

SB 581

Measure Title: RELATING TO THE CONVEYANCE TAX.

Report Title: Conveyance Tax; Rental Housing Revolving Fund; Disposition

Description: Removes 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.

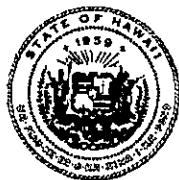
Companion:

Package: None

Current Referral: HOU, WAM

Introducer(s): ESPERO, S. CHANG, HARIMOTO, KEITH-AGARAN, NISHIHARA, K. RHOADS, RUDERMAN, SHIMABUKURO, Gabbard, Kim

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 HOUSING

January 31, 2016 at 2:45 p.m.
State Capitol, Room 225

In consideration of
S.B. 581
RELATING TO THE CONVEYANCE TAX.

The HHFDC ***supports*** S.B. 581 as long as it does not replace priorities requested in the Executive Budget. S.B. 581 removes the cap on conveyance taxes dedicated to the Rental Housing Revolving Fund (RHRF), and increases its allocation from 50 to 60 percent.

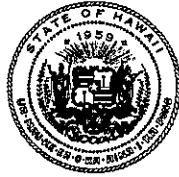
The RHRF provides loans to projects that set aside rental units affordable to extremely and very low-income families. The RHRF loans fill the financing gap to develop an affordable rental housing project. Since its inception, RHRF awards have been made to 79 affordable rental projects comprising a total 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.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

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

To: The Honorable Will Espero, Chair
and Members of the Senate Committee on Housing

Date: Tuesday, January 31, 2017

Time: 2:45 P.M.

Place: Conference Room 225, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 581, Relating to the Conveyance Tax

The Department of Taxation (Department) appreciates the intent of S.B. 581 and provides the following comments for your consideration.

S.B. 581 amends the amount of conveyance tax revenues deposited into the rental housing revolving fund. The bill would remove the cap on the amount to be allocated, and change the allocation to simply 60% of all conveyance tax collected. Currently, the allocation is 50% of the conveyance tax collected, but with a cap of \$38,000,000 per year.

The Department is able to administer the changes proposed by this bill.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Disposition of Revenues

BILL NUMBER: SB 581

INTRODUCED BY: ESPERO, S. CHANG, HARIMOTO, KEITH-AGARAN, NISHIHARA, K. RHOADS, RUDERMAN, SHIMABUKURO, Gabbard, Kim

EXECUTIVE SUMMARY: Increases the percentage of conveyance taxes collected earmarked for the rental housing revolving fund from 50% to 60%, and removes the \$38 million ceiling on the earmark. Earmarks decrease transparency and accountability and should be avoided.

BRIEF SUMMARY: Amends section 247-7, HRS, to adjust the earmark of 50% of the tax to the rental housing revolving fund to 60%, and 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.

As with any earmarking of revenues, the legislature will be fed by the fund into which the tax monies are diverted, expenses legislative scrutiny, and the effectiveness of the programs funded become. It is also difficult to determine whether the fund has too little or too much revenue.

Re: SB 581

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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.

Digested 1/27/2017



January 30, 2017

Hawaii State Senate
Committee on Housing
Senator Will Espero, Chair
Senator Breene Harimoto, Vice Chair
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Hearing: January 31, 2017

Time: 2:45 PM.

Subject: SB 255 Real Estate Conveyance Tax; Rate; Disposition

SB 581 Conveyance Tax; Rental Housing Revolving Fund; Disposition

TESTIMONY IN SUPPORT

Chair Espero, Vice Chair Harimoto and members of the Committee:

Thank you for this opportunity to submit testimony in Strong Support of both SB 255 and SB 581 both of which are related to the funding of the Rental Housing Revolving Fund.

I am Kevin Carney, Vice President of EAH Housing. EAH is a 48 year old non-profit public benefit corporation whose mission is to develop, manage and promote affordable rental housing. We are one of the largest non-profit affordable rental housing developers in the western United States. We have developed over 95 affordable rental properties, manage over 100 rental properties and we serve over 20,000 residents in communities in Northern California and Hawaii. The people we serve are primarily those with incomes at or below 60% of the area median income (AMI).

In order to make our 60% AMI rental projects financially feasible we need free land and large subsidies. Our rents are fixed by the Department of Housing and Urban Development (HUD). Our largest source of equity is the Low Income Housing Tax Credit Program which is explained in IRS Code 42. This equity source is typically supplemented by the State's Rental Housing Revolving Fund (RHRF), HOME Program Funds, Community Development Block Grant Funds and other non-recourse funds that may be available at the county level.

Since the November 2017 national election we have seen a major upheaval across the country in our largest source of equity – the Low Income Housing Tax Credit. The new national administration has expressed a desire to lower the corporate federal income tax rate from 35% to 15%. This potential lowering of the tax means that corporations would have less of an appetite for tax credits. Our industry, the development of low-income rental housing, was immediately affected by this potential change. Almost instantaneously investors began dropping out of deals or altering the price they indicated they would pay for a tax credit just a month earlier. The consensus in our industry to-date is that the corporate tax rate will most likely be lowered to 20% and investors, if they are staying in the market, are basing their Letters of Intent on that level. This translates to a major reduction in the amount of tax credit equity that we are able to raise. And this means that developers like us will have to depend more and more on the RHRF and other State and County sources to make up the shortfall.

We at EAH Housing already have one project being delayed as we reapply to HHFDC for additional RHRFs to make up for the loss of tax credit equity. We have an additional project in the pipeline that may also be affected. And again, this is happening to low-income housing developers across the country, not just here in Hawaii.

EAH Housing is in strong support of increases to the conveyance tax. We support an increase in the percentage of the conveyance tax that supports the RHRF and we support a removal of the \$38 million cap on the conveyance tax support of the RHRF. These funds will be put to good use in helping to resolve our housing crisis by providing affordable rental housing for those most in need at the 60% and below AMI level.

Sincerely,


A handwritten signature in black ink, appearing to read "Kevin R. Carney". The signature is fluid and cursive, with a large, stylized initial "K".

Kevin R. Carney, RB-16444
(PB), NAHP-E
Vice President, Hawaii
EAH Housing, RB-16985



**Hawai'i
Association of
REALTORS®**

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January 31, 2017

The Honorable Will Espero, Chair
Senate Committee on Housing
State Capitol, Room 225
Honolulu, Hawaii 96813

RE: S.B. 581, Relating to Conveyance Tax

HEARING: Tuesday, January 31, 2017, at 2:45 p.m.

Aloha Chair Espero, Vice Chair Harimoto, 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 **supports** S.B 581 which removes the cap on the amount of conveyance taxes that may be paid into the Rental Housing Revolving Fund (RHRF) and increases the percentage of conveyance taxes collected, from 50% to 60%, that shall be paid into the RHRF.

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

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Revolving Fund Program which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

As such, HAR believes restoring the Fund to 60% and removing the cap will help expand the much needed affordable rental housing opportunities for Hawaii's residents and will help address the States unique challenges related to affordable rentals.

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



From: mailinglist@capitol.hawaii.gov
Sent: Sunday, January 29, 2017 4:39 PM
To: HOU Testimony
Cc: btkcharlton@gmail.com
Subject: Submitted testimony for SB581 on Jan 31, 2017 14:45PM

SB581

Submitted on: 1/29/2017

Testimony for HOU on Jan 31, 2017 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Beth Charlton	Housing Now	Support	No

Comments: To: Senate Committee on Housing Date: January 29, 2017 Place: Hawaii State Capitol – Room No. 225 Re: SB-581, Relating to the Conveyance Tax Testimony in Strong Support Senator Will Espero, Chair and Senator Breene Harimoto, Vice Chair and members of the Committee on Housing. My name is Beth Charlton and I am with Housing Now. I am that asking that you pass SB-581 which unlike like the previous measure removes the conveyance tax cap on the amount that would be paid in the rental housing trust fund. Removing the conveyance tax cap would provide for additional monies to build affordable rental housing for our low income families. Please pass this bill to the Committee on Ways and Means for further consideration. Mahalo Beth Charlton

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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From: mailinglist@capitol.hawaii.gov [mailto:mailinglist@capitol.hawaii.gov]
Sent: Monday, January 30, 2017 9:25 AM
To: HOU Testimony <HOUTestimony@capitol.hawaii.gov>
Cc: egcarson@icloud.com
Subject: Submitted testimony for SB581 on Jan 31, 2017 14:45PM

SB581

Submitted on: 1/30/2017

Testimony for HOU on Jan 31, 2017 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Ellen Godbey Carson	Individual	Support	No

Comments:

To: Senate Committee on Housing
Date: January 29, 2017
Place: Hawaii State Capitol – Room No. 225
Re: SB-581, Relating to the Conveyance Tax

Testimony in Strong Support

Senator Will Espero, Chair and Senator Breene Harimoto, Vice Chair and members of the Committee on Housing.

My name is Ellen Godbey Carson and I am with Housing Now. I am that asking that you pass SB-581 which unlike like the previous measure removes the conveyance tax cap on the amount that would be paid in the rental housing trust fund.

Removing the conveyance tax cap would provide for additional monies to build affordable rental housing for our low income families.

Please pass this bill to the Committee on Ways and Means for further consideration.

Mahalo

Ellen Godbey Carson, 1080 S. Beretania St., GPH2, Honolulu, HI 96814

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, January 29, 2017 10:50 PM
To: HOU Testimony
Cc: pastordianem@gmail.com
Subject: Submitted testimony for SB581 on Jan 31, 2017 14:45PM

SB581

Submitted on: 1/29/2017

Testimony for HOU on Jan 31, 2017 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Diane S. Martinson	Individual	Support	No

Comments: I support SB-581 and ask that you pass this bill to the Committee on Ways and Means for further consideration. We have a housing crisis in this state. Removing the conveyance tax cap will provide additional monies to build much needed affordable rental housing for our low income families.

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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From: CPH Testimony
Sent: Monday, January 30, 2017 8:14 AM
To: HOU Testimony
Subject: FW: support for SB581

-----Original Message-----

From: Peggy Graybill [mailto:graybip@fastmail.com]
Sent: Monday, January 30, 2017 7:54 AM
To: CPH Testimony <CPHTestimony@capitol.hawaii.gov>
Subject: support for SB581

A lot of funding will be needed to build more affordable housing on Oahu. The conveyance tax is a great way to put money into affordable housing without taking more money away from the poor and working class.

Go faster alone, go farther together
Peggy Graybill