



SB 970

Measure Title:	RELATING TO RENTAL HOUSING.
Report Title:	Rental Housing Trust Fund; Conveyance Tax; Revenue Bonds
Description:	Allows a portion of conveyance tax revenues dedicated to the rental housing trust fund to be monetized to increase the amount of funding for the rental housing trust fund. Authorizes the issuance of revenue bonds to finance the rental housing trust fund.
Companion:	
Package:	Housing and Homeless Legislative Package
Current Referral:	HSH, WAM
Introducer(s):	CHUN OAKLAND, HARIMOTO, Dela Cruz

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

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 AND HOUSING

January 31, 2015 at 1:15 p.m.
State Capitol, Room 229

In consideration of
S.B. 970
RELATING TO RENTAL HOUSING.

HHFDC supports S.B. 970. This bill would create a mechanism to monetize up to \$5,000,000 per year of the conveyance tax collections for the Rental Housing Trust Fund so that affordable rental housing development can be accelerated. We also support the Governor's budget request for an appropriation of \$100 million in General Obligation bond funds in Fiscal Year 2016 for deposit into the Rental Housing Trust fund.

HHFDC estimates that dedication of \$5,000,000 per year would be sufficient to support the debt service on approximately \$75,000,000 in revenue bonds. This authorization would allow the HHFDC to continue to support the production of affordable rentals in the event there are insufficient funds in the RHTF.

Thank you for the opportunity to testify.



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF SB 970: RELATING TO RENTAL HOUSING

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

FROM: Trisha Kajimura, Social Policy Director, Catholic Charities Hawaii

Hearing: Saturday, 1/31/15, 1:15 pm; Conference Room 229

Thank you for the opportunity to provide testimony in support of SB 970, which allows a portion of the conveyance tax revenues dedicated to the Rental Housing Trust Fund (RHTF), to be monetized and authorizes the issuance of revenue bonds, to increase funding to the RHTF.

Catholic Charities Hawaii (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawaii 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 people in Hawaii. Catholic Charities Hawaii has a long history of working on housing issues and helping to end homelessness and change lives. One of our highest priorities is to create affordable rental housing to end homelessness.

Catholic Charities Hawaii supports the creative concept outlined in SB 970, to obtain a one-time infusion of approximately \$75 million into the RHTF in order to more quickly construct hundreds of units of affordable rental housing. We also support the Governor's budget request for \$100 million in GO bonds in FY 2016 for the RHTF. We would prefer direct funding such as the GO bonds, if only one measure moves forward, since SB 156 would result in the use of \$5 million per year in RHTF revenues to pay off the revenue bonds. However, with the current crisis in housing, BOTH these funding sources (GO bonds and revenue bonds) are needed to more quickly respond to the ever growing housing needs of Hawaii's people.

We see the advantage of utilizing revenue bonds with construction costs booming. With a \$75 million infusion into the RHTF, more units will be built in the near term, at a lower cost than building slowly over 15 years. The crisis is NOW; we need to build 13,000 units by 2016 (just one year away), according to the state's 2011 Housing Study.

The Rental Housing Trust Fund can effectively and efficiently utilize these additional funds. It has a proven track record of creating affordable rental housing via public-private partnerships that leverage other resources to create more units.

Thank you for the opportunity to testify. Please contact me at (808) 527-4810 or trisha.kajimura@catholiccharitieshawaii.org if you have any questions.





**Testimony to the Senate Committee on Human Services and Housing
Saturday, January 31, 2015 at 1:15 P.M.
Conference Room 229, State Capitol**

RE: SENATE BILL 970 RELATING TO RENTAL HOUSING

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

The Chamber **supports** the intent of S.B. 970 which proposes to allow a portion of conveyance tax revenues dedicated to the rental housing trust fund to be monetized to increase the amount of funding for 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 Chamber strongly supports the need to provide government assistance to develop housing units for the 80% AMI and below income group. The economics associated with developing units for people in this income group and below require some type of government assistance. The private sector is unable to provide units at these price points without government assistance.

The Chamber maintains its position that the Conveyance tax is not the appropriate means to fund the rental housing trust fund. 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:



Chamber of Commerce HAWAII

The Voice of Business

- 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; . . .”

If the conveyance tax were limited to “the administrative costs of recording the real estate transactions” it is questionable if the legislature would be attempting to identify the specific types of transactions that the conveyance tax would be applied to. The question that needs to be answered is should the conveyance tax be limited to covering the administrative costs of recording the real estate transactions? If not, what other uses of the conveyance tax would withstand the rational nexus test?

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



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 970: RELATING TO RENTAL HOUSING

TO: Senator Suzanne Chun Oakland, Chair, Senator Josh Green, Vice Chair;
and members of the Committee on Human Services and Housing

FROM: Betty Lou Larson, Advocacy Committee, Partners in Care

Hearing: **Saturday, January 31, 2015; 1:15 PM; Conference Room 229**

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

Thank you for the opportunity to provide testimony in support of SB 970, which allows a portion of the conveyance tax revenues dedicated to the Rental Housing Trust Fund (RHTF), to be monetized and authorizes the issuance of revenue bonds, to increase the funding to the RHTF. I am Betty Lou Larson from the Advocacy Committee of Partners in Care. One of our highest priorities is to create affordable rental housing to end homelessness.

Partners in Care (PIC) supports the creative concept outlined in SB 970, to obtain a one-time infusion into the RHTF in order to more quickly construct hundreds of units of affordable rental housing. We also support the Governor's budget request for \$100 million in GO bonds in FY 16 for the RHTF. We would prefer direct funding such as the GO bonds, if only one measure moves forward, since SB 156 would result in the use of \$5 million per year in RHTF revenues to pay off the revenue bonds. However, with the current crisis in housing, BOTH these funding sources (GO bonds and revenue bonds) are needed to more quickly respond to the ever growing housing needs of Hawaii's people.

We see the advantage of utilizing revenue bonds with construction costs booming. With a \$75 million infusion into the RHTF, more units will be built in the near term, at a lower cost than building slowly over 15 years. The crisis is NOW; we need to build 13,000 units by 2016 (just one year away), according to the state's 2011 Housing Study.

Out of Reach 2014: reported that **Hawaii topped the list of most expensive states.** 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. **78 percent of extremely low income households are paying more than half of their income in rent,** and almost half of all households do not live in affordable housing. The situation is desperate; we need to take action NOW to create thousands of units of affordable rentals.

Thank you for hearing our testimony. Please contact me at (808) 373-0356 or bettylou.larson@catholiccharitieshawaii.org if you have any questions.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Disposition of revenue

BILL NUMBER: SB 970

INTRODUCED BY: Chun Oakland, Harimoto and 1 Democrat

EXECUTIVE SUMMARY: This bill would require a portion of the conveyance tax revenue deposited into the rental housing trust fund to be used for the repayment of revenue bonds and revenue refunding bonds issued by the Hawaii housing and finance development corporation (HHFDC). A direct appropriation to this program area, however, would increase transparency and accountability.

BRIEF SUMMARY: Amends HRS section 247-7 to require ___% of the conveyance tax revenues deposited into the rental housing trust fund to be used for the repayment of revenue bonds and revenue refunding bonds issued by the HHFDC; provided that such amount does not exceed \$5 million per fiscal year.

Amends various sections of HRS chapter 201H to allow the HHFDC to issue up to \$125 million in revenue bonds for the financing of the rental housing trust fund.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: The adoption of this measure would allow the HHFDC to issue up to \$125 million in revenue bonds with the proceeds of the bond issue to finance the rental housing trust fund. The measure also allows up to \$5 million per fiscal year to be used for repayment of such revenue bonds. While the measure specifically delineates that the rental housing trust fund is a special fund under Article VII, section 13 of the State Constitution, it further specifies that this fund is NOT a special fund for purposes of: (1) HRS §36-27 central service fees, the mechanism by which a percentage of the special fund is paid into the general fund for costs of administering the special fund; and (2) HRS §36-30 departmental administrative expense reimbursements, the mechanism by which the agency administering the fund can charge part of its overhead costs against the fund.

The state auditor's examination of special funds stated that "experts have questioned the benefits of special funds. As larger sums of money are set aside in this way and not lapsed to the general fund, there can be a cumulative effect on the overall financial condition of government. Special funds can give agencies control of their unappropriated cash reserves, provide a way to skirt the general fund expenditure ceiling, and, over time, erode the general fund. The experts say that special funds are likely to hamper budget administration. From a legislative perspective, they are less desirable because they are not fully governed by the appropriations process and thus lessen the Legislature's control of the budget." Therefore, a general fund appropriation would be better to enhance transparency and accountability.

Digested 1/30/15

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

FROM: Jon Shindo, Master's in Social Work Student at UH Manoa

Hearing: Saturday, January 31, 2015; 1:15 PM; Conference Room 229

Testimony in Support of SB970, Relating to Affordable Rental Housing

Dear Chair Chun Oakland, Vice Chair Green, and Members of the Committee on Human Service and Housing:

Thank you for the opportunity to provide testimony **in support of SB970**, which allows monetization of Rental Housing Trust Fund (RHTF) conveyance tax revenues for issuance of revenue bonds. These revenue bonds, combined with FY 16 GO bonds, will result in an injection of \$100 million to the RHTF to be used for development of critically needed affordable rental housing units.

I commend the Hawaii Housing Finance and Development Corporation's efforts towards addressing the affordable housing shortage. RHTF funds were used to fund four of nine rental housing developments in 2013-2014, resulting in 348 new units. Using the \$100 million enabled by this bill could potentially add 600 more units.

Notably, Section 2(d) of the bill permits flexible use of the funds towards development of new units, preservation, and rehabilitation of units that have fallen into disrepair. Usage also includes building capacity of nonprofit housing developers and other housing development services; important elements that will support long-term development of affordable housing.

I am concerned that spreading these funds across too many income levels will dilute its impact. Section 2(e)(2) states these funds may be used for development of mixed-income housing available to individuals and families at or below 140% median family income. I recommend removing this portion from the bill to target individuals and families at or below 100% median income. Workforce housing at 100% to 140% median income will be addressed through other public-private ventures.

Again, I **support the passing of SB970**. Thank you for your time and consideration with my testimony. Please contact me with any questions at 808-722-7585 or jon.shindo@gmail.com.

Respectfully Signed,
Jon M. Shindo