

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

SENATE COMMITTEE ON WAYS & MEANS

TESTIMONY REGARDING SB 2225 SD 2 RELATING TO HOUSING

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: FEBRUARY 22, 2008

TIME: 11:00AM

ROOM: 211

This bill proposes, among other things, to extend the increased amount of conveyance tax deposited into the Rental Housing Trust Fund from Act 100, Session Laws of Hawaii 2006. Act 100 increased the amount of conveyance tax deposited to 50% of revenues realized through June 2008.

The Committees on Human Services & Public Housing and Commerce, Consumer Protection & Affordable Housing amended this measure to eliminate the repeal date for the increase in conveyance tax deposits to the Rental Housing Trust Fund, as requested by the Department.

The Committee on Economic Development & Taxation amended the measure by defecting the effective date.

The Department of Taxation ("Department") **supports the conveyance tax component in this measure.**

I. THE DEPARTMENT DEFERS TO THE HOUSING AGENCIES ON THE MERITS.

The Department defers to the various executive housing agencies on the merits of this bill in general. Hawaii is currently facing an affordable housing crisis. It will take meaningful initiatives on behalf of the Legislature, as well as the Governor, in order to eliminate the shortage of affordable housing suitable for Hawaii residents.

II. THE ISSUE OF AFFORDABLE HOUSING IS IMPORTANT.

The Department recognizes that affordable housing is an important issue. To properly eliminate the affordable housing crisis, sufficient money must also be available for administration initiatives.

This legislation is a positive solution. Providing sufficient funding will assist in remedying the housing shortages in Hawaii. As amended, the Department supports that this legislation extends the conveyance tax deposit to the Rental Housing Trust Fund.

III. REVENUE IMPACT.

There will be no impact on overall tax collections, however the allocation of funds will be affected. There is an expected General Fund tax revenue loss of approximately \$11.7 million for FY2009 and annually thereafter. The Rental Housing Trust Fund will increase by the same amount.

The General Fund expenditures are expected to increase by \$8.8 million, however, this will not impact the revenue. The bonds should not impact revenues.

According to the Department of Taxation's Annual Report, total conveyance tax revenue for FY2007 was \$46.9 million. It was expected that after Act 100, SLH 2006 was repealed, an additional 25% of the conveyance tax revenue would be deposited into the General Fund. This amount is therefore assumed to be the revenue lost as a result of the sunset date extension.

LINDA LINGLE
GOVERNOR



CHAD K. TANIGUCHI
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
Honolulu, Hawaii 96817

Statement of
Chad K. Taniguchi
Hawaii Public Housing Authority
Before the

SENATE COMMITTEE ON WAYS & MEANS

February 22, 2008, 11:00 a.m.
Room 211, Hawaii State Capitol

In consideration of
S.B. 2225, S.D.2
RELATING TO HOUSING

The Hawaii Public Housing Authority (HPHA) supports S.B. 2225 S.D.2 to the extent that it does not adversely impact HPHA's funding priorities as indicated in the Executive Supplemental Budget.

Please note that the general fund appropriation of \$5,300,000 in section 6 of the bill contains an erroneous citation to "purchase service agreements under chapter 42F, Hawaii Revised Statutes". Chapter 42F, HRS, governs grants and subsidies that are designated by the legislature to a specific recipient, while chapter 103F, HRS, governs the purchase of service agreements. HPHA requests that the language be amended to cite chapter 103F, HRS, since the appropriation will be used for the purchase of service agreements.

HPHA appreciates the overall concept of this bill to fund public housing repair and maintenance, capital improvement projects, and security, as well as fund homeless facilities and services, since it is generally supportive of the Administration's goals and objectives in the Executive Supplemental Budget.

Thank you for the opportunity to provide testimony on this measure.

Linda Lingle
GOVERNOR



ORLANDO "DAN" DAVIDSON
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
Orlando "Dan" Davidson
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON WAYS AND MEANS

February 22, 2008, 11:00 a.m.
Room 211, State Capitol

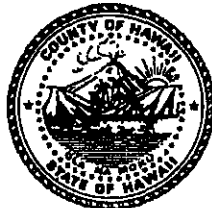
In consideration of
S.B. 2225, S.D. 2
RELATING TO HOUSING.

The HHFDC supports section 2 of S.B. 2225, S.D. 2, 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. 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 provide written testimony in support of this bill.



Harry Kim
Mayor

Dixie Kaetsu
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawai'i

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February 20, 2008

The Honorable Rosalyn Baker
Chair, Committee on Ways and Means
415 South Beretania Street
Honolulu, HI 96813

Dear Senator Baker and Committee Members:

Re: SB 2225, SD 2

I would like to express my thanks to this committee and to the Committee on Human Services and Public Housing, for your efforts to deal with the housing crisis we face in the State of Hawai'i. The number of people who are homeless or at risk of becoming homeless is staggering, and the community can be grateful to this Legislature for recognizing the need to deal with this terrible problem.

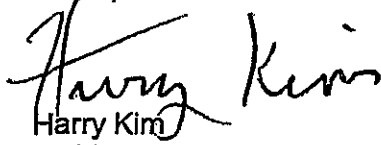
While I support the various provisions of SB 2225, SD 2, I am most knowledgeable and would like to focus on Section 7, which would provide funds for Hawai'i Island to address its shelter needs in West Hawai'i.

In all of Kona and all of Kohala, we have only one homeless shelter (in Kawaihae), and it must close because of EPA regulations and problems with its lease. Thanks to some wonderful non-profit organizations like Catholic Charities, this issue was brought to my attention, and I determined to make it my number one priority for this Legislative Session, in this my last year as mayor. I cannot, in good conscience, leave half of Hawai'i County without some shelter for our homeless population.

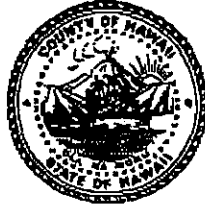
Our County Office of Housing and Community Development has worked with the service providers, and together they have developed a plan to establish the Kaloko Housing Program on an eight acre parcel of non-ceded land. If we are successful in securing funding, we will build more than a shelter, we will build a program. I will leave it to others to describe the vision, which is not extravagant but which is meant to meet the real needs of part of our homeless population.

Thank you for your consideration of this bill. It reflects an urgent need, and I urgently ask for your approval.

Aloha,


Harry Kim
MAYOR

Harry Kim
Mayor



Edwin S. Taira
Housing Administrator

County of Hawaii
OFFICE OF HOUSING AND
COMMUNITY DEVELOPMENT

50 Wailuku Drive • Hilo, Hawai'i 96720-2456
V/T (808) 961-8379 • FAX (808) 961-8685

February 20, 2008

The Honorable Rosalyn H. Baker, Chair
The Honorable Shan S. Tsutsui, Vice-Chair
And Committee Members
Committee on Ways and Means

Twenty-Fifth Legislature
Regular Session of 2008

SUBJECT: Senate Bill 2225, SD2
Relating to Housing
Hearing Date: February 22, 2008 at 11:00 a.m.
Conference Room: 211


The Office of Housing and Community Development (OHCD) supports Senate Bill 2225, SD2 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.

Due to non-compliance with current EPA large capacity cesspool requirements, Ka Hale O Kawaihae Transitional Housing Program (24 transitional units) is scheduled for closure 2009. As a result, the County will lose its only housing program that serves homeless families in West 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 KHP will include a facility to house The Food Basket (formerly known as the Hawai'i Island Food Bank) and Habitat for Humanity, which will in turn provide employment opportunities for program participants. As there are currently no immediate neighbors in the area, it is critical that the County secure the funding needed to develop this program as soon as possible.

For more than 15 years, the OHCD has collaborated with its local service providers and community stakeholders to find a suitable and permanent location on which to construct the KHP. The County is hopeful that this comprehensive housing program will be a successful model for future housing programs in the State.

As this program provides housing, employment and educational opportunities for working homeless families, the OHCD respectfully requests your support and amendment of SB 2225, SD2. Thank you for the opportunity to provide testimony.


Edwin S. Taira
Housing Administrator



EQUAL HOUSING OPPORTUNITY
"HAWAII COUNTY IS AN EQUAL OPPORTUNITY
PROVIDER AND EMPLOYER"

KALOKO HOUSING PROGRAM: A COMMUNITY EFFORT

The Goal: Address the critical need for homeless services by maintaining needed facilities for families with children, as a crucially vulnerable population, and also address the source of the problem by creating affordable housing for people in need. This project is being developed in collaboration with the County of Hawai'i, and the "Continuum of Care" network of homeless advocates (including provider agencies, government, businesses, and concerned individuals.)

Kaloko Housing Program:

24 Units - Transitional Housing for homeless families
 30 Units - Affordable Housing (minimum) with access to support services
 Community Center, Program Offices, Classrooms and Provider Meeting Rooms
 Warehouse: Food Basket, Habitat for Humanity (job training resource)

Critical Timing Issues:

Kawaihae Transitional Housing Program (KTHP) closure June 30, 2009
 Prevent NIMBY while project is in an area without immediate neighbors

Homeless Families Island-Wide:

Over 65% of the total homeless population of all the rural island counties is on the Big Island, including growing number of homeless families, up 27% over the last count in 2005. (Homeless Point In Time Count, 2007)

KTHP currently provides 66% of the inventory of transitional housing units serving homeless families from Hilo, Kau, Puna, Kohala and Kona.

After its closure in 2009, only 12 units will remain to service the whole island. This would leave the Big Island with the lowest number of transitional housing units for families in the entire State.

Comprehensive, Community-Based Model

A unique project based on the needs of the local community.
 (rental housing, workforce, transportation, education and family support)

A model which can be replicated elsewhere, for application in other areas on island and statewide:

- Co-location of transitional with affordable units, with support services and community resources to help families maintain long-term stability.
- Engaging the energy and involvement of the community coalition to build awareness and support the project.

Collaborative Community Investment

County of Hawai'i:

Acquired land, funds and commitments for project design, infrastructure
 Mayor Kim has identified the project as #1 Legislative Priority for 2008

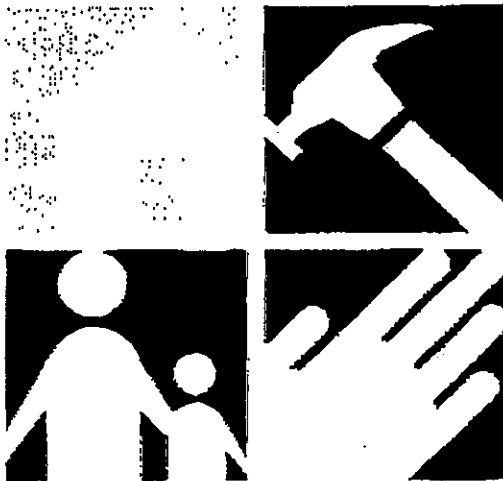
State CIP Funding Request:

Essential for construction of transitional housing. (few other sources)
 Foundation to leverage other funds.

Collaborative Partnerships:

Habitat for Humanity: labor and materials to support construction
 Array of provider partners and community resources





A Community Effort

A comprehensive collaborative effort utilizing public-private partnerships to establish a community solution.

Land:
TSA Developer / County

Design Funds:
Federal HOME Funds / County

Infrastructure:
TSA Developer / County

Community Support:
Community Alliance Partners

Construction Funds:
STATE CIP Funding Request

Labor and Materials:
Habitat for Humanity

Program Operator:
(Selection in progress)

Affordable Housing Developer:
(Selection in progress)

Support Services:
Multiple providers (listed at right)

Kaloko Housing Program: Community Investment Timeline

► Completed / In-progress

- Secure land, and commitments for infrastructure
- Obtain Federal funds for project design
- Gather community input to identify key area of need to be served
- Establish network of agencies to provide tailored service array
- Assemble coalition of community advocates
- Promote homeless awareness, cultivate support of neighbors
- Execute contract to begin design process
- Selection of program operator and non-profit project developer

► Current Activity

- Request State contribution toward construction funds

► Future Steps

- Obtain resource commitments from private sector and community
- Begin program construction: Phase 1 (transitional*), Phase 2 (affordable)

If needed:

- Pursue additional Federal and State resources for Phase 2 construction
- Initial State funding used to leverage possible matching funds

*State funding is essential to begin construction of transitional housing alternative prior to 2009.

Onsite Services For Families

A network of provider partners offer tailored services to help families succeed.

Homeless Referrals	Office of Social Ministry: Care A Van
Life skills training	Catholic Charities Hawai'i
Job Training and Placement	Workforce Development & Altra Staffing
Budgeting	Catholic Charities Hawai'i
Credit Counseling	Credit Counseling Hawai'i
Renters Education/Tenant Suitability	Office of Social Ministry
Educational Needs	DOE and Migrant Ed. Program
Adult Education, GED, ESL	Kona Community School for Adults
Transportation Services	Catholic Charities Hawai'i
Counseling Referrals	Private, Community Agencies, and Family Guidance Center (DOH)
Keiki Play Program for Toddlers (TIFFE)	The Institute For Family Enrichment
Youth Enrichment Activities	HPA, Youth groups, Under His Wings
Child and Family Development	Hale Kipa, HeadStart, HealthyStart, Neighborhood Place of Kona

These essential partnerships are currently part of the Transitional Housing Program operated by Catholic Charities Hawai'i at Kawaihae. With the proximity of the site to the urban core, the availability of providers, such as the Food Basket and Habitat for Humanity, will increase.

PROGRAMS FOR LEGISLATIVE SESSION 2007-2008
County of Hawai'i – Office of Housing and Community Development
Contact: Jeremy McComber, 808/961-8379

Request: \$12 Million – Kaloko Housing Program

The Kaloko Housing Program (KHP) will be constructed on an 8-acre parcel acquired by the County of Hawai'i (County). The site is located north of Kaloko Industrial Park, off of Hina-Lani Street in Kailua-Kona, Hawai'i (Tax Map Key: 7-3-009:055). The County will facilitate the development of a minimum of 54 multi-family units (24 transitional and 30 affordable rental), which will provide transitional and affordable rental housing to families negatively impacted by homelessness. Included in this program will be a warehouse facility, operated by the Habitat for Humanity – West Hawai'i and The Food Basket, which will provide a unique opportunity for **job readiness and placement on-site**. This essential component will enhance the sustainability of the program – strengthening the ability of participants to not only secure long-term housing, but training and employment resources as well.

The need for a **comprehensive homeless program** has been the County's challenge for over 15 years. The County has worked with the community address the needs of the housing continuum, beginning with the inception of The Friendly Place (donated by Stanford Carr Development), which provides essential daytime services to the homeless population in West Hawai'i. A 30-bed overnight shelter (funded by the County, State and the U.S. Department of Housing and Urban Development), which is currently in the environmental review stage, will address emergency housing needs of the homeless. While the County is utilizing \$40 million of its limited resources to provide permanent affordable housing (rental and for-sale) in Waikoloa, the KHP remains the critically-needed **missing piece of the housing continuum**. Partnership with the business community, along with the service providers composing the **Community Alliance Partners (CAP)**, the KHP has been designed to serve the need of working families in West Hawai'i. As there are currently no immediate neighbors, which has posed problematic in the past, it is critical that the County begin development of the program as soon as possible – alleviating **perceptions of NIMBY (Not In My Backyard)**.

PROGRAM BACKGROUND

The KHP will offer a secure environment, which will strengthen the community by providing **service-enriched housing** – stabilizing families affected by homelessness. Units will be secure, yet user-friendly, while integrating private quarters for families with communal uses such as classrooms and recreational facilities, and office space for supportive service providers. A **tailored service array** will address such needs as life skills training, budgeting and credit counseling, job training and placement, educational referrals and resources, transportation, childcare and youth enrichment, as well as counseling referrals – backed by a government, non-profit and community-based collaborative. A combination of housing and customized services will create an **uplifting environment** that doesn't overpower the residents, who may be afflicted by

any of the social and/or economic strains of homelessness. The end result will be **creation of an affordable community** for families negatively impacted by homelessness – **a safer community closer to where families work and play.**

The County will lease the KHP to a non-profit organization for management and daily operation. Funding for the program will likely be obtained through the State's Homeless Stipend (SHSP) Program and revenues generated by the affordable rentals. As such, management and recordkeeping for the program will be conducted by the program operator in accordance with SHSP requirements and applicable rental guidelines.

Monitoring of the lease agreement with the program operator will be conducted by the County's Office of Housing and Community Development (OHCD).

FUND AMOUNT REQUESTED

The County requests \$12 million for construction of the KHP. Phase I will include 24 units to replicate and enhance transitional housing and services currently offered at Ka Hale O Kawaihae Transitional Housing Program, while Phase II will offer 30 service-enriched rental housing units to provide longer-term housing opportunities for participants successfully transitioning from emergency housing programs or working families in need of affordable rental housing.

NEED OF FUNDS

SHELTER CLOSURE

The need for this program is urgent, with the forecasted closing of the Ka Hale O Kawaihae Transitional Housing Program (24 units), a temporary shelter located in close proximity to a tsunami inundation area – **the only shelter that serves homeless families** in West Hawai'i. The small, **10' x 10' portables** are housing large families of **6 to 8 people**. This housing program, an interim solution utilized until a more practical site could be secured, remains at full capacity some **15 years later**. The KHP will replace the loss of the Kawaihae shelter as well as provide a significant increase in housing inventory for Hawai'i County. Units at KHP will more than double the current county and state supply of supportive units currently in operation.

GROWING POPULATION

As the Big Island continues to grow in size, so does its population. The most current *County of Hawai'i Data Book, 2004 (with updates)*, confirms that the Big Island has experienced a large population increase – from just under 150,000 people in 2000 to just over 170,000 in 2006. This rapid **rate of population growth surpasses** the other rural island counties. In addition, the Big Island continues to have the **highest per capita of homeless** persons in the state.

ACCESS TO LIFE ESSENTIALS

While the state as a whole has felt the negative affects of increasing housing prices and decreased availability of affordable housing inventory, the Big Island remains the **most**

affordable island within the chain. Combined with a still rural atmosphere of "old Hawai'i", the Big Island has an appeal that is apparent from a migrant influx from, not only the continental U.S., but neighbor islands as well. This **incoming population** spans the gamut of homeless persons to gainfully-employed two-income households. As indicated in *Economic Well-Being in Hawai'i: Family and Individual Self-Sufficiency (Aloha United Way)*, an individual in Hawai'i County earns a **living wage lower than** his/her counterparts on any of the other islands – making affordability in housing more competitive among the working poor here.

Transportation has been an issue for all people in the spectrum, as **affordable housing is limited near the urban core**. For those that do have reliable transportation, fuel cost becomes a financial concern – both in price and frequency in accommodating housing, employment and educational needs. Households at the Ka Hale O Kawaihae currently travel hours to access these resources that are located closer to urban core.

HIGHER DEVELOPMENT COSTS

The cost to develop housing and/or service resources for the homeless population has also become a financial challenge. With lava rock covering much of the terrain on many parts of the young island, **costs to develop and construct are much higher** than that of the other islands. Homeless service providers do not have the financial wherewithal to respond to such expenses. Homeless programs are then forced to stretch existing limited resources to accommodate need, which stresses program and facility functionality. In short, **fewer programs and facilities serve well beyond capacity**.

RESOURCE COMMITMENTS

The County secured an 8-acre parcel from TSA Corporation (TSA), along with a commitment from TSA to install (1) an access roadway to the parcel and (2) a water service lateral (of which half will be paid by the County).

The County was awarded \$325,279.21 through the U.S. Department of Housing and Urban Development's (HUD) HOME Investment Partnership Program (HOME). Use of the HOME program is for the design of the KHP. If the County is unable to complete this project, HOME funds would have to be returned to HUD – jeopardizing future federal funding, as evidenced by the unspent HOME funds.

The County has also begun collaboration with Habitat for Humanity on labor resources to offset construction costs of the project.

PROJECT TIMELINE

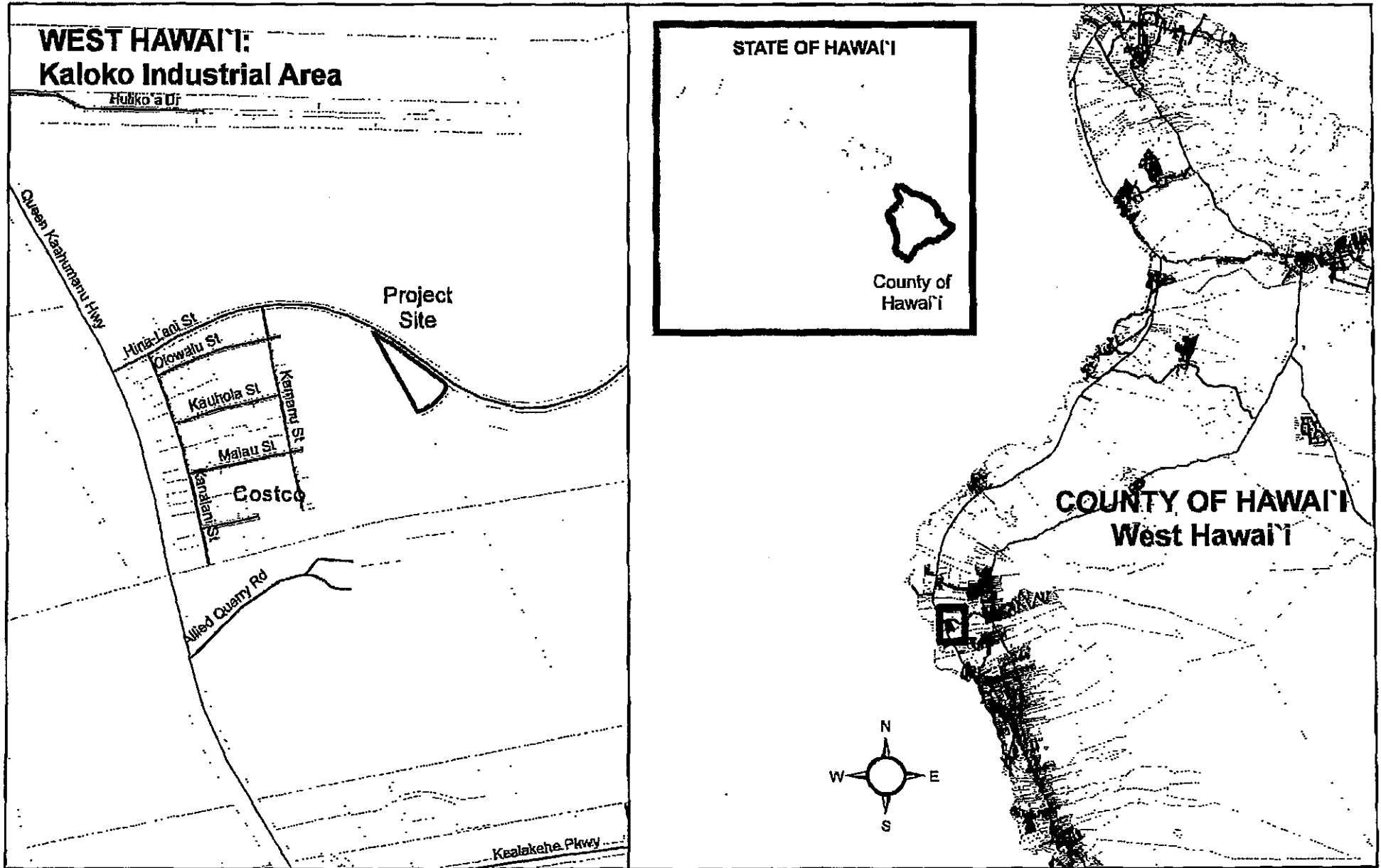
Planning:	11/2007 - 04/2008
Design & Bid:	01/2008 - 06/2008
Pre-Construction:	07/2008 - 08/2008
Construction (transitional):	09/2008 - 01/2009
Construction (rental):	10/2008 - 05/2009

KALOKO HOUSING PROGRAM Preliminary Budget

	Phase I (24 Transitional Units; 1 Warehouse)	Phase II (30 Permanent Affordable Rental Units)	Total
OFF-SITE WORK			
Road Improvements	\$ 218,000.00	\$ -	\$ 218,000.00
Waterline Extension	\$ 76,700.00	\$ -	\$ 76,700.00
Water Fees	\$ 92,394.00	\$ -	\$ 92,394.00
HELCO Fees	\$ 17,700.00	\$ -	\$ 17,700.00
ON-SITE IMPROVE			
Site Work	\$ 1,000,020.00	\$ -	\$ 1,000,020.00
Sewage Disposal	\$ 236,000.00	\$ -	\$ 236,000.00
Landscaping	\$ 177,000.00	\$ -	\$ 177,000.00
NEW CONSTRUCTION			
New Buildings	\$ 3,560,453.33	\$ 4,450,566.67	\$ 8,011,020.00
Furniture, Fixtures & Equipment	\$ 13,111.11	\$ 16,388.89	\$ 29,500.00
CONTINGENCY			
Construction Contingency	\$ 405,771.11	\$ 507,213.89	\$ 912,985.00
ARCHITECTURAL & ENGINEERING			
Architecture Fee Design	\$ 350,460.00	\$ -	\$ 350,460.00
Blueprints	\$ 8,903.00	\$ -	\$ 8,903.00
Civil Engineer Fees	\$ 169,544.00	\$ -	\$ 169,544.00
Sanitation Engineer/Permitting	\$ 39,289.00	\$ -	\$ 39,289.00
Landscape Architect	\$ 51,520.00	\$ -	\$ 51,520.00
Geotechnical Services	\$ 23,600.00	\$ -	\$ 23,600.00
Survey	\$ 20,160.00	\$ -	\$ 20,160.00
Construction Management	\$ 173,544.00	\$ -	\$ 173,544.00
INTERIM COSTS			
Construction Insurance	\$ 20,977.78	\$ 26,222.22	\$ 47,200.00
Construction Interest	\$ -	\$ -	\$ -
Construction Loan Origination Fee	\$ -	\$ -	\$ -
Appraisal	\$ 1,068.67	\$ 1,333.33	\$ 2,400.00
Real Property & Other Taxes	\$ -	\$ -	\$ -
Construction Docs./Loan Legal	\$ 7,866.67	\$ 9,833.33	\$ 17,700.00
FINANCING FEES & EXPENSE			
Permanent Loan Origination Fee	\$ -	\$ -	\$ -
Title & Recording	\$ 10,488.89	\$ 13,111.11	\$ 23,600.00
SOFT COSTS			
Market Study	\$ 10,500.00	\$ -	\$ 10,500.00
Environmental Report	\$ 76,700.00	\$ -	\$ 76,700.00
Tax Credit Fee	\$ -	\$ -	\$ -
Rent Up	\$ -	\$ -	\$ -
SYNDICATION			
Organizational	\$ -	\$ -	\$ -
Tax Opinion	\$ -	\$ -	\$ -
DEVELOPER'S FEES			
Developer's Overhead	\$ 306,222.22	\$ 382,777.78	\$ 689,000.00
Developer Fee	\$ 124,444.44	\$ 155,555.56	\$ 280,000.00
TOTAL	\$ 7,192,438.22	\$ 5,563,002.78	\$ 12,755,439.00

Estimates based on Hualalai Elderly Housing Phase III (30 one-bedroom units [500 square feet each], office space, common restrooms, laundry and activity rooms) and Kinole Senior Housing Project (30 one-bedroom units [576 square feet each], elevators, office space, laundry room, common restrooms, maintenance facility, activity room, and common kitchen and gathering areas). The figures were adjusted for the actual number of units, size of units, number of bedrooms, construction type and inflation as stated in the Consumer Price Index (CPI).

Kaloko Housing Program Tax Map Key: 7-3-009:055

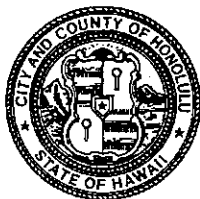


Created: 8/22/06
Modified: 10/25/07

DEPARTMENT OF COMMUNITY SERVICES
CITY AND COUNTY OF HONOLULU

715 SOUTH KING STREET, SUITE 311 • HONOLULU, HAWAII 96813 • AREA CODE 808 • PHONE: 768-7762 • FAX: 768-7792

MUFI HANNEMANN
MAYOR



DEBORAH KIM MORIKAWA
DIRECTOR

ERNEST Y. MARTIN
DEPUTY DIRECTOR

February 20, 2008

The Honorable Rosalyn Baker, Chair and Members
Senate Committee on Ways and Means
State Capitol, Room 210
Honolulu, Hawaii 96813

Dear Chair Baker and Members:

Subject: SB No. 2225, SD2 Relating to Housing
Decision Making: February 22, 2008, 11:00 am

The Department of Community Services strongly supports the repeal of the sunset date for earmarking a portion of conveyance tax collections for the rental housing trust fund. Sporadic funding of the trust fund has resulted in the current situation where few affordable units are available to low and moderate income renters at this time. The Department administers approximately 4,000 housing choice vouchers and is keenly aware of the dire need for affordable units. As you are aware, the housing development process is a long one requiring several years from project inception to occupancy of dwelling units. A dedicated source of significant funding must be provided through this and other measures to allow development of much needed housing units statewide.

The Department also supports (1) the authorization of general obligation bond issuance and appropriation in Section 4 of the bill for capital improvements at public housing projects; and (2) the appropriation of funds in Section 6 of the bill for outreach and support services for persons who are unsheltered or residing in homeless facilities, in the form of shelter operating funds as well as matching funds to federal homeless grant funds. Regarding Section 7 of the bill authorizing general obligation bond issuance and appropriation for Oahu and Hawaii shelters for persons experiencing homelessness, specifically for Honolulu, the Department prefers long term shelter or permanent housing options. With so many competing demands for state funds at this time, we urge you to commit funding for the long term shelter needs of our community. Thank you for the opportunity to provide this testimony.

Sincerely,


Deborah Kim Morikawa
Director

DKM:gk

A JOINT LEGISLATIVE EFFORT

E-Mail to: testimony@Capitol.hawaii.gov
Regarding: Senate WAM hearing
Hearing on: February 22, 2008 @ 11:00 a.m. in room 221

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Downes, Patrick
Himenes, Dr. Carmen
Ignacio, Carol
Pilar, Prudencio
Larson, Betty Lou
Rauckhorst, Jerome
Tong, Myron
Yoshimitsu, Walter

Date: February 20, 2008

To: Senate Committee on Ways & Means
The Honorable Roslyn Baker, Chair
The Honorable Shan Tsutsui, Vice Chair

From: Kelly M. Rosati, JD
Executive Director, Hawaii Family Forum
Lobbyist, Roman Catholic Church in the State of Hawaii

Re: **Support for SB 2225 SD 2 Relating to Housing**

Honorable Chair and members of the Senate Ways & Means Committee, I am Kelly Rosati, representing both the Hawaii Family Forum and the Roman Catholic Church in the State of Hawaii. Hawaii Family Forum is a non-profit, pro-family education organization committed to preserving and strengthening families in Hawaii. The Hawaii Catholic Conference is the public policy voice for the Roman Catholic Church in Hawaii, which under the leadership of Bishop Larry Silva, represents over 210,000 Catholics in Hawaii.

We support SB 2225 SD1, which appropriates funding for various homeless and housing programs and projects. The bill also repeals the sunset date for allocation of conveyance tax to the Rental Housing Trust Fund and provides funding for various public housing and homeless programs. There is a great need for consistency of funding for affordable rentals.

There is also a need for adequate funds to create a much larger number of affordable rental units. 50% of the conveyance tax is currently targeted to the Rental Housing Trust Fund. We urge that the Committee amend SD1 to allocate 65% of the conveyance tax to the Rental Housing Trust Fund. These changes will ensure development into the future.

In addition, along with our community partner, Catholic Charities, we suggest this amendment: Under Section 7, to clarify the intent, we suggest a change in wording, replacing "on the islands of Oahu and Hawaii" with the wording: "including \$20 million for an urban shelter on Oahu, and \$12 million for the Kaloko project on the island of Hawaii."

Mahalo for the opportunity to testify.



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF SB 2225, SD2: RELATING TO HOUSING

To: Senator Rosalyn Baker, Chair; and Senator Shan Tsutsui, Vice Chair,
and Members, Senate Committee on Ways and Means

From: Betty Lou Larson, Housing Programs Director, Catholic Charities Hawaii

Hearing: **Friday, February 12, 2008; 11:00 AM; Conference Room 211**

Honorable Chair and members of the Senate Committee on Ways and Means:

I am Betty Lou Larson, from Catholic Charities Hawaii. We also are members of Partners in Care, Housing Hawaii and the Affordable Housing and Homeless Alliance. We very strongly support this bill.

We strongly support the repeal of the sunset date for allocation of conveyance tax to the rental housing trust fund. There is a great need for consistency of funding for affordable rentals. Establishing ongoing funding is critical for developers to continue to seeking land and opportunities for affordable housing. Due to the long time frame needed to create these projects, developers need to know that funds will be available in the future to ensure feasibility. The Legislature always has the right and opportunity to review this allocation of funds in the future, as needed. Repeal of the sunset date sends a signal now that the State intends to address the affordable housing crisis on a long-term basis.

We urge that the Committee amend SD2 to allocate 65% of the conveyance tax to the Rental Housing Trust Fund. Adequate funds to create a much larger number of affordable rental units is needed this year. Each month, Catholic Charities Hawaii receives over 1000 calls for help, many of them related to the need for affordable housing. We urgently need more funds to create larger number of affordable rental units. Currently, 50% of the conveyance tax is targeted to the Rental Housing Trust Fund. The need is immense and action is needed now to make housing a high priority for the State.

We also suggest a second amendment to clarify the intent of the \$32,000,000 for shelters in Section 7: we suggest a change in wording, replacing "on the islands of Oahu and Hawaii", with the wording: **"including \$20 million for a shelter on Oahu, and \$12 million for the Kaloko project on the island of Hawaii."**

While we work on creating housing, we need to support services to currently homeless people. Catholic Charities Hawaii strongly supports the \$5.3 million for outreach and support services, as well as the allocations to public housing. Without adequate funding, these programs will lack the capacity to serve the large numbers of homeless people in Hawaii. New shelters also plan to open in FY 2009 and need operational funds.

We thank you for your foresight expressed in this bill and for addressing the housing concerns of Hawaii's citizens. Your actions can create a future of hope for our State.



TESTIMONY IN SUPPORT OF SB2225 SD2 RELATING TO HOUSING

Ways and Means Committee – 2/22/2008 - 11:00a.m. Hearing

Submitted by Keith Kato, Executive Director, Hawaii Island Community Development Corp.

We support the passage of Senate Bill 2225 SD2 as it provides resources for the development of more affordable housing for the state and island of Hawaii. We have utilized the Rental Housing Trust Fund and have found it to be essential in making the development of affordable housing projects financially feasible.

The Hawaii Island Community Development Corporation is a 501(c)(3) tax exempt corporation whose mission is to provide affordable housing for low and moderate income residents. In the course of our work we are involved with self help housing as a means of achieving homeownership and in developing rental housing for low income residents.

Thank you for the opportunity to submit testimony on this matter.

Senator Roslyn Baker, Chair
Senator Shan S. Tsutsui, Vice-Chair
Committee on Ways and Means

Sonia Scadden, Legislative Liaison, 808-329-7133, hawaiiicap@gmail.com
Community Alliance Partners-Hawaii County Continuum of Care to End Homelessness

Hearing: Friday, February 22, 11am Conference Rm. 211
Strong Support SB2225 SD2 Relating to Housing

The County of Hawaii Continuum of Care known as Community Alliance Partners strongly supports SB2225. The funds for the County of Hawaii will be used for the Kaloko Housing Program on the Big Island. which will be our only shelter for an area more that 3x the size of Oahu This project is targeted for construction on an 8-acre parcel recently acquired by the County of Hawaii located just north of Kaloko Industrial Park in Kailua-Kona. If we can't begin construction in the summer of 2008, there will be an additional 24 families put back on the street because the facility where they now live has to close in June 2009.

According to the 2006 Point in Time count, there are 1,228 unsheltered individuals on the Big Island; 424 are children, 210 of whom are under the age of six. Hawaii County had the largest percentage (17%) of children under the age of 6 of all counties. Hawaiian/part Hawaiian people comprise the largest ethnic group of homeless in Hawaii County (42%.) The Kaloko Housing Program will address the housing needs of the population of homeless families in the County of Hawaii. Three major reasons make this program critical for addressing the housing crisis for this population at this time:

1. As stated above, the only facility for homeless families on the west side of the Big Island—the Kawaihae Transitional Housing Program—is scheduled to close in 2009 due to health and safety issues at the facility. Families, including 66 children, who need this service will be put back on the street if an alternative site is not provided. The Kaloko Housing Program will provide this alternative.
2. The Kaloko Housing Program will increase the number of homeless and low income families who can be provided housing and support services as they work to secure and maintain permanent housing of their own.
3. The Kaloko Housing Program will include construction of new housing facilities that can be rented by low income families who work in the immediate neighborhood. This will eliminate the several hours spent each day by them driving from far distances on the Big Island, thus giving parents more time to provide their children the parenting they need and deserve. The main reason there is a lack of affordable rentals, especially for low income families in West Hawaii, is because this side of the island is popular with vacationers who are willing to pay high rents even for a week of occupancy. For this reason landlords do not accept section 8 vouchers for longer term occupancy.

The Community Alliance Partners along with more than 1,400 individuals and organizations from the Big Island who have signed petitions that have already been submitted at HSP and CPH hearings strongly urge your positive action on SB2225 SD2. The list of organizations is below. Thank you for the opportunity to testify.

Faith-Based Communities

Annunciation Catholic Church Waimea
Christ Church Episcopal Kealahou
Kona Beth Shalom
Kona Coast Chaplaincy
Lanakila Congregational Church Kainaliu
Lutheran Church of the Holy Trinity Kona
Mokuaikaua Congregational Church Kona
Our Lady of Lourdes Catholic Church Honokaa
Sacred Heart Catholic Church Hawi
Society of Friends(Quakers) Kona & Volcano
St. John the Baptist Catholic Church Kealahou
St. Michael the Archangel Catholic Church Kona
United Methodist Church Kona

Social Services, Healthcare, Education

Care Hawaii, Inc.
Family Support Services of West Hawaii
Habitat for Humanity
Hui Laulima Council
Kawaihae Transitional Shelter
Kealahou Elementary School
Neighborhood Place of Kona
North Kona Catholic Community Religious Education
The Friendly Place

Businesses

ATR Property Management
Club Rehabilitation and Physical Therapy
Copy Post Plus, Inc.
Current Events
Gemfire
Holualoa Companies
Innovations Hair Salon
The Club of Kona

UPS @ Kopiko Plaza



PARTNERS IN CARE

Testimony for: Committee on Way and Means

Hearing Date and Time: Friday, February 22, 2008 @ 11:00 am

Place: Conference room 211

S.B. 2225, SD2- Affordable Housing

Dear Senator Rosalyn Baker, Chair; and Senator Shan Tsutsui, Vice Chair, and Members of the Committee on Ways and Means,

Thank you for the opportunity to provide testimony. I am Darryl Vincent the Chairperson of the Advocacy Committee for Partners In Care and Director of US VETS-Hawaii. I am testifying in strong support of SB 2225, SD2 which provides funding to create solutions for affordable housing as well as for homelessness.

Partners in Care is a membership organization of providers of homeless services, concerned professionals, units of local and state government, consumers, and other community representatives located in the City and County of Honolulu. We are a coordinating body that develops recommendations for programs and services to fill gaps in the Continuum of Care on O'ahu and provides direction in response to HUD's Continuum of Care annual announcement for homeless assistance funds.

We suggest three amendments:

1) To clarify the intent, we suggest a change in wording, replacing "on the islands of Oahu and Hawai'i", with the wording: "including \$20 million for an urban shelter on Oahu, and \$12 million for the Kaloko project on the island of Hawai'i."

2). We urge deletion of the sunset date, which would establish a **permanent allocation**.

3). We **also encourage the committee to amend SD2 to increase the percentage** of the conveyance tax allocated to the Rental Housing Trust Fund (RHTF) to **65%**. The Increasing the share of the conveyance tax to the Rental Housing Trust Fund is a direct avenue for the development of low-income rental housing. The working poor need this housing. Currently there are too many residents of Hawaii who are currently homeless or living in substandard or crowded conditions. The development of low cost rental housing must be a priority.

We support the infusion of \$25 million from GO bonds to the Trust Fund that is also crucial to expanding the number of rental units that can be created in the next 3-5 years. While the need for shelters and supportive services is crucial to in the initial stages of ending homelessness, we need to also focus on making more

PARTNERS IN CARE c/o Aloha United Way • 200 North Vineyard • Suite 700 • Honolulu, Hawaii
96817 • (808) 330-2825

affordable units so when those families are ready to move into their own housing, Hawaii has the inventory of affordable rental units. Families with children are still ending up on beaches or in cars. We need to continue to focus on creating a large number of affordable housing units.

Repairing vacant units in public housing will make available more units for homeless families' and low income families immediately. We urge your support for the proposed funding. This can be one huge step towards moving families from our beaches.

While we work on creating housing, we need to support services to currently homeless people. Partners in Care and US VETS-Hawaii strongly support the \$5.3 million for outreach and support services, matching funds, and continual operational funds for non-profits to develop and operate shelters and transitional programs.

Supportive services are another essential tool in assisting those individuals that are experiencing or have experienced homelessness. These services allow trained workers to facilitate the process of taking the first step out of homelessness and helping individuals reach their highest level of independence as rapidly as possible.

With the state's commitment to reducing homelessness, we are excited about the possibilities to come. The passage of SB 2225, SD2 would help provide the resources to create low income rentals and provide the supportive services that are needed to help individuals and families who are homeless. Please pass SB 2225, SD2 out of this Committee.

Mahalo,

Darryl J. Vincent, Partners In Care
Submitted: February 22, 2008

PARTNERS IN CARE c/o Aloha United Way • 200 North Vineyard • Suite 700 • Honolulu, Hawaii
96817 • (808) 330-2825

testimony

From: Betty Lou Larson [BettyLou@catholiccharitieshawaii.org]
Sent: Thursday, February 21, 2008 10:24 AM
To: testimony
Cc: Sr. Earnest Chung M.M.; Diane Terada; Ronald Lockwood
Subject: Testimony for WAM- Friday, 2/22/08, 11:00 am SB 2225, SD2
Attachments: NB#8 -SB2225 SD2-Hs Omnibus bill 2-22-08.doc; NB#8 -Affordable Housing Homeless Service Reso 2-7-08.doc

Please deliver this testimony and the attached Resolution from Neighborhood Board #8, McCully-Moiliili to:

WAM

For hearing: Friday 2/22/08, 11:00 am

For: **SB 2225, SD2**

Betty Lou Larson

CATHOLIC CHARITIES HAWAII

Housing Assistance Program

Housing Programs Director

2745 Pali Highway

Honolulu, HI 96817

Phone (808) 595-5934 (Direct Line)

Phone (808) 595-0077 (Pali Office Main Line)

Fax (808) 595-0811

blarson@catholiccharitieshawaii.org

www.CatholicCharitiesHawaii.org

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TESTIMONY IN SUPPORT OF SB 2225, SD2: RELATING TO HOUSING

To: Senator Rosalyn Baker, Chair; and Senator Shan Tsutsui, Vice Chair,
and Members, Senate Committee on Ways and Means

From: **Neighborhood Board #8, Mc-Cully-Moiliili**
Betty Lou Larson, Housing and Homelessness Committee

Hearing: **Friday, February 12, 2008; 11:00 AM; Conference Room 211**

Honorable Chair and members of the Senate Committee on Ways and Means:

Thank you for the opportunity to provide testimony to support SB 2225, SD2, which provides funding for the affordable housing crisis and services to homeless persons. I am Betty Lou Larson, representing the McCully-Moiliili 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 2 to repeal the sunset date for the conveyance tax's funding that would go to the Rental Housing Trust Fund. We strong 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.



McCULLY/MOILIILI NEIGHBORHOOD BOARD NO. 8

6 NEIGHBORHOOD COMMISSION • 530 SOUTH KING STREET ROOM 406 • HONOLULU, HAWAII, 96813
PHONE (808) 768-3710 • FAX (808) 768-3711 • INTERNET: <http://www.honolulu.gov>

**RESOLUTION TO SUPPORT AFFORDABLE
HOUSING AND HOMELESS SERVICES**

WHEREAS, the housing crisis is affecting many individuals and families across the state including those with disabilities, seniors and the working poor. An estimated 21,890 units, 15,590 on Oahu alone, are projected to be needed for households with less than eighty percent of median income; and

WHEREAS, neighborhoods across Oahu are experiencing an increase in the number of homeless individuals living in our streets and parks, and over 6,000 persons are homeless in Hawaii on any given day; and

WHEREAS, condo conversions and rent hikes are putting many of our State residents at risk for homelessness; and

WHEREAS, dedicated funding for affordable housing provides much-needed predictability for builders, landowners, the county, the state, federal partners and non-profit organizations that help facilitate the development of affordable housing; therefore

BE IT RESOLVED, by the McCully-Moiliili Neighborhood Board No. 8, that we support the following efforts to create affordable rental housing and to ameliorate the homeless problem in our State:

Ensure Adequate Affordable Housing

- Increase the Rental Housing Trust Fund by increasing the percentage dedicated to this fund from the Conveyance Tax to 65% permanently; and
- Provide a one-time allocation to the Rental Housing Trust Fund of at least \$25 million.

Ensure the Repair of current housing resources in order to offer rents at 30% of tenants' incomes.

- Provide funding for the repair and renovation of state public housing.

Ensure Funding for Services to the Homeless

- Provide additional funding of \$5.3 million, for continual operational funds for outreach and supportive services to individuals and families who are homeless and continual operational funds for emergency and transitional shelters to maintain/enhance their services for the homeless population located at these shelter programs.

ALSO BE IT FURTHER RESOLVED, that copies of this resolution be forwarded to all Neighborhood Boards, all members of the State Legislature, the Governor of the State of Hawai'i, all City Council Members and the Mayor of the City and County of Honolulu.

Adopted by the McCully – Moiliili Neighborhood Board No. 8 at its February 7, 2008 Regular Board Meeting, 9-0-1.





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February 20, 2008

The Honorable Rosalyn H. Baker, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: S.B. 2225, S.D. 2, Relating to Housing
Hearing Date: February 22, 2008 @ 11:00 a.m., Room 211

On behalf of our 10,000 members in Hawaii, the Hawaii Association of REALTORS® (HAR) **supports** Section 2 of S.B. 2225, S.D. 2, 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. 2, which makes an appropriation for the repair and maintenance of public housing projects, and (b) Section 4 of S.B. 2225, S.D. 2, 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

L E G I S L A T I V E

TAXBILLSERVICE

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SUBJECT: CONVEYANCE, Earmarking for rental housing trust fund

BILL NUMBER: SB 2225, SD-2

INTRODUCED BY: Senate Committee on Economic Development and Taxation

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 homeless and housing programs and projects in the state.

EFFECTIVE DATE: July 1, 2010

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

SB 2225, SD-2 - Continued

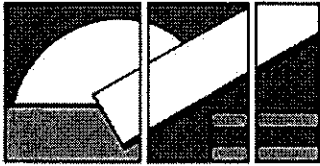
special funds or repeal this earmarking or in the alternative raise taxes? Earmarking revenues restricts the flexibility in utilizing these revenues. The question that lawmakers must ask themselves is whether or not all of the currently earmarked funds are being used wisely and accomplishing the intended 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 punish 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 2/21/08



PACIFIC HOUSING ASSISTANCE CORPORATION

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**TESTIMONY ON S.B. 2225, S.D 2, RELATING TO HOUSING
Before the Senate Committee on Ways & Means
February 22, 2008, 11:00 am; CONFERENCE ROOM 211
Submitted By: Marvin Awaya, Executive Director**

Pacific Housing Assistance Corporation supports Section 2 of SB 2225, SD 2 which repeals the sunset date of the conveyance tax allocation to the Rental Housing Trust Fund thus making it permanent.

It is documented that the Rental Housing Trust Fund has been most effective in providing "gap financing" for affordable rental housing projects. An important element in ensuring the continued effectiveness of this program is by providing a permanent source of financing as a base of revenue. The conveyance tax by itself is insufficient to fund the projects that are necessary to address the affordable rental housing crisis and periodic general revenue infusions will continue to be needed but funds from the conveyance tax provides an important program financial base.

We urge this committee pass this bill.