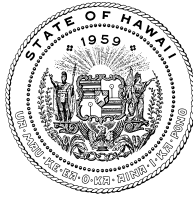


JOSH GREEN, M.D.
GOVERNOR

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 FINANCE

February 27, 2026 at 2:00 p.m.

State Capitol, Room 308

In consideration of

HOUSE BILL 2385 HOUSE DRAFT 2 RELATING TO HOUSING.

Chair Todd, Vice Chair Takenouchi, and members of the Committee.

HHFDC **supports** House Bill 2385 House Draft 2, which seeks to authorize HHFDC to approve and certify general excise tax (GET) exemptions for housing development projects under county housing incentive programs.

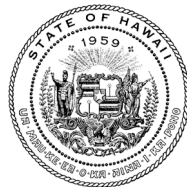
Hawaii will need approximately 64,490 new housing units by the end of 2027 to meet demand. This requires action by both the State and county housing agencies to meet this challenge. Rising construction costs, high interest rates, and limited land availability have made it nearly impossible to deliver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



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2385, H.D.2, Relating to Housing

BEFORE THE:

House Committee on Finance

DATE: Friday, February 27, 2026

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 308

Chair Todd, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2385, H.D.2, for your consideration.

H.B. 2385, H.D.2, expands general excise tax exemptions under section 237-29, Hawaii Revised Statutes (HRS), for affordable housing projects by authorizing counties, under amended section 46-15.1, HRS, to develop low- and moderate-income housing eligible for certification by the Hawaii Housing Finance and Development Corporation (HHFDC) pursuant to section 201H-36, HRS. However, counties are specifically restricted from exercising authority granted to HHFDC under section 201H-36(a)(5), HRS.

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.

Based on an effective date of July 1, 2026, DOTAX estimates a revenue loss as follows:

General Fund Impact (\$ millions)

FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
-3.4	-3.8	-3.8	-3.0	-2.8	-2.8

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



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308
FRIDAY, FEBRUARY 27, 2026 AT 2:00 P.M.**

To The Honorable Representative Chris Todd, Chair
The Honorable Representative Jenna Takenouchi, Vice Chair
Members of the Committee on Finance

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 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.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for HB2385 HD2 – Relating to the Housing
House Committee on Finance
Friday, February 27, 2026 at 2:00PM Conf. Rm. 308 and via Videoconference

Aloha Chair Todd, Vice Chair Takenouchi, 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 and we should extend it to county affordable housing projects.

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.

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 HD2

INTRODUCED BY: ECD

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. (HD2)

SYNOPSIS: 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% of the area median family income as determined by HUD.

Amends section 46-15.1, HRS, to provide that counties shall not exercise authority granted to HHFDC under the authority granted in this bill.

Makes other technical and conforming changes.

EFFECTIVE DATE: July 1, 3000.

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.

The bill in its current form allows only HHFDC and not the counties to approve and certify GET exemptions for projects developed under a county assistance program approved by HHFDC. We wonder why the counties should not be able to certify the exemptions given that the program was approved by HHFDC in the first place.

Digested: 2/25/2026



CENTRE URBAN
REAL ESTATE

Martin M. Q. Nguyen, MRED

Managing Principal

CA DRE #02074177

HI RB-24080

February 27, 2026

Representative Chris Todd
Committee on Finance
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 Todd, Vice Chair Takenouchi, 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 kama'āina 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 Hawai'i Housing Finance and Development Corporation (HHFDC) to align already existing general excise tax (GET) exemptions to certain projects at terms consistent with current county housing incentive programs. These seemingly minor language revisions have the potential to unlock kama'āina workforce housing creation across the various counties.

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.

To confirm, HB 2385 would not grant any additional GET waivers for county housing incentive programs – such as ROH Chapter 32. As it currently stands, Chapter 32 projects already qualify for a 30-year GET waiver under HHFDC’s existing rules. The Legislature will not be granting any additional incentives beyond what is already existing. However, the mismatch that HB 2385 is aiming to fix is that HHFDC’s statutory minimum to qualify for GET waivers is 30 years, while ROH Chapter 32 explicitly calls for a 15-year affordability period, as well as a fixed 15-year real property tax exemption period. As such, Chapter 32 projects currently need to be subject to two different regulatory agreements each with different terms and restrictions. The main issue is that for years 16 to 30, Chapter 32 projects could still be subject to affordability limits – per HHFDC’s 30-year minimum requirement – but now be required to pay county real property tax, since the statutory exemption expired in year 15.

Regardless, as it pertains to the State, the project would still be waived for GET for years 16 to 30. However, during this period, Chapter 32 projects have the possibility of becoming “zombie” projects where they are barely breaking even, given the real property tax waiver has burned off but is still subject to HHFDC’s regulatory agreement. Aligning HHFDC’s minimum affordability period to 15 years, just for county housing incentive programs, would help solve this issue as well as incentivize other counties to follow Honolulu’s lead in creating similar mid-rise, kama’aina rental housing incentive programs in the 60-140% AMI range. I believe this is exactly what the Legislature wants to incentivize this year.

In summary, HB 2385 would not be granting any further incentives. In fact, by reducing the minimum affordability period for county housing incentive programs from 30 to 15 would actually see GET revenue return to the State 15 years earlier, while still ensuring rental limits at or below 100% AMI for that time period.

Further, I earlier provided suggestions regarding amending **HRS § 201H-36(a)(5)** – which would add a new incentive to strengthen a currently ineffective policy tool. Currently, several county statutes reference HRS § 201H-36(a)(5) as the basis for various real property tax 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 kama’aina workforce housing creation and make those aforementioned county waiver provisions more meaningful. **This amendment was added to Senate companion SB 2676 SD1.**

For kama’aina workforce housing rental projects, GET and real property tax 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

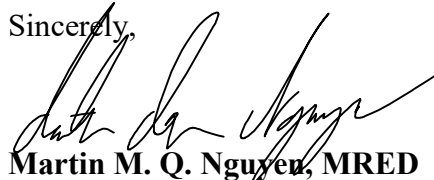
(3) For new construction projects, a minimum term of thirty years from the date of issuance of the certificate of occupancy; provided that for new construction projects developed under a county assistance program, the minimum term shall be fifteen years from the date of issuance of the certificate of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

Both elements - (1) bringing GET waiver requirements into alignment with county housing incentive programs, and (2) updating the HRS § 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 kama'āina - our family, friends, and neighbors - leave Hawai'i, 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 Hawai'i'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 kama'āina 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



HB-2385-HD-2

Submitted on: 2/25/2026 2:55:39 PM

Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
William Caron	Individual	Support	Written Testimony Only

Comments:

Aloha Chair, Vice Chair, and members of the committee,

I am writing in **strong support of HB2385**, which authorizes the Hawai‘i Housing Finance and Development Corporation (HHFDC) to approve and certify General Excise Tax (GET) exemptions for certain housing projects developed under county housing incentive programs. This bill is a targeted, practical tool to lower construction costs and accelerate the production of much-needed homes across our state.

HB2385 removes a significant financial barrier to housing development. The General Excise Tax adds substantial costs to construction—costs that are ultimately passed on to homebuyers and renters. By authorizing HHFDC to certify GET exemptions for qualifying projects developed through county incentive programs, this bill ensures that tax relief reaches the developments where it is needed most. It streamlines a process that currently creates uncertainty and delays.

The bill leverages existing county programs to maximize impact. Counties across Hawai‘i have established their own housing incentive programs, designed to encourage affordable and workforce housing. HB2385 connects those county-level efforts to state-level tax policy, creating a seamless pathway for developers to access both local incentives and state tax relief. This coordination ensures that public resources are used efficiently and that projects move forward without bureaucratic friction.

Expediting housing production requires every tool available. We face a generational housing crisis. Working families, kūpuna, and young people are being priced out of communities they have called home for generations. No single policy will solve this crisis alone. But HB2385 represents a concrete step: removing a tax barrier, streamlining an approval process, and aligning county and state efforts behind a common goal.

This bill is about smart government, not giveaways. GET exemptions are not blank checks. They are targeted, project-specific relief, certified by HHFDC only for qualifying developments under county programs. This ensures accountability and prevents abuse. It is a measured use of tax policy to achieve a public purpose: more homes, faster.

I urge you to pass this bill. Mahalo for the opportunity to testify.

