

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii
Sir:

Your Committee on Housing, to which was referred H.B. No. 2448 entitled:

"A BILL FOR AN ACT RELATING TO AFFORDABLE HOUSING,"

begs leave to report as follows:

The purpose of this measure is to clarify that the exemption from general excise taxes for qualifying housing projects commences once the qualified taxpayer has:

- (1) Received approval for the project's funding; and
- (2) Begun to spend money on the project.

Your Committee received testimony in support of this measure from the Hawaiian Community Development Board, Kobayashi Group, and three individuals. Your Committee received comments on this measure from the Department of Taxation, Hawaii Housing Finance and Development Corporation, and Tax Foundation of Hawaii.

Your Committee finds that Hawaii is experiencing a severe affordable housing crisis with a lack of affordable rental and for-sale units. According to the 2018 Affordable Rental Housing Report and Ten-Year Plan, prepared by the Department of Business, Economic Development, and Tourism, Hawaii will need an additional 64,693 housing units by 2025, with nearly seventy percent of those units for low-income households earning eighty percent or less of the area median income. In response to the affordable housing crisis, the Legislature established a general excise tax exemption of qualifying housing projects. Your Committee notes that there is uncertainty among developers as to at what point during the development phases, triggers the exemption. There is also uncertainty as to the definition for "contracting". Your Committee believes that these uncertainties must be addressed immediately and in a definitive manner to avoid confusion that may delay the development of affordable housing projects.

Your Committee has amended this measure by:

- (1) Deleting the definition for "contracting" to avoid confusion with the state tax law's definition of contracting;
- (2) Clarifying that the exemption from the general excise tax shall be provided once the qualifying taxpayer has filed or recorded a regulatory agreement in land court or the bureau of conveyances, or both, whichever is appropriate, which is aligned with HHFDC's rules;
- (3) Changing the effective date to July 1, 2025, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2448, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2448, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on behalf of the members of the Committee on Housing,

TOM BROWER, Chair