

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**

**Monday, March 31, 2014
2:00 PM
State Capitol, Conference Room 308**

**In consideration of
SENATE BILL 2542, SENATE DRAFT 1
RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS
TO THE RENTAL HOUSING TRUST FUND**

Senate Bill 2542, Senate Draft 1 proposes to restore the allocation of conveyance tax collections to the rental housing trust fund to 50% beginning July 1, 2014. **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.
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LAND
STATE PARKS



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

March 31, 2014 at 2:00 p.m.
State Capitol, Room 308

In consideration of
S.B. 2542, S.D. 1
**RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO
THE RENTAL HOUSING TRUST FUND.**

The HHFDC ***supports the intent*** of S.B. 2542, S.D. 1, 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.

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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: SB 2542, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: This bill increases the amount of conveyance tax revenues earmarked to the rental housing trust fund from 35% to 50% beginning on July 1, 2014. We are concerned about expanding the earmarking of revenues for special funds because that practice diminishes transparency and accountability. 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.

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, 2014

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 3/7/14

March 31, 2014

The Honorable Sylvia Luke, Chair

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

RE: S.B. 2542, S.D.1, Relating to the Disposition of the Conveyance Tax Collections to the Rental Housing Trust Fund

HEARING: Monday, March 31, 2014 at 2:00 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** S.B. 2542, S.D.1, which restores the allocation of conveyance tax collections to the Rental Housing Trust Fund ("RHTF") to 50 per cent.

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

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

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

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

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

Mahalo for the opportunity to testify.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Monday, March 31, 2014 at 2:00 P.M.
Conference Room 308, State Capitol**

**RE: SENATE BILL 2542 SD1 RELATING TO THE DISPOSITION OF THE
CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND**

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

The Chamber would like to **express concerns** regarding SB 2542 SD1, which proposes to increase 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 Conveyances. With the recent amendments to the statutes, the conveyance tax is deposited into the general fund with the following allocations:

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



Chamber of Commerce HAWAII

The Voice of Business

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

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. Finally, we question whether this specific type of legislation would even be introduced if the Conveyance tax were limited to its original purpose of recording real estate transactions.

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



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, House Committee on Finance

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: **Monday, March 28, 2014 at 2:00 p.m. in Conf. Rm. 308**

Testimony in Support of SB2542 SD1, Relating to the Disposition of the Conveyance Tax Collections to the Rental Housing Trust Fund

Thank you for the opportunity to provide testimony in support of SB2542 SD1, which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund (RHTF). 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 a community, it is critical that we support the development of housing, which is both safe and affordable for Hawaii's residents. Last week, the National Low Income Housing Coalition (NLIHC) released a report finding that while Hawaii has the highest rents in the nation, the median hourly wage of a Hawaii renter is only \$13.86 – less than half of what is needed to afford a 2 bedroom unit at Fair Market Rent. The conclusion of this and other recent statistics about Hawaii's high housing costs and high rate of homelessness is clear – Housing is simply not affordable for low-income households in our community, and more needs to be done. 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 – proceeds at the current rate of 30% resulted in \$16.4 million to the RHTF in FY2013. According to recent testimony from the Hawaii Housing & Finance Development Corporation (HHFDC), increasing the percentage of the conveyance tax allocated to the RHTF to 50% of tax proceeds would **add an estimated \$10.8 million to the trust fund** each year.

PHOCUSED strongly urges your support of this bill to **restore 50% of the conveyance tax to the RHTF**. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at admin@phocused-hawaii.org.

BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

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simplicityHR by ALTRES

Testimony to the House Committee on Finance

Monday, March 31, 2014

2:30 p.m.

State Capitol - Room 308

RE: SENATE BILL NO. 2542 SD1, RELATING TO DISPOSITION OF CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND

Dear Chair Luke, Vice-Chairs Nishimoto and Johanson, and members of the Committee:

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

BIA-HAWAII **opposes** S.B. 2542 S.D.1. The bill proposes to restore the allocation of conveyance tax collections to the rental housing trust fund to 50% from 30% beginning 7/1/2014. While we strongly support the various programs receiving funding from the revenues generated by the Conveyance Tax, there is **no rational nexus** between the real estate transactions being taxed at conveyance and the uses identified in Chapter 247, Hawaii Revised Statutes (HRS), as the beneficiaries of the tax.

BIA-Hawaii does not believe that the conveyance tax is the appropriate means to fund these programs. 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.

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

1. Ten per cent shall be paid into the **Land Conservation Fund** established pursuant to section 173A-5;
2. Twenty-five per cent from July 1, 2009, until June 30, 2012, and thirty per cent in each fiscal year thereafter shall be paid into the **Rental Housing Trust Fund** established by section 201H-202; and
3. Twenty per cent from July 1, 2009, until June 30, 2012, and twenty-five per cent in each fiscal year thereafter shall be paid into the **Natural Area Reserve Fund** established by section 195-9; provided that the funds paid into the natural area reserve fund shall be annually disbursed by the department of land and natural resources in the following priority:

- a. To natural area partnership and forest stewardship programs after joint consultation with the forest stewardship committee and the natural area reserves system commission;
- b. Projects undertaken in accordance with watershed management plans pursuant to section 171-58 or watershed management plans negotiated with private landowners, and management of the natural area reserves system pursuant to section 195-3; and
- c. The youth conservation corps established under chapter 193.

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

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

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

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

Based on the foregoing reasons, BIA-Hawaii respectfully **opposes** S.B. 2542 S.D. 1.

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

**Board of Directors**

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Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting SB 2542 SD1
Relating to the Disposition of the Conveyance Tax Collections to the Rental Housing Trust Fund
House Committee on Finance
Scheduled for Hearing Monday, March 31, 2014, 2:00 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 Senate Bill 2542 SD1, which would restore the percentage of the conveyance tax revenues paid into the Rental Housing Trust Fund to **50 percent**.

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 Trust 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 Trust 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—the population at greatest risk of homelessness.

- As of June 2013, **4,567 rental units** have been created with 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 and function as an economic driver through job creation.
- However, the Trust 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. That year, five out of nine 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.

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 Trust Fund to 50 percent. This allocation was reduced during the economic downturn to a low of 25 percent between 2009 and 2012; the current allocation stands at 30 percent. Meanwhile, our affordable housing crisis is only worsening. An allocation of **50 percent of conveyance tax revenues** would infuse approximately **\$25–27 million** into the Trust Fund and support the creation of desperately-needed affordable rental units for families throughout Hawai'i.



PARTNERS IN CARE Oahu's Coalition of Homeless Providers

TESTIMONY IN SUPPORT OF SB 2542 SD1 RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND

TO: Rep. Sylvia Luke, Chair; Rep. Scot Nishimoto, Vice Chair; Rep. 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: Monday, March 31, 2014, 2:00 PM, Room 308

Dear Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and members of the committee,

Thank you for the opportunity to provide testimony in **strong support** of Senate Bill 2542 SD1 to **allocate 50% of conveyance tax revenues 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 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

TESTIMONY IN SUPPORT OF SB 2542 SD1 RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND

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

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

Hearing: Monday, March 31, 2014, 2:00 PM, Room 308

Dear Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and members of the committee,

Thank you for the opportunity to provide testimony in **strong support** of Senate Bill 2542 SD1 to **allocate 50% of conveyance tax revenues to the Rental Housing Trust Fund (RHTF)**. My name is Fr. Robert Stark and I am the Director of the Catholic Diocese Office for Social Ministry committed to addressing 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 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.



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF SB 2542, SD1: RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND

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

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

Hearing: Monday, March 31, 2014; 2:00 PM; CR 308.

Chair Luke, Vice Chair Nishimoto, and Committee members:

Thank you for the opportunity to testify **in strong support of SB 2542**, which would restore the percentage of the conveyance tax paid into the Rental Housing Trust Fund to 50%. I am Betty Lou Larson, Legislative Liaison for Catholic Charities Hawaii.

Restoring 50% of the conveyance tax proceeds to the Trust Fund is Catholic Charities Hawaii's top priority this year. We know these are challenging times and your committee must weigh all the benefits to the State in considering the budget. The Rental Housing Trust Fund is funding that "keeps on giving". The multiplier effect is great. Not only does it create a legacy of affordable rental units for often 60 + years, but it is an economic driver. The \$20.7 million awarded to 4 projects in FY 12, will leverage \$70,352,124 in overall development costs, creating 213 direct construction jobs and 500 indirect jobs. Furthermore, not only jobs are created but these projects enable low-mod income renters to lower their housing costs. They then can put this "extra" money right back into the economy, buying clothes, food, transportation, entertainment, etc. Consumer spending is critical to the Hawaii economy and additional disposable income goes back into the economy, strengthening local businesses and State revenues.

Creating more 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. **Rents have increased over 45%** in Hawaii since 2005. Hawaii needs over 13,000 affordable rental units by 2016. Catholic Charities sees these housing needs daily as families call in to us desperately in need of affordable rentals.

The Legislature responded to this need in 2006, and 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 2008, the amount to the Trust Fund was dramatically decreased, dropping to 30 percent and then 25 percent. As of July 1, 2012, the allocation was reset to 30% of the conveyance tax. At 50% of the conveyance tax, the allocation would put an additional \$10 million into the Trust Fund.

We are grateful for your past support and dedication to creating affordable housing. We appreciate your consideration of this bill and look forward to working together to solve this critical issue.



finance8-Danyl

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 30, 2014 1:16 PM
To: FINTestimony
Cc: Gladys.peraro@yahoo.com
Subject: Submitted testimony for SB2542 on Mar 31, 2014 14:00PM

SB2542

Submitted on: 3/30/2014

Testimony for FIN on Mar 31, 2014 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Gladys Peraro	Individual	Comments Only	No

Comments: Dear Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and members of the committee, Thank you for the opportunity to provide comment in strong support of Senate Bill 2542 SD1 to allocate 50% of conveyance tax revenues to the Rental Housing Trust Fund (RHTF). Increasing the allocation provided to the RHTF to 50% of conveyance tax revenues will provide a much-needed boost of approximately \$25-\$27 million into the RHTF, which will support the creation of urgently-needed affordable rental units for low-income earners across Oahu. Respectfully, Gladys Peraro

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

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LATE

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 31, 2014 7:53 AM
To: FINTestimony
Cc: lfinlays@my.hpu.edu
Subject: *Submitted testimony for SB2542 on Mar 31, 2014 14:00PM*

SB2542

Submitted on: 3/31/2014

Testimony for FIN on Mar 31, 2014 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Laura	Individual	Support	No

Comments:

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LATE

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2542, S.D. 1

March 31, 2014

RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS
TO THE RENTAL HOUSING TRUST FUND

Senate Bill No. 2542, S.D. 1, increases the allocation of the conveyance tax collected pursuant to Section 247-7, HRS, to the rental housing trust fund established by Section 201H-202, HRS, from 30 percent to 50 percent effective July 1, 2014.

The Department of Budget and Finance would like to point out that the taxes from the conveyance fund are currently distributed as follows: 10 percent to the land conservation fund; 25 percent to the natural area reserve fund; 30 percent to the rental housing trust fund; and the remaining 35 percent to the general fund. This measure will reduce general fund revenues by \$10.9 million annually.

In light of the most recent Council on Revenues' tax projections, measures such as Senate Bill No. 2542, S.D. 1, should be reconsidered based on their negative impact on general fund revenues and the sustainability of general funded programs throughout the State.