



Chamber of Commerce HAWAII

The Voice of Business

LATE TESTIMONY

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

RE: SENATE BILL 255 RELATING TO THE CONVEYANCE TAX

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

The Chamber of Commerce Hawaii ("The Chamber") would like to **express concerns** on SB 255. SB 255 proposes to increase the rate of real estate conveyance tax for properties with a value of at least \$2,000,000; amends the calculation for the amount of conveyance taxes to be deposited into the rental housing revolving fund.

The Chamber is Hawaii's leading statewide business advocacy organization, representing over 1,600 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

While we understand and support the need to provide more government assistance for the development of affordable housing, we have consistently voiced our concern regarding the use of the conveyance tax as a means to fund development of more affordable housing.

In August of 2012, Mr. Lowell Kalapa, then President of the Tax Foundation of Hawaii stated the following:

"On the money side, lawmakers increased the conveyance tax which is imposed on the transfer of real property and earmarked portions of it for the rental housing trust fund and the state's trails program. Somehow lawmakers felt there was a relationship between people buying and selling real property and building affordable housing and maintaining the state's lands and trails. What they seem to have lost sight of is that the conveyance tax merely adds to the cost of acquiring that property. So while the increase in the conveyance tax provided a source of subsidies for affordable rentals, it merely passed the cost onto prospective homeowners and even renters of affordable rental housing. Did lawmakers even stop to think that a non-owner occupied unit would provide housing for a family that could not afford to purchase their own home? This is but one way government has intervened and actually increased the cost of housing in Hawaii."



The conveyance tax has been an attractive means to fund affordable housing as it is difficult if not impossible to identify an organized group of “future purchasers of real property.”

However, with the average price of a new home on Oahu in the mid \$700,000.00 range, perhaps policy makers should give pause and understand the unintended consequences of increasing the price of a new home in Hawaii.

In 2014, the National Association of Home Builders (NAHB) prepared a state by state analysis of the number of home buyers impacted for every \$1,000 increases in price. In 2014, 594 households were priced out of the market by a \$1,000 increase in price.

While we strongly support the need to provide more government assistance to build more affordable housing, especially in an environment of historically low interest rates, we also must be concerned on how these various taxes, fees, assessments, etc., impact the “affordability” of housing in Hawaii.

Thank you for the opportunity to testify.

LATE TESTIMONY

Testimony to the Senate Committee on Housing
Tuesday, January 31, 2017
2:45 p.m.
Conference Room 225

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

BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

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MAILING:
P.O. BOX 970967
WAIPAHU, HAWAII 96797-0967

PHYSICAL:
94-487 AKOKI STREET
WAIPAHU, HAWAII 96797

Chair Espero, Vice-Chair Harimoto, and members of the committee:

My name is Gladys Quinto-Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

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

S.B. 255 proposes to increase the rate of real estate conveyance tax for properties with a value of at least \$2,000,000. This bill also amends the calculation for the amount of conveyance taxes to be deposited into the rental housing revolving fund. S.B. 581 proposes to remove the cap on the amount of conveyance taxes that may be paid into the rental housing revolving fund, and increases the percentage of conveyance taxes collected that shall be paid into the rental housing revolving fund. While we understand and support the need to provide more government assistance for the development of affordable housing, we have consistently voiced our concern regarding the use of the conveyance tax as a means to fund development of more affordable housing.

In August of 2012, Mr. Lowell Kalapa, then-President of the Tax Foundation of Hawaii stated the following:

"On the money side, lawmakers increased the conveyance tax which is imposed on the transfer of real property and earmarked portions of it for the rental housing trust fund and the state's trails program. Somehow lawmakers felt there was a relationship between people buying and selling real property and building affordable housing and maintaining the state's lands and trails. What they seem to have lost sight of is that the conveyance tax merely adds to the cost of acquiring that property. So while the increase in the conveyance tax provided a source of subsidies for affordable rentals, it merely passed the cost onto prospective homeowners and even renters of affordable rental housing. Did lawmakers even stop to think that a non-owner occupied unit would provide housing for a family that could not afford to purchase their own home? This is but one way government has intervened and actually increased the cost of housing in Hawaii."

The conveyance tax has been an attractive means to fund affordable housing as it is difficult if not impossible to identify an organized group of "future purchasers of real property." However, with the average price of a new home on Oahu in the mid \$700,000.00 range, perhaps policy makers should give pause and understand the unintended consequences of increasing the price of a new home in Hawaii.

In 2014, the National Association of Home Builders (NAHB) prepared a state by state analysis of the number of home buyers impacted for every \$1,000 increases in price. In 2014, 594 households in Hawaii were priced out of the market by a \$1,000 increase in price.

While we strongly support the need to provide more government assistance to build more affordable housing, especially in an environment of historically low interest rates, we also must be concerned on how these various taxes, fees, assessments, etc., impact the "affordability" of housing in Hawaii.

We appreciate the opportunity to provide our input on this important legislation.

LATE TESTIMONY

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 30, 2017 5:36 PM
To: HOU Testimony
Cc: wallyinglis@yahoo.com
Subject: Submitted testimony for SB255 on Jan 31, 2017 14:45PM

SB255

Submitted on: 1/30/2017

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

Submitted By	Organization	Testifier Position	Present at Hearing
Wally Inglis	Housing Now Coalition	Support	Yes

Comments: Chair Espero, Vice-Chair Harimoto and Members: I speak in strong support of two measures which relate to the Conveyance Tax and the Rental Housing Revolving Fund: SB 255, which would increase the rate for properties valued at more than \$2,000,000; and SB 581, which would remove the current cap and increase the percentage of taxes paid into the fund. I am an officer of a nonprofit affordable housing corporation that has built more than 500 low-income units of senior and family housing over the past 20 years. Without the availability of state funding through the rental housing fund, these critical units would never have been built. Today, the need for additional funding is even more critical. Please look favorably on these two bills and move them on to Ways and Means for further discussion and action. Aloha, Wally Inglis Housing Now Coalition

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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To: Senate Committee on Housing

Date: January 30, 2017

Place: Hawaii State Capitol – Room No. 225

Re: SB-255, Relating to the Conveyance Tax

LATE TESTIMONY

Testimony in Strong Support

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

My name is Ellen Godbey Carson and I am with Housing Now, a non-profit program of Faith Action for Community Equity. We urge you to pass SB-255.

The purpose of this bill is to help provide additional funds to address the severe shortage of affordable housing here in Hawaii, by increasing our real estate tax rates for properties with a value of \$2million or more. This will help affordable housing and the state's treasury.

Our current tax rates for real estate conveyances range from 0.1% to 1.25% at the highest, even on multi-million dollar and luxury properties. By contrast, most consumer transactions are taxed from 4% to 10% (for goods, services, dining and accommodations). Why do we allow our real estate property taxes to be so low, when the sale of our real estate at such high prices that creates our affordable housing problem? That requires low to moderate income people to pay much higher tax rates - 4% - 10% (excise for goods, services, dining and accommodations). Shouldn't people engaging in high-end property transactions pay a higher and fairer rate of taxation, at least comparable to our excise tax, to help address our state's financial and housing needs? This bill only targets properties valued at \$2million or above, where buyers and sellers have substantial means, and does not affect tax rates for transactions under \$2 million.

I've calculated the impact of these tax changes on the only reliable data I could find, from MLS residential real property sales on Oahu from the Honolulu Board of Realtors. For these Oahu sales alone, additional revenues of \$14 – 18 million would be generated annually. The State's Tax Department can estimate total new revenues, which should be much higher to include neighbor islands, commercial sales and leasing, and new condo sales.

Please pass this bill to the Committee on Ways and Means for further consideration. We really need affordable housing now! Mahalo.

Respectfully submitted by

Ellen Godbey Carson, 1080 S. Beretania St, GPH2, Honolulu, HI 96814, egcarson@icloud.com

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SB255

Submitted on: 1/30/2017.

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Wally Inglis	Housing Now Coalition	Support	Yes

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LATE TESTIMONY

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, January 31, 2017 10:58 AM
To: HOU Testimony
Cc: yap.willis@gmail.com
Subject: Submitted testimony for SB255 on Jan 31, 2017 14:45PM

SB255

Submitted on: 1/31/2017

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

Submitted By	Organization	Testifier Position	Present at Hearing
Willis Yap	Individual	Support	No

Comments: Due to the obvious shortage of affordable housing, we the people need to do more to encourage development of such properties. Getting more funding in supporting this effort makes sense and this bill targets those high worth individuals and entities who are more able to afford this additional charge. Mahalo.

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LATE TESTIMONY

1065 Ahua Street
Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
Email: info@gcahawaii.org
Website: www.gcahawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

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January 31, 2017

TO: HONORABLE WILL ESPERO, CHAIR, HONORABLE BREENE HARIMOTO, VICE CHAIR AND MEMBERS OF THE SENATE COMMITTEE ON HOUSING

SUBJECT: **CONCERNS REGARDING S.B. 255, RELATING TO THE CONVEYANCE TAX.** Increases the rate of real estate conveyance tax for properties with a value of at least \$2,000,000. Amends the calculation for the amount of conveyance taxes to be deposited into the rental housing revolving fund.

HEARING

DATE: Tuesday, January 31, 2017
TIME: 2:45 PM
PLACE: Conference Room 225

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

The General Contractors Association (GCA) is an organization comprised of over 500 general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. The mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

GCA is has grave concerns regarding S.B. 255, Relating to the Conveyance Tax, which proposes to increase the conveyance tax for properties of at least \$2,000,000.00 and amends the amount of the conveyance tax deposited into the rental housing trust fund. While GCA understands the intent of this measure to increase available rental housing units for those in need, there is concern that such an increase may be detrimental to small businesses. Furthermore, the measure does not appear to satisfy the "clear nexus" criteria that requires that such should be funded by a broad tax which is imposed on all residents who benefit from those programs, and not by the conveyance tax, which is only imposed on the sellers of real property. Additionally, the proposed increase could detrimentally impact small businesses who may want to sell their property to a business partner or a family member or some other reason.

Thank you for this opportunity to share our concerns regarding S.B. 255 and we respectfully request that you defer this measure.

STATE TESTIMONY



The Housing Now Coalition

Catherine Graham
Rev. Bob Nakata

A Coalition of FACE Hawaii

January 30, 2017

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

Dear Senate Housing Committee Chair and Members,

I support SB 255 for the following reasons:

1. Hawaii is in a housing crisis and people who are able to purchase housing have a moral responsibility to help out. Paying a bit more in conveyance tax is a relatively painless way to do that.
2. Our state is missing out on receiving more money from off-shore investors, and this is one way to recover some of those missing opportunities.
3. Our research shows that in 2016, just taking into account Oahu single family home sales over \$2,000,000, using the percentages in this bill, the conveyance tax would bring in an additional \$18 million. This does NOT take into account neighbor island sales, commercial real estate sales and leases or new construction sales state-wide. The increase of monies to the conveyance tax by this bill would be a very handsome sum. The Department of Taxation would be able to give a more accurate accounting.
4. This increase in the conveyance tax would not only increase the amount of money going to affordable housing, but also would increase the amount of money going to those programs that receive the other 50% of the conveyance tax.
5. I also support removing the cap of \$38 million which is now going into the Rental Housing Revolving Fund so that a full 50% of the conveyance taxes would go into this fund.

HHFDC really needs ALL the monies that it can get at this point in time to encourage developers to plan and execute appropriate housing at all levels of affordability. The certainty that funds will be available to subsidize affordable housing is a major hurdle for developers in even thinking about making plans. We need visionaries to plan, courageous legislators to commit the funds and a vibrant building community to make this happen.

Respectfully submitted,

Catherine Graham

LATE TESTIMONY



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

TESTIMONY FOR SENATE BILL 255, RELATING TO THE CONVEYANCE TAX

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

Tuesday, January 31, 2017, 2:45 PM
State Capitol, Conference Room 225

Honorable Chair Espero and committee members:

I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 350 members. On behalf of our members, we offer this testimony in support of, with proposed amendments for Senate Bill 255, relating to the conveyance tax.

Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. According to the National Low Income Housing Coalition's *Out of Reach 2016* report, a full time worker would need to earn \$34.22/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 \$2,100 in 2015, with average rent for a 900-square-foot exceeding \$2,200 in 2016. In the past three years alone, Honolulu rent has increased 23.5 percent. While 47 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 \$14.49/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, according to the Hawai'i Appleseed Center for Law and Economic Justice. Moreover, 54 percent of households are cost-burdened, meaning that they pay more than 30 percent of their income for housing costs.

We are in the midst of an affordable housing crisis. For context, 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. The median price of condominiums on O'ahu increased 8.3 percent in 2016 to \$390,000, while the median price for single-family homes increased by 6.5 percent to \$735,000, according to the Honolulu Board of Realtors. The cost of a four-bedroom home in urban Honolulu now exceeds \$1.1 million. At least 40 percent of residences in Hawai'i are owner unoccupied, according to the Hawai'i Housing Finance and Development

Corporation, meaning that nearly 50 percent—and by some estimates well over half—of Hawai'i homes are investment properties. Many of those properties 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.

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 eliminating the cap on conveyance tax collections paid into the revolving fund and increasing conveyance taxes on properties valued in excess of \$2 million. We further **urge the committee to consider amending this measure to increase conveyance taxes for all properties valued at \$600,000 and above**, noting that the wealth gap in our state is widening and an exponentially greater number of residents are unable to afford rent, much less the benefits of buying and selling a home. 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).” Thus, increasing conveyance tax prices directly impacts the real estate speculators driving up housing and, in turn, rental prices in Hawai'i, i.e. those most responsible for pricing local residents out of paradise.

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

Sincerely,
Kris Coffield
Executive Director
IMUAlliance