JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

DEAN MINAKAMI
EXECUTIVE DIRECTOR

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

Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE
February 26, 2024 at 12:30 p.m.
State Capitol, Room 308

In consideration of
H.B. 2364 HD1
RELATING TO THE CONVEYANCE TAX.

HHFDC **supports** HB 2364 HD1, which increases the conveyance tax rate for certain properties and allocates 10% of the collections to the Dwelling Unit Revolving Fund (DURF) for the purpose of funding infrastructure programs in transit-oriented development (TOD) areas. It also establishes a new conveyance tax rate for multi-family residential properties and eliminates the cap on the amount of annual conveyance tax collections allocated to the Land Conservation Fund and the Rental Housing Revolving Fund (RHRF).

Infrastructure development is critical to the construction of new housing units across the state, and DURF is primarily used to carry out the purposes of our housing development programs and regional State infrastructure programs, regardless of location. As such, HHFDC requests that the bill be **amended** to allow for the funding of infrastructure outside TOD areas.

HHFDC appreciates the removal of the cap on the annual allocation to RHRF. This fund provides loans or grants for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units.

Thank you for the opportunity to testify on this bill.

JOSH GREEN, M.D.
GOVERNOR | KE KIAʻĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIAʻĀINA

STATE OF HAWAIʻI | KA MOKUʻĀINA ʻO HAWAIʻI
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA ʻOIHANA KUMUWAIWAI ʻĀINA

P.O. BOX 621
HONOLULU, HAWAII 96809

DAWN N.S. CHANG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

RYAN KP KANAKAOLE
FIRST DEPUTY

DEAN D. UYENO
ACTING DEPUTY DIRECTOR - WATER

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

Testimony of
DAWN N. S. CHANG
Chairperson

Before the House Committee on
FINANCE

Monday, February 26, 2024
12:30 PM
State Capitol, Conference Room 308 and Via Videoconference

In consideration of
HOUSE BILL 2364, HOUSE DRAFT 1
RELATING TO THE CONVEYANCE TAX

House Bill 2364, House Draft 1 includes proposals to repeal the dollar cap amounts of conveyance taxes paid into the Land Conservation Fund and the Rental Housing Revolving Fund and to allocate ten percent of the conveyance tax collections, also uncapped, to the Dwelling Unit Revolving Fund. **The Department of Land and Natural Resources (Department) strongly supports this measure, with comments, and offers an amendment that would accelerate the intended strengthening of buying power for our Legacy Land Conservation Program by providing for an immediate cash infusion into the Land Conservation Fund.**

The Department of Taxation reports that FY 2023 conveyance tax revenue totaled $92.1 million (down from $188.4 million in FY 2022). Using the most recent growth rate projected by the Council on Revenues (January 8, 2024), FY 2024 conveyance tax revenue would total nearly $110 million. If the Land Conservation Fund (LCF) could receive a straight ten percent allocation of this revenue (almost $11 million in FY 2024)—as initially prescribed by Act 156, Session Laws of Hawaiʻi 2005—then the cash balance of the LCF would receive an immediate $5.9 million boost.

This additional funding would drive a faster recovery from COVID-driven downturns in LCF revenue for the Legacy Land Conservation Program, which continues to suffer from a $15 million transfer to the general fund and an ongoing, annual $1.7 million reduction created by reducing the revenue cap. Without an increased revenue stream, we estimate that (1) available LCF cash in FY 2025 would be only $6.2 million to support an $8.9 million appropriation from the existing budget act, and (2) available LCF cash in future years would be further suppressed at $5.1 million, with just $3.2 million of that available for competitive grant awards that enable land acquisition and land management for resource protection purposes. The Department also notes that—unlike the Rental Housing Revolving Fund and the Dwelling Unit Revolving Fund, which collectively received about $950 million in general fund appropriations and bond-funded cash to date—the LCF does not receive general fund appropriations or bond-funded cash and relies solely on conveyance tax revenue for nearly all its operating budget.

Therefore, the Department requests that the Committee consider amending Section 6 of this measure to read as follows:

SECTION 6. This Act, upon its approval, shall take effect retroactively on July 1, [~~3000~~]2023 .

Mahalo for the opportunity to testify in strong support of this measure.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

KA ʻOIHANA HOʻOMOHALA PĀʻOIHANA, ʻIMI WAIWAI A HOʻOMĀKAʻIKAʻI

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE
Monday, February 26, 2024
12:30 PM
State Capitol, Conference Room 308

in consideration of
HB 2364, HD1
RELATING TO THE CONVEYANCE TAX.

Chair Yamashita, Vice Chair Kitagawa, Members of the House Committee on Finance.

The Department of Business, Economic Development and Tourism (DBEDT) **strongly supports** HB2364, HD1, an Administration bill, which proposes increases to the conveyance tax on properties valued at or over $6,000,000 and allocation of ten percent of the tax to an infrastructure fund for use in transit-oriented development areas.

Per the Legislature's direction in Act 88, SLH 2021, Sec. 39, the recently completed TOD Infrastructure Finance and Delivery Strategy identified the need for regular, predictable revenue sources to finance regional public infrastructure to facilitate transit-oriented development on state, county, and private lands (see https://files.hawaii.gov/dbedt/op/lud/Reports/TOD_InfraFin_Strategy_20231221.pdf).

The bill would increase conveyance tax on properties valued at or over $6,000,000, or for purchasers who are ineligible for a county homeowner's exemption on properties valued at or over $2,000,000. The bill also clarifies that people with indirect interests in property shall not be exempted from paying the tax.

Thank you for the opportunity to testify.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAIʻI
DEPARTMENT OF TAXATION
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PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 2364, H.D. 1, Relating to the Conveyance Tax.

BEFORE THE:
House Committee on Finance

DATE:	Monday, February 26, 2024
TIME:	12:30 p.m.
LOCATION:	State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committees:

The Department of Taxation ("Department") offers the following comments on H.B. 2364, H.D. 1, an Administration measure, for your consideration.

H.B. 2364, H.D. 1 amends sections 247-2, 247-3, and 247-7, Hawaii Revised Statutes (HRS), to increase existing conveyance tax rates and add new rates for properties valued at $14 million or more. The bill creates a new rate structure and definition for "multifamily residential property," while adding a new conveyance tax exemption for any document or interest conveying real property to an individual who is an owner-occupant or renter-occupant of that property, as long as that individual does not have direct or indirect ownership interest in any other real property, including through a legal entity.

The bill also creates an allocation requirement that 10 percent of conveyance tax revenues be paid into the Dwelling Unit Revolving Fund under section 201H-191, HRS and repeals the dollar cap amounts of conveyance taxes paid into the Land Conservation Fund and Rental Housing Revolving Fund. The measure has a placeholder effective date of July 1, 3000.

The Department requests the effective date be postponed until January 1, 2025. This will allow the Department sufficient time to make the necessary form and instruction changes.

Thank you for the opportunity to provide comments on this measure.

STATE OF HAWAIʻI
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
INTERIM DIRECTOR

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Statement of
MARY ALICE EVANS, Interim Director

before the
HOUSE COMMITTEE ON FINANCE
Monday, February 26, 2024
12:30 p.m.
State Capitol, Conference Room 308

in consideration of
BILL NO HB 2364, HD1
RELATING TO THE CONVEYANCE TAX.

Chair Yamashita, Vice Chair Kitagawa, and Members of the House Committee on Finance:

The Office of Planning and Sustainable Development (OPSD) **strongly supports** HB2364. HD1, an Administration bill, which increases the conveyance tax rate for certain properties, exempts conveyances of certain real property, establishes a new conveyance tax rate for multifamily residential properties, eliminates the cap on the amount of conveyance tax collections allocated to the Land Conservation Fund and Rental Housing Revolving Fund, and allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas. OPSD **supports** the amendments proposed by the Housing Committee in this HD1.

Per the Legislature's direction and funding in Act 88, SLH 2021, Sec. 39, OPSD recently completed the *TOD Infrastructure Finance and Delivery Strategy*, which identified possible revenue sources to fund infrastructure for housing development (see https://files.hawaii.gov/dbedt/op/lud/Reports/TOD_InfraFin_Strategy_20231221.pdf). The study identified the need for regular, predictable revenue sources to help finance regional public infrastructure to facilitate transit-oriented development on state, county, and private lands.

As recommended by the *Strategy*, this bill would increase the conveyance tax on those properties valued at or over $6,000,000, or for purchasers who are ineligible for a county homeowner's exemption on properties valued at or over $2,000,000. The new tax revenue allocated to the Dwelling Unit Revolving Fund will help build infrastructure that is intended to increase the state's housing inventory. The bill clarifies that people with indirect interests in property shall not be exempted from paying the tax. The amended bill also proposes a reduced rate for multifamily residential properties, and repeals the dollar cap amounts of conveyance taxes paid into the Land Conservation Fund and Rental Housing Revolving Fund.

Increasing infrastructure investment to unlock housing production is supported by state and county agencies and developers.

Thank you for the opportunity to testify on this measure.

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
Ke Kiaʻāina o ka Mokuʻāina ʻo Hawaiʻi

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
Ka Hope Kiaʻāina o ka Mokuʻāina ʻo Hawaiʻi

KALI WATSON
CHAIRMAN, HHC
Ka Luna Hoʻokele

KATIE L. DUCATT
DEPUTY TO THE CHAIRMAN
Ka Hope Luna Hoʻokele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
Ka ʻOihana ʻĀina Hoʻopulapula Hawaiʻi
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HONOLULU, HAWAII 96805

TESTIMONY OF KALI WATSON, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON FINANCE
HEARING ON FEBRUARY 26, 2024 AT 12:30PM IN CR 308

HB 2364, HD 1, RELATING TO THE CONVEYANCE TAX

February 26, 2024

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) supports this bill which would 1) increase the conveyance tax rate for certain properties 2) exempt conveyances of certain real property from the conveyance tax 3) eliminate the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund and 4) allocate ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund (DURF) for the purpose of funding infrastructure programs in transit-oriented development areas, effective 7/1/3000.

The DHHL supports this bill due to the proven need for more infrastructure funding to unlock housing production, especially in transit-oriented development areas. The increased tax revenue and the tax allocation to the DURF will help increase the state's inventory of affordable rental housing to provide more housing options.

Thank you for your consideration of our testimony.

HAWAIʻI COMMUNITY DEVELOPMENT AUTHORITY

547 Queen Street, Honolulu, Hawaiʻi 96813
Telephone: (808) 594-0300 Fax: (808) 587-0299
Web site: http://dbedt.hawaii.gov/hcda/

Statement of
CRAIG K. NAKAMOTO
Executive Director
Hawaiʻi Community Development Authority
before the
HOUSE COMMITTEE ON FINANCE

Monday, February 26, 2024
12:30 p.m.
State Capitol, Conference Room 308 & Videoconference

In consideration of
HB 2364 HD1
RELATING TO THE CONVEYANCE TAX.

Chair Yamashita, Vice Chair Kitagawa, and members of the Committee. The Hawaiʻi Community Development Authority (HCDA) supports HB 2364 HD1, that increases the conveyance tax rate for certain properties, and allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas.

This measure offers a greatly needed revenue stream for financing large public infrastructure projects like streets, utilities, storm water and sea level management systems in transit-oriented development areas.

Across the State, infrastructure is essential to support development including affordable housing and mixed-use projects, and it is an integral part of building better communities.

Thank you for the opportunity to provide our comments.

SUBJECT: CONVEYANCE, Tax Hike, Exemption for Property with Price Cap, Change Earmarks

BILL NUMBER: HB 2364 HD 1

INTRODUCED BY: House Committees on Housing and Water & Land

EXECUTIVE SUMMARY: Increases the conveyance tax rate for certain properties. Exempts conveyances of certain real property from the conveyance tax. Establishes a new conveyance tax rate for multifamily residential properties. Eliminates the cap on the amount of conveyance tax collections allocated to the Land Conservation Fund and Rental Housing Revolving Fund. Allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas.

SYNOPSIS: Amends section 247-2, HRS, to increase the rate of conveyance tax as follows

For a condominium or single-family residence for which the purchaser is ineligible for a county homeowner's exemption on real property tax: In the tables, red indicates a new and increased tax rate.

Minimum Property Value	Current Tax (per $100 of consideration)	New Tax (per $100 of consideration)
$ 0	$ 0.15	**$ 0.15**
600,000	0.25	**0.25**
1,000,000	0.40	**0.40**
2,000,000	0.60	**1.00**
4,000,000	0.85	**1.50**
6,000,000	1.10	**2.00**
10,000,000	1.25	**3.00**
14,000,000	"	**4.00**
18,000,000	"	**5.00**
22,000,000	"	**6.00**
26,000,000	"	**7.00**

For a multifamily residential property (new category):

Minimum Property Value	Current Tax (per $100 of consideration)	New Tax (per $100 of consideration)
$ 0	$ 0.10	**$ 0.10**
600,000	0.20	**0.20**
1,000,000	0.30	**0.30**
2,000,000	0.50	**0.50**
4,000,000	0.70	**0.70**
6,000,000	0.90	**0.90**

10,000,000	1.00	**1.00**
20,000,000	"	**1.25**
50,000,000	"	**1.50**
100,000,000	"	**2.00**

For all other properties:

Minimum Property Value	Current Tax (per $100 of consideration)	New Tax (per $100 of consideration)
$0	$ 0.10	**$ 0.10**
600,000	0.20	**0.20**
1,000,000	0.30	**0.30**
2,000,000	0.50	**0.50**
4,000,000	0.70	**0.70**
6,000,000	0.90	**1.10**
10,000,000	1.00	**1.40**
14,000,000	"	**2.00**
18,000,000	"	**3.00**
22,000,000	"	**4.00**
26,000,000	"	**6.00**

Defines "multifamily residential property" as a structure that is located within the state urban land use district and divided into five or more dwelling units.

Amends section 247-3, HRS, to add a new exemption for any document or instrument conveying real property to an individual who is an owner-occupant or renter-occupant of the property; provided the individual does not have a direct or indirect ownership interest in any other real property, including through ownership interest in a trust, partnership, corporation, limited liability company, or other entity.

Amends section 247-7, HRS, to remove the dollar amount ceilings on the earmarks to the land conservation fund and the rental housing revolving fund, and to add a new 10% earmark to the dwelling unit revolving fund for the purposes of funding infrastructure programs in transit-oriented development areas.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: This bill is part of the Administration package, sponsored by the Department of Business, Economic Development and Tourism, and is identified as BED-20 (24). The justification sheet prepared by DBEDT accompanying the bill states that it is consistent with a report to the Legislature entitled "Hawaii TOD Infrastructure Financing and Delivery Strategy for Pilot Areas," funded by the Legislature in 2021. We were unable to locate a copy of this report.

Conveyance Tax Hike

The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation (which at the time also administered the real property tax) with additional data for the determination of market value of properties transferred. This information was also to assist the department in establishing real property assessed values and at that time the department stated that the conveyance tax was not intended to be a revenue raising device.

Prior to 1993, the conveyance tax was imposed at the rate of 5 cents per $100 of actual and full consideration paid for a transfer of property. At the time all revenues from the tax went to the general fund. The legislature by Act 195, SLH 1993, increased the conveyance tax to 10 cents per $100 and earmarked 25% of the tax to the rental housing trust fund and another 25% to the natural area reserve fund. Because of legislation in 2005 and in 2009, the conveyance tax rates were substantially increased and bifurcated between nonowner-occupied residential properties and all other properties. Tax brackets were based on the amount of value transferred.

This bill proposes to raise conveyance tax rates yet again, and in dramatic fashion.

There are two points lawmakers may wish to consider. First, the proposed new brackets have discontinuities at the bracket break points, which means that if taxable income increases by $1 at a break point, such as from $9,999,999 to $10,000,000, the increase in tax will be substantially more than $1. In this example the tax would go from $200,000 to $300,000. Substantial discontinuities such as these may motivate behavior for taxpayers near a break point. This behavior might not be desirable from an economic standpoint. Consideration should be given to making the conveyance tax brackets more like the existing income tax brackets which do not have this problem.

Second, it should be kept in mind that a large dollar value transaction doesn't necessarily mean that a filthy rich person ripe for the fleecing is on one or the other end. A multi-unit condominium housing development, for example, easily could sell for an eight-digit number.

Third, a tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

Tax Earmarks

Until 2005, 50% of the receipts went into the general fund and the other half was split with the affordable rental housing program and the natural area reserve program. Beginning in 2005, another 10% was taken for the land conservation fund.

Act 84, SLH 2015, imposed a $6.8 million cap on the earmark. In 2015, the Conference Committee explained the rationale for the cap on the earmark as follows:

> Your Committee on Conference finds that budgetary planning and transparency are key components to ensuring the ongoing fiscal health of the State. Your Committee on Conference believes that, by establishing maximum amounts to be distributed to various non-general funds from the conveyance tax, this measure will make forecasts of general fund revenues more reliable, will increase legislative oversight of agencies and programs supported by the non-general funds, and will subject those agencies and programs to competition for limited public funds if the agencies or programs want more than the amount automatically distributed to their non-general funds.

Conf. Comm. Rep. No. 156 (2015).

The cap on the earmark to the land conservation fund was reduced to $5.1 million in the budget bill of 2020, Act 9, SLH 2020.

An additional earmark is proposed to be added by this bill.

Raising or removing the cap on the earmarked revenues should be done only with great caution. 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 fund to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. If the money were appropriated, lawmakers could then evaluate the real or actual needs of each program.

Digested: 2/23/2024

CATHOLIC CHARITIES HAWAIʻI

TESTIMONY IN SUPPORT OF HB 2364 HD1: RELATING TO CONVEYANCE TAX

TO: House Committee on Finance
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaiʻi
Hearing: Monday, 2/26/24; 12:30 PM; Room 308 & via Videoconference

Chair Yamashita, Vice Chair Kitagawa, and Members, Committee on Finance:

Thank you for the opportunity to provide testimony **in Strong Support of HB 2364, HD1,** which would increase conveyance tax rates, remove the caps on the Rental Housing Revolving Fund and Land Conservation Fund, and appropriate a dedicated percentage of this tax to the Dwelling Unit Revolving Fund (DURF). I am Rob Van Tassell with Catholic Charities Hawai`i.

Catholic Charities Hawai`i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai`i for over 75 years. CCH has programs serving elders, children, families, homeless and immigrants. Our mission is to provide services and advocacy to the most vulnerable of the people in Hawai`i. This bill is one of our affordable housing priorities.

The Legislature has stated that creating more affordable housing is one of the top priorities for this 2024 session. **Passing this bill would provide the dedicated funding that developers need to plan for the future construction of the massive number of housing units needed for the people of Hawai`i.** Households making 0-60% AMI are suffering, as well as those at 80-100% AMI, and even higher. The Star Advertiser (2/18/24) reported that our State had an <u>overall population loss of 36,789 people in the last 3 years, which resulted in $185 million loss to the state for personal income and General Excise tax revenues.</u> Our kamaaina are being pushed out to states with lower housing costs. **Even with the tough budget picture of the state, we cannot stop our commitment to dedicated funding to ensure that the creation of affordable housing continues.**

<u>We strongly support HD1 which removes the cap on the Rental Housing Revolving Fund (RHRF).</u> This will provide funding for affordable rentals for these struggling families. Instructure is needed across the Hawaiian Islands to remove many barriers to creating affordable housing. <u>Dedicated funding to DURF</u> is a critical piece to enable more construction of housing. With climate change already hitting Hawai`i, we also urge you to <u>prioritize land conservation and remove the cap on this fund.</u> Increasing the conveyance tax when a high cost property is sold would provide permanent funding to meet these crucial needs of Hawai`i.

Our state's conveyance tax rates have not been updated for over 14 years. With our ongoing housing crisis, now is the time to increase these rates. Please support HB 2364 HD1. If you have any questions, please contact our Legislative Liaison, Betty Lou Larson at (808) 527-4813.

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

February 25, 2024

Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
Committee on Finance

RE: **HB 2364 HD1 - Relating to Conveyance Tax**
Hearing date – February 26, 2024 at 12:30 PM

Aloha Chair Yamashita, Vice Chair Kitagawa, and members of the committee,

Thank you for allowing NAIOP Hawaii to submit testimony in **OPPOSITION to HB 2364 HD1 – RELATING TO CONVEYANCE TAX**. NAIOP Hawaii is the Hawaii chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

HB 2364 HD1 increases the conveyance tax to properties valued at $10 million or greater. Additionally, HB 2364 HD1 removes the maximum disposition caps of the conveyance tax allocated to the Rental Housing Revolving Fund (RHRF) and Land Use Conservation Fund. The measure further allocates ten percent of the conveyance tax for the Dwelling Unit Revolving Fund (DURF) for the purpose of funding infrastructure programs in transient-oriented development (TOD) areas.

Furthermore, the previous committee amended the measure to:

1. Establishing new conveyance tax rates for multifamily residential property and inserting a definition for "multifamily residential property"; and

2. Repealing the dollar cap amounts of conveyance taxes paid into the Land Conservation Fund and Rental Housing Revolving Fund;

Hawaii already has one of the worst conveyance taxes in the country. The increase to conveyance tax would disincentivize property owners to sell since their transaction costs would be much higher. In turn, many will instead opt to maintain their current ownership of the property ultimately resulting in less property transactions. A reduction in transactions will result in: 1) an overall decrease in conveyance tax received by the State; and 2) a meaningful reduction in economic activity as the acquisition of large properties typically comes with additional investment to redevelop and increase value of the asset; 3) decreased GET revenues and jobs.

In particular, this increase in conveyance tax will impact investment in large commercial properties throughout the state. The acquisition of new commercial property comes with additional investment to redevelop and increase value of the asset. The increase of conveyance tax would result in less capital to invest into the property, and thus, would make the transaction economically infeasible.

This would lead to less property transactions and reduce the amount of times conveyance tax is collected. Consequently, property values would decline proportionately to account for the increased transaction costs leading to lower real property tax receipts for the counties.

NAIOP Hawaii appreciates the addition allocations to RHRF, however, we remain concerned with the broader economic impacts this measure may have on our State’s economy long term if large property transactions are reduced. With a potential reduction in conveyance tax collected, the removal of the caps to RHRF and DURF may result in a substantially larger percentage of conveyance tax revenue being diverted from the general fund.

NAIOP Hawaii is concerned that this increase in conveyance taxes will reduce the private sector’s investment into long term projects which stimulates economic activity in the State. Hawaii is already rated as one of the least business friendly states in the nation and increasing this tax rate will further discourage much needed investment here locally. Rather, additional efforts to encourage investment in Hawaii and incentivize the creation of new projects and businesses in Hawaii would stimulate our economy by creating jobs and tax revenue.

Accordingly, NAIOP Hawaii respectfully recommends that HB 2364 HD1 be deferred.

Mahalo for your consideration,

Reyn Tanaka, President
NAIOP Hawaii

HAWAIʻI REALTORS®

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808-737-4977
1259 Aʻala Street, Suite 300
Honolulu, HI 96817

February 26, 2024

The Honorable Kyle T. Yamashita, Chair
House Committee on Finance
State Capitol, Conference Room 308 & Videoconference

RE: House Bill 2364 HD1, Relating to the Conveyance Tax

HEARING: Monday, February 26, 2024, at 12:30 p.m.

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawaiʻi Association of REALTORS® ("HAR"), the voice of real estate in Hawaiʻi and its over 11,000 members. HAR **opposes** House Bill 2364 HD1, which increases the conveyance tax rate for certain properties. Exempts conveyances of certain real property from the conveyance tax. Establishes a new conveyance tax rate for multifamily residential properties. Eliminates the cap on the amount of conveyance tax collections allocated to the Land Conservation Fund and Rental Housing Revolving Fund. Allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas. Effective 7/1/3000.

While we appreciate the intent of this measure to find a source of funding for the Dwelling Unit Revolving Fund for infrastructure programs and transit-oriented development, we respectfully request another source of funding be identified. Increasing the Conveyance Tax will negatively impact the housing market and lead to an increase in the cost of housing. It should also be noted that the business industry in Hawaii will also be affected as the Conveyance Tax applies to commercial properties and land which will lead to an increase in the cost of goods and services when these higher costs are passed down to the consumer from affected businesses.

This measure creates a new Conveyance Tax rate for multifamily residential property which are structures that are located in the urban land use district and divided into 5 or more dwelling units:

Property Value:	Proposed Rate (Per $100):	Proposed (in Dollars):
<$600,000	$0.10	**$500** ($500k property)
$600,000 - $0.99 mil	$0.20	**$1,600** ($800k property)
$1 mil - $1.99 mil	$0.30	**$3,000** ($1 mil property)
$2 mil - $3.99 mil	$0.50	**$10,000** ($2 mil property)
$4 mil - $5.99 mil	$0.70	**$28,000** ($4 mil property)
$6 mil - $9.99 mil	$0.90	**$54,000** ($6 mil property)
$10 mil - $19.99 mil	$1.00	**$100,000** ($10 mil property)
$20 mil - $49.99 mil	$1.25	**$250,000** ($20 mil property)
$50 mil - $99.99 mil	$1.50	**$750,000** ($50 mil property)
$100 mil +	$2.00	**$2,000,000** ($100 mil property)

HAWAIʻI REALTORS®
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This measure also proposes to greatly increase the Conveyance Tax rates for real property. The following are examples of the rate increases:

Property Value:	Current *Per $100:*	Proposed:	Current Rate (in Dollars):	Proposed (in Dollars):
$6 mil - $9.99 mil	$0.90	$1.10	$54,000 ($6 mil property)	**$66,000**
$10 mil - $13.99 mil *New*	$1.00	$1.40	$100,000 ($10 mil property)	**$140,000**
$14 mil - $17.99 mil *New*	$1.00	$2.00 (2% of Value)	$140,000 ($14 mil property)	**$280,000**
$18 mil - $21.99 mil *New*	$1.00	$3.00 (3% of Value)	$180,000 ($18 mil property)	**$540,000**
$22 mil - $25.99 mil *New*	$1.00	$4.00 (4% of Value)	$220,000 ($22 mil property)	**$660,000**
$26 mil+ *New*	$1.00	$6.00 (6% of Value)	$260,000 ($26 mil property)	**$1,560,000**

For condominiums and single-family homes where the purchaser is ineligible to qualify for a homeowner exemption, and for all non-residential properties, the following are the proposed rate increases:

Property Value:	Current *Per $100:*	Proposed:	Current Rate (in Dollars):	Proposed (in Dollars):
$2 mil - $3.99 mil	$0.60	$1.00	$12,000 ($2 mil property)	**$20,000**
$4 mil - $5.99 mil	$0.85	$1.50	$34,000 ($4 mil property)	**$60,000**
$6 mil - $9.99 mil	$1.10	$2.00 (2% of Value)	$66,000 ($6 mil property)	**$120,000**
$10 mil - $13.99 mil *New*	$1.25	$3.00 (3% of Value)	$125,000 ($10 mil property)	**$300,000**
$14 mil - $17.99 mil *New*	$1.25	$4.00 (4% of Value)	$175,000 ($14 mil property)	**$560,000**
$18 mil - $21.99 mil *New*	$1.25	$5.00 (5% of Value)	$225,000 ($18 mil property)	**$900,000**
$22 mil - $25.99 mil *New*	$1.25	$6.00 (6% of Value)	$275,000 ($22 mil property)	**$1,320,000**
$26 mil+ *New*	$1.25	$7.00 (7% of Value)	$325,000 ($26 mil property)	**$1,820,000**

The Conveyance Tax applies not only to residential property such as single-family homes and condominiums, but to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands. It was originally created to fund the Bureau of Conveyances, but has increased over the years and evolved into a revenue source for the Land Conservation Fund, Rental Housing Revolving Fund, and General Fund. Increasing the cap for either special fund leads to a decline in revenue for the General Fund.

Hawaii's real estate market has slowed due to rising interest rates to address inflation, resulting in a 27.22% decrease in single-family home sales and 29.15% decrease in condominium sales year-to-date as of December 2023.[1] The challenge with linking

[1] Hawaiʻi REALTORS®. (2023). *Statewide Real Estate Statistics.* www.hawaiirealtors.com/resources/housing-trends-2

funding to the Conveyance Tax is that when the real estate market is down, there may not be enough funds to pay for the programs it supports. The Conveyance Tax is then often targeted for increase to cover these programs; however, when the market is up, there are excess funds over and above the programs' needs. This becomes a cyclical issue, and the Conveyance Tax is never lowered even in an up market, thereby contributing to the ever-increasing cost of housing in our state.

Furthermore, this would affect development projects including affordable housing rentals or for sale projects, which purchase uninhabitable property and make it habitable. According to the Department of Business Economic Development and Tourism's 2019 report on Housing Demand in Hawaii, the state needs up to 45,497, housing units to meet demand in Hawaii by 2030[2]. Ultimately, we have a housing supply problem, and the Conveyance Tax proposed in this measure adds to the cost of housing.

HAR would also note that the Conveyance Tax applies even if someone sells a property at a loss. Often, it is the seller that pays the Conveyance Tax. This makes it a punishing tax, especially for someone that is already struggling financially and needs to sell their assets. One pays the same Conveyance Tax regardless of whether it is sold at a loss or a profit. If there is a profit, real property is also taxed with capital gains.

Additionally, this measure proposes to utilize 10% of the Conveyance Tax revenues to fund the Dwelling Unit Revolving Fund for the purposes of funding infrastructure programs in transit-oriented development area. If the goal is to encourage and create new housing, mixed-use, and affordable housing development along the transit corridor areas, this large tax increase would be counterproductive to those efforts.

For the foregoing reasons, the Hawai‘i Association of REALTORS® opposes this measure. Mahalo for the opportunity to testify.

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[2] Department of Business, Economic Development & Tourism. (2019). *Hawaii Housing Demand 2020-2030.* https://files.hawaii.gov/dbedt/economic/reports/housing-demand-2019.pdf

GRASSROOT
INSTITUTE OF HAWAII

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Removing barriers to Hawaii's prosperity

Feb 26, 2024, 12:30 p.m.
Hawaii State Capitol
Conference Room 308 and Videoconference

To: House Committee on Finance
Rep. Kyle T. Yamashita, Chair
Rep. Lisa Kitagawa, Vice-Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY OPPOSING HB2364 HD1 — RELATING TO THE CONVEYANCE TAX

Aloha Chairs and Committee Members,

The Grassroot Institute of Hawaii is concerned about the potential economic impact of HB2364 HD1, which would increase the conveyance tax for properties valued between $6 million and $10 million by more than 20%; increase the tax for properties valued between $10 million and $14 million by 40%; and create new tiers that would double, triple, quadruple and sextuple the tax for higher-valued properties.

This bill does attempt to limit the tax increase to homes well out of the average range for homes in Hawaii, but that does not mean that the average Hawaii resident will not feel its effects.

In addition, this bill deserves some praise for seeking to create a new set of conveyance tax tiers for multifamily residential property that would offer some respite from the massive tax hikes seen in other categories. However, this would not be not enough to mitigate the potential harm from a large increase in the conveyance tax.

Put simply, higher conveyance taxes can harm the economy. A report by the Sage Policy Group on transfer taxes noted that such laws can "lead to decreases in population, real incomes, real estate transactions, investment in structures, and quality of the built environment."[1]

[1] "The Unintended Consequences of Excessive Transfer Taxes," Sage Policy Group, Inc. on behalf of the Community Coalition for Jobs and Housing, June 2022, p. 3.

When applied to higher-value properties, transfer taxes reduce investment in both commercial and residential properties, leading to lost jobs and reduced economic activity.

Further, this measure might discourage adaptive reuse — the conversion of old buildings to new purposes. Hawaii's counties can leverage adaptive reuse to add to their housing stock, as they are doing now,[2] but higher conveyance taxes could chill the sale of old buildings, which may not necessarily qualify as "multifamily residential property" at the time of sale.

The Sage report stated: "Many properties will need to be upgraded and/or adaptively reused to remain viable. Excessive transfer tax rates can frustrate the exchange of property that is often required to return to commercial viability."[3]

Looking at the even broader picture, one must consider that tax increases in general are not a good idea for Hawaii's economy, especially not now when it already has one of the highest tax burdens in the nation.[4] Consider these points:

>> Hawaii's population has been declining for the past six years.[5] Tens of thousands of Hawaii residents have moved to the mainland over the past six years — and mainly to states without income taxes, such as Washington, Nevada, Texas and Florida.[6] Their departure from the islands is not only emotionally distressing, but economically depressing as well.

>> Fewer people remaining means fewer people to work at our private businesses, or even staff our government agencies. It also means fewer people to help pay for Hawaii's ever-increasing tax burden.

>> Higher taxes for the residents who still live here is more fuel for the exodus of talent and capital — our friends, neighbors and family — to places that are more affordable. It's a downward spiral economically fostered by the relentless upward spiral of more and more taxes.

>> Hawaii taxes high-income earners at 11%, second only to California at 13.3%.[7] Hawaii's top 1.5% of taxpayers already pay 34.9% of all income taxes in the state.[8]

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[2] Lana Teramae, "Local Architects Talk About Repurposing Existing Buildings in Post-Pandemic Hawaiʻi," Hawaii Business Magazine, Sept. 6, 2021.
[3] "The Unintended Consequences of Excessive Transfer Taxes," p. 3.
[4] Jared Walczak and Erica York, "State and Local Tax Burdens, Calendar Year 2022," Tax Foundation, April 7, 2022.
[5] Maria Wood, "Where People from Hawaii Are Moving to the Most," 24/7 Wall Street, Jan. 23, 2022.
[6] Katherine Loughead, "How Do Taxes Affect Interstate Migration?" Tax Foundation, Oct. 11, 2022.
[7] Timothy Vermeer, "State Individual Income Tax Rates and Brackets for 2023," Tax Foundation, Feb. 21, 2023.
[8] "Hawaii Individual Income Tax Statistics," Hawaii Department of Taxation report for Tax Year 2021, August 2023, Table 12A.

>> Finally, Hawaii is suffering from a stagnant economy, and both the Economic Research Organization at the University of Hawai'i[9] and the state Department of Business, Economic Development and Tourism[10] have predicted continued slow economic growth in 2024. Tax hikes could exacerbate this slowdown, since entrepreneurs will be less likely to want to invest their capital — or "wealth assets," as the case may be[11] — in Hawaii's economy.

In short, Hawaii's residents and businesses need a break from new taxes, tax increase, fees and surcharges. This is not the time to make Hawaii a more expensive place to live and do business. Even when applied to a limited number of properties, a dramatic increase in the conveyance tax would have a negative effect on the state's economy.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

[9] Carl Bonham, Byron Gagnes, Steven Bond-Smith, et al., "State Facing Headwinds as Maui Recovery Begins," Economic Research Organization at the University of Hawai'i, Dec. 15, 2023.
[10] Hawaii Department of Business, Economic Development, and Tourism, "Hawaii Economic Growth Remains Low for 2024 as Recovery Continues," Dec. 11, 2023.
[11] Aaron Hedlund, "How Do Taxes Affect Entrepreneurship, Innovation, and Productivity?" Center for Growth and Opportunity at Utah State University, Dec. 23, 2019; Ergete Ferede, "The Effects on Entrepreneurship of Increasing Provincial Top Personal Income Tax Rates in Canada," Fraser Institute, July 10, 2018; Robert Carroll, Douglas Holtz-Eakin, Mark Rider and Harvey S. Rosen, "Personal Income Taxes and the Growth of Small Firms," National Bureau of Economic Research, October 2000.

To: House Committee on Finance
Re: **HB 2364 HD1 – Relating to the Conveyance Tax**
Hawaiʻi State Capitol & Via Videoconference
February 26, 2024, 12:30 PM

Dear Chair Yamashita, Vice Chair Kitagawa, and Committee Members,

On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing in **SUPPORT of HB 2364 HD1**. This bill increases the conveyance tax rate for multi-million dollar properties and exempts conveyances of properties to owner- or renter-occupants from the tax. It also eliminates the cap on the amount of conveyance tax collections allocated to the Land Conservation Fund and the Rental Housing Revolving Fund and allocates ten percent to the Dwelling Unit Revolving Fund.

Since the start of the pandemic, real estate prices in Hawaiʻi have skyrocketed to record highs over and over again. The conveyance tax is like a sales tax, applied when real property is transferred between owners, but **current conveyance tax rates are only 0.1 percent to 1.25 percent, even on multi-million dollar properties**.

This bill would raise conveyance tax rates on second homes or residential **investment properties worth at least $2 million**, other types of real property worth **at least $6 million,** and on **multifamily residential properties worth at least $10 million**. It makes sense to ask wealthy sellers to pay a little more when they sell their multi-million dollar properties. In addition, it completely exempts the sales of homes to current occupants from the tax.

It is well known that Hawaiʻi's families are facing affordable housing and homelessness crises. This bill would help alleviate these crises, as conveyance tax collections are allocated to priorities such as the Rental Housing Revolving Fund (RHRF), which provides low-interest loans or grants for affordable housing projects. This bill wisely would remove the cap on the amount of conveyance tax that can go to the RHRF, which is the lesser of 50 percent or $38 million per year. If there had been no such cap over the past several years, the RHRF would have received tens or even hundreds more dollars per year.

This bill would also add an additional recipient of conveyance tax collections: the Dwelling Unit Revolving Fund, for the purposes of funding infrastructure programs in transit-oriented development areas.

Mahalo for the opportunity to provide this testimony. Please pass this bill.

Thank you,

Nicole Woo
Director of Research and Economic Policy

Committee on Finance
Chair Kyle Yamashita, Vice Chair Kitagawa

Monday, February 26 2024, 12:30 pm Room 308 and videoconference
HB2364 HD1— RELATING TO CONVEYANCE TAX

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

Chair Yamashita, Vice Chair Kitagawa, and Committee Members:

The League of Women Voters of Hawaii strongly support HB2364 HD1, which increases the conveyance tax rate for certain properties; exempts conveyances of certain real property from the conveyance tax; establishes a new conveyance tax rate for multifamily residential properties; eliminates the cap on the amount of conveyance tax collections allocated to the Land Conservation Fund and Rental Housing Revolving Fund; and allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas. We approve of the modifications in HD1, which follow both State Agency and community recommendations.

We base our approval on the following facts, well documented in testimony presented to HSG/WAL on February 7:

1. Hawaii's conveyance tax rates have not been updated since 2009. Much has changed in Hawaii's economy and housing crisis since that time.

2. Hawaii's conveyance tax rates are substantially lower than those in jurisdictions with similar escalation in housing costs. We note that all islands have experienced very rapid escalation in those costs, especially the most populous islands.

3. The additional costs proposed in HB2364 HD1 will be borne by those individuals and organizations with greater wealth than the vast majority of the State population, while its benefits through increased monies for the Rental Housing Revolving Fund and new allocation to the Dwelling Unit Revolving Fund will benefit the entire population by increasing the housing supply and will especially benefit the neediest families in Hawaii.

4. Both the entire population and the tourism industry will benefit from the Land Conservation Fund as that Fund increases the amount of open space and natural beauty of our islands.

Please pass HB2364 HD1.

Thank you for the opportunity to submit testimony.

TESTIMONY FROM THE DEMOCRATIC PARTY OF HAWAI'I

HOUSE COMMITTEE ON FINANCE

FEBRUARY 26, 2024

HB 2364, HD1, RELATING TO THE CONVEYANCE TAX

POSITION: SUPPORT

The Democratic Party of Hawai'i **supports** HB 2364, HD1, relating to the conveyance tax. Pursuant to the "Economic Justice and Labor" section of the official Democratic Party of Hawai'i platform, the party supports "policies that circulate currency through our economy, helping businesses to thrive, including tax policy that lessens the tax burden of low- and middle-income earners and increases the tax burden of high-income earners and the wealthy. We support government investments of tax revenue in community development, government anti-poverty programs, and the transition to a sustainable, green economy."

The revenue from the conveyance tax is, in part, used to fund the development of affordable housing, as well as to protect conservation land and natural resources. As noted by the Hawai'i Appleseed Center for Law and Economic Justice, these are two places in our social structure where the impact of an out-of-control real estate market has serious, adverse impacts.

Since the onset of the pandemic, Hawai'i's luxury real estate market has been booming. Yet, conveyance taxes have not risen concurrently, so that the sellers of high-end properties are not currently paying their fair tax share to support our state's public interest. In fact, while the cost of housing and the value of real estate have continued to skyrocket, our islands' conveyance tax rates have not been updated since 2005.

Our state's conveyance tax rates are only 0.50 to 1.25 percent on multi-million-dollar properties. In contrast, high-cost cities–such as Seattle and San Francisco–have been updating their transfer (conveyance) taxes to rates between 2 to 7 percent for luxury homes. If Hawai'i's conveyance tax were raised merely to 2 to 6 percent on properties worth $2 million and higher, the state would generate an additional $300–400 million in revenue every year.

We need new revenue to address Hawai'i's affordable housing and homelessness crises. According to the 2019 Hawai'i Housing Planning Study, our state needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025, with 30 percent of that need being concentrated for people earning at or below people earning 30 percent of Area Median Income (AMI), which equates to $25,000 per year for a single person.

Additionally, the 2022 Point In Time Count estimated that there are around 6,223 individuals living unsheltered in Hawai'i. This figure does not account for the "hidden homeless"—people relying on public assistance, relatives, or friends for shelter because they cannot afford to live on their own. Finally, eliminating the caps on the amount of conveyance tax revenue deposited into the Land Conservation Fund and Rental Housing Revolving Fund would increase their deposits to $18.8 and $94 million respectively, far above their current allocations.

Mahalo nui loa,

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Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for H.B. 2364 HD1 – Relating to Conveyance Tax
House Committee on Finance
Monday, February 26, 2024 at 12:30PM Conf. Rm. 308 and via Videoconference

Dear Chair Yamashita, Vice Chair Kitagawa, and fellow committee members:

Thank you for the opportunity to express our **STRONG SUPPORT for H.B. 2364 HD1**, which will increase the rates of conveyance tax starting at sales of $4,000,000 and above and create a dedicated 10% allocation to the Dwelling Unit Revolving Fund (DURF). We also offer suggested amendments to include language which would exempt affordable housing from HB2364 HD1 as well as suggested rate increases..

The Dwelling Unit Revolving Fund (DURF), established in 1970, supports infrastructure investments connected to housing development, crucial for maintaining housing production aligned with our increasing demand. Hawaii was given a D+ rating by the American Society of Civil Engineers in the "2019 Hawaii Infrastructure Report Card"[1]. Lack of adequate infrastructure further exacerbates delays to our needed additional housing construction. Increasing funding to DURF is necessary to reach the housing goals across the state. Hawai'i Appleseed commends the legislature for proposing a 10% dedicated fund from high cost property sales to address our infrastructure needs.

Hawai'i Appleseed would also like to suggest amendments to H.B. 2364 HD1. Specifically, **including language which would exempt affordable housing from conveyance tax**. Suggested language for exemption:

"<u>Any document or instrument conveying real property that has a land use regulatory agreement or restrictive covenant that restricts the rental price or resale price from increasing above any increase in the consumer price index for a minimum of thirty years beyond the conveyance date.</u>"

Increasing conveyance tax rates, removing caps on RHRF and LCF, and creating a dedicated DURF fund can provide millions of dollars to address some of the most pressing barriers to providing affordable housing to residents today. Including language to exempt affordable

[1] ASCE, "2019 Hawaii Infrastructure Report Card", https://infrastructurereportcard.org/wp-content/uploads/2021/07/ASCE-24199_Full-REPORT-2019-FINAL.pdf

housing is additionally beneficial and can encourage the construction and sale of affordable units.

Additionally, we recommend adjustments to the rate changes as well. Starting the rate of conveyance on sales of $4,000,000 properties and above at 2%. Our research has shown that the vast majority of properties sold and purchased at these high sales points are by investment owners and not residents. Our rate change suggestions are highlighted in the table below.

Hawaii Appleseed Recommendations to HB 2364 tax rates:

Rate	< $600K	$600K-$1M	$1M-$2M	$2M-$4M	$4M-$6M	$6M-$10M	$10M-$14M	$14M-$18M	$18M-$22M	$22M-$26M	$26M+
Owner Occupied	0.10%	0.20%	0.30%	0.50%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%
Non Owner Occupied	0.15%	0.25%	0.40%	1.00%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%

Increasing the rates on properties sold at $4,000,000 and above in this way and removing the caps on all special funds could potentially triple the revenue collected by the conveyance tax without significant reduction of revenue deposited into the General Fund.

We appreciate the opportunity to testify on this proposal and urge the committees to support H.B. 2364 HD1 and its objectives of promoting fairness in our tax system, fostering affordable housing opportunities, and strengthening our communities. By enacting this legislation, we can take significant strides towards building a more inclusive and equitable future for all residents of Hawaii.

Mahalo for your consideration.

The Nature Conservancy
Hawaiʻi and Palmyra

The Nature Conservancy, Hawaiʻi and Palmyra
923 Nuʻuanu Avenue
Honolulu, HI 96817

Tel (808) 537-4508
Fax (808) 545-2019
nature.org/HawaiiPalmyra

Testimony of The Nature Conservancy
Comments on HB 2364 HD1, Relating to the Conveyance Tax
Committee on Finance
February 26, 2024, 12:30 p.m.
Conference Room 308 & Videoconference

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

The Nature Conservancy (TNC) **offers comments** on HB 2364 HD1, relating to the conveyance tax, which increases the conveyance tax rate for certain properties. It exempts conveyances of certain real property from the conveyance tax and eliminates the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund. This bill also allocates 10 percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas.

We strongly support eliminating the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund and urge the committee to ensure that language in this bill actually does so.

The Land Conservation Fund supports the Legacy Land Conservation Program (LLCP), which funds grants to state and county governments and non-profit land conservation organizations to acquire land and protect valuable resources for public benefit. Protecting these lands offers wide benefits for the people of Hawaiʻi, including reforestation efforts that help mitigate the impacts of climate change by providing freshwater and preventing runoff, drought, and wildfires. As real estate prices rise, raising the cap on allocations to the Land Conservation Fund will help meet the demand for and cost of acquiring land for public and ecological benefit. If this bill were to be amended to increase funds to the Land Conservation Fund it will support much needed land protection efforts as Hawaiʻi battles the impact of climate change.

Mahalo for the opportunity to provide testimony on HB 2364 HD1.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

PARTNERS IN CARE

Oahu's Continuum of Care

Our mission is to eliminate homelessness through open and inclusive participation and the coordination of integrated responses.

TESTIMONY IN SUPPORT OF HB2364: RELATING TO THE CONVEYANCE TAX

TO: Senate Committee on Finance
FROM: Partners In Care (PIC)
Hearing: Thursday, February 26th, 2024; 12:30 pm; Room 308 & via videoconference

Chair Yamashita, Vice Chair Kitagawa and Members of the Senate Committee on Finance:

Partners In Care (PIC) is a coalition of more than 60 non-profit homelessness providers and concerned organizations. The crisis of homelessness and the lack of affordable housing makes this measure so important to pass. The housing crises is dire, and bold, decisive action is needed now. According to the 2019 Hawai'i Housing Planning Study Study, the State of Hawai'i needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025. Some 30% of that need is concentrated at or below people earning 30% of Area Median Income (AMI), or $28,000 per year for a single person.

Hawai'i's conveyance tax has two dedicated funding pots in which its revenue is deposited: the Rental Housing Revolving Fund (RHRF) and Land Conservation Fund (LCF). As currently written in statute, Hawai'i's conveyance tax allocates $38 million or 50 percent of its revenue (whichever is less) to the RHRF—the primary financing source for affordable rental housing in Hawai'i. We should lift this arbitrary cap and allow the fund to function at its maximum potential.

Raising the conveyance tax rates on high value homes and non-owner occupied investment properties represents an opportunity for the state to collect significantly more revenue to fund the creation of the affordable housing Hawai'i's residents need without impacting locals. Done in combination with removal of the caps on the RHRF and LCF, these enhanced rates on the sale of luxury property could bring in up to 300 percent more revenue for our state's affordable housing needs. Adding a 10% allocation to the Dwelling Unit Revolving Fund would help support infrastructure investments connected to housing development, crucial for maintaining housing production aligned with our increasing demand.

Thank you for the opportunity to provide written testimony **in support HB 2364**, Relating to the Conveyance Tax.
Sincerely,

Laura E. Thielen

Laura E. Thielen
Executive Director
Partners In Care

Advocacy Committee, PARTNERS IN CARE, *OAHU'S CONTINUUM OF CARE*
200 North Vineyard Boulevard • Suite A-210 • Honolulu, Hawaii 96817 • (808) 380-9444 •
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Hawaiʻi Housing Affordability Coalition

Testimony of the Hawaiʻi Housing Affordability Coalition
Support for H.B. 2364 HD1 – Relating to Conveyance Tax
House Committee on Finance
Monday, February 26, 2024 at 12:30PM Conf. Rm. 308 and via Videoconference

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Dear Chair Yamashita, Vice Chair Kitagawa, and fellow committee members:

HiHAC is submitting testimony in STRONG SUPPORT for H.B. 2364 HD1, which will increase the rates of conveyance tax and create a dedicated 10% allocation to the Dwelling Unit Revolving Fund (DURF). We also offer suggested amendments to remove the funding caps on the Rental Housing Revolving Fund (RHRF) and Land Conservation Fund (LCF) as well as increasing the suggested changes to the tax rates.

HiHAC commends the legislature for proposing a 10% dedicated fund from high-cost property sales to address our infrastructure needs. Lack of adequate infrastructure further exacerbates delays to our needed additional housing construction and increasing funding to DURF is necessary to reach the housing goals across our state.

Additionally, we commend the legislature for removing the funding caps on both the Rental Housing Revolving Fund and the Land Conservation Fund. According to the 2019 Hawaii Housing Planning (HHPS 2019) Study, we need nearly 25,000 additional housing units for households making 0-100% AMI by 2025 to meet pent-up demand. Removal of the cap on the RHRF will provide more financing for Low Income Housing Tax Credit (LIHTC) projects for individuals making 0-60% AMI and financing for Tier 2 program which utilizes the RHRF for 80-100% AMI focused projects. We believe removing the funding caps is essential to ensure affordable housing and land conservation, as the conveyance tax stands as one of the few dedicated funds for these purposes.

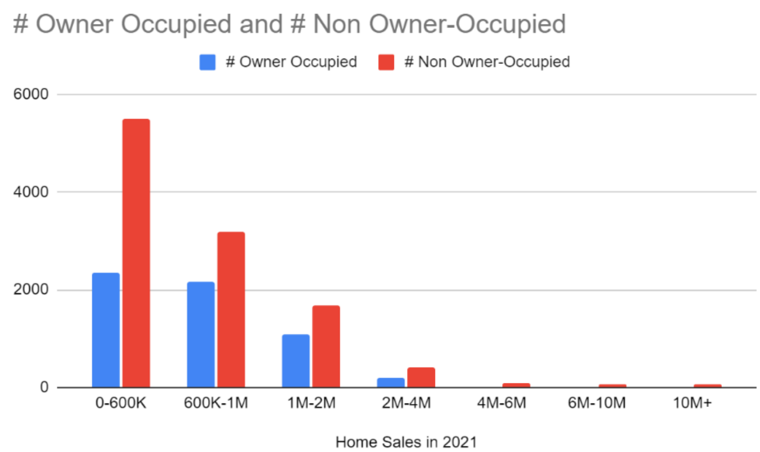
We thank your committee for considering the substantial public benefits of updating the Hawaiʻi conveyance tax and we respectfully request the following amendments:

1) **Further Increasing the tax rate on homes sold over $4M to rates above 2%**

Raising the conveyance tax rates on high value homes and non-owner occupied investment properties represents an opportunity for the state to collect significantly more revenue to fund the creation of the affordable housing Hawaiʻi's residents need without impacting locals. Done in combination with removal of the caps on the RHRF and LCF, these enhanced rates on the sale of luxury property could bring in up to 300 percent more revenue for our state's affordable housing needs.

Our current conveyance tax rates *have not been updated in over 14 years*. The current conveyance tax has a rate of 0.1% to 1.25% depending on the value of the home, however, high-cost places across the country such as Seattle, San Francisco, New York, and others have been updating their conveyance tax to rates ranging from 1% to 6% to ensure that gains made from real estate investment are also helping to offset some of the impacts of ever-increasing home prices.

Hawaiʻi Housing Affordability Coalition



Based off of home sales data in 2021, homes that sold over $4M were non-owner occupied properties. Real estate investment properties exacerbate our housing market challenges by driving up prices and reducing affordability for local residents. We encourage the legislature to consider increasing conveyance rates above a $4M sale price at minimum of 2% so that profits from these investments can be captured and reinvested in our communities.

Increasing conveyance tax rates, removing caps on RHRF and LCF, and creating a dedicated DURF fund can provide millions of dollars to address some of the most pressing barriers to providing affordable housing to residents today. Please **PASS HB2364 HD1**, and consider the suggestions above, to help provide affordable housing to the people who live and work in Hawaiʻi.

Mahalo for the opportunity to testify,

HiHAC
Hawai'i Housing Affordability Coalition

| Susan Le | Coalition Coordinator | 425-829-8231 | Hawaiʻi Housing Affordability Coalition | info@hihac.org |

HAWAI`I YOUTH SERVICES NETWORK
677 Ala Moana Blvd., Suite 904
Honolulu, Hawai`i 96813
Phone: (808) 489-9549
Web site: http://www.hysn.org E-mail: info@hysn.org

February 13, 2024

Representative Kyle Yamashita, Chair
And members of the Committee on Finance

TESTIMONY IN SUPPORT OF HB 2364 RELATING TO THE CONVEYANCE TAX

HB2364 HD1 is one of many conveyance tax bills this year and one of only two that have made it to your committee.

HB2629 HD2 language needs to be added to HB2364 HD1 as this will make a bill that will be a positive step forward for our housing in Hawai'i.

Hawaii's high cost of living is a major cause of our state's homelessness crisis and forcing local families to move out-of-state. Some other cities with similar housing shortabes have increased their conyeance tax ratees to fund affordable housing program. HYSN supports increasing the conveyance tax and using the fees to fund homeless and affordable housing programs. opportunity to testify.

Thank you for this opportunity to testify.

Sincerely,

Judith F. Clark
Executive Director

KPKOA

Kū Pono Ka Leo O Ka ʻĀina

Standing with the Voices of the Land

Re: HB2364 HD1 Conveyance Tax increase, exemptions for owner-occupants, 10% funds for DURF (infrastructure funding), removing caps on rental housing and land conservation fund.

Hearing Date and Time: February 26th 12:30PM, Rm 308

Aloha Chair Yamashita, Vice Chair Kitagawa and members of the House Committee on Finance,

Kū Pono ka Leo o ka ʻĀina, (KPKOA) is a new housing advocacy organization that believes finding solutions to homelessness and affordable housing is critical to Hawai'i's social, cultural and economic future.

We support efforts to reform the conveyance tax as a means to provide revenue for affordable housing and land conservation, however, HB2364 HD1, falls far short of creating the meaningful change that the people of Hawai'i need and ***adds a large tax loophole with no enforcement mechanism*** to ensure that people who purchase a home remain owner-occupants or renter-occupants after the sale.

Our concerns about the lack of impact on our housing crisis are twofold. Firstly, the dwelling unit revolving fund (DURF) is used for infrastructure and there is no guarantee that investments in infrastructure will create more affordable housing. It entirely depends on what type of housing is built after the initial investment in roads, sewers etc. A clear example of this is just a few blocks away in Kaka'ako. The State invested almost $300M of infrastructure into Kaka'ako and as a result, over 9,500 new condos and apartments were built. However, less than 20% of those homes are currently reserved for local residents at prices that must stay affordable on local wages. Over 80% of the homes are now part of the private market and have sales and rental prices far above average wages. Infrastructure investments without affordability restrictions will not create the housing that we need. Secondly, this bill misses an opportunity to create new streams of revenue to address homelessness and for permanently affordable homeownership opportunities. Both of these are much needed, and yet they have no dedicated source of revenue in the state budget. ***Another conveyance tax bill, HB2629 HD2, does provide new revenue for homeless services and affordable homeownership and we would encourage a hearing on that bill.***

In addition to a missed opportunity to create meaningful change, there is also a new tax loophole that would allow a seller to not pay any tax whatsoever as long as the new buyer agrees to live in the property for an undetermined amount of time.

In Section 2, there is proposed language for a new exemption (18) which states:

Any document or instrument conveying real property to an individual who is an owner-occupant or renter occupant of the property.

A buyer could agree to live in the property for a month or week in order to create a "tax free" transaction and then move out. A one-time tax break at the time of sale is not an effective way to ensure that a home remains owner-occupied. Property taxes which are assessed annually and are enforced by county housing departments are the appropriate way to incentivize owner-occupancy.

Imagine if the GET were exempted for anyone purchasing a car who agreed to not let anyone else drive the car after the purchase. *How do you enforce that?*

The inability to enforce a future behavior (such as owner-occupancy) based on a one-time sales tax, ***is why no other jurisdiction in the country*** eliminates the sales tax on a home based on the buyers future behavior. It is unenforceable and creates an incentive for buyers to say one thing and then immediately after purchase do another, in order to avoid a tax.

In fact, this tax loophole could even decrease conveyance revenues were it to be widely used.

As an example, in the Makawao district of Maui there was a 3 bedroom, 2 bath home on Laa Kea Place sold last month on Jan 5th for $1.87 million, and the sellers had purchased the home for $830,000 in 2018. In just 6 years the sellers had more than doubled their home value – earning over $173,000 a year in equity, or about $1M in extra equity.

The sellers paid a conveyance tax of $5,625 or only 0.3% of the home value because the buyer has stated they intend to live in the home. There is no way to verify that the buyer does in fact move in, and there is no way to enforce how long they will stay- yet they pay the lower tax rate.

In this proposed HB2364 the seller would pay zero taxes, due to the buyers status.

A person who had the means to purchase an $800,000 home in 2018 is able to walk away with $1M tax free in 2024 and no contribution is made to a affordable housing, land conservation, or the state budget. No contribution is made to the people who struggle to work and live in Maui.

A home of this same price in Aspen, CO would pay a tax of $37,500 (2%) and in Pittsburg, Pennsylvania a tax of $93,500 (5%). ***Why are we giving property sellers some of the lowest tax rates in the country while so many people struggle to afford any housing at all?***

In the way that HB2364 is drafted, a seller can avoid paying any conveyance tax at all if the buyer states that they will occupy the unit. No other city or state has a provision like this.

Fortunately, HB2364 is not the only conveyance tax bill up for consideration.

Another bill HB2629, does not have a huge tax loophole for home sellers--- sellers who are often walking away with hundreds of thousands of dollars- and it provides new revenue for the full spectrum of our housing crisis from homeless services to affordable homeownership.

We urge members of the finance committee to consider a hearing for **HB2629** as it would be a big step forward in tax fairness and addressing our housing crisis.

Mahalo for the opportunity to testify.

HB-2364-HD-1
Submitted on: 2/26/2024 9:59:44 AM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Jeff Gilbreath	Hawaii Community Lending	Support	Written Testimony Only

Comments:

Aloha Committee Members,

I am testifying on behalf of Hawaii Community Lending (HCL), a US Treasury certified native community development financial institution in **strong support of HB2364 HD1 with recommended amendments to include the adding a minimum 10% allocation into the HHFDC's new Affordable Homeownership Revolving Fund (AHRF).**

Our current real estate conveyance tax rates are only 0.50–1.25% on multi-million dollar properties. These artificially low mansion tax rates facilitate the commodification of Hawai‘i's housing stock, instead of using it to meet the needs of local residents. This a driving factor behind the high cost of housing, which is—in turn—the primary cause of homelessness and outmigration from our state.

The housing crises is dire, and bold, decisive action is needed now. According to the 2019 Hawai‘i Housing Planning Study Study, the State of Hawai‘i needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025. Some 30% of that need is concentrated at or below people earning 30% of Area Median Income (AMI), or $28,000 per year for a single person. **At the same time, homeownership opportunities are critical to address the demand among households at or below 80% AMI. According to the most recent Hawaii Housing Planning Study, 47% of the demand for housing across the state are for single-family homeownership. Disregarding the importance of addressing BOTH multi-family rental housing and single-family homeownership will only exasberate the housing crisis we continue to try to solve.**

Hawai‘i's conveyance tax has two dedicated funding pots in which its revenue is deposited: the Rental Housing Revolving Fund (RHRF) and Land Conservation Fund (LCF). As currently written in statute, Hawai‘i's conveyance tax allocates $38 million or 50 percent of its revenue (whichever is less) to the RHRF—the primary financing source for affordable rental housing in Hawai‘i. We should lift this arbitrary cap and allow the fund to function at its maximum potential. **We should also recognize that our housing market is dynamic and so too should be our solutions: the Committee needs to amend this legislation to ensure a minimum 10% of annual conveyance tax revenue is deposited into HHFDC's new Affordable Homeownership Revolving Fund. If not, we run the risk of failing to address the fact that 47% of our demand for housing in the State is for single-family homeownership (Hawaii Housing Planning Study, 2019).**

Raising the conveyance tax rates on high value homes and non-owner occupied investment properties represents an opportunity for the state to collect significantly more revenue to fund the creation of the affordable housing Hawai‘i’s residents need without impacting locals. Done in combination with removal of the caps on the RHRF and LCF, **adding a minimum 10% allocation to the AHRF and the Dwelling Unit Revolving Fund ,** these enhanced rates on the sale of luxury property could bring in up to 300 percent more revenue for our state's affordable housing needs.

Please pass this critical bill. Mahalo for your consideration. Please contact me directly at 808.587.7653 or jeff@hawaiiancommunity.net should you have any questions.

Jeff Gilbreath
Executive Director

Hawaii Community Lending

LAND USE RESEARCH
FOUNDATION OF HAWAII

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February 26, 2024

Representative Kyle T. Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
House Committee on Finance

Comments and Concerns in Opposition to HB 2364, H.D. 1, Relating to the Conveyance Tax (Increases the conveyance tax rate for certain properties. Exempts conveyances of certain real property from the conveyance tax. Establishes a new conveyance tax rate for multifamily residential properties. Eliminates the cap on the amount of conveyance tax collections allocated to the Land Conservation Fund and Rental Housing Revolving Fund. Allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund [DURF] for the purpose of funding infrastructure programs in transit-oriented development [TOD] areas. Effective 7/1/3000.)

Monday, February 26, 2024, at 12:30 p.m.; State Capitol, Conference Room 308 Via Videoconference

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers, and utility companies. One of LURF's missions is to advocate for reasonable, rational, and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide **comments and concerns in opposition** to this bill.

HB 2364, H.D. 1. This bill itself does not expressly include a purpose clause, however, the measure is intended as a method to generate revenue to be paid into the state treasury to the credit of the general fund of the State, and seventy percent of said revenue is intended to be directed into three designated special and revolving funds: the Land Conservation Fund established pursuant to Hawaii Revised Statutes (HRS) Section 173A-5; the rental housing revolving fund established by HRS Section 201H-202 (for both of which funds the maximum dollar amount to be paid into each fiscal year is proposed to be removed); and the DURF for the purpose of funding infrastructure programs in transit-oriented development areas. To do so, this bill proposes to increase the conveyance tax rate for certain properties and establish a new conveyance tax rate for multifamily residential properties. The proposed measure also exempts conveyances of certain real property from the conveyance tax.

LURF's Position. The proposed increase of the conveyance tax rate for the transfer or conveyance of certain properties is arguably inappropriate, improper, and illegal, given the following:[1]

1. **The Hawaii conveyance tax was never intended to be and should not operate as a revenue-generating tax.**

Chapter 247 (Conveyance Tax) of the HRS was purposefully enacted in 1966 to provide the State Department of Taxation ("DoTax") with informational data for the determination of market value of properties transferred, and to assist the DoTax in establishing real property assessed values. In short, the sole intent of the conveyance tax was originally to cover the administrative costs of collecting and assessing said informational data, which necessarily entails the recording of real estate transactions, as performed by the Bureau of Conveyances.

Since the enactment of HRS Chapter 247, however, the State Legislature has proposed, and has managed to implement changes to the law 1) to allow application of conveyance tax revenue to a number of non-conveyance type uses (land conservation fund; rental housing trust fund; and natural area reserve fund) to the point where there is no longer any clear nexus between the benefits sought by the original Act and the charges now proposed to be levied upon property-holding entities transferring ownership; and 2) also to increase the tax rates to the point where said revenues now far exceed the initially stated purpose of the Act. Moreover, supplemental funding for some of those expanded uses for which conveyance tax revenues were subsequently authorized has since been determined to be unnecessary, and recommended to be discontinued, creating an even stronger basis for legal objection and challenge.

Such expansions and deviations, including the allocation of conveyance tax to DURF specifically for the purpose of funding infrastructure programs in TOD areas as proposed by the current measure, go beyond the scope of the original intent of the conveyance tax law, and are concerning to LURF since the proposed bill, **particularly if unlawfully targeting specific types of transactions or groups of property owners, could be characterized as imposing an improper penalty, hidden tax, or surcharge, which may be subject to legal challenge.**

[1] Further opposition to HB 2364, H.D. 1 may be warranted but shall be reserved until the actual purpose of the measure and details regarding disposition and use of the revenues to be collected are disclosed, as is proper and appropriate with any proposed bill for which the intended purpose is to generate revenue.

2. HB 2364, H.D. 1 is arguably illegal and in violation of Sections 37-52.3 and 37-52.4, HRS, because it attempts to use the conveyance tax to subsidize or increase subsidies to special and revolving funds which do not have a clear link between the program and the sources of revenue.

Special funds are subject to HRS Sections 37-52.3 and 37-52.4. Criteria for the establishment and continuance of special and revolving funds was enacted by the 2002 Legislature through Act 178, SLH 2002, Sections 37-52.3 and 37-52.4, HRS. To be approved for continuance, a special fund must:

a. serve the purpose for which it was originally established;
b. reflect a <u>clear nexus</u> between the benefits sought and charges made upon the users or beneficiaries of the program *or a clear link between the program and the sources of revenue*, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process;
c. provide an appropriate means of financing for the program or activity; and
d. demonstrate the capacity to be financially self-sustaining.

The first and second criteria are nearly identical to those in Act 240, SLH 1990, codified in Section 23-11, HRS, requiring the Auditor to review all legislative bills in each session to establish new special or revolving funds. It appears that the intent of HB 2364, H.D. 1 is to find an additional source of funding for infrastructure programs in TOD areas by increasing conveyance tax revenues for the transfer of certain properties, primarily "luxury" properties. However, the State Auditor has in the past concluded that such an arrangement where there is no *clear link* with the funding source (individuals and companies involved in particular types of real estate transactions) should be repealed.

3. Other legal and voluntary alternatives may be available to increase funding or incentivize support for infrastructure programs in TOD areas.

In lieu of improperly imposing increases of conveyance taxes to increase the State's general fund, or to subsidize or increase revenue for certain unrelated special funds with no clear link to the conveyance tax purposes or beneficiaries, proponents of those special funds or programs are urged to look to other possible legitimate means to do so, including funding support through other "related" or "linked" state and county charges, federal funding - particularly for transit-related purposes, fees, or taxes.

Given the *"clear nexus"* requirement for special and revolving funds, and also given that general funding and alternative methods to secure revenues for these funds exist, expansions and deviations of HRS Chapter 247 which go beyond the scope of the original intent of the conveyance tax law are again concerning since this proposed bill, particularly if it unlawfully targets transactions involving the sale of interests by a particular group of individuals or entities which own real property in the State, **could**

be characterized as imposing an improper penalty, hidden tax, or surcharge, which may be subject to legal challenge.

4. **Attempts to utilize the State conveyance tax as a revenue generating tax without meeting the "*clear nexus*" requirement and without rightful justification based on necessary fact-finding, research, and expert consultation will likely cause serious unintended negative consequences.**

   a. **Hawaii's working-class residents, long-time property owners, and large *kama`aina* landowners will likely be negatively affected.**

The fact that the Hawaii conveyance tax was never intended to be and should not operate as a revenue-generating tax aside, given the recent increase in property values in Hawaii which have escalated over the past years, it is not at all inconceivable for Hawaii's middle-income working class homeowners, particularly local senior citizens on fixed incomes to own property currently valued at more than $2,000,000, to be negatively impacted by this measure upon sale of their long-time residences. These types of proposed bills would also affect kama`aina landowners who may be transferring large properties for agricultural farms, housing developments, environmental programs, or other developments that would serve the community and create needed employment.

As far as LURF has been able to ascertain, proponents of this bill have never consulted with housing, commercial, and agricultural developers (e.g., NAIOP, Land Use Foundation of Hawaii), or experts in the real estate industry (e.g., Hawaii Association of Realtors), as to the impact of this bill. Neither have proponents likely consulted with or addressed the comments and concerns of tax and economic experts (e.g., DoTax, the Tax Foundation, the University of Hawaii, and other independent experts) relating to the underlying intent and legal purpose of the conveyance tax and what legal and economic effects and consequences may result from the proposed improper and inappropriate use of conveyance tax revenues.

As a result, it appears that proponents of this bill have not offered any information or provided any factual data regarding the number and types of property owners and transactions which would be impacted by, as well as the expected dollar amounts which will actually be generated by this measure, which is necessary to support this bill. Also unknown at this time is whether said amounts would even be close to sufficient for DURF and the other funds identified and for the purposes specified, and whether those amounts would weigh against and warrant the consequences which may be suffered by property owners and other stakeholders.

   b. **Such measures would create significant disincentive for business in Hawaii.**

At a time when the State continues to reel from the effects of the Covid pandemic, and is still attempting to encourage business expansion in, and attract business operations to Hawaii, measures implemented to utilize the State conveyance tax as a revenue generating tax would create a disincentive and will have a substantial - negative impact on persuading new and existing businesses to open or expand in Hawaii, or to relocate their operations to this State. The proposed additional cost of doing business in Hawaii would certainly appear to negatively outweigh any positive revenue impact resulting from the imposition of conveyance taxes pursuant to these types of measures.

c. **This type of legislation would drive up the cost of lands for agricultural production, affordable and market homes, and commercial development.**

This Committee should be aware that the impact of this proposed measure would not only affect owners of "luxury" properties or non-residents but may **impact many industries** and **harm broad segments of Hawaii's economy.** The imposition of an increase of conveyance tax on transfers which affect **agricultural lands** will be passed on to farmers and other agricultural operators, making it even harder for agriculture to survive in Hawaii; the proposed imposition of the tax on transfers which affect **land intended for non-government assisted housing developments** will be passed on to home buyers and will thus increase the price of homes and exacerbate the affordable housing problem in Hawaii; the proposed imposition of the conveyance tax onto transfers which affect **commercial properties** will also be passed on to small businesses, creating yet another substantial financial burden on them. In addition, the proposed imposition of conveyance tax on transfers of **properties for health care-related facilities** may increase the cost of health care, and properties needed to be transferred for other facilities such as **renewable energy** and **sustainable tourism** may impact those industries and raise related costs for the public as well.

d. **In addition to the exemption proposed to be established by this bill, exemptions should also be created for all landowners and developers that support needed housing, and for those that otherwise already provide substantial support for the programs that are intended to benefit from conveyance tax revenues.**

Curiously, a previous proposal made in 2023 attempting to use conveyance tax revenues for government assisted affordable housing was not passed and has been replaced in this bill with a proposed allocation to DURF which is allegedly similarly aimed at addressing Hawaii's affordable housing crisis by helping to "increase the state's inventory of affordable rental housing to provide more housing options" - although no details describing how or to what extent the proposed allocation to DURF would actually result in such an increase have been offered in the bill. It is also interesting that the proposed allocation of conveyance tax revenues to DURF is stated to be justified by a report which the "Hawaii TOD Infrastructure Financing and Delivery Strategy for Pilot Areas" has not yet even made, but reportedly will be making to the Legislature in the 2024 regular session. (see, Justification Sheet for S.B. 3053). Such "future" justification for this measure would seem speculative at best.

LURF further emphasizes the irony and inequity of the fact that among the entities which will be hardest hit by these types of measures are Hawaii's large landowners that have already been building housing (including affordable housing) and have already been serving as excellent stewards of our lands, and are the leading partners in, and contributors to the purposes funded by conveyance tax revenues. At the very least, exemptions to these types of measures should be written in, or established for those entities that lend to all housing needs in the State, as well as support and participate in conservation and watershed programs.

Conclusion.

Given the incontrovertibly clear and express intent of Hawaii's conveyance tax law (HRS Chapter 247), which is to use State conveyance tax revenue to specifically cover administrative costs incurred by DoTax to collect and assess informational data, any use of State conveyance tax revenue must be strictly limited to that purpose as set out in the original Act. Use of conveyance tax revenue for any other purpose is subject to scrutiny and legal challenge.

There is also significant concern that proposed measures which attempt to utilize the conveyance tax as a revenue generating tax will likely cause unintended negative consequences which would be detrimental to the State.

In view of these issues, legislators should be advised to act with caution, and to proceed judiciously when considering measures which propose to utilize or apply the conveyance tax as a revenue generating tax, especially to support the establishment or continuance of special, revolving and trust funds – some of which have not even adequately justified the need for such funding.

Due to the significance of the conveyance tax issues raised by HB 2364, H.D. 1, **LURF respectfully requests that this bill be deferred by this Committee** to allow proponents to consult with experts to obtain and provide needed information and factual data as described above prior to proposing expanded and improper use of the Hawaii conveyance tax which was never intended to be and should not operate as a revenue-generating tax. At the very least, all stakeholders, including, but not limited to private landowners, the public, government agencies, legal and economic experts, and other interested parties should be allowed to work together to come to a consensus regarding the intent of the conveyance tax, as well as this bill's purpose and alternatives to subsidizing the general fund, including other broad-based supplemental funding by Hawaii's taxpayers and visitors.

Thank you for the opportunity to provide comments and concerns in **opposition** to this proposed measure.

HB-2364-HD-1
Submitted on: 2/24/2024 7:19:12 PM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Christy MacPherson	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Yamashita, Vice Chair Kitagawa, and members of the House Committee on Finance,

I am in STRONG SUPPORT of HB2364 HD1. We have been talking about this legislation for years and *it is time* that we tax out-of-state investors who benefit from our land and use the revenue to finance housing that is affordable to our residents as well as land conservation.

Mahalo for your consideration.

HB-2364-HD-1
Submitted on: 2/25/2024 9:19:22 AM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

I am testifying in strong support of HB2364 HD1. Our current real estate conveyance tax rates are only 0.50–1.25% on multi-million dollar properties. These artificially low mansion tax rates facilitate the commodification of Hawaiʻi's housing stock, instead of using it to meet the needs of local residents. This a driving factor behind the high cost of housing, which is—in turn—the primary cause of homelessness and outmigration from our state.

The housing crises is dire, and bold, decisive action is needed now. According to the 2019 Hawaiʻi Housing Planning Study Study, the State of Hawaiʻi needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025. Some 30% of that need is concentrated at or below people earning 30% of Area Median Income (AMI), or $28,000 per year for a single person.

Hawaiʻi's conveyance tax has two dedicated funding pots in which its revenue is deposited: the Rental Housing Revolving Fund (RHRF) and Land Conservation Fund (LCF). As currently written in statute, Hawaiʻi's conveyance tax allocates $38 million or 50 percent of its revenue (whichever is less) to the RHRF—the primary financing source for affordable rental housing in Hawaiʻi. We should lift this arbitrary cap and allow the fund to function at its maximum potential.

Raising the conveyance tax rates on high value homes and non-owner occupied investment properties represents an opportunity for the state to collect significantly more revenue to fund the creation of the affordable housing Hawaiʻi's residents need without impacting locals. Done in combination with removal of the caps on the RHRF and LCF, these enhanced rates on the sale of luxury property could bring in up to 300 percent more revenue for our state's affordable housing needs.

Adding a 10% allocation to the Dwelling Unit Revolving Fund would help support infrastructure investments connected to housing development, crucial for maintaining housing production aligned with our increasing demand.

Please pass this critical bill.

HB-2364-HD-1
Submitted on: 2/25/2024 9:26:02 AM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Regina Gregory	Individual	Support	Written Testimony Only

Comments:

support

HB-2364-HD-1
Submitted on: 2/25/2024 9:51:33 AM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Dan Gardner	Individual	Support	Written Testimony Only

Comments:

Chair Yamashita, Vice-Chair Katagawa, and Members of the Finance Committee:

I am testifying in strong support of HB2364 HD1. Our current real estate conveyance tax rates are only 0.50–1.25% on multi-million dollar properties.

You all are very aware of Hawaii's housing crisis. The worst impact lies with our shortage of afforable housing. Raising the conveyance tax rates on high value homes and non-owner occupied investment properties represents an opportunity for the state to collect significantly more revenue to fund the creation of the affordable housing Hawaiʻi's residents need without impacting locals.

Please pass this critical bill.

Dan Gardner

Honolulu, HI 96821

703-973-0237

HB-2364-HD-1
Submitted on: 2/25/2024 10:20:03 AM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Lorna Holmes	Individual	Support	Written Testimony Only

Comments:

I am testifying in strong support of HB2364 HD1. Our current real estate conveyance tax rates are only 0.50–1.25% on multi-million dollar properties. This is insanity. These artificially low mansion tax rates facilitate the commodification of Hawaiʻi's housing stock, instead of using it to meet the needs of local residents. This a driving factor behind the high cost of housing, which is—in turn—the primary cause of homelessness and outmigration from our state.

The housing crisis is ruinous! According to the 2019 Hawaiʻi Housing Planning Study Study, the State of Hawaiʻi needs about 12,000 additional housing units each year to meet the needs of its residents by the year 2025. Some 30% of that need is concentrated at or below people earning 30% of Area Median Income (AMI), or $28,000 per year for a single person. The kind of housing that just is NOT being built, because all the resources are going into investment properties. Let's stop the madness and pass this bill.

HB-2364-HD-1
Submitted on: 2/25/2024 10:27:42 AM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Galen Fox	Individual	Support	Written Testimony Only

Comments:

Chair, Vice Chair, Members,

Please pass HB2364 HD 1. We need the revenue to expand affordable housing that will keep Hawaii residents from moving to the mainland.

Aloha, Galen Fox

TESTIMONY OF ELLEN GODBEY CARSON
IN SUPPORT OF HB2364
Senate Committee on Finance
Hearing: February 26, 2024, at 12:30PM, Conf. Rm. 308 and via Videoconference

I write in support of HB2364, with request for amendments.

While I write as an individual, I have served as president of the Hawaii State Bar Association, the Institute for Human Services (IHS) and Hale Kipa Youth Services, as I strive to make our community a better place for those who are most adversely impacted by our housing crisis.

This state is in desperate need for a reliable source of substantial revenues to address our affordable housing and homeless services needs. The undependable funding for these needs increases our challenges of planning and developing longer range solutions. Meanwhile, our prices of residential real estate soar to astronomical levels because we have some of the most beautiful properties and lowest property taxes in the nation.

Please support HB2364, to increase the rate of conveyance taxes for our residential properties, especially those of largest value. Those owners most able to pay greater taxes, and we should be using progressive tax policies to increase funding for affordable housing and dampen speculative buying of our real estate that spirals our property values higher and higher.

Thank you for your consideration of my testimony and helping protect the welfare of our residents.

Ellen Godbey Carson
Honolulu, Hawaii

HB-2364-HD-1
Submitted on: 2/25/2024 11:12:39 AM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Shay Chan Hodges	Individual	Support	Written Testimony Only

Comments:

I am testifying in strong support of HB2364 HD1. Our current real estate conveyance tax rates are only 0.50–1.25% on multi-million dollar properties. These artificially low mansion tax rates facilitate the commodification of Hawai‘i’s housing stock, instead of using it to meet the needs of local residents. This a driving factor behind the high cost of housing, which is—in turn—the primary cause of homelessness and outmigration from our state.

The housing crises is dire, and bold, decisive action is needed now. According to the 2019 Hawai‘i Housing Planning Study Study, the State of Hawai‘i needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025. Some 30% of that need is concentrated at or below people earning 30% of Area Median Income (AMI), or $28,000 per year for a single person.

Hawai‘i’s conveyance tax has two dedicated funding pots in which its revenue is deposited: the Rental Housing Revolving Fund (RHRF) and Land Conservation Fund (LCF). As currently written in statute, Hawai‘i’s conveyance tax allocates $38 million or 50 percent of its revenue (whichever is less) to the RHRF—the primary financing source for affordable rental housing in Hawai‘i. We should lift this arbitrary cap and allow the fund to function at its maximum potential.

Raising the conveyance tax rates on high value homes and non-owner occupied investment properties represents an opportunity for the state to collect significantly more revenue to fund the creation of the affordable housing Hawai‘i’s residents need without impacting locals. Done in combination with removal of the caps on the RHRF and LCF, these enhanced rates on the sale of luxury property could bring in up to 300 percent more revenue for our state's affordable housing needs.

Adding a 10% allocation to the Dwelling Unit Revolving Fund would help support infrastructure investments connected to housing development, crucial for maintaining housing production aligned with our increasing demand.

Please pass this critical bill.

860 Halekauwila Street, Apt. #501
Honolulu, Hawaiʻi 96813

Sunday, February 25, 2024

House Committee on Finance
Room 225
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaiʻi 96813

Honorable Committee Chairs and Members:

I would like to convey my full support for House Bill 2364 HD1 Relating to Conveyance Tax Reform. While this bill may not fully fund remediation of the range of negative consequences brought on by development and real estate industries in the State of Hawaii, HB2364 HD1 is certainly a step in the right direction. This reform of the State conveyance tax helps restore fairness in the various housing markets of Hawaiʻi and advances the spread of a more equitable sharing of social and environmental costs among non-residents and real estate investors. Projected revenues from these minimal tax increases, specifically targeted towards those of the greatest means here in Hawaiʻi will help meet important goals of providing local residents with affordable housing, housing the homeless, and conserving natural resources throughout the State.

Today, in Hawaii's booming real estate market, luxury homes purchased for $2 million or more, often by non-residents and foreigners as investments and not occupied by owners themselves, rake in a handsome profits, while the seller pays a meager 0.05% tax on the sale price. Even at the $10 million price tag for an ultra-luxury property, a mere 1.25% is collected from the wealthiest of home sellers. Never in recent times have high-end home owners had it so good. These lowest tax rates on real estate anywhere turn Hawaii's housing market not into a market for residents, but into a high-return investment market for wealthy owners. Record increases in valuations and profits have come at the expense of our precious biocultural heritage and degrading ecosystem services. From the vantage point of a more accurate and fulsome accounting ledger, real estate developments and housing market activities are, in fact, accompanied by the unintended consequences of myriad negative externalities.

With the State being the proper regulator of such externalities in the public interest, we must broaden our vision of the role of the development company and multi-million dollar homeowner to include more responsible and sustainable strategies. We need to adopt a new, holistic financial statement for the State, one that accounts for the numerous negative, as well as positive externalities wrought by development and real estate market activities. Only with such an enlightened accounting system and balance sheet can we then see the real deficits, needs, and shortfalls which all stakeholders have a long-term interest in addressing for the environmental, biocultural, social, and economic sustainability of life in these islands.

In jurisdictions like those of the United Staters after World War II, capitalists and the wealthiest of that era raised few objections to paying effective tax rates upwards of 90%. They appreciated a safe, stable, and lucrative market in which to make and securely park their wealth. And so we are asking little of our developers and luxury real estate owners to fund offsets for the unintended consequences of development here at home.

This proposed pigovian tax adjustment on sales of wealth-generating properties needs to help rectify such negative externalities as degradation of biocultural assets, for example, developments encroachment on the *'aina,* with attendant losses, not the least of which are habitat and biodiversity, as well as important ecosystem services. We need further tax revenues to fund management of irreplaceable archaeological and cultural resources such as *iwi kūpuna.*

Additional social disruptions and disservices, namely real estate market valuations at skyrocketing rates that price locals out of the housing market and contribute to growing homelessness are helped by this progressive conveyance tax. Indeed, with these minimal tax increases laid out by HB2364 HD1, we can start funding land conservation, homeless services, and affordable housing at levels that, at long last, will bear significant positive impacts.

In short, the State must act as guarantor of the balance of externalities and must defend our critical interests held in common. Housing market activities by non-residents, investors, and those who benefit most profitably from Hawaii's *'aina,* Kānaka Maoli host culture, and an enriching and life-giving biocultural environment should bear a greater share of costs to remedy negative impacts of these activities. HB 2364 HD1 begins to get us there.

Me ka 'oia'i'o,

Shaun Campbell

HB-2364-HD-1
Submitted on: 2/25/2024 3:25:53 PM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Leilani Stacy	Individual	Support	Written Testimony Only

Comments:

I am testifying in strong support of HB2364 HD1. Our current real estate conveyance tax rates are only 0.50–1.25% on multi-million dollar properties. These artificially low mansion tax rates facilitate the commodification of Hawaiʻi's housing stock, instead of using it to meet the needs of local residents. This a driving factor behind the high cost of housing, which is—in turn—the primary cause of homelessness and outmigration from our state.

The housing crises is dire, and bold, decisive action is needed now. According to the 2019 Hawaiʻi Housing Planning Study Study, the State of Hawaiʻi needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025. Some 30% of that need is concentrated at or below people earning 30% of Area Median Income (AMI), or $28,000 per year for a single person.

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Raising the conveyance tax rates on high value homes and non-owner occupied investment properties represents an opportunity for the state to collect significantly more revenue to fund the creation of the affordable housing Hawaiʻi's residents need without impacting locals. Done in combination with removal of the caps on the RHRF and LCF, these enhanced rates on the sale of luxury property could bring in up to 300 percent more revenue for our state's affordable housing needs.

Adding a 10% allocation to the Dwelling Unit Revolving Fund would help support infrastructure investments connected to housing development, crucial for maintaining housing production aligned with our increasing demand.

Please pass this critical bill.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2364-HD-1
Submitted on: 2/25/2024 4:02:00 PM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
M. Llanes	Individual	Support	Written Testimony Only

Comments:

Dear House Finance Chair Kyle Yamashita:

I am testifying in strong support of HB2364 HD1. Our current real estate conveyance tax rates are only 0.50–1.25% on multi-million dollar properties. These artificially low mansion tax rates facilitate the commodification of Hawai‘i’s housing stock, instead of using it to meet the needs of local residents. This a driving factor behind the high cost of housing, which is—in turn—the primary cause of homelessness and outmigration from our state.

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Please pass this critical bill.

Mahalo,

MeleLani Llanes

Makakilo, O'ahu

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2364-HD-1
Submitted on: 2/25/2024 5:52:46 PM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Kimi Palacio	Individual	Support	Written Testimony Only

Comments:

I am testifying in strong support of HB2364 HD1. Our current real estate conveyance tax rates are only 0.50–1.25% on multi-million dollar properties. These artificially low mansion tax rates facilitate the commodification of Hawai‘i’s housing stock, instead of using it to meet the needs of local residents. This a driving factor behind the high cost of housing, which is—in turn—the primary cause of homelessness and outmigration from our state.

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HB-2364-HD-1
Submitted on: 2/25/2024 6:12:45 PM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Summer Yadao	Individual	Oppose	In Person

Comments:

Aloha House Finance Committee,

HB2364 HD1 is one of many conveyance tax bills this year and one of only two that have made it to your committee.

HB2629 HD2 language needs to be added to HB2364 HD1 as this will make a bill that will actually be a positive step forward for our housing in Hawai'i and also be a cost savings for the State.

* Having this stream of funding every year, means that the HHFDC will have funding to assist properties that are interested in becoming Housing Cooperatives. This allows the building/apartments to be owned, run and governed by the tenants/residents themselves. They would not need to keep going to the State, Federal Government or HHFDC for more funding.

* Conveyance tax increases must be at the rate that HB2629 has, as it needs to be conducive to the need we are looking to address. Lahaina and all islands need consistent funding to make sure we no longer have people becoming homeless because they cannot afford rent.

* Conveyance tax increases needs to include those properties that are $1 million dollars, as those are also homes that people who live and work in Hawai'i are unable to afford, these are homes being bought by those not from Hawai'i.

* HB2364 HD1 as it is written currently will not truly address our affordable housing issues.

* HB2364 HD1 needs to include the language from HB2629 to include 10% going to a homeless services fund. As these are our people who need the most services, care and housing, than the dwelling unit revolving fund addresses.

* HB2629 HD2 also adds funding to the home ownership revolving fund, as long as the units/homes are made affordable in perpetuity. If sweat equity was put in to the home, for a lower price to purchase, they can not be sold on the open market as commodified housing. Once a home is sold in the open market, and not affordable it remains in that market. We need to keep self-help housing and those built and bought affordable, to REMAIN affordable in perpetuity. Aspen, Colorado has been doing this model of permanent affordability for 40 years and will be coming to Hawai'i to share how this is done and has been successful in a similar market as Hawai'i.

Mahalo for taking these points into consideration in doing what is best for the people of Hawai'i who work, have generations and heart for these islands we call home.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2364-HD-1
Submitted on: 2/25/2024 10:54:51 PM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Dawn Morais Webster Ph.D.	Individual	Support	Written Testimony Only

Comments:

Dear Chair and Committee Members:

This is a good bill that needs to be made better by adding language from HB2629. That bill was created with mana'o from wahine who have been involved with housing research in Hawai'i, have decades of experience working with the community, including the Hawaiian Homelands Commission and with the houseless communities on every island. If we are serious about addressing the housing crisis on these islands, we need to strengthen HB2364 HD1by amending it to acccomplish what HD2629 does. Doing so will make this bill a genuine step forward towards addressing the urgent need for affordable housing while saving the state money at the same time. Mahalo.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2364-HD-1
Submitted on: 2/26/2024 7:20:52 AM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Linda Wakatake	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Kyle Yamashita,

I am testifying in strong support of HB2364 HD1. Our current real estate conveyance tax rates are only 0.50–1.25% on multi-million dollar properties. These artificially low mansion tax rates facilitate the commodification of Hawai‘i's housing stock, instead of using it to meet the needs of local residents. This a driving factor behind the high cost of housing, which is—in turn—the primary cause of homelessness and outmigration from our state.

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Adding a 10% allocation to the Dwelling Unit Revolving Fund would help support infrastructure investments connected to housing development, crucial for maintaining housing production aligned with our increasing demand.

Please pass this critical bill.

Mahalo for your time,

Linda Wakatake

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2364-HD-1
Submitted on: 2/26/2024 7:34:04 AM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Lawrence S Franco	Individual	Support	Written Testimony Only

Comments:

This increase in teh conveyance tax will help us as a state to allow for more homes to be constructed so that our people will not need to move away to find afforrdable shelter.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2364-HD-1
Submitted on: 2/26/2024 9:06:21 AM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Jackson Coley	Individual	Support	Written Testimony Only

Comments:

Aloha,

I support any measure that makes it harder for outside investors to purchase properties for investment purposes. I am hopeful that this conveyance tax will make it harder for investors to do so, and in turn will keep housing cheaper on the local market for local singles and families to buy. We are struggling right now and its a shame that so many of us who grew up in Hawaii with no where else to call home are being priced out by. Please make it harder for mainland investors to purchase local homes, and make it easier for local families to purchase homes.

Mahalo

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2364-HD-1
Submitted on: 2/26/2024 10:23:47 AM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Jason Monson	Individual	Support	Written Testimony Only

Comments:

I strongly support HB2364 HD1. Right now, our real estate taxes on expensive properties are very low. This makes it easy for rich people to buy houses as investments, instead of helping local people find homes of their own. It's a big reason why our housing costs are so high, leading to homelessness and people being forced to leave our state for more affordable locations. We need to prioritize housing for Hawaiʻi residents and keeping our people here.

The housing crisis we are facing is serious, and we need to act now. A study from 2019 says Hawaiʻi needs about 11,857 more homes each year by 2025. Many of these need to be affordable for people who earn less than $28,000 a year.

Hawaiʻi's real estate tax money goes into two funds: one for affordable rental housing and one for land conservation. Right now, there's a limit on how much money can go to the rental housing fund. We should get rid of that limit so the fund can help more people in need.

We can also raise taxes on expensive homes and investment properties. This would bring in more money to build affordable housing without hurting local residents. If we do this along with removing the limits on the funds, we could get up to 300 percent more money for affordable housing.

Putting 10% of the money into the Dwelling Unit Revolving Fund would help build things like roads and pipes for new houses. This is important for our state right now because more and more people need homes.

Please pass this critical bill to help increase the number of affordable houses for Hawaiʻi residents.