



TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 2542

February 13, 2014

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

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

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



CATHOLIC CHARITIES HAWAII

**COMMENTS IN SUPPORT OF SB 2542: RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND**

TO: Senator David Y. Ige, Chair, Senator Michelle N. Kidani, Vice Chair, and Members of the Committees on Ways and Means

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

Hearing: **Thursday, February 13, 2014; 9:30 am; CR 211.**

Chair Ige, Vice Chair Kidani, and Committee members:

Thank you for the opportunity to provide comments **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.

In 2006, the Legislature increased the percentage of the conveyance tax allocated to the Rental Housing Trust Fund to 50% of the tax proceeds. With the economic crisis of the past few years, the amount to the Trust Fund was dramatically decreased. It dropped to 30 percent in 2008, with the amount set at 25 percent from 2009-2012. As of July 1, 2012, the allocation was reset to 30% of the conveyance tax. At 50% of the conveyance tax, the allocation would put about \$25 – 27 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.





**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 SB2542 on Feb 13, 2014 09:30AM  
**Date:** Thursday, February 13, 2014 8:37:11 AM

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**SB2542**

Submitted on: 2/13/2014

Testimony for WAM on Feb 13, 2014 09:30AM 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: Mahalo for your serious consideration of this important legislation. Many esteemed supporters have enumerated the specific economic benefits which this measure holds for our community, and I concur. Equally valuable, however, is the message and practice of Aloha for all people which it embodies. Aloha is the life force of these islands. When we practice this sharing of resources, to alleviate suffering of all people, we are practicing Aloha. I support this measure wholeheartedly and am grateful for your serious consideration. Mahalo nui loa, Kehaulani Lum

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

From: Laura Finlayson

Hearing: Senate Committee on Ways and Means

DATE: Thursday, February 14, 2014  
TIME: 9:30 a.m.  
PLACE: Conference Room 211  
State Capitol  
415 South Beretania Street

## **SB 2542 RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND**

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Thank you for the opportunity to testify in support of SB 2542 which would restore the allocation of conveyance tax collections to the Rental Housing Trust Fund.

The rental housing trust fund promotes the construction of new affordable housing units in Hawaii. The state of Hawaii is in strong need of affordable housing units. Over 56% of Hawaii's renters are housing cost burdened, meaning that they pay over 1/3 of their income to housing costs. It is estimated that we will need 13,000 more affordable housing units by 2016.

The Rental Housing Trust Fund has been able to create over 4,500 affordable housing units as of June 2013. By restoring the conveyance tax to 50%, the fund's only steady source of income is restored. The Rental Housing Trust Fund relies on this income to continue the building of new affordable housing. Without these funds, many affordable housing projects are left unfunded, which only adds to the current lack of affordable housing stock in Hawaii. Restoring the conveyance tax to 50%, would add approximately \$25-27 million into the Rental Housing Trust Fund.

Once again, thank you for the opportunity to testify in **strong support** of this bill.

Laura Finlayson

lfinlays@my.hpu.edu

(757) 646-8644

My name is Mary Brooks and I am the Director of the Housing Trust Fund Project of the Center for Community Change. I was submitting this testimony in support of SB2541. The Project is the only national organization that provides information and technical assistance to those creating and implementing housing trust funds across the country. I have been engaged in this work for more than 25 years. There are now some 700 housing trust funds in cities, counties and states—and most states have created a state housing trust fund.

The Hawaii Rental Housing Trust Fund is among the most successful state housing trust funds in the country and has wisely used a portion of its conveyance tax to support providing Hawaiians with a safe affordable home, as have several other states in the country. Restoring these funds to the commitment made prior to the economic crisis in 2008 reflects how important it is to invest in affordable housing.

Safe affordable homes are fundamental to the health of every community and studies have shown the availability of affordable housing supports our children performing well in school; increased health conditions; and stronger economic growth by creating jobs, increasing wages, and building tax revenues. Many state budgets suffered during the recession but are rebuilding trust funds as the need for affordable housing remains high throughout the country. Our partners across the United States are hoping Hawaii will help build this movement by supporting the Hawaii Rental Housing Trust Fund.

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

Thank you,  
Mary Brooks  
Housing Trust Fund Project  
Center for Community Change



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

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

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: Senate Committee on Ways & Means  
**Thursday, February 13, 2014 at 9:30 a.m. in Conf. Rm. 211**

**Testimony in Support of SB2542, 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, 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).