

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

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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.3, Relating to Housing

BEFORE THE:

Senate Committee on Housing

DATE: Tuesday, March 17, 2026

TIME: 1:05 p.m.

LOCATION: State Capitol, Room 225

Chair Chang, Vice-Chair Hashimoto, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2385, H.D.3, for your consideration.

Section 2 of H.B. 2385, H.D.3, amends section 46-15.1, Hawaii Revised Statutes (HRS), by repealing the general excise tax (GET) exemption for county-certified housing projects.

Section 4 of the bill amends section 201H-36, HRS, which provides a list of projects that the Hawaii Housing Finance and Development Corporation (HHFDC) may approve and certify for the GET exemption under section 237-29, HRS, by adding projects developed under a county assistance program where at least 50 percent of the available units are for households with incomes at or below 100 percent of the median family income. For new projects developed under a county assistance program, the eligibility requirements will be subject to a minimum term of 15 years.

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 recommends that the effective date be

Department of Taxation Testimony
H.B. 2385 H.D.3
March 17, 2026
Page 2 of 2

amended to January 1, 2027 to provide sufficient time to make necessary form and instruction changes.

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

SENATE COMMITTEE ON HOUSING

March 17, 2026 at 1:05 p.m.

State Capitol, Room 225

In consideration of

HOUSE BILL 2385 HOUSE DRAFT 3 RELATING TO HOUSING.

Chair Chang, Vice Chair Hashimoto, and members of the Committee.

HHFDC **supports** House Bill 2385 House Draft 3, 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.



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[Twitter.com/aarphawaii](https://twitter.com/aarphawaii) | facebook.com/aarphawaii

**The Thirty-Third Legislature
Senate Committee on Housing
Tuesday, March 17, 2026
Conference Room 225
1:05 p.m.**

TO: The Honorable Stanley Chang, Chair
FROM: Keali'i S. López, State Director
RE: Support for H.B. 2385 HD3 Relating to Housing

Aloha Chair Chang and Members of the Committee:

My name is Keali'i López, and I am the State Director for AARP Hawai'i. AARP is the nation's largest nonprofit, nonpartisan organization dedicated to empowering people age 50 and older to choose how they live as they age. In Hawai'i, we represent 135,000 members statewide.

AARP **strongly supports H.B. 2385 HD3**, which authorizes the Hawai'i Housing Finance and Development Corporation (HHFDC) to approve and certify general excise tax exemptions for eligible housing developments built under county housing incentive programs.

Hawai'i is facing a severe and persistent housing shortage, and the impacts are felt most acutely by older adults, working families, and middle-income households who are increasingly priced out of their own communities. H.B. 2385 HD3 takes a **practical, targeted step** to remove unnecessary barriers that delay or discourage the production of affordable rental housing.

This measure improves coordination between the State and counties by **including county-assisted housing incentive projects among those eligible for general excise tax exemptions**, when approved and certified by HHFDC. Importantly, the bill ensures public benefit and accountability by requiring that at least **50 percent of units serve households earning up to 100 percent of area median income**, and by establishing a **minimum fifteen-year affordability period** for new construction projects developed under county assistance programs.

These provisions strike the right balance. They improve financing feasibility for housing developments while ensuring long-term affordability and stability for residents. By closing administrative gaps and aligning state and county tools, this bill helps ensure that worthy projects

H.B. 2385 HD3 Relating to Housing

March 17, 2026

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move forward rather than stall due to procedural limitations. In a housing crisis of this magnitude, **efficiency matters.**

For older adults, the stakes are especially high. Hawai'i's kūpuna face some of the highest housing costs in the nation, and many struggle to find affordable, accessible rental housing that allows them to age safely and independently in their communities. Too often, households that fall just above traditional subsidy thresholds are left with few viable options. H.B. 2385 HD3 helps address this gap by expanding eligibility in a way that promotes predictable affordability and inclusive housing development.

Beyond individual households, increasing the supply of affordable rental housing strengthens Hawai'i's broader economy. Stable housing supports workforce retention, helps local businesses thrive, and reduces the pressure forcing young families and longtime residents to leave the state. Housing policy is economic policy, and this bill advances both.

For these reasons, AARP respectfully urges the Senate Committee on Housing to **pass H.B. 2385 HD3**. This measure represents a smart, coordinated approach to addressing Hawai'i's housing shortage and ensuring that public investments deliver lasting community benefit.

Mahalo for the opportunity to testify in strong support of H.B. 2385 HD3.

March 17, 2026, 1:05 p.m.
Hawaii State Capitol
Conference Room 225 and Videoconference

To: Senate Committee on Housing
Sen. Stanley Chang, Chair
Sen. Troy Hashimoto, Vice Chair

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

RE: TESTIMONY IN SUPPORT OF HB2385 HD3 — RELATING TO HOUSING

Aloha Chair, Vice Chair and other Committee Members,

The Grassroot Institute of Hawaii **supports** [HB2385 HD3](#), 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 to 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 SENATE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
TUESDAY, MARCH 17, 2026 AT 1:05 P.M.**

To The Honorable Senator Stanley Chang, Chair
The Honorable senator Troy N. Hashimoto, Vice Chair
Members of the Committee on Housing

SUPPORT HB2385 HD3 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 HD3, 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.



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TESTIMONY IN STRONG SUPPORT OF HB2385- RELATING TO HOUSING

Aloha Chair, Vice-Chair, and members of the Committee. Avalon Development respectfully submits testimony in support of HB 2385, HD3. Our company is involved in housing development and property operations across Hawai'i. HB 2385, HD3 makes a targeted statutory clarification that improves alignment between existing county housing incentive programs and the State's general excise tax exemption process administered by the Hawai'i Housing Finance and Development Corporation (HHFDC).

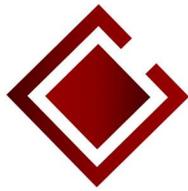
While general excise tax is not the primary driver of housing costs, it is one of several compounding expenses that affect overall project feasibility, particularly in affordable and workforce housing developments operating within constrained margins. HB 2385, HD3 does not create a new tax exemption or expand eligibility beyond existing parameters. Instead, it allows HHFDC to certify GET exemptions for qualifying projects developed under county-approved housing assistance programs, using standards that already exist in statute. This clarification helps ensure that projects relying on county housing incentives can access state tools in a predictable and consistent manner.

The bill also maintains appropriate oversight and fiscal discipline. HD3 confirms that HHFDC remains the sole authority responsible for approving and certifying exemptions, rather than delegating that authority to counties. This preserves statewide consistency while still recognizing the important role counties play in designing housing programs tailored to local needs. Importantly, the bill retains income limits, affordability requirements, and statutory caps, and does not alter the scope of the exemption beyond what is already authorized under section 201H-36.

From a practical standpoint, HB 2385, HD3 reduces regulatory friction rather than costs alone. Aligning county housing programs with HHFDC's certification process lowers uncertainty, simplifies project structuring, and helps avoid duplicative or misaligned regulatory requirements that can delay housing delivery. In a housing environment where time, predictability, and financing certainty matter, this type of coordination is meaningful. For these reasons, Avalon Development respectfully urges the Committee to pass HB 2385, HD3. Mahalo for the opportunity to submit testimony.

Respectfully submitted,

Avalon Development Company LLC



March 16, 2026

LATE

Senator Stanley Chang
Committee on Housing
Hawai'i State Senate
415 South Beretania Street
Honolulu, Hawaii 96813

**RE: IN SUPPORT OF HB 2385 HD3 (2026) – RELATING TO HOUSING – GENERAL
EXCISE TAX EXEMPTIONS FOR COUNTY HOUSING INCENTIVE
PROGRAMS**

Aloha Chair Chang, Vice Chair Hashimoto, and Committee Members,

I am submitting testimony in my capacity as principal of Centre Urban Real Estate in **SUPPORT** of HB 2385 HD3 (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.

As we commented in on prior testimony, 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. 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, we earlier provided suggestions regarding amending **HRS § 201H-36(a)(5)** – which would add a new incentive to strengthen a currently ineffective policy tool. This was previously amended in companion bill SB 2676 SD1. 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‘āina workforce housing creation and make those aforementioned county waiver provisions more meaningful.

For kama‘āina 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 HD3 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

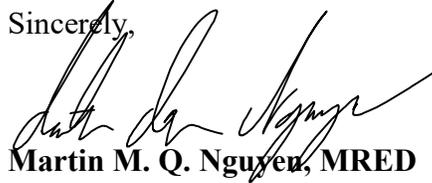
(6) Developed under a county assistance program approved by the corporation, where at least fifty percent of the available units are for households with incomes at or below one hundred per cent of the area median family income as determined by the United States Department of Housing and Urban Development.

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



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 HD3

INTRODUCED BY: FIN



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. (HD3)

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: 3/16/2026

HB-2385-HD-3

Submitted on: 3/12/2026 5:38:17 PM

Testimony for HOU on 3/17/2026 1:05:00 PM

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

Comments:

I, Johnnie-Mae L. Perry, comment including DHHL ?

2385 HB RELATING TO HOUSING.

HB-2385-HD-3

Submitted on: 3/13/2026 11:32:14 AM

Testimony for HOU on 3/17/2026 1:05:00 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.

