

# SB2093

Measure Title:	RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING REVOLVING FUND.
Report Title:	Rental Housing Revolving Fund; Conveyance Tax
Description:	Restores the allocation of conveyance tax collections to the rental housing revolving fund to 50%.
Companion:	<a href="#"><u>HB1962</u></a>
Package:	Housing and Homeless Legislative Package
Current Referral:	HOU, WAM
Introducer(s):	CHUN OAKLAND, GALUTERIA, GREEN, HARIMOTO, NISHIHARA, SHIMABUKURO



**EXECUTIVE CHAMBERS**  
HONOLULU

**DAVID Y. IGE**  
GOVERNOR

February 4, 2016

**TO:** The Honorable Senator Breene Harimoto, Chair  
Senate Committee on Housing

**FROM:** Scott Morishige, MSW, Governor's Coordinator on Homelessness

**SUBJECT:** **SB 2093 – RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX  
COLLECTIONS OF THE RENTAL HOUSING REVOLVING FUND.**

**Hearing:** Tuesday, February 4, 2016, 2:45 p.m.  
Conference Room 225, State Capitol

**POSITION:** The Governor's Coordinator on Homelessness supports this measure provided that its passage does not replace or adversely impact priorities indicated in the Executive Budget.

The Coordinator notes that this measure is similar in nature to SB2832, which is an administration bill. The Coordinator also asks for the Legislature's support of the Governor's Executive Budget request, which includes a General Obligation bond appropriation of \$75 million for the Rental Housing Revolving Fund (RHRF).

**PURPOSE:** The purpose of the bill is to remove the \$38 million statutory cap on conveyance tax revenues allocated to the Rental Housing Revolving Fund (RHRF) imposed in Act 84, Session Laws of Hawaii 2015.

The development of low-income affordable housing is necessary to address the issues of homelessness and is a response to the critical shortage of housing inventory in our community. The RHRF is a critical tool to address Hawaii's housing shortage. Since its inception, RHRF awards have been made to 71 affordable rental projects, comprising 5,673 units statewide.

The removal of the \$38 million statutory cap will increase funding for the RHRF to produce affordable rental units to better meet housing demand. This measure is also in

alignment with Goal 2, Objective 4 of the Hawaii Interagency Council on Homelessness' Strategic Plan to End Homelessness, which is to "Create and preserve affordable housing for people at 50% and below of area median income."

Thank you for the opportunity to testify on this bill.



**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 HOUSING**

February 4, 2016 at 2:45 p.m.  
State Capitol, Room 225

In consideration of  
**S.B. 2093**

**RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO  
THE RENTAL HOUSING REVOLVING FUND.**

The HHFDC supports S.B. 2093, which is similar to S.B. 2832, an Administration bill. This bill removes the \$38 million statutory cap on conveyance tax revenues allocated to the Rental Housing Revolving Fund (RHRF) imposed in Act 84, Session Laws of Hawaii 2015.

The RHRF, formerly known as the Rental Housing Trust Fund, provides loans to projects that set aside rental units affordable to extremely and very low-income families. The RHRF loans fill the financing gap to develop an affordable rental housing project. Since its inception, RHRF awards have been made to 71 affordable rental projects comprising 5,673 units statewide.

In Fiscal Year 2015, the RHRF received approximately \$39,500,000 in conveyance tax revenues, which we anticipate being able to fully utilize to make awards to qualified projects during our 2016 competitive funding rounds. Passage of H.B. 1962 would boost funding for the RHRF to produce affordable rental units during upswings in the real estate market.

Thank you for the opportunity to testify.

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**Subject:** Submitted testimony for SB2093 on Feb 4, 2016 14:45PM  
**Date:** Wednesday, February 03, 2016 2:32:33 PM

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**SB2093**

Submitted on: 2/3/2016

Testimony for HOU on Feb 4, 2016 14:45PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Margaret Graybill	FACE	Comments Only	No

Comments: Restore the funding to the rental assistance program. We must give low income people avenues for being able to afford getting into housing.

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## CATHOLIC CHARITIES HAWAI'I

### TESTIMONY IN SUPPORT OF SB 2093: RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING REVOLVING FUND

TO: Senator Breene Harimoto, Chair, Senator Brickwood Galuteria, Vice Chair; and Members, Senate Committee on Housing  
FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawai'i  
Hearing: **Thursday, 2/4/16, 2:45 PM; Room 225**

Chair Harimoto, Vice Chair Galuteria, and Members, Committee on Housing:

Thank you for the opportunity to provide testimony **in support** of SB 2093, which would repeal the statutory cap on the disposition of conveyance taxes into the Rental Housing Revolving Fund (RHRF). I am Betty Lou Larson, from Catholic Charities Hawai'i. We are also a member of Partners in Care.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 60 years. CCH has programs serving elders, children, developmentally disabled, homeless and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has a long history of working in the areas of affordable housing and homelessness. We have supported funding to the RHRF since its inception. We feel that this Fund is a key resource for the construction of affordable rentals.

The 2015 legislature imposed a cap of \$38 million or 50% of the conveyance tax, whichever is less, for the Rental Housing Revolving Fund (RHRF). The cap was implemented as of 7/1/15. In FY 2014-2015 (ending 6/30/15), \$39.5 million in conveyance taxes were deposited into the RHRF. If this cap had been in effect during the past fiscal year, approximately \$1.5 million would not have gone to the RHTF to construct much needed affordable rental housing.

Hawaii is now experiencing a surge in construction. Conveyance tax collections are rising, but this is offset by the increasing costs of construction in a hot market. Rising funding could offset these higher production costs. We are very concerned that placing a cap on the RHRF will seriously reduce the number of affordable rentals that can be produced over the next 5 years.

The RHTF is an effective and efficient tool to produce new affordable housing. Since inception, 5,661 units have been created with funding from the Revolving Fund. Historically, there has been more demand for this funding than there have been funds available. Hawaii has the most expensive housing in the nation—twice the nation average. Rents have increased 65% over the past 10 years. Hawaii also has the higher rate of homelessness per capita of the US states. Now is not the time to put a constraint on the production of affordable rentals.

Thank you for listening to our concerns. We urge you to pass this bill to create more affordable housing. Please contact me at (808) 373-0356 or [bettylou.larson@catholiccharitieshawaii.org](mailto:bettylou.larson@catholiccharitieshawaii.org) if you have any questions.



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**Date:** Wednesday, February 03, 2016 9:42:19 AM

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**SB2093**

Submitted on: 2/3/2016

Testimony for HOU on Feb 4, 2016 14:45PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kehaulani Lum	Ali`i Pauahi Hawaiian Civic Club	Support	No

Comments: Aloha Chair Harimoto and Vice Chair Galuteria, As the President of the Ali`i Pauahi Hawaiian Civic Club and an ardent advocate for affordable housing in Hawai`i Nei, I am writing in strong support of S.B. 2093, which will remove the \$38m cap (adopted last year) on the amount of conveyance tax that goes into the rental housing trust fund. In order for the people of Hawai`i, and Native Hawaiians, in particular, to continue to call these islands "home," this type of support is desperately needed. This measure is Aloha in practice, and we seek your steadfast kokua to achieve its vision. Mahalo nui loa, Kehaulani Lum

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**Subject:** \*Submitted testimony for SB2093 on Feb 4, 2016 14:45PM\*  
**Date:** Wednesday, February 03, 2016 10:49:33 AM

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**SB2093**

Submitted on: 2/3/2016

Testimony for HOU on Feb 4, 2016 14:45PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Leilani Maxera	The CHOW Project	Support	No

Comments:

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February 4, 2016

**The Honorable Breene Harimoto, Chair**

Senate Committee on Housing  
State Capitol, Room 225  
Honolulu, Hawaii 96813

**RE: S.B. 2093, Relating to Housing**

**HEARING: Thursday, February 4, 2016 at 2:45 p.m.**

Aloha Chair Harimoto, Vice Chair Galuteria, 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 8,800 members. HAR **supports** S.B. 2093 which restores the allocation of conveyance tax collections to the Rental Housing Revolving Fund to 50 percent.

According to the Department of Business, Economic Development and Tourism, nearly 66,000 housing units are needed to meet long-term demand over the next ten years. Not only do we need more affordable homes, including rentals, to meet today's needs of our working individuals and families.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Revolving 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.

As such, HAR believes restoring the Fund to 50% will help expand the much needed affordable rental housing opportunities for Hawaii's residents and will help address the States unique challenges related to affordable rentals.

Mahalo for the opportunity to testify.



# PARTNERS IN CARE

## Oahu Continuum of Care

*Partners in Care is a coalition of Oahu's homeless service providers, government representatives and community stakeholders working together in partnership to end homelessness.*

### TESTIMONY IN SUPPORT OF SB 2903: RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING REVOLVING FUND

TO: Senator Breene Harimoto, Chair, Senator Brickwood Galuteria, Vice Chair; and Members, Senate Committee on Housing

FROM: Greg Payton, Chair of the Advocacy Committee, Partners in Care

Hearing: **Thursday, 2/4/16, 2:45 PM; Room 225**

Chair Harimoto, Vice Chair Harimoto, and Members, Committee on Housing

Thank you for the opportunity to provide testimony **in support** of SB 2093, which repeals the cap on distributions to the Rental Housing Revolving Fund (RHRF) from the conveyance tax. I am Greg Payton, the Chair of the Advocacy Committee of Partners in Care (PIC).

Partners in Care is a coalition of homeless service providers and many other in the community on Oahu dedicated to ending homelessness. In the past year on Oahu, we have developed a coordinated entry system to more effectively and strategically help homeless to navigate resources and be linked to housing. The next step and the KEY to ending homelessness is the creation of more affordable rental housing. Now is not the time to pat a constraint on the production of new affordable rentals.

The 2015 legislature approved a cap of \$38 million for conveyance tax funding to the RHRF. More funding, not less, is needed for the RHRF. Hawaii's housing situation is desperate. The 2014 Housing Study projects that over 27,000 affordable rental units are needed by 2020. The housing crisis for households at 60% AMI or below, has exploded. The 2014 study found that about **50% more units are needed for these low income households than in 2011 (20,215 units vs 13,000)**. *Out of Reach 2014* reported that **Hawaii topped the list of most expensive states for housing**. A full time worker would need to make \$31.54/hour to afford a two-bedroom unit at fair market rent. Yet the median wage of a renter in Hawaii is just \$13.86. Hawaii's workers cannot afford market housing and many become homeless. We need to take action NOW to create thousands of units of affordable rentals.

The RHRF has a proven track record. Non-profit and for-profit developers stand ready to produce units, but projects are not economically feasible without funding from the RHRF. Now is not the time to put a cap of \$38 million on conveyance tax revenues to the RHRF.

We thank you for your dedication to creating more affordable housing. Please contact me at (808) 529-4554 or [gpayton@mhkhawaii.org](mailto:gpayton@mhkhawaii.org) if you have any questions.



# HAWAII APPLESEED

## CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Supporting SB 2093 relating to the disposition of the conveyance  
tax collections to the rental housing revolving fund  
Senate Committee on Housing  
Scheduled for Hearing Thursday, February 4, 2016, 2:45 PM, Room 225

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*Hawai'i Appleseed Center for Law and Economic Justice Hawai'i Appleseed is committed to a more socially just Hawai'i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, advocacy, and coalition building.*

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Dear Chair Harimoto, Vice Chair Galuteria and Members, Committee on Housing:

Thank you for the opportunity to testify in support of SB 2093, which repeals the statutory cap on the disposition of conveyance taxes dedicated for deposit into the Rental Housing Revolving Fund for the financing of affordable rental housing development.

Hawai'i's housing needs are well documented: The 2014 Housing Study finds that 27,224 rental units are needed by 2020 for people under 80% of the Area Median income (AMI). The need for housing for those at 60% or less of the AMI rose dramatically between 2011 and the 2014 study. 50% more units are needed for these households than in 2011 (over 20,000 units vs 13,000 in the 2011 study). Furthermore, Hawai'i has the highest homelessness rate in the nation, and the problem continues to worsen.

The Rental Housing Revolving Fund (RHRF) is a major tool for the creation of affordable housing and has a long record of success, funding over 5,000 units since its creation, and functions as an economic driver. Conveyance tax proceeds are an important source of funding for the RHRF, and a cap on the tax proceeds that flow into the RHRF unnecessarily limits the potential of the fund at a time when affordable housing is desperately needed—a need that will continue for the foreseeable future absent a drastic change in course.

Had the cap been in effect last year, the RHRF would have received \$1 million less of the \$39 million in conveyance tax proceeds that went into the fund—a relatively small amount, but a significant one. With real estate transactions on the rise, the RHRF stands to miss out on even more with the cap in place. It is the opposite direction we need to go to address the affordable housing and homelessness crisis, one that demands more attention and resources to reverse course and ensure that Hawai'i's residents have a genuine opportunity at housing stability and well-being.

Thank you very much for hearing and considering this important bill to help end homelessness.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Remove cap on rental housing revolving fund earmark

BILL NUMBER: HB 1962; SB 2093 (Identical)

INTRODUCED BY: HB by HASHEM, CACHOLA, CREAGAN, ICHIYAMA, KEOHOKALOLE, KOBAYASHI, MORIKAWA, NISHIMOTO, OSHIRO, LoPresti, Tokioka; SB by CHUN OAKLAND, GALUTERIA, GREEN, HARIMOTO, NISHIHARA, SHIMABUKURO

EXECUTIVE SUMMARY: This bill would remove the maximum dollar amount of conveyance tax revenues to be deposited into the rental housing revolving fund. If the legislature deems this program area a priority, then a direct appropriation for these programs would increase transparency and accountability.

BRIEF SUMMARY: Amends HRS section 247-7 by earmarking 50% of the conveyance tax to the rental housing revolving fund, and repealing the existing \$38 million limit.

EFFECTIVE DATE: July 1, 2016

STAFF COMMENTS: This measure would return to the practice of depending more and more on special funds and on feeding those funds with earmarked taxes.

As with any earmarking of revenues, the legislature will be preapproving each of the programs fed by the funds into which the conveyance tax monies are diverted, expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether the fund has too little or too much revenue.

The conveyance tax is one of the least dependable sources upon which to rely for funding with collections rising and falling with the fortunes of the real estate market. Any amount collected under this tax will depend on activity in the real estate market. As the housing market slows down, revenues may not be sufficient to meet the expectations of the programs supported by the fund. If the conveyance tax revenues are not sufficient or another “important” program needs funding, will the conveyance tax rates need to be “adjusted” to generate even more revenue?

If the legislature deems the programs and purposes funded by conveyance tax revenues to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. If the money were appropriated, lawmakers could then evaluate the real or actual needs of each particular program.

Digested 1/29/16

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**SB2093**

Submitted on: 2/3/2016

Testimony for HOU on Feb 4, 2016 14:45PM in Conference Room 225

<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 the rental housing trust fund and believe it is vital to address Hawaii's housing shortage.

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