

Linda Lingle
GOVERNOR



ORLANDO "DAN" DAVIDSON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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Honolulu, Hawaii 96813
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IN REPLY REFER TO

Statement of
Orlando "Dan" Davidson
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION

February 12, 2008, 9:25 a.m.
Room 224, State Capitol

In consideration of
S.B. 2225, S.D. 1
RELATING TO HOUSING.

The HHFDC supports section 2 of S.B. 2225, S.D. 1, and defers to the Hawaii Public Housing Authority with respect to the remainder of the bill. Section 2 makes permanent the 50 percent allocation of conveyance tax revenues for the Rental Housing Trust Fund (RHTF).

The RHTF provides equity gap financing for the construction or preservation of affordable rental housing projects throughout the State. Through the end of calendar year 2007, the HHFDC has leveraged the RHTF to facilitate the development or preservation of 2,391 rental housing units in 32 projects statewide.

Pursuant to section 247-7, HRS, 30 percent of conveyance tax revenues is deposited into the RHTF. Legislation enacted in 2006 and 2007 increased the share of conveyance tax revenues for the RHTF from 30 percent to 50 percent until June 30, 2008. As a result of this increase, along with an appropriation of \$15 million in 2007, there are 1,021 additional rental units in 12 projects in the production pipeline. The list of pipeline projects is attached for your information.

A permanent dedication of 50 percent of conveyance tax revenues, along with an infusion of \$25 million into the RHTF will allow the HHFDC to continue to finance a substantial amount of affordable rental housing units.

Thank you for the opportunity to testify.

RENTAL HOUSING TRUST FUND
Pipeline Projects as of January 2008

Date Awarded	Project	Location	Units	Commitment	Present Status	Estimated Completion Date
Oct. 2005	Senior Residence at Kapolei Pacific Housing Oahu Corporation Kapolei Residence	Oahu	60	\$1,000,000	Under construction	2009
Jun. 2006	Hale Wai Vista Phase I Hawaii Housing Development Corporation	Oahu	84	\$4,500,000	Planning	2009
Jun. 2006	Building 34, Kalaeloa Residence Hall Cantwell-Anderson, Inc.	Oahu	70	\$1,000,000	Planning	2008
Nov. 2006	Hale Wai Vista Phase II Hawaii Housing Development Corporation	Oahu	132	\$16,235,762	Planning	2010
Apr. 2007	Ainakea Senior Residences Hawaii Island Community Development Corporation	Hawaii	30	\$5,300,000	Planning	2009
Apr. 2007	Ewa Villages Phase II EAH, Inc.	Oahu	76	\$6,768,000	Planning	2009
Apr. 2007	Hale Makana O' Nanakuli Hawaii Community Development Board	Oahu	48	\$3,000,000	Planning	2009
Apr. 2007	Kahikolu Ohana Hale O' Waianae Hawaii Coalition of Christian Churches	Oahu	72	\$2,356,000	Under construction	2009
Apr. 2007	Kahului Town Terrace (preservation) EAH, Inc.	Maui	72	\$8,331,609	Planning	2009
Nov. 2007	Hale Mohalu II Coalition for Specialized Housing	Oahu	164	\$16,150,000	Planning	2010
	Hale Mohalu II - Grant Coalition for Specialized Housing			\$850,000		
Jan. 2008	Franciscan Vistas Ewa	Oahu	149	\$11,725,000	Planning	2010
	Ewa Villages Phase 1	Oahu	308	\$1,300,000	Pre-development	2009
		Total	1021	\$77,516,371		



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February 8, 2008

The Honorable Carol Fukunaga, Chair

Senate Committee on Economic Development and Taxation

State Capitol, Room 224

Honolulu, Hawaii 96813

RE: S.B. 2225, S.D. 1, Relating to Housing

Hearing Date: February 12, 2008 @ 9:25 a.m., Room 224

On behalf of our 10,000 members in Hawaii, the Hawaii Association of REALTORS® (HAR) **supports Section 2 of S.B. 2225, S.D. 1**, which repeals the sunset date for the allocation of 50% of the Conveyance Tax to the Rental Housing Trust Fund. HAR also supports the intent of: (a) Section 3 of S.B. 2225, S.D. 1, which makes an appropriation for the repair and maintenance of public housing projects, and (b) Section 4 of S.B. 2225, S.D. 1, which makes an appropriation in general obligation bonds for capital improvement projects to repair and renovate public housing.

We believe Smart Growth is our road map to sustaining and enhancing the quality of life in our communities and we believe that this bill aligns with our core principle of *providing housing opportunities*.

HAR supports 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.

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 testify.

Sincerely,

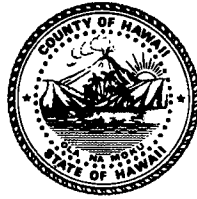
A handwritten signature in black ink, appearing to read "Craig Hirai".

Craig Hirai, Member

Subcommittee on Taxation and Finance

HAR Government Affairs Committee

Harry Kim
Mayor



Edwin S. Taira
Housing Administrator

County of Hawaii
OFFICE OF HOUSING AND
COMMUNITY DEVELOPMENT

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February 08, 2008

The Honorable Carol Fukunaga, Chair
The Honorable Will Espero, Vice-Chair
And Committee Members
Committee on Economic Development and Taxation

Twenty-Fifth Legislature
Regular Session of 2008

SUBJECT: Senate Bill 2225 SD1
Relating to Housing
Hearing Date: February 12, 2008
Time: 9:25 a.m.
Conference Room: 224

The Office of Housing and Community Development (OHCD) supports Senate Bill 2225 SD1 and respectfully requests an amendment to Section 7 of this bill to appropriate \$12 million for the development of the Kaloko Housing Program on the island of Hawai'i.

The OHCD is facilitating the development of the Kaloko Housing Program (KHP), a fifty-four unit multi-family, cluster homes program, which will provide short- and long-term rental service-enriched housing.

The reason it is a top priority for our County is that the KHP is needed to replace the Ka Hale O Kawaihae Transitional Housing Program (24 units), a temporary transitional housing program scheduled for closure in 2009. The facility, which current violates EPA large capacity cesspool standards, is the only shelter that currently serves homeless families in West Hawai'i.

The OHCD has worked with local service providers for over 15 years to find a suitable and permanent location on which to construct a comprehensive housing program, which will include a warehouse to (1) house The Food Basket (formerly known as the Hawai'i Island Food Bank) and Habitat for Humanity; and (2) provide employment opportunities for the participants.

As this program provides housing, employment and educational opportunities for this vulnerable population, the OHCD respectfully requests your amendment of SB 2225 SD1. Thank you for the opportunity to provide testimony.

Edwin S. Taira
Housing Administrator



TESTIMONY IN SUPPORT OF SB 2225 SD1: RELATING TO HOUSING

Date: February 11, 2008

To: Senator Carol Fukunaga, Chair; and Senator Will Espero, Vice Chair,
and Members, Senate Committee on Economic Development & Taxation

From: **Neighborhood Board # 8, McCully-Moilili,**
Betty Lou Larson, Chair of Housing & Homeless Committee, NB #8

Hearing: **Tuesday, February 12, 2008; 9:25 am; CR 224**

Honorable Chair and members of the Senate Committee on Economic Development & Taxation:

Thank you for the opportunity to provide testimony to support SB 2225, SD1, which provides funding for the affordable housing crisis and services to homeless persons. I am Betty Lou Larson, representing the McCully-Moilili Neighborhood Board, #8.

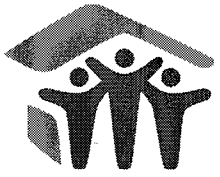
Our neighborhood is greatly concerned about the lack of affordable housing and the growing population of homeless persons. We have homeless persons sleeping at bus stops, in parks, in bushes in many parts of our neighborhood. We have people sleeping in cars. We have elders and working families who are in crisis and unable to afford the market rents that have increased greatly over the past few years. Our neighborhood is similar to neighborhoods across the state that are being impacted by the severe lack of affordable housing. We set up a Housing and Homelessness Committee to work with others in the community on these issues.

On February 7, 2008, Neighborhood Board #8 passed the resolution, attached, in support of funding to create more affordable (rental) housing and homeless services. In order to ensure adequate affordable housing, we support increasing the percentage of the conveyance tax allocated to the Rental Housing Trust Fund (RHTF) to **65%, and make this permanent**. We note the change in SD 1 to repeal the sunset date for the conveyance tax's funding that would go to the Rental Housing Trust Fund. We strongly support this repeal. Dedicated funding is critical to provide much-needed predictability for builders, landowners, etc. to develop more affordable rental projects. This funding needs to be permanent to address ongoing housing needs.

Neighborhood Board #8 also supports **targeting 65% of the conveyance tax to the Rental Housing Trust Fund to support construction of rental housing. We request that the 65% allocation be added to this bill.**

We also support adequate funding to repair public housing, in order to offer rents at 30% of tenants' incomes. We support funding services that assist homeless persons, including continual/ongoing operational funds for outreach and support services, transitional housing and new shelters (\$5.3 million).

This year, we must focus on bills that can move families and homeless individuals from our parks, streets, and neighborhoods, and help our residents obtain affordable housing. We urge your support for this bill that can be a very important step forward.



Hawaii
Habitat
for Humanity®
Association

*Building
houses,
building
hope*

Testimony in support of SB2225SD1: Relating to Affordable Housing
Committee on Economic Development and Taxation
Tuesday, February 12, 2008 9:25 a.m., Conference Room 224

Habitat for Humanity strongly supports this bill for the following reasons:
Rental Housing Trust Fund: this bill extends the sunset of allocation of the conveyance tax to the rental housing trust fund. We further believe this allocation should be a permanent one. With the rising costs of rent and concurrent loss of rental housing in Hawaii, more and more families are unable to afford to have a roof over their heads. The rental housing trust fund has long been the best mechanism for getting affordable rentals on the market to rebuild our affordable housing stock. While Habitat for Humanity does not have access to these funds for our builds, we never the less strongly support this bill because our mission is to eliminate substandard housing and homelessness in Hawaii. The rental housing trust fund helps to move our state in that direction.

Expedited Permitting: Habitat homes are frequently delayed while waiting for permitting to take place. We could house more families more quickly if this issue were addressed.

Public Housing: Repair of public housing is the most rapidly available method for increasing affordable housing availability for very low income families. It is unbelievable to know that affordable apartments vacant when so many families are living in severely overcrowded situations, in parks and on the beaches and in shelters.

Shelter: Habitat for Humanity works for housing for everyone and when we advocate for shelter we mean a home. Still, I often walk from my downtown office to my car late at night. On that walk I pass doorway after doorway being used by homeless people as a place where they hope to find rest and safety for the night. It should not be acceptable to any of us that for many people their only option is a doorway on the street.

Kathleen Hasegawa, Executive Director
Hawaii Habitat for Humanity, 1164 Bishop St., Ste. 510, Honolulu 96813

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Earmarking for rental housing trust fund

BILL NUMBER: SB 2225, SD-1
2/12 EOT

INTRODUCED BY: Senate Committees on Commerce, Consumer Protection, and Affordable Housing and Human Services and Public Housing

BRIEF SUMMARY: Amends Act 100, SLH 2006, as amended by Act 222, SLH 2007, to repeal the June 30, 2008 sunset date of the increase in the earmarking of the conveyance tax revenues to the rental housing trust fund. Makes various appropriations for various homeless and housing programs and projects in the state.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: The legislature by Act 195, SLH 1993, earmarked 25% of the conveyance tax revenues to the rental housing trust fund and another 25% to the natural area reserve fund. In 2005, the legislature by Act 156, SLH 2005, increased this earmarking to 30%. The legislature by Act 100, SLH 2006, again increased the earmarking to 50% until June 30, 2007 and provided that the earmarked amount was to revert back to 30% on June 30, 2007. Last year the legislature by Act 222, SLH 2007, extended the sunset date to June 30, 2008. The proposed measure makes this increased earmarking of conveyance tax revenues to the rental housing trust fund permanent.

The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation with additional data for the determination of market value of properties transferred. This information was also to assist the department in establishing real property assessed values and at that time the department stated that the conveyance tax was not intended to be a revenue raising device. The conveyance tax is imposed each time property changes title or ownership

It should be remembered that the conveyance tax is one of the least dependable sources upon which to rely for funding with collections rising and falling with the fortunes of the real estate market. Any amount collected under this tax will depend on activity in the real estate market. If the housing market slows down, revenues may not be sufficient to meet the expectations of the fund. If the additional revenues are not sufficient or another "important" program needs funding, will the conveyance tax be increased to generate even more revenue?

If the legislature deems affordable housing to be such a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. When the legislature dipped into housing special funds to maintain funding for programs like education and social services, that was poor tax policy. This proposal represents the obverse, lawmakers are stealing from the general fund all in the name of affordable housing. When general fund revenues wane, will elected officials once more dip into

special funds or repeal this earmarking or in the alternative raise taxes? Earmarking revenues restricts the flexibility in utilizing these revenues. The question that lawmakers must ask themselves is whether or not all of the currently earmarked funds are being used wisely and accomplishing the intended goals. With earmarked funds that can only be used for a designated purpose, lawmakers tend to overlook how those earmarked funds are being used.

Before earmarking any more funds for affordable rental housing, lawmakers should assess the success of the affordable rental housing program. Further, they should take into consideration the fact that during the past decade the homes revolving fund was raided to shore up general fund expenditures and that if the concern is affordable housing in Hawaii, then the homes revolving fund should be made whole again with an appropriation of general funds.

While the fortunes of the rental housing fund, natural area reserves program, and the legacy lands program have been greatly enhanced because of the recent boom in the real estate market, the ebullience of the collections of this tax have also been bolstered by the fact that lawmakers enacted a schedule of rates that basically punishes larger transactions be they residential or nonresidential and if residential, higher rates if the residence is not to be owner-occupied. This strategy of trying to punish larger transactions and transactions of residential property that will not be owner-occupied is childish and reflects the ignorance of lawmakers about the reality of the real estate market. First, not all transactions of \$1 million or more involved residential property. As a result the higher rates on transactions of \$1 million or more penalize the transfer of commercial, industrial, and agricultural property - all types of nonresidential property - most of which are of values greater than \$1 million. Thus, lawmakers have added yet another nail in the coffin for businesses in Hawaii. Second, just because residential property that is sold is not to be owner-occupied does not infer that something bad is taking place. Do lawmakers realize where rental housing comes from? It does not just drop out of the sky. With policies like this there is no wonder that there is such a scarcity of rental housing in Hawaii. Further, the highest conveyance tax rate is imposed on residential real property that will not be owner-occupied where the transaction value is more than \$1 million. A recent transaction of dilapidated rental housing which the purchaser proposes to redevelop into affordable rentals was subject to this highest rates. Thus, all the punitive conveyance tax will do is make this affordable housing development less affordable. So as long as the rental housing trust fund is dependent on this earmarking, there is no likelihood that the conveyance tax will ever be looked upon as anything but a cash cow ripe for even more tax increases.

What is so characteristic of the legislature is reflected in the conflicting and contradictory policies embodied in the conveyance tax law. On one hand, lawmakers seem to make a "commitment" to affordable rental housing by earmarking the receipts of the tax for the trust fund while at the same time punishing those purchasers of residential property that will not be owner-occupied with higher confiscatory rates. This type of thinking is an indication of the lack of understanding of where the state's rental inventory originates. As long as this thought pattern continues, taxpayers can rest assured that the legislature will never truly address the problem, let alone come up with rational solutions.

Digested 2/11/08