

# HB 2059

## HD2

<b>Measure Title:</b>	RELATING TO HOUSING.
<b>Report Title:</b>	Housing; Rental Housing Trust Fund; Conveyance Tax; Appropriation (\$)
<b>Description:</b>	Amends 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. Effective July 1, 2050. (HB2059 HD2)
<b>Companion:</b>	
<b>Package:</b>	None
<b>Current Referral:</b>	HMS, WAM
<b>Introducer(s):</b>	MIZUNO, WOODSON

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

March 11, 2014

RELATING TO HOUSING

House Bill No. 2059, H.D. 2, 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. The general fund revenue decline that would result from this legislation is currently not accounted for in the State's six-year general fund financial plan.

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 Senate Committee on**  
**HUMAN SERVICES**

**Tuesday, March 11, 2014**  
**1:15 PM**  
**State Capitol, Conference Room 016**

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

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

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

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

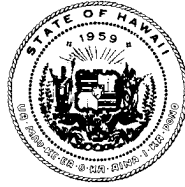
These programs support active land management and acquisition, including defending important conservation areas against threats from development and invasive species and also by restoring these areas by planting native species and monitoring recovery, which increases property values and provides a direct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

**WILLIAM J. AILA, JR.**  
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BOATING AND OCEAN RECREATION  
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FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
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

**SENATE COMMITTEE ON HUMAN SERVICES**

March 11, 2014 at 1:15 p.m.  
State Capitol, Room 016

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

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

HHFDC leverages the Rental Housing Trust Fund with other funding sources to finance the development of critically needed affordable rental housing through public-private partnerships. As of December 31, 2013, 4,567 affordable rental units have been produced or are in development in 58 projects statewide.

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

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

Thank you for the opportunity to testify.



## CATHOLIC CHARITIES HAWAII

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

TO: Senator Suzanne Chun Oakland, Chair; Senator Josh Green, Vice Chair; and Members, Committee on Human Services

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

**Hearing: Tuesday, March 11, 2014; 1:15 pm; Room 016**

Chair Chun Oakland, Vice Chair Green, and Members, Committee on Human Services

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 \$100 million total to the Fund.**

There is a strong **nexus** between the conveyance tax and creating affordable rental housing. Since the 1990's when the RHTF was created, the Legislature has linked the nexus of the conveyance of housing to the State's purpose to promote affordable housing for all its citizens. Without the RHTF, **4,567 units of affordable housing would not have been built.** As real estate prices rise, land costs go up, and more second or investor homes are purchased, rents in Hawaii have been severely impacted. **Rents have increased over 45%** in Hawaii since 2005.

Our housing crisis demands action NOW. We need affordable rentals to reduce homelessness and provide housing for our young families, kupuna, working people, etc. Almost 75% of extremely low income households pay more than half of their income on rent. No wonder Hawaii has the **highest rate of homelessness in the US.** Hawaii needs over 13,000 affordable rental units by 2016. The Rental Housing Trust Fund is key to creating these units.

Catholic Charities Hawaii supports allocating \$100 million to the Rental Housing Trust Fund, with its proven record of creating affordable rental units. The RHTF has many more applications than can be funded with the current funds. In FY 2012, with \$37 million in project requests, 5 of 9 projects, totaling 317 affordable rental units, were left unfunded due to limited funds. In 2013, the Trust Fund received \$70.4 million in requests. Construction is also an economic driver.

The conveyance tax has a major impact on creating housing. Restoring 50% of conveyance tax proceeds to the RHTF would put about \$25 – 27 million into the Trust Fund/year. The Legislature saw the need in 2006 and allocated 50% of this tax to the Trust Fund. After being reduced dramatically during the recent economic downturn, it is time to again restore this dedicated funding to 50% of conveyance tax proceeds.

We urge your support **to restore 50% of the conveyance tax to the Rental Housing Trust Fund, and appropriate a total of \$100 million** for a legacy of affordable housing.



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





# Community Alliance *for* Mental Health

March, 11, 2014

To: Senate Committee on Human Services  
Re: HB 2059, HD 2

Aloha Chair Chun-Oakland 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.

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 must be a necessary element of our toolbox.

Scott Wall  
VP/Legislative Advocate  
Community Alliance for Mental Health

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**Executive Director**

Victor Geminiani, Esq.

Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Supporting HB 2059 HD2 Relating to Housing  
Senate Committee on Human Services  
Scheduled for Hearing Tuesday, March 11, 2014, 1:15 PM, Room 016

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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 HD2, which would restore the percentage of the conveyance tax paid into the **Rental Housing Trust Fund (RHTF)** to **50 percent** and make an appropriation toward the RHTF. Hawai'i Appleseed Center for Law and Economic Justice respectfully encourages the Committee to **appropriate 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. We strongly encourage you to recommit to funding affordable housing by increasing funding to the RHTF.

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March 11, 2014

**The Honorable Suzanne Chun Oakland, Chair**

Senate Committee on Human Services  
State Capitol, Room 016  
Honolulu, Hawaii 96813

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

**HEARING: Tuesday, March 11, 2014 at 1:15 p.m.**

Aloha Chair Chun Oakland, Vice Chair Green, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,300 members. HAR **supports** H.B. 2059, H.D.2, which amends the Conveyance Tax percentage amount paid into the Rental Housing Trust Fund (RHTF) and makes an appropriation to the fund.

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

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

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

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

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

Mahalo for the opportunity to testify.





**HAWAII CATHOLIC CONFERENCE**

6301 Pali Highway  
Kaneohe, HI 96744-5224

**Submitted:** Online  
**Hearing on:** Tuesday, March 11, 2014 @ 1:15  
**Conference Room:** 016

**DATE:** March 07, 2014  
**TO:** Senate Committee on Human Services  
Sen. Suzanne Chun Oakland, Chair  
Sen. Josh Green, Vice Chair  
**From:** Walter Yoshimitsu, Executive Director  
**Re:** Support of HB 2059 HD2 Relating to Housing

Honorable Chair and members of the Senate Committee on Human Services, I am Walter Yoshimitsu, **representing the Hawaii Catholic Conference**. The Hawaii Catholic Conference is the public policy voice for the Roman Catholic Church in the State of Hawaii, which under the leadership of Bishop Larry Silva, represents Roman Catholics in Hawaii.

We support HB 2059 HD2 because homelessness continues to be one of the State's most significant and challenging social problems. The Diocese of Honolulu supports any strategic plan that makes homelessness and affordable housing one of its primary areas of focus. For many households in Hawaii at risk of becoming homeless, high housing costs mean skimping on food and medical care, moving frequently to find lower rents—creating periods of homelessness. As people of faith, we simply cannot sit back and watch while families fall apart.

**WE STRONGLY SUPPORT THE RENTAL HOUSING TRUST FUND AND HAVE SINCE ITS INCEPTION.** This bill appropriates much needed funding for deposit into the rental housing trust fund to finance affordable rental housing development. We strongly believe that the funding used by the RHTF has consistently produced much-needed housing. Recent statistics show that over 4,000 homes have been created utilizing this fund. That is a great accomplishment in this dire economy but it is simply not enough. We know we have much more work to do!

Support for the Rental Housing Trust Fund, in turn, will ultimately help Hawaii save money on programs aimed at helping the homeless, and will reduce the burden on charities and religious organizations. We do understand that many services are vying for funding at this critical time and we appreciate your ongoing support for the Rental Housing Trust Fund.

Mahalo for the opportunity to testify.

# Kaua'i Community Alliance

c/o Catholic Charities Hawai'i, 3016 'Umi Street, Suite 207, Lihu'e, HI 96766

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## TESTIMONY IN SUPPORT OF HB 2059 HD2 RELATING TO THE RENTAL HOUSING TRUST FUND AND DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND

TO: Sen. Suzanne Chun Oakland, Chair, Sen. Josh Green, Vice Chair, and members of the Senate Committee on Human Services

FROM: Debra deLuis, Chair, Kaua'i Community Alliance

Hearing: **Tuesday, March 11, 2014, 1:15 PM, Room 016**

Dear Chair Chun Oakland, Vice Chair Green, and members of the committee,

Thank you for the opportunity to provide testimony in **strong support** of House Bill 2059 to **appropriate \$100 million to the Rental Housing Trust Fund (RHTF) and allocate 50% of conveyance tax revenues to the RHTF**. My name is Debra deLuis, and I am the Chair for Kaua'i Community Alliance, a coalition of care providers, consumers, and concerned community members focused on eliminating homelessness and increasing affordable housing. We support this policy as a means to prevent homelessness and expand affordable housing options.

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, while wages remain average. 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 per capita rate of homelessness in the US. Work with local families informs us many families are homeless because they cannot afford current market rents.

We need more affordable housing to assist the working poor, folks on limited incomes such as the service workers who support tourism in our beautiful community, and to help the homeless become housed. 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. In addition to creating **4,500 rental units**, the RHTF also functions as an economic driver because the public-private partnerships it produces help address the need for affordable housing statewide. 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.

Due to lack of funds 5 out of 9 projects in 2012 totaling 317 affordable rental units were left unfunded. In 2013, the Trust Fund received \$70.4 million in requests but many projects sit waiting only for 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 and needs to return to prior levels. 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.

*Kaua'i County Chapter, Bridging the Gap  
The Neighbor Island Continuum of Care*

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ALU LIKE, Inc.

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Kaua'i Economic  
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Department of  
Veteran Affairs

Kaua'i County  
Housing Agency



## 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. Suzanne Chun Oakland, Chair; Sen. Josh Green, Vice Chair; and members of the Senate Committee on Human Services

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

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

Dear Chair Chun Oakland, Vice Chair Green, and committee members:

Thank you for the opportunity to provide testimony in **strong support** of House Bill 2059 HD2 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



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

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TO: Senator Suzanne Chun Oakland, Chair  
Senator Josh Green, Vice Chair  
Members, Committee on Human Services

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: Senate Committee on Human Services  
**Tuesday, March 11, 2014 at 1:15 p.m. in Conf. Rm. 016**

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

Thank you for the opportunity to provide testimony in support of **HB2059 HD2**, which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund (RHTF) to 50%, and make an appropriation to and out of the fund for an increase in affordable rental housing units. PHOCUSED is a coalition of health, housing, human services agencies and individual advocates committed to strengthening policies and programs to support the marginalized and underserved in Hawaii. PHOCUSED strongly supports restoring the percentage allocated to the RHTF to 50% of the State's conveyance tax, as well as an appropriation of up to \$100 million to the RHTF.

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

The RHTF has a proven record of creating new affordable rental units in Hawaii. As of June 30, 2013, **4,567 rental units** had been created with the assistance of the RHTF and other leveraged funding. Currently, the conveyance tax is the only dedicated source of funding to the RHTF. Increasing the percentage of the conveyance tax allocated to the RHTF to 50% of tax proceeds would put an estimated \$25-27 million into the Trust Fund. Increasing the percentage of the conveyance tax allocated to the RHTF and an additional appropriation of \$100 million will support the continued development of affordable units in Hawaii and help to provide more safe and affordable housing opportunities for Hawaii residents.

PHOCUSED strongly urges your support of this bill. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at [admin@phocused-hawaii.org](mailto:admin@phocused-hawaii.org).

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

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

BILL NUMBER: HB 2059, HD-2

INTRODUCED BY: House Committee on Housing

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 SB 2542, SD-1.

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



**Testimony to the Senate Committee on Human Services  
Tuesday, March 11, 2014 at 1:15 P.M.  
State Capitol - Conference Room 016**

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

Chair Chun Oakland, Vice Chair Green, 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.

We are deeply troubled by the manner in which the Conveyance Tax has been used to generate revenues for unrelated purposes. There is no rational nexus between the real estate



# Chamber of Commerce HAWAII

*The Voice of Business*

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.



# BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

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## Testimony to the Senate Committee on Human Services

Tuesday, March 11, 2014

1:15 p.m.

State Capitol - Conference Room 016

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

Dear Chair Chun Oakland, Vice Chair Green, 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** H.B. 2059 H.D. 2. 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:

- 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** H.B. 2059 H.D. 2.

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

**HB2059**

Submitted on: 3/7/2014

Testimony for HMS on Mar 11, 2014 13:15PM in Conference Room 016

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

Comments: I strongly support restoring the percent of conveyance tax proceeds to 50% for the Rental Housing Trust Fund. Additionally, I support an appropriation of \$100 million toward the Rental Housing Trust Fund in addition to the 50% allocation of the conveyance tax.