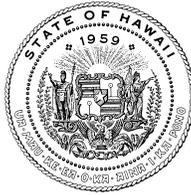


JOSH GREEN, M.D.
GOVERNOR

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

February 05, 2026 at 1:01 p.m.

State Capitol, Room 225

In consideration of

SENATE BILL 2676

RELATING TO HOUSING.

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

HHFDC has **comments** on Senate Bill 2676, 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 the Bill provides greater flexibility with respect to affordability for projects developed under county programs than under State 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.

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

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

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

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2676, Relating to Housing

BEFORE THE:

Senate Committee on Housing

DATE: Thursday, February 5, 2026

TIME: 1:01 p.m.

LOCATION: State Capitol, Room 225

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

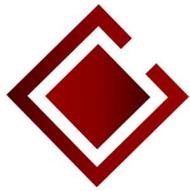
The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2676 for your consideration.

S.B. 2676 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.



February 4, 2026

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

**RE: IN SUPPORT OF SB 2676 (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 SB 2676 (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 SB 2676 would help further facilitate the creation of hundreds if not thousands of additional housing units.

SB 2676 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 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 – SB 2676 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 SB 2676 proposes, 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 SB 2676'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 kama'āina workforce housing creation and make those aforementioned county waiver provisions more meaningful.

SB 2676 thoughtfully bridges these two worlds by treating these programs for kama'āina 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 kama'āina 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 SB 2676 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

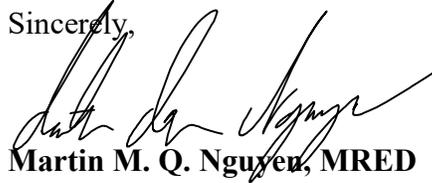
(3) For new construction projects, a minimum term of thirty years from the date of issuance of the certificate of occupancy; provided that for new construction projects developed under a county assistance program, the minimum term shall be fifteen years from the date of issuance of the certificate of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





HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for SB2627 – Relating to the Housing
Senate Committee on Housing
Thursday, February 5, 2026 at 1:01PM Conf. Rm. 415 and via Videoconference

Aloha Chair Chang, Vice Chair Hashimoto, and members of the committee;

Mahalo for the opportunity to testify in **support of SB2627**, 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.



1001 Bishop Street #625 | Honolulu, HI 96813
866-295-7282 | aarp.org/hi | hiaarp@aarp.org |
[Twitter.com/aarphawaii](https://twitter.com/aarphawaii) | facebook.com/aarphawaii

LATE

**The Thirty-Third Legislature
Senate Committee on Housing
Thursday, February 5, 2026
Conference Room 225
1:01 p.m.**

TO: The Honorable Stanley Chang, Chair
FROM: Keali'i S. López, State Director
RE: Support for S.B. 2676 Relating to Housing

Aloha Chair Chang and Members of the Committee:

I am Keali'i Lopez, State Director for AARP Hawai'i. AARP is the nation's largest nonprofit, nonpartisan, social impact organization dedicated to empowering people fifty and older to choose how they live as they age. We advocate for the issues that matter most to older adults and their families: health and financial security, and personal fulfillment. On behalf of our 135,000 members in Hawai'i, thank you for the opportunity to testify on S.B. 2676.

AARP supports S.B. 2676 which 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.

Inclusion of County Assistance Program Projects for general excise tax exemption: The bill adds county incentive program projects to the list of developments eligible for general excise tax exemptions when approved and certified by HHFDC. The proposal requires that at least 50 percent of units in county-assisted projects serve households earning up to 100 percent of area median income. It also establishes a minimum 15-year affordability term for new construction projects developed under county assistance programs.

This change allows **counties and the State to work more efficiently together**, ensuring that worthy projects do not fall through administrative gaps. **Expanding eligibility improves financing feasibility and helps accelerate the development** of affordable rental units during a period of severe shortage. This standard promotes predictable affordability and ensures that middle-income older adults, who often fall just above traditional subsidy thresholds, can still access reasonably priced housing.

S.B. 2676 also ensures that public investments translate into long-term community benefit and provide stability for residents, especially older adults at risk of displacement due to rising costs.

Hawai'i's older residents face some of the highest housing costs in the nation. Many kūpuna struggle to find affordable, accessible rental options that allow them to age in place safely. Preserving and expanding affordable rental housing is a core AARP priority. Provisions in S.B. 2676 support the expansion of affordable housing for older adults and families who need it most. Ensuring a supply of affordable housing can attract and retain a diverse workforce, support local businesses, and contribute to the overall economic health of Hawai'i. This is especially important to prevent young working families from leaving Hawai'i due to housing instability.

AARP respectfully requests that the Senate Committees on Housing pass S.B. 2676.

Mahalo for the opportunity to testify in support of S.B. 2676.



February 5, 2026

TO: Chair Chang and Members of the Senate Housing Committee
RE: SB 2676, Relating to Housing

Dear Chair Chang and Committee Members,

Housing Hawai'i's Future is a nonprofit dedicated to creating opportunities for Hawai'i's next generation by ending the workforce housing shortage.

We support SB2676.

This measure enables the Hawaii Housing Finance and Development Corporation (HHFDC) to grant general excise tax exemptions to housing projects developed under county housing incentive programs.

By streamlining the process for tax exemptions, this measure will address a major barrier to affordable housing development: high project costs.

General excise tax exemptions can reduce the financial burden on developers, making it more feasible to build affordable units. For homebuilders with tight margins, this makes projects just a bit more viable.

Every difference matters. **Please advance SB2676.**

Thank you,

Lee Wang
Executive Director
Housing Hawai'i's Future
lee@hawaiisfuture.org

Perry Arrasmith
Director of Policy
Housing Hawai'i's Future
perry@hawaiisfuture.org