

NEIL ABERCROMBIE  
GOVERNOR



CRAIG K. HIRAI  
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  
**Craig K. Hirai**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON HOUSING**

February 10, 2014 at 9:00 a.m.  
State Capitol, Room 329

In consideration of  
**H.B. 2059, H.D. 1**  
**RELATING TO HOUSING.**

The HHFDC **supports** H.B. 2059, H.D. 1 to the extent that it increases conveyance tax revenues to the Rental Housing Trust Fund and provided that its passage does not replace or adversely affect priorities indicated in the Executive Supplemental Budget. The sole dedicated source of funding for the Rental Housing Trust Fund is 30 percent of conveyance tax proceeds to address the need for affordable rental housing statewide.

HHFDC leverages the Rental Housing Trust Fund with other funding sources to finance the development of critically needed affordable rental housing through public-private partnerships. As of December 31, 2013, 4,567 affordable rental units have been produced or are in development in 58 projects statewide. In Fiscal Year 2013, the Rental Housing Trust Fund received \$16.4 million from its share of conveyance tax revenues.

Thank you for the opportunity to testify.



TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON HOUSING  
ON  
HOUSE BILL NO. 2059, H.D. 1

February 10, 2014

RELATING TO HOUSING

House Bill No. 2059, H.D. 1, amends the conveyance tax percentage amount paid into the Rental Housing Trust Fund (RHTF) and makes an appropriation to and out of the RHTF to increase support for affordable rental housing units. Currently, 30% of conveyance taxes collected under Section 247-7, HRS, are transferred into the RHTF.

The Department of Budget and Finance would like to point out that any percentage amount over the current 30% will result in a general fund loss. Such a loss is not accounted for in the general fund financial plan.



# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Housing  
Monday, February 10, 2014 at 9:00 A.M.  
State Capitol - Conference Room 329**

**RE: HOUSE BILL NO. 2059, HD 1 RELATING TO HOUSING**

Chair Hashem, Vice Chair Woodson, and members of the committee:

The Chamber ~~opposes~~ H.B. No. 2059, H.D. 1. The bill proposes to amend the conveyance tax percentage amount paid into the rental housing trust fund.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Conveyance Tax was created to cover the administrative costs of recording the real estate transactions, such as those performed by the Bureau of Conveyance. With the recent amendments to the statutes, the conveyance tax is deposited into the general fund with the following allocations:

1. Ten per cent shall be paid into the **Land Conservation Fund** established pursuant to section 173A-5;
2. Twenty-five per cent from July 1, 2009, until June 30, 2012, and thirty per cent in each fiscal year thereafter shall be paid into the **Rental Housing Trust Fund** established by section 201H-202; and
3. Twenty per cent from July 1, 2009, until June 30, 2012, and twenty-five per cent in each fiscal year thereafter shall be paid into the **Natural Area Reserve Fund** established by section 195-9; provided that the funds paid into the natural area reserve fund shall be annually disbursed by the department of land and natural resources in the following priority:
  - a. To natural area partnership and forest stewardship programs after joint consultation with the forest stewardship committee and the natural area reserves system commission;
  - b. Projects undertaken in accordance with watershed management plans pursuant to section 171-58 or watershed management plans negotiated with private landowners, and management of the natural area reserves system pursuant to section 195-3; and
  - c. The youth conservation corps established under chapter 193.

We are deeply troubled by the manner in which the Conveyance Tax has been used to generate reviews for unrelated purposes. There is no rational nexus between the real estate transactions that are being taxed at conveyance, and the uses identified in HRS 247 as the beneficiaries of the tax. We do not believe that the conveyance tax is being used in an appropriate manner. We believe the Auditor of the State of Hawaii had similar findings.





# Chamber of Commerce HAWAII

*The Voice of Business*

In July 2012 the Auditor of the State of Hawaii prepared a report entitled, "Study of the Transfer of Non-general Funds to the General Fund," Report No. 12-04. On page 26 of the report, the Auditor found:

"In 2002, the Legislature set the criteria for determining whether special or revolving funds should be established or continued through Act 178, SLH 2002 and codified in Sections 37-52.3 and 37-52.4, HRS. To justify the creation and continuance, the Legislature must ensure that a special or revolving fund:

- Serves the purpose for which it was originally established;
- Reflects a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process; ..."

While we strongly support the various programs receiving funding from the revenues generated by the Conveyance Tax, we do not believe that the conveyance tax is the appropriate means to fund these programs. Also, we question whether this specific type of legislation would even be introduced if the Conveyance tax were limited to its original purpose of recording real estate transactions.

Since the overall objective seems to be to provide more funding for affordable rentals, one area that the State might want to explore is expanding the 201H HRS process to allow for commercial or revenue generating opportunities in conjunction with an affordable rental project on the same site. Depending on the location, HHFDC could establish a minimum number of units or minimum percentage of the overall parcel that would be dedicated to affordable rentals. To offset some of the development costs, the developer would be allowed to develop or sell development rights for the commercial or revenue generating portion of the parcel. This may attract more developers into the market to develop affordable rentals and provides HHFDC with another "tool" to use in creating incentives for developing affordable rentals in Hawaii. Moreover, the overall mixed-use development may be more attractive for the renters, especially for locations near the proposed transit stations.

Thank you for the opportunity to express our views on this matter.



# TAXBILLSERVICE



126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** CONVEYANCE, Increase amount earmarked for rental housing trust fund

**BILL NUMBER:** HB 2059, HD-1

**INTRODUCED BY:** House Committee on Housing

**BRIEF SUMMARY:** Amends HRS section 247-7 to increase the amount of conveyance tax revenues earmarked to the rental housing trust fund from 35% to \_\_%, beginning on July 1, 2014.

**EFFECTIVE DATE:** July 1, 2020

**STAFF COMMENTS:** 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 (which at the time also administered the real property tax) 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.

Prior to 1993, the conveyance tax was imposed at the rate of 5 cents per \$100 of actual and full consideration paid for a transfer of property. At the time all revenues from the tax went to the general fund. The legislature by Act 195, SLH 1993, increased the conveyance tax to 10 cents per \$100 and earmarked 25% of the tax to the rental housing trust fund and another 25% to the natural area reserve fund. As a result of legislation in 2005 and in 2009, the conveyance tax rates were substantially increased and bifurcated between nonowner-occupied residential properties and all other properties. Tax brackets were based on the amount of the value transferred. Until 2005, 50% of the receipts went into the general fund and the other half was split with the affordable rental housing program and the natural area reserve program. Beginning in 2005, another 10% was taken for the land conservation fund. In 2009, legislators reduced the amount of conveyance tax revenues earmarked to the rental housing trust fund from 30% to 25% until June 30, 2012 in an effort to generate additional revenues for the state general fund.

The proposed measure would amend the amount of conveyance tax revenues earmarked to the rental housing trust fund starting on July 1, 2014. Are our lawmakers thinking that this will provide a more stable funding source for this fund? It should be remembered that with a hot real estate market, the collections of this tax soared. However, as the market cooled, as it did after the Japanese bubble burst in the mid 1990's and also in the aftermath of the subprime credit crisis, the collections of this tax waned. Collections rise and fall with the fortunes of the real estate market. When 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 any of the programs for which conveyance tax revenues are earmarked 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 is not desirable for a number of reasons. First, it absolves elected officials from setting priorities. Second, the beneficiaries of such earmarked sources look upon the receipts as “their” money and refuse to be held accountable for the use of those funds while all other programs not so favored, like education, public safety, health and human services, are cut when general fund tax revenues either shrink or do not increase in line with expectations.

Instead of further clouding the financial picture of the state, all of these earmarked funds and the programs they underwrite should be brought back to the general fund table so that they can be measured against all the other pressing needs of the state. Only then will lawmakers and taxpayers be able to set priorities for what little tax resources taxpayers have to share especially in these difficult economic times. Earmarking resources that bear little relationship to the program being funded represents poor public finance policy.

Digested 2/7/14



## TESTIMONY IN SUPPORT OF HB 2059, HD1: RELATING TO HOUSING

TO: Representative Mark J. Hashem, Chair; Representative Justin H. Woodson, Vice-Chair; and Members, Committee on Housing

FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawaii

**Hearing: Monday, February 10, 2014; 9:00 am; CR 329**

Chair Hashem, Vice Chair Woodson, and Members, Committee on Housing:

Thank you for the opportunity to testify in **strong support of HB 2059** which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund, and make an appropriate to the Trust Fund for an increase in affordable rental units. I am Betty Lou Larson, Legislative Liaison for Catholic Charities Hawaii. We strongly support restoring the percentage allocated to the Rental Housing Trust Fund to **50% of the State's conveyance tax, and appropriating \$100 million total to the Fund.**

There is a strong **nexus** between the conveyance tax and creating affordable rental housing. Since the 1990's when the RHTF was created, the Legislature has linked the nexus of the conveyance of housing to the State's purpose to promote affordable housing for all its citizens. Without the RHTF, **4,567 units of affordable housing would not have been built.** As real estate prices rise, land costs go up, and more second or investor homes are purchased, this all impacts on rents. **Rents have increased over 45%** in Hawaii since 2005.

Our housing crisis demands action NOW. We need affordable rentals to reduce homelessness and provide housing for our young families, kupuna, working people, etc. Almost 75% of extremely low income households pay more than half of their income on rent. No wonder Hawaii has the **highest rate of homelessness in the US.** Hawaii needs over 13,000 affordable rental units by 2016. The RHTF is key to creating these units.

Catholic Charities Hawaii supports **\$100 million to the RHTF**, with its proven record of creating affordable rental units. The RHTF has many more applications than can be funded with the current funds. In FY 2012, with \$37 million in project requests, 5 of 9 projects, totaling 317 affordable rental units, were left unfunded due to limited funds. In 2013, the Trust Fund received \$70.4 million in requests.

The conveyance tax has a major impact on creating housing. Restoring 50% of conveyance tax proceeds to the RHTF would put about \$25 – 27 million into the Trust Fund/year. The Legislature saw the need in 2006 and allocated 50% of this tax to the Trust Fund. After being reduced dramatically during the recent economic downturn, it is time to again restore this dedicated funding to 50% of conveyance tax proceeds.

We urge your support **to restore 50% of the conveyance tax to the Rental Housing Trust Fund, and appropriate a total of \$100 million** for a legacy of affordable housing.



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822  
Phone (808) 373-0356 • Email: [bettylou.larson@catholiccharitieshawaii.org](mailto:bettylou.larson@catholiccharitieshawaii.org)









PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

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TO: Representative Mark Hashem, Chair  
Representative Justin Woodson, Vice Chair  
Members, Committee on Housing

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: House Committee on Housing  
**Monday, February 10, 2014 at 9:00 a.m. in Conf. Rm. 329**

**Testimony in Support of HB2059 HD1, Relating to Housing**

Thank you for the opportunity to provide testimony in support of **HB2059 HD1**, which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund (RHTF), and make an appropriation to and out of the fund for an increase in affordable rental housing units. PHOCUSED is a coalition of health, housing, human services agencies and individual advocates committed to strengthening policies and programs to support the marginalized and underserved in Hawaii. PHOCUSED strongly supports restoring the percentage allocated to the RHTF to **50% of the State's conveyance tax**, as well as **an appropriation of \$100 million to the RHTF**.

As a community, it is critical that we support the development of housing, which is both safe and affordable for Hawaii's residents. An estimated 43% of Hawaii's households (194,900 households) are renters. Of that number, 56% are housing-cost burdened – paying more than 1/3 of their income to housing costs – which is one of the highest percentages of cost-burdened renters in the nation. In addition, Hawaii has the highest rate of homelessness out of all 50 states, which is partly attributed to our high housing costs and lack of housing inventory. The development of new affordable rental housing is critical to our community's ability to reduce homelessness for Hawaii's people, including our seniors and families with young children in the home.

The RHTF has a proven record of creating new affordable rental units in Hawaii. As of June 30, 2013, **4,567 rental units** had been created with the assistance of the RHTF and other leveraged funding. Currently, the conveyance tax is the only dedicated source of funding to the RHTF. Increasing the percentage of the conveyance tax allocated to the RHTF to 50% of tax proceeds would put an estimated \$25-27 million into the Trust Fund. Increasing the percentage of the conveyance tax allocated to the RHTF and an additional appropriation of \$100 million will support the continued development of affordable units in Hawaii and help to provide more safe and affordable housing opportunities for Hawaii residents.

PHOCUSED strongly urges your support of this bill. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at [admin@phocused-hawaii.org](mailto:admin@phocused-hawaii.org).

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February 10, 2014

**The Honorable Mark J. Hashem, Chair**

House Committee on Housing  
State Capitol, Room 329  
Honolulu, Hawaii 96813

**RE: H.B. 2059, H.D.1, Relating to Housing**

**HEARING: Monday, February 10, 2014, at 9:00 a.m.**

Aloha Chair Hashem, Vice Chair Woodson, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,300 members. HAR **supports** H.B. 2059, H.D.1, which amends the Conveyance Tax percentage amount paid into the Rental Housing Trust Fund (RHTF) and makes an appropriation to the fund.

In 1992, Hawai'i established the RHTF, recognizing the need to establish a fund as a continuous renewable resource to assist very low and low income families and individuals, including the homeless and special need groups, in obtaining rental housing. In order to make the Fund continuous it was linked to the Conveyance Tax.

In 2006, the share of the Conveyance Tax allotment to the Rental Housing Trust Fund was increased from 30% to 50%. However, that percentage lapsed on June 30, 2008, and was not extended, so it was reverted back to 30%.

In 2009, it was amended down to 25% from July 1, 2009, until June 30, 2012, and 30% in each fiscal year thereafter.

HAR has historically supported 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.

Lastly, as this program helps to increase the availability of rental housing for persons who face obstacles in moving from homelessness to permanent housing and persons with lower incomes who need to find affordable rental housing, HAR believes restoring the allocation to the RHTF should help to address the States unique challenges related to low-income and affordable housing.

Mahalo for the opportunity to testify.





## PARTNERS IN CARE Oahu's Coalition of Homeless Providers

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### TESTIMONY IN SUPPORT OF HB 2059 HD1: RELATING TO HOUSING

TO: Representative Mark Hashem, Chair; Representative Justin Woodson, Vice Chair; and members of the House Committee on Housing

FROM: Peter K. Mattoon, Advocacy Committee Co-Chair, Partners In Care

**Hearing: Tuesday, February 11, 2014, 9:00 AM, Room 329**

Dear Chair Hashem, Vice Chair Woodson, and committee members:

Thank you for the opportunity to provide testimony in **strong support** of House Bill 2059 HD1 and propose amendments to **allocate 50% of conveyance tax revenues**, as well as an appropriation of **\$100 million to the Rental Housing Trust Fund (RHTF)**. My name is Peter K. Mattoon, and I am an Advocacy Committee Co-Chair for Partners In Care, a coalition of care providers focusing on the needs of homeless persons and strategies to end homelessness. We support this policy as a means to prevent homelessness, and to help those transitioning out of homelessness find affordable housing.

Hawai'i's severe affordable housing shortage places an immense strain on lower-income households. Housing costs are twice the national average—the highest in the nation. According to the Hawai'i Housing Planning Study, Hawai'i will need 13,000 more rental units by 2016 to meet the need for affordable rentals. The consequences of this shortage are clear: Hawai'i has the highest rate of homelessness among the states. The 2010 Homeless Services Utilization Report found that 56 percent of homeless families were homeless because of their inability to pay the rent. If these households were able to live in affordable units, their stories may have turned out very differently.

We need more affordable housing, or else this crisis will only continue to worsen. The RHTF is a major tool for the creation of affordable housing with a long record of success, and conveyance tax revenues are its only dedicated source of funding. **4,567 rental units** have been created with the assistance of the RHTF and other leveraged funding as of June 2013. The RHTF also functions as an economic driver, because the public-private partnerships it produces help build broad strategies to address the need for affordable housing throughout our state. Housing created with RHTF monies must provide at least 5% of their units at rents affordable to those earning less than 30% of the area median income.

However, the RHTF can't fund many qualified projects due to lack of funds. It received \$37 million in project requests in 2012, but 5 out of 9 projects totaling 317 affordable rental units were left unfunded. In 2013, the Trust Fund received \$70.4 million in requests. Many projects are ready to be developed and only waiting on funding.

We can only prevent and end homelessness with more affordable housing. The Legislature recognized this in 2006, when it increased the percentage of conveyance tax revenues allocated to the RHTF to 50%. This allocation was reduced during the economic downturn to a low of 25% between 2009 and 2012; the current allocation stands at 30%. Meanwhile, our affordable housing crisis is only worsening. An appropriation of **\$100 million toward the RHTF**, along with an allocation of **50%** of conveyance tax revenues—which would infuse approximately **\$25–27 million** into the RHTF—would support the creation of desperately-needed affordable rental units for families throughout Hawai'i.

Partners In Care, c/o Aloha United Way, 200 N. Vineyard Blvd. Suite 700  
Honolulu, Hawai'i 96817

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*Partners In Care is a membership organization of homeless service providers, other service professionals, units of local and state government, homeless consumers, and other community representatives located in Hawai'i on Oahu. It is a planning, coordinating, and advocacy body that develops recommendations for programs and services to fill gaps in the Continuum of Care on Oahu.*

# Helping Hands Hawai'i

## **TESTIMONY IN SUPPORT OF HB 2059 HD1: RELATING TO HOUSING WRITTEN TESTIMONY ONLY**

TO: Representative Mark Hashem, Chair, Housing;  
Representative Justin Woodson, Vice Chair, Housing; and  
Members of the Committee on Housing

FROM: Jan Harada, CEO, Helping Hands Hawaii

**Hearing: Monday, February 10, 2014, 9:00 am; CR 329.**

Chair Hashem, Vice Chair Woodson, and Committee members:

Thank you for the opportunity to provide testimony **in support of** HB 2059 HD1, which amends the percentage of the conveyance tax paid into the Rental Housing Trust Fund (RHTF), and makes an appropriation to and out of the fund for an increase in affordable rental housing units. Helping Hands Hawaii is a community-based health and human services non-profit organization that works to serve some of Hawaii's most vulnerable, in particular, those that struggle with poverty, homelessness, mental illness, substance abuse, and language access. Helping Hands Hawaii is in strong support of restoring the percentage allocated to the RHTF to 50% of the State's conveyance tax, as well as an appropriation of \$100 million to the RHTF.

Hawaii has one of the highest percentages of cost-burdened renters in the nation, with an estimated 56% of renters, paying more than 30% of their income to housing costs. The high cost of housing and lack of affordable housing options in Hawaii has had a significant impact on the number of individuals and families that are homeless. The development of new affordable rental housing is critical to helping the community address the issue of homelessness and begin to see a reduction in the number of homeless living in shelters or on the streets, including the elderly, families with young children, and the disabled.

As of June 30, 2013, 4,567 rental units had been created with the assistance of the RHTF and other leveraged funding. Currently, the conveyance tax is the only dedicated source of funding to the RHTF. Increasing the percentage of the conveyance tax allocated to the RHTF to 50% of tax proceeds would put an estimated \$25-\$27 million into the RHTF. This, in addition to an additional \$100 million appropriation would be a big boost to the effort to create more affordable housing options for Hawaii's residents.

We urge your support for these important strategies to address homelessness and the prevention of homelessness.



## TESTIMONY IN SUPPORT OF HB 2059, HD1: RELATING TO HOUSING

TO: Representative Mark J. Hashem, Chair; Representative Justin H. Woodson, Vice-Chair; and Members, Committee on Housing

FROM: Fr. Robert Stark, Director, Office for Social Ministry, Catholic Diocese of Honolulu

**Hearing: Monday, February 10, 2014; 9:00 am; CR 329**

Chair Hashem, Vice Chair Woodson, and Members, Committee on Housing:

On behalf of the Office for Social Ministry of the Catholic Diocese of Honolulu, I want to express our gratitude for the opportunity to testify **in wholehearted support of HB 2059** which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund, and make an appropriation to the Trust Fund for an increase in affordable rental units. We strongly support restoring the percentage allocated to the Rental Housing Trust Fund to **50% of the State's conveyance tax, and appropriating \$100 million total to the Fund.**

There is a clear connection between the conveyance tax and creating affordable rental housing. Since the 1990's when the RHTF was created, the Legislature has linked the conveyance of housing to the State's purpose to promote affordable housing for all its citizens. The RHTF made it possible for the building of **4,567 units of affordable housing**. Rising real estate prices and land costs go up all impact rents. **Rents have increased over 45%** in Hawaii since 2005.

We need affordable rentals to reduce homelessness and provide affordable housing for families, kupuna, all working people. Almost 75% of extremely low income households pay more than half of their income on rent. Hawaii needs over 13,000 affordable rental units by 2016. The RHTF is key to creating these units.

The Office for Social Ministry supports **\$100 million to the RHTF**, with its proven record of creating affordable rental units. The RHTF has many more applications than can be funded with the current funds. In FY 2012, with \$37 million in project requests, 5 of 9 projects, totaling 317 affordable rental units, were left unfunded due to limited funds. In 2013, the Trust Fund received \$70.4 million in requests.

The conveyance tax has a major impact on creating housing. Restoring 50% of conveyance tax proceeds to the RHTF would put about \$25 – 27 million into the Trust Fund/year. The Legislature saw the need in 2006 and allocated 50% of this tax to the Trust Fund. After being reduced dramatically during the recent economic downturn, it is time to again restore this dedicated funding to 50% of conveyance tax proceeds.

We strongly urge your support **to restore 50% of the conveyance tax to the Rental Housing Trust Fund, and appropriate a total of \$100 million** for a legacy of affordable housing.





# Community Alliance for Mental Health

February, 10, 2014

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To: House Committee on Housing  
Re: HB2509, HD1

Aloha Chair Hashem and the members of the committee,

On behalf of the Community Alliance for Mental Health along with United Self Help we **strongly support** the passage of HB 2509, HD1.

The greatest need for Hawai'i's disabled and most vulnerable population is housing. That's it, bar none. This discussion is and has been the center of conversation in the Legislature, the paper, and among the public in general.

The Rental Housing Trust Fund is a critically important aspect of addressing this problem and we feel the passage of HB 2509, HD1 is essential.

Scott Wall  
VP/Legislative Advocate  
Community Alliance for Mental Health

[  
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**woodson1-Brina**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 07, 2014 3:15 AM  
**To:** HSGtestimony  
**Cc:** icalkins@hawaii.rr.com  
**Subject:** Submitted testimony for HB2059 on Feb 10, 2014 09:00AM  
**Attachments:** .~lock.DEMOCRATIC PARTY LINE.odt#

**HB2059**

Submitted on: 2/7/2014

Testimony for HSG on Feb 10, 2014 09:00AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
IRA CALKINS	Individual	Support	No

Comments: IRA CALKINS INNER-GOVERNMENTAL RESEARCH 730 Captain Cook Ave Unit 426 Honolulu, Hawaii 96813-2161 808-4696434 808-3498667 FAX 5454707 Washington D.C. 202-697-9782 It does not matter what the people think, the Democratic Party has already decided for us on all bills before the State of Hawaii Legislature . The chairman's in all committee meetings has a script to follow that the Speaker of the House, and the Speaker of the Senate has given the Committee Chairs to follow, to instruct the committee how to vote on a any given bill in all committees of the State of Hawaii Legislature. It is determined ahead of time by the Democratic Party how a committee will vote on any given bill in the State of Hawaii Legislature, there is no democracy in this state, no will of the people. It appears the Legislators are being black mailed in to voting the Democratic party line or the Democratic Party will not support them in there next election. Ira Calkins

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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THE VOICE OF THE CONSTRUCTION INDUSTRY

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## Testimony to the House Committee on Housing Monday, February 10, 2014

9:00 a.m.

State Capitol - Conference Room 329

### RE: H.B. 2059 H.D. 1, RELATING TO HOUSING

Dear Chair Hashem, Vice Chair Woodson, and members of the Committee:

My name is Gladys Marrone, Government Relations Director for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-HAWAII ~~opposes~~ H.B. 2059, H.D. 1. The bill proposes to amend the conveyance tax percentage amount paid into the rental housing trust fund. While the tax would benefit rental housing, which we support, we are opposed because **there is no rational nexus** between the real estate transactions being taxed at conveyance and the uses identified in Chapter 247, Hawaii Revised Statutes (HRS), as the beneficiaries of the tax.

The Conveyance Tax was created to cover the administrative costs of recording the real estate transactions, such as those performed by the Bureau of Conveyance. With the recent amendments to the statutes, the conveyance tax is deposited into the general fund with the following allocations:

1. Ten per cent shall be paid into the **Land Conservation Fund** established pursuant to section 173A-5;
2. Twenty-five per cent from July 1, 2009, until June 30, 2012, and thirty per cent in each fiscal year thereafter shall be paid into the **Rental Housing Trust Fund** established by section 201H-202; and
3. Twenty per cent from July 1, 2009, until June 30, 2012, and twenty-five per cent in each fiscal year thereafter shall be paid into the **Natural Area Reserve Fund** established by section 195-9; provided that the funds paid into the natural area reserve fund shall be annually disbursed by the department of land and natural resources in the following priority:
  - a. To natural area partnership and forest stewardship programs after joint consultation with the forest stewardship committee and the natural area reserves system commission;
  - b. Projects undertaken in accordance with watershed management plans pursuant to section 171-58 or watershed management plans negotiated with private landowners, and management of the natural area reserves system pursuant to section 195-3; and
  - c. The youth conservation corps established under chapter 193.



We are deeply troubled by the manner in which the Conveyance Tax has been used to generate reviews for unrelated purposes. Again, there is no rational nexus between the real estate transactions that are being taxed at conveyance and the beneficiaries of the tax. We do not believe that the conveyance tax is being used in an appropriate manner. We believe the Auditor of the State of Hawaii had similar findings.

In July 2012, the State Auditor completed Report No. 12-04, entitled, "Study of the Transfer of Non-general Funds to the General Fund," On page 26 of the report, the Auditor found:

"In 2002, the Legislature set the criteria for determining whether special or revolving funds should be established or continued through Act 178, SLH 2002 and codified in Sections 37-52.3 and 37-52.4, HRS. To justify the creation and continuance, the Legislature must ensure that a special or revolving fund:

- Serves the purpose for which it was originally established;
- ***Reflects a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process; . . .***" (Emphasis added.)

While we strongly support the various programs receiving funding from the revenues generated by the Conveyance Tax, we do not believe that the conveyance tax is the appropriate means to fund these programs. Finally, we question whether this specific type of legislation would even be introduced if the Conveyance tax were limited to its original purpose of recording real estate transactions.

Based on the foregoing reasons, BIA-Hawaii **opposes** H.B. 2059, H.D. 1.

Thank you for the opportunity to express our views on this matter.

## TESTIMONY IN SUPPORT OF HB 2059 HD 1: RELATING TO HOUSING

TO: Representative Mark Hashem, Chair; Representative Justin Woodson, Vice Chair;  
and members of the House Committee on Housing

FROM: Connie Mitchell, Executive Director  
IHS, The Institute for Human Services, Inc.

Hearing: Monday, February 10, 2014; Room 329; 9:00 a.m.

Chair Hashem, Vice Woodson, and Members, Committee on Housing:

Thank you for the opportunity to testify **in strong support** of House Bill 2059 HD1 with amendments to allocate **50%** of conveyance tax revenues, as well as an appropriation of \$100 million to the Rental Housing Trust Fund (RHTF). IHS, The Institute for Human Services, Inc. provides an array of homelessness prevention and post-shelter services to address homelessness. What is not available is sufficient housing to end homelessness for all who need it. There are simply not enough affordable rental units needed to house those individuals and families earning 80% of Area Median Income (AMI) for whom market rents are clearly a burden or totally out of reach .

HB 2059 provides funding to increase the affordable housing stock in Hawaii by restoring 50% of the conveyance tax into the RHTF and by appropriating funds to increase the number of affordable units available. Creating more affordable rental housing is critical to our state's future to reduce homelessness. Homelessness is an issue that faces and affects the entire Hawaii community. In 2013 the statewide homeless Point in Time (PIT) count measured over 6,000 homeless persons in the state. According to HUD, homelessness in Hawaii is up 8.6% since 2010. A key factor in the homelessness issue facing the state is the lack of affordable housing. Very low rents are needed by seniors on SSI with incomes under \$800, young working people, single homeless, small families, etc.

Creating more affordable rental housing is critical to our state's future to provide housing for many working individuals as well as our children and young families in Hawaii. Rents have increased over 45% in Hawaii since 2005. For low-income families (family income under 200 percent of federal poverty threshold), who are more likely to rent, the experience of rent burden is particularly acute. Nearly 80 percent of low income households with children spend more than 30 percent of their income on rent. Additionally, Hawaii has the longest waiting time for public housing in the country at approximately 33 months.<sup>1</sup> According to Civil Beat, *the Fair Market Rent for a two-bedroom dwelling in Honolulu is \$1616. To afford this, a household should earn \$64,651 per year. For a three bedroom in Honolulu, the salary requirement is nearly \$92,302 — approximately 94 percent of the Honolulu residents' average monthly income.* Hawaii needs at least 13,000 affordable rental units by 2016. \$100 million to the Trust Fund will create approximately 600 new affordable units.

Please pass HB 2059 to increase funding into the Rental Housing Trust Fund, which is the right vehicle since it also mandates that 5% of the units produced address the housing needs of people at 30% of Median Income or below, who are often most vulnerable to homelessness. We must increase the number of affordable housing units in Hawaii.

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<sup>1</sup> <sup>1</sup> Rent Burden, Housing Subsidies and the Well-being of Children and Youth. Yumiko Aratani. Michelle Chau. Vanessa R. Wright. Sophia Addy. November 2011.



**HAWAII CATHOLIC CONFERENCE**

6301 Pali Highway  
Kaneohe, HI 96744-5224

**Submitted:** Online  
**Hearing on:** Monday, February 10, 2014 @ 9:00 am  
**Conference Room:** 329

**DATE:** February 9, 2014  
**TO:** House Committee on Housing  
Rep. Mark Hashem, Chair  
Rep. Justin Woodson, Vice Chair  
**From:** Walter Yoshimitsu, Executive Director  
**Re:** Support of HB 2059 HD1 Relating to Housing

Honorable Chair and members of the House Committee on Housing, I am Walter Yoshimitsu, **representing the Hawaii Catholic Conference**. The Hawaii Catholic Conference is the public policy voice for the Roman Catholic Church in the State of Hawaii, which under the leadership of Bishop Larry Silva, represents Roman Catholics in Hawaii.

We support HB 2059 HD1 because homelessness continues to be one of the State's most significant and challenging social problems. The Diocese of Honolulu supports any strategic plan that makes homelessness and affordable housing one of its primary areas of focus. For many households in Hawaii at risk of becoming homeless, high housing costs mean skimping on food and medical care, moving frequently to find lower rents—creating periods of homelessness. As people of faith, we simply cannot sit back and watch while families fall apart.

**WE STRONGLY SUPPORT THE RENTAL HOUSING TRUST FUND AND HAVE SINCE ITS INCEPTION.** This bill appropriates much needed funding for deposit into the rental housing trust fund to finance affordable rental housing development. We strongly believe that the funding used by the RHTF has consistently produced much-needed housing. Recent statistics show that over 4,000 homes have been created utilizing this fund. That is a great accomplishment in this dire economy but it is simply not enough. We know we have much more work to do!

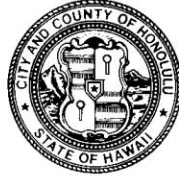
Support for the Rental Housing Trust Fund, in turn, will ultimately help Hawaii save money on programs aimed at helping the homeless, and will reduce the burden on charities and religious organizations. We do understand that many services are vying for funding at this critical time and we appreciate your ongoing support for the Rental Housing Trust Fund.

Mahalo for the opportunity to testify.



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



KIRK CALDWELL  
MAYOR

PAMELA A. WITTY-OAKLAND  
DIRECTOR

GARY K. NAKATA  
DEPUTY DIRECTOR

TESTIMONY OF PAMELA A. WITTY-OAKLAND, DIRECTOR  
DEPARTMENT OF COMMUNITY SERVICES  
BEFORE THE HOUSE COMMITTEE ON HOUSING  
Monday, February 10, 2014, 9:00 a.m., Conference Room 329

**LATE**

**HOUSE Bill 2059 HD1, "RELATING TO HOUSING"**  
**Position: In Support**

**RECEIVED**  
**Date & Time**  
Feb 10, 2014, 8:20 am

TO: The Honorable Mark J. Hashem, Chair  
and Members of the Committee on Housing

House Bill 2059 HD1 amends the conveyance tax percentage amount paid into the rental housing trust fund (RHTF) and makes an appropriation to and out of the fund for an increase in affordable rental housing units. The City and County of Honolulu's Department of Community Services (DCS) **strongly supports** House Bill 2059 HD 1.

DCS believes that it is fiscally prudent to increase the conveyance tax revenues to the RHTF which is a principle source of financing for affordable rental housing projects in Hawaii, and is typically highly leveraged with other funding sources. The RHTF, which is funded solely through the conveyance tax, is often a critical component of equity gap financing that is consistently relied upon by developers of affordable housing in order to have a financially feasible project.

The *Hawaii Housing Planning Study, 2011* (SMS Research & Marketing Services, Inc., November 2011) projected a need for nearly 11,000 multi-family rental housing units between 2012 and 2016, of which approximately 8,900 units are for households earning 80 percent or less of Honolulu's median area income. Clearly, the need is substantial and the RHTF, which assisted in the development of 4,567 affordable rental units as of December 31, 2013, is essential in addressing the affordable housing shortage facing our community.

Without the development of projects financed by the RHTF, many senior citizens and families would be forced to double-up with relatives. The worst case scenario would be homelessness, which places a tremendous financial strain on the public support system.

Thank you for the opportunity to testify on this bill.

**Board of Directors**

Sherry Broder, Esq.  
David Derauf, M.D.  
Naomi C. Fujimoto, Esq.  
Patrick Gardner, Esq.  
John H. Johnson  
Nathan Nelson, Esq.  
David J. Reber, Esq.

**Executive Director**

Victor Geminiani, Esq.

Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Supporting HB 2059 HD1 Relating to Housing  
House Committee on Housing  
Scheduled for Hearing Monday, February 10, 9:00 AM, Room 329

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*Hawai'i Appleseed Center for Law and Economic Justice is a nonprofit, 501(c)(3) law firm created to advocate on behalf of low income individuals and families in Hawai'i on civil legal issues of statewide importance. Our core mission is to help our clients gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security.*

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Thank you for an opportunity to testify in **strong support** of House Bill 2059 HD1, which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund (RHTF) and make an appropriation toward the RHTF. Hawai'i Appleseed Center for Law and Economic Justice strongly encourages the Committee to restore the **percentage allocated to the Rental Housing Trust Fund to 50 percent** of the state's conveyance tax revenue and **appropriate \$100 million** toward the RHTF.

Hawai'i's severe affordable housing shortage places an immense strain on lower-income households. About 75 percent of extremely low-income households spend more than half their income on housing. Our cost of shelter is the highest in the nation, and the need for affordable housing will only continue to grow. According to the Hawai'i Housing Planning Study, Hawai'i will need 13,000 more rental units by 2016 to meet the need for affordable rentals. The consequences of this shortage are clear: Hawai'i has the highest rate of homelessness among the states, and without adequate affordable housing, this crisis will only continue to worsen.

The Rental Housing Trust Fund is a major tool for the creation of affordable housing with a long record of success, and conveyance tax revenues are its only dedicated source of funding. The RHTF may be used to provide loans for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable rental housing units. Housing created with RHTF monies must provide at least 5 percent of their units at rents affordable to those earning 30 percent or less of the area median income.

- As of June 2013, **4,567 rental units** have been created with the assistance of the RHTF and other leveraged funding.
- The public-private partnerships created by the fund help build long broader, long-term strategies to address our affordable housing needs on all islands.
- However, the RHTF is not able to fund many qualified projects due to lack of funds. It received \$37 million in project requests in FY 2012 alone. That year, five out of nine projects (totaling 317 affordable rental units), were left unfunded. In 2013, the RHTF received \$70.4 million in requests. Many projects are ready to be developed and only waiting on funding.

Hawai'i's lack of affordable housing and resulting rates of homelessness form a social crisis that the state must address. The Legislature recognized this in 2006, when it increased the percentage of conveyance tax revenues allocated to the RHTF to 50 percent. We urge you to restore this and make an additional infusion of **\$100 million** into the RHTF. Meanwhile, our affordable housing crisis is only worsening. An allocation of **50 percent** of conveyance tax revenues would put approximately **\$25–27 million** into the RHTF and support the creation of hundreds of desperately-needed affordable rental units for families throughout Hawai'i. We strongly encourage you to recommit to funding affordable housing by increasing funding to the RHTF.

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**Hawai'i Appleseed Center for Law and Economic Justice**

February 10, 2014

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