

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

STANLEY SHIRAKI  
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

**HOUSE COMMITTEE ON FINANCE  
TESTIMONY REGARDING HB 2885  
RELATING TO THE CONVEYANCE TAX**

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

**DATE: FEBRUARY 17, 2010**

**TIME: 1:30PM**

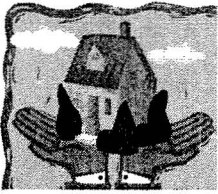
**ROOM: 308**

---

This measure temporarily redirects conveyance tax to be paid to the land conservation fund, rental housing trust fund, and the natural area reserve fund to the general fund.

The Department **defers to the affected departments on the impact of diversion** of the special fund on programs conducted with money from the special funds.

This bill would divert approximately \$2 million from the land conservation fund to the general fund in fiscal year 2011 and \$1.9 million in fiscal year 2012, approximately \$4.9 million from the rental housing trust fund to the general fund in fiscal year 2011 and \$4.8 million in fiscal year 2012 and approximately \$2 million from the natural area reserve fund to the general fund in fiscal year 2011 and \$1.9 million in fiscal year 2012. In total, the general fund would gain \$8.9 million in fiscal year 2011 and \$8.6 million in fiscal year 2012.



# Weinberg Village Waimanalo

A Program of

Holomua Na 'Ohana

"Families Moving Forward to a Better Life"

Board of Directors

Mark M. Nomura  
Milton L. McAngus  
Walter P. Yim

Weinberg Village Waimanalo Staff

Holly Holowach  
Linoe McKeague  
Charnay Kalama  
Denise Ballaibe  
James Varner  
Charles Keaweehu  
Abraham Grace

## TESTIMONY- OPPOSE – HB 2885: RELATING TO CONVEYANCE TAX

TO: Representative Marcus Oshiro, Chair,  
Representative Marilyn Lee, Vice Chair,  
and Members, Committee on Finance

# LATE TESTIMONY

FROM: Holly Holowach, Director, Weinberg Village Waimanalo

HEARING: **Wednesday, 2/17/10, 1:30 pm; CR 308**

Dear Chair Oshiro, Vice Chair Lee, and members of the Committee on Finance:

Thank you for the opportunity to provide testimony on this housing bill. My name is Holly Holowach, Director of Weinberg Village Waimanalo, which is a transitional housing program for homeless families. My staff and I are also very active members of Partners in Care. **We strongly oppose this bill which would suspend distribution of the conveyance tax allocated to the Rental Housing Trust Fund for 2 years (FY 11 & FY 12).**

The elimination of the allocation to the Rental Housing Trust Fund (RHTF) for two years would severely impact the ability of the State to produce any new affordable rental housing. It is our understanding that Governor Lingle plans to lapse the \$30 Million that the Legislature allocated last year to the RHTF. The loss of hundreds of proposed affordable housing units which will be the result of this loss of funding will be devastating.

The RHTF has a proven track record of utilizing all its funding to produce housing. Since 2002, **1,814 affordable housing units** have been created. Most importantly, the RHTF is critical to leverage federal funds to make affordable housing projects possible.

In the current crisis, affordable rentals are even more in demand to address the additional needs as workers lose jobs, have hours reduced, or face foreclosures. The production of affordable units cannot fill the demand. Now is a challenge but also an opportunity to build housing when costs are lower and economic stimulus is desperately needed. Housing production will help Hawaii's economy.

One of our biggest challenges at Weinberg Village Waimanalo is helping our clients find affordable housing. There just aren't enough units available to the families who need them. Removing the RHTF would stall the progress of creating more housing and would just exacerbate an already difficult problem. We need more housing NOW, not less and not sometime in the future. Please do what you can to create more affordable housing. Saving the RHTF is one way you can help!

We urge you to oppose this bill and to support these critical needs important to so many of our state's residents.

Holomua Na 'Ohana

41-490 Saddle City Road ~ Waimanalo, HI 96795

Phone: 808-259-6658 ~ Fax: 808-259-5303



LATE

**House Committee on Finance  
Testimony Regarding HB 2885**

**Relating to the Conveyance Tax**

Testimony Submitted by: Makani Maeva, Director of Pacific Housing Advisors  
Hearing Date: February 17, 2010  
Time: 1:30 p.m.  
Room: Conference Room 308

Dear Honorable Chair Oshiro, Vice Chair Lee & Committee members:

Thank you for this opportunity to submit **testimony in strong opposition of HB 2885** that suspends the distribution of a portion of conveyance taxes to the Rental Housing Trust Fund (“RHTF”) until July 2012. My name is Makani Maeva and I am the Director of Pacific Housing Advisors (“PHA”), a private affordable housing developer here in Hawaii. PHA owns and manages over 4,600 affordable housing rental units nationwide, including 36 units at Kekaha Elderly Plantation on the island of Kauai. We are a few months away from completing construction on Lokahi Apartments, which will add 306 new affordable rental units to the Kailua-Kona area.

We closed on the financing of the Lokahi Apartments and began construction in November of 2008. Today, construction is 95% complete and we have 103 affordable units occupied. Construction of these new affordable units was financed, in part, by the RHTF.

PHA strongly opposes HB 2885 because inadequately funding the RHTF will ultimately decrease the quality and supply of affordable rental housing in Hawaii. Moreover, as explained below, the State’s own econometric model forecasts how financing the construction of affordable housing creates jobs and generates tax revenue for the state.

Affordable housing developers rely upon the RHTF as a source of gap funding to finance the construction of new affordable rental housing and the acquisition and preservation of existing affordable rental housing. Gap funding is the difference between the amount of debt a

project is capable of supporting based on its rental income and the amount of equity or capital we are able to raise by selling federal and state low-income housing tax credits ("LIHTCs"). Because of the federally regulated low rents, affordable rental projects often require many layers of subsidy in order to make them feasible. This is especially true in today's financial climate.

By way of example, the majority of the construction of Lokahi Apartments was financed by the sale of federal and state LIHTCs. In recent years, however, the ability of developers to sell state LIHTCs has been severely impacted by the decline of our national economy. The value of state and federal LIHTCs has decreased dramatically. To illustrate this point, when we closed on our Kauai project in 2007, the value of the federal LIHTCs was \$1.00 and the value of the state LIHTCs was \$0.50. In contrast, when we closed on the Lokahi Apartments project in November 2008, the price for federal LIHTCs had deteriorated to \$.88 and state LIHTCs to \$0.39 (NOTE: current sizing in the LIHTC market is \$0.70 for federal and \$0.20 for state). What this decrease meant to Lokahi Apartments in November 2008 was that **we were left with an \$11.75 million financing gap that we were fortunate enough to fill with funds from the RHTF**. Without the RHTF loan, 306 families on the Big Island would not have a newly-constructed, affordable place to live.

Developing affordable rental housing should be facilitated because the construction and preservation of affordable rental housing creates jobs and generates state tax revenue. According to the Department of Business, Economic Development & Tourism - Research & Economic Analysis Division's ("DBET") econometric model, with hard construction costs of \$42,000,000, Lokahi Apartments produced 337 direct jobs and 818 indirect jobs. Those jobs generated \$39,370,000 of income to taxpayers and those taxpayers paid state taxes of \$7,175,000 in the first year. In addition to the jobs and the tax revenue, the entire \$11,750,000 will be repaid to the State over time.

We expect Lokahi Apartments to be fully-occupied by the end of summer, 2010. All 306 of the units will be rented only to individuals and families that earn 60% or less of the area median income which means tenants are paying rent of \$675/studio \$727/One Bedroom \$833/Two Bedroom.

The RHTF is a critical resource for financing affordable housing, creating jobs and building communities. Accordingly, it is imperative that it be adequately funded so that projects that are in the pipeline now will be able to proceed and new projects will be able to get off the ground.

We thank the Committee for considering our testimony and strongly urge you to oppose HB2885.



[www.lokahiapartments.com](http://www.lokahiapartments.com)

February 16, 2010

Committee on Finance  
Marcus Oshiro, Chair  
Marilyn Lee, Vice Chair

**Hearing:** Wednesday, February 17, 2010 at 1:30 P.M.  
Hawaii State Capitol, Room 308

**Re: HB2885 – Relating to the Conveyance Tax**

**Testimony in Opposition**

Chair Oshiro, Vice Chair Lee and members of the committee. Thank you for the opportunity to offer testimony in opposition of HB2885 which would suspend the distribution of a portion of the conveyance tax to the land conservation fund and rental housing trust fund, and also reduce the distribution into the natural area reserve fund.

Housing Hawaii Inc. is a non-profit 501(c)(3) corporation that advocates for the development of affordable housing statewide which includes the construction of affordable rental housing.

We would point out that Hawaii has a severe shortage of affordable housing. **Suspending payments into the Rental Housing Trust Fund will result in an interruption in the construction of affordable rental housing for the next two years.** This will have a deleterious impact on our homeless as well as low income workers and their families who require affordable rentals now not later.

We would ask that the legislature not compound our economic crisis by restricting funds that could increase affordable housing construction jobs.

**Please hold HB2885 in committee.**

Respectfully,  
Rene Berthiaume  
Vice President, Board of Directors



*For the Protection of Hawaii's Native Wildlife*

## **HAWAII AUDUBON SOCIETY**

850 Richards Street, Suite 505, Honolulu, HI 96813-4709

Phone/Fax: (808) 528-1432; hiaudsoc@pixi.com

www.hawaiiudubon.com

**TO: Committee on Finance  
Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair**

**HEARING: February 17, 2010; 1:30 P.M., Conference Rm. 308**

**Re: HB2885 – Relating to the Conveyance Tax**

### **Testimony in Opposition**

Chair Oshiro and Vice Chair Lee and members of the Committee on Finance thank you for the opportunity to submit our testimony in opposition of HB2885, which would temporarily suspend the distribution of a portion of the conveyance tax to the Land Conservation Fund and Rental Housing Trust Fund. It would also reduce the distribution by one-half to the Natural Area Reserve Fund.

The Hawaii Audubon Society was founded in 1939, and is Hawaii oldest conservation organization. The primary missions of the Society is to foster community values that result in the protection and restoration of native ecosystems and conservation of natural resources through education, science and advocacy in Hawaii and the Pacific. The Society continues to support conservation measure that increase our native habitats thus offering increased opportunities for our threatened and endangered plant, bird and animal species to recover.

We strongly oppose any cuts or reductions to all of three special funds supported by the conveyance tax. The Land Conservation Fund provides for the acquisition of lands, including easements for:

- Watersheds protection
- Parks
- Coastal areas, beaches, and ocean access
- Natural areas
- Habitat protection
- Agricultural production
- Cultural and historical sites
- Open spaces and scenic resources
- Recreational and public hunting area

The Natural Area Reserve Fund, which helps fund environmental protection projects and pays for preserving a healthy environment, has suffered a 50 percent decrease this past year due to a corresponding drop in home sales. Our state's resource managers say they are concerned that the significant progress made in conserving the islands' natural resources will lose ground, causing a

setback for achievements in environmental protection and costing the state even more in the long run. Our residents are aware of benefits from ecosystem protection work, however suspension of funding will be particularly noticeable as statewide efforts to control the spread invasive species including the coqui frogs, is affected.

It is our understanding that suspending payments into the Rental Housing Trust Fund will result in a moratorium in the construction of affordable rental housing for the next two year. This will certainly impact Hawaii's homeless and add to this crisis.

Hawaii Audubon Society believes that HB2885, is an ill conceived short term expedient that will delay critical habitat conservation and restoration projects, invasive species control efforts, and affordable rental housing construction. It will also have the unintended consequence terminating people currently employed by organizations receiving funding from these conveyance tax supported initiatives.

We strongly urge the committee to hold this measure. Thank you for the opportunity to submit testimony here today.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Massengale', written in a cursive style.

George Massengale, JD  
Legislative Analyst



  
KUPU

# LATE TESTIMONY

## Kupu

A Hawai'i-Based 501(c)(3) Non-Profit Organization  
3569 Harding Ave, Unit C  
Honolulu, HI. 96816  
Phone: (808)735-1221 Fax: (808)735-1223

I am writing on behalf of Kupu, to oppose HB 2885 and any cuts or reductions to the three special funds that are supported by the conveyance tax: the Natural Area Reserve Fund, Land Conservation Fund, and Rental Housing Trust Fund. These three funds support very important programs for the people of Hawai'i, including the Natural Area Reserves (which are mostly ceded land); watershed protection; protection of habitat for threatened and endangered Hawaiian species; the Youth Conservation Corps, public-private partnerships on private land; the purchase of land for open space, beach access, cultural sites, recreation, and agriculture; and affordable rental housing. These funds have already been reduced by 50% because of the depressed real estate market, and further reduction in this funding would. Furthermore, in 2009, to help balance the budget, the state legislature reduced the amount of the conveyance tax going into the Natural Area Reserve Fund and the Rental Housing Trust Fund.

Kupu a federal 501c3 that manages the Hawaii Youth Conservation Corps programs (HYCC) is one of the many organizations that would suffer if the conveyance tax is cut in half. The money Kupu receives from the conveyance tax is a large financial contributor to all of the HYCC programs, and without those funds these programs would be in jeopardy. The funding Kupu receives through the conveyance tax helps to fund programs that would if run by the state would be much more costly.

The HYCC programs provide jobs and job skills for the youth in Hawaii, which is one of the hardest hit groups by unemployment. Every year the HYCC programs offer 27 full time positions and close to 300 short term positions. This year, in partnership with the Department of Land and Natural Resources, Kupu, was able to provide an additional 45 full time positions through the American Recovery and Reinvestment Act funds. The positions offered through the HYCC programs give youth and young adults the opportunity to pursue an interest in conservation work, and gain entry level, hands on experience in the conservation field. In 2009 the HYCC programs provided a net benefit of over 2.8 million dollars to the community and the programs participants. This includes over \$780,000 in stipends, and over \$250,000 in

educational awards provided through HYCC's AmeriCorps programs. The passing of this bill, would not only limit those benefits for future participants, but would greatly affect the number of youth that the HYCC programs are able to reach.

The HYCC programs offer youth and young adults the opportunity to learn vital life skills and lessons, while getting them involved in their communities. Participants are also taught the importance of preserving Hawaii's many ecosystems by seeing the many problems that are affecting the islands. HYCC participants are given the unique chance to see some of Hawaii's most beautiful places, including Kaho'olawe that are in great need, and are shown how they can have a hand in their restoration. For the 2009 HYCC summer programs, Kupu received close to 500 applications for 150 available positions. For the upcoming 2010 summer programs Kupu has already received 580 applications for the available 150 positions, and the application deadline is still open until the end February.

This bill would have far-reaching consequences for Kupu, an organization that relies on the conveyance tax to assist in funding programs that provide such an important benefit to the community and its members. Over the years the need and demand for HYCC's programs has greatly increased, and Kupu will be unable to answer this ever growing demand if even more of its funding is taken away. I urge you to think about the long lasting consequences the passing of HB2885 would have, and vote against taking much needed money away from organizations that have such a positive impact in Hawaii. IF you would like any additional information on Kupu or the Hawaii Youth Conservation Corps programs, feel free to contact John Leong at: (808)735-1221 ext. 1001 or [john.leong@kupuhawaii.org](mailto:john.leong@kupuhawaii.org).

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 16, 2010 7:18 PM  
**To:** FINTestimony  
**Cc:** megan.toaspern@gmail.com  
**Subject:** Testimony for HB2885 on 2/17/2010 1:30:00 PM

Testimony for FIN 2/17/2010 1:30:00 PM HB2885

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Megan Webster  
Organization: Individual  
Address: PO 11742 Lahaina  
Phone: 8082646343  
E-mail: [megan.toaspern@gmail.com](mailto:megan.toaspern@gmail.com)  
Submitted on: 2/16/2010

**Comments:**

Please do not reduce the conveyance tax monies for natural areas reserve fund- please remember that our environment is our economy and these cuts would seriously debilitate efforts to preserve the state natural areas. Mahalo

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 16, 2010 7:21 PM  
**To:** FINTestimony  
**Cc:** websterg@gmail.com  
**Subject:** Testimony for HB2885 on 2/17/2010 1:30:00 PM

Testimony for FIN 2/17/2010 1:30:00 PM HB2885

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Graham Webster  
Organization: Individual  
Address: 9 puamana place Lahaina  
Phone: 8082646345  
E-mail: [websterg@gmail.com](mailto:websterg@gmail.com)  
Submitted on: 2/16/2010

### Comments:

We need the full 20% from conveyance tax for natural areas reserve fund. Any limit in funding will destroy these conservation efforts and cost huge \$\$ in the future for rehabilitation and restoration of areas we have lost due to breaks in active management. Please oppose this bill.

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 17, 2010 6:51 AM  
**To:** FINTestimony  
**Cc:** erin.c.kawakami@gmail.com  
**Subject:** Testimony for HB2885 on 2/17/2010 1:30:00 PM

Testimony for FIN 2/17/2010 1:30:00 PM HB2885

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Erin Kawakami  
Organization: Individual  
Address: Kamuela, Hi  
Phone: 808-333-4489  
E-mail: [erin.c.kawakami@gmail.com](mailto:erin.c.kawakami@gmail.com)  
Submitted on: 2/17/2010

### Comments:

I have been party to both the Natural Area Reserve System and the Hawaii Youth Conservation Corps. which have both encouraged my path in the conservation of Hawaii's unique and very fragile ecosystem. It is important for the state to encourage these types of programs and show that treating the aina with respect and importance is a high priority. With the economy is the state that it is in, conservation efforts don't seem to rank high but there are jobs at stake in both these fields. The NAR crews will be affected, and the youth of conservation's future will lose out on oppertunities. It is important to continue support and funding for these sectors if keeping Hawaii's native ecosystems are at all important to the state legislature!

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 17, 2010 9:23 AM  
**To:** FINTestimony  
**Cc:** jeff@kaanapaliland.com  
**Subject:** Testimony for HB2885 on 2/17/2010 1:30:00 PM

Testimony for FIN 2/17/2010 1:30:00 PM HB2885

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Jeffrey Rebugio  
Organization: Kaanapali Land Management Corp  
Address: Lahainaluna Rd Lahaina, HI  
Phone: 8086619652  
E-mail: [jeff@kaanapaliland.com](mailto:jeff@kaanapaliland.com)  
Submitted on: 2/17/2010

### Comments:

Kaanapali Land Management Corp is a partner of the West Maui Mountain Watershed Partnership (WMMWP). You will likely be presented with numerous testimony opposing the subject bill. This is simply one more in hopes of convincing the legislature to reject the bill. You probably already know the work that these watershed protection programs do which translate to preserving all of our natural resources (probably our primary fundamental asset). These programs, in particular the WMMWP, already operate on a lean budget and is always a few personnel or other resource short. The teams assembled do outstanding and unbelievable work in the mission to protect our watershed (which again gives so much to our livelihood). Cutting their budget could very well lead to degradation of the watershed which in the long run could ruin the resources, especially clean safe drinking water, that are essential to life and living for the people. But you have heard all of this before, so again, this is simply one more message we hope will make the difference in your decision to reject HB2885. Mahalo much for your time and attention.

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 17, 2010 12:29 PM  
**To:** FINTestimony  
**Cc:** scoleman@surfrider.org  
**Subject:** Testimony for HB2885 on 2/17/2010 1:30:00 PM

Testimony for FIN 2/17/2010 1:30:00 PM HB2885

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Stuart Coleman  
Organization: Individual  
Address: Honolulu, HI  
Phone:  
E-mail: [scoleman@surfrider.org](mailto:scoleman@surfrider.org)  
Submitted on: 2/17/2010

### Comments:

Dear Chair Oshiro and members of the Finance Committee,

My name is Stuart Coleman, and I am the Hawaii Regional Coordinator of the Surfrider Foundation. Although HB2885 doesn't directly affect our organization, the bill would damage the conservation movement in general. It would also greatly harm the Legacy Land Trust (funds used to purchase important conservation lands), the affordable housing trust, and cut funding for Natural Area Reserve funds in half.

During hard economic times, I might agree that most departments should probably share equally in budget reductions. But most of Hawai'i's conservation funding is directly connected to the conveyance tax -- a tax that has already fallen sharply with the down economy. Because the sale of property is down, collections of the tax is already way down in comparison to other collections. So a "normal" budget cut is felt far more by conservation programs that have already seen up to 50% reductions in funding.

Please don't hurt these programs further by voting for this bill, especially when these organizations are already struggling for their survival. Mahalo for your consideration.

Aloha, Stuart Coleman