



Chamber of Commerce HAWAII

The Voice of Business

LATE TESTIMONY

**Testimony to the Senate Committee on Housing
Tuesday, January 31, 2017 at 2:45 P.M.
Conference Room 225, State Capitol**

RE: SENATE BILL 581 RELATING TO THE CONVEYANCE TAX

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

The Chamber of Commerce Hawaii ("The Chamber") would like to **provide comments** on SB 581. SB 581 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.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,400 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."



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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.

Thank you for the opportunity to testify.

BIA-HAWAII

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LATE TESTIMONY

Testimony to the Senate Committee on Housing

Tuesday, January 31, 2017

2:45 p.m.

Conference Room 225

RE: SB 255 & SB 581 – Relating to the Conveyance Tax

Chair Espero, Vice-Chair Harimoto, 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.

BIA-HAWAII provides the following comments on S.B. 255 and S.B. 581.

S.B. 255 proposes to increase the rate of real estate conveyance tax for properties with a value of at least \$2,000,000. This bill also amends the calculation for the amount of conveyance taxes to be deposited into the rental housing revolving fund. S.B. 581 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. 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:

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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.

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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.

LATE TESTIMONY



The Housing Now Coalition

Catherine Graham
Rev. Bob Nakata

A Coalition of FACE Hawaii

January 30, 2017

RE: In support of SB 255 and SB 581 – Conveyance Tax

Dear Senate Housing Committee Chair and Members,

I support SB 255 for the following reasons:

1. Hawaii is in a housing crisis and people who are able to purchase housing have a moral responsibility to help out. Paying a bit more in conveyance tax is a relatively painless way to do that.
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. 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.
4. 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.
5. I 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