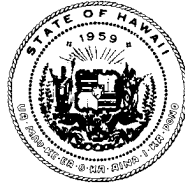


HB 1295 HD1

Measure Title:	RELATING TO TAXATION.
Report Title:	Low-Income Housing Tax Credit
Description:	Increases the low-income housing tax credit to one hundred per cent of the qualified basis for each building located in Hawaii. (HB1295 HD1)
Companion:	
Package:	None
Current Referral:	HSH, WAM
Introducer(s):	JORDAN, HASHEM, KEOHOKALOLE, YAMASHITA, Brower, Creagan, Rhoads, San Buenaventura, Tsuji

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
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
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HUMAN SERVICES AND HOUSING

March 17, 2015 at 1:20 p.m.
State Capitol, Room 016

In consideration of
H.B. 1295, H.D. 1
RELATING TO TAXATION.

The HHFDC ***supports the intent*** of H.B. 1295, H.D. 1, provided that its passage does not adversely impact priorities indicated in the Executive Biennium Budget. H.B. 1295, H.D. 1 would increase the State Low-Income Housing Tax Credit (LIHTC) from 50 percent to 100 percent of the Federal LIHTC.

The LIHTC program is a major financing tool for the construction or rehabilitation affordable rental housing for households at or below 60 percent of the area median income. Under the program, HHFDC awards federal and state tax credits that may be used to obtain a dollar-for-dollar offset in income tax liability for 10 years or may be syndicated to generate substantial project equity. Approximately \$3.229 million in Federal LIHTCs and \$1.614 million in State LIHTCs may be awarded each year.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Suzanne Chun Oakland, Chair
and Members of the Senate Committee on Human Services and Housing

Date: Tuesday, March 17, 2015
Time: 1:20 P.M.
Place: Conference Room 016, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 1295, H.D.1, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of H.B. 1295, H.D.1 and provides the following comments for your consideration.

H.B. 1295 increases the low-income housing tax credit from fifty per cent to one hundred percent of the applicable percentage of the qualified basis for each building in Hawaii. The bill has an effective date of January 1, 2016 and applies to buildings placed in service after December 31, 2015. H.D.1 has a defective effective date of July 1, 2030.

The Department is able to make the change proposed in this measure as this is an amendment of an existing credit.

Thank you for the opportunity to provide comments.



**Testimony to the Senate Committee on Human Services and Housing
Tuesday, March 17, 2015 at 1:20 P.M.
Conference Room 016, State Capitol**

RE: HOUSE BILL 1295 HD1 RELATING TO TAXATION

Chair Chun Oakland, Vice Chair Green, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports the intent of** HB 1295 HD1, which increases the low-income housing tax credit to one hundred per cent of the qualified basis for each building located in Hawaii.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

We understand that this bill would double the existing state tax credit from 50% to 100% for low income housing projects in Hawaii. While we support the need to provide more assistance to these types of projects, increasing the federal low-income tax credits may provide more of an incentive as the federal tax credits is more attractive than the State tax credit.

Thank you for the opportunity to testify.

March 17, 2015

The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services and Housing
State Capitol, Room 016
Honolulu, Hawaii 96813

RE: H.B. 1295, H.D.1, Relating to Taxation

HEARING: Tuesday, March 17, 2015, at 1:20 p.m.

Aloha Chair Chun Oakland, Vice Chair Green, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,400 members. HAR **supports** H.B. 1295, H.D.1, increases the low-income housing tax credit to one hundred per cent of the qualified basis for each building located in Hawaii.

The State Low Income Housing Tax Credit (LIHTC) has been a valuable financing mechanism to generate the development or substantial rehabilitation of affordable rental housing. HAR believe this is one of the key incentives in encouraging developers to build affordable housing and rentals.

Under the program, HHFDC awards federal and state tax credits that may be used to obtain a dollar-for-dollar offset in income tax liability for 10 years or may be syndicated to generate substantial project equity. According to HHFDC, approximately \$3.229 million in Federal LIHTCs and \$1.614 million in State LIHTCs may be awarded each year.

Mahalo for the opportunity to testify.



March 14, 2015

Senator Suzanne Chun Oakland, Chair
Senator Josh Green, Vice Chair
Senate Committee on Human Services and Housing

Support of HB 1295, HD1 Relating to Taxation (Increases the low-income housing tax credit to one hundred per cent of the qualified basis for each building located in Hawaii.)

Tuesday, March 17, 2015 at 1:20 p.m., in Conference Room 016

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF **supports HB 1295, HD1**, which increases the low-income housing tax credit from the current fifty percent tax credit, to a tax credit of one hundred per cent of the qualified basis for each building located in Hawaii. This proposed increase is an important measure that will help our local economy by incentivizing and allowing the development of new, as well as reviving the construction of stalled affordable housing projects.

HB 1295, HD1. The intent of this bill is to encourage the development of low-income housing by providing affordable housing developers with sufficient equity to finance construction, by increasing the amount of tax credit from fifty per cent, to one hundred per cent of the applicable percentage of the qualified basis of each building.

LURF's Position. LURF supports HB 1295, HD1, because the proposed tax credit increase would stimulate the development and construction of affordable housing projects, particularly given the current state of the economy and the dire need for affordable housing.

The lack of affordable housing remains a significant problem affecting Hawaii and Hawaii's families. Finding ways to provide sufficient affordable housing and market housing for Hawaii's residents has been a major objective for our elected officials, and

state and county agencies, and members of the housing industry and business community. This bill will assist in this effort by incentivizing the development, construction and completion of affordable housing, thereby addressing the need for affordable housing, and in turn, boosting the local construction industry.

Over the years, the State Low-Income Housing Tax Credit Program, established pursuant to Hawaii Revised Statutes (HRS), Section 235-110.8, has been a valuable financing mechanism to generate the development or substantial rehabilitation of affordable rental housing. However, in recently tougher economic times, there has been lower demand for state low-income housing tax credits due to the lack of available private investors willing to purchase the tax credits, or the fact that equity generated by any sale of such credits is insufficient to fund development projects. The development and rehabilitation of affordable rental housing projects has thus been stalled generally, due to lack of project equity. Given the current economic circumstances, the State Low-income Housing Tax Credit Program, in its present form, is unable to create or preserve low-income housing as initially intended.

Although HB 1295, HD1 proposes to increase the amount of the low-income housing tax credits that may be claimed by a taxpayer pursuant to HRS Section 235-110.8, LURF expects that the substantial general excise tax and income tax revenues collected as a result of the increase in development and construction generated by this measure, will more than offset the state funding of the tax credits.

Legislative changes to our existing laws, such as the changes proposed by this bill, are critically necessary to help increase the diminished supply of affordable housing in Hawaii, as well as to revitalize the local construction industry and stimulate the local economy.

Conclusion. LURF strongly supports HB 1295, HD1, as it believes the proposed tax credit increase would be an effective mechanism to assist in current efforts being made by the Legislature to address and support the need to provide affordable housing in Hawaii, which in turn, will promote the local workforce and construction industry, stimulate the economy, and further the public interest and general welfare of the State.

Thank you for the opportunity to present testimony regarding this important matter.

Wednesday, March 17, 2015, 1:20 PM
State Capitol, Room 016

WRITTEN ONLY

Testimony of
Michaels Development Company
Monika Mordasini Rossen
Vice President of Development

To the Senate Committee on Human Services and Housing
Senator Suzanne Chun Oakland, Chair
Senator Josh Green, Vice Chair

H.B. No. 1295 – Relating to Taxation
Low-Income Housing Tax Credit

ATLANTIC CITY (NJ)
CHESTER (PA)
CHICAGO (IL)
DETROIT (MI)
FT. WORTH (TX)
HONOLULU (HI)
IRVINE (CA)
JACKSON (MS)
KANSAS CITY (MO)
LODI (CA)
LOS ANGELES (CA)
NEW HAVEN (CT)
NEW ORLEANS (LA)
ORLANDO (FL)
PHILADELPHIA (PA)
PITTSBURGH (PA)
TAMAQUA (PA)
TAMPA (FL)
TRENTON (NJ)
TULSA (OK)
TUPELO (MS)

Chair Chun Oakland and members of the Committee:

The Michaels Development Company supports the increase of the low income housing tax credit to one hundred per cent of the qualified basis for each building located in Hawaii.

The Federal and State low income housing tax credit programs have been the most effective tools in supporting the production and preservation of rental housing for low- and moderate-income families. The allocations of federal and state credits are highly competitive and continue to be oversubscribed in every allocation round.

The State tax credit has made meaningful contributions to the affordable housing inventory and HB 1295 is an opportunity to expand this low-risk investment tool to create additional financing and increase further the supply of affordable rental housing in Hawai'i. With additional investor equity from awarded State tax credits, each affordable housing development will require less gap funding from the Rental Housing Trust Fund (RHTF) or other soft funding sources. With less need for gap funding by each development, gap funding resources can be distributed to more developments in each allocation round, so that more affordable housing units can be produced or preserved each year.

With the expansion of the State tax credit program, which is a very effective means of raising equity capital, there will be more opportunity for local private investment in affordable rental housing for Hawai'i households.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Low-income housing credit

BILL NUMBER: HB 1295, HD-1

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS section 235-110.8 to provide that for each low-income housing project placed in service beginning on January 1, 2016, pursuant to IRC section 42(b), the state housing credit shall be 100% of the applicable percentage of the qualified basis of each building located in Hawaii instead of 50%.

EFFECTIVE DATE: July 1, 2030

STAFF COMMENTS: The legislature by Act 216, SLH 1988, adopted the federal low-income rental housing credit which was part of the Tax Reform Act of 1986. The credit was enacted to offset the repeal of tax shelters and other incentives to build rental housing under prior law, such as accelerated depreciation, capital gains preference, certain tax-exempt bonds, etc., and to specifically target low-income rentals.

The federal credit is a 70% present value credit for qualified new construction and rehabilitation expenditures which are not federally subsidized, and 30% for those which are federally subsidized. While the existing state credit allows for a credit of 50% of the “applicable percentage of the qualified basis” allowed under federal law taken over a period of 10 years, the proposed measure would increase the state credit to 100%.

While this is just one incentive to encourage developers to build affordable housing, consideration should be given to a number of strategies including the debt financing, partnerships with financial institutions who could then turn around and sell the credits, and the use of federal private activity bonds. Finally, apparently public officials still have not recognized that one of the greatest contributors to the cost of housing in Hawaii is the draconian maze of permitting and regulatory processes in order to bring those homes to market. While those regulatory guidelines are to insure the health and safety of the public, streamlining the process would accelerate the time needed to secure those permits thereby reducing the cost of financing. This savings would go a long way toward reducing the final cost of the house to the consumer. For example, for one housing project on Kauai, it took nearly five years to secure the necessary permits to build 14 affordable homes.

Digested 3/16/15

From: mailinglist@capitol.hawaii.gov
To: [HSH Testimony](#)
Cc: amybrinker@mac.com
Subject: *Submitted testimony for HB1295 on Mar 17, 2015 13:20PM*
Date: Sunday, March 15, 2015 4:10:00 PM

HB1295

Submitted on: 3/15/2015

Testimony for HSH on Mar 17, 2015 13:20PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Amy Brinker	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

From: mailinglist@capitol.hawaii.gov
To: [HSH Testimony](#)
Cc: jamesjtz@aol.com
Subject: Submitted testimony for HB1295 on Mar 17, 2015 13:20PM
Date: Sunday, March 15, 2015 10:54:25 PM

HB1295

Submitted on: 3/15/2015

Testimony for HSH on Mar 17, 2015 13:20PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
James Gauer	Individual	Support	No

Comments: Reasonable time frame for residents of low income housing to receive this 100% tax credit

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

HB1161

Submitted on: 3/13/2015

Testimony for HSH/HTH on Mar 17, 2015 13:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Kelley Withy	Individual	Support	No

Comments:

Written Testimony in Support of Restoration of Dental Benefits and SPA

I am a member of the Hawaii State Rural Health Association, and I am writing to offer my strongest support for Hawaii State Legislature's efforts to provide dental care and outreach to those in need in Hawaii. As you know, individuals living in rural areas are more likely to be without insurance than their urban counterparts. Therefore, they have a double challenge in getting healthcare-poor access due to geography and poor access due to lack of healthcare coverage. Dental care is even harder to access in rural areas.

However there is proof that poor oral health is related to cardiac disease and premature birth. Therefore I applaud the Hawaii State Legislature for designating \$4.8 million dollars to restore adult dental benefits in Medicaid. In addition, I support the \$800,000 in funding for outreach and eligibility services at community health centers. Outreach workers at community health centers provide an essential service by assisting individuals and families in applying for not just Medicaid, but other state assistance programs. These include SNAP, TANF, and other essential services that speak to the social determinants of health and their direct impact on the well-being of communities in Hawaii.

Thank you for your attention to these needs of rural community members.

Mahalo!