

TESTIMONY IN SUPPORT OF SB 2112: RELATING TO LEASEHOLD  
CONVERSION

TO: Senator David Ige, Chair; Senator Michelle Kidani, Vice Chair, and  
Members, Committee on Ways and Means

FROM: Betty Lou Larson, President, Date-Laau Community Association  
(585-6983)

HEARING: 2/23/12, 9:00 AM.

Chair Ige, Vice Chair Kidani and Members of the Committee on Ways & Means:

Thank you for the opportunity to submit written testimony on this important bill. I am Betty Lou Larson, President of a community association comprised of leasehold coops. I apologize for the late testimony but I only just now received word of your hearing. I write in support of SB 2112, as one incentive to landowners to voluntarily sell the fee interest to the residents.

Leasehold is a growing wave that will hit many coops and condominiums over the next 5 years. The Date-Laau community faces the ultimate crisis—our land must be surrendered to the land owner in December 2012 and we will lose our homes. We do not want this situation to happen over and over again as more than 16,000 leasehold units face lease expirations.

The State needs to provide incentives to try to resolve the leasehold issue—and SB2112 is one important one. This bill is important since it provides an incentive for a landowner to sell the fee so that people can own their homes. However, this law will sunset on 12/31/12.

SB 2112 would extend the sunset date for the exemption from paying capital gains tax on gains coming from the sale of the leased fee interested in condominium units to associations of apartment owners or residential coop corporations until 1/1/18.

I urge your support of this bill to help other leasehold condos/coops to have a chance to own their homes through a voluntary conversion with their land owners.

---

# MONARCH PROPERTIES, Inc.

---

February 21, 2012

Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
Committee On Ways and Means

RE: **SB 2112; Relating to Leasehold Conversion**

Dear Chair Ige, Vice-Chair Kidani and Committee Members:

**I am in support of SB 2112 as it would extend the Act 166 exemption which I believe creates a win-win situation: lessees get fee simple home ownership, fee owners would be incentivized by tax savings to sell their fee interests and there would be millions of dollars put into the economy, likely also generating use tax dollars that would not be generated otherwise.**

My company, Monarch Properties, Inc., has specialized in condo and co-op fee conversions and lease rent renegotiations since 1993. Over the past 10 years, we have represented condo and co-op projects in about 90% of all leased-fee purchases that have occurred, which includes 18 condo association and cooperative housing corporation purchases since Act 166, SLH 2007, was enacted and became available beginning in 2008.

The 18 condo and co-op project fee purchase transactions over the past four years are all we know of. They involved 1,482 units and about \$113 million in aggregate sales price.

Excluding one purchase by a condo project (the seller was a tax-exempt entity) and presuming all proceeds were taxable (most of these properties had a very low tax basis), about \$107 million of these sales would have been taxable (none of the 17 taxable sales involved an exchange to defer gains).

I am told the state's tax rate for sales of the magnitude such as these is 7.25% which means there could have been as much as \$7,757,500 in tax, revenue to the State or an average of about \$1,940,000 per year over the past four years since Act 166 has been in effect.

The Department of Taxation said Act 166 exemptions may have cost the State about \$900,000 per year over the past four years, about half the possible taxable amount. There are many variables that can be involved when talking about tax issues involving 17 different sales and sellers. However, the Act 166 exemption:

1. Is known and of interest to lessors and their counsel.
2. Incentivizes landowners to sell their multi-family residential leased-fee interests. Fee sales provide permanent fee simple ownership for many lessees as their lease terms are getting short.

Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
February 21, 2012  
Page 2

3. Appears to have provided about \$1 million per year in state income tax revenue and hundreds of thousands of dollars per year in conveyance tax revenue.
4. Incentivizes use of cash proceeds rather than exchanging them into another property to defer gains. This puts millions of dollars into the economy, aids commerce and generates use taxes like GET and conveyance tax.

Further, by public record search, there are still about 16,714 leasehold condo, co-op and PUD units in Hawaii. Most lessees of these units would dearly like to have a fee purchase opportunity and the Act 166 exemption will help incentivize fee owners to sell, especially elderly fee owners who may want cash proceeds instead of reinvesting into another property at their age.

Please feel free to contact me at 735-0000 if there are any questions or I may be of any assistance.

Sincerely,

MONARCH PROPERTIES, INC.



Michael E. Pang (R)  
President and Principal Broker

**From:** [Brien Hallett](#)  
**To:** [WAM Testimony](#)  
**Subject:** SB-2112 RELATING TO LEASEHOLD CONVERSION  
**Date:** Wednesday, February 22, 2012 8:10:53 PM

---

The extension of SB-2112 RELATING TO LEASEHOLD CONVERSION is a much needed incentive to lessors to convert their leasehold lands to fee simple.

Brien Hallett  
2565 La'au Street #23  
96826

TESTIMONY IN SUPPORT OF SB 2112: RELATING TO LEASEHOLD  
CONVERSION

TO: Senator David Ige, Chair; Senator Michelle Kidani, Vice Chair, and  
Members, Committee on Ways and Means

FROM: Helen Carroll, Citizens for Fair Leasehold CFLH  
(225-1007)

HEARING: 2/23/12, 9:00 AM.

Chair Ige, Vice Chair Kidani and Members of the Committee on Ways & Means:

Thank you for the opportunity to submit written testimony on this important bill. I am Helen Carroll, Director of CFLH, and have been involved with supporting a community of residential leasehold coops and condominium properties on Oahu. I apologize for the late testimony but I only just now received word of your hearing. I write in support of SB 2112, as one incentive to landowners to voluntarily sell the fee interest to the residents.

Leasehold is a growing wave that will hit many coops and condominiums over the next 5 years. There are 39 leasehold complexes with leases that will expire between 2012 and 2018, which is only a portion of the 427 leasehold complexes on the Island of Oahu. Just imagine the possible increase in the homeless as many people lose their homes.

The State needs to provide incentives to try to resolve the leasehold issue—and SB2112 is one important one. This bill is important since it provides an incentive for a landowner to sell the fee so that people can own their homes. However, this law will sunset on 12/31/12.

SB 2112 would extend the sunset date for the exemption from paying capital gains tax on gains coming from the sale of the leased fee interested in condominium units to associations of apartment owners or residential coop corporations until 1/1/18.

I urge your support of this bill to help other leasehold condos/coops to have a chance to own their homes through a voluntary conversion with their land owners.