

**SB 2593, SD1**

Linda Lingle  
GOVERNOR



KAREN SEDDON  
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

IN REPLY REFER TO

Statement of  
**Karen Seddon**  
Hawaii Housing Finance and Development Corporation  
Before the

**SENATE COMMITTEE ON WAYS AND MEANS**

February 24, 2010, 10:00 a.m.  
Room 211, State Capitol

In consideration of  
**S.B. 2593, S.D. 1**  
**RELATING TO THE HAWAII HOUSING FINANCE AND DEVELOPMENT  
CORPORATION.**

The HHFDC **opposes** S.B. 2593, S.D. 1. because we do not believe that the HHFDC is the appropriate agency to conduct the periodic reviews proposed in this bill.

HHFDC and the Counties are authorized to approve and certify for exemption from GET qualified persons or firms involved with a newly constructed or moderately or substantially rehabilitated housing project. HHFDC does retain information on the GET exemptions it has certified itself. However, HHFDC does not have information on, nor are we privy to, the number and extent of County GET exemptions issued to date. Such a function is better placed with the Department of Taxation due to its expertise in tax enforcement, full access to taxpayer information, and because it receives original Department of Taxation Form G37s for all eligible affordable housing projects certified by both HHFDC and the Counties.

Thank you for the opportunity to provide written comments on this bill.

February 22, 2010

**The Honorable Donna Mercado Kim, Chair**  
Senate Committee on Ways and Means  
State Capitol, Room 211  
Honolulu, Hawaii 96813

**RE: S.B. 2593, S.D. 1, Relating To The Hawaii Housing Finance and Development Corporation**

**DECISION MAKING: Wednesday, February 24, 2010 at 10:00 a.m.**

Aloha Chair Kim, Vice Chair Tsutsui and Members of the Committee:

I am Craig Hirai, the chair of the Subcommittee on Affordable Housing, submitting comments on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai'i, and its 8,800 members in Hawai'i. HAR offers the following **comments** with respect to S.B. 2593, S.D. 1, which requires the Hawaii Housing Finance and Development Corporation (“HHFDC”) to conduct periodic reviews of housing projects certified for a General Excise Tax (“GET”) exemption to determine whether the housing projects have met eligibility criteria required by law and rule.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program, which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities. Rental Housing Trust Fund projects qualify for and benefit from the GET exemption under HRS §§ 201H-36 and 237-29.

HRS § 46-15.1(a) allows counties to grant county projects an exemption from GET “in the same manner as projects of the Hawaii housing finance and development corporation pursuant to [HRS] section 201H-36 (. . . .)” in order to:

- (i) Apply the changes to HRS §201H-36 in S.B. 2593, S.D. 1, in a thorough and consistent manner with respect to HHFDC and county approved projects;
- (ii) Avoid “forum shopping” for this GET exemption on new projects as a result of what may be perceived to be easier county compliance standards under HRS §46-15.1(a); and

- (iii) Ensure uniform application of these GET exemption rules for items such as affordable housing associated with mixed-use transit oriented development projects.

HAR respectfully suggests that you consider amending HRS §46-15.1(a) as a part of S.B.2593, S.D. 1, as follows:

**§46-15.1 Housing; county powers.** (a) Any law to the contrary notwithstanding, any county shall have and may exercise the same powers, subject to applicable limitations, as those granted the Hawaii housing finance and development corporation pursuant to chapter 201H insofar as those powers may be reasonably construed to be exercisable by a county for the purpose of developing, constructing, and providing low- and moderate-income housing; provided that no county shall be empowered to cause the State to issue general obligation bonds to finance a project pursuant to this section; provided further that county projects shall be granted an exemption from general excise or receipts and use taxes in the same manner as projects of the Hawaii housing finance and development corporation pursuant to [section] sections 201H-36, 237-29 and 238-3(j) and the rules thereunder; and provided further that section 201H-16 shall not apply to this section unless federal guidelines specifically provide local governments with that authorization and the authorization does not conflict with any state laws. The powers shall include the power, subject to applicable limitations, to:

Alternatively, in the interests of consistency and accountability, the committee may want to consider only allowing the HHFDC, a State agency, to certify or approve housing projects for this State tax exemption in the future.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to submit comments.