

**woodson2-Miho**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 07, 2013 4:53 PM  
**To:** HSGtestimony  
**Cc:** tony@rmasalesco.com  
**Subject:** Submitted testimony for HB935 on Feb 11, 2013 10:00AM

**HB935**

Submitted on: 2/7/2013

Testimony for HSG on Feb 11, 2013 10:00AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Anthony Borge	Individual	Oppose	No

Comments: The Conveyance Tax was created to cover the administrative cost of recordation of real estate transactions by the Bureau of Conveyance within the State of Hawaii. The proposed amendments to the statutes would have the Conveyance Tax fund programs that have nothing to do with the conveyance of real property. This is neither the purpose nor the intent of the Conveyance Tax. Please adhere to the intent of the law. Funding for the watersheds and basic infrastructure should be taken from the General Fund. Thank you. Respectfully submitted by Anthony Borge

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 08, 2013 9:25 AM  
**To:** HSGtestimony  
**Cc:** ajc@aloha.net  
**Subject:** Submitted testimony for HB935 on Feb 11, 2013 10:00AM

**HB935**

Submitted on: 2/8/2013

Testimony for HSG on Feb 11, 2013 10:00AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Alika Campbell	Individual	Support	No

Comments: I support this bill since it would provide additional funding for important environmental issues. I would also encourage you to consider amending the bill to increase the percentage of the conveyance to the Rental Housing Trust Fund to 50%. The trust fund is an important tool toward increasing the supply of rental housing, which is a vital key in addressing the issues of homelessness and ensuring that there is enough workforce housing available to the community at large.

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I strongly support H.B. 935 HD 1 and its purpose to generate additional funding to protect Hawaii's forested watersheds and to control invasive species. I also support increased funding in this measure to help meet the state's critical affordable rental housing needs via the State Rental Housing Trust Fund.

Fresh water is not a limitless resource that can forever be tapped to support developed real estate. The development and sale of real estate helps drive Hawaii's economy, but it also puts pressure on our natural resources like fresh water resources. It makes sense to spend a portion of conveyance tax revenue on protecting those natural resources.

The revised rate proposed in this bill would only affect 2% of the sales state-wide, but provide a significant resource for watershed protection. The conveyance tax bill would support this watershed protection through essential forest management programs, invasive species control, land acquisition, and other conservation programs. The longer we wait to take significant action, the higher the cost will be to reverse the damage, thereby threatening water supplies for future generations.

This bill is a wise investment in our future. I urge your support.

Keren Gundersen  
Kauai

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 08, 2013 8:45 AM  
**To:** HSGtestimony  
**Cc:** mikagawa@hawaii.rr.com  
**Subject:** \*Submitted testimony for HB935 on Feb 11, 2013 10:00AM\*

**HB935**

Submitted on: 2/8/2013

Testimony for HSG on Feb 11, 2013 10:00AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Mary Ikagawa	Individual	Support	No

Comments:

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 07, 2013 5:28 PM  
**To:** HSGtestimony  
**Cc:** pmenter@mhkhawaii.org  
**Subject:** Submitted testimony for HB935 on Feb 11, 2013 10:00AM

**HB935**

Submitted on: 2/7/2013

Testimony for HSG on Feb 11, 2013 10:00AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Pamela Menter	Individual	Support	No

Comments: Aloha. I urge your support of this bill as amended, to reflect increasing the percentage of the conveyance to the Rental Housing Trust Fund to 50%. This will protect Hawaii's watersheds and control invasive species, as well as provide a legacy of affordable housing.

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**COMMENT IN SUPPORT OF HB 935, HD1: RELATING TO THE CONVEYANCE TAX**

TO: Representative Rida T. R. Cabanilla, Chair; Representative Justin H. Woodson, Vice Chair; and Members, Committee on Housing

FROM: Gladys Peraro (Hawaii Resident, Maili, Hawaii)

**Hearing: Monday, 2/11/13; 10:00 am; CR 329**

Dear Chair Cabanilla, Vice Chair Woodson, and Members, Committee on Housing:

Please accept this comment respectfully urging your support of HB 935, HD1, and its purpose to generate additional funding to protect Hawaii's precious forested watersheds and to control invasive species **AND** as it relates to increased funding to help meet the state's affordable rental housing needs via the State Rental Housing Trust Fund (RHTF).

Sincerely,  
Gladys Peraro

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, February 09, 2013 6:29 AM  
**To:** HSGtestimony  
**Cc:** bsager42@gmail.com  
**Subject:** Submitted testimony for HB935 on Feb 11, 2013 10:00AM

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

**HB935**

Submitted on: 2/9/2013

Testimony for HSG on Feb 11, 2013 10:00AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Bill Sager		Support	Yes

Comments: HB395 will increase the Conveyance Tax to fund watershed protect and invasive species control in Hawaii. Our native watersheds are a sponge that absorbs water in a way nothing else can. Our watersheds are threatened by feral animals and invasive plants that will, over time, destroy these sensitive ecosystems. The result will by devastating impacts on our water supply. We must protect our native watersheds from invaders. The Environmental Caucus of the Democratic Party of Hawaii strongly supports HB 935, which increases the conveyance tax on high-end real estate transactions and directs an additional ten percent of conveyance tax proceeds to the Natural Area Reserve Fund for watershed protection and invasive species control. Invasive species are one of the most significant threats to our watersheds, native species, habitats, cultural areas, recreation areas, and agricultural lands. · The "Rain Follows the Forest" initiative is working to ensure fresh water is available for the people of Hawai'i in perpetuity by protecting our watershed forests. This is a central goal of the "A New Day in Hawai'i" plan. · Healthy forests that are not overrun by invasive species efficiently capture and deliver fresh water into streams and aquifers for our use. · By pulling moisture from passing clouds, forests can actually increase water capture up to 50% more than through rainfall alone. · When forests are lost or degraded, Hawai'i loses its source of fresh water. · More than half of Hawaii's forests have been lost. Historically, the destruction of native forests has been the result of damage by goats, pigs, axis deer and wild cattle. Much of our native forest has been destroyed by invasive plants like straw berry guava and the passion vine. Today's threats continue to be invasive plants and animals. Recent introductions like miconia simply compound the problem. · Efforts to eradicate new introductions must be immediate and consistent. Once established an invasive plant or insect can cause millions of dollars of damage to agricultural crops, be a threat to public health and can devastate important native watersheds. Consistent effort is essential to effective control. Adequate, consistent funding for quarantine and invasive species control is essential. When funds supporting these programs are cut four even a couple of years, a decade of work can be lost. · Healthy forests will become even more critical as we experience the likely effects of climate change, including more severe storms but overall less rainfall, and temperature changes that will benefit invasive pests. · The conveyance tax bill would support this watershed protection through essential forest management programs, invasive species control, land acquisition, and other conservation programs. · The development and sale of real estate helps drive Hawaii's economy, but it also puts pressure on our natural resources. It makes sense to spend a portion of conveyance tax revenue on protecting those natural resources. · Testimony by Hawaii 's Watershed Partnerships emphasized the

importance of consistent effort and the struggle to adequately fund their work. Watershed Partnerships have depended on grants from Counties and private sources. They have received little if any support from the State. As a result, their programs have been limited and they have had to ignore all but their very highest priorities. Their programs need consistent funding, and the conveyance tax is a good solution provided it is used for it 's intended purpose.

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Testimony in Support of H.B. 935 HD1 Relating to the Environment  
House Committee on Housing  
Monday, February 11, 2013, 10:00 a.m., Room 329

Rep. Rida Cabanilla, Chair

Rep. Justin Woodson, Vice-Chair

House Committee on Housing

I am writing in strong support of H.B. 935 HD1 to support watershed protection. As a hiker, I frequently see the deleterious effects of invasive species and imported pests on our forests. I've also seen what a dramatic difference fencing and removal of invasive species can make in restoring native forests and species diversity. This bill provides a dedicated funding source to support the protection of our forests and watersheds. The state has traditionally relied in part upon federal funding to fight invasive species. This source of funding is in great peril. The state must identify alternative sources of funding or we can kiss goodbye our native forests and their beneficial effects on water supply and water quality.

Please vote in favor of H.B. 935 HD1. The longer we wait, the more expensive it will be to reverse decades of neglect of our watersheds.

Thank you,

Gwen Sinclair

1930 `Ālewa Dr.

Honolulu, HI 96817

[gsinclair@gmail.com](mailto:gsinclair@gmail.com)

**woodson2-Miho**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 08, 2013 7:17 PM  
**To:** HSGtestimony  
**Cc:** wichman@ntbg.org  
**Subject:** Submitted testimony for HB935 on Feb 11, 2013 10:00AM

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

**HB935**

Submitted on: 2/8/2013

Testimony for HSG on Feb 11, 2013 10:00AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Chipper Wichman	Individual	Support	No

Comments: I support H.B. 935 HD1, particularly its proposal to use revenue to support watershed protection programs. As the CEO and Director of the National Tropical Botanical Garden I fully recognize the necessity of natural resource stewardship even during challenging financial times. We understand that the source of our pure water is a system of healthy forested watersheds which capture rain and cloud moisture and deliver it efficiently to aquifers and surface sources for subsequent consumption in our daily lives and for the benefit of our island economy. NTBG has been working to protect our native plant species and our watersheds for the past 40 years and we know first-hand the importance of this legislation. This bill proposes to provide additional funding for the protection of our native forests, which are the source of nearly all the islands' supply of fresh water. The watershed protection and invasive species programs supported with state funds and leveraged several times over with matching funds from county, federal and private sources help to ensure healthy, managed natural resources that are critical for isolated island chains such as Hawaii. Hawaii's Natural Resources are unique and provide value for our people and our economy; and thus would make them a reasonable beneficiary to a portion of the funds generated by the Conveyance Tax. Thank you for your support. Aloha, Chipper Wichman, CEO and Director National Tropical Botanical Garden

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# BIA-HAWAII

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## Testimony to the House Committee on Housing

**Monday, February 11, 2013**

**10:00 a.m.**

**State Capitol - Conference Room 329**

**RE: HOUSE BILL NO. 935, H.D. 1, RELATING TO CONVEYANCE TAX**

Dear Chair Cabanilla, 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, affiliated with the National Association of Home Builders.

BIA-HAWAII **opposes** H.B. No. 935, H.D. 1, which proposes to amend Chapter 247, HRS, by increasing the Conveyance Tax on certain real estate transactions and directs an additional ten per cent of Conveyance Tax proceeds to the Natural Area Reserve Fund for watershed protection and invasive species control.

The bill states that the legislature finds that the nexus is clear to use a portion of the conveyance tax for watershed protection. The development, sale, and improvement of real estate in Hawaii puts additional pressure on watersheds, Hawaii's water resources, and watershed recharge areas. Protecting watersheds benefits Hawaii's economy, environment, and quality of life. While watershed protection is one of many authorized beneficiaries of the natural area reserve fund, additional funding is needed to restore Hawaii's watershed health and function and control invasive species.

We disagree with the bills finding that there is a rational nexus that supports the use of funds received through the conveyance tax from the sale or resale of real property interest to fund natural resource management programs. While we fully support the need for natural resource management programs in Hawaii, we are deeply troubled by the manner in which the Conveyance Tax is being used to fund these public benefit programs. 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. It appears that the legislation is targeting any real estate transactions to fund programs that benefit all Hawaii residents. Where is the rational nexus that allows the State to assess a tax on the transfer of real property from a parent to their children for a house they have owned and lived in all their lives to fund natural resource management programs throughout the state?

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, a portion of the conveyance tax is deposited into the general fund after certain percentages have been allocated into the following funds:

1. Land Conservation Fund;
2. Rental Housing Trust Fund; and
3. Natural Area Reserve Fund, which includes funding of the following programs:
  - a. Natural Area Partnership and Forest Stewardship Programs;
  - b. Projects undertaken in accordance with:
    - i. Watershed management plans; or,
    - ii. Watershed management plans negotiated with private landowners; and,
    - iii. Management of the natural area reserves system;
  - c. The youth conservation corps.

We do not believe that the funds generated from the conveyance (sale or transfer of real estate) should be used to fund natural resource management programs and the rental housing trust fund. We understand that raising the conveyance tax is a convenient way to generate additional funds because it is difficult, if not impossible, to organize a group of future buyers/sellers of property, and, more importantly, the beneficiaries of these conveyance tax increases have lobbied the legislature effectively to fund these worthwhile programs.

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. The proposed bill only exacerbates the current problem. We suggest that these beneficiaries be funded from other means more closely related to their purposes.

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



**TESTIMONY IN SUPPORT, with AMENDMENT, OF HB 935, HD1: RELATING TO THE CONVEYANCE TAX**

TO: Representative Rida T. R. Cabanilla, Chair; Representative Justin H. Woodson, Vice Chair; and Members, Committee on Housing

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

**Hearing: Monday, 2/11/13; 10:00 am; CR 329**

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

Thank you for the opportunity to testify **in support of HB 935, HD1** which would increase the conveyance tax on certain transactions and direct an additional ten percent of the proceeds to the Natural Area Reserve Fund for watershed protection and invasive species control. I am Betty Lou Larson, Legislative Liaison for Catholic Charities Hawaii. Catholic Charities strongly supports this funding for land protection which is critical to Hawaii's future. We also support the increase in the rate for the conveyance tax on properties over \$2 million. This would impact only 2% of all conveyances/year.

Creating more affordable rental housing is also critical to our state's future to reduce homelessness and provide housing so our children and young families can remain in Hawaii. **To achieve more affordable housing, Catholic Charities Hawaii also urges you to restore the percentage of the conveyance allocated to the Rental Housing Trust Fund to 50%.** The Rental Housing Trust Fund has a proven record of creating affordable rental units. It establishes public-private partnerships that leverage resources to add more affordable units to Hawaii's housing stock. As of June 30, 2012, **4,250 rental units** have been created or are underway with the assistance of the RHTF and other leveraged funding. The RHTF has many more applications than can be funded with the current funds. In FY 2012, the Trust Fund received \$37 million in project requests but was only able to commit \$20.7 million for 4 out of the 9 projects due to limited resources. The Hawaii Housing Finance and Development Corporation has the ability to quickly and efficiently utilize appropriations through the RHTF.

In 2006, the Legislature increased the percentage of the conveyance tax allocated to the Rental Housing Trust Fund to 50% of the tax proceeds. With the economic crisis of the past few years, the amount to the Trust Fund has been dramatically decreased. It dropped to 30 percent in 2008, with the amount set at 25 percent from 2009-2012. As of July 1, 2012, the allocation was reset to 30% of the conveyance tax. The conveyance tax is the only dedicated source of funding to the RHTF. While this is projected to yield about \$12 million for FY 13, this will not achieve the production of the 13,000 affordable rental units that are needed in the state.

We urge your support of this bill and to **amend it to restore 50% of the conveyance tax to the Rental Housing Trust Fund** to provide a legacy of affordable housing.



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





**Testimony to the House Committee on Housing  
Monday, February 11, 2013  
10:00 a.m.  
State Capitol - Conference Room 329**

**RE: HOUSE BILL NO. 935, H.D. 1, RELATING TO CONVEYANCE TAX**

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

The Chamber of Commerce of Hawaii **opposes H.B. No. 935, H.D. 1** which proposes to amend Chapter 247 HRS by increasing the Conveyance Tax on certain real estate transactions and directs an additional ten per cent of Conveyance Tax proceeds to the Natural Area Reserve Fund for watershed protection and invasive species control.

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 bill states that the legislature also finds that the nexus is clear to use a portion of the conveyance tax for watershed protection. The development, sale, and improvement of real estate in Hawaii puts additional pressure on watersheds, Hawaii's water resources, and watershed recharge areas. Protecting watersheds benefits Hawaii's economy, environment, and quality of life. While watershed protection is one of many authorized beneficiaries of the natural area reserve fund, additional funding is needed to restore Hawaii's watershed health and function and control invasive species.

We disagree with the bills finding that there is a rational nexus that supports the use of funds received through the conveyance tax from the sale or resale of real property interest to fund natural resource management programs. While we fully support the need for natural resource management programs in Hawaii, we are deeply troubled by the manner in which the Conveyance Tax is being used to fund these public benefit programs. 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. It appears that the legislation is targeting any real estate transactions to fund programs that benefit all Hawaii residents. Where is the rational nexus that allows the State to assess a tax on the transfer of real property from a parent to their children for a house they have owned and lived in all their lives to fund natural resource management programs throughout the state?

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, a portion of the conveyance tax is deposited into the general fund after certain percentages have been allocated into the following funds:

1. Land Conservation Fund;
2. Rental Housing Trust Fund; and
3. Natural Area Reserve Fund, which includes funding of the following programs:
  - a. Natural Area Partnership and Forest Stewardship Programs;
  - b. Projects undertaken in accordance with:
    - i. Watershed management plans; or,
    - ii. Watershed management plans negotiated with private landowners; and,
    - iii. Management of the natural area reserves system;
  - c. The youth conservation corps.

We do not believe that the funds generated from the conveyance (sale or transfer of real estate) should be used to fund natural resource management programs and the rental housing trust fund. We understand that raising the conveyance tax is a convenient way to generate additional funds because it is difficult if not impossible to organize a group of future buyers/sellers of property, and, more importantly, the beneficiaries of these conveyance tax increases have lobbied the legislature effectively to fund these worthwhile programs.

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. The proposed bill only exacerbates the current problem. We suggest that these beneficiaries be funded from other means more closely related to their purposes.

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



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Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Supporting and Commenting on HB 935 Relating to the Conveyance Tax  
House Committee on Housing  
Scheduled for Hearing on Monday, February 11, 2013, 10:00 AM, Room 329

Thank you for the opportunity to testify in support of and provide comments on House Bill 935, which would increase the conveyance tax rates on certain real estate transactions and increase the portion of proceeds allocated to the Natural Area Reserve Fund.

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.

In addition to increasing funds for watershed and invasive species initiatives, we respectfully encourage the committees to increase the percent of conveyance tax revenues dedicated to the Rental Housing Trust Fund to **50 percent**, returning it to the portion it received in 2006.

Hawai'i faces a severe shortage of affordable housing:

- More than 75 percent of poor households are paying more than half their income in housing costs.
- Among the states, Hawai'i has the third highest rate of homelessness.
- In the next four years, Hawai'i will need 13,000 more rental units to meet the need for affordable rentals.

The Rental Housing Trust Fund is a major tool for the creation of affordable housing with a long record of success. The Fund 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 Fund 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 2012, **4,250 rental units** have been created or are in development thanks to the assistance of the Rental Housing Trust Fund 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 Fund is not able to fund many qualified projects due to lack of funds. It received \$37 million in project requests in FY 2012 alone, but was only able to commit \$20.7 for four of the nine projects submitting requests. Many projects are ready to be developed and only waiting on funding.
- The conveyance tax is the only dedicated source of funding for this program, and the amount allocated has been dramatically reduced over the last six years, from 50 percent in 2006 to 30 percent.

We completely agree that the environmental initiatives proposed in this bill are crucial to preserving Hawai'i's environmental and natural resources and support the proposed increases. But we also emphasize that the lack of affordable housing and resulting rates of homelessness form a social crisis that requires immediate action. We must act now because if we continue to have inadequate resources for the Fund, developers may be discouraged and reduce their willingness to construct affordable housing. Because this bill increases the conveyance tax on properties valued at over \$2 million, the general fund tax will result in greater overall revenues that can fund both environmental and affordable housing efforts, making both allocations financially feasible.



February 11, 2013

**The Honorable Rida T.R. Cabanilla, Chair**

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

**RE: H.B. 935, H.D. 1, Relating to Conveyance Tax**

**HEARING: Monday, February 11, 2013 at 10:00 a.m.**

Aloha Chair Cabanilla, 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 8,000 members. HAR **strongly opposes** H.B. 935, H.D.1, which proposes to increase the Conveyance Tax on certain real estate transactions by indeterminate amounts.

As proposed, the Conveyance Tax increase will apply to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands, as well as condominium and single-family homes. HAR believes that, while watershed protection may have value, the Conveyance Tax increases set forth in H.B. 935, H.D.1 will again increase the already high cost of housing, living and doing business in Hawaii.

In 2005, the Conveyance Tax was increased on a tiered scale on 1) the sale of realty for all transfers or conveyance of realty or any interest (i.e. commercial, timeshare, agricultural, industrial, etc, and condominium or single family residence for which the purchaser is eligible for a county homeowner's exemption) and 2) the sale of a condominium or single family residence for which the purchaser is ineligible for a county homeowner's exemption.

In 2009, the Legislature once again increased the Conveyance Tax on 1) the sale of realty from 30 cents per \$100 (.30%) for properties over \$1,000,000 to a maximum of \$1.00 (1%) per \$100 for properties over \$10,000,000 -- an increase of over 333%, and 2) the sale of a property ineligible for a county homeowner exemption from 30 cents per \$100 to \$1.25 per \$100 (1.25%) -- an increase of over 416.66%.

Section 2 of H.B. 935, H.D.1 proposes to increase the Conveyance Tax for the transfer of all properties \$2 million or higher which includes multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands, as well as condominium and single-family homes.

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HAR further adds that the Conveyance Tax was created to cover administrative costs of recording real estate transactions, such as those performed by the Bureau of Conveyance, for which there is a nexus. We believe the allocation structure of the Conveyance Tax should benefit those programs and initiatives where there is a clear linkage such as the Rental Housing Trust Fund.

Hawaii's natural resources are enjoyed by residents and visitors as a whole, and as such, should be supported via funds from a broader tax because of the broad public benefit.

For these reasons, HAR respectfully request that this committee hold this measure.

Mahalo for the opportunity to testify.



**Testimony of the Hawaii Green Growth Initiative  
In Support of HB 935/SB 1136 Relating to Environmental Protection**

**House Committee on Housing**

11 February 2013, 10:00am  
Conference Room 329

Audrey Newman  
Hawaii Green Growth Initiative  
P.O. Box 535  
Hoolehua, Hawai'i 96729

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

I am writing on behalf of the Hawaii Green Growth Initiative (HGG) in support of **HB 935/SB 1136 to provide critical funding for watershed protection and invasive species management through a strategic increase in the real estate conveyance tax**. HGG brings leaders from the energy, food and environmental sectors together to achieve Hawaii's sustainability goals and to be a model for building a green economy. HGG's members include more than 40 leaders from government, private, and non-profit organizations in Hawai'i.

HGG asks you to support HB 935/SB 1136 because it creates an innovative funding source to expand protection of Hawaii's watersheds and water supply, and to address our most pressing invasive pest species.

HGG recognizes the critical importance of Hawaii's watersheds and water supply to the long-term sustainability of our island economy, culture and environment. Watershed protection and restoration paired with invasive species removal significantly increases water availability by ensuring that our forests function to effectively absorb rain, deliver it into streams and aquifers, and decrease erosion and siltation, which also benefits our reefs and fisheries. Healthy watersheds also help to mitigate climate change and assist in the Hawaii Clean Energy Initiative's target by absorbing greenhouse gases.

The real estate conveyance tax provides an appropriate source for funding: the development and sale of real estate is driver of Hawaii's economy, but also strains our natural resources, including water supplies. Allocation of conveyance tax revenue to the Natural Areas Reserve Fund would increase much needed support for watershed protection though critical forest management programs, invasive species control, land acquisition, and other conservation programs.

We ask for your strong support of this bill. Protecting Hawaii's watersheds is the most cost-effective way to protect Hawaii's fresh water supply - this water is essential for Hawaii's residents, agriculture, environment, and energy (with the emerging potential for investment in biofuels). Implementation of this bill is an important investment in Hawaii's future.

As a partnership representing Hawaii's leaders in environment, food and energy, HGG asks for your support of HB 935/SB 1136. Mahalo nui for your time and consideration,

A handwritten signature in black ink that reads "Audrey Newman". The signature is fluid and cursive.

Audrey Newman  
Senior Advisor, Global Island Partnership (GLISPA)  
Promoting action for island conservation and sustainable livelihoods. [www.glispa.org](http://www.glispa.org)

NEIL ABERCROMBIE  
Governor

SHAN TSUTSUI  
Lieutenant Governor



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## Testimony of the HAWAII INVASIVE SPECIES COUNCIL

### Before the House Committee on HOUSING

February 11, 2013, 10:00 AM  
Hawaii State Capitol, Rm 329

### In consideration of HOUSE BILL 935 HD1 RELATING TO THE CONVEYANCE TAX

House bill 935 amends the conveyance tax only on certain high value properties (those over \$2M in value) and seeks to increase the portion of revenues going to the natural area reserve fund for watershed protection and invasive species control. **The Hawaii Invasive Species Council strongly supports this bill.**

In addition to supporting the Rental Housing Trust Fund, the conveyance tax provides revenue to conservation programs to offset the environmental demands of rapidly expanding development in Hawaii. Current recipients of conveyance tax revenues include the Legacy Land Conservation Program and the natural area reserve fund, which in turn supports conservation projects including, but not limited to, the Natural Area Reserve System, the Watershed Partnerships, and the island-based Invasive Species Committees.

The amendments to conveyance tax rates sought by this bill would affect only those properties valued above \$2M, which in FY12 accounted for approximately 2% of properties sold in Hawaii.

The *A New Day in Hawaii* plan established by Governor Abercrombie describes the importance of protecting Hawaii's watersheds for local water production, as well as the critical need to prevent and control invasive species that negatively impact Hawaii's ecosystems. The Governor's Watershed Initiative (also known as *The Rain Follows the Forest*) and the Hawaii Invasive Species Council (an interdepartmental council of State cabinet members created to address invasive species issues) are established programs that address these essential goals in the *A New Day in Hawaii* plan.

The annual cost of the *The Rain Follows the Forest* program is estimated at \$11M. In addition the Hawaii Invasive Species Council has provided as much as \$4M annually to projects focusing on prevention, control, research and outreach regarding invasive species. In FY12 the legislature provided

for *The Rain Follows the Forest* \$2.5M in Capital Improvement Program funding and designated \$2.5M of special funds at the Department of Land and Natural Resources.

Since its creation by the legislature in 2003, the Hawai'i Invasive Species Council has not been provided with a dedicated funding source. While \$2M annually was originally provided in general funds from the legislature, no general funds have been provided since FY09. Special funds provided by the Division of Forestry and Wildlife at the Department of Land and Natural Resources have allowed the Hawai'i Invasive Species Council to maintain an annual budget, which in FY13 is supporting 17 projects across the state. These projects assist homeowners with the control of stinging invasive ants and coqui frogs, control damaging forest pests such as *Miconia calvescens* that threaten the water supply needed to support housing developments, and support the control of escaped plant pests used in yards and gardens of housing developments. House bill 935 would add the Hawai'i Invasive Species Council as a designated beneficiary of the natural area reserve fund, finally providing this program with a dedicated funding source.

House bill 935 is a necessary and responsible measure that will provide funding for critical environmental programs to support the health of Hawai'i's ecosystems and our way of life. Therefore, the Hawai'i Invasive Species Council strongly supports this bill.

*The Hawai'i Invasive Species Council is an interagency collaboration established by Chapter 194, Hawai'i Revised Statutes, for the purpose of cabinet-level direction on invasive species prevention, control, research, and outreach issues in Hawai'i.*



# Housing Hawaii

Advocating Creating Maintaining Affordable Housing

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February 8, 2013

Testimony of Housing Hawaii

Supporting HB 935 H.D.1 Relating to Allocations from the State Conveyance Tax

House Committee on Housing

Monday, February 11, 2013, 10:00 AM, Room 329

Chair Cabanilla, Vice Chair Woodson and Members of the House Committee on Housing, thank you for this opportunity to testify in strong support of HB 935 H.D.1, which would increase the conveyance tax on certain transactions and provide an additional allocation of funds to the Natural Area Reserve Fund. Housing Hawaii supports the additional funding to protect our natural resources.

In addition, Housing Hawaii strongly encourages the committee to include in this bill an increase in the percentage of funding from the conveyance tax that is allocated to the Rental Housing Trust Fund (RHTF). We would like to see that funding allocation be 50%. The RHTF is a critical source of “GAP” funding for affordable rental projects that serve those at 60% and below of the area median income (AMI). The GAP is the difference between what level of debt service the property can support based on its rental income and the amount of debt required to make the property feasible. The 2013 Legislature has acknowledged a 2011 Hawaii Housing Planning Survey that says through 2016, 13,000 rental units are needed for households earning less than 80% of the AMI. Unfortunately, in FY 2012, the Hawaii Housing Finance and Development Corporation received \$37 million in project funding requests but were only able to fund \$20.7 million or 4 out of 9 projects because of their funding shortfall. Additional funding for the RHTF will directly translate into preserving existing affordable rental housing and the creation of additional rental housing throughout the islands.

Sincerely,

Kevin R. Carney, NAHP-e  
President

Housing Hawaii, 841 Bishop Street, Suite 2208, Honolulu, HI 96813

Phone: 808-523-8826

[www.housinghawaii.org](http://www.housinghawaii.org)



COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION  
HAWAII CHAPTER

February 8, 2013

The Hon. Rida T.R. Cabanilla, Chair, and  
Members of the House Committee on Housing

Re: Testimony in **Opposition** to H.B. No 935, HD1, Relating to the Conveyance Tax  
Hearing Date and Time: 11:00 a.m., February 11, 2013  
Conference Room 329, Hawaii State Capitol

Dear Chair Cabanilla and Members of the Committee:

I am submitting this testimony on behalf of NAIOP Hawaii in **opposition** to H.B. No 935, HD1, relating to the conveyance tax. We are the Hawaii chapter of NAIOP, the Commercial Real Estate Development Association, which is the leading national organization for developers, owners and related professionals in office, industrial and mixed-use real estate. The local chapter comprises property owners, managers, developers, financial institutions and real estate related professionals who are involved in the areas of commercial and industrial real estate in the State of Hawaii.

NAIOP Hawaii has submitted testimony to the Legislature since the 1990s, voicing its concerns regarding the potential misuse of the conveyance tax. Unfortunately, the concerns voiced by NAIOP over the years have largely come to fruition, through dramatic increases in rates of the tax and diversion of tax revenues into areas unrelated to the conveyance tax.

The purpose of the conveyance tax was to cover the costs of running the Bureau of Conveyances. It was never intended to be a revenue-generating tax. However, over time various non-conveyance uses for the conveyance tax revenue have been proposed and implemented by the Legislature. While these causes might be worthy, they were never intended to be supported by the conveyance tax.

The rates of the tax have also been increased dramatically in the past several years. At this point it has become a punitive surtax on many real estate transactions. It is no longer a conveyance tax but a type of capital gains tax surcharge. However, it is more onerous than a true capital gains tax, because not just the gain on the transfer is taxed, but instead the entire face value of the transaction. Indeed, even if the conveyance is at a loss, the tax is imposed. And it is a hidden tax, because it only shows up as an expense line item on a closing statement.

We believe the continuing misuse of this tax is harmful to the economy and reinforces the perception of Hawaii as a high-tax jurisdiction which is to be avoided for investment and business purposes.

Thank you for the opportunity to testify on this measure. We would urge that it be held in committee.

The Hon. Rida T.R. Cabanilla and Members of the House Committee on Housing  
February 8, 2013  
Page 2

Respectfully,



James K. Mee  
Chair, Legislative Affairs Committee



Testimony of The Nature Conservancy of Hawai'i  
Supporting H.B. 935 HD 1 Relating to the Conveyance Tax  
House Committee on Housing  
Monday, February 11, 2013, 10:00AM, Room 329

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*The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life in these islands depends. The Conservancy has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 32,000 acres in 10 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i. We also work closely with government agencies, private parties and communities on cooperative land and marine management projects.*

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The Nature Conservancy of Hawai'i strongly supports H.B. 935 HD 1 and its purpose to generate additional funding to protect Hawaii's forested watersheds and to control invasive species. We also support increased funding in this measure to help meet the state's critical affordable rental housing needs via the State Rental Housing Trust Fund.

Under HRS §247-7, a portion of conveyance tax revenue has been appropriately used for land preservation and forested watershed conservation via the Land Conservation Fund and the Natural Area Reserve Fund, respectively. While the development and sale or other transfers of real estate can have very positive effects on the state's economy, it also poses some significant challenges. For example, fresh water is not a limitless resource that can forever be tapped to support developed real estate. The source of fresh water is not the faucet, pipe, or even the well or stream it's drawn from. The real source is a system of healthy forested watersheds—not forests overrun by invasive plants and animals—that captures rain and cloud moisture and delivers it efficiently to aquifers and surface sources for subsequent consumption in our daily lives.

The development and sale of real estate helps drive Hawaii's economy, but it also puts pressure on our natural resources like fresh water resources. It makes sense to spend a portion of conveyance tax revenue on protecting those natural resources. Over the years, enormous amounts have been invested in the development and sale of real estate in Hawai'i, and continued investment in real estate sales and development is helping to lift our economy out of recession. Yet, we make a comparatively tiny investment in protecting the natural resources that also drive our economy and provide benefits that allow us to survive in the middle of the vast Pacific.

Furthermore, climate change is an imminent and unprecedented threat to natural systems (e.g., forests, coastlines, coral reefs, wetlands) and to every person in Hawai'i that—whether they know it or not—depends on services from the natural environment for their livelihoods, health and welfare. Even if we drastically reduce CO2 emissions now, we will still feel the effects of climate change. In Hawai'i, science indicates that this will likely include:

- More frequent and more severe storms, and increased runoff and siltation;
- Overall, less rainfall and therefore less fresh water;
- Higher temperatures that affect forest health, while being beneficial to invasive species;
- Sea level rise and high waves that will harm coastal areas and groundwater systems;
- Ocean acidification that will inhibit the growth of protective coral reefs.

We must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and human systems. One of the most effective tools we have to help address the effects of climate change in Hawai'i is to protect our forests. Healthy and diverse Hawaiian forests that are not degraded by invasive pests act like a sponge, collecting rain and moisture from passing clouds, slowly delivering fresh water into streams and aquifers, absorbing greenhouse gases, and reducing runoff and siltation into streams and onto coral reefs during storm events.

This bill is a wise investment in our future. We urge your support.

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

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### TESTIMONY IN SUPPORT, with AMENDMENT, OF HB 935, HD1: RELATING TO THE CONVEYANCE TAX

TO: Representative Rida T. R. Cabanilla, Chair; Representative Justin H. Woodson, Vice Chair; and Members, Committee on Housing

FROM: Gladys Peraro, Advocacy Committee Co-Chair, Partners In Care (PIC)

**Hearing: Monday, 2/11/13; 10:00 am; CR 329**

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

Thank you for the opportunity to testify **in support of HB 935, HD1** relating to the Conveyance Tax on certain transactions. I am Gladys L. Peraro, Advocacy Committee Co-Chair for Partners In Care (PIC), a coalition of care providers focused on the needs of homeless persons and strategies to end homelessness.

Partners In Care supports HB 935, HD1. Creating additional affordable rental housing is critical to our state's future to reduce homelessness and provide housing so our children and young families can remain in Hawaii. **To achieve more affordable housing, Partners In Care respectfully urges you to restore the percentage of the conveyance tax allocated to the Rental Housing Trust Fund (RHTF) to 50%.** The Rental Housing Trust Fund has a proven record of creating affordable rental units. It establishes public-private partnerships that leverage resources to add more affordable units to Hawai'i's housing stock. As of June 30, 2012, **4,250 rental units** have been created or are in various stages of completion with the assistance of the RHTF and other leveraged funding. The RHTF has many more applications than can be funded with the current funds. In FY 2012, the Trust Fund received \$37 million in project requests but was only able to commit \$20.7 million for four (4) out of the nine (9) projects due to limited resources. The Hawaii Housing Finance and Development Corporation has the ability to quickly and efficiently utilize appropriations through the RHTF.

In 2006, the Legislature increased the percentage of the conveyance tax allocated to the Rental Housing Trust Fund to 50% of the tax proceeds. With the economic crisis of the past few years, the amount to the Trust Fund has been dramatically decreased. It dropped to 30 percent in 2008, with the amount set at 25 percent from 2009-2012. As of July 1, 2012, the allocation was reset to 30% of the conveyance tax. The conveyance tax is the only dedicated source of funding to the RHTF. While this is projected to yield about \$12 million for FY 13, this will not achieve the production of the 13,000 affordable rental units that are needed in the state. More funding is required for the RHTF to have a greater impact on the affordable housing crisis in our state.

Partners In Care respectfully urges your support of this bill and to **amend it to restore 50% of the conveyance tax to the Rental Housing Trust Fund** to provide a legacy of affordable housing for Hawai'i's residents in need.

Partners In Care, c/o Aloha United Way, 200 N. Vineyard Blvd. Suite 700  
Honolulu, Hawaii 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 O'ahu. It is a planning, coordinating, and advocacy body that develops recommendations for programs and services to fill gaps in the Continuum of Care on O'ahu.*

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Increase certain rates, amend disposition

BILL NUMBER: HB 935, HD-1

INTRODUCED BY: House Committee on Housing

BRIEF SUMMARY: Amends HRS section 247-2 to increase the following conveyance tax rates for properties eligible for a home exemption with a value of \$2 million and over:

<b>Rate per \$100</b>	<b>Property Value</b>
from \$ .50 to \$ ___	\$2,000,000 but less than \$4,000,000
from \$.70 to \$ ___	\$4,000,000 but less than \$6,000,000
from \$.90 to \$ ___	\$6,000,000 but less than \$10,000,000
from \$1.00 to \$ ___	\$10,000,000 and over;

Also increases the following conveyance tax rates for properties ineligible for a home exemption with a value of \$2 million and over:

<b>Rate per \$100</b>	<b>Property Value</b>
from \$ .60 to \$ ___	\$2,000,000 but less than \$4,000,000
from \$.85 to \$ ___	\$4,000,000 but less than \$6,000,000
from \$1.10 to \$ ___	\$6,000,000 but less than \$10,000,000
from \$1.25 to \$ ___	\$10,000,000 and over

Amends HRS section 247-7 to increase the amount of conveyance tax revenues earmarked to the: (1) rental housing trust fund from 25% to \_\_\_%; and (2) natural area reserve fund from 20% to \_\_\_% provided that monies in the fund shall be used for projects undertaken with watershed management plans of the department of land and natural resources to protect and restore Hawaii's source of water; and projects for invasive species control.

This act shall be repealed on June 30, 2016 provided that HRS sections 247-2 and 247-7 shall be reenacted in the form in which it read on June 29, 2013.

EFFECTIVE DATE: July1, 2013

STAFF COMMENTS: This was an administration measure submitted by the department of land and natural resources LNR-08 (13). The proposed measure increases certain conveyance tax rates and increases the amount earmarked to rental housing trust fund and the natural area reserve fund and expands the uses of the monies in the natural area reserve fund. While the measure proposes to raise additional funds for the rental housing trust fund and natural area reserve fund, it should be noted that as with any earmarking, the legislature will be giving their stamp of approval for another "automatic funding" mechanism for the particular program and its purposes. It should be noted that while funds would be diverted to the fund without any legislative intervention, they will also avoid legislative

scrutiny, and it will be difficult to ascertain the effectiveness of the program. It would also be difficult to ascertain whether or not the fund has too little or too much revenue.

Further, while this measure also proposes to increase certain conveyance tax rates, it should be remembered that the conveyance tax is one of the least dependable sources upon which to rely for funding with collections rising and falling with the fortunes of the real estate market. Any amount collected under this tax will depend on activity in the real estate market. As 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 rates need to be "adjusted" to generate even more revenue?

This increase appears to target more expensive properties being bought and sold perhaps in the belief it will target wealthy prospective homeowners because the increase initiates at the \$2 million level. However, it should be remembered that this schedule also applies to non-residential properties covering everything from a mom and pop supermarket in Waialua to the Ala Moana Shopping Center to the car repair shop in Kaka'ako to the farm lot in Waimanalo, all of which probably are valued at greater than \$2 million. Thus, this proposal makes it even more expensive to do business in Hawaii.

If the number seems unfathomable, take a car repair shop in Kaka'ako valued at \$5 million. Under the current schedule for all properties, the rate is 70 cents and the resulting conveyance tax is \$35 thousand. Under the original version of this bill, the conveyance tax on that property would amount to an additional \$20 thousand for an overall transfer tax of \$55,000. While some might say that a business can afford that amount in tax, imagine what another \$20,000 means to a small business like that car repair shop. How many cars will have to be repaired to make up the extra \$20 thousand in conveyance taxes? Exorbitant as the sale price of that property may seem, that is reality for the commercial and industrial area of Honolulu.

And what about the purchase of a residential apartment house that will be renovated and put on the market as affordable housing? Say the apartment building is valued at \$10 million, under the current schedule for residential properties which will not qualify for the home exemption, the tax would be \$125 thousand. Under the original draft measure, the tax would rise by \$75 thousand to \$200 thousand. This additional cost will have to be recovered in the subsequent sale of the units which may or may not then be defined as affordable housing.

If the legislature deems that programs and purposes funded out of the rental housing trust fund and the natural area reserve fund to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. When the legislature dipped into housing special funds to maintain funding for programs like education and social services, that was poor tax policy. So, for example, because the housing market slowed last year, the rental housing trust fund realized only \$8.4 million in FY 2012 as compared to the \$9.6 million it received in the prior year. If asked, housing officials would probably say that is not enough to carry out their mandate, thus the program is underfunded. If the money were appropriated, lawmakers could then evaluate the real or actual needs of this particular program. This draft of the bill leaves the amounts to be allocated to the rental housing trust fund and natural area reserve fund blank which implies that the amounts allocated could be increased for one and reduced for the other. It should be noted that the rental housing trust fund saw its share decline in 2009 from 30% to 25%.



**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  
**Karen Seddon**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON HOUSING**

February 11, 2013 at 10:00 a.m.  
State Capitol, Room 329

In consideration of  
**H.B. 935, H.D. 1**  
**RELATING TO THE CONVEYANCE TAX.**

The HHFDC **supports the intent of H.B. 935, H.D. 1, an Administration bill, in its original form.** We are concerned that the H.D. 1 blanks out the percentage of conveyance tax revenues currently dedicated to the Rental Housing Trust Fund.

HHFDC leverages the Trust Fund with other funding sources to finance the development of critically needed rental housing through public-private partnerships. As of December 31, 2012, 4,567 affordable rental units have been produced or are in development in 58 projects statewide. In Fiscal Year 2012, the Rental Housing Trust Fund received \$10,545,244 from its share of conveyance tax revenues. In 2012, HHFDC awarded Trust Funds to four rental projects totaling 317 units.

Because Trust Fund awards are leveraged by other financing sources, they have significant economic impact. The four awarded projects will leverage a total of \$70,352,127 in overall development costs and provide 213 direct construction jobs and 500 indirect jobs.

The sole dedicated source of funding for the Rental Housing Trust Fund is 30% of conveyance tax proceeds. It is critical that the Trust Fund's allocation of conveyance tax revenues remain at a minimum of 30% to address the need for affordable rental housing statewide.

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  
HOUSING

Monday, February 11, 2013  
10:00 AM  
State Capitol, Conference Room 329

In consideration of  
HOUSE BILL 935, HOUSE DRAFT 1  
RELATING TO THE CONVEYANCE TAX

House Bill 935, House Draft 1 proposes to amend the conveyance tax on certain real estate transactions and allocates a portion of conveyance tax proceeds to the Natural Area Reserve Fund (NAR Fund) for watershed protection and invasive species control. **The Department of Land and Natural Resources (Department) strongly supports this Administration bill.**

This bill proposes modifying the conveyance tax on properties over \$2 million, affecting approximately 2% of total transactions, based on Fiscal Year 2012 data. The funding amounts proposed in the original version of House Bill 935 are predicted to generate approximately \$10.5 million more for the NAR Fund. Also, it is expected to provide an additional \$1.7 million per year for the Land Conservation Fund and an additional \$5.1 million per year for the Rental Housing Trust Fund. The projected \$17 million generated by the tax increase offsets the reduction in the General Fund's percentage.

The Department respectfully requests that the sunset date be extended to June 30, 2023 to allow the Department to reach its ten-year goals proposed in *The Rain Follows the Forest* plan (available online at <http://Hawaii.gov/dlnr/rain>) to implement on-the-ground actions needed to stabilize Hawaii's water sources. Long-term, dedicated funding is necessary to maintain the initiative's investments.

The nexus is clear for use of a portion of the Conveyance Tax as the sale, development, and improvement of real estate in Hawaii puts additional pressure on water resources and increases the need and costs to protect water recharge areas. Fresh, clean water fuels sustainable development, tourism, and agriculture. Hawaii's water supply and economy depend on the health of mauka native forests, which capture and absorb rain and can increase groundwater supply by up to 50%. Currently, 13 states fund conservation with a portion of real estate transfer taxes.

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

Fortunately, there practical cost-effective and long-term solutions to reverse the trend of forest degradation. The Department's Watershed Program supports public, private and federal partnerships to leverage state funds, which provide a diverse range of local jobs throughout the state. However, funding for these efforts has not been sufficient in the past, and forest losses and function are apparent.

The only dedicated funding source for watershed protection is the NAR Fund, which receives a percentage of the State Conveyance Tax from the sale of real property and utilized by various program areas to further watershed protection and maintenance. In Fiscal Year 2011, the Watershed Partnership Program, which supports 11 partnerships state-wide, shared \$1.25 million. The five island-based committees that control invasive species and contribute to watershed initiative have no authorized dedicated funding whatsoever. In Fiscal Year 2012, the Legislature provided \$2.5 million in capital improvement project funding and directed \$2.5 million of special funding for the watershed initiative. The Department has used the NAR Fund to provide these special funds. Dedicated funding at the amount of \$11 million per year is needed to reach the Department's goal to double the level of protection in the next ten years.

This bill also provides a dedicated funding source for the control and eradication of harmful invasive species infestations throughout the state and for preventing the introduction of other invasive species that may be potentially harmful. Funding the Hawaii Invasive Species Council is critical for protecting watershed forests from invasive species threats both from mainland United States and neighboring countries that Hawaii does regular commercial trade with.

This measure implements the central natural resource stewardship goals of the Abercrombie Administration's *A New Day in Hawaii* plan. Projects are ready in each county to begin reaching job creation and accomplishment targets. Funds would be allocated in a statewide competitive process to maximize effectiveness and accountability.

Over half of forests have already been lost to invasive species, causing extensive water loss across landscapes. Even a small percentage reduction in groundwater recharge can cost millions per year in increased pumping to transport water for human use. When groundwater levels decline to a point that they cannot be pumped, expensive alternative water sources are needed - long transport pipes, new wells, and even desalination plants. Clearly, our forests are enormous economic assets. Just as clearly, their degradation is ongoing and accelerating. The longer Hawai'i waits to take significant action to halt this destruction, the higher the costs will be to reverse the damage and ensure our future water supply for current and future generations.

In addition to increasing fresh water supplies, the protection of forests prevents erosion that muddies beaches, coral reefs, and fisheries. Forests reduce Hawaii's greenhouse gas emissions, and mitigate many damaging impacts from climate change. Protection and maintenance sustains the native plants and animals unique to our islands and sacred to the Hawaiian culture.

This Administration bill is a responsible measure to provide immediate action to ensure wide-ranging benefits essential to Hawaii's environmental and economic health for current and future generations.



**HB935 HD1**  
**RELATING TO THE CONVEYANCE TAX**  
House Committee on Housing

February 11, 2013

10:00 a.m.

Room 329

The Office of Hawaiian Affairs (OHA) **SUPPORTS** HB935 HD1, which seeks to increase revenues for the Natural Area Reserves Fund (NARF) to protect and restore watershed areas for the benefit of Hawai'i's natural areas and future water supply.

**Fresh water is unquestionably one of Hawai'i's most valuable resources.** The importance of fresh water to Hawai'i and its people is reflected in the 'ōlelo no'eau, "Ola i ka Wai (Water is Life)." Accordingly, traditional water sharing and management practices reflected the critical nature of fresh water to these islands, and helped to ensure sufficient fresh water for food production, drinking, and other domestic uses, as well as numerous ecological services. Fortunately, despite the disruption of these traditional practices and many mauka-to-makai surface water resources, the discovery and utilization of Hawai'i's groundwater aquifer system has continued to bless its residents with potable fresh water of the highest quality.

Unfortunately, our ever-growing agricultural and municipal water needs and practices, coupled with development- and climate-based impacts to the recharge rate of our groundwater aquifers, have begun to raise the possibility of fresh water shortfalls for many regions within these islands. The possibility for fresh water shortfalls is substantial in the very near future and probable in the long-term. The consequences and costs of such shortfalls counsel critical and timely examination of our water use and watershed conservation practices.

This bill will accordingly provide necessary funding to further the efforts of the Department of Land and Natural Resources to explore, develop, and implement short- and long-term plans to ensure the continued sustainability of our islands' precious and ever-more limited groundwater resources. The conveyance tax increases to real estate transactions involving properties with values greater than \$2 million from the original version of HB935 should be reinserted, in order to provide sufficient funding for other NARF purposes from those entities who have already obtained the most value from the resources of our islands.

Mahalo for the opportunity to testify on this important matter.