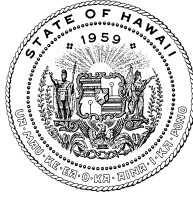


JOSH GREEN, M.D.
GOVERNOR

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 WAYS AND MEANS

April 09, 2026 at 10:55 a.m.

State Capitol, Room 211

In consideration of

HOUSE BILL 2385, HOUSE DRAFT 3, SENATE DRAFT 1 RELATING TO HOUSING.

Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee.

HHFDC **supports** HB2385, HD3, SD1, which authorizes HHFDC to approve and certify general excise tax (GET) exemptions for housing development projects under county housing incentive programs.

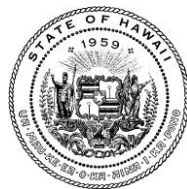
Hawaii faces a severe housing shortage, and reducing regulatory barriers and development costs is essential to increasing housing supply. Rising construction costs, higher interest rates, and financing gaps have made it increasingly difficult for affordable housing developers to deliver projects, even with existing state incentives. This requires action by both the State and county housing agencies to meet this challenge.

This bill offers a solution by extending GET exemptions to projects developed under county housing programs, recognizing that counties play a critical and growing role in facilitating affordable housing production. It creates a powerful financial tool to reduce development costs and make projects feasible. Counties will be empowered to launch and expand housing initiatives tailored to their communities, leveraging these exemptions alongside state programs to maximize resources. This will accelerate housing production, 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

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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, S.D.1, Relating to Housing

BEFORE THE:

Senate Committee on Ways and Means

DATE: Thursday, April 9, 2026
TIME: 10:55 a.m.
LOCATION: State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2385, H.D.3, S.D.1, for your consideration.

Section 2 of H.B. 2385, H.D.3, S.D.1, amends section 46-15.1, Hawaii Revised Statutes (HRS), by repealing the general excise tax (GET) exemption for county-certified housing projects and clarifying that a county may not exercise the authority granted to the Hawaii Housing Finance and Development Corporation (HHFDC) under section 201H-36(a)(6), HRS.

Section 3 of the bill amends section 201H-36(a), HRS, which lists the projects that 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.

Section 3 of H.B. 2385, H.D.3, S.D.1, also amends section 201H-36(a) to delete language that limited the GET and use tax exemption to contracting costs only, thereby

making the exemption applicable to all GET and use tax costs, including non-contract costs.

The bill has a defective effective date of July 1, 3000 and a sunset date of July 1, 2031, with sections 2 and 3 applicable to taxable years beginning after December 31, 2026. The measure also includes several provisions that prevent the repeal of this bill's amendments by previously established statutory sunset dates.

DOTAX defers to HHFDC on this bill, but recommends that the effective date for sections 2 and 3 be amended to January 1, 2027 instead of applying to taxable years beginning after December 31, 2026.

DOTAX estimates a revenue loss for this bill as follows:

General Fund Impact (\$ millions)

FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
-1.9	-3.8	-3.8	-3.0	-2.8	-

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



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866-295-7282 | aarp.org/hi | hiaarp@aarp.org |
[Twitter.com/aarphawaii](https://twitter.com/aarphawaii) | facebook.com/aarphawaii

The Thirty-Third Legislature
Senate Committee on Ways and Means
Thursday, April 9, 2026
Conference Room 211
10:55 a.m.

TO: The Honorable Donovan Dela Cruz, Chair
FROM: Keali'i S. López, State Director
RE: Support for H.B. 2385 HD3, SD1 Relating to Housing

Aloha Chair Dela Cruz 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, SD1** 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

Page 2

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 Ways and Means to **pass H.B. 2385 HD3, SD1.** 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, SD1.

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 SD 1

INTRODUCED BY: HOU

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. Sunsets 7/1/2031. Effective 7/1/3000. (SD1)

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. The bill also removes the restriction that allowable general excise tax and use tax costs apply to contracting only.

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. Sunset July 1, 2031.

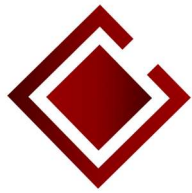
STAFF COMMENTS: Section 237-29(a), HRS, states that all gross income received by any qualified person or firm for the planning, design, financing, construction, sale, or lease in the State of a housing project that has been certified or approved under section 201H-36 shall be exempt from general excise 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: 4/7/2026



April 8, 2026

Senator Donovan M. Dela Cruz
Committee on Ways and Means
Hawai'i State Senate
415 South Beretania Street
Honolulu, Hawaii 96813

**RE: IN STRONG SUPPORT OF HB 2385 HD3 SD1 (2026) – RELATING TO
HOUSING – GENERAL EXCISE TAX EXEMPTIONS FOR COUNTY HOUSING
INCENTIVE PROGRAMS**

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members,

I am submitting testimony in my capacity as principal of Centre Urban Real Estate in **STRONG SUPPORT** of HB 2385 HD3 SD1 (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 are expected to deliver 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 HD3 SD1 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. While these may seem like minor technical amendments, they have the potential to unlock meaningful kama'āina workforce housing production across the counties.

To be clear, HB 2385 HD3 SD1 would not create any new GET waiver beyond what already exists in practice for qualifying county housing incentive program projects such as ROH Chapter 32. As it currently stands, Chapter 32 projects can already qualify for GET relief under HHFDC's existing framework. The key issue this bill addresses is the mismatch between HHFDC's current 30-year minimum affordability term for GET waivers and ROH Chapter 32's 15-year affordability period. Aligning the minimum affordability period for county housing incentive programs from 30 years to 15 years would actually allow GET revenue to return to the State 15 years earlier, while still ensuring regulated affordability at or below 100% AMI during that full 15-year period. This is exactly the type of policy alignment we have been urging: stackable, predictable incentives where State tools and county programs work together, rather than in silos.

Further, several county statutes currently 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) currently excludes rental income from GET waivers, which is inconsistent with practically all other housing incentive programs. It is not surprising, then, that § 201H-36(a)(5) has seen very little, if any, meaningful 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. HB 2385 HD3 SD1 would bring this into alignment.

From the private-sector development side, one dollar of annual GET waiver can have the practical effect and equivalence of multiple dollars of up-front subsidy or “free money”. For example, on a 100-unit workforce housing project with average rents of \$1,850 per month, roughly \$105,000 of annual future GET can translate into approximately \$2.1 million of project subsidy value at a 5.0% cap rate, delivering a feasibility benefit similar to a multimillion-dollar cash subsidy without requiring the State to fund that amount up front.


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. Moreover, many of the sites where these projects would be developed are typically underutilized, meaning they are generating little to no GET revenue for the State today. As such, HB 2385 HD3 SD1 would not be sacrificing a material amount of current GET revenue, but rather would be deploying a powerful and cost-effective tool to facilitate the creation of much-needed kama‘āina workforce housing.

Bringing GET waiver requirements into alignment with county housing incentive programs and 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 respectfully urge you to pass HB 2385 HD3 SD1.**

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

April 9, 2026, 10:55 a.m.
Hawaii State Capitol
Conference Room 211 and Videoconference

To: Senate Committee on Ways and Means
Sen. Donovan M. Dela Cruz, Chair
Sen. Sharon Y. Moriwaki, Vice Chair

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

RE: TESTIMONY IN SUPPORT OF HB2385 HD3 SD1 — RELATING TO HOUSING

Aloha Chair, Vice Chair and other Committee Members,

The Grassroot Institute of Hawaii **supports** [HB2385 HD3 SD1](#), 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. The legislation would apply to taxable years beginning after Dec. 31, 2026 and would sunset on July 1, 2031.

This bill could improve the financial viability of affordable housing projects and 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 WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
THURSDAY, APRIL 9, 2026 AT 10:55 A.M.**

To The Honorable Senator Donovan M. Dela Cruz, Chair
The Honorable Senator Sharon Y. Moriwaki, Vice Chair
Members of the Committee on Ways and Means

SUPPORT HB2385 HD3 SD1 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 SD1, 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 HD3 SD1 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 Company respectfully submits this testimony in **SUPPORT of HB 2385 S.D.1**. Our firm is engaged in housing development and property operations across Hawai'i, including projects that rely on both state and county housing assistance programs.

HB 2385 S.D.1 makes a targeted statutory clarification that improves alignment between county housing incentive programs and the State's general excise tax exemption process administered by the Hawai'i Housing Finance and Development Corporation (HHFDC). This clarification helps ensure that housing projects approved and supported by counties can access existing state tools in a predictable and consistent manner.

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 for affordable and workforce housing developed within constrained financial margins. HB 2385 S.D.1 does not create a new tax exemption or expand eligibility. Instead, it clarifies HHFDC's authority to certify exemptions for qualifying projects developed under county-approved housing assistance programs using standards already established in statute.

Importantly, the bill maintains appropriate oversight and fiscal discipline. HHFDC remains the sole authority responsible for approving and certifying general excise tax exemptions, preserving statewide consistency and accountability. The measure does not alter income limits, affordability requirements, regulatory agreements, or statutory caps already in place under chapter 201H.

From a practical standpoint, HB 2385 S.D.1 reduces regulatory friction by better coordinating state and county housing programs. This alignment lowers uncertainty, simplifies project structuring, and helps avoid delays that can arise from misaligned approval processes. In a housing environment where predictability and financing certainty are critical to delivery, this kind of coordination is meaningful.

For these reasons, Avalon Development respectfully urges the Committee to pass HB 2385 S.D.1.

Respectfully submitted,

Avalon Development Company LLC