



**HB698**  
**RELATING TO THE CONVEYANCE TAX**  
House Committee on Housing

February 14, 2017

9:00 a.m.

Room 423

The Office of Hawaiian Affairs (OHA) Beneficiary Advocacy and Empowerment Committee will recommend that the Board of Trustees **SUPPORT** HB698, which will likely provide substantial and much-needed housing relief to Native Hawaiians and other residents of Hawai‘i.

**This bill will help provide much-needed housing relief for the state’s current affordable housing crisis.** It has become abundantly clear that our islands’ residents have a dire and growing need for affordable housing opportunities: the City and County of Honolulu alone has estimated a current demand for 24,000 new housing units, 75% or 18,000 of which must be affordable to those making 80% of the area median income.<sup>1</sup> By increasing conveyance tax revenues from higher-end real estate transfers, and allowing a substantial portion of these additional revenues to be committed to the rental housing revolving fund, this measure may significantly increase grant and loan opportunities for affordable rental housing development projects. Such projects may provide a critical level of relief to the state’s affordable housing crisis.

**The Native Hawaiian community may particularly benefit from the bill.** Native Hawaiians are particularly reliant on the rental housing market, as research shows that Native Hawaiians are less likely to own a home, and have homeownership rates lower than the county average.<sup>2</sup> Native Hawaiian renters also have a particular need for affordable rental units, as more than half of Native Hawaiian renters, many of whom already live in overcrowded situations<sup>3</sup> to reduce costs, live in homes they are struggling

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<sup>1</sup> See HOUSING OAHU: AFFORDABLE HOUSING PLAN (2015), available at

[https://www.honolulu.gov/rep/site/ohou/ohou\\_docs/Housing\\_Strategy\\_Draft\\_9-8-15.pdf](https://www.honolulu.gov/rep/site/ohou/ohou_docs/Housing_Strategy_Draft_9-8-15.pdf).

<sup>2</sup> In 2014, the Native Hawaiian homeownership rate was 52.9% compared to the state average rate of 56.7%. DHHL provides about 22.1% of owner-occupied housing units among Native Hawaiians. Therefore the Native Hawaiian homeownership rate for non-DHHL properties is only 30.8%. See OFFICE OF HAWAIIAN AFFAIRS, NATIVE HAWAIIAN HOMEOWNERSHIP HO‘OKAHUA WAIWAI FACT SHEET VOL.2016, NO. 1, page 10, available at <http://www.oha.org/wp-content/uploads/NH-Homeownership-Fact-Sheet-2016.pdf>

<sup>3</sup> In 2013, the average size of a Native Hawaiian family was 4.04, larger than the state average. See OFFICE OF HAWAIIAN AFFAIRS, INCOME INEQUALITY AND NATIVE HAWAIIAN COMMUNITIES IN THE WAKE OF THE GREAT RECESSION: 2005 TO 2013 (2014), page 5, available at <http://www.oha.org/wp-content/uploads/2014/05/Income-Inequality-and-Native-Hawaiian-Communities-in-the-Wake-of-the-Great-Recession-2005-2013.pdf>

to afford.<sup>4</sup> Native Hawaiians may therefore be disproportionately impacted by the lack of affordable rental housing opportunities in the state. By generating increased revenues to facilitate the development of affordable rental housing units, this measure may directly address the particular housing needs of the Native Hawaiian community.

As a final note, OHA notes that this bill's removal of the \$38 million cap on conveyance tax contributions to the rental housing revolving fund may theoretically result in less conveyance tax funds for the state general fund. However, OHA believes that the robust luxury and high-end real estate market,<sup>5</sup> coupled with the increase in progressive conveyance tax rates for properties valued at \$2 million or more, will likely result in an increase in both general fund and revolving fund revenues. Should impacts to the general fund remain a concern, OHA suggests considering provisions limiting additional rental housing revolving fund contributions above the current \$38 million cap, to only those conveyance tax revenues generated from this measure's proposed rate increases.

Therefore, OHA urges the Committee to **PASS** HB698. Mahalo for the opportunity to testify on this matter.

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<sup>4</sup> See OFFICE OF HAWAIIAN AFFAIRS, RENTERS INDICATOR SHEET 2015 (2015) available at <http://www.oha.org/wp-content/uploads/Hookahua-Waiwai.-Indicator-Sheet.-Renter.-2015.pdf>

<sup>5</sup> See, e.g., Katie Murar, *O'ahu's luxury real estate market strong*, PACIFIC BUSINESS NEWS, December 11, 2016 available at <http://www.bizjournals.com/pacific/news/2016/12/11/oahus-ultra-luxury-real-estate-market-strong.html>.



**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

**HOUSE COMMITTEE ON HOUSING**

February 14, 2017 at 9:00 a.m.  
State Capitol, Room 423

In consideration of  
**H.B. 698**  
**RELATING TO THE CONVEYANCE TAX.**

The HHFDC *supports the intent* of H.B. 698, but has concerns regarding the significant conveyance tax rate increases that are proposed.

We note that these conveyance tax increases will also raise the cost of acquisition and rehabilitation of affordable housing. Over just the last five years, HHFDC provided financing assistance to acquire 11 projects totaling 1,021 affordable rental units.

HHFDC supports the removal of the cap on the existing conveyance tax allocation to the Rental Housing Revolving Fund (RHRF) as long as it does not replace priorities requested in the Executive Budget.

The RHRF 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 79 affordable rental projects comprising a total of 6,232 units statewide.

In Fiscal Year 2016, the RHRF received approximately \$33,056,876 in conveyance tax revenues, which we anticipate being able to fully utilize to make awards to qualified projects during our 2017 competitive funding rounds.

Thank you for the opportunity to testify.

To: Senate Committee on Housing  
Date: February 10, 2017  
Place: Hawaii State Capitol – Room No. 423  
Re: HB 698, Relating to the Conveyance Tax

### **Testimony in Strong Support**

Representative Tom Brower, Chair, Representative Nadine Nakamura, Vice Chair, and members of the House Committee on Housing.

My name is Linda Rich and I am with Housing Now, a non-profit program of Faith Action for Community Equity. We urge you to pass HB698.

This bill will help provide additional funds to address the severe shortage of affordable housing here in Hawaii, by increasing our real estate tax rates for properties with a value of \$2million or more. It is a “win/win” providing additional desperately needed affordable housing and increasing funds to the state’s treasury.

Our current tax rates for real estate conveyances range from 0.1% to 1.25% at the highest, even on multi-million dollar and luxury properties. Most other consumer transactions are taxed from 4% to 10% (for goods, services, dining and accommodations). This does not make sense. Why do we allow our real estate property taxes to be so low on our most precious commodity – our land, when the sale of our real estate at such high prices creates our affordable housing problem? Low to moderate income people bear the burden, paying much higher tax rates. People engaging in high-end property transactions should pay their fair share in taxes, at least comparable to our excise tax, to help address our state’s financial and housing needs. There is a clear relationship between profits earned on these high-end real estate transactions and the lack of housing for our working families. This bill targets properties valued at \$2million or above, where buyers and sellers have substantial means, and does not affect tax rates for transactions under \$2 million.

According to calculations of the impact of these tax changes based on data on MLS residential real property sales on Oahu from the Honolulu Board of Realtors, these Oahu sales alone, would generate annually. additional revenues of \$14 – 18 million. The State’s Tax Department can estimate total new revenues, which should be much higher to include neighbor islands, commercial sales and leasing, and new condo sales.

Please pass this bill to the Finance Committee s for further consideration. Hawaii residents need affordable Housing Now! Mahalo.

Respectfully submitted by

Linda Rich, 3721 Kanaina Ave. #216 Honolulu, HI 96815



February 9, 2017

Representative Tom Brower, Chair  
Representative Nadine K. Nakamura, Vice Chair  
House Committee on Housing

**Comments and Concerns in Opposition to HB 698, Relating to Real Estate Conveyance Tax; Rate; Disposition.**

**Tuesday, February 14, 2017, 9:00 a.m., in Conference Room 423**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF **opposes SB 698**, which proposes an increase of real estate conveyance tax for properties with a value of at least \$2,000,000.

**SB 698.** This measure, which proposes an increase of real estate conveyance tax for properties with a value of at least \$2,000,000, fails to provide any explanation or justification for the assessment of such an increase against one specifically-identified group of property owners.

**LURF's Position.**

**1. The Hawaii Conveyance Tax was Never Intended to be, and Should Not Operate as a Revenue-Generating Tax.**

The original and sole intent underlying HRS Chapter 247 (Conveyance Tax) was explicitly to cover the administrative costs incurred by DoTax to collect and assess informational data, including recordation of real estate transactions as performed by the Bureau of Conveyances. As such, use of conveyance tax revenue should be strictly limited to those purposes identified in the original Act. There is no indication in this case, however, that the conveyance tax increase proposed by this measure, which is targeted against a specific group of taxpayers, is necessary for those uses for which conveyance taxes were originally contemplated.

**2. Measures Which Attempt to Utilize the State Conveyance Tax as a Revenue-Generating Tax Will Likely Cause Unintended Negative Consequences.**

**a. Hawaii's large *kama'aina* landowners will likely suffer hardships.**

These types of proposed bills may cause hardships for local landowners who may be transferring large properties for agricultural farms, housing developments, environmental programs, or other developments that would serve the community and create needed employment.

**b. Such measures would create significant disincentive for business in Hawaii.**

At a time when the State is attempting to encourage business expansion in, and attract business operations to Hawaii, measures implemented to utilize the State conveyance tax as a revenue generating tax would create a disincentive, and will have a substantial negative impact on persuading new and existing businesses to open or expand in Hawaii, or to relocate their operations to this State. The proposed additional cost of doing business in Hawaii would certainly appear to negatively outweigh any positive revenue impact resulting from the imposition of conveyance taxes pursuant to these types of measures.

**c. This type of legislation would drive up the cost of lands for agricultural production, affordable and market homes, and commercial development.**

The imposition of the conveyance tax on transfers which affect **agricultural lands** will be passed on to farmers and other agricultural operators, making it even harder for agriculture to survive in Hawaii; the proposed imposition of the tax on transfers which affect **land intended for housing developments** will be passed on to home buyers and will thus increase the price of homes and exacerbate the affordable housing problem in Hawaii; and the proposed imposition of the conveyance tax onto transfers which affect **commercial properties** will also be passed on to small businesses, creating yet another substantial financial burden on them.

**Conclusion.**

Given the incontrovertible, clear and express intent of Hawaii's conveyance tax law (HRS Chapter 247) which is to use State conveyance tax revenue to specifically cover administrative costs incurred by DoTax to collect and assess informational data, any assessment or use of State conveyance tax revenue must be justified for that limited purpose as set out in the original Act. The unwarranted assessment of conveyance tax revenue for any other purposes, especially if targeted toward an arbitrary group of taxpayers, would clearly lend itself to scrutiny and legal challenge.

In addition, the economic impacts and consequences of SB 698 may likely be detrimental on many levels, and there is significant concern that proposed measures such as this, which attempt to utilize the conveyance tax as a revenue-generating tax will likely cause unintended negative consequences which would be detrimental to the State.

Given the above, LURF must respectfully **oppose** this bill and requests that it be held in Committee.



# FIRST UNITED METHODIST CHURCH

1020 South Beretania Street ♦ Honolulu, Hawaii 96814-1492 ♦ 808-522-9555

To: Senate Committee on Housing  
Date: February 10, 2017  
Place: Hawaii State Capitol – Room No. 423  
Re: HB 698, Relating to the Conveyance Tax

## Testimony in Strong Support

Representative Tom Brower, Chair, Representative Nadine Nakamura, Vice Chair, and members of the House Committee on Housing.

My name is Rev. Amy C. Wake and I am pastor of First United Methodist Church of Honolulu. I am also with Housing Now, a non-profit program of Faith Action for Community Equity. We urge you to pass HB698.

The purpose of this bill is to help provide additional funds to address the severe shortage of affordable housing here in Hawaii, by increasing our real estate tax rates for properties with a value of \$2million or more. This will help affordable housing and the state's treasury.

Every day, I encounter people who are homeless or near homelessness. The problem of homelessness clearly cannot be resolved until there are enough places to live that people can afford. In order for someone to afford a one-bedroom home in Honolulu, they would have to work 125 hours a week at minimum wage. This is not humanly possible.

Our current tax rates for real estate conveyances range from 0.1% to 1.25% at the highest, even on multi-million dollar and luxury properties. By contrast, most consumer transactions are taxed from 4% to 10% (for goods, services, dining and accommodations). Why do we allow our real estate property taxes to be so low on our most precious commodity – our land, when the sale of our real estate at such high prices creates our affordable housing problem? That requires low to moderate income people to pay much higher tax rates. Shouldn't people engaging in high-end property transactions pay their fair share in taxes, at least comparable to our excise tax, to help address our state's financial and housing needs? There is a clear nexus between profits earned on these high-end real estate transactions and the lack of housing for our working families. This bill only targets properties valued at \$2million or above, where buyers and sellers have substantial means, and does not affect tax rates for transactions under \$2 million.

Please pass this bill to the Finance Committee for further consideration. We really need affordable housing now!

Submitted by Rev. Amy C. Wake

To: House Committee on Housing

Date: February 13, 2017

Place: Hawaii State Capitol – Room No. 423

Re: HB 698, Relating to the Conveyance Tax

**Testimony in Strong Support**

Representative Tom Brower, Chair, Representative Nadine Nakamura, Vice Chair, and members of the House Committee on Housing.

My name is Rev. Steven Costa and I am with Housing Now, a non-profit program of Faith Action for Community Equity, and a Deacon in the Episcopal Church of Hawaii, currently serving at St. Elizabeth's Episcopal Church. We urge you to pass HB698.

The purpose of this bill is to help provide additional funds to address the severe shortage of affordable housing here in Hawaii, by increasing our real estate tax rates for properties with a value of \$2million or more. This will help affordable housing and the state's treasury.

Please pass this bill to the Finance Committee s for further consideration. We really need affordable housing now! Mahalo.

Respectfully submitted by

Rev. Steven Costa, 98-402 Koauka Loop #1802, Aiea, HI 96701, thnxkeakua@gmail.com





## The Housing Now Coalition

Catherine Graham

Rev. Bob Nakata

A Coalition of FACE Hawaii

February 13, 2017, 2017

RE: In support of HB 698 – Conveyance Tax

Dear Representative Brower and House Housing Committee Members,

I support HB 698 to raise the conveyance tax rate for the following reasons:

1. Hawaii is in a housing crisis with insufficient appropriate housing for local residents. More and more luxury condos are being built and bought by off-shore investors who can afford to pay a higher tax and have a moral obligation to support the community that they are investing in.
2. Our state is missing out on receiving more money from off-shore investors, and this is one way to recover some of those missing opportunities.
3. The state has shown it understands this nexus/close relationship between real estate sales and affordability, as it has for many years imposed a progressive tax on these conveyances, and has previously amended the RE Conveyance Tax law to devote a substantial portion of those tax revenues to the Rental Housing Revolving Fund.
4. The nexus (relationship) between the proposed RE Conveyance Tax and affordable housing is that the rising cost of housing in Hawaii is a major factor in why so many working people and families cannot afford housing here. Taxing real estate conveyances, particularly at progressively higher tax rates, generates state funds to address the problems of affordability of housing and homelessness, both of which are exacerbated by our high cost of housing. Imposing higher tax rates on higher priced properties may also create a mild dis-incentive for even higher prices on those properties.
5. Our research shows that in 2016, just taking into account Oahu single family home sales over \$2,000,000, using the percentages in this bill, the conveyance tax would bring in an additional \$18 million. This does NOT take into account neighbor island sales, commercial real estate sales and leases or new construction sales state-wide. The increase of monies to the conveyance tax by this bill would be a very handsome sum. The Department of Taxation would be able to give a more accurate accounting.

6. This increase in the conveyance tax would not only increase the amount of money going to affordable housing, but also would increase the amount of money going to those programs that receive the other 50% of the conveyance tax.
7. We also support removing the cap of \$38 million which is now going into the Rental Housing Revolving Fund so that a full 50% of the conveyance taxes would go into this fund.

HHFDC really needs ALL the monies that it can get at this point in time to encourage developers to plan and execute appropriate housing at all levels of affordability. The certainty that funds will be available to subsidize affordable housing is a major hurdle for developers in even thinking about making plans. We need visionaries to plan, courageous legislators to commit the funds and a vibrant building community to make this happen.

Respectfully submitted,

Catherine Graham  
Rev. Bob Nakata



February 11, 2017

From: George S. Massengale  
To: House Committee on Housing  
Date: Hearing February 14, 2017 at 9:00 A.M.  
Subj: HB698, Relating to the Conveyance Tax

### **Testimony in Strong Support**

Chair Brower, Vice Chair Nakamura and members of the committee I am here today on behalf of Hawaii Habitat for Humanity Association, and our two Oahu Habitat affiliates, Honolulu and Leeward to testify in strong support of HB698.

Hawaii Habitat for Humanity along with our 7 Habitat affiliates is the largest private nonprofit builder of self-help ownership homes in Hawaii, having built or repaired 510 homes. Although our focus is on home ownership we strongly support the need for decent and affordable rental housing.

As the housing committee members know. Hawaii faces an extraordinary affordable housing crisis, and is projected to need 30,000 units needed, just on Oahu to meet the demand, with two-thirds of these affordable for those who are considered low income or below. Yet little affordable housing, in either rental units, or ownership units are under development. Not surprisingly, our homelessness rates continue to increase, and 95% of Hawaii residents identify high housing costs as a very serious or important problem.

HB698 if passed would increase the rate of real estate conveyance tax for properties with a value of at least \$2,000,000. It also would remove the current \$38 million cap on conveyance taxes deposited in the rental housing revolving fund by replacing the cap with a 50% allocation into the rental housing revolving fund.

We would also point that much of the new high end condominium construction by around Ala Moana Shopping Center and Kaka`ako were presold to out-of-state residents for investment purposes and vacation use. These occasional residents will contribute little to the economy on Oahu. They need to pay their fair share and become part of the solution to our housing crisis. A high net worth individual will hardly notice the increase in conveyance tax paid.

In closing we that the committee move this measure forward. Let's begin to take meaningful steps to end our housing crisis.

Respectfully,

A handwritten signature in black ink, appearing to read "George S. Massengale".

George S. Massengale  
Director, Community Engagement

TO: House Committee on Housing

DATE: February 12, 2017

SUBJECT: HB 698, Relating to the Conveyance Tax -- Testimony in Support

Aloha, Chair Brower, Vice-Chair Nakamura and Members of the Committee --

My name is Kathy Jaycox. I currently serve as the Oahu President of FACE, Faith Action for Community Equity, and as a member of the Housing Now! Coalition. Wearing both of these hats, I urge you to pass HB 698.

This bill proposes to increase real estate tax rates for properties with a value of two million dollars or more. The funds provided as a result would help to address the severe shortage of workforce housing in our state.

With each passing day, it becomes increasingly clear that we have a growing gap between the "haves" and the "have nots" in Hawaii. It is particularly sad that we have families who are homeless, even though the parents are employed -- just because we lack affordable housing, especially affordable rental housing. If this bill were to be passed, taxing only real estate transactions at the price of \$2 million or above, we would be taking one small step to close that gap by generating new income (estimated to be \$14--18 million annually) which could then be identified to support workforce housing.

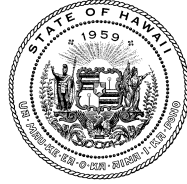
Thank you for allowing me the opportunity to testify.

Kathy Jaycox  
559 Pauku St  
Kailua, HI 96734

Jaycox@hawaii.edu

DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

To: The Honorable Tom Brower, Chair  
and Members of the House Committee on Housing

Date: Tuesday, February 14, 2017  
Time: 9:00 A.M.  
Place: Conference Room 423, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: H.B. 698, Relating to the Conveyance Tax

The Department of Taxation (Department) appreciates the intent of H.B. 698 and provides the following comments for your consideration.

Section 1 of H.B. 698 increases the conveyance tax rate for properties with a value of at least \$2,000,000 as follows:

Value of Property	Proposed Rate	Current Rate
\$2,000,000 less than \$4,000,000	\$1.50 per \$100	\$.50 per \$100
\$4,000,000 less than \$6,000,000	\$2.50 per \$100	\$.70 per \$100
\$6,000,000 less than \$10,000,000	\$3.50 per \$100	\$.90 per \$100
\$10,000,000 or greater	\$4.50 per \$100	\$1.00 per \$100

Section 2 of H.B. 698 amends the calculation of the amount of conveyance tax revenues deposited into the rental housing revolving fund. The bill would change the allocation to simply 50% of the conveyance tax collected. Currently the allocation is 50% of the conveyance tax collected, but is capped at \$38,000,000 per year.

The Department is able to administer the changes proposed by this bill. The Department requests the effective date of the tax rate changes made by Section 1 of the bill be changed to January 1, 2018 to allow the Department time to update the relevant forms and instructions.

Thank you for the opportunity to provide comments.



49 South Hotel Street, Room 314 | Honolulu, HI 96813  
www.lwv-hawaii.com | 808.531.7448 | voters@lwv-hawaii.com

## COMMITTEE ON HOUSING

TUESDAY, Feb. 14, 2017, 9 am, Room Number 423  
HB698, RELATING TO THE CONVEYANCE TAX

### TESTIMONY

Bepie Shapiro, Legislative Committee, League of Women Voters of Hawaii

Chair Brower, Vice-Chair Nakamura, and Committee Members:

**The League of Women Voters of Hawaii strongly supports HB698 which would increase the conveyance tax on properties valued at \$2 million or more, and remove the cap on the amount of the tax which would be deposited in the Rental Housing Revolving Fund (RTRF).**

This measure would address two social problems which have received widespread attention and concern both nationally and within Hawai'i. The first is the huge and growing inequality in income and wealth between a small, wealthy part of the population and a much larger and poorer part of the population. We probably don't need to cite evidence for this concern, but see for example the article titled "US Inequality Keeps Getting Uglier", published in CNN Money on 12/22/16; "Income Inequality in the United States", published online by the Economic Policy Institute, an independent non-profit think tank in based on their report published in June, 2016). In Hawai'i, according to the Economic Policy Institute, the average annual income of the top 1% of earners was over \$690,000, while the average income of the bottom 99% was just over \$50,000 (see <http://www.epi.org/multimedia/unequal-states-of-america/#/Hawaii>).

HB698 would address this problem by taxing transfers of very high value properties at much higher levels than is currently done. Taxes on lower end properties would remain unchanged. Not only would this redress some of the regressive aspects of taxation in Hawaii, but it would increase revenue to the general fund as well as to the Land Conservation fund and RTRF.






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[www.lwv-hawaii.com](http://www.lwv-hawaii.com) | 808.531.7448 | [voters@lwv-hawaii.com](mailto:voters@lwv-hawaii.com)

The second pressing problem addressed by this bill is the critical shortage of affordable rental housing nationally and in the state. The book “Evicted”, by Matthew Desmond (Crown Publishers, 2016) has received widespread attention and acclaim for its depiction of the plight of very poor renters who are just one step away from eviction, often due to a health or transportation problem or a family emergency. Many more, less severely poor households in Hawaii face a housing market with a drastic gap between wages and housing prices. The RTRF provides loans to help low income households get or remain in stable housing. HB698 would increase the funds in this fund, thereby enabling critically needed assistance to more households.

Thank you for the opportunity to submit testimony.



 | 808-733-7060  
 | 808-737-4977

 | 1259 A'ala Street, Suite 300  
Honolulu, HI 96817

February 14, 2017

**The Honorable Tom Brower, Chair**  
House Committee on Housing  
State Capitol, Room 423  
Honolulu, Hawaii 96813

**RE: H.B. 255, Relating to Conveyance Tax**

**HEARING: Tuesday, February 14, 2017, at 9:00 a.m.**

Aloha Chair Brower, Vice Chair Nakamura, and Members of the Committee.

I am Myoung Oh, Director of Government Affairs, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 9,000 members. HAR **opposes** H.B. 698 which increases the rate of real estate conveyance tax for properties with a value of at least \$2 million. Additionally, this measure amends the calculation for the amount of conveyance taxes to be deposited into the Rental Housing Trust Fund.

The Conveyance Tax applies to the conveyance of **ALL** multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands, as well as condominium and single-family homes. It applies whether or not a property is sold at a gain or a loss.

The tax applies to the entire purchase price, and does not take into account the amount of indebtedness that may be on the property being sold, or whether the seller may be selling at less than what the seller originally acquired the property for. Thus, in certain circumstances the seller may not have the cash to be able to pay the Conveyance Tax, or the amount of tax may be so high relative to the net proceeds that the seller is receiving as to become confiscatory.

In 2005, the Conveyance Tax was increased on a tiered scale on 1) the sale of realty for all transfers or conveyance of realty or any interest (i.e. commercial, timeshare, agricultural, industrial, etc. and condominium or single-family residences for which the purchaser is eligible for a county homeowner's exemption); and 2) the sale of a condominium or single family residence for which the purchaser is ineligible for a county homeowner's exemption.

In 2009, the Legislature once again increased the Conveyance Tax on 1) the sale of realty from 30 cents per \$100 (.30%) for properties over \$1,000,000 to a maximum of \$1.00 (1%)


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Honolulu, HI 96817

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per \$100 for properties over \$10,000,000 -- an increase of over 333%, and 2) the sale of a property ineligible for a county homeowner exemption from 30 cents per \$100 to \$1.25 per \$100 (1.25%) -- an increase of over 416.66%.

The problem linking funding to the Conveyance tax is that when the real estate market is down, there are not enough funds to pay for the programs and special funds it covers. Then, the Conveyance Tax would need to be increased to cover the programs. However, when the market is up, there are excess funds over and above the program's needs. This becomes a cyclical issue, and unreliable in forecasting these program's needs.

In closing, the Conveyance Tax should not operate as a revenue-generating tax. H.B. 698 is specifically targeted to a specific group of taxpayers which will inevitably trickle-down and increase the cost to residents of Hawaii.

Mahalo for the opportunity to testify in opposition to this measure.



## HSGtestimony

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**From:** Kenneth Akinaka <KenAkinaka@aol.com>  
**Sent:** Sunday, February 12, 2017 2:19 PM  
**To:** HSGtestimony  
**Cc:** Rep. Tom Brower; Rep. John Mizuno; catgraham48@gmail.com ; Bob Nakata, Rev., FACE, UMC Kakaluu  
**Subject:** To: House Committee on Housing, HB 698, hearing on Tues. 2/14/17, 9 pm, Rm 423

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

To: House Committee on Housing  
Date: February 12, 2017  
Place: Hawaii State Capitol – Room No. 423  
Re: HB 698, Relating to the Conveyance Tax  
From: Kenneth Teruya Akinaka, MRA, Vice President, Waianae Cares

### **Testimony in Strong Support of HB 698.**

Representative Tom Brower, Chair, Representative Nadine Nakamura, Vice Chair, and members of the House Committee on Housing.

My name is Kenneth Teruya Akinaka and I am with "Housing Now", a non-profit program of Faith Action for Community Equity. We urge you to pass HB 698.

We need to invest in more affordable housing to help retain people who cannot afford to pay our increasing rents here in our state. We need to invest in our future to help keep our families together.

Too many of our adult children and relatives are being forced to leave Hawaii due to the high cost of living here. Others are being forced to live in their parents homes after they become adults because they cannot afford the market rents that continue to increase as our property values increase.

HB 698 will help us to fund building more affordable rental houses and units to prepare for the increase in our population that is projected to increase to more than 2 million people in the near future. It is not uncommon to find that many of our local people are now working at more than one job in order to pay their rent or house their families. Many of the service jobs in the tourist industry, which is our primary source of employment, do not pay a living wage to support local people who were often born and raised here in Hawaii!

Please pass this bill to the Finance Committee(s) for further consideration. We really need affordable housing now to end this constant flow of people who continue to grow our homeless populations.

The lack of affordable housing is the most important issue in the Future of Hawaii. This problem will continue to grow unless important progressive steps are done now! I believe it is needed in order to end the increasing

number of homeless who are living in tents lining many of our streets, sidewalks, beaches, parks and rural areas! Mahalo.

Sincerely,

Kenneth Teruya Akinaka, MRA

Vice President, Waianae Cares and

Founder and Retired Executive Director, Hepatitis Support Network of Hawaii

3254 Olu Street, Honolulu, HI 96816

808-221-6204

[KenAkinaka@aol.com](mailto:KenAkinaka@aol.com)

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 13, 2017 9:08 AM  
**To:** HSGtestimony  
**Cc:** wallyinglis@yahoo.com  
**Subject:** Submitted testimony for HB698 on Feb 14, 2017 09:00AM

**HB698**

Submitted on: 2/13/2017

Testimony for HSG on Feb 14, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Wally Inglis	Housing Now! Coalition	Support	No

Comments: Chair Brower, Vice-Chair Nakamura and Members: I speak in strong support of HB 698, which would increase the rate for properties valued at more than \$2,000,000. I am an officer of a nonprofit affordable housing corporation which has built more than 500 low-income units of senior and family housing over the past 20 years. Without the availability of state funding through the rental housing fund, these critical units would never have been built. Please look favorably on this bill and move it along to the next committee for discussion and action. Aloha, Wally Inglis Housing Now! Coalition

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# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Tax Hike on Properties Above \$2M

BILL NUMBER: SB 255; HB 698 (Identical)

INTRODUCED BY: SB by ESPERO, RUDERMAN, Baker, Galuteria, Green, Ihara, Kidani, Nishihara; HB by MIZUNO

EXECUTIVE SUMMARY: On real property valued at \$2 million or more, the conveyance tax is at least tripled and can go up to 4.5X, depending upon the valuation and category of the property.

BRIEF SUMMARY: Amends section 247-2, HRS, to raise the conveyance tax rates as follows:

For a condominium or single family residence for which the purchaser is ineligible for a county homeowner's exemption on real property tax:

Minimum Property Value	Current Tax (per \$100 of consideration)	New Tax (per \$100 of consideration)
<b>\$2,000,000</b>	\$0.60	\$2.00
<b>\$4,000,000</b>	\$0.85	\$3.00
<b>\$6,000,000</b>	\$1.10	\$4.00
<b>\$10,000,000</b>	\$1.25	\$5.00

For all other real property:

Minimum Property Value	Current Tax (per \$100 of consideration)	New Tax (per \$100 of consideration)
<b>\$2,000,000</b>	\$0.50	\$1.50
<b>\$4,000,000</b>	\$0.70	\$2.50
<b>\$6,000,000</b>	\$0.90	\$3.50
<b>\$10,000,000</b>	\$1.00	\$4.50

Amends section 247-7, HRS, to adjust the earmark of 50% of the tax to the rental housing revolving fund by repealing the current \$38 million ceiling.

EFFECTIVE DATE: July 1, 2017.

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. Act 164, SLH 2014, increased the earmark to 50% as of July 1, 2014, and Act 84, SLH 2015, imposed the \$38 million cap on the earmark.

This bill raises the conveyance tax by a dramatic amount, in percentage terms, to feed the rental housing revolving fund.

The first question lawmakers need to ask is which taxpayers are going to be impacted by these hikes. Although the intent may be to soak the rich fat cats, the increases will affect developments of multi-unit property, including affordable housing being developed. It may also affect rentals themselves because leases of more than five years are subject to the conveyance tax, using the present discounted value of the lease stream as a proxy for the property's value.

Next, the earmark deserves scrutiny. As with any earmarking of revenues, the legislature will be preapproving each of the programs fed by the fund into which the 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.

If the legislature deems the programs and purposes funded by this special fund 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 program.



# Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Housing  
Tuesday, February 14, 2017 at 9:00 A.M.  
Conference Room 423, State Capitol**

**RE: HOUSE BILL 698 RELATING TO THE CONVEYANCE TAX**

Chair Brower, Vice Chair Nakamura, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** HB 698, which increases the rate of real estate conveyance tax for properties with a value of at least \$2,000,000; amends the calculation for the amount of conveyance taxes to be deposited into the rental housing revolving fund.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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 members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

While we understand and support the need to provide more government assistance for the development of affordable housing, we have consistently voiced our concern regarding the use of the conveyance tax as a means to fund development of more affordable housing.

In August of 2012, Mr. Lowell Kalapa, then President of the Tax Foundation of Hawaii stated the following:

*"On the money side, lawmakers increased the conveyance tax which is imposed on the transfer of real property and earmarked portions of it for the rental housing trust fund and the state's trails program. Somehow lawmakers felt there was a relationship between people buying and selling real property and building affordable housing and maintaining the state's lands and trails. What they seem to have lost sight of is that the conveyance tax merely adds to the cost of acquiring that property. So while the increase in the conveyance tax provided a source of subsidies for affordable rentals, it merely passed the cost onto prospective homeowners and even renters of affordable rental housing. Did lawmakers even stop to think that a non-owner occupied unit would provide housing for a family that could not afford to purchase their own home? This is but one way government has intervened and actually increased the cost of housing in Hawaii."*

The conveyance tax has been an attractive means to fund affordable housing as it is difficult if not impossible to identify an organized group of "future purchasers of real property."



# Chamber of Commerce HAWAII

*The Voice of Business*

However, with the average price of a new home on Oahu in the mid \$700,000.00 range, perhaps policy makers should give pause and understand the unintended consequences of increasing the price of a new home in Hawaii.

In 2014, the National Association of Home Builders (NAHB) prepared a state by state analysis of the number of home buyers impacted for every \$1,000 increases in price. In 2014, 594 households were priced out of the market by a \$1,000 increase in price.

While we strongly support the need to provide more government assistance to build more affordable housing, especially in an environment of historically low interest rates, we also must be concerned on how these various taxes, fees, assessments, etc., impact the “affordability” of housing in Hawaii.

We appreciate the opportunity to provide our input on this important legislation.



**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 10, 2017 11:47 AM  
**To:** HSGtestimony  
**Cc:** pastordianem@gmail.com  
**Subject:** Submitted testimony for HB698 on Feb 14, 2017 09:00AM

**HB698**

Submitted on: 2/10/2017

Testimony for HSG on Feb 14, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Diane S. Martinson	Housing Now!	Support	Yes

Comments: I support HB698. For communities to be healthy and desirable places to live, a mix of adequate housing options needs to be available for all income levels. Over recent years, we have had an abundance of high income housing development, but a severe lag in housing development for those with low to moderate incomes, people who provide services and pay taxes that are essential to healthy communities. To support the development of rental and lower income housing, monies are needed. Increasing the conveyance tax on those who can afford higher income housing will provide additional revenue for development of lower income rental housing. Ultimately, this benefits everyone by creating healthier communities.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 13, 2017 8:01 AM  
**To:** HSGtestimony  
**Cc:** henry.lifeoftheland@gmail.com  
**Subject:** \*Submitted testimony for HB698 on Feb 14, 2017 09:00AM\*

**HB698**

Submitted on: 2/13/2017

Testimony for HSG on Feb 14, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Henry Curtis	Life of the Land	Support	Yes

Comments:

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 13, 2017 8:45 AM  
**To:** HSGtestimony  
**Cc:** graybip@gmail.com  
**Subject:** Submitted testimony for HB698 on Feb 14, 2017 09:00AM

**HB698**

Submitted on: 2/13/2017

Testimony for HSG on Feb 14, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Margaret Graybill	FACE	Support	Yes

Comments: There needs to be a reliable stream of money to build or improve affordable housing for the working poor. Otherwise, developers will never commit to building/renovating it. It also needs to be done now in order to even begin to catch up with the current population. This is also a great way to create that stream without taxing the middle class or poor.

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TESTIMONY IN SUPPORT, WITH AMENDMENT

RE: H.B. No. **698**

Submitting Person: Charles Barker III  
Principal, Hale Kupuna  
[chuck.kupunahale@gmail.com](mailto:chuck.kupunahale@gmail.com)  
Tel: 808-747-6141

Committee: HSG, FIN

Date/Time of Hearing: February 14, 2017 at 9:00 a.m.

Oral testimony requested at hearing: Yes

-----  
The foundation for the propriety of revisions to the applicable conveyance fees for differential tiers of property transfers and conveyances is sufficiently set forth in the recitals of HB 698.

The criticality of need to generate additional funds to supplement the Rental Housing Revolving Fund, to support the purpose of constructing affordable rental housing, is readily apparent, with current projections revealing the necessity for the construction of 65,000 units of affordable housing in the State of Hawai'i between now and 2025, only eight years to accomplish this.

HB 698 includes a proposed striking of the phrase "or \$38,000,000, whichever is less", from Section 247-7 (2). It is submitted and requested that this \$38,000,000 amount **remain** as the recital of the minimum amount to be funded into the RHRF, in order to support the critical need for reliable, predictable, consistent and necessary financial support sources for construction of affordable housing units.

This bill provides a specific funding mechanism to accomplish the purpose of ensuring sufficient funding for the RHRF, and to thus encourage and promote the ability of developers to construct much-needed new affordable housing, and the public will be served by the passage of this bill, including the preservation of the minimum \$38,000,000 amount above described.

I respectfully request your approval of same.

Charles Barker III

To: Senate Committee on Housing

Date: February 10, 2017

Place: Hawaii State Capitol – Room No. 423

Re: HB 698, Relating to the Conveyance Tax

### **Testimony in Strong Support**

Representative Tom Brower, Chair, Representative Nadine Nakamura, Vice Chair, and members of the House Committee on Housing.

My name is Ellen Godbey Carson and I am with Housing Now, a non-profit program of Faith Action for Community Equity. We urge you to pass HB698.

The purpose of this bill is to help provide additional funds to address the severe shortage of affordable housing here in Hawaii, by increasing our real estate tax rates for properties with a value of \$2million or more. This will help affordable housing and the state's treasury.

Our current tax rates for real estate conveyances range from 0.1% to 1.25% at the highest, even on multi-million dollar and luxury properties. By contrast, most consumer transactions are taxed from 4% to 10% (for goods, services, dining and accommodations). Why do we allow our real estate property taxes to be so low on our most precious commodity – our land, when the sale of our real estate at such high prices creates our affordable housing problem? That requires low to moderate income people to pay much higher tax rates. Shouldn't people engaging in high-end property transactions pay their fair share in taxes, at least comparable to our excise tax, to help address our state's financial and housing needs? There is a clear nexus between profits earned on these high-end real estate transactions and the lack of housing for our working families. This bill only targets properties valued at \$2million or above, where buyers and sellers have substantial means, and does not affect tax rates for transactions under \$2 million.

I've calculated the impact of these tax changes on the only reliable data I could find, from MLS residential real property sales on Oahu from the Honolulu Board of Realtors. For these Oahu sales alone, additional revenues of \$14 – 18 million would be generated annually. The State's Tax Department can estimate total new revenues, which should be much higher to include neighbor islands, commercial sales and leasing, and new condo sales.

Please pass this bill to the Finance Committee s for further consideration. We really need affordable housing now! Mahalo.

Respectfully submitted by

Ellen Godbey Carson, 1080 S. Beretania St, GPH2, Honolulu, HI 96814, egcarson@icloud.com

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, February 11, 2017 9:50 AM  
**To:** HSGtestimony  
**Cc:** john.a.h.tomoso@gmail.com  
**Subject:** Submitted testimony for HB698 on Feb 14, 2017 09:00AM

**HB698**

Submitted on: 2/11/2017

Testimony for HSG on Feb 14, 2017 09:00AM in Conference Room 423

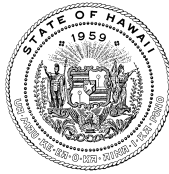
<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
John A. H. Tomoso	Individual	Support	No

Comments: RE: HB698 I am in support of this Bill. Increasing the rate of real estate conveyance tax for properties with a value of at least \$2,000,000 and amending the calculation for the amount of conveyance taxes to be deposited into the Rental Housing Revolving Fund allows, in the long run, our vulnerable populations and families to access affordable housing and rentals. Mahalo John A. H. Tomoso, MSW, ACSW, LSW 51 Ku'ula Street Kahului, HI 96732-2906 808-280-1749 john.a.h.tomoso@gmail.com

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DAVID Y. IGE  
GOVERNOR



WESLEY K. MACHIDA  
DIRECTOR

LAUREL A. JOHNSTON  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**  
TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON HOUSING  
ON  
HOUSE BILL NO. 698

**February 14, 2017**  
**9:00 a.m.**  
**Room 423**

RELATING TO THE CONVEYANCE TAX

House Bill No. 698 increases the rate or real estate conveyance tax for properties with a value of at least \$2.0 million, and removes the \$38.0 million cap on conveyance tax proceeds that are paid into the Rental Housing Revolving Fund (RHRF).

While the Department of Budget and Finance supports efforts to provide more affordable housing units to address Hawaii's housing shortage, we offer the following comments regarding this measure: 1) conveyance tax collections fluctuate each fiscal year and distributions to the RHRF would have only once reached the \$38.0 million cap in the past five fiscal years (FY 15); 2) conveyance tax collections vary in response to the housing market and with the increased tax rates for properties of at least \$2.0 million, the increased collections, coupled with the removal of the \$38.0 million cap, would increase the likelihood of a general fund loss which could affect the State's ability to fund its operations and programs as larger amounts are paid into the RHRF; and 3) the State has dedicated significant resources towards addressing the affordable

housing shortage through recent general obligation bond funding infusions into the RHRF that have amounted to \$40.0 million in FY 16, \$36.6 million in FY 17, and \$50.0 million is being requested in the Executive Budget for FY 18.

Thank you for your consideration of our comments.



**LATE**

Taubman

February 13, 2017

Honorable Tom Brower, Chair  
Honorable Nadine K. Nakamura, Vice Chair  
Committee on Housing  
State Capitol (conference room 423)  
415 South Beretania Street  
Honolulu, Hawaii 96813

Re: Testimony in Opposition to House Bill No. 698 relating to conveyance tax

Dear Chair Brower, Vice-Chair Nakamura and Committee Members:

On behalf of Taubman Centers (“Taubman”), thank you for the opportunity to provide our testimony in opposition to House Bill No. 698, which is being heard by the Committee on Housing on February 14, 2017 at 9am. House Bill 698 would significantly increase the tax rates on leasing real estate in Hawaii.

Taubman is a widely owned real estate investment trust engaged in the ownership, operation, management, development and leasing of 26 regional and outlet shopping centers in the U.S. and Asia. We recently completed construction to redevelop International Market Place in Waikiki, Honolulu, Hawaii. The construction began in 2014 with Queen Emma Land Company and our partner Coastwood Capital Group. The shopping center, which opened on August 25, 2016, will ultimately offer 90 retailers and 10 restaurants. It is designed to celebrate the rich history of the site and honor Queen Emma's legacy, while adding vitality and appeal to Waikiki for tourists and kama'āina alike. We are very excited about the center and are proud to be a part of the community.

The Hawaii conveyance tax is a broad based transfer tax as it includes a tax on leasing real estate when the beneficial ownership of the property has not actually been transferred or conveyed to another party. Leases of real property with a short term of more than five years are taxed based on a discounted present value of the expected rent to be collected over the lease term. The tax is an upfront cost of entering into a lease prior to when any rent is actually received.

The proposed increase to the conveyance tax rates in HB 698 in most cases more than triples the current upfront tax cost of entering in a lease with a tenant in our shopping center. With approximately 100 tenants, this is a significant increase in the cost of doing business in Hawaii that will be incurred as new leases are entered into and existing space is released in the future. It could negatively affect rental rates and property values in the future.

February 13, 2017

Page 2

Real estate owners have invested substantial amounts of capital in Hawaii and are responsible for significant economic activity in the construction industry, resort industry, restaurant and retail industry, office and industrial leasing and others. Taubman alone invested over \$475 million for the redevelopment of International Market Place.

Such business activity generates substantial economic benefit for Hawaii, including providing jobs, as well as significant tax revenues for the State government aside from the conveyance tax. The tax revenues include substantial general excise taxes on rents from tenants, on the sale of goods and services at retail by the tenants, and on construction activities.

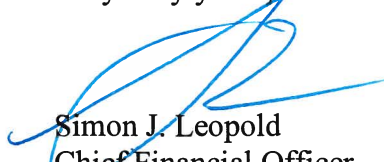
Taubman's International Market Place shopping center has paid to date over \$1.5 million in conveyance tax and is expected to pay in this current year over \$1 million in general excise tax and over \$3 million in property taxes. During the development of the center it resulted in employment of an estimated 1,000 construction jobs and after opening is expected to create 2,500 permanent jobs (including employment by tenants), which generate both general excise tax revenues from construction work and individual income tax revenues from both the construction and permanent jobs.

Such an increase in the conveyances tax rates will increase significantly the cost of doing business in Hawaii for real estate owners and could negatively affect rental rates and property values. Ultimately this could discourage future real estate investment in Hawaii and overall economic activity in the State.

For the foregoing reasons, we respectfully ask the Committee on Housing to hold House Bill No. 698.

Thank you for your consideration of our testimony.

Very truly yours,



Simon J. Leopold  
Chief Financial Officer  
Taubman Centers, Inc

200 East Long Lake Road  
Suite 300  
Bloomfield Hills, Michigan  
48304-2324

T 248.258.6800  
[www.taubman.com](http://www.taubman.com)

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Honolulu, HI 96819  
Phone: 808-833-1681 FAX: 839-4167  
Email: [info@gcahawaii.org](mailto:info@gcahawaii.org)  
Website: [www.gcahawaii.org](http://www.gcahawaii.org)



# GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 14, 2017

TO: HONORABLE TOM BROWER, CHAIR, HONORABLE NADINE NAKAMURA, VICE CHAIR, HOUSE COMMITTEE ON HOUSING

SUBJECT: **CONCERNS REGARDING H.B. 698, RELATING TO THE CONVEYANCE TAX.** Increases the rate of real estate conveyance tax for properties with a value of at least \$2,000,000. Amends the calculation for the amount of conveyance taxes to be deposited into the rental housing revolving fund.

HEARING

DATE: February 14, 2017  
TIME: 9:00 a.m.  
PLACE: Conference Room 423

**LATE**

Dear Chair Brower, Vice Chair Nakamura and Members of the Committee,

The General Contractors Association (GCA) is an organization comprised of over 500 general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. The mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

**GCA is has grave concerns** regarding H.B. 698, Relating to the Conveyance Tax, which proposes to increase the conveyance tax for properties of at least \$2,000,000.00 and amends the amount of the conveyance tax deposited into the rental housing trust fund. While GCA understands the intent of this measure to increase available rental housing units for those in need, there is concern that such an increase may be detrimental to small businesses. Furthermore, the measure does not appear to satisfy the “clear nexus” criteria that requires that such should be funded by a broad tax which is imposed on all residents who benefit from those programs, and not by the conveyance tax, which is only imposed on the sellers of real property. Additionally, the proposed increase could detrimentally impact small businesses who may want to sell their property to a business partner or a family member or some other reason.

Thank you for this opportunity to share our concerns regarding H.B. 698 and we respectfully request that you defer this measure.

PRESIDENT  
EVAN FUJIMOTO  
GRAHAM BUILDERS, INC.

PRESIDENT-ELECT  
DEAN UCHIDA  
SSFM INTERNATIONAL, INC.

VICE PRESIDENT  
MARSHALL HICKOX  
HOMEWORKS CONSTRUCTION, INC.

SECRETARY  
DWIGHT MITSUNAGA  
DM PACIFIC, INC.

TREASURER  
MICHAEL WATANABE  
JW, INC.

SPECIAL APPOINTEE-BUILDER  
CURT KIRIU  
CK INDEPENDENT LIVING BUILDERS

SPECIAL APPOINTEE-BUILDER  
MARK KENNEDY  
HASEKO CONSTRUCTION MANAGEMENT  
GROUP, INC.

SPECIAL APPOINTEE-ASSOCIATE  
PETER ELDRIDGE  
RAYNOR OVERHEAD DOORS & GATES

IMMEDIATE PAST PRESIDENT  
CRAIG WASHOFSKY  
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WAIPAHU, HAWAII 96797-0967

PHYSICAL:  
94-487 AKOKI STREET  
WAIPAHU, HAWAII 96797

**Testimony to the House Committee on Housing**  
**Tuesday, February 14, 2017**  
**9:00 am**  
**Conference Room 423**

**LATE****RE: HB 487 & HB 698 – Relating to Conveyance Tax**

Chair Brower, Vice-Chair Nakamura, and members of the committee:

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

H.B. 487 proposes to remove the cap on the amount of conveyance taxes that may be paid into the rental housing revolving fund and increases the percentage of conveyance taxes collected that shall be paid into the rental housing revolving fund. H.B. 698 proposes to increase the rate of real estate conveyance tax for properties with a value of at least \$2,000,000, and amends the calculation for the amount of conveyance taxes to be deposited into the rental housing revolving fund.

BIA-Hawaii provides the following comments on H.B. 487 & H.B. 698.

While we understand and support the need to provide more government assistance for the development of affordable housing, we have consistently voiced our concern regarding the use of the conveyance tax as a means to fund development of more affordable housing.

In August of 2012, Mr. Lowell Kalapa, then President of the Tax Foundation of Hawaii stated the following:

*"On the money side, lawmakers increased the conveyance tax which is imposed on the transfer of real property and earmarked portions of it for the rental housing trust fund and the state's trails program. Somehow lawmakers felt there was a relationship between people buying and selling real property and building affordable housing and maintaining the state's lands and trails. What they seem to have lost sight of is that the conveyance tax merely adds to the cost of acquiring that property. So while the increase in the conveyance tax provided a source of subsidies for affordable rentals, it merely passed the cost onto prospective homeowners and even renters of affordable rental housing. Did lawmakers even stop to think that a non-owner occupied unit would provide housing for a family that could not afford to purchase their own home? This is but one way government has intervened and actually increased the cost of housing in Hawaii."*

The conveyance tax has been an attractive means to fund affordable housing as it is difficult if not impossible to identify an organized group of "future purchasers of real property." However, with the average price of a new home on Oahu in the mid \$700,000.00 range, perhaps policy makers should give pause and understand the unintended consequences of increasing the price of a new home in Hawaii.

In 2014, the National Association of Home Builders (NAHB) prepared a state by state analysis of the number of home buyers impacted for every \$1,000 increases in price. In 2014, 594 households were priced out of the market by a \$1,000 increase in price. While we strongly support the need to provide more government assistance to build more affordable housing, especially in an environment of historically low interest rates, we also must be concerned on how these various taxes, fees, assessments, etc., impact the "affordability" of housing in Hawaii.

We appreciate the opportunity to provide our input on this important legislation.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 13, 2017 2:22 PM  
**To:** HSGtestimony  
**Cc:** btkcharlton@gmail.com  
**Subject:** Submitted testimony for HB698 on Feb 14, 2017 09:00AM



**HB698**

Submitted on: 2/13/2017

Testimony for HSG on Feb 14, 2017 09:00AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Beth Charlton	Housing Now	Support	Yes

Comments: To: Senate Committee on Housing Date: February 10, 2017 Place: Hawaii State Capitol – Room No. 423 Re: HB 698, Relating to the Conveyance Tax Testimony in Strong Support Representative Tom Brower, Chair, Representative Nadine Nakamura, Vice Chair, and members of the House Committee on Housing. My name is Beth Charlton and I am with Housing Now, a non-profit program of Faith Action for Community Equity. We urge you to pass HB698. The purpose of this bill is to help provide additional funds to address the severe shortage of affordable housing here in Hawaii, by increasing our real estate tax rates for properties with a value of \$2million or more. This will help affordable housing and state’s treasury. Our current tax rates for real estate conveyances range from 0.1% to 1.25% at the highest, even on multi-million dollar and luxury properties. By contrast, most consumer transactions are taxed from 4% to 10% (for goods, services, dining and accommodations). Why do we allow our real estate property taxes to be so low on our most precious commodity – our land, when the sale of our real estate at such high prices creates our affordable housing problem? That requires low to moderate income people to pay much higher tax rates. Shouldn’t people engaging in high-end property transactions pay their fair share in taxes, at least comparable to our excise tax, to help address our state’s financial and housing needs? There is a clear nexus between profits earned on these high-end real estate transactions and the lack of housing for our working families. This bill only targets properties valued at \$2million or above, where buyers and sellers have substantial means, and does not affect tax rates for transactions under \$2 million. The calculated impact of these tax changes on the only reliable data found from MLS residential real property sales on Oahu from the Honolulu Board of Realtors. For Oahu sales alone, additional revenues of \$14 – 18 million would be generated annually. The State’s Tax Department can estimate total new revenues, which should be much higher to include neighbor islands, commercial sales and leasing, and new condo sales. Please pass this bill to the Finance Committee s for further consideration. We need affordable housing now! Mahalo. Respectfully, Beth Charlton 550 A Maluniu Ave, Kailua Hi 96734 [btkcharlton@gmail.com](mailto:btkcharlton@gmail.com)

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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  
Sent: Monday, February 13, 2017 10:31 AM  
To: HSGtestimony  
Cc: brandon.duran@gmail.com  
Subject: Submitted testimony for HB698 on Feb 14, 2017 09:00AM



Categories: Green Category

**HB698**

Submitted on: 2/13/2017

Testimony for HSG on Feb 14, 2017 09:00AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Brandon W Duran	Individual	Support	No

Comments: Representative Tom Brower, Chair, Representative Nadine Nakamura, Vice Chair, and members of the House Committee on Housing. My name is Brandon Duran, I am a local minister and I urge you to pass HB698. Vast economic inequality erodes us all as a society. By increasing our real estate tax rates for properties with a value of \$2 million or more we can help provide additional funds to address the severe shortage of affordable housing here in Hawaii. Our current tax rates for real estate conveyances range from 0.1% to 1.25% at the highest, even on multi-million dollar and luxury properties. By contrast, most consumer transactions are taxed from 4% to 10% (for goods, services, dining and accommodations). Why do we allow our real estate property taxes to be so low on our most precious commodity – our land, when the sale of our real estate at such high prices creates our affordable housing problem? That requires low to moderate income people to pay much higher tax rates. Shouldn't people engaging in high-end property transactions pay their fair share in taxes, at least comparable to our excise tax, to help address our state's financial and housing needs? There is a clear nexus between profits earned on these high-end real estate transactions and the lack of housing for our working families. This bill only targets properties valued at \$2 million or above, where buyers and sellers have substantial means, and does not affect tax rates for transactions under \$2 million. Please pass this bill to the Finance Committee s for further consideration. We really need affordable housing now! Mahalo.

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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# HAWAII APPLESEED

## CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Supporting HB 698 Relating to the Conveyance Tax  
House Committee on Housing

**LATE**

Scheduled for Hearing Tuesday, February 14, 2017, 9:00 AM, Conference Room 423

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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 Brower, Vice Chair Nakamura, and Members of the Committee on Housing:

Thank you for the opportunity to testify in support of HB 698, which increases the rate of real estate conveyance tax for properties with a value of at least \$2,000,000, and removes the cap of \$38,000,000 for conveyance tax revenues to be deposited in the Rental Housing Revolving Fund so that 50% of all conveyance tax revenues would be deposited into the RHRF, with no cap.

Hawaii's housing needs are well documented: 27,224 rental units are needed by 2020 for people under 80% of the Area Median income (i.e., households making around \$70,000 or less). Much of the demand for housing is driven by non-residents who purchase higher-end homes with values much higher than what residents are able to afford. As Hawai'i tries to fill the demand for housing for residents, we are bleeding housing stock to non-resident purchasers. Between 2008 and 2015, over 25% of Hawai'i homes were sold to non-residents. While the average purchase price of a home for residents was \$477,460 during that period, the average purchase price for non-residents from the mainland was \$612,770. It was even higher for non-resident foreign purchasers—\$786,186. The higher-end properties that would be subject to an increased tax under HB 698 are more likely to be purchased by non-residents than residents.

To address the current housing and homelessness crisis, we need to identify additional ways to fund the development of affordable housing for Hawai'i residents. Without affordable, stable, and decent housing, low- and moderate-income individuals and families will continue to face insurmountable barriers to their financial self-sufficiency. Almost 80 percent of extremely low-income households are paying more than half of their income toward housing, an immense strain on their budgets. The consequences of their inability to make ends meet include worse health and educational outcomes, as well as the most visible consequence, homelessness.

The RHRF is a major tool for the creation of affordable housing with a long record of success, funding over 5,000 units since its creation. HB 698 has the potential to magnify the impact of the RHRF by increasing its funding. At the same time, the funding mechanism proposed by HB 698—an increased tax on high-end homes—operates as a tax on luxury goods, taxing those who can most afford it. This is a welcome departure from Hawai'i's tax system as a whole, which is highly regressive due to the heavy



reliance on the General Excise Tax. Currently, our lowest income residents pay over 13% of their income toward state and local taxes, while our highest income residents pay only about 8%. HB 698 would be a step in the right direction in terms of shifting that balance.

Hawai'i Appleseed supports the increased conveyance tax proposed by HB 698, which would target a segment of the housing market which does little to satisfy the housing needs of Hawai'i's residents, while generating additional revenue for the RHRF that is so desperately needed to build affordable housing for Hawai'i's struggling families. Thank you for your consideration of this important bill.