

DAVID Y. IGE  
GOVERNOR



HAKIM OUANSAFI  
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO  
EXECUTIVE ASSISTANT

**STATE OF HAWAII**  
HAWAII PUBLIC HOUSING AUTHORITY  
1002 NORTH SCHOOL STREET  
POST OFFICE BOX 17907  
HONOLULU, HAWAII 96817

Statement of  
**Hakim Ouansafi**  
Hawaii Public Housing Authority  
Before the  
**HOUSE COMMITTEE ON HOUSING  
AND  
HOUSE COMMITTEE ON HEALTH & HUMAN SERVICES**

**Wednesday, February 7, 2018  
9:45 AM - Room 329, Hawaii State Capitol**

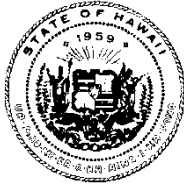
In consideration of  
**HB 2408  
RELATING TO HOMELESSNESS**

Honorable Chair Brower, Honorable Chair Mizuno, and Members of the House Committees on Housing, and Health & Human Services, thank you for the opportunity to provide testimony concerning House Bill (HB) 2408, relating to homelessness.

The Hawaii Public Housing Authority (HPHA) **supports the intent** of SECTION 4 of HB 2408, provided that it does not adversely affect the Governor's supplemental budget. HB 2408 establishes the homelessness special fund. Establishes a community shelter commission in each county. Raises the conveyance tax and directs revenues toward experimental or demonstration housing projects administered by the Hawaii Housing Finance and Development Corporation and by the Hawaii Public Housing Authority and homeless facilities and programs administered by the Department of Human Services.

In regards to SECTION 4 of the measure, which assigns a percentage of the Conveyance Tax to the HPHA to be used for experimental or demonstration housing projects authorized pursuant to section 356D-11(e), please know that the HPHA stands ready to assist in this endeavor if the Legislature so chooses.

The HPHA appreciates the opportunity to provide the House Committees on Housing, and Health and Human Services with the HPHA's testimony regarding HB 2408. We thank you very much for your dedicated support.



**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  
HOUSE COMMITTEE ON HEALTH & HUMAN SERVICES**

February 7, 2018 at 9:45 a.m.  
State Capitol, Room 329

In consideration of  
**H.B. 2408**  
**RELATING TO HOMELESSNESS.**

The HHFDC *appreciates the intent of* H.B. 2408. We defer to the Department of Human Services with respect to the portions of this measure related to homeless programs.

HHFDC is concerned with the bill's reallocation of conveyance taxes to add an unspecified allocation for experimental or demonstration housing projects, and blanking out of the Rental Housing Revolving Fund's (RHRF) 50 percent allocation. Diverting resources from a successful program that supports the development of permanent affordable rental housing is not a prudent use of scarce financial resources.

The RHRF is a proven successful financing tool for the development of affordable rental housing primarily for households at or below 60 percent of the area median income. As of Fiscal Year 2017, the RHRF has financed a total of 79 projects statewide totaling 6,451 affordable rental units.

HHFDC also has concerns with the proposed increase in the conveyance tax rates on properties over \$1 million in value in this bill because it may have a negative effect on the economic feasibility of affordable rental housing projects.

Thank you for the opportunity to testify.



**STATE OF HAWAII**  
**DEPARTMENT OF TAXATION**  
830 PUNCHBOWL STREET, ROOM 221  
HONOLULU, HAWAII 96813  
<http://tax.hawaii.gov/>  
Phone: (808) 587-1540 / Fax: (808) 587-1560  
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To: The Honorable Tom Brower  
and Members of the House Committee on Housing

The Honorable John M. Mizuno  
and Members of the House Committee on Health & Human Services

Date: Wednesday, February 7, 2018  
Time: 9:45 A.M.  
Place: Conference Room 329, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: H.B. 2408, Relating to the Homelessness

The Department of Taxation (Department) offers the following comments on H.B. 2408 for the Committee's consideration.

H.B. 2408 increases the conveyance tax on properties with a value of more than \$1,000,000. The resulting effective tax rates are as follows:

Value of Property	Proposed Rate	Current Rate
\$1,000,000 less than \$2,000,000	\$.35 per 100	\$.30 per \$100
\$2,000,000 less than \$4,000,000	\$.55 per \$100	\$.50 per \$100
\$4,000,000 less than \$6,000,000	\$.75 per \$100	\$.70 per \$100
\$6,000,000 less than \$10,000,000	\$.95 per \$100	\$.90 per \$100
\$10,000,000 or greater	\$1.05 per \$100	\$1.00 per \$100

The resulting effective tax rates for condominiums and single family residences for which the purchaser is ineligible for a county homeowner's exemption are as follows:

Value of Property	Proposed Rate	Current Rate
\$1,000,000 less than \$2,000,000	\$.45 per \$100	\$.40 per \$100
\$2,000,000 less than \$4,000,000	\$.65 per \$100	\$.60 per \$100
\$4,000,000 less than \$6,000,000	\$.90 per \$100	\$.85 per \$100
\$6,000,000 less than \$10,000,000	\$1.15 per \$100	\$1.10 per \$100
\$10,000,000 or greater	\$1.35 per \$100	\$1.25 per \$100

H.B. 2408 also amends the allocation of conveyance tax revenues. The current allocations are changed to unspecified percentages and three new allocations are added. Unspecified percentages of revenue are allocated to the Hawaii Public Housing Authority and the Hawaii Housing Finance and Development Corporation for experimental or demonstration housing projects. Another unspecified percentage is allocated to the homelessness special fund created by this measure.

The Department is able to administer the changes proposed by this bill, but requests the effective date of the tax rate changes made by the bill be changed to January 1, 2019 to allow the Department time to update the relevant forms and instructions.

Thank you for the opportunity to provide comments.



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
TWENTY-NINTH LEGISLATURE, 2018**

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**ON THE FOLLOWING MEASURE:**

H.B. NO. 2408, RELATING TO HOMELESSNESS.

**BEFORE THE:**

HOUSE COMMITTEES ON HOUSING AND ON HEALTH & HUMAN SERVICES

**DATE:** Wednesday, February 7, 2018      **TIME:** 9:45 a.m.

**LOCATION:** State Capitol, Room 329

**TESTIFIER(S):** Russell A. Suzuki, Acting Attorney General, or  
Blair Goto, Deputy Attorney General

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Chairs Brower and Mizuno and Members of the Committees:

The Department of the Attorney General provides the following comments on this bill.

The purpose of the bill is to establish a homelessness special fund, establish community shelter commissions within each county, increase the rate of the conveyance tax, and direct portions of the conveyance tax to the homelessness special fund as well as the Hawaii public housing authority (HPHA) and the Hawaii housing finance and development corporation (HFDC). The portions directed to the HPHA and HFDC are to be used for experimental or demonstration housing projects.

We write to express a concern about the bill's constitutionality. Our concern requires corrective action if this bill is to be validly enacted.

Article V, section 6, of the Hawaii Constitution provides, in part:

All executive and administrative offices, departments and instrumentalities of the state government and their respective powers and duties shall be allocated by law among and within not more than twenty principal departments in such a manner as to group the same according to common purposes and related functions. . . .

On page 5, lines 8-9, of the bill, the new section 346-B, Hawaii Revised Statutes (HRS), provides: "There is established, for each county, a community shelter commission." Because each community shelter commission is established within a county, the

commissions are not allocated by law among and within any of the existing departments of state government. As the bill contains no indication that the commissions are to be temporary, the bill would violate the requirement of article V, section 6, of the Hawaii Constitution.

The problem may be overcome via an amendment. If the intent is for each commission to continue to exist indefinitely, the first sentence of the new section 346-B, HRS, on page 5 of the bill, lines 8-9, could be amended to read: "For each of Hawaii county, Maui county, the City and County of Honolulu, and Kauai county, there is established, within the department of human services for administrative purposes, a community shelter commission." This wording would establish each commission within the Department of Human Services, a principal department, and would prevent the bill from violating the requirement of article V, section 6, of the Hawaii Constitution.

As currently constituted in the bill, there are also certain legal problems with the commissions. Section 26-34, HRS, provides, in part: "The members of each board and commission established by law shall be nominated and, by and with the advice and consent of the senate, appointed by the governor." Subsection (b) of the new section 346-B, HRS, on page 5 of the bill, provides that the commission members may be selected variously by the governor, the mayor of the respective county, the president of the senate, and the speaker of the house. Moreover, the bill does not state who is to select the representative from the real estate commission. The representatives appointed by someone other than the governor would appear to be inconsistent with section 26-34, HRS. Also, individuals nominated because of their positions should be named as ex officio members. To resolve these problems, subsection (b) of the new section 346-B, HRS, on page 5 of the bill, lines 10-21, could be amended to read:

- (b) Each community shelter commission shall be composed of seven members:
  - (1) \_\_\_\_\_  
or designee, who shall serve as an ex officio voting member;
  - (2) \_\_\_\_\_  
or designee, who shall serve as an ex officio voting member;
  - (3) One who shall be a resident of the respective county from a list of three individuals submitted by the respective mayor of the county;

- (4) One who shall be a member of the clergy;
- (5) One who shall be a member of the real estate commission, who shall serve as an ex officio voting member;
- (6) One who shall be a board member or employee of a social services organization from a list of three individuals submitted by the president of the senate; and
- (7) One who shall be a board member or employee of a for-profit business from a list of three individuals submitted by the speaker of the house.

The appointment, tenure, and removal of the members and the filling of vacancies on the commission shall be as provided in section 26-34. The governor shall appoint a chairperson of each commission from the members.

In the blanks in paragraphs (1) and (2) above, the Legislature should fill in the officers of the state and federal governments, respectively, who will be ex officio voting members. As examples, the blanks could be filled by "The chairperson of the board of land and natural resources" and "The District Director of the Hawaii District Office of the United States Small Business Administration".

In addition, we note that the subsection on rulemaking authority is unclear. If the commissions are to be established within the Department of Human Services for administrative purposes, subsection (e) of the new section 346-B, HRS, on page 6, lines 9-10, should also be amended. As currently worded, it appears that the Department of Human Services is to adopt rules for the commissions. Typically, non-advisory boards and commissions that are administratively attached to departments of state government have their own authority to adopt rules. See, e.g., sections 103D-202 and 467-4, HRS, (procurement policy board and real estate commission). As amended subsection (e) could read: "Each of the commissions shall adopt, amend, and repeal rules pursuant to chapter 91 to implement the purposes of this section." This amendment would clarify that the commissions have the authority to adopt their own rules and that the Department of Human Services could not adopt rules for them.

Finally, as a practical matter, we note that although an unspecified per cent of the conveyance tax is to be paid into the new homelessness special fund, there is no appropriation out of the homelessness special fund. If the bill passes in its current form,

moneys in the homelessness special fund will accumulate, but no moneys in the fund may be expended unless an appropriation out of the special fund is made.

If the Committees intend to pass this bill, we respectfully ask that the recommended amendments be made.



DAVID Y. IGE  
GOVERNOR OF  
HAWAII



SUZANNE D. CASE  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA  
FIRST DEPUTY

JEFFREY T. PEARSON, P.E.  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

Testimony of  
SUZANNE D. CASE  
Chairperson

Before the House Committees on  
HOUSING  
and  
HEALTH & HUMAN SERVICES

Wednesday, February 7, 2018  
9:45 AM  
State Capitol, Conference Room 329

In consideration of  
HOUSE BILL 2408  
RELATING TO HOMELESSNESS

House Bill 2408 proposes to amend conveyance tax rates and the distribution of conveyance tax revenues to provide better assistance to the homeless population by securing appropriate funding to address the complex issues that homeless people face, including a lack of affordable housing. **The Department of Land and Natural Resources (Department) appreciates the intent of this bill to secure continuous resources for homelessness programs. The Department provides the following comments on the potential impact of this bill to the Land Conservation Fund and the protection of land having value as resource to the State.**

The Department is concerned that the proposed amendment of the distribution of conveyance tax revenues could result in decreases in deposits to the Land Conservation Fund under Section 247-7(1), Hawai'i Revised Statutes. The Legacy Land Conservation Program (LLCP) awards grants from the Land Conservation Fund to protect lands that hold important resources from damage and destruction, through the acquisition of fee title and conservation easements by nonprofit land conservation organizations, counties, and state agencies.

The Department recognizes the inevitability of trade-offs between homelessness, affordable housing, and natural resource protection, and the challenges of formulating related policy. As part of the trade-off analysis, we note that in Act 156 (Session Laws of Hawaii 2005), the Legislature found "that the preservation, protection, and enhancement of the State's land, coastal areas, and natural resources are of central importance for current and future residents and for the state economy," and "determined that there is a clear nexus between the source of the

conveyance tax and providing funding for watershed protection and other natural resource preservation programs.” By defending land and resources against development threats, the LLCP enables management that generates conservation benefits. In addition to the public benefits afforded by land conservation, there are numerous community-specific benefits provided by properties protected under LLCP.

Thank you for the opportunity to comment on this measure.

**HB-2408**

Submitted on: 2/6/2018 1:40:34 AM

Testimony for HSG on 2/7/2018 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	OCC Legislative Priorities	Support	No

Comments:

**PRESENTATION OF THE  
OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES  
DEMOCRATIC PARTY OF HAWAII  
TO THE COMMITTEE ON HOUSING  
AND  
THE COMMITTEE ON HEALTH & HUMAN SERVICES  
HOUSE OF REPRESENTATIVES  
TWENTY-NINTH LEGISLATURE  
REGULAR SESSION OF 2018  
Wednesday, February 7, 2018  
9:45 a.m.**

Hawaii State Capitol, Conference Room 329

**RE: Testimony in Support of HB 2408, RELATING TO HOMELESSNESS**

To the Honorable Tom Brower, Chair; the Honorable Nadine K. Nakamura, Vice-Chair, and Members of the Committee on Housing:

To the Honorable John M. Mizuno, Chair; the Honorable Bertrand Kobayashi, Vice-Chair, and Members of the Committee on Health & Human Services:

Good morning. My name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on House Bill No. 2408 regarding establishing Community Shelter Commissions in every county to administer the Homelessness Special Fund generated from Conveyance Tax revenues to combat homelessness.

The OCC Legislative Priorities Committee is in favor of House Bill No. 2408 and support its passage.

House Bill No.2408 is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it (1) establishes the homelessness special fund, (2) establishes a community shelter commission in each county, (3) raises the conveyance tax, and (4) directs revenues toward experimental or demonstration housing projects administered by the Hawaii Housing Finance and Development Corporation and by the Hawaii Public Housing Authority and homeless facilities and programs administered by the Department of Human Services.

Specifically, the DPH Platform provides that we "believe in the concept of "Housing First" to develop affordable, stable housing and support services to break the cycle of homelessness for people with the fewest housing options.

We support dedicated social services and housing opportunities for Hawaii's homeless population to get them off the streets and reintegrated into society, with specific devoted services for disenfranchised groups including but not limited to, the Hawaiian community, aged-out foster kids, youth, returning veterans, the aged, and lesbian, gay, bisexual and transgender homeless." (Platform of the DPH, P. 7, Lines 352-358 (2016)).

Given that House Bill No, 2408 establishes Community Shelter Commissions in every county to administer the Homelessness Special Fund generated from Conveyance Tax revenues to combat homelessness, it is the position of the OCC Legislative Priorities Committee to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ **Melodie Aduja**

Melodie Aduja, Chair, OCC Legislative Priorities Committee

Email: [legislativepriorities@gmail.com](mailto:legislativepriorities@gmail.com), Tel.: (808) 258-8889

February 7, 2018

**The Honorable Tom Brower, Chair**  
House Committee on Housing

**The Honorable John Mizuno, Chair**  
House Committee on Health & Human Services  
State Capitol, Room 329  
Honolulu, Hawaii 96813

**RE: H.B. 2408, Relating to Homelessness**

**HEARING: Wednesday, February 7, 2018, at 9:45 a.m.**

Aloha Chair Brower, Chair Mizuno and Members of the Committees,

I am Ken Hiraki, 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 almost 9,500 members. HAR **opposes** House Bill 2408, which raises the Conveyance Tax and directs revenue toward experimental or demonstration housing projects administered by the Hawai'i Housing Finance and Development Corporation and by the Hawai'i Public Housing Authority and Homeless Facilities Program administered by the Department of Human Services.

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%) 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%.

This measure proposes to increase the Conveyance Tax to the following:

Property Value:	Current Rate:	Proposed Rate:	Proposed Rate in Dollars (rounded):
\$1 mil - \$1.99 mil	30 cents per \$100	35 cents per \$100	\$7,000 (\$1.99 mil property)
\$2 mil - \$3.99 mil	50 cents per \$100	55 cents per \$100	\$22,000 (\$3.99 mil property)
\$4 mil - \$5.99 mil	70 cents per \$100	75 cents per \$100	\$45,000 (\$5.99 mil property)
\$6 mil - \$9.99 mil	90 cents per \$100	95 cents per \$100	\$95,000 (\$9.99 mil property)
\$10 mil +	\$1.00 per \$100	\$1.05 per \$100	\$105,000 (\$10 mil property)

For the sale of a condo or single-family residence for which the purchaser is ineligible for a county homeowner's exemption, the conveyance tax is increased at the following rates:

Property Value:	Current Rate:	Proposed Rate:	Proposed Rate in Dollars (rounded):
\$1 mil - \$1.99 mil	40 cents per \$100	45 cents per \$100	\$9,000 (\$1.99 mil property)
\$2 mil - \$3.99 mil	60 cents per \$100	65 cents per \$100	\$26,000 (\$3.99 mil property)
\$4 mil - \$5.99 mil	85 cents per \$100	90 cents per \$100	\$54,000 (\$5.99 mil property)
\$6 mil - \$9.99 mil	\$1.10 per \$100	\$1.15 per \$100	\$115,000 (\$9.99 mil property)
\$10 mil +	\$1.20 per \$100	\$1.30 per \$100	\$130,000 (\$10 mil property)

The Conveyance Tax applies to the conveyance of 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 also applies when one conveys property between family members. It also 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.

Furthermore, the problem linking special 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 program. 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.

While HAR supports efforts to address our State's homelessness issue, we oppose increasing the Conveyance Tax and utilizing it to earmark monies to a special fund to do so.

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



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

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## TESTIMONY FOR HOUSE BILL 2408, RELATING TO HOMELESSNESS

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

**House Committee on Health and Human Services**  
**Hon. John M. Mizuno, Chair**  
**Hon. Bertrand Kobayashi, Vice Chair**

**Wednesday, February 7, 2018, 9:45 AM**  
**State Capitol, Conference Room 329**

Honorable Chair Brower, Chair Mizuno, and committee members:

I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 400 members. On behalf of our members, we offer this testimony in support of House Bill 2408, relating to homelessness.

According to the 2017 statewide *Point In Time Count* (PITC) report, 7,220 houseless persons were counted on a single night in January last year, down 9 percent overall from 2016. Yet, O’ahu experienced a 0.4 percent *increase* from the previous year, with 4,959 people counted, up from 4,940 the year before. Hawai’i island saw the largest decrease in its homeless population, which fell 32 percent, or 441 people. Maui County had a 22 percent drop, or 249 people, while Kaua’i saw a 7 percent drop, or 30 fewer homeless people. Notably, the size of the houseless population on O’ahu is up more than 25 percent from 2009, when 3,638 homeless people were counted. Additionally, Department of Education officials have estimated that between 3,500-4,000 public school students experience homelessness at some point during the school year—last year’s PITC captured just over half of them—and over 91,000 students are economically disadvantaged. We know, then, that our state’s homeless population is consistently larger than the statistics show. It remains the highest per-capita homeless population in the country, according to the U.S. Department of Housing and Urban Development.

Over 30 percent of juvenile arrests in Hawai’i are for running away from home, the highest proportion in the nation. Nationally, one in seven young people between the ages of 10 and 18 will run away. Approximately 75 percent of runaways are female, while 46 percent of runaway and

homeless youth report being physically abused, 38 percent report being emotionally abused, and 17 percent report being forced into unwanted sexual activity by a family or household member, according to the National Conference of State Legislatures. Roughly 30 percent of runaway children will be approached for sexual exploitation within 48 hours of being on the run, with over 80 percent being approached for the commercial sex trade during the course of their time on streets. A federal study found that an estimated 38,600 runaway youth have been sexually assaulted, in the company of someone known to be sexually abusive, or engaged in sexual activity in exchange for money, food, or shelter. Runaways are perceived as easy targets for sex traffickers because they lack stable shelter, a supportive environment, and financial resources, placing them at greater risk of forced prostitution and sexual servitude.

Traffickers exploit our limited number of available shelter beds to lure young people into exploitation. As the homeless childcare provider Covenant House observes, traffickers tell homeless youth that shelters are full and ask, “Where are you going to go? Why don’t you come with me? I’ll take care of you.” Coupled with threats of and actual physical and sexual violence against the victims or their families, these coercive techniques compel runaway youth to remain enslaved. LGBTQ youth, who comprise an estimated 40 percent of the runaway and homeless youth population in the United States, are exponentially more likely to fall prey to human traffickers because of discrimination, family and community trauma, and a longing for comfort and acceptance (an estimated 26 percent of LGBTQ adolescents are rejected by their families and put out of their homes simply for being open and honest about who they are). In providing care for victims of human trafficking, IMUAlliance has heard their stories hundreds of times.

We must find innovative ways to fund homeless services, especially human services, health care, outreach, and rapid rehousing to our state’s unsheltered and at-risk population, many of whom are gainfully employed and contributing our economy. Moreover, we must find a balance between rampant real estate speculation and meeting the needs of our state’s most economically vulnerable residents. Just as our homeless population has soared over the past few years, so, too, has our state’s cost of housing. The median price of condominiums on O’ahu increased 6 percent in the summer of 2017 to a record \$425,000, while the median price for single-family homes increased by 3 percent to \$795,000, according to the Honolulu Board of Realtors, a number that they expect to increase by at least another 5 percent in 2018. Average fair market rent for two-bedroom apartments in *outlying* communities in the City and County of Honolulu now exceeds \$2,000, with the cost of a four-bedroom home in urban Honolulu now exceeding \$1.1 million. At least 43 percent of residences in Hawai’i are owner unoccupied, according to the National Low-Income Housing Coalition, meaning that nearly 50 percent—and by some estimates over half—of Hawai’i’s homes are likely investment properties.

Many of those properties, in turn, 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. 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).”

Researchers who authored the National Low Income Housing Coalition’s *Out of Reach 2017* report found that a full-time worker would need to earn \$35.20/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 \$2,000 in recent years, with minimum wage workers needed to log 116 hours per week at their jobs to afford a modest one-bedroom apartment at fair market value and 139 hours per week to afford a two-bedroom—a number that is equivalent to working 20 hours a day with no days off year-round. In the past three years alone, Honolulu rent has increased by more than 25 percent. While 43 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 \$15.64/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, per the Hawai’i Appleseed Center for Law and Economic Justice. Additionally, 54 percent of households are cost-burdened, meaning that they pay more than 30 percent of their income for housing costs, a number that rises to 83 percent of extremely low-income households. Put simply, homelessness is directly tied to our state’s exorbitant cost of living and penchant for catering to people who use the islands as their own private Monopoly board. We beseech you to seek innovative ways of making Hawai’i more affordable, while funding services that show aloha for our economically disadvantaged neighbors.

Conveyance taxes are levied on transfers of real property. 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 and homeless facilities, we strongly support this bill’s modest increase in conveyance tax collection rates, which allows those who speculate in Hawai’i’s real estate market and drive up our housing prices to subsidize assistance for people who cannot afford to pay for basic shelter.

When you fund housing, outreach, and human services for the homeless, you are helping to end slavery in Hawai’i. Mahalo for the opportunity to testify in support of this bill.

Sincerely,  
Kris Coffield  
*Executive Director*  
IMUAlliance

# TAX FOUNDATION OF HAWAII

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SUBJECT: CONVEYANCE, Tax Hike to Feed Homelessness Special Fund

BILL NUMBER: HB 2408

INTRODUCED BY: KONG, BROWER, EVANS, MIZUNO, SAY, TAKUMI, Decoite, Ito, Tokioka

EXECUTIVE SUMMARY: Establishes the homelessness special fund. Establishes a community shelter commission in each county. Raises the conveyance tax and directs revenues toward experimental or demonstration housing projects administered by the Hawaii Housing Finance and Development Corporation and by the Hawaii Public Housing Authority and homeless facilities and programs administered by the Department of Human Services.

SYNOPSIS: Adds a new section to chapter 346, HRS, that establishes a homelessness special fund. Monies in the fund are to be spent on experimental and demonstration projects for the homeless that are authorized under chapter 346, including payment of infrastructure, construction, and operational costs.

Adds a new section to chapter 346, HRS, that establishes community shelter commissions.

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)
\$0	\$ 0.15	\$ 0.15
\$600,000	0.25	0.25
\$1,000,000	0.40	0.45
\$2,000,000	0.60	0.65
\$4,000,000	0.85	0.90
\$6,000,000	1.10	1.15
\$10,000,000	1.25	1.30

For all other conveyances:

Minimum Property Value	Current Tax (per \$100 of consideration)	New Tax (per \$100 of consideration)
\$0	\$ 0.10	\$ 0.10
\$600,000	0.20	0.20
\$1,000,000	0.30	0.35
\$2,000,000	0.50	0.55

<b>\$4,000,000</b>	0.70	0.75
<b>\$6,000,000</b>	0.90	0.95
<b>\$10,000,000</b>	1.00	1.05

Amends section 247-7, HRS, to change the earmark to the land conservation fund from 10% with a ceiling of \$6.8 million to \_\_\_% with the same ceiling; to change the earmark to the rental housing revolving fund from 50% with a ceiling of \$38 million to \_\_\_% with the same ceiling. Adds a new earmark for \_\_\_% to be paid to the Hawaii Public Housing Authority for experimental or demonstration housing projects. Adds a new earmark for \_\_\_% to be paid to the Hawaii Housing Finance and Development Corporation for experimental or demonstration housing projects. Adds a new earmark for \_\_\_% to be paid into the homelessness special fund.

EFFECTIVE DATE: July 1, 2018.

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 to feed the special fund to be established by this bill to aid the homeless.

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.

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. With this proposed special fund, furthermore, the nexus or connection between the conveyance tax and the proposed use of the money is tenuous.

It is also anomalous that moneys in the fund are supposed to be spent on experimental and demonstration projects, but the earmark on the conveyance tax is permanent. Just how many experimental and demonstration projects are we talking about here?

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 2/3/2018



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DAVID Y. IGE  
GOVERNOR

February 7, 2017

TO: The Honorable Representative Tom Brower, Chair  
House Committee on Housing

The Honorable Representative John M. Mizuno, Chair  
House Committee on Health and Human Services

FROM: Scott Morishige, MSW, Governor's Coordinator on Homelessness

SUBJECT: **HB 2408 – RELATING TO HOMELESSNESS**

Hearing: Wednesday, February 7, 2018, 9:45 a.m.  
Conference Room 329, State Capitol

**POSITION:** The Governor's Coordinator on Homelessness appreciates the intent of this bill, as it proposes innovative solutions to address homelessness, and offers the following comments. The Coordinator defers to the Department of Budget and Finance in regard to the establishment of a new special funds; to the Department of Taxation in regard to the proposed increase in the conveyance tax; and to the Department of the Attorney General in regard to potential legal implications of this measure.

**PURPOSE:** The purpose of the bill is to establish a homelessness special fund to be administered by the Department of Human Services (DHS). In addition, the bill raises the conveyance tax and directs revenues to the Hawaii Public Housing Authority (HPHA), Hawaii Housing Finance and Development Corporation (HHFDC), and the homelessness special fund. The bill requires that conveyance tax revenues directed to HPHA, HHFDC, and the homelessness special fund shall be used for experimental or demonstration housing projects. The bill also establishes a community shelter commission in each county, which shall have the exclusive authority to select public property within its respective county to be used for providing homeless facilities, shelters, and programs.

Homelessness remains one of the most pressing challenges facing Hawaii, and the State has adopted a comprehensive framework to address homelessness that focuses on three primary leverage points – affordable housing, health and human services, and public safety. In particular, the State has worked together with the Legislature and other stakeholders to increase resources for permanent housing programs, such as Housing First or Rapid Rehousing. Between 2015 and 2017, the number of permanent housing beds for homeless individuals statewide increased by 1,986 – an increase of 146%, more than doubling the supply of permanent beds. In addition, the State has partner with the counties and private sector to support innovative housing projects, such as the Kahauiki Village that opened in January 2018. The coordinated efforts to implement the State’s framework to address homelessness have made progress in reducing the number of homeless individuals statewide. In 2017, the statewide Point in Time (PIT) count found that the number of homeless people in Hawaii had *decreased* for the first time in eight years – a decrease of 701 people between 2016 and 2017.

The Coordinator notes that the role of the proposed community shelter commissions may overlap with the roles of the Hawaii Interagency Council on Homelessness (HICH) and the Continuum of Care (CoC) local chapters that are established within each county. Similar to the community shelter commissions, both the HICH and CoC local chapters include a diverse membership of State, federal, and county representatives, along with representatives from the faith-based community, social service providers, and the business sector. In general, the HICH is responsible for guiding homelessness planning and policy development, while the CoC local chapters facilitate ground-level discussion regarding homeless issues in each county and provide input on programmatic issues relating to federally funded homeless programs.

The Coordinator further notes that the measure, as currently drafted, does not include an appropriation of funds out of the homelessness special fund to DHS or other state agencies for experimental and demonstration projects for the homeless. If this measure moves forward, the Coordinator suggests including an appropriation out of the special fund to DHS or another appropriate state agency.

Thank you for the opportunity to testify on this bill.