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**LATE TESTIMONY**

Via: [FINTestimony@Capitol.hawaii.gov](mailto:FINTestimony@Capitol.hawaii.gov)

**February 24, 2010**

**Opposition to HB 2488, HD1 Relating to the Homeless  
(15% Conveyance Tax increase for Homeless Parks and services)**

Honorable Representatives Marcus R. Oshiro, Chair, Marilyn B. Lee, Vice Chair,  
and Members of the House Committee on Finance:

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions 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 **strongly opposes Bill 2488, HD1**, because it is an unfair and illogical tax and there is no rational nexus between the sale of property over \$1,200,000 and conveyance system.

**HB 2488, HD1.** This bill increases the conveyance tax by 15% on the sale or conveyance of any property valued at \$1,200,000 or more to finance the purchase and maintenance of parks under the jurisdiction of the counties to serve the homeless and to provide other designated services to the homeless living in county parks. SB 2488 creates the Parks for Homeless Special Fund (Homeless Special Fund), into which shall be deposited the dedicated portion of the conveyance tax; along with matching funds which each county is required to provide. Moneys in the Homeless Special Fund, are to be administered by the county finance departments and the counties are assigned all of the responsibilities for purchasing, maintaining the parks for the homeless, as well as for providing services for the homeless, including, but not limited to purchasing shopping carts and pets for each homeless person who wishes to live in county parks. The bill also provides that park users shall relinquish the park for maintenance from 9:00 a.m. to 4:30 p.m. daily during which time the tents shall

be removed – this implies that tents for the homeless will be allowed in county parks from 4:30 pm to 9:00 a.m. daily.

HB 2488 provides that the moneys in the Homeless Special Fund, and shall be used for the following:

- To acquire, convert, or maintain parks under the jurisdiction of each county to service the homeless at those parks;
- Open structures or shelters to protect park users from the wind and rain; basic services such as showers, toilets, drinking fountains, coin-operated washers and dryers and lockers;
- Accommodations for overnight camping;
- One shopping cart per homeless person for personal possessions; and
- Not more than one small pet for every homeless person.

**LURF'S POSITION.** The intent of this bill is well-meaning, however this is a misguided and ill-conceived law with tremendous unanticipated negative consequences on many of Hawaii's large families and Kama`aina landowners, and because it will have a substantial negative impact on the affordable rental housing by reducing the availability of revenue for the Rental Housing Trust Fund (RHTF). This bill will also exacerbate the existing problems – by bringing major conflicts between the use of the park by the homeless and other members of the public, sports leagues and visitors.

While we understand that the Homeless continue to be a major concern for the State, and that despite some success providing shelters and services for the homeless, there appears to be an identifiable segment of the homeless population that has had difficulties transitioning into those shelters. It appears that this legislation is meant to require the county parks to provide accommodations and services for these independent individuals prefer the freedom and openness of the outdoors and are drawn in growing numbers to local parks and beaches. This bill is based on the **very questionable premise** that providing the financing to acquire and maintain state parks to serve this segment of the homeless population will reduce many of the problems evident in several parks and beaches across the State. The actual effect is that it will exacerbate those problems – by bringing major conflicts between the use of the park by the homeless and other members of the public, sports leagues and visitors.

Our objections include, among other things, the following:

- **No Rational Nexus.** This bill unfairly targets property owners who have significant interests in Hawaii's real estate community and is most objectionable because there is no rational nexus between a legally justified tax to financially support the State conveyance tax system and the purpose of HB 2488, which is to the purchase and maintain county parks and provide other services to serve the homeless.
- **Raising the conveyance tax may have unintended consequences, especially for our island families who own large properties and may want to transfer property within the family or to causes benefiting the environment or agricultural programs.**
- **This bill will have major negative consequences for many of Hawaii's large Kama`aina landowners who may be transferring large properties for agricultural farms, housing developments,**

**environmental programs, or other developments which would serve the community.**

- **Detrimently impacts the Rental Housing Trust Fund (RHTF), which provides permanent rental housing for low-income families.** The conveyance tax is the sole dedicated financing source for the RHTF, which provides “equity gap” low-interest loans or grants for the development and construction of affordable housing rental projects. According to the Hawaii Housing Finance and Development Corporation (HHFDC), who administers the RHTF program, HB 2488 will adversely impact HHFDC’s ability to finance much-needed permanent rental housing for low income families.
- **No legislative or administrative oversight of government funding.** The “automatic funding mechanism” created by HB 2488, will divert conveyance taxes into a fund without any legislative or administrative oversight or scrutiny. Thus making it difficult to ascertain whether the fund as too much or too little funds to accomplish its purposes, whether the funds are being used properly, and there are no requirements to measure, determine and report on the effectiveness of the parks for the homeless program.
- **The conveyance tax is one of the least dependable sources upon which to rely for funding, because it is affected by fluctuations of the real estate market.** Conveyance tax collections rise and fall based on the real estate market, so any amounts collected for these parks for the homeless fund will depend on the activity in the real estate market with respect to properties over \$1,200,000. Whenever the housing market slows down, the revenues may not be sufficient to meet the costs of acquiring and maintaining parks and providing services for the homeless.
- **County parks are not appropriate places to house the homeless.** Requiring that homeless tents be allowed in county parks will displace uses of the public, including youth sports practices and games. County parks are areas of active and passive recreation, historic interest, and immense scenic beauty – used by millions of residents and tourists each year.
- **County parks departments should use their limited budget, personnel and resources to better manage the existing parks under their control and jurisdiction for the public, not to provide shelter and services to the homeless.** With real property tax revenues declining in all counties, the possible loss of the Transient Accommodations Tax, and proposed furlough days and funding cutbacks, the counties first priority would be to use their limited resources to better manage the existing parks under their control and jurisdiction.
- **Some homes over \$1,200,000 in value are purchased by large families and multigenerational families.** Some large homes in working-class neighborhoods have had their property tax values increase over the years. This bill could unfairly punish large working-class families, or multi-generational families who wish to have live with elderly parents and grandparents who need care, by imposing an unreasonably large conveyance tax, which substantially increases in the cost of housing for large families who wish to live in single family homes in areas whose property values have appreciated over the years.
- **Property sales will be drastically reduced = No Funding for Homeless Parks.** This proposed conveyance tax is illogical at best. The effect of this bill is that either there will be a drastic reduction in the sales of properties over \$1,200,000, or the real estate market will find other mechanisms for people to

exchange value and live in such homes, thus avoiding the 15% increase in conveyance tax.

- **The Legislature should address other existing programs to assist the Homeless.** We are unaware of any homeless housing study that recommend that the State should raise more funding to purchase land and maintain parks for the homeless. Instead of using the conveyance tax system to address homeless problem by buying and maintaining public parks and buying shopping carts and small pets for the homeless, we would respectfully recommend that the legislature may consider concentrating on efforts to support the various existing government and private programs to assist the homeless.

**CONCLUSION.** We understand that homelessness is a major problem and that the State is facing a budget crisis; however, **LURF strongly opposes HB 2488, HD1**, because we believe that it would be counter-productive to increase the conveyance taxes on local families who wish to pass on their properties and on Kama`aina land owners and businesses who provide employment and the opportunities for more economic development; and this bill will also hinder the production of rental housing for lower income households.

We appreciate the opportunity to express our **strong opposition to HB 2488, HD1.**

LINDA LINGLE  
GOVERNOR



RUSS K. SAITO  
Comptroller

SANDRA L. YAHIRO  
Deputy Comptroller

STATE OF HAWAII  
DEPARTMENT OF ACCOUNTING  
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# LATE TESTIMONY

TESTIMONY  
OF  
RUSS K. SAITO, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
HOUSE COMMITTEE  
ON  
FINANCE  
ON  
FEBRUARY 24, 2010

H.B. 2488, H.D. 1

## RELATING TO THE HOMELESS

Chair Oshiro and members of the Committee, thank you for the opportunity to testify on H.B. 2488, H.D. 1.

The Department of Accounting and General Services (DAGS) opposes this bill because it will require funds to implement that are not in the Administration's supplemental budget. Furthermore, DAGS is opposed to an increase in the conveyance tax that this bill proposes as a means to finance the parks that will serve the homeless population because of the negative effect it will have on the economy. Currently, all homeless programs are operating at their limits. It would be disadvantageous to the State if declining revenues require that some of the existing homeless programs must be reduced or eliminated. Unless the State's economy improves faster than forecasted, and is not exacerbated by an increase in the conveyance tax, there will be no money for the program this bill proposes.

I also note that this bill's "Parks for homeless special fund" requires that deposits from the conveyance tax increases to be matched by the counties. This would require the counties to find revenue sources that the counties have been hard pressed to find even for its existing programs. County taxes would need to increase, putting further pressure on the economy.

If this bill were to become law, the parks for the homeless program would require more than start up costs. The structures for shelter from wind and rain, showers, toilets, drinking water, coin operated washers and dryers, lockers, accommodations for overnight camping all require ongoing care and maintenance. Some agencies that have run such facilities on the mainland have reported difficulties and are moving away from that approach. DAGS understands the intent of this bill but suggests that plans for funding the program should first be ascertained and that an exit strategy of how the camp grounds are to be closed should be developed.

In short, while the intent of this bill is good, there is no money for it and implementation would be premature. I recommend that this bill be held.

Thank you for the opportunity to testify on this matter.



DEPARTMENT OF  
**HOUSING AND HUMAN CONCERNS**  
COUNTY OF MAUI

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February 23, 2010

Honorable Marcus R. Oshiro, Chair  
and Members of the Committee on Finance  
House of Representatives  
Twenty-Fifth State Legislature  
State of Hawaii  
State Capitol, Room 306  
Honolulu, Hawaii 96816

LATE

Dear Chair Oshiro and Members:

**SUBJECT: HB 2488, HD 1, RELATING TO HOMELESS**

The County of Maui opposes HB 2488, HD 1. This legislation proposes to establish a State Parks for Homeless Special Fund (PHSF) which would be used to finance the acquisition, conversion, and maintenance of county parks that are specifically dedicated to house individuals and families experiencing homelessness. The PHSF would be funded with proceeds from an increase in the Conveyance Tax and mandated contributions from the counties.

While the County of Maui is sensitive to the needs of the individuals and families experiencing homelessness, we disagree with the basic premise of HB 2488, HD 1, which suggests that the homeless prefer to live in county parks than in housing. In addition, this bill is contrary to federal funding trends. The federal directives on homelessness, focuses on "housing first" in order to stabilize the individual or family where they may be able to receive appropriate social and employment services. We believe that the State's financial resources would be better served by acquiring, constructing and maintaining basic housing and related services for our homeless population. To that end, the proposed increase in the Conveyance Tax could be more efficiently used by providing enhanced financial support for the already established State programs and grants to the counties for programs targeted at addressing homelessness.

Other objections to HB 2488, HD 1 are found on several levels:

- (1) The bill includes an unconstitutional mandate for the counties to contribute to the PHSF. The County of Maui is facing a FY11 revenue shortfall of approximately \$72M, the requirement of providing matching funds for this program would only add to our financial challenges.



- (2) The bill provides for the PHSF to be established in the State treasury, but to be administered by the finance department of any county that receives funding from the PHSF. It would be inappropriate for a county to administer any fund in the State treasury. It would be more efficient for the State to appropriate grants from the PHSF for the counties to apply to their programs that address homelessness.
- (3) The bill oversteps State authority by legislating the kinds of services and maintenance schedule that would apply to county parks.

While the County of Maui is sensitive to the plight of individuals and families experiencing homelessness, we do not believe HB 2488, HD1 offers a reasonable, desirable, and legal valid means of helping this segment of the community. We reiterate our objection to this legislation.

Sincerely,



LORI TSUHAKO  
Director of Housing and Human Concerns

xc: Charmaine Tavares, Mayor, County of Maui  
Representative Joe Bertram, III  
Representative Mele Carroll  
Representative Gilbert Keith-Agaran  
Representative Angus McKelvey  
Representative Joseph Souki



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## HOUSE COMMITTEE ON FINANCE

### TESTIMONY REGARDING HB 2488 HD 1 RELATING TO THE HOMELESS

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

**DATE: FEBRUARY 24, 2010**

**TIME: 10AM**

**ROOM: 308**

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This measure, as amended, increases the conveyance tax on the sale of "luxury" homes over \$1,200,000 to finance the purchase and maintenance of parks to serve the homeless.

The Department of Taxation (Department) **opposes** this measure as an unwarranted tax increase.

#### **I. THE ISSUE OF PROVIDING HOMELESS SERVICES IS IMPORTANT.**

The Department recognizes that providing shelter and services to the homeless is an important issue; however these priorities and projects must be budgeted and prioritized just like every other state expenditure through the use of general funds rather than earmarks and diversions of tax revenues.

#### **II. OPPOSED TO INCREASING THE CONVEYANCE TAX**

The Department is opposed to the conveyance tax increase in this measure because ultimately the increase will merely make property prices more expensive. Taxes such as the conveyance tax will be recovered through the sales price of the property. This will not help in alleviating the already high real property prices in Hawaii.

#### **III. REVENUE IMPACT**

As amended, this legislation will result in the following revenue gains:

- **General Fund:** Annual revenue gain is estimated at \$1.6 million for FY 2011 & FY

2012, and \$1.2 million for FY 2013 & after.

- **Special Fund:** The annual special funds will increase as follows:

(in \$million)	FY 2011 & FY 2012	FY 2013 & After
Parks for Homeless Fund	\$0.4	\$0.4
Land Conservation Fund	\$0.3	\$0.3
Rental Housing Fund	\$0.9	\$1.1
Natural Area Fund	\$0.7	\$0.9