

**SB 2592**

**Late Testimony**



THE CHAMBER OF COMMERCE OF HAWAII  
1132 Bishop Street, Suite 402  
Honolulu, Hawaii 96813

*Comments to the Senate Committee on Ways and Means*

Wednesday, February 24, 2010

10:00 AM

Conference Room 211

**RE: Senate Bill 2592, Relating to the General Excise Tax**

**Senate Bill 2594, Relating to Housing**

**Senate Bill 2595, Relating to Housing**



Good day Chair Mercado-Kim, Vice Chair Tsutsui, and members of the committee.

My name is Claire Ridding -Johnston and I am the Project Director for the Army Hawaii Family Housing Project (AHFH), a public private partnership under the Military Housing Privatization Initiative (MHPI).

We are the largest MHPI Project on the Island of Oahu, and manage some 8,000 housing units for military families located in 7 distinct locations across the island. Over 50% of our housing services enlisted soldiers of more junior ranks.

We submit the following comments in opposition to the above referenced bills.

The referenced bills propose to institute two new requirements in allowing for a general excise tax exemption to qualified persons or firms who receive rental income on newly constructed or moderately or substantially rehabilitated housing projects.

The bills seek to change HRS 201-36 (a) (4) in establishing policy for granting GET exemptions for low and moderate income rental housing.

SB 2592 and SB 2594 propose to add a "qualified resident" requirement, which is not included under current rules.

SB 2592 and SB 2595 propose to add an annual gross income calculation for military members that would require including the basic allowance for housing (BAH) that is used by the federal government to provide housing off the base.

As an organization that works directly with military families, we are intimately aware of the impact that the introduction of any of the bills mentioned above would have on their quality of life. We believe that the proposals are inappropriate and unfair, and would have negative consequences on military personnel as well as the community at large.

We believe that the inclusion of the BAH in calculating a military member's gross annual income is inappropriate and ultimately detrimental to all stakeholders. In the context of MHPI projects such as ours, soldiers BAH is used for the construction of high quality new communities and homes, and for the renovation of older housing. Additionally, programs and services are funded with BAH. It is important to understand that AHFH does not benefit from any surplus that the project generates. Any surplus funds are reinvested back into additional construction and community activities and services for the benefit of military families.

Should any of these bills come into effect, the negative consequences will not only be experienced by military families, but also by the community at large. AHFH is a significant employer in the State of Hawaii. As well as directly employing some 500 local people in a range of roles, we are also involved in the employment of in excess of 1,000 local construction workers tradesmen and professionals via ongoing work contracts. (98% of our contractors are local businesses).

Should AHFH be forced to adjust its program as a result of the additional burdens imposed by any of these bills, a direct economic consequence for the community will be a significant reduction in workforce.

In light of the above, we ask that SB 2592, SB 2594, and SB 2595 be held or amended to remove any negative consequences on military personnel.

Thank you for the opportunity to submit comments on these bills.