



**Testimony to the House Committee on Water and Land  
Monday, March 17, 2014 at 9:30 A.M.  
Conference Room 325, State Capitol**

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

Chair Evans, Vice Chair Lowen, and members of the committee:

The Chamber would like to **express concerns** regarding SB 2542 SD1. The bill 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.

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  
WATER & LAND**

**Monday, March 17, 2014  
9:30 AM  
State Capitol, Conference Room 325**

**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.**  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

**JESSE K. SOUKI**  
FIRST DEPUTY

**WILLIAM M. TAM**  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
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PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

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TO: Representative Cindy Evans, Chair  
Representative Nicole E. Lowen, Vice Chair  
Members, Committee on Water & Land

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: House Committee on Water & Land  
**Monday, March 17, 2014 at 9:30 a.m. in Conf. Rm. 325**

**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. Currently, many Hawaii families struggle to afford just basic housing costs. According to the Corporation for Enterprise Development (CFED), over 56% of Hawaii's renters are housing-cost burdened – paying more than 1/3 of their income to housing costs – which is one of the highest percentages of cost-burdened renters in the nation. In addition, Hawaii has one of the highest rates of homelessness in the U.S., which is partly attributed to our high housing costs and lack of safe and affordable housing stock. The development of new affordable rental housing is critical to our community's ability to reduce homelessness for Hawaii's people, including our seniors and families with young children in the home.

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

PHOCUSED strongly urges your support of this bill 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](mailto:admin@phocused-hawaii.org).

# BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

## Testimony to the House Committee on Water & Land Monday, March 17, 2014

9:30 a.m.

State Capitol - Conference Room 325

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

Dear Chair Evans, Vice Chair Lowen, 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. No. 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. **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.

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.

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:

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simplicityHR by ALTRES

- 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 **opposes** S.B. 2542 S.D. 1.

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



## 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 Cindy Evans, Chair, Representative Nicole E. Lowen, Vice Chair, and Members, Committee on Water & Land

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

**Hearing: Monday, March 17, 2014; 9:30 am; CR 325.**

Chair Evans, Vice Chair Lowen, 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. Catholic Charities strongly supports **restoring 50% of the State's conveyance tax** to the Rental Housing Trust Fund (RHTF).

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. Almost 75% of extremely low income households are paying more than half of their income on rent. No wonder Hawaii has the **highest rate of homelessness in the US**. Hawaii needs over 13,000 affordable rental units by 2016. Catholic Charities sees these needs daily as families call in to us desperately in need of affordable housing. How can we work together to solve this critical issue?

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. It dropped to 30 percent in 2008, and then 25 percent from 2009-2012. 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.

The conveyance tax is the only dedicated source of funding to the RHTF. The 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, 2013, **4,567 rental units** have been created 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, with \$37 million in project requests, 5 of 9 projects, totaling 317 affordable rental units, were left unfunded due to limited funds. In 2013, the Trust Fund received \$70.4 million in requests.

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





## 42PARTNERS IN CARE Oahu's Coalition of Homeless Providers

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

TO: Representative Cindy Evans, Chair; Representative Nicole Lowen, Vice Chair; and members of the House Committee on Finance

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

**Hearing: Monday, March 17, 2014, 9:30 AM, Room 325**

Dear Chair Evans, Vice Chair Lowen, 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

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



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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 Water and Land  
Scheduled for Hearing Monday, March 17, 2014, 9:30 AM, Room 325

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

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Thank you for an opportunity to testify in **strong support** of 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.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

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

**BILL NUMBER:** 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.

This measure is identical to HB 2059, HD-2.

**BRIEF SUMMARY:** Amends HRS section 247-7 to increase the amount of conveyance tax revenues earmarked to the rental housing trust fund from 35% to 50% beginning on July 1, 2014.

**EFFECTIVE DATE:** July 1, 2050

**STAFF COMMENTS:** The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation (which at the time also administered the real property tax) with additional data for the determination of market value of properties transferred. This information was also to assist the department in establishing real property assessed values and at that time the department stated that the conveyance tax was not intended to be a revenue raising device.

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

The proposed measure would increase the amount of conveyance tax revenues earmarked to the rental housing trust fund starting on July 1, 2014. Are our lawmakers thinking that this will provide a more stable funding source for this fund? It should be remembered that with a hot real estate market, the

collections of this tax soared. However, as the market cooled, as it did after the Japanese bubble burst in the mid 1990's and also in the aftermath of the subprime credit crisis, the collections of this tax waned. Collections rise and fall with the fortunes of the real estate market. When the housing market slows down, revenues may not be sufficient to meet the expectations of the fund. If the additional revenues are not sufficient or another "important" program needs funding, will the conveyance tax be increased to generate even more revenue?

If the legislature deems any of the programs for which conveyance tax revenues are earmarked to be such a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues is not desirable for a number of reasons. First, it absolves elected officials from setting priorities. Second, the beneficiaries of such earmarked sources look upon the receipts as "their" money and refuse to be held accountable for the use of those funds while all other programs not so favored, like education, public safety, health and human services, are cut when general fund tax revenues either shrink or do not increase in line with expectations.

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



**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 WATER & LAND**

March 17, 2014 at 9:30 a.m.  
State Capitol, Room 325  
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* 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.



## 42PARTNERS IN CARE Oahu's Coalition of Homeless Providers

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

TO: Representative Cindy Evans, Chair; Representative Nicole Lowen, Vice Chair; and members of the House Committee on Finance

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

**Hearing: Monday, March 17, 2014, 9:30 AM, Room 325**

Dear Chair Evans, Vice Chair Lowen, 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). The Office for Social Ministry of the Catholic Church of Hawai'i joins Catholic Charities and others in support of 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.

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