

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

SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, February 28, 2018
11:00 AM - Room 211, Hawaii State Capitol

In consideration of
SB 2421, SD1
RELATING TO HOUSING

Honorable Chair Dela Cruz and Members of the Senate Committee on Ways and Means, thank you for the opportunity to provide testimony concerning Senate Bill (SB) 2421, SD1, relating to housing.

The Hawaii Public Housing Authority (HPHA) **supports the intent** of SECTION 5 and SECTION 6 of SB 2421, SD1, provided that it does not adversely affect the Governor's Supplemental Budget. SB 2421, SD1 authorizes the Director of Finance to issue general obligation bonds for construction and infrastructure of various affordable rental units and homes; and allows moneys from the conveyance tax and the county surcharge on a state tax to be used to repay the bonds; and increases the percentage of the conveyance tax collected to be paid into the rental housing revolving fund and repeals the statutory cap.

In regards to SECTION 5 of the measure, the Hawaii Public Housing Authority (HPHA) continues to embrace innovative approaches to redeveloping its aging property inventory through higher density, mixed-income, and mixed-use projects. The Mayor Wright Homes redevelopment project is among a number of HPHA properties that have been identified in its future redevelopment plans. Located in close proximity to the planned City and County of Honolulu (City) Iwilei rail station, the undertaking of redeveloping this State asset would not only allow the HPHA to redevelop this 65-year-old public housing property, but also contribute to the affordable rental housing market on Oahu.

In regards to SECTION 6 of the measure, which directs the HPHA to construct temporary transitional housing or homeless shelters across the State, and then convert them into low-income rental units for residents earning 60% Area Median Income (AMI) and below, 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 Senate Committee on Ways and Means with the HPHA's testimony regarding SB 2421, SD1. 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

SENATE COMMITTEE ON WAYS AND MEANS

February 28, 2018 at 11:00 a.m.
State Capitol, Room 211

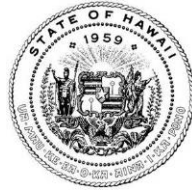
In consideration of
S.B. 2421, S.D. 1
RELATING TO HOUSING.

HHFDC ***offers the following comments*** on Sections 2 and 4 of S.B. 2421, S.D. 1. This bold proposal would, among other things, repeals the statutory cap on conveyance taxes and increases the RHRF's allocation from 50 to 80 percent and authorizes the issuance of General Obligation Bonds for the construction of affordable housing units for middle- and low-income Hawaii residents, and allow a portion of conveyance taxes and the county surcharge on state tax to be used to repay the bonds.

HHFDC appreciates the intent of Section 2 of the bill, which, like S.B. 2756, an Administration bill, repeals the statutory cap on the disposition of conveyance taxes for deposit into the Rental Housing Revolving Fund (RHRF). However, we are concerned about the cost implications of this proposal as, because it also increases the RHRF's allocation from 50 percent to 80 percent, it may adversely impact the General Fund.

HHFDC supports Section 4, provided that its passage does not replace or adversely impact priorities indicated in the Executive Supplemental Budget request. Section 4 appropriates (1) \$300 million for Dwelling Unit Revolving Fund (DURF), of which \$100 million is to be used for transit-oriented development infrastructure projects, (2) \$400 million for the Rental Housing Revolving Fund (RHRF) and (3) \$100 million for the Rental Assistance Revolving Fund (RARF).

Thank you for the opportunity to provide written comments on this bill.



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

February 28, 2018

TO: The Honorable Donovan M. Dela Cruz, Chair
Senate Committee on Ways and Means

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

SUBJECT: SB 2421 SD1 – RELATING TO HOUSING

Hearing: Wednesday, February 28, 2018, 11:00 a.m.
Conference Room 211, State Capitol

POSITION: The Governor's Coordinator on Homelessness appreciates the intent of this measure, and offers comments in regard to section 6. In particular, the Coordinator has concerns regarding the potential adverse impact on priorities included in the Governor's supplemental budget request.

PURPOSE: The purpose of the bill is to authorize the issuance of general obligation bonds to construct affordable rental units and homes, homeless shelters or transitional housing centers for people experiencing homelessness, and a condominium and tiny homes on Hawaiian home lands. The bill will allow moneys from the conveyance tax and the county surcharge on state tax to be used to repay the bonds. In addition, the bill increases the percentage of the conveyance tax collected to be paid into the rental housing revolving fund and repeals the statutory cap of \$38,000,000.

The Coordinator appreciates the Legislature's efforts to adopt innovative solutions to the complex challenge of homelessness, and recognizes the need to increase the inventory of shelter and permanent housing beds statewide for people experiencing homelessness. However, the Coordinator notes that recent efforts to address homelessness through the State's framework plan are working, and in 2017 the statewide Point in Time (PIT) count found that the number of homeless people in Hawaii *decreased* for the first time in eight years – a

decrease of 701 people between 2016 and 2017. In addition, between 2015 and 2017, the number of permanent housing beds for homeless individuals statewide *increased* by 1,986 – an increase of nearly 146%, *more than doubling the supply* of permanent beds for homeless individuals. It is critical that the State continue to invest in programs that have contributed to the decrease in homeless individuals and increase in bed spaces for people experiencing homelessness – including programs such as Housing First, Rapid Rehousing, homeless outreach, and the Family Assessment Center. If this measure proceeds further, the Coordinator respectfully requests that it does not adversely impact funding for existing homeless services and related priorities in the Governor’s supplemental budget request.

The Coordinator further notes that the homeless shelters and transitional housing centers referenced in section 6 will require funding for the ongoing operations of these facilities, in addition to capital funds for construction. As currently drafted, the bill does not include funding for operating costs. If the intention is for the shelters and transitional housing centers to eventually be converted to permanent rental housing, the Coordinator suggests that the Legislature consider the possibility of constructing these facilities for permanent supportive housing instead of shelter. Permanent supportive housing units could potentially be paired with existing permanent supportive housing vouchers funded by the State or other entities. The addition of new permanent supportive housing units would address the need for additional housing inventory for extremely low-income households transitioning from chronic homelessness who require subsidized housing and supportive case management services.

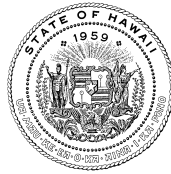
Finally, the Administration is actively working to identify vacant state land for potential housing projects for the homeless population, however it has been challenging to identify land that has adequate infrastructure and is zoned to allow residential use. A preliminary search for vacant state lands by the Act 212 (2017) Safe Zones Working Group identified nine vacant state parcels, which included many that were not suitable for residential use due to zoning, lack of road access and other necessary infrastructure, location on a hillside, and potential ground contamination. The Act 212 (2017) Safe Zones Working Group also received public testimony from legislators and community members expressing concerns that housing projects for the homeless population should not be sited in an area without adequate dialogue with the

surrounding community. The vacant state lands identified and the feedback received by the working group warrant closer consideration if this measure proceeds. The full report of the Act 212 (2017) Safe Zones Working Group can be found online at:

<https://humanservices.hawaii.gov/wp-content/uploads/2017/12/Act-212-2017-Report-on-Safe-Zones-HCR-148-SD-1-on-Squatting.pdf>.

Thank you for the opportunity to testify on this bill.

DAVID Y. IGE
GOVERNOR



LAUREL A. JOHNSTON
DIRECTOR

KEN N. KITAMURA
ACTING DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY LAUREL A. JOHNSTON
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2421, S.D. 1

February 28, 2018
11:00 a.m.
Room 211

RELATING TO HOUSING

Senate Bill No. 2421, S.D. 1: authorizes the Director of Finance to issue General Obligation (G.O.) bonds to construct affordable rental units and homes, homeless shelters or transitional housing centers for the homeless, and a condominium and tiny homes on Hawaiian home lands; allows moneys from the conveyance tax and the county surcharge on State tax to be used to repay the bonds; increases the percentage of the conveyance tax collected to be paid into the Rental Housing Revolving Fund (RHRF) from 50% to 60%; and repeals the statutory cap of \$38,000,000 to be distributed to the RHRF.

First, the department has technical comments on this bill. Federal tax law requires, among other things, that tax-exempt G.O. bond proceeds be used to finance projects/programs that serve public purposes. As it appears that private entities will derive benefit from this bill, tax-exempt G.O. bonds cannot be used for this purpose. The State would need to issue taxable G.O. bonds at a higher cost.

Second, although Sections 2 and 3 of the bill allow for funds collected under Sections 247-7 and 248-2.6, HRS, to be used to repay bonds issued, there is no appropriation of funds to pay off the debt service. Annual debt service amounts would have to be appropriated in the FY 19 Executive Supplemental Budget and subsequent budgets to allow the State to pay off any debt service generated by this measure.

Finally, the Council on Revenues (COR) is projecting FY 19 conveyance tax collections to be \$101,948,000. Removing the \$38,000,000 cap on distributions to the RHRF and increasing the percentage of conveyance taxes to the RHRF from 50% to 60% could result in a \$23,168,800 loss to the general fund, which would jeopardize the Administration's and Legislature's ability to fund other priority programs and services.

Below is a breakdown on the general fund loss:

FY 19 COR Conveyance Tax Projection	\$101,948,000
Proposed 60% to RHRF	61,168,800
Less: Cap on Conveyance Tax	<u>38,000,000</u>
Potential General Fund Loss	\$ 23,168,800

Thank you for your consideration of our comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, MISCELLANEOUS, Fund Housing with Conveyance Tax

BILL NUMBER: SB 2421, SD-1

INTRODUCED BY: Senate Committee on Housing

EXECUTIVE SUMMARY: Authorizes the issuance of general obligation bonds for construction and infrastructure development projects to provide affordable housing units for middle class and low-income residents. Allows moneys from the conveyance tax and the county surcharge on state tax to be used to repay the bonds. The provisions allowing repayment of the bonds from the specified sources are unnecessary.

SYNOPSIS: Authorizes the director of finance to issue general obligation bonds to construct affordable rental units and homes.

Amends section 247-7, HRS, to provide that conveyance tax collections may be used to repay bonds issued under this act.

Also deletes the statutory cap on the earmark on conveyance taxes redirected to the rental housing revolving fund, and by increasing the percentage of conveyance tax collections so redirected from 50% to 60%.

Amends section 248-2.6, Hawaii Revised Statutes, to provide that the State's 1% administrative fee may be used to repay bonds issued under this act.

EFFECTIVE DATE: July 1, 2018.

STAFF COMMENTS: Section 39-11, Hawaii Revised Statutes, provides that interest and principal payments on general obligation bonds are a first charge on the general fund of the State, and that the full faith and credit of the State are pledged to repay the bonds. In other words, it is not necessary for this or any other act to specify what general fund revenues may be used to repay the principal and interest on the bonds, because any general fund revenues that the State realizes can be used for that purpose.

This bill also attempts to generate significantly more revenues for the rental housing trust fund by earmarking the conveyance tax.

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.

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

Re: HB1328
Page 2

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 2/22/2018



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www.hawaiiancommunity.net

February 26, 2018

Senate Committee on Ways and Means
Wednesday, February 28, 2018, 11:00AM
Conference Room 211

SB2421, SD1 – Relating to Housing

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and Committee Members:

I am submitting testimony on behalf of Hawaiian Community Assets (HCA), the State's largest HUD-approved housing counseling agency to **SUPPORT SB2421, SD1 WITH AMENDMENTS.**

SB2421, SD1 would remove the conveyance tax cap to increase investment in affordable housing development for local workers and families here in our island state.

During the 2015 Session, the State Legislature passed Act 127 which mandates the State of Hawaii to build 22,500 affordable housing units for our low- and moderate-income residents by 2026. This amounts to investing in 2,250 units per year. Unfortunately, according to the Hawaii Housing Finance and Development Corporation's 2017 report to the State Legislature, Rental Housing Trust funds were awarded for the development of only 326 affordable units in the 2016 calendar year. Without increasing our investment in the development of affordable rental housing through bills such as SB2421, it would take the State 95 years to meet the mandate set in place by Act 127. Meanwhile, our local workers and families would continue to struggle to find stable, affordable housing creating uncertainty for business owners and missed opportunity for our state economy.

Amendment: Allow Rental Housing Trust Fund Units to Convert to Affordable Homeownership Units

In light of our shortfall in meeting our affordable housing goals and the need for a spectrum of rental and for-sale units in our markets, HCA recommends to include language that would allow for units funded by the Rental Housing Trust Fund to be converted to affordable homeownership units as long as (1) the homeownership units maintain their affordability and (2) projects pay back funds received to the Rental Housing Trust Fund. This approach would allow for more of our workers and families to achieve the dream of homeownership as a tool for economic self-sufficiency and reducing their use of already limited public assistance. Furthermore, by allowing units funded by the Rental Housing Trust Fund to convert to affordable homeownership units, the Rental Housing Trust Fund would experience infusions of cash after every conversion allowing the Fund to investment in the development of more affordable rental housing.

With the highest homeless rate per capita and some of the highest housing cost burdens of any state in the nation, we cannot wait any longer to make the necessary investments in affordable housing. SB2421, SD1 would help us increase our investment in affordable housing now. Please take action to not only increase affordable housing for our workers and families, but provide developers the opportunity to convert rental units to for-sale units as long as the units maintain their affordability and funds are paid back to the Rental Housing Trust Fund. **Pass SB2421, SD1 with amendments.**

Mahalo for your time, leadership and consideration. Please contact me directly at 808.587.7653 or jeff@hawaiiancommunity.net should you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink that reads "Jeff Gilbreath". The signature is written in a cursive, slightly slanted style.

Jeff Gilbreath
Executive Director



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF SB 2421 SD 1: RELATING TO HOUSING

TO: Senator Dela Cruz, Chair; Senator Gilbert S.C. Keith-Agaran, Vice Chair; and Members, Committee on Ways and Means
FROM: Terrence L. Walsh, Jr., President and Chief Executive Officer
Hearing: **Wednesday, 2/28/18; 11:00 AM; CR 211**

Thank you for the opportunity to provide testimony **in support** of **SB 2421 SD1** which provides funds to create affordable rental housing and needed infrastructure, etc. I am Terry Walsh, with Catholic Charities Hawai'i. We are also a member of Partners in Care. We support the intent of this bill to provide the massive investment in affordable housing needed to end Hawaii's ongoing housing crisis, which only worsens each year.

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. Ending homelessness is a top priority for 2018.

The **KEY** to ending homelessness and stopping the flow into homelessness is to create more affordable rental units. The intent of this bill is to provide the massive investment needed to create adequate housing for the people of Hawaii, not only to end homelessness but to give options for our children to remain in Hawaii and our working people and seniors to have affordable rental units. The need is huge! **Oahu rents soared 23% in 3 years (2012 to 2015).**

The [2016 Hawaii Housing Planning Study](#) found that for the overall housing needs of the State: More than half of the need--53 percent--is for households under 60 percent of AMI. Nearly a quarter of the total demand--24 percent--is for households under 30% of AMI.

Production of rental housing to meet these needs will require a massive infusion of State resources. Removing the cap of \$38 million from the conveyance tax to the Rental Housing Revolving Fund, and allocating 60% of this tax to the RHRF would help to counter the 14% reduction in the value of federal Low Income Housing Tax Credits which resulted from the recent federal Tax Cut law. We support the intent of the other allocations to DURF, RHRF, and the Rental Assistance Revolving Fund to catch up on Hawaii's backlog of needed affordable rental housing.

Ending homelessness and creating decent affordable rental housing for the people of Hawaii requires consistent and significant funding or we will fall further behind. Homelessness grows; brain drain grows as young people leave the islands; families and kupuna undergo increased stress. An ongoing strong commitment to grow our affordable housing stock is vital.

We need to act now. We urge your support for the intent of this bill to provide a massive investment in affordable housing which will create a Hawaii of which we can all be proud.

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



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COMMITTEE ON WAYS AND MEANS

WEDNESDAY, FEBRUARY 28, 2018, 11:00 am, room 211
SB2421, SD1, Relating to Homelessness

TESTIMONY

Nina Eejima, Legislative Committee, League of Women Voters of Hawaii

Chair Dela Cruz, Vice Chair Keith-Aragon, and Committee Members:

The League of Women Voters of Hawaii strongly supports SB2421, SD1 that, inter alia, establishes and appropriates funds for a three-year pilot program to assist families with minors who are homeless or at risk of homelessness to obtain permanent housing; and appropriate funds to the Hawaii Public Housing Authority, Department of Human Services, and Department of Health to support the State's most effective programs to end homelessness, including public housing improvements and renovations statewide, housing first, rapid rehousing, outreach services programs to homeless persons, including civil legal services, Oahu's family assessment center, and the law enforcement assisted diversion (LEAD).

We note that this measure reflects a concerted effort to build on lessons learned and provides a robust, comprehensive approach that is still needed even though for the first time in years, homelessness rates in our state went down in 2017. We further note and support the support to rapid rehousing, youth outreach, and state rent supplement programs for working individuals and families who are homeless. These are time-proven interventions that must be continued in the context of a collaborative, integrated approach to addressing homelessness issues.

Thank you for the opportunity to submit testimony.



PARTNERS IN CARE

Oahu Continuum of Care

Partners in Care is a coalition of Oahu's homeless service providers, government representatives and community stakeholders working together in partnership to end homelessness.

Testimony in Support of SB 2421 SD1 Relating to Housing

TO: Committee on Ways and Means
FROM: Partners in Care (PIC)
HEARING: **Wednesday, 2/28/18; 11:00 am, Conference Room 211**

Dear Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members, Committee on Ways and Means:

Thank you for the opportunity to provide testimony on **SB 2421 SD1** which provides funding for a wide range of affordable housing resources, increases the percentage of the conveyance tax to be paid into the Rental Housing Revolving Fund to 60%, and repeals the \$38 million statutory cap. Partners in Care (PIC)—a coalition of more than 35 non-profit, homelessness providers—**supports the intent of SB 2421 SD1.**

The Star Advertiser (1/10/18) reported on a study by Aloha United Way, which found that nearly half of isle households are living on a survival budget. They do not earn enough to cover basic needs, much less save anything for an emergency. Any crisis can put these families at great risk for long-term problems like loss of housing. The situation is dire and demands a great investment to create affordable housing options to help the people of Hawai'i who are struggling to remain housed.

The Rental Housing Revolving Fund is a key State resource for the production of rental housing. Removing the cap of \$38 million from the conveyance tax proceeds to the Rental Housing Revolving Fund, and allocating 60% of this tax to the RHRF is greatly needed to continue the State's focus on affordable rental housing. It would help to counter the 14% reduction in the value of federal Low Income Housing Tax Credits which resulted from the recent federal Tax Cut law. Projects currently under construction will need millions more in funding to make up the reduction in the value of the federal tax credits. Without a greater infusion into the RHRF, rental housing production will be reduced.

We also support the intent of the other allocations to the Dwelling Unit Revolving Fund (DURF), RHRF, and the Rental Assistance Revolving Fund to catch up on Hawaii's backlog of needed affordable rental housing. A serious obstacle to developing more affordable housing is the lack of infrastructure throughout the state. The Dwelling Unit Revolving Fund (DURF) can assist statewide to create infrastructure that is needed for the massive amount of affordable housing that is needed in our state. This bill would assist to upgrade infrastructure so that affordable housing could continue.

The intent of this bill is to provide the massive resources needed for the State to address our crisis in affordable housing. For these reasons, Partners In Care supports SB 2421.

Contact for (PIC) Advocacy Committee: Chair: Gavin Thornton, 808-369-2510, picadvocacychair@gmail.com

PARTNERS IN CARE, c/o Aloha United Way
200 North Vineyard • Suite 700 • Honolulu, Hawaii 96817 • www.PartnersinCareOahu.org



PARTNERS IN CARE

Oahu Continuum of Care


Partners in Care is a coalition of Oahu's homeless service providers, government representatives and community stakeholders working together in partnership to end homelessness.


Thank you for your consideration of this very important bill.


Contact for (PIC) Advocacy Committee: Chair: Gavin Thornton, 808-369-2510, picadvocacychair@gmail.com

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February 28, 2018

The Honorable Donovan Dela Cruz, Chair

Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: S.B. 2421, SD1, Relating to the Conveyance Tax

HEARING: Wednesday, February 28, 2018, at 11:00 a.m.

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran 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 over 9,500 members. HAR **opposes** Senate Bill 2421, SD1, which allows moneys from the conveyance tax and the county surcharge on state tax to be used to repay the bonds. This measure also increases the percentage of the conveyance tax collected to be paid into the Rental Housing Revolving Fund and repeal the statutory cap of \$38,000,000.

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 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 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.

HAR would also note that issuance of these general obligation bonds can be accomplished without being linked to the Conveyance Tax. As such, while HAR supports efforts to address our State's affordable housing needs, we oppose linking it to the Conveyance Tax 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

**TESTIMONY FOR SENATE BILL 2421, SENATE DRAFT 1, RELATING TO
HOUSING**

**Senate Committee on Ways and Means
Hon. Donovan M. Dela Cruz, Chair
Hon. Gilbert S.C. Keith-Agaran, Vice Chair**

**Wednesday, February 28, 2018, 11:00 AM
State Capitol, Conference Room 211**

Honorable Chair Dela Cruz 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 strong support of Senate Bill 2421, SD 1, relating to housing.

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.

We are in the midst of an affordable housing crisis. 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 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).”

The time for deliberation is over. It's time to act. Experts at the Department of Business, Economic Development, and Tourism 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, as this bill does, 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.

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

Sincerely,
Kris Coffield
Executive Director
IMUAlliance



February 24, 2018

From: George S. Massengale
To: Senate Committee on Ways and Means
Date: Hearing February 28, 2018 at 11:00 A.M.
Subj: SB2416, SD1, Relating To The Conveyance Tax

Testimony in Support

Chair, Senator Dela Cruz, Vice Chair, Senator Keith-Agran and members of the Committee on Ways and Means. Thank you for the opportunity to provide testimony in support of this measures, which pertain to the Conveyance Tax.

SB2416, SD1, would increase the rate of the conveyance tax for properties with a value of \$2,000,000 or more. In addition it would remove the existing conveyance tax cap of \$38,000,000 while sllovsting 50% percentage of tax revenues to the rental housing revolving trust fund.

Although Habitat for Humanity's focus is home ownership as a means of building a pathway out of poverty for our low-income families statewide, we must ensure that those families which elect to pursue this option, have sufficient fiancials resources available to qualify for Habitat Home. A family which pays over half of their total income for rental houing will more than likely have a very diffciulit time in qualifying for Habitat's self-help program model.

Because of the exigency of our housing crisis, we ask that WAM pass SB2416, SD1, to ensure that housing funds are available to meet the housing demand decient rental housing.

Respectfully,

A handwritten signature in black ink, appearing to read "G. Massengale".

George S. Massengale, J.D.
Chair, Advocacy Committee



Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Senate Ways & Means Committee,

On behalf of the nearly 600 registered members of the Young Progressives Demanding Action – Hawai‘i, I would like to express **strong support** for SB2421 SD1.

This bill would remove the conveyance tax cap to increase investment in affordable housing development for local workers and families here in our island state.

During the 2015 Session, the State Legislature passed Act 127 which mandates the State of Hawaii to build 22,500 affordable housing units for our low- and moderate-income residents by 2026. This amounts to investing in 2,250 units per year. Unfortunately, according to the Hawaii Housing Finance and Development Corporation’s 2017 report to the State Legislature, Rental Housing Trust funds were awarded for the development of only 326 affordable units in the 2016 calendar year. Without increasing our investment in the development of affordable rental housing through bills such as SB2421, it would take the State 95 years to meet the mandate set in place by Act 127. Meanwhile, our local workers and families would continue to struggle to find stable, affordable housing creating uncertainty for business owners and missed opportunity for our state economy.

With the highest homeless rate per capita and some of the highest housing cost burdens of any state in the nation, we cannot wait any longer to make the necessary investments in affordable housing. SB2421, SD1 would help us increase our investment in affordable housing now. Please take action to increase affordable housing for our workers and families. Pass SB2421, SD1.

Mahalo,

Will Caron
Social Justice Action Committee Chair

Young Progressives Demanding Action – Hawai‘i

SB-2421-SD-1

Submitted on: 2/26/2018 6:46:35 PM

Testimony for WAM on 2/28/2018 11:00:00 AM

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

Comments:

SB-2421-SD-1

Submitted on: 2/26/2018 10:29:29 PM

Testimony for WAM on 2/28/2018 11:00:00 AM

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

Comments:

**PRESENTATION OF THE
OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES
DEMOCRATIC PARTY OF HAWAI'I**

TO THE COMMITTEE ON WAYS AND MEANS

THE SENATE

TWENTY-NINTH LEGISLATURE

REGULAR SESSION OF 2018

Wednesday, February 28, 2018

11:00 A.M.

Hawaii State Capitol, Conference Room 211

RE: Testimony in Support of **SB2421 SD1**, RELATING TO HOUSING

To the Honorable Donovan M. Dela Cruz, Chair; the Honorable Gilbert S.C. Keith-Agaran, Vice-Chair, and Members of the Committee on Finance:

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 Senate Bill No. **2421 SD1**, relating to Affordable Housing; Hawaii Housing Finance and Development Corporation; Hawaii Public Housing Authority; Department of Hawaiian Home Lands; Conveyance Tax; and an appropriation.

The OCC Legislative Priorities Committee is in favor of Senate Bill No. **2421 SD1** and support its passage.

Senate Bill No. **2421 SD1**, is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it authorizes the director of finance to issue general obligation bonds to construct affordable rental units and homes, homeless shelters or transitional housing centers for the homeless, and a condominium and tiny homes on Hawaiian home lands; allows moneys from the conveyance tax and the county surcharge on state tax to be used to repay the bonds; and increases the percentage of the conveyance tax collected to be paid into the rental housing revolving fund and repeal the statutory cap of \$38,000,000.

Specifically, the DPH Platform states, "[h]ousing is a basic human need and we believe that adequate, accessible, affordable, and safe housing should be available to all residents of Hawai'i. Affordable housing that is fair in proportion to individual income is the basis of prosperity for our citizens and stability in our economy. Recent and past real estate bubbles have fueled disproportionate rent increases, a key contributor to homelessness. Therefore, we support efforts to promote truly affordable housing for all citizens who rent.

We also need economically affordable home ownership. To this end, we support policies which re-think the current formula to determine "affordability" as this formula puts both rentals and sales out of the reach of most working families in Hawai'i. . . .

We believe in the concept of "Housing First" to develop affordable, table 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 340-348, 352-358 (2016)).

Given that Senate Bill No. **2421SD1** authorizes the director of finance to issue general obligation bonds to construct affordable rental units and homes, homeless shelters or transitional housing centers for the homeless, and a condominium and tiny homes on Hawaiian home lands; allows moneys from the conveyance tax and the county surcharge on state tax to be used to repay the bonds; and increases the percentage of the conveyance tax collected to be paid into the rental housing revolving fund and repeal the statutory cap of \$38,000,000, it is the position of the OCC Legislative 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, Tel.: (808) 258-8889

SB-2421-SD-1

Submitted on: 2/24/2018 5:58:05 PM

Testimony for WAM on 2/28/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Vicki	Individual	Support	No

Comments:

I agree there is an urgent need for affordable housing.

SB-2421-SD-1

Submitted on: 2/26/2018 7:05:16 AM

Testimony for WAM on 2/28/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Ching	Individual	Support	No

Comments:

Chair DelaCruz, Vice Chair Keith-Agaran and members of the committee,

I support SB2421 SD1. Using the conveyance tax to build more affordable housing is a great idea. Please pass this ball.

Thank you for the opportunity to testify.

Randy Ching / Honolulu

Senate Committee on Housing
February 13, 2013
Senate Bill 2421 Relating to Housing
Chair Will Espero
Testimony of Rev. Bob Nakata, FACE Housing Task Force

FACE (Faith Action for Community Equity) strongly supports this bold bill which grew out of the tremendously dire need for affordable housing that has built up in Honolulu in the decades since Statehood and beyond. It has grown to where our children are our best export.

Two years ago, the Legislature created Act 127 to produce 22,500 affordable housing units in the next ten years, acknowledging that the real need for housing was more like 65,000 in that time frame. Even for the 22,500 units developers said, as they had been saying for decades, that they could not do it, that government had to build them. The rough guess was the \$2 billion was needed to build the 22,500 units in ten years.

We floated a bill for that amount knowing it would go nowhere, but trying to publicize the cost of constructing housing. This year, we hope to use those numbers to say if we do \$200,000,000 a year for ten years, we will get to the \$2 billion. There is a chance for success this year. We urge you to embark on this path now. Thank you.

SB-2421-SD-1

Submitted on: 2/26/2018 4:08:13 PM

Testimony for WAM on 2/28/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Thelma Akita-Kealoha	Individual	Support	No

Comments:

I strongly support SB2401 SD1, Homeless Omnibus Bill. The funding will provide critical long range solutions to homelessness - I am of the mind that housing is a right not a privledge.

I believe repairing public housing units will get families into public housing and off the streets, I know that Housing First, rapid re-housing and housing prevention are comprehensive solutions for our homeless and soon to be homeless. I see how rental subsidies can help families stay and maintain their housing. These solutions are proving to be effective in housing homeless and preventing homelessness.

I ask for your support in passing this bill.

Mahalo,

Thelma Akita-Kealoha