

**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 10, 2026 at 1:00 p.m.

State Capitol, Room 225

In consideration of

### **SENATE BILL 3312**

### **RELATING TO HOUSING.**

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

HHFDC has **comments** on Senate Bill 3312, which seeks to incentivize the conversion of underutilized commercial properties into residential housing.

Hawaii faces one of the most challenging housing markets in the nation, driven by limited land availability, high construction costs, and regulatory barriers. At the same time, we have seen a sustained decline in demand for office and retail spaces, leaving many commercial properties vacant or underutilized. We understand this bill's intent to convert underutilized commercial properties for residential use, but we have the following comments for consideration:

1. Creates a Qualified Conversion Project Program. We assume the intent of this bill is for HHFDC to administer this program since it is the State's lead housing finance and development agency. With that, we have the following comments:
  - a. Coordinate financing tools. HHFDC already administers tax credits, bond financing, and other housing programs, allowing for better integration and leveraging of resources. The Low-Income Housing Tax Credit (LIHTC) program already allows for and incentivizes the creation of low-income housing rentals from existing commercial and other non-residential uses. We request that qualifications for the proposed program not overlap with LIHTC to prevent an overallocation of subsidies and to promote the efficient deployment of tax credits over a wider variety of affordable projects and uses.
  - b. HHFDC currently lacks the capability to manage such a program. Converting existing properties from one use to another and incorporating for-sale

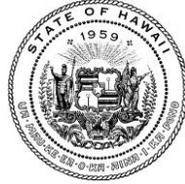
components involves a different financing and development model that needs specialized expertise. Any new program should be launched with the necessary administrative resources to ensure successful implementation.

2. Provides a refundable tax credit up to 10 percent of development costs to incentivize participation. We defer to the Department of Taxation regarding the issuance of additional tax credits, but we have the following general comments:
  - a. Uncertain Cost Control. The bill allows credits up to 10 percent of development costs, but does not set a firm cap per project or per year. Without clear limits, the program could result in unpredictable and potentially large tax liabilities for the State.
  - b. Overlap with Existing Housing Tax Credits. Hawaii already uses federal and state LIHTC administered by HHFDC. Introducing a separate tax credit could create confusion, duplication, and inefficiencies in housing finance.
  - c. Compliance and Recapture Challenges. The bill includes a five-year recapture provision, but enforcing this requires strong oversight. Adding this compliance function may require additional resources.
3. Regarding project feasibility, we note that rental projects serving households at 80% AMI and below typically require a subsidy to be financially feasible, and it is unlikely that the tax credit alone would be sufficient. Also, the requirement that for-sale units remain affordable for a period of not less than thirty years may face resistance from homebuyers and therefore be infeasible for developers.

Thank you for the opportunity to testify.

**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:**

S.B. No. 3312, Relating to Housing

**BEFORE THE:**

Senate Committee on Housing

**DATE:** Tuesday, February 10, 2026

**TIME:** 1:00 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. 3312 for your consideration.

Part II, Section 2, of S.B. 3312 adds a new part to chapter 201, Hawaii Revised Statutes (HRS), sections 201-A to 201-G, for the Department of Business, Economic Development and Tourism (DBEDT), to establish a "qualified conversion projects" (QCPs) program.

Under the program, DBEDT is authorized to certify developers rehabilitating commercial buildings having been in service for five or more years into multi-unit residential or mixed-use projects, with at least 50% affordable housing units rented to households with income at or below 80% of the Area Median Income (AMI), or units sold to households with income at or below 120% of the AMI. Affordable housing units offered for rent require a 15-year affordability period, and units offered for sale a 30-year affordability period.

Section 201-E establishes a tax incentive program for certified qualified conversion projects. After certification of a qualified conversion project by DBEDT, section 201-E authorized DBEDT, in consultation with DOTAX, to award a tax credit as

provided under a new section 235-\_\_\_, HRS. The amount of credit will be based on factors including the need for residential development and a diverse housing supply, the extent the project will encourage residential development, expand diversity of the housing supply, support neighborhood stabilization, and promote economic development in the zone, and the percentage of affordable housing units contained in the project. Section 201-E further provides that DBEDT may limit the credit to a dollar amount “or in any other manner deemed appropriate,” but the credit shall not exceed 10 percent of the development cost allocable to total units in a project.

Part III, Section 3, of the bill adds a new section to chapter 235, HRS, which creates a new, refundable “qualified conversion project tax credit.” The credit may be awarded after certification by DBEDT upon completion of the project pursuant to section 201-C(c), HRS, and the amount of the credit is for not more than 10 per cent of verified, DBEDT certified development costs.

For partnerships, S corporations, estates, or trusts, costs upon which the credit is calculated will be determined at the entity level. All credit claims, including amended claims, must be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed.

The credit is subject to recapture during the five-year period after it is claimed if the QCP no longer fulfills the requirements of the program. The terms “affordable housing unit,” “developer,” “development cost,” “qualified conversion project,” and “substantial rehabilitation” or “substantially rehabilitated” are all defined.

The bill takes effect on July 1, 2026, provided that the tax credit shall apply to taxable years beginning after December 31, 2025.

DOTAX defers to DBEDT on its ability to certify this new credit. As DOTAX does not have subject-matter expertise on construction or rehabilitation of housing projects, DOTAX requests that independent third-party certification be maintained.

DOTAX further notes that it does not have the subject-matter expertise to determine when a project no longer fulfills the requirements of chapter 201, and would therefore be unable to determine if and when the credit should be recaptured. DOTAX defers to DBEDT on its ability to monitor compliance under chapter 201 and determine when a recapture event has occurred.

Additionally, DOTAX recommends making the credit nonrefundable, as refundable credits are more susceptible to waste, fraud, and abuse.

Further, to prevent taxpayers from claiming a double benefit, DOTAX recommends adding a new subsection that reads as follows:

"No taxpayer that claims a credit under this section shall claim any other credit for the same qualified costs under this chapter."

Finally, DOTAX recommends that Part III, section 3, apply to costs incurred after December 31, 2026, to allow for the necessary form, instruction, and system changes needed for implementation.

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



# MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON HOUSING  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225  
TUESDAY, FEBRUARY 10, 2026 AT 1:00 P.M.**

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

## **SUPPORT SB3312 RELATING TO HOUSING**

The Maui Chamber of Commerce supports SB3312, which proposes a program and income tax credit to incentivize the conversion of unused commercial properties into residential units. Addressing Hawai'i's ongoing shortage of affordable and workforce housing is central to our mission, and this bill offers a practical approach to increasing the local housing supply while making efficient use of existing infrastructure.

The conversion of underutilized commercial spaces into residential properties is a recognized best practice in addressing housing shortages, particularly in areas with limited land availability and high construction costs. By offering targeted incentives, SB3312 can help overcome financial barriers that often deter developers from undertaking these complex projects. This aligns with our position that all available tools should be leveraged to expedite housing delivery for residents and the workforce.

Additionally, the bill's approach supports broader economic recovery and resilience by revitalizing commercial corridors and encouraging mixed-use communities. This can contribute to more vibrant neighborhoods and reduce the need for costly new infrastructure, which is consistent with our commitment to sustainable and efficient land use. However, successful implementation will depend on clear program guidelines, streamlined permitting, and coordination with relevant state and county agencies to avoid unnecessary delays.

We respectfully recommend that the program include provisions for expedited permitting and prioritize projects that deliver affordable and workforce housing. We appreciate the Legislature's commitment to innovative housing solutions and urge favorable consideration of SB3312.

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.

February 10, 2026

TO: Chair Chang and Members of the Senate Housing Committee  
RE: SB 3312, 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 SB3312.**

This measure builds on the progress of Act 37, SLH 2024. Act 37 directed our counties to either adopt or amend their ordinances to permit adaptive reuse of existing commercial buildings into residential use as apartments and condominiums.

Nationally, adaptive reuse is difficult, with the most natural route being Single Room Occupancy (SRO) units for working professionals.<sup>1</sup> Converting underutilized commercial properties into much-needed residential units can directly support increased housing opportunities for young residents in existing urban communities.

This measure's approach can help revitalize urban cores by making efficient use of existing infrastructure. By encouraging private investment in conversions, SB3312 offers a market-driven strategy to address Hawaii's housing needs.

Let's make adaptive reuse work for our residents. **Please advance SB3312.**

Thank you,



Lee Wang  
Executive Director  
Housing Hawai'i's Future  
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Perry Arrasmith  
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<sup>1</sup> Horowitz, Alex. 2025. *How States and Cities Decimated Americans' Lowest-Cost Housing Option*. July 17. Washington, DC: The Pew Charitable Trusts.  
<https://www.pew.org/en/research-and-analysis/issue-briefs/2025/07/how-states-and-cities-decimated-americans-lowest-cost-housing-option>

**SB-3312**

Submitted on: 2/5/2026 1:18:09 PM

Testimony for HOU on 2/10/2026 1:00:00 PM

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

Comments:

Comment to include DHHL Johnnie-Mae L. Perry

3312 SB RELATING TO HOUSING.