



**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

**SENATE COMMITTEE ON WAYS AND MEANS**

March 25, 2014 at 9:05 a.m.  
State Capitol, Room 211  
In consideration of

**H.B. 2059, H.D. 2, S.D. 1  
RELATING TO HOUSING.**

The HHFDC supports H.B. 2059, H.D. 2, 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 provide written comments on this bill.



WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
HOUSE BILL NO. 2059, H.D. 2, S.D. 1

March 25, 2014

RELATING TO HOUSING

House Bill No. 2059, H.D. 2, S.D. 1, increases the conveyance tax percentage amount paid into the Rental Housing Trust Fund (RHTF) from 30 percent to 50 percent and makes an appropriation to and out of the RHTF to increase support for affordable rental housing units.

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

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621  
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Testimony of  
WILLIAM J. AILA, JR.  
Chairperson

Before the Senate Committee on  
WAYS AND MEANS

Tuesday, March 25, 2014  
9:05 AM  
State Capitol, Conference Room 211

In consideration of  
HOUSE BILL 2059, HOUSE DRAFT 2, SENATE DRAFT 1  
RELATING TO HOUSING

House Bill 2059, House Draft 2, Senate Draft 1 proposes to amend the Conveyance Tax percentage amount paid into the Rental Housing Trust Fund to fifty per cent and makes an appropriation to and out of the fund for an increase in affordable rental housing units. **The Department of Land and Natural Resources (Department) offers the following comments.**

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

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

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



## CATHOLIC CHARITIES HAWAII

### TESTIMONY IN SUPPORT OF HB 2059, HD2, SD1: RELATING TO HOUSING

TO: Senator David Y. Ige, Chair; Senator Michelle N. Kidani, Vice Chair; and  
Members, Committee on Ways and Means  
FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawaii  
**Hearing: Tuesday, March 25, 2014; 9:05 am; Room 211**

Chair Ige, Vice Chair Kidani, and Members, Committee on Ways and Means:

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

We respectfully request your Committee to prioritize funding from the conveyance tax to continue moving forward to create affordable rental housing. Even with the Council of Revenues drastic reduction in its projections for State revenue growth, key government commitments must continue. Health and safety are critical needs, and what is more basic than housing to meet the health and safety needs of our elders, our kids, our homeless and low and moderate income folks who are on the edge and may fall into homelessness.

Our housing crisis demands action NOW. Rents have risen over 45% since 2005. Almost 75% of extremely low income households pay more than half of their income on rent. No wonder Hawaii has the **highest rate of homelessness in the US**. Homelessness on the streets impacts on tourism and locals alike. Hawaii needs over 13,000 affordable rental units by 2016. We are running out of time. We need to act now. The Rental Housing Trust Fund is key to creating these affordable rental units. Construction is also an economic driver, so the State would get "two bangs for its bucks" when it funds the Trust Fund.

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

The conveyance tax has a major impact on creating housing. Restoring 50% of conveyance tax proceeds to the RHTF would put about \$10 million in additional funding into the Trust Fund/year. The Legislature saw the need in 2006 and allocated 50% of this tax to the Trust Fund. After being reduced dramatically during the recent economic downturn, it is time to again restore this dedicated funding to 50% of conveyance tax proceeds.

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



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822  
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**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [bkeaulani@kaitogakko.org](mailto:bkeaulani@kaitogakko.org)  
**Subject:** Submitted testimony for HB2059 on Mar 25, 2014 09:05AM  
**Date:** Sunday, March 23, 2014 8:56:55 AM

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**HB2059**

Submitted on: 3/23/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

| <b>Submitted By</b> | <b>Organization</b>           | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|-------------------------------|---------------------------|---------------------------|
| Bruce Keaulani      | Living Life Source Foundation | Support                   | No                        |

Comments: Aloha Chair Ige, Vice Chair Kidani, and members of the Committee, My name is Bruce Keaulani, and I am the Kahu and CEO of the Living Life Source Foundation, located in Manoa, O`ahu, which strives to uphold and perpetuate the Spirit of Aloha through the teaching and sharing of traditional indigenous practices of Hawai`i Nei. Mahalo for your serious consideration of this very important measure. HB 2059 will allow meaningful resources to be steered to those addressing the lack of affordable housing in our islands; a major cause of homelessness and despair. As the leader who daily witnesses the stress on our people of being without a house, especially those of Native Hawaiian descent, I cannot express enough how much this legislation means to restoring hope and possibility of positive change for hundreds of Hawai`i families. Please keep the flame of inspiration alive by passing this legislation. HB 2059 manifests the spirit of Aloha and resonates deeply with all who love our islands and our people. Mahalo nui loa for your support. In peace and Aloha, Bruce Keaulani Living Life Source Foundation

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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**Testimony to the Senate Committee on Ways and Means  
Tuesday, March 25, 2014 at 9:05 A.M.  
Conference Room 211, State Capitol**

**RE: HOUSE BILL 2059 HD2 SD1 RELATING TO HOUSING**

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber would like to **express concerns** regarding HB 2059 HD2. The bill proposes to amend the conveyance tax percentage amount paid into the rental housing trust fund.

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

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

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



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

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

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



## CATHOLIC CHARITIES HAWAII

TO: Senator David Y. Ige, Chair; Senator Michelle N. Kidani, Vice Chair; and  
Members, Committee on Ways and Means  
FROM: Fr. Robert Stark, Director Office for Social Ministry  
**Hearing: Tuesday, March 25, 2014; 9:05 am; Room 211**

Chair Ige, Vice Chair Kidani, and Members, Committee on Ways and Means:

Thank you for the opportunity to testify **in strong support of HB 2059** which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund, and make an appropriate to the Trust Fund for an increase in affordable rental housing units. I am Fr. Robert Stark, Director of the Office for Social Ministry of the Roman Catholic Diocese of Honolulu, for the State of Hawaii.. **We strongly support restoring the percentage allocated to the Rental Housing Trust Fund to 50% of the State's conveyance tax, and appropriating an additional amount to the Trust Fund.**

We respectfully request your Committee to prioritize funding from the conveyance tax to continue moving forward to create affordable rental housing. Even with the Council of Revenues drastic reduction in its projections for State revenue growth, key government commitments must continue. Health and safety are critical needs, and what is more basic than housing to meet the health and safety needs of our elders, our kids, our homeless and low and moderate income folks who are on the edge and may fall into homelessness.

Our housing crisis demands action NOW. Rents have risen over 45% since 2005. Almost 75% of extremely low income households pay more than half of their income on rent. No wonder Hawaii has the **highest rate of homelessness in the US**. Homelessness on the streets impacts on tourism and locals alike. Hawaii needs over 13,000 affordable rental units by 2016. We are running out of time. We need to act now. The Rental Housing Trust Fund is key to creating these affordable rental units. Construction is also an economic driver, so the State would get "two bangs for its bucks" when it funds the Trust Fund.

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

The conveyance tax has a major impact on creating housing. Restoring 50% of conveyance tax proceeds to the RHTF would put about \$10 million in additional funding into the Trust Fund/year. The Legislature saw the need in 2006 and allocated 50% of this tax to the Trust Fund. After being reduced dramatically during the recent economic downturn, it is time to again restore this dedicated funding to 50% of conveyance tax proceeds.

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





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Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Supporting HB 2059 HD2 SD1 Relating to Housing  
Senate Committee on Ways and Means  
Scheduled for Hearing Tuesday, March 25, 2014, 9:05 AM, Room 211

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

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

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

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

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

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





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

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

TO: Sen. David Ige, Chair; Sen. Michelle Kidani, Vice Chair; and members of the Senate Committee on Ways and Means

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

**Hearing: Tuesday, March 25, 2014, 9:05 AM, Room 211**

Dear Chair Ige, Vice Chair Kidani, and members of the committee:

Thank you for the opportunity to provide testimony in **strong support** of House Bill 2059 HD 2 to **allocate 50% of conveyance tax revenues**. We also respectfully request an appropriation of **\$100 million** to the **Rental Housing Trust Fund (RHTF)**. My name is Peter K. Mattoon, and I am an Advocacy Committee Co-Chair for Partners In Care, a coalition of care providers focusing on the needs of homeless persons and strategies to end homelessness. We support this policy as a means to prevent homelessness, and to help those transitioning out of homelessness find affordable housing.

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

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

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

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

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

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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.*



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

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TO: Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
Members, Committee on Ways & Means

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: Senate Committee on Ways & Means  
**Tuesday, March 25, 2014 at 9:05 a.m. in Conf. Rm. 211**

**Testimony in Support of HB2059 HD2 SD1, Relating to Housing**

Thank you for the opportunity to provide testimony in support of **HB2059 HD2 SD1**, which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund (RHTF) to 50%, and make an appropriation to and out of the fund for an increase in affordable rental housing units. PHOCUSED is a coalition of health, housing, human services agencies and individual advocates committed to strengthening policies and programs to support the marginalized and underserved in Hawaii. PHOCUSED **strongly supports** restoring the percentage allocated to the RHTF to 50% of the State's conveyance tax.

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

The RHTF has a proven record of creating new affordable rental units in Hawaii. As of June 30, 2013, **4,567 rental units** had been created with the assistance of the RHTF and other leveraged funding. Currently, the conveyance tax is the only dedicated source of funding to the RHTF – proceeds at the current rate of 30% resulted in \$16.4 million to the RHTF in FY2013. According to 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. 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).



# Community Alliance *for* Mental Health

March, 25, 2014

To: Senate Committee on Ways and Means  
Re: HB 2059, HD 2, SD 1

Aloha Chair Ige and members of the committee,

On behalf of the Community Alliance for Mental Health along with United Self Help we strongly support the passage of HB 2059, HD 2, SD 1.

The restoration of the conveyance tax to 50% and its dedication to the Rental Housing Trust Fund would greatly increase the number of individuals and families that can either remain in independent housing or matriculate for sheltered housing into independent housing.

The majority of these funds are used as deposits or loans and are returned to the state. They are used to help someone out of homelessness or to assist someone facing imminent homelessness to keep their home.

If we want to help end homelessness, to assist our most vulnerable populations, and to provide a safety net to our working poor who are never more than one or two paychecks from homelessness, then passing HB 2059, HD 2, SD 1 must be a necessary element of our toolbox.

Scott Wall  
Vice President for Policy  
Community Alliance for Mental Health

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

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

BILL NUMBER: HB 2059, SD-1

INTRODUCED BY: Senate Committee on Human Services

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, 2050

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

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

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

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

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

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

Digested 3/24/14

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [ajc@aloha.net](mailto:ajc@aloha.net)  
**Subject:** Submitted testimony for HB2059 on Mar 25, 2014 09:05AM  
**Date:** Saturday, March 22, 2014 1:03:57 PM

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**HB2059**

Submitted on: 3/22/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

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

Comments: The Rental Housing Trust Fund is critical to producing new rental housing, otherwise housing projects are not financially feasible. It is the only fund that mandates units for people at 30% AMI. It has a proven track record of creating affordable rental housing via public-private partnerships that leverage other resources to create more units. Additionally, the conveyance tax is the only dedicated source of funding for the Rental Housing Trust Fund. I urge you to support this bill.

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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**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [Gladys.peraro@yahoo.com](mailto:Gladys.peraro@yahoo.com)  
**Subject:** Submitted testimony for HB2059 on Mar 25, 2014 09:05AM  
**Date:** Monday, March 24, 2014 7:07:46 AM

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**HB2059**

Submitted on: 3/24/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Gladys Peraro       | Individual          | Comments Only             | No                        |

Comments: Chair Ige, Vice Chair Kidani, and Members, Committee on Ways and Means: Thank you for the opportunity to comment in strong support of HB 2059 which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund (RHTF). I am in support of the Housing Committee restoring the percentage allocated to the RHTF to 50% of the State's conveyance tax, and appropriating an additional amount to the Trust Fund earmarked specifically for an increase in affordable rental housing units. The conveyance tax has a major impact on creating housing. Respectfully, Gladys Peraro

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**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [KehaulaniLum@Ameritech.net](mailto:KehaulaniLum@Ameritech.net)  
**Subject:** Submitted testimony for HB2059 on Mar 25, 2014 09:05AM  
**Date:** Sunday, March 23, 2014 8:48:57 AM

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**HB2059**

Submitted on: 3/23/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Kehaulani Lum       | Individual          | Support                   | No                        |

Comments: Aloha Chair Ige, Vice Chair Kidani, and members of the Committee, Mahalo for your serious consideration of this very important measure. HB 2059 will allow meaningful resources to be steered to addressing the lack of affordable housing in our islands; a major cause of homelessness and despair. As a volunteer citizen advocate in the field, I cannot stress enough how much this legislation means to restoring hope and possibility of positive change for hundreds of Hawai'i families. Please keep the flame of inspiration alive by passing this legislation. It is the spirit of Aloha in motion, and we are deeply grateful for your kokua. Fondly, Kehaulani Lum

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# Helping Hands Hawai'i

## TESTIMONY IN SUPPORT OF HB 2059 HD2 SD1: RELATING TO HOUSING WRITTEN TESTIMONY ONLY

TO: Senator David Y. Ige, Chair;  
Senator Michelle N. Kidani, Vice Chair;  
Members, Committee on Ways and Means

FROM: Jan Harada, CEO, Helping Hands Hawaii



**Hearing: Tuesday, March 25, 2014, 9:05am; CR 211.**

Chair Ige, Vice Chair Kidani, and Committee Members:

Thank you for the opportunity to provide testimony **in support** of HB 2059 HD2 SD1, which amends the percentage of the conveyance tax paid into the Rental Housing Trust Fund (RHTF) to 50%, and makes an appropriation to and out of the fund for an increase in affordable rental housing units. Helping Hands Hawaii is a community-based health and human services non-profit organization that works to serve some of Hawaii's most vulnerable, in particular, those that struggle with poverty, homelessness, mental illness, substance abuse, and language access. Helping Hands Hawaii is in strong support of restoring the percentage allocated to the RHTF to 50% of the State's conveyance tax.

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

The RHTF has a proven record of creating new affordable rental units in Hawaii. As of June 30, 2013, 4,567 rental units had been created with the assistance of the RHTF and other leveraged funding. Currently, the conveyance tax is the only dedicated source of funding to the RHTF. Increasing the percentage of the conveyance tax allocated to the RHTF from 30% to 50% of tax proceeds would add an additional estimated \$10.8 million to the trust fund each year, for a yearly total of an estimated \$25-\$27 million. This would support the continued development of affordable housing options for Hawaii residents.

We urge your support for these important strategies to address housing instability in the State.



**From:** [Lisa Darcy](#)  
**To:** [WAM Testimony](#)  
**Subject:** Support of HB 2059, HD2, SD 1; Relating to Housing  
**Date:** Monday, March 24, 2014 12:56:05 PM

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## TESTIMONY IN SUPPORT OF HB 2059, HD2, SD1: RELATING TO HOUSING

**TO:** Senator David Y. Ige, Chair; Senator Michelle N. Kidani, Vice Chair; and Members, Committee on Ways and Means  
**FROM:** Lisa Darcy, Executive Director, Ho`omoana Foundation  
**Hearing:** **Tuesday, March 25, 2014; 9:05 am; Room 211**

Chair Ige, Vice Chair Kidani, and Members, Committee on Ways and Means:

Thank you for the opportunity to testify **in strong support of HB 2059** which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund, and make an appropriate to the Trust Fund for an increase in affordable rental housing units. **I strongly support restoring the percentage allocated to the Rental Housing Trust Fund to 50% of the State's conveyance tax, and appropriating an additional amount to the Trust Fund.**

I respectfully request your Committee to prioritize funding from the conveyance tax to continue moving forward to create affordable rental housing. Even with the Council of Revenues drastic reduction in its projections for State revenue growth, key government commitments must continue. Health and safety are critical needs, and what is more basic than housing to meet the health and safety needs of our elders, our kids, our homeless and low and moderate income folks who are on the edge and may fall into homelessness.

Our housing crisis demands action NOW. Rents have risen over 45% since 2005. Almost 75% of extremely low income households pay more than half of their income on rent. No wonder Hawaii has the **highest rate of homelessness in the US.** Homelessness on the streets impacts on tourism and locals alike. Hawaii needs over 13,000 affordable rental units by 2016. We are running out of time. We need to act now. The Rental Housing Trust Fund is key to creating these affordable rental units. Construction is also an economic driver, so the State would get "two bangs for its bucks" when it funds the Trust Fund.

I understand organizations such as Catholic Charities Hawaii supports allocating funding to the Rental Housing Trust Fund, due to its proven record of creating affordable rental units. The RHTF has many more applications than can be funded with the current funds. In FY 2012, with \$37 million in project requests, 5 of 9 projects, totaling 317 affordable rental units, were left unfunded due to limited funds. In 2013, the Trust Fund received \$70.4 million in requests. We wish to see them continue.

The conveyance tax has a major impact on creating housing. Restoring 50% of conveyance tax proceeds to the RHTF would put about \$10 million in additional funding into the Trust Fund/year. The Legislature saw the need in 2006 and allocated 50% of this tax to the Trust Fund. After being reduced dramatically during the recent economic downturn, it is time to again restore this dedicated funding to 50% of conveyance tax proceeds.

I urge your support **to restore 50% of the conveyance tax to the Rental Housing Trust Fund, and appropriate funds to the Trust Fund** for a legacy of affordable housing.

Mahalo nui loa,  
Lisa Darcy

Executive Director  
Ho`omoana Foundation  
33 Lono Ave., Ste 230  
Kahului, HI 96732  
808-877-7720  
[www.hoomoanafoundation.org](http://www.hoomoanafoundation.org)



**From:** [Michael Reifenkugel](#)  
**To:** [WAM Testimony](#)  
**Subject:** Subject: TESTIMONY IN SUPPORT OF HB 2059, HD2, SD1: RELATING TO HOUSING  
**Date:** Monday, March 24, 2014 1:18:59 PM

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**TESTIMONY IN SUPPORT OF HB 2059, HD2, SD1: RELATING TO HOUSING**

**TO:** Senator David Y. Ige, Chair; Senator Michelle N. Kidani, Vice Chair; and Members, Committee on Ways and Means

**FROM:** Michael Reifenkugel Wailuku, Hawaii

**Hearing:** **Tuesday, March 25, 2014; 9:05 am; Room 211**

Chair Ige, Vice Chair Kidani, and Members, Committee on Ways and Means:

Thank you for the opportunity to testify **in strong support of HB 2059** which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund, and make an appropriate to the Trust Fund for an increase in affordable rental housing units. **I strongly support restoring the percentage allocated to the Rental Housing Trust Fund to 50% of the State's conveyance tax, and appropriating an additional amount to the Trust Fund.**

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I urge your support **to restore 50% of the conveyance tax to the Rental Housing Trust Fund, and appropriate funds to the Trust Fund** for a legacy of affordable housing.

Mahalo, Michael Reifenkugel