

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2059, H.D. 2

February 21, 2014

RELATING TO HOUSING

House Bill No. 2059, H.D. 2, 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.



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 FINANCE

February 21, 2014 at 12:00 p.m.
State Capitol, Room 308

In consideration of
H.B. 2059, H.D. 2
RELATING TO HOUSING.

The HHFDC ***supports*** H.B. 2059, H.D. 2, which would increase the share of conveyance tax revenues going to the Rental Housing Trust Fund to 50 percent, provided that its passage does not replace or adversely impact priorities indicated in the Executive Supplemental Budget.

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.

Because the level of real estate sales activity impacts the availability of affordable rental housing, use of the conveyance tax for the Rental Housing Trust Fund reflects a clear nexus between the benefits sought and the charges made upon payors of the conveyance tax.

In Fiscal Year 2013, the Rental Housing Trust Fund received \$16.4 million from its current 30 percent share of conveyance tax revenues. Accordingly, the proposed increase in the percentage of conveyance tax revenues dedicated to the Rental Housing Trust Fund will add \$10.8 million per year and provide a total of approximately \$30 million per year.

Thank you for the opportunity to testify.

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Testimony of
WILLIAM J. AILA, JR.
Chairperson

Before the House Committee on
FINANCE

Friday, February 21, 2014
12:00 PM
State Capitol, Conference Room 308

In consideration of
HOUSE BILL 2059, HOUSE DRAFT 2
RELATING TO HOUSING

House Bill 2059, House Draft 2 proposes to amend the Conveyance Tax percentage amount paid into the Rental Housing Trust Fund to fifty per cent and makes an appropriation to and out of the fund for an increase in affordable rental housing units. **The Department of Land and Natural Resources (Department) offers the following comments.**

Currently, beneficiaries of the Conveyance Tax include the Department's Natural Area Reserve Fund and Land Conservation Fund. To protect Hawaii's invaluable ecosystems and water supplies, the Natural Area Reserve Fund was created for the Natural Area Partnership Program, the Natural Area Reserves, projects undertaken in accordance with watershed management plans, and the Youth Conservation Corps. The Land Conservation Fund supports the Legacy Land Conservation Program (LLCP). The LLCP protects rare and unique cultural, natural, agricultural, and recreational resources from destruction by funding the acquisition of fee title or conservation easements by nonprofits, counties, and state agencies.

The Legislature has determined that there is a clear nexus between the source of the conveyance tax and providing funding for watershed protection and other natural resource preservation programs. The development, sale, and improvement of real estate in Hawaii adds additional pressure on natural areas, coastal access, agricultural production, and Hawaii's water resources and watershed recharge areas (Act 156, Session Laws of Hawaii 2005).

These programs support active land management and acquisition, including defending important conservation areas against threats from development and invasive species and also by restoring these areas by planting native species and monitoring recovery, which increases property values and provides a direct nexus to real estate. Dedicated funding for these programs is critical for the protection of these public trust resources.

WILLIAM J. AILA, JR.
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ESTHER KIA'AINA
FIRST DEPUTY

WILLIAM M. TAM
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

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-2

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 50% beginning on July 1, 2014.

EFFECTIVE DATE: July 1, 2050

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 increase 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 2/20/14



HAWAII CATHOLIC CONFERENCE

6301 Pali Highway
Kaneohe, HI 96744-5224

Submitted: Online
Hearing on: Friday, February 21, 2014 @ 12:00 PM
Conference Room: 308

DATE: February 19, 2014
TO: House Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Scott Nishimoto, Vice Chair
Rep. Aaron Ling Johanson, Vice Chair
From: Walter Yoshimitsu, Executive Director
Re: Support of HB 2059 HD2 Relating to Housing

Honorable Chair and members of the House Committee on Finance, 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 HD2 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 IT'S 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. There is much more work to do and funding is needed to accomplish the ongoing efforts of the RHTF.

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.



Community Alliance for Mental Health

February, 21, 2014

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Gina Hungerford

To: House Committee on Finance
Re: HB2059, HD2

Aloha Chair Luke and members of the committee,

On behalf of the Community Alliance for Mental Health along with United Self Help we support the passage of HB 2059, HD2.

The greatest problem facing the disabled community today is the lack of affordable housing. There are people (including the working poor,) who make enough money to pay their rent but simply can assemble first, last, deposit, the money to turn on their utilities, and enough to eat for the first month.

The Rental Housing Trust Fund was designed with just such a person or family in mind. Increasing the amount flowing into the fund will increase the rapidity we are able to get the homeless, the houseless, and the working poor off of our streets and out of our shelters so that they can begin building real lives once again.

Therefore we support the passage of HB 2059, HD2.

Scott Wall
VP/ Legislative Advocate
Community Alliance for Mental Health

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TESTIMONY IN SUPPORT OF HB 2059 HD2: RELATING TO HOUSING

TO: Representative Sylvia Luke, Chair; Representative Scott Nishimoto, Vice Chair; Representative Aaron Ling Johanson, Vice Chair; and members of the House Committee on Finance

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

Hearing: **Friday, February 21, 2014, 12:00 PM, Room 308**

Dear Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and committee members:

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 Senate Bill 2059 HD2 to **allocate 50% of conveyance tax revenues to the Rental Housing Trust Fund (RHTF)**. We support this policy as a means to prevent homelessness, and to help those transitioning out of homelessness find affordable housing.

Among so many others, members of our Diocese daily experience that 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 prevent and hopefully eventually 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.

We urge you to support of HB 2059 HD2. Mahalo.

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

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.



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

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TO: Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair
Members, Committee on Finance

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: House Committee on Finance
Friday, February 21, 2014 at 12:00 p.m. in Conf. Rm. 308

Testimony in Support of HB2059 HD2, Relating to Housing

Thank you for the opportunity to provide testimony in support of **HB2059 HD2**, which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund (RHTF) to 50%, 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 up to \$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.



PARTNERS IN CARE

Oahu's Coalition of Homeless Providers

TESTIMONY IN SUPPORT OF HB 2059 HD2: RELATING TO HOUSING

TO: Representative Sylvia Luke, Chair; Representative Scott Nishimoto, Vice Chair; Representative Aaron Ling Johanson, Vice Chair; and members of the House Committee on Finance

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

Hearing: **Friday, February 21, 2014, 12:00 PM, Room 308**

Dear Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and committee members:

Thank you for the opportunity to provide testimony in **strong support** of House Bill 2059 HD 2 to **allocate 50% of conveyance tax revenues**. We also respectfully request 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

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.

February 21, 2014

The Honorable Sylvia Luke, Chair

House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: H.B. 2059, H.D.2, Relating to Housing

HEARING: Friday, February 21, 2014 at 11:00 a.m.

Aloha Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, 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.2, 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, as there were and continues to be a clear nexus.

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.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Friday, February 21, 2014 at 12:00 P.M.
State Capitol - Conference Room 308**

RE: HOUSE BILL NO. 2059, HD2 RELATING TO HOUSING

Chair Luke, Vice Chairs Nishimoto and Johanson, and members of the committee:

The Chamber **opposes** H.B. No. 2059, H.D. 2. 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 fifty 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 revenues 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.

Aloha United Way

200 N. Vineyard Blvd., Suite 700
Honolulu, Hawaii 96817-3938
Telephone (808) 536-1951
Fax (808) 543-2222
Website: www.auw.org



Aloha United Way

Cover Sheet

Testifying Agency: Aloha United Way
Kim Gennaula, President & CEO

House Committee on Finance

Rep. Sylvia Luke, Chair
Rep. Scott Y. Nishimoto, Vice Chair
Rep. Aaron Ling Johanson, Vice Chair

Friday, February 21, 2014 at 12:00 P.M.

Conference Room 308

HB 2059, HD2: Relating to Housing: Testimony in Support

Aloha United Way

200 N. Vineyard Blvd., Suite 700
Honolulu, Hawaii 96817-3938
Telephone (808) 536-1951
Fax (808) 543-2222
Website: www.auw.org



February 19, 2014

House Committee on Finance
Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair
Friday, February 21, 2014 at 12:00 P.M.
Conference Room 308

HB 2059, HD2: Relating to Housing - SUPPORT

Dear Chair Sylvia Luke, Vice Chairs Scott Y. Nishimoto & Aaron Ling Johanson and Committee Members:

Homelessness continues to be one of our state's most serious and persistent social problems because the causes of homelessness are complex. Addressing these complex issues will require continuous effort and coordinated actions in many related areas like substance abuse, mental illness, work skills development and employment, emergency shelters, transitional housing and affordable housing.

Aloha United Way supports HB 2059, HD2 which would fund critical programs to address homelessness, including Housing First, Continuum of Care permanent supportive housing, shallow subsidy rental assistance program, mental health and substance abuse treatment, and the homeless assistance working group.

As a community, it is critical that we support a comprehensive array of programs and services that aid Hawaii's homeless individuals and families in their efforts to obtain and maintain permanent, stable housing.

Thank you for the opportunity to testify. We urge your favorable consideration of HB 2059, HD2.

Sincerely,



Kim Gennaula
President & Chief Executive Officer

**Board of Directors**

Sherry Broder, Esq.
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David J. Reber, Esq.

Executive Director

Victor Geminiani, Esq.

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting HB 2059 HD2 Relating to Housing
House Committee on Finance
Scheduled for Hearing Friday, February 21, 2014, 12:00 PM, Room 308

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.

Thank you for an opportunity to testify in **strong support** of House Bill 2059 HD2, which would restore the percentage of the conveyance tax paid into the **Rental Housing Trust Fund (RHTF) to 50 percent** and make an appropriation toward the RHTF. Hawai'i Appleseed Center for Law and Economic Justice respectfully encourages the Committee to **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.



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 2059, HD2: RELATING TO HOUSING

TO: Representative Sylvia Luke, Chair, and Representative Scott Y. Nishimoto, Vice Chair, and Members, Committee on Finance

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

Hearing: Friday, 2/21/14; 12:00 PM; CR 308

Chair Luke, Vice Chair Nishimoto, and Members, Committee on Finance:

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, rents in Hawaii have been severely impacted. **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 allocating \$100 million to the Rental Housing Trust Fund, 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. Construction is also an economic driver.

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.



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Helping Hands Hawai'i

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

TO: Representative Sylvia Luke, Chair;
Representative Scott Y. Nishimoto, Vice Chair;
Representative Aaron Ling Johanson, Vice Chair;
Members, Committee on Finance

FROM: Jan Harada, CEO, Helping Hands Hawaii

Hearing: Friday, February 21, 2014, 12:00pm; CR 308.

Chair Luke, Vice Chairs Nishimoto and Johanson, and Committee Members:

Thank you for the opportunity to provide testimony **in support** of HB 2059 HD2, which amends the percentage of the conveyance tax paid into the Rental Housing Trust Fund (RHTF) to 50%, 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 up to \$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.

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 RHTF. This, in addition to an additional \$100 million appropriation would support the continued development of affordable housing options for Hawaii residents.

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



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:

LATE

Statement of
Craig K. Hirai

Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE

February 21, 2014 at 12:00 p.m.
State Capitol, Room 308

In consideration of
H.B. 2059, H.D. 2
RELATING TO HOUSING.

The HHFDC ***supports*** H.B. 2059, H.D. 2, which would increase the share of conveyance tax revenues going to the Rental Housing Trust Fund to 50 percent, provided that its passage does not replace or adversely impact priorities indicated in the Executive Supplemental Budget.

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.

Because the level of real estate sales activity impacts the availability of affordable rental housing, use of the conveyance tax for the Rental Housing Trust Fund reflects a clear nexus between the benefits sought and the charges made upon payors of the conveyance tax.

In Fiscal Year 2013, the Rental Housing Trust Fund received \$16.4 million from its current 30 percent share of conveyance tax revenues. Accordingly, the proposed increase in the percentage of conveyance tax revenues dedicated to the Rental Housing Trust Fund will add \$10.8 million per year and provide a total of approximately \$30 million per year.

Thank you for the opportunity to testify.