

LATE TESTIMONY

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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 SENATE COMMITTEE ON HOUSING
ON
SENATE BILL NO. 1145

February 14, 2017
3:00 p.m.
Room 225

RELATING TO THE CONVEYANCE TAX

Senate Bill No. 1145 increases the rates for certain conveyance tax categories and removes the \$38.0 million cap on conveyance tax proceeds that are paid into the Rental Housing Revolving Fund (RHRF) for the financing of affordable rental housing development.

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 have only once reached the \$38.0 million cap in the past five fiscal years (FY 15);
- 2) This diversion of revenues from the general fund means that both the executive and the legislative branches would lose the ability to manage general funds over the long-term; and

- 3) Over the past fiscal biennium, the administration and the legislature have dedicated significant resources towards addressing the shortage of affordable housing through infusions of general obligation bond funding into the RHRF of \$40.0 million in FY 16, \$36.6 million in FY 17, and an additional \$50.0 million being requested in the Executive Budget for FY 18.

Thank you for your consideration of our comments.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

LATE TESTIMONY

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting SB 1145 Relating to the Conveyance Tax
Senate Committee on Housing

Scheduled for Hearing Tuesday, February 14, 2017, 2:00 PM, Conference Room 225

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.

Dear Chair Espero, Vice Chair Harimoto, and Members of the Committee on Housing:

Thank you for the opportunity to testify in support of SB 1145, which increases the rate of real estate conveyance tax for properties that do not qualify for a county homeowner's exemption, 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.

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. SB 1145 has the potential to magnify the impact of the RHRF by increasing its funding. At the same time, the funding mechanism proposed by SB 1145—an increased tax on homes that do not qualify for a homeowner's exemption—taxes owners of second homes—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%. SB 1145 would be a step in the right direction in terms of shifting that balance.

Hawaii Appleseed Center for Law and Economic Justice

February 14, 2017

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Hawai'i Appleseed supports the increased conveyance tax proposed by SB 1145, which uses a modest tax increase for those who can most afford it to generate 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.



LATE TESTIMONY

46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Executive Director

TESTIMONY FOR SENATE BILL 1145, RELATING TO THE CONVEYANCE TAX

Senate Committee on Housing
Hon. Will Espero, Chair
Hon. Breene Harimoto, Vice Chair

Tuesday, February 14, 2017, 3:00 PM
State Capitol, Conference Room 225

Honorable Chair Espero and committee members:

I am Kris Coffield, representing IMU Alliance, a nonpartisan political advocacy organization that currently boasts over 350 members. On behalf of our members, we offer this testimony in support of Senate Bill 1145, relating to the conveyance tax.

Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. According to the National Low Income Housing Coalition's *Out of Reach 2016* report, a full time worker would need to earn \$34.22/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,100 in 2015, with average rent for a 900-square-foot exceeding \$2,200 in 2016. In the past three years alone, Honolulu rent has increased 23.5 percent. While 47 percent of Hawai'i residents are renters (a number that does not include individuals and families renting outside of the regulated rental market), they earn an average wage of \$14.49/hour, scarcely enough to meet their basic needs. One out of every four households in Hawai'i report that they are "doubling up" or are three paychecks or less away from being homeless, according to the Hawai'i Appleseed Center for Law and Economic Justice. Moreover, 54 percent of households are cost-burdened, meaning that they pay more than 30 percent of their income for housing costs.

We are in the midst of an affordable housing crisis. For context, our state's cost of housing has skyrocketed over the last decade, leaving many families searching for affordable alternatives, in shelters, or on the streets. The median price of condominiums on O'ahu increased 8.3 percent in 2016 to \$390,000, while the median price for single-family homes increased by 6.5 percent to \$735,000, according to the Honolulu Board of Realtors. The cost of a four-bedroom home in urban Honolulu now exceeds \$1.1 million. At least 40 percent of residences in Hawai'i are owner unoccupied, according to the Hawai'i Housing Finance and Development Corporation, meaning that nearly 50 percent—and by some estimates well over half—of Hawai'i

homes are investment properties. Many of those properties are owned by mainland and foreign buyers, whose real estate market speculation is a prime driver of Hawai'i's highest-in-the-nation cost of housing.

Conveyance taxes are levied on transfers of real property. Currently, HRS §247-7 caps the amount of conveyance tax collections paid into the rental housing revolving fund at the lesser of 50 percent or \$38 million. Per the Hawai'i Housing Finance and Development Corporation, the revolving fund exists "for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units." To increase available funding for affordable housing, we support eliminating the cap on conveyance tax collections paid into the revolving fund and increasing conveyance taxes on all applicable property transactions, especially residential investment properties. The wealth gap in our state is widening and an exponentially greater number of residents are unable to afford rent, much less the benefits of buying and selling a home. According to a study released in May of 2016 by the Hawai'i Department of Business, Economic Development, and Tourism, there are "clear distinctions" between the average price of homes bought by local residents, mainlanders, and foreigners. Analyzing purchases made between 2008 and 2015, DBEDT found: "The average sale price was highest among foreign buyers. The average sale price of the total of 5,775 homes sold to foreign buyers from 2008 to 2015 was \$786,186, 28.3 percent higher than the average sale price to the mainlanders (\$612,770) and 64.7 percent higher than the average sale price to local buyers (\$477,460)." Thus, increasing conveyance tax prices directly impacts the real estate speculators driving up housing and, in turn, rental prices in Hawai'i, i.e. those most responsible for pricing local residents out of paradise.

Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance

LATE TESTIMONY

TO: Senate Committee on Housing

DATE: February 13, 2017

SUBJECT: SB 1145, Relating to the Conveyance Tax -- Testimony in Support

Aloha, Chair Espero, Vice-Chair Harimoto 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 SB 1145.

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

LATE TESTIMONY

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 14, 2017 1:02 AM
To: HOU Testimony
Cc: pastordianem@gmail.com
Subject: Submitted testimony for SB1145 on Feb 14, 2017 15:00PM

SB1145

Submitted on: 2/14/2017

Testimony for HOU on Feb 14, 2017 15:00PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Diane S. Martinson	Housing Now!	Comments Only	No

Comments: I support SB1145. 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.

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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