avoid ambiguity regarding the scope of county authority, the Committee may wish to consider one of the following approaches.

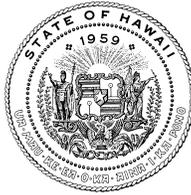
If the intent is for counties to retain the same powers as HHFDC under section 201H-36, including the authority added by this bill in section 201H-36(a)(5), HRS, the Department recommends deleting section 2 of the bill to avoid any unintended limitation on county authority.

If the intent is to preserve counties' existing authority under section 46-15.1, HRS, but to reserve the newly added certification authority under section 201H-36(a)(5), HRS, exclusively to HHFDC, the Department recommends amending section 46-15.1(a), HRS, to expressly provide that a county may not exercise the authority granted under section 201H-36(a)(5), HRS. This may be accomplished by deleting the addition of "initially approved and certified priority to July 1, 2026," to section 46-15.1(a), HRS, in section 2 (page 2, line 20) and adding the following provision to section 46-15.1(a), HRS, after "201H-36;" (page 3, line 2): "provided further that a county shall not exercise the authority granted to the Hawaii housing finance and development corporation under section 201H-36(a)(5);".

Thank you for the opportunity to provide comments.

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

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Statement of

DEAN MINAKAMI

Hawaii Housing Finance and Development Corporation

Before the

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

February 18, 2026 at 9:30 a.m.

State Capitol, Room 423

In consideration of

HOUSE BILL 2385 HOUSE DRAFT 1

RELATING TO HOUSING.

Chair Ilagan, Vice Chair Hussey, and members of the Committee.

HHFDC **supports** House Bill 2385 House Draft 1, which seeks to authorize HHFDC to approve and certify general excise tax (GET) exemptions for housing development projects under county housing incentive programs.

Hawaii will need approximately 64,490 new housing units by the end of 2027 to meet demand. This requires action by both the State and county housing agencies to meet this challenge. Rising construction costs, high interest rates, and limited land availability have made it nearly impossible to deliver housing at the scale and affordability our residents need.

This bill offers a solution by extending GET exemptions to projects developed under county housing programs. It creates a powerful financial tool to reduce development costs and make projects viable. Counties will be empowered to launch and expand housing initiatives tailored to their communities, leveraging these exemptions alongside state programs to maximize resources. This collaboration will accelerate construction, increase affordability, and bring hope to families who have been priced out of the market.

Thank you for the opportunity to testify.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII'
DEPARTMENT OF TAXATION

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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2385, H.D.1, Relating to Housing

BEFORE THE:

House Committee on Economic Development & Technology

DATE: Wednesday, February 18, 2026

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2385, H.D.1, for your consideration.

H.B. 2385, H.D.1, 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 has a defective effective date of July 1, 3000, 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.

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 HD1

INTRODUCED BY: HSG

EXECUTIVE SUMMARY: Authorizes the Hawai'i Housing Finance and Development Corporation to approve and certify general excise tax exemptions for certain housing development projects developed under county housing incentive programs. Effective 7/1/3000. (HD1)

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 on July 1, 2026.

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. The House Housing Committee seems to have recognized this problem and has said that "it is not the intent of this measure to diminish any existing county authority to approve and certify general excise tax exemptions for county housing development projects. Your Committee will work with the Department of the Attorney General to ensure this remains clear as this measure moves through the legislative process."

Re: HB 2385 HD1
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Digested: 2/16/2026

Feb. 18, 2026, 9:30 a.m.

Hawaii State Capitol

Conference Room 415 and Videoconference

To: House Committee on Economic Development and Technology

Rep. Greggor Ilagan, Chair

Rep. Ikaika Hussey, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY IN SUPPORT OF HB2385 HD1 — RELATING TO HOUSING

Aloha chair, vice chair and other committee members,

The Grassroot Institute of Hawaii **supports** [HB2385 HD1](#), 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.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 423
WEDNESDAY, FEBRUARY 18, 2026 AT 9:30 A.M.**

To The Honorable Representative Greggor Ilagan, Chair
The Honorable Representative Ikaika Hussey, Vice Chair
Members of the Committee on Economic Development & Technology

SUPPORT HB2385 HD1 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 Hawai'i 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
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.

Cindy Freitas

makainanqi@gmail.com

**TESTIMONY IN OPPOSITION UNLESS AMENDED
H.B. 2385 H.D.1 – RELATING TO HOUSING**

He Mele komo a he mele aloha no na kupuna o ke au i hala Aloha mai kakou.

Aloha,

My name is Cindy Freitas and I'm a Native Hawaiian descended of the native inhabitants of Hawai'i prior to 1778 and born and raised in Hawai'i.

I am also a practitioner who still practice the cultural traditional customary practices that was instill in me by my grandparents at a young age from mauka (MOUNTAIN TO SEA) to makai in many areas.

I respectfully submit testimony **in opposition to H.B. 2385 H.D.1 unless amended.**

I understand Hawai'i is facing a serious housing shortage. I support solutions that truly help local families remain in Hawai'i. However, this measure raises concern because it provides general excise tax exemptions to certain housing development projects without clear guarantees that the resulting housing will be affordable to local residents or owner-occupied.

While lowering development costs may improve project feasibility , tax exemptions alone do not ensure homes go to local families, working residents, or Native Hawaiians who have been displaced by rising housing prices. Without enforceable protections, public tax benefits could subsidize projects that ultimately become market-rate housing, investment properties, or short-term rentals.

Public resources should come with public benefit.

Therefore, if this bill moves forward, I respectfully request the following amendments:

1. Require owner-occupancy for a defined period (minimum 10 years).
2. Require verified local residency preference for qualified buyers or renters.
3. Require enforceable long-term affordability covenants recorded on the property.
4. Prohibit use of tax-benefited units as short-term rentals.
5. Require annual public reporting showing who actually occupies the units.
6. Include preference or set-aside for Native Hawaiian and long-term Hawai'i residents.

Without these protections, the State may reduce tax revenue while not solving the housing crisis for local families.

Housing policy should prioritize residents who live and work in Hawai'i, not speculation or investment opportunities.

For these reasons, I respectfully ask the Committee to amend the measure to ensure accountability and true affordability before passage.

Mahalo

Cindy Freitas