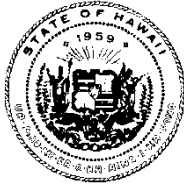


HB 2703, HD 1

Measure Title:	RELATING TO HOUSING AFFORDABILITY.
Report Title:	Conveyance Tax; Rental Assistance Revolving Fund; Earned Income Tax Credit; Income Tax Credit for Low-Income Household Renters
Description:	(1) Allocates a portion of the conveyance tax revenues to the rental assistance revolving fund to be used to subsidize rents for persons who meet certain income requirements; (2) Increases the income tax credit for low-income household renters to an unspecified amount; and (3) Makes the state earned income tax credit refundable and changes the amount of the credit to an unspecified percentage of the federal earned income tax credit. (HB2703 HD1)
Companion:	
Package:	None
Current Referral:	HOU, WAM
Introducer(s):	FUKUMOTO, BELATTI



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

March 13, 2018 at 2:45 p.m.
State Capitol, Room 225

In consideration of
H.B. 2703, H.D. 1
RELATING TO HOUSING AFFORDABILITY.

The HHFDC *supports the intent* of Part II of H.B. 2703, H.D. 1 provided that its passage does not replace or adversely impact priorities indicated in our Executive Supplemental budget request. We take no position on Parts III and IV of the bill.

Part II of this bill allocates an unspecified percentage of conveyance taxes, up to an unspecified cap, for the Rental Assistance Revolving Fund (RARF), and mandates that said amount only be used for rent subsidies for families at or below 30 percent of the area median income.

The RARF funds HHFDC's Rental Assistance Program (RAP), which provides qualified owners with monthly rental assistance subsidies to assist eligible tenants who live in rental housing developments to make their rental payments. RAP provides shallow rental subsidies, generally ranging between \$175 to \$250 per month for eligible tenants at or below 80 percent of the area median income. The RARF does not have sufficient funding to enter into new RAP contracts.

Deeper rental subsidies, ranging between \$60 and \$1,200 per month will be needed to assist families at this extremely low income level in permanent affordable housing. HHFDC is willing to provide RAP subsidies for this income level, provided that this funding source is made available.

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
Email: Tax.Directors.Office@hawaii.gov

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

Date: Tuesday, March 13, 2018
Time: 2:45 P.M.
Place: Conference Room 225, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 2703, H.D. 1, Relating to Housing Affordability

The Department of Taxation (Department) offers the following comments on H.B. 2703, H.D. 1, for the Committee's consideration.

H.B. 2703, H.D. 1, makes various amendments to income tax and conveyance tax. A summary of the key tax provisions are as follows:

- Amends the income tax credit for low-income household renters (renter's credit) under Hawaii Revised Statutes (HRS) section 235-55.7, by replacing the renter's credit amount of \$50 per exemption with an unspecified amount;
- Amends the earned income tax credit (EITC) under HRS section 235-55.75, by replacing the State EITC amount of 20% of Federal EITC with an unspecified amount, and from a nonrefundable credit to refundable credit;
- Amends the distribution of the conveyance tax under HRS section 247-7, by allocating an unspecified percentage or an unspecified amount, whichever is less, to the rental assistance revolving fund established by HRS section 201H-123; and
- Has a defective effective date of January 1, 2050, with amendments to the renter's credit and EITC otherwise applying to taxable years beginning after December 31, 2017.

First, the Department notes that refundable tax credits often lead to improper claims and create a potential for fraud. Nonrefundable tax credits limit the incentive for fraud because they only benefit taxpayers to the extent of their tax liability. A nonrefundable state EITC would not generate the number of improper claims as the federal EITC (ranging from 23% to 27%).

Second, beginning on January 1, 2017, the federal Protecting Americans from Tax Hikes Act of 2015 requires that the Internal Revenue Service hold any refunds where EITC is claimed

until at least February 15. This new law is intended to provide the IRS more time to verify claims thereby reducing the number of improper claims. The Committee may wish to consider monitoring the effectiveness of this new policy before amending the state EITC from a nonrefundable to refundable credit.

Finally, the Department is able to administer changes to the renter's credit and EITC for taxable years beginning after December 31, 2017, as this measure proposes modification of existing credits.

Thank you for the opportunity to provide comments.



HB2703 HD1
RELATING TO HOUSING AFFORDABILITY
Senate Committee on Housing

March 13, 2018

2:45 p.m.

Room 225

The Office of Hawaiian Affairs (OHA) **SUPPORTS** HB2703 HD1, which will provide substantial and much-needed housing relief to Native Hawaiian renters as well as other residents of Hawai‘i, and better assist low-income wage earners in achieving and maintaining housing security.

Native Hawaiian renters and many of Hawai‘i’s residents today are clearly struggling to afford their monthly housing costs. Native Hawaiians, whose homeownership rate is significantly lower than the state average, disproportionately rely on the rental housing market.¹ Native Hawaiian households are also much more likely to be “doubled up,” with multi-generational or unrelated individuals living together in a single household.² In addition, Native Hawaiian households are more than three times more likely have a “hidden homeless” family member than all state households.³ Recent research has further shown that state and Native Hawaiian housing rental housing demand is almost entirely for units that are affordable, rather than for market-rate or other ‘gap’-rate units.⁴ As such, support for affordable housing relief is more critical to OHA’s beneficiaries and many other Hawai‘i residents now than ever before.

HB2703 HD1’s proposed low income household renters tax credit (LIHR) increase reflects a pragmatic approach to alleviating the tax burden on those low-income individuals and families facing housing insecurity, and will have a particular impact on Native Hawaiians. Originally created in 1977 to mitigate the high cost of housing in Hawai‘i, the LIHR credit currently provides a \$50 tax credit per “qualified exemption,” for households with an adjusted gross income of less than \$30,000, that pay more than \$1,000 a year in rent. Kūpuna over the age of 65 are able to receive double the credit.

¹ For non-DHHL properties, the Native Hawaiian homeownership rate is 38.9%, 18.3 percentage points below the statewide rate of 57.2%. See U.S. Census Bureau. (2017). American Community Survey (ACS) 1-year Estimates: 2016. See also HHL: Homestead Services Division. (01/24/17) Commission submittal.

² 24.8% of Native Hawaiian households, compared to 9.6% of state households include more than two generations or unrelated individuals. See SMS, HAWAI‘I HOUSING PLANNING STUDY, at 34 (2016), available at https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf.

³ 14.1% of Native Hawaiian households, compared to 4.2% of state households have a hidden homeless family member. *Id.*

⁴ See SMS, HAWAI‘I HOUSING PLANNING STUDY, at 34 (2016), available at https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf.

Notably, while the LIHR is intended to provide meaningful relief for those who may need it the most, the value of the LIHR credit has not been updated since 1981. **This measure proposes an adjustment to the LIHR credit for Hawai'i's lowest-income households, to better reflect the cost of housing today, and thereby provide more meaningful relief to for those struggling to remain financially self-sufficient and housing secure.**

Furthermore, HB2703 HD1's proposed "refundable" earned income tax credit ("EITC") would further relieve the tax burden on our neediest community members, including Native Hawaiians. Building upon Act 107 (2017), HB2703 HD1 proposes to convert the state EITC into a "refundable" EITC, with an amount to be based on an unspecified percentage of the federal EITC. Because an EITC is tied to an individual taxpayer's income and family size, it is a highly targeted approach that provides tax relief in proportion to the taxpayer's needs. Such a credit addresses economic disparities in a systemic way, and provides our low-income working families and parents with additional funds to purchase basic necessities, contribute to Hawai'i's economy, and achieve economic self-sufficiency. By making the current state EITC a "refundable" credit, this measure would allow our lowest-income families to more fully realize these benefits, and encourage the asset building necessary for their increased financial security and self-sufficiency. OHA notes that any reductions in tax revenue from the EITC conversion into a refundable credit will likely be offset by increased consumer spending and economic activity, as well as the long-term increase in credit recipients' financial capacity.

Therefore, OHA urges the Committee to **PASS** HB2703 HD1. Mahalo for the opportunity to testify on this matter.



March 13, 2018

To: Senator Will Espero, Chair
Senator Breene Harimoto, Vice Chair and
Members of the Committee on Housing

From: Jeanne Y. Ohta, Co-Chair

RE: HB 2703 HD1 Relating to Housing Affordability
Hearing: Tuesday, March 13, 2018, 2:45 p.m., Room 225

POSITION: Support

The Hawai'i State Democratic Women's Caucus writes in SUPPORT of HB 2703 HD1, which would help many economically struggling families in Hawai'i by increasing the Low-Income Household Renters' Credit, which has not been updated to account for inflation since the 1980s; and makes the state Earned Income Tax Credit.

Updating the Renters' Credit would recover ground lost to inflation since it was originally established. Hawai'i's Low-Income Household Renters' Credit was created 40 years ago to help make up for the high rents and tax rates that burden our low- and moderate-income neighbors. However, it has not been updated in nearly three decades.

The current credit was last set over 35 years ago, in 1981, at \$50 per exemption. The income eligibility cut-off was set in 1989 at \$30,000, which was just above the median household income at that time. Neither of those levels have been adjusted for inflation since then.

Simply bringing the Renters' Credit up-to-date will benefit over 80,000 households, as well as put much-needed dollars into the pockets of Hawai'i's low- and moderate-income families.

HSDWC has always believed that to be effective in helping lift working families out of poverty, the EITC should be refundable. The EITC is refundable on the federal level and in 24 of the 29 other states with state EITCs and would enable families, currently burdened with the regressive General Excise Tax to receive tax credits to offset these taxes, even when their income taxes are zero.

A full-time worker in Hawai'i needs to make \$35.20 per hour (or over \$73,000 per year) to afford a 2-bedroom apartment, the highest "housing wage" in the nation. Hawai'i also has the largest gap between the average renter's wage and the housing wage, a shortfall of \$19.56 per hour.

More than half of our state's renters spend more than 30% of their income on rent. Of critical concern is that three-quarters of Hawai'i residents living at or near the poverty-line spend more than 50% of their incomes on rent.

The Hawai'i State Democratic Women's Caucus is a catalyst for progressive, social, economic, and political change through action on critical issues facing Hawaii's women and girls.

We ask that the committee pass this measure and thank the committee for the opportunity to provide testimony.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting HB 2703 HD1 -- Relating to Housing Affordability
Senate Committee on Housing
Scheduled for hearing on Tuesday, March 13, 2018, 2:45 PM, in conference room 225

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

Thank you for the opportunity to testify in **STRONG SUPPORT** of **HB 2703 HD1**, which would allocate a portion of conveyance tax revenues to the rental assistance revolving fund, to be used to subsidize rents for persons who meet certain income requirements; increase the income tax credit for low-income household renters, and make the state earned income tax credit refundable.

As you well know, Hawai'i has the highest rate of homelessness in the nation. A major cause of this crisis is our skyrocketing cost of housing, which is also the highest in the nation. To afford a 2-bedroom market-rate apartment, a renter in Hawai'i would need to make \$35.20 per hour, or over \$73,000 per year. As a result, the gap between this "housing wage" and the average renter's wage is the widest in the nation, at \$19.56 per hour.ⁱ

More than half of our state's renters are housing cost-burdened, spending more than 30 percent of their income on housing costs. An astounding 75 percent of Hawai'i residents living at or below the poverty line (which is about 30 percent of area median income) spend more than half of their incomes on housing.ⁱⁱ

HB 2703 HD1 would help economically struggling households in our state make their rent payments every month, which in turn would help prevent evictions and bouts of homelessness.

The first part of the bill directs an unspecified amount of conveyance tax revenues to subsidize rents for individuals or families whose income does not exceed 30 percent of area median income. As noted above, these are the households that are struggling most desperately to pay their rent and therefore are in the most need for such subsidies.

The second part of the bill increases the Low-Income Household Renters' Credit by an unspecified amount. The renters' credit was created 40 years ago to help make up for the high rents and tax rates that burden our low- and moderate-income neighbors. However, it has not been updated in nearly three decades to even account for inflation.

In order to fully catch up with inflation, we recommend that the maximum value of the renters' credit be raised to \$150 per exemption (with phase-out levels set at \$100 and \$50), and the eligibility threshold to just above the medianⁱⁱⁱ, which is approximately \$75,000 in annual

income for joint filers. We also suggest tailoring the credit amounts to recognize different tax filing statuses, as well as automatically adjusting it with inflation, in order to avoid future erosion of the credit's value and reach.

The third part of the bill makes our state's Earned Income Tax Credit (EITC) refundable. Mahalo for creating the Hawai'i state EITC last session. However, it is not as effective as it could be because it is not refundable, which means that tax filers can't get back more through the credit than what they owe in state income tax.

Take the example of a single parent with two children, working full-time at the minimum wage. She would make \$21,000 per year and owe approximately \$432 in state income tax. Her state EITC would total approximately \$883, but because it is not refundable, she would only be able claim \$432, the amount that she owes in income tax.

However, if the EITC were refundable – as it is at the federal level and in 24 of the 29 other states with EITCs – she'd be able to claim the full \$883, which means she'd get a tax refund of \$451. She could use that to help pay the rent. We recommend that the amount of the credit not be lowered below its current value of 20 percent of the federal EITC.

Finally, we'd like to identify a potential source of revenue for the provisions of this bill. HB 2702 would withhold taxes from out-of-state residents who receive income generated by Hawai'i real estate investment trusts (REITs). There seems to be a natural connection between funding for housing affordability and revenues generated from the real estate sector.

We appreciate your consideration of this testimony.

ⁱ *Out of Reach 2017*, National Low Income Housing Coalition, http://nlihc.org/sites/default/files/oor/OOR_2017.pdf

ⁱⁱ *2017 State Housing Profile: Hawaii*, National Low Income Housing Coalition, http://nlihc.org/sites/default/files/SHP_HI.pdf

ⁱⁱⁱ Hawaii Rankings and Comparisons, Department of Business, Economic Development & Tourism, <http://dbedt.hawaii.gov/economic/ranks/>



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

COMMITTEE ON HOUSING
TUESDAY, MARCH 13, 2:45 PM, Room 225
HB2703 HD1, RELATING TO HOUSING AFFORDABILITY

TESTIMONY

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

Chair ESPERO, Vice-Chair HARIMOTO, and Committee Members:

The League of Women Voters of Hawaii strongly supports each of the following three parts of HB2703 HD1:

- 1. Allocation of a portion of the conveyance tax to subsidize rents for those earning less than 30% of the area median income (currently about \$25,100 for a 2 person household or \$31,380 for a 4 person household).**
- 2. Increasing the income tax credit for renters whose AGI is less than \$30,000 who have paid more than \$1000 rent over the year.**
- 3. Making the credit refundable.**

We make no comment on changing the calculation of the Hawaii credit in terms of the federal Earned Income Tax Credit.

Far too many renters pay more than they can afford for housing. This bill provides some relief for the neediest of them.

When last updated in 1981, the low income renters credit was \$50; HB2703 HD1 provides a way to update this amount after 40 years of inflation.

Importantly, HB2703 HD1 makes the credit refundable, so the poorest families with little or no owed tax will still benefit from these modest credits.

The additional disposable income provided will surely be spent immediately in Hawaii, adding to excise tax collections and helping Hawaii businesses.

Thank you for the opportunity to present testimony.

HB-2703-HD-1

Submitted on: 3/11/2018 3:00:43 PM

Testimony for HOU on 3/13/2018 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Golojuch Jr	Testifying for LGBT Caucus of the Democratic Party of Hawaii	Support	No

Comments:



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 2703, HD1: Relating to Housing Affordability

TO: Senator Will Espero, Chair, Senator Breene Harimoto, Vice Chair, and Members,
Committee on Housing
FROM: Terrence L. Walsh, Jr., President and Chief Executive Officer
Hearing: **Tuesday, 3/13/18; 2:45 PM; CR 225**

Chair Espero, Vice Chair Harimoto, and Members, Committee on Housing:

Thank you for the opportunity to provide written testimony **in strong support** of **HB 2703 HD1**, which 1) allocates a portion of the conveyance tax to the Rental Assistance Revolving Fund (to assist families at 30% AMI or below), 2) increases the low-income tax credit, and 3) makes the EITC refundable, etc. I am Terry Walsh, with Catholic Charities Hawai'i. We are also a member of Partners in Care. We feel this is a very important bill.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 60 years. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Our top priority is to end homelessness. To achieve this goal, we must put significant resources into housing for those with incomes below 30% AMI.

We support allocating a portion of the conveyance tax to the Rental Assistance Revolving Fund to enable projects to offer units that include a subsidy for those at 30% AMI or below. It is extremely difficult to build new units for this population and keep these projects sustainable. This solution would enable the State to significantly increase the creation of units for this hard to house population. Currently, projects funded through another major State resource, the Rental Housing Revolving Fund only provide 5% of units at rents affordable to this extremely low income group. With rents skyrocketing, and Hawai'i being #1 among US states in per capita homelessness, our situation is dire. This bill would provide a solution to create rental units that struggling families, our kupuna, our young graduates, etc. who make under 30% AMI can afford.

To end homelessness, we also support income stability for low-income people to stop the flow into homelessness. Increasing the income tax credit for low-income renters, and making it refundable would assist our citizens who live on the edge and any crisis could tip them into homelessness. Making the Earned Income Tax Credit refundable and other changes would also help those living on a survival budget to be more economically stable. These tax credits also benefit our economy since the refunds are usually spent on basic living expenses.

We thank the Legislature for focusing on the needs of low-income people and those living on a survival budget, which is almost HALF of all isle residents (per the recent Aloha United Way "ALICE" report). This bill would be a strong step in the right direction.

Please contact our Legislative Liaison, Betty Lou Larson, at 373-0356 or bettylou.larson@catholiccharitieshawaii.org, if you have any questions.





AMERICANS FOR DEMOCRATIC ACTION

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Doug Pyle

MAILING ADDRESS

P.O. Box 23404
Honolulu
Hawai'i 96823

March 10, 2018

TO: Honorable Chair Espero Members of the Housing Committee

RE: HB 2703 HD1 Relating to Housing Affordability

Support for hearing on March 13

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

We support HB 2703 HD 1 as it would allocate some conveyance tax revenues to subsidize rents for persons with very low incomes, increase the Low-Income Renters' Credit, and improve the state Earned Income Tax Credit by making it refundable. Therefore it would help economically struggling households in our state make their rent payments every month, which in turn would help prevent evictions and bouts of homelessness.

Thank you for your consideration.

Sincerely,

John Bickel
President



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

TESTIMONY FOR HOUSE BILL 2703, HOUSE DRAFT 1, RELATING TO HOUSING AFFORDABILITY

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

**Tuesday, March 13, 2018, 2:45 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 400 members. On behalf of our members, we offer this testimony in strong support of House Bill 2703, HD 1, relating to housing affordability.

Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. 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 needing to log 116 hours per week 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. 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 for our economically disadvantaged neighbors.

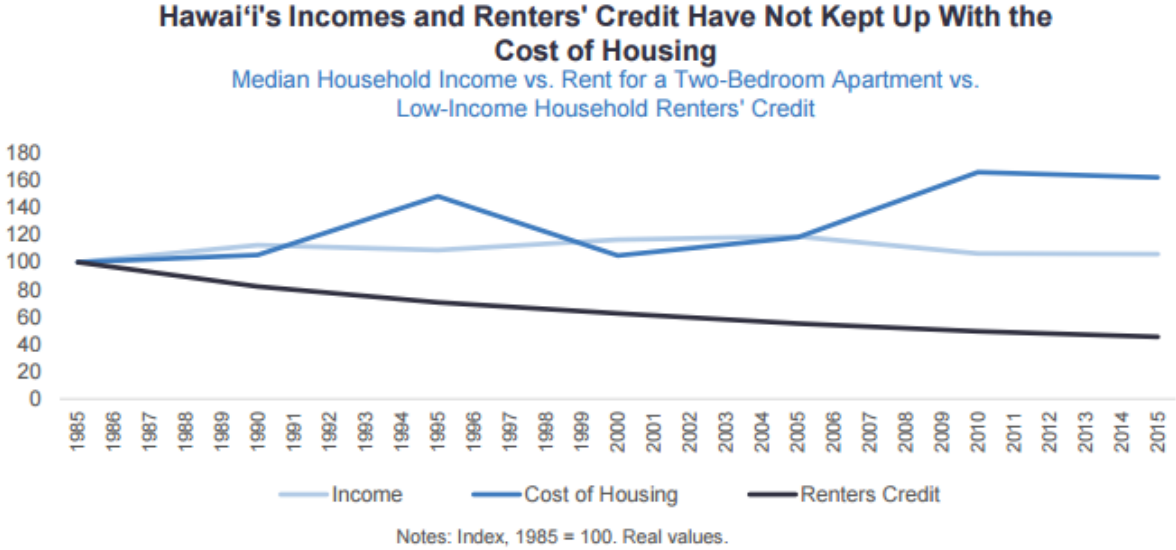
Our state's cost of housing has skyrocketed over the last decade, leaving many families searching for affordable alternatives, in shelters, or on the streets. For context, the median price of condominiums on O'ahu increased 6 percent in the summer of 2017 to a record \$425,000, while the median price 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 46 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.

The time for deliberation is over. It's time to act. Experts at DBEDT now estimate that Hawai'i needs 66,000 new housing units by the year 2025 to keep up with demand, more than 80 percent of which is needed to meet the demand of people who qualify for affordable housing. Yet, for every 100 extremely low-income renters on O'ahu, there exist only 40 affordable rentals, according to the Urban Institute, of which only 11 are “naturally affordable,” meaning they are affordable without federal subsidies. Though our state is committed to a goal of building 22,500 affordable rental housing units in the next 10 years, figures from the Hawai'i Housing Finance and Development Corporation show that in 2015 and 2016, we added only approximately 1,000 affordable rental units to our state's inventory, with further plans finalized for a mere 3,240 more affordable rentals by 2022. Analysts believe that boosting the overall housing supply will lower home prices—and, in turn, rent—for all residents, an ancillary benefit that cannot be overstated in our undersaturated, luxury-driven, “investor first” housing market.

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 allowing a portion of the conveyance tax revenues paid to the rental assistance revolving fund to be used to subsidize rents for low-income individuals and families whose income does not exceed 30 percent of area median income. We also support making the earned income tax credit refundable to provide low- to moderate-income working families with immediate access to additional funds that may be used to help pay their rent.

Finally, to help ease Hawai'i's highest-in-the-nation cost of living, lawmakers must pass measures enhancing tax fairness and economic justice. Our state's low-income renters' credit is in dire need of adjustment. In 1981, the LIHRC was set at \$50. Later, in 1989, the income eligibility cutoff was established at \$30,000, just above the median household income of the time. Yet, neither of these amounts have changed since the 1980s, leaving the amount of the credit lagging far behind inflation. We must update the renters' credit to recover ground lost to inflation by

increasing the maximum value of the credit to at least \$150, income eligibility limits to at least \$60,000 (though an unlimited eligibility is preferable, so that all renters may claim the credit), and requiring that the credit be adjusted in all subsequent years to account for increases in the consumer price index, which will prevent the future value of the credit from lagging behind our high cost of living, as it does now.



We need housing now. Mahalo for the opportunity to testify in strong support of this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance



Board Members

President

Jason Okuhama
Managing Partner,
Commercial & Business Lending

Secretary

Marcus Kawatachi
Deputy Director,
Hawai'i Civil Rights Commission

Trina Orimoto

Clinical & Research
Psychologist

Kaipo Kukahiko
Executive Director,
KEY Project

Miwa Tamanaha
Deputy Director,
Kua'āina Ulu 'Auamo

HACBED Staff

Brent N. Kakesako
Executive Director

Keoki Noji
Chief Operating Officer

Athena T. Esene
Bookkeeper & Office Manager

Malachi Krishok
Program Coordinator

Will Simmons
AmeriCorps VISTA

Avenmae Galeai
Bookkeeping Intern

Foley Pfalzgraf
AmeriCorps VISTA

Date: March 12, 2018

To: Senator Will Espero, Chair, Senator Breene Harimoto, Vice-Chair, and members of the Committee on Housing

From: Brent Kakesako, Hawai'i Alliance for Community-Based Economic Development (HACBED)

Re: Support for SB2703 HD1

Aloha Chair Espero, Vice-Chair Harimoto, and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) strongly supports SB2703 HD1, which would help many economically struggling families in Hawai'i to pay their rent each month by subsidizing rents for individuals and families with incomes below 30% AMI via a portion of the conveyance tax, increasing the Low-Income Household Renters' Credit, and making the state Earned Income Tax Credit (EITC) refundable.

HACBED was established in 1992 as a nonprofit statewide intermediary to address social, economic, and environmental justice concerns through community-based economic development. It advances its mission with core competencies in the areas of community and organizational capacity building, community and economic development planning, and asset policy development and advocacy. HACBED played a facilitating role in the State Asset Policy Task Force and was a key contributor to the State Asset Policy Road Map. HACBED also facilitated the Family & Individual Self-Sufficiency Program (FISSP) from 2008-2016, which administered the Internal Revenues Services' Volunteer Income Tax Assistance (VITA) program as a part of its larger asset building and financial education initiatives for needy families.

The Family Economic Self-Sufficiency Standard (FESS) depicts the obstacles that Hawai'i families are facing. The FESS measures the amount of money that individuals and families require to meet their basic needs without government and/or other subsidies and the data shows the following percentage of families who fall below the self-sufficiency standard statewide:

- 31.7% of families with two adults and two children;
- 50.8% of single-adult families with children.

Through FISSP surveys, families have indicated that they used the EITC money to manage daily expenses, eliminate debt, open and maintain savings accounts, purchase a home, cover education costs, or start a business.

The passage of SB2703 HD1 would go a long way to supplement the needs of vulnerable families by:

- *Subsidizing Rent for Vulnerable Families* – families with incomes below 30%

AMI often struggle to make ends meet and are at risk of eviction and homelessness. Providing a low-income rental subsidy via conveyance tax revenues would allow these families to stay in their homes.



- *Updating the Almost 40-Year Old Renters' Credit* – match the low-income household renters' credit and its income eligibility limits to inflation so that Hawai'i residents can stay in their homes due to the exponential rise in housing costs.
- *Make the EITC Refundable* – shifting the state EITC to be refundable would ensure families are able to make the best use of the new tax credit. The EITC supports families who are actively contributing to our workforce, is proven to alleviate child poverty and related child health, education, and earning issues, and has a multiplier effect on our economy as these workers are most likely to spend resources from the refundable credit within their local community.

SB2703 HD1 would thus provide ongoing assistance to these families in their efforts to build their assets.

Mahalo for this opportunity to testify,

Brent N. Kakesako
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March 13, 2018

The Honorable Will Espero, Chair

Senate Committee on Housing
State Capitol, Room 225
Honolulu, Hawaii 96813

RE: H.B. 2703, HD1, Relating to Housing Affordability

HEARING: Tuesday, March 13, 2018 at 2:45 p.m.

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

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 2703, HD1, which allocates a portion of the conveyance tax revenues to the Rental Assistance Revolving Fund to be used to subsidize rents for persons who meet certain income requirements. This measure also increases the income tax credit for low-income housing renters to an unspecified amount. Also, it makes the state earned income tax credit refundable and changes the amount of the credit to an unspecified percentage of the federal earned income tax credit.

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 affordable housing needs, we oppose utilizing the Conveyance Tax to earmark monies to a special fund to do so.

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



HB-2703-HD-1

Submitted on: 3/12/2018 2:35:41 PM

Testimony for HOU on 3/13/2018 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:

HB-2703-HD-1

Submitted on: 3/10/2018 12:03:52 PM

Testimony for HOU on 3/13/2018 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Rene Umberger	Individual	Support	No

Comments:

HB-2703-HD-1

Submitted on: 3/10/2018 2:24:02 PM

Testimony for HOU on 3/13/2018 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

HB-2703-HD-1

Submitted on: 3/12/2018 8:33:25 AM

Testimony for HOU on 3/13/2018 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Rebeca Zamora	Individual	Oppose	No

Comments: