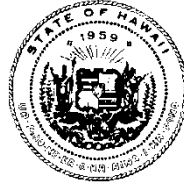


JOSH GREEN, M.D.  
GOVERNOR



HAKIM OUANSAFI  
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO  
EXECUTIVE ASSISTANT

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

IN REPLY, PLEASE REFER TO:

Statement of  
**Hakim Ouansafi, Executive Director**  
**Hawaii Public Housing Authority**

Before the  
**HOUSE COMMITTEE ON HOUSING**

**Wednesday, February 14, 2024**  
**9:45 AM – Room 312, Hawaii State Capitol**

In consideration of  
**HB 2629, HD1**  
**RELATING TO THE CONVEYANCE TAX**

Honorable Chair Evslin, and members of the House Committee on Housing, thank you for the opportunity to provide testimony on House Bill (HB) 2629, HD1, relating to the conveyance tax.

The Hawaii Public Housing Authority (HPHA) **supports the intent** of HB 2629, HD1 and **provides the following comments.** This measure, among other things, establishes the Homeless Services Fund to be administered and managed by the HPHA for homeless services and supportive housing, including homeless facilities programs.

Under Act 89 Session Laws of Hawaii 2010, state homeless programs and services were taken out of the HPHA and relocated within the Department of Human Services' Benefit, Employment, and Support Services Division. While the HPHA is always willing to assist DHS, the potential for increased bureaucracy and administrative complexities could hinder the timely obligation of funding and the implementation of homeless program initiatives.

The HPHA appreciates the opportunity to provide the Committee with the HPHA's testimony. We thank you very much for your dedicated support.

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
Ka 'Oihana 'Auhau  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
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. 2629, H.D. 1, Relating to the Conveyance Tax.

**BEFORE THE:**

House Committee on Housing

**DATE:** Wednesday, February 14, 2024

**TIME:** 9:45 a.m.

**LOCATION:** State Capitol, Room 312

Chair Evslin, Vice-Chair Aiu, and Members of the Committee:

The Department of Taxation (“Department”) offers the following comments regarding H.B. 2629, H.D. 1 for your consideration.

H.B. 2629, H.D. 1 makes significant changes to chapter 247, Hawaii Revised Statutes (HRS), which governs the conveyance tax. First, section 4 of the bill, starting on page 11, amends section 247-2, HRS, to amend the current rates and applicability of the conveyance tax as follows:

<b>Property Value</b>	<b>Current Rate of Tax</b>	<b>Proposed Amended Rate</b>
Less than \$600,000	\$0.10 per \$100 of value	\$0.50 per \$100 of value
At least \$600,000 but less than \$1,000,000	\$0.20 per \$100 of value	
At least \$1,000,000 but less than \$2,000,000	\$0.30 per \$100 of value	Less than \$5,000,000
At least \$2,000,000 but less than \$4,000,000	\$0.50 per \$100 of value	\$4.00 per \$100 of value
At least \$4,000,000 but less than \$6,000,000	\$0.70 per \$100 of value	At least \$5,000,000 but less than \$10,000,000
At least \$6,000,000 but less than \$10,000,000	\$0.90 per \$100 of value	
\$10,000,000 or greater	\$1.00 per \$100 of value	\$6.00 per \$100 of value

The bill would also eliminate paragraph (2) of section 247-2, HRS, which provides separate and higher conveyance tax rates for the sale of condominiums or single-family residences for which the purchaser is ineligible for a county homeowner's exemption on property taxes.

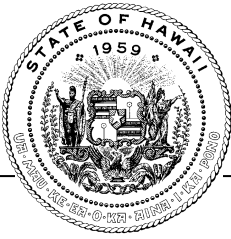
Additionally, section 5 of H.B. 2629, H.D. 1, amends section 247-3, HRS, to add two new exemptions to conveyance tax law: one for any document or instrument conveying real property to an organization that has a minimum of thirty years remaining of a price-restricted affordability period, or places a deed restriction on the property to maintain permanent affordability; and one for any document or instrument conveying real property to a nonprofit organization that is both 1) exempt from federal income tax and 2) will hold the property in an undeveloped state and for conservation purposes in perpetuity through a deed restriction on the property.

Section 6 of the measure, starting on page 19, amends the disposition of conveyance tax revenue under section 247-7, HRS, by eliminating existing dollar caps and using only percentages to make allocations. The bill also proposes adding two new special funds, one for affordable homeownership and one for homeless services, to the distribution schedule for conveyance tax revenues. H.B. 2629, H.D. 1, has a defective effective date of July 1, 3000.

The Department notes that, as currently drafted, the proposed new exemption from conveyance tax in section 247-3(18), HRS, page 19, lines 1 and 3, does not define "price-restricted affordability" or "permanent affordability." The Department requests that definitions for these terms be added to properly administer and verify this new exemption.

The Department also notes that if the defective effective date of the bill is amended, the Department will need time to make the necessary changes to its forms and instructions, as well as to educate taxpayers about these upcoming changes. Therefore, the Department requests that the effective date of this measure be made no earlier than January 1, 2025.

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



**STATE OF HAWAII  
OFFICE OF PLANNING  
& SUSTAINABLE DEVELOPMENT**

**JOSH GREEN, M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR

**MARY ALICE EVANS**  
INTERIM DIRECTOR

235 South Beretania Street, 6th Floor, Honolulu, Hawaii'i 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii'i 96804

Telephone: (808) 587-2846  
Fax: (808) 587-2824  
Web: <https://planning.hawaii.gov/>

Statement of  
**MARY ALICE EVANS, Interim Director**

before the  
**HOUSE COMMITTEE ON HOUSING**  
Wednesday, February 14, 2024  
9:45 AM  
State Capitol, Conference Room 312

in consideration of  
**BILL NO HB2629, HD1**  
**RELATING TO THE CONVEYANCE TAX.**

Chair Evslin, Vice Chair Aiu, and Members of the House Committee on Housing:

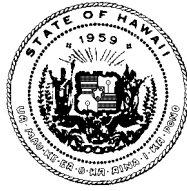
The Office of Planning and Sustainable Development (OPSD) **offers comments** on HB2629, HD1, which establishes the Homeless Services Fund, amends conveyance tax rates based on property values, allocates collected conveyance taxes to the Affordable Homeownership Revolving Fund and Homeless Services Fund, and amends the allocations to the Land Conservation Fund and Rental Housing Revolving Fund, among other actions.

While OPSD supports the intent of the bill to increase funding for homeless services and affordable homeownership, we prefer the approach in HB2364, 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 to support housing development for use in transit-oriented development areas. The new tax revenue allocated to the Dwelling Unit Revolving Fund (DURF) will help build infrastructure to unlock housing production, which will include long-term affordable housing options for formerly homeless, and for those who are at risk of homelessness due to rising housing costs.

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](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.

Thank you for the opportunity to testify on this measure.

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



CATHY BETTS  
DIRECTOR  
KA LUNA HO'OKELE

JOSEPH CAMPOS II  
DEPUTY DIRECTOR  
KA HOPE LUNA HO'OKELE

TRISTA SPEER  
DEPUTY DIRECTOR  
KA HOPE LUNA HO'OKELE

STATE OF HAWAII  
KA MOKU'ĀINA O HAWAI'I  
**DEPARTMENT OF HUMAN SERVICES**  
KA 'OIHANA MĀLAMA LAWELAWE KANAKA  
Office of the Director  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

February 13, 2024

To: The Honorable Representative Luke A. Evslin, Chair  
House Committee on Housing

FROM: Cathy Betts, Director

SUBJECT: **HB 2629 HD1 – RELATING TO THE CONVEYANCE TAX.**

Hearing: Wednesday, February 14, 2024, 9:45 a.m.  
Conference Room 329, State Capitol & Video Conference

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) appreciates the intent of this measure, offers comments, and defers to the Department of Budget & Finance (B&F), Department of Taxation, Hawaii Public Housing Authority, Department of Land and Natural Resources, Hawaii Housing Finance and Development Corporation (HHFDC), and the State of Hawai'i Office of Planning & Sustainable Development.

**PURPOSE:** The purpose of this bill is to establish the Homeless Services Fund. Allows counties to apply for matching funds from the Affordable Homeownership Revolving Fund (AHRF) for housing projects that are subject to a perpetual affordability requirement. Amends conveyance tax rates based on property values. Repeals conveyance tax rates set separately for conveyances for which the purchases are ineligible for a county homeowner's exemption on property tax. Exempts from conveyance taxes, conveyances of real property to organizations with certain affordability requirements and to certain nonprofit organizations. Allocates collected conveyance taxes to be allocated to the AHRF and Homeless Services Fund and

amends allocations to the Land Conservation Fund and Rental Housing Revolving Fund (RHRF). Effective 7/1/3000 (HD1).

The House Committee on Health and Homelessness amended the measure by:

- (1) Applying a conveyance tax of \$0.50 per \$100 for properties with a value of less than \$5,000,000, rather than to properties with a value of less than \$2,000,000;
- (2) Applying a conveyance tax of \$4.00 per \$100 for properties with a value of at least \$5,000,000 but less than \$10,000,000, rather than to properties of at least \$2,000,000 but less than \$10,000,000;
- (3) Amending the amount of the conveyance tax allocated to the RHRF to forty, rather than twenty-five percent;
- (4) Amending the amount of the conveyance tax allocated to the AHRF to ten, rather than twenty-five, percent;
- (5) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

DHS appreciates the amendments to increase the amount of the conveyance tax allocated to the RHRF. The RHRF has been an important tool for rental housing development, and Hawaii needs robust investment in the continuing development of low-income housing inventory. Increasing low-income rental inventory is the primary goal to address homelessness. However, DHS acknowledges it does not know the full impact of the bill's proposed changes, as other testifiers have expressed.

DHS agrees that there is a critical need to sustain and increase funding for both homeless services and supportive housing, including subsidized rent and wraparound support services. DHS is requesting additional general funds in the executive budget to increase appropriations for homeless service contracts, including outreach, shelter, rapid rehousing, permanent supportive housing, civil legal services, and housing placement programs.

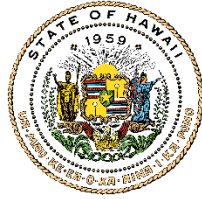
DHS agrees with B&F's testimony regarding properly establishing a special fund. Special funds also require payment of administrative expenses to maintain the special fund. DHS prefers that the entire general fund appropriation be available for homeless services instead of paying special fund fees.

DHS respectfully requests the Legislature's continued support for its executive budget request for increased general fund appropriations for homeless services.

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

**JOSH GREEN, M.D.**  
GOVERNOR | KE KIA'ĀINA

**SYLVIA LUKE**  
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



**STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
KA 'OIHANA KUMUWAIWAI 'ĀINA**

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

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  
HOUSING**

**Wednesday, February 14, 2024  
9:45 AM  
State Capitol, Conference Room 312**

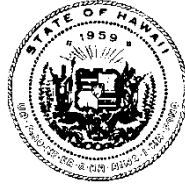
**In consideration of  
HOUSE BILL 2629, HOUSE DRAFT 1  
RELATING TO THE CONVEYANCE TAX**

House Bill 2629, House Draft 1 includes a proposal to strengthen the buying power of the Legacy Land Conservation Program by removing the \$5.1 million cap on the maximum amount of annual conveyance tax revenue deposited into the Land Conservation Fund. **The Department of Land and Natural Resources (Department) supports this measure.**

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

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 HOUSING**

February 14, 2024 at 9:45 a.m.  
State Capitol, Room 312

In consideration of  
**H.B. 2629 HD1**  
**RELATING TO THE CONVEYANCE TAX.**

HHFDC has comments on HB 2629 HD1, which establishes the Homeless Services Fund (HSF); generally and progressively increases the conveyance tax rates; allocates a portion of collected conveyance taxes to the Affordable Homeownership Revolving Fund (AHRF) and HSF; and reduces the allocations to the Land Conservation Fund and Rental Housing Revolving Fund (RHRF), among other things.

HHFDC recognizes that homelessness is a longstanding statewide issue, and we support State and county efforts to provide the unsheltered homeless with housing and related services. Accordingly, HHFDC supports the establishment of HSF and the related funding stream.

AHRF was established in 2021 to offer loans to nonprofit community development financial institutions and nonprofit housing development organizations who develop affordable homeownership housing projects. HHFDC appreciates this bill's funding stream of 10% conveyance taxes collected for AHRF because HHFDC-administered funds (AHRF and RHRF) will continue to receive a total of 50% of conveyance taxes collected. (Currently, RHRF receives 50% of conveyance taxes collected up to a cap of \$38 million.)

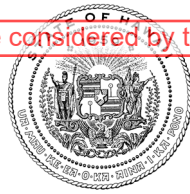
While HHFDC supports an increase in conveyance tax rates, our concern with the original version of this bill was that the increases were quite steep and may have disincentivized property owners from transacting property. The changes that the committee made in HD1 help to address this concern.



Finally, the Committee on Health & Homelessness's (HLT) committee report on HB 2629 requested that HHFDC provide this committee with definitions for the terms "price-restricted affordability" and "permanent affordability", as used in this measure.

- We suggest that "price-restricted affordability" refer to residential real property restricted to renter households with incomes at or below 120% of the area median income amounts published by the United States Department of Housing and Urban Development applicable to the location of the real property for the applicable federal fiscal year.
- With respect to permanent affordability, we suggest that projects utilizing funds be required to remain affordable to households with incomes at no more than 120% of the area median income for the life of the project.

Thank you for the opportunity to testify on this bill.



JOSH GREEN, M.D.  
GOVERNOR  
  
SYLVIA LUKE  
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA  
DIRECTOR  
  
SABRINA NASIR  
DEPUTY DIRECTOR

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

STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

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

**WRITTEN ONLY**  
TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON HEALTH AND HOMELESSNESS  
ON  
HOUSE BILL NO. 2629, H.D. 1

**February 14, 2024**  
**9:45 a.m.**  
**Room 312 and Videoconference**

RELATING TO THE CONVEYANCE TAX

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill (H.B.) No. 2629, H.D. 1: 1) establishes the Homeless Services Fund (HSF) within the State treasury to be administered and managed by the Hawai'i Public Housing Authority (HPHA) to provide homeless services and supportive housing; 2) sets allowable sources of funding, allowable uses, and reporting requirements of the HSF; 3) amends allowable sources of funding for the Affordable Homeownership Revolving Fund (AHRF) to include conveyance taxes; 4) amends allowable uses for the AHRF to include providing matching funds to eligible counties; 5) consolidates conveyance tax brackets with higher conveyance tax rates; and 6) adds exemptions from conveyance taxes for properties with a remaining price-restricted affordability period of at least 30 years and properties conveyed to nonprofit organizations to be held in an undeveloped state for conservation purposes. The bill also amends the distribution scheme of the conveyance tax revenues to: remove the caps on payments to the Land Conservation Fund and the Rental Housing Revolving Fund (RHRF); decrease the percentage of revenues provided to the RHRF from 50% to 40%; provide 10% of revenues to the AHRF; and provide 10% of revenues to the HSF.

As a matter of general policy, B&F does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work, and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding H.B. No. 2629, it is difficult to determine whether the proposed HSF will be self-sustaining (i.e., the annual revenues are sufficient to cover all ongoing annual costs) given that the expected scope of services and supportive housing to be provided by HPHA is not entirely clear.

B&F would also like to note that the proposed consolidation of brackets and adjustment of rates for the conveyance tax will also: 1) remove any cost difference between selling a condominium or single-family residence to a purchaser who is eligible for a county homeowner's exemption on property tax and selling to a purchaser who is not; 2) cause an increase in conveyance tax cost of at least 25% for all non-exempt transfers or conveyance of realty for properties with a value less than \$2,000,000; 3) cause a decrease in conveyance tax cost for non-exempt transfers or conveyance of realty for properties with a value of at least \$4,000,000, but less than \$5,000,000, when the purchaser is eligible for a county homeowner's exemption; and 4) cause a decrease in conveyance tax cost for non-exempt transfers or conveyance or realty for properties with a value of at least \$2,000,000, but less than \$5,000,000, when the purchaser is ineligible for a county homeowner's exemption.

Thank you for your consideration of our comments.



Testimony Before The  
House Committee on Housing (HSG)  
**IN SUPPORT OF HB2629 HD1**  
February 14, 2024, 9:45AM, Room 312 & Via Zoom

We are Olan Leimomi Fisher and Kevin Chang, Kua'āina Advocate and Executive Director, respectively, testifying on behalf of [Kua'āina Ulu 'Auamo \(or KUA\)](#). “Kua'āina Ulu 'Auamo” stands for “grassroots growing through shared responsibility,” and our acronym “KUA” means “backbone.” **Our mission is to connect and empower communities to improve their quality of life through the collective care for their biocultural (natural and cultural) heritage, serving as a “backbone organization” that supports creative and community driven solutions to problems stemming from environmental degradation.** Hawai'i's biocultural resources continue to be negatively impacted by political, economic, and social changes, and the increasing dangers of climate change make fostering and empowering resilient communities acutely critical.

Currently KUA supports three statewide networks of: (1) almost 40 mālama 'āina (caring for our 'āina or “that which feeds”) community groups collectively referred to as E Alu Pū (moving forward together); (2) over 60 loko i'a (fishpond aquaculture systems unique to Hawai'i) and wai 'ōpae (anchialine pool systems) sites in varying stages of restoration and development, with numerous caretakers, stakeholders, and volunteers known as the Hui Mālama Loko I'a (“caretakers of fishponds”); and (3) the Limu Hui made up of over 50 loea (traditional experts) and practitioners in all things “limu” or locally-grown “seaweed.” Our shared vision is to once again experience what our kūpuna (ancestors) referred to as **'āina momona** – abundant and healthy ecological systems that sustain our community resilience and well-being.

**KUA supports HB2629 HD1 as an incremental step towards 'āina momona.**

This bill proposes to strengthen the buying power of the Legacy Land Conservation Program by removing the cap on the maximum amount of annual conveyance tax revenue deposited into the Land Conservation Fund. If enacted as written, HB2629 HD1 would provide a mechanism for increasing the maximum amount of annual conveyance tax revenue deposited into the Land Conservation Fund. Among other needs, members of our statewide networks and future generations need a more skilled, objectively certified, and resourced Department of Land and Natural Resources' Division of Conservation and Resources Enforcement (DOCARE) officers, and it is encouraging to see bills like HB2629 HD1 that will support DOCARE's evolution into a truly effective enforcement arm for our state's precious biocultural resources.

A primary function of KUA includes support for the development of an **'auwai**, or a system of resources, tools, bridges, relationships, and networks that cultivate and elevate our communities' efforts to greater levels of collective impact in the care of our biocultural resources. One of these resource pathways has been the Legacy Lands Fund which allows for the acquisition or protection of lands that community groups can own outright, co-steward, or

manage in collaboration with our state. **Allowing for more partnerships with community leaders and our state government to flourish benefits not only the intent and purpose of our Hawai'i State Constitution, but also uplifts future generations of responsible Hawai'i stewards.** Many of our network members have acquired (or have begun the process to acquire) land to serve as co-stewards or conservation easement monitors/managers, and a growing number of our communities have visions to one day own or co-manage resources with our state. As such, **we expect and hope for more community co-stewards over time seeking the support of the Legacy Land Conservation Program (LLCP).**

The resourceful and bright community members that KUA works with and supports are committed to ensuring the long-term health of our biocultural resources that they have cared for and depended on for generations – committing their lives to mālama i ka 'āina o Hawai'i, hugely benefiting everyone in our state and local governments. **We believe our environment, the foundation of our very existence, is about long-term investment and a vision of 'āina momona.** To get there it requires taking the steps necessary for greater self-sufficiency, development of a pipeline of new and more innovative career pathways, mindsets, relationships, and resources for mālama 'āina efforts. The LLCP program is one such pathway and an 'auwai "resource flow" that helps communities invest in the long-term vision of caring for our 'āina – "that which feeds" and supports our collective future. Passing this bill out of your committee is a start on a pathway toward reaching this vision. Please **PASS** HB2629 HD1.

Mahalo for this opportunity to testify in support of this important measure.

**Aloha 'Āina Momona no nā kau ā kau.**

**HB-2629-HD-1**

Submitted on: 2/12/2024 1:53:40 PM

Testimony for HSG on 2/14/2024 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Kevin Carney	Affordable Housing Connections LLC	Oppose	Written Testimony Only

Comments:

AHC Hawaii is opposed to any legislation that reduces the allocation of the Conveyance Tax to the Rental Housing Revolving Fund. We do support an increase in the Conveyance Tax. However, it is not clear in the bill if the increase of the tax and the reduction to 40% to the RHRF is a positive or negative benefit. Also, we support the elimination of the current \$38 Million cap on the allocation to the RHRF. Historically, there has never been enough funding available in the RHRF to support all the low income rental housing seeking funding. Developers need a dedicated, reliable source of funds to reduce risks, speed up production and reduce expenses.

Thank you for the opportunity to submit this testimony in opposition to the current proposed bill as written.

Kevin R. Carney, President, (PB) NAHP-E

Affordable Housing Connections LLC

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE TAX; Rate Increase

BILL NUMBER: HB 2629 HD 1

INTRODUCED BY: House Committee on Health & Homelessness

**EXECUTIVE SUMMARY:** Establishes the Homeless Services Fund. Amends the conveyance tax rates based on property values. Repeals the conveyance tax rates set separately for conveyances for which the purchasers are ineligible for a county homeowner's exemption on property tax. Exempts from conveyance taxes, conveyances of real property to organizations with certain affordability requirements and to certain nonprofit organizations. Allows collected conveyance taxes to be allocated to the Affordable Homeownership Revolving Fund and Homeless Services Fund and amends the allocations to the Land Conservation Fund and Rental Housing Revolving Fund. Allows counties to apply for matching funds from the Affordable Homeownership Revolving Fund for housing projects that are subject to a perpetual affordability requirement.

**SYNOPSIS:** Adds a new section to chapter 356D, HRS, to establish the Homeless Services Fund.

Amends section 201H-206, HRS, to insert language allowing counties to apply for matching funds from the fund if they have an approved comprehensive affordable housing plan that meets designated criteria.

Amends section 247-2, HRS, to delete the current conveyance tax rates and instead impose tax at:

- (1) Fifty cents per \$100 for properties with a value of less than \$5,000,000;
- (2) Four dollars per \$100 for properties with a value of at least \$5,000,000, but less than \$10,000,000; and
- (3) Six dollars per \$100 for properties with a value of \$10,000,000 or greater.

Amends section 247-3, HRS, to add two new exemptions for:

- (1) Any document or instrument conveying real property to an organization that has a minimum of thirty years remaining of a price-restricted affordability period, or places a deed restriction on the property to maintain permanent affordability; and
- (2) Any document or instrument conveying real property to a nonprofit organization that:
  - (A) Is exempt from federal income tax by the Internal Revenue Service; and

(B) Will hold the property in an undeveloped state and for conservation purposes in perpetuity through a deed restriction on the property.

Amends section 247-7, HRS, to remove the \$5.1 million cap on conveyance taxes earmarked for the land conservation fund (section 173A-5, HRS), to modify the earmark for the affordable homeownership revolving fund (section 201H-206) so it is a straight 40% of collections with no dollar limit, and to add an earmark for the homeless services fund of 10% of collections with no dollar limit.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS:

### **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 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, could easily 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.

The dollar limits are proposed to be deleted and 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: 2/12/2024



CATHOLIC CHARITIES HAWAII

**TESTIMONY IN SUPPORT OF HB 2629 HD1:  
RELATING TO THE CONVEYANCE TAX**

TO: House Committee on Housing  
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i  
Hearing: **Wednesday, 2/14/24; 9:45 am: CR 312 and Videoconference**

Chair Evslin, Vice Chair Aiu, and Members, Committee on Housing:

Thank you for the opportunity to provide testimony **in Support of HB 2629 HD1**, which amends the conveyance tax rates, establishes a Homeless Services Fund, allocates revenues to the Affordable Homeownership Revolving Fund, and reduces funding to the Rental Housing Revolving Fund (RHRF), etc. I am Rob Van Tassell with Catholic Charities Hawai'i. **We support this bill with the amendment below.**

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. We have a long history of working on affordable housing and ending homelessness.

The Legislature has stated that creating more affordable housing is one of the top priorities of the State. The conveyance tax revenues are the only dedicated source of funding to the RHRF, which has a proven track record of creating thousands of units of affordable rentals. We appreciate that this bill removes the \$38 million cap on the RHRF. We also appreciate that HD1 changes the percentage to be paid to this fund from 25% to 40% of the conveyance tax revenues. However, even at 50% of this tax's revenues, the RHRF cannot keep up with the demand for affordable rentals. The Legislature has also begun to address the need for affordable rental housing for households over 60% AMI (Tier 2 funding). With this added demand for RHRF resources as well as our State's ongoing housing crisis, now is NOT the time to reduce funding to the Rental Housing Revolving Fund (RHRF).

Catholic Charities Hawai'i respectfully urges you to **maintain 50% of the conveyance tax revenues to be paid to the Rental Housing Revolving Fund.**

Additional State revenues are needed to make a larger impact on our homeless crisis. Allocating 10% of the conveyance tax to homeless services would be a critical step forward. Our homeless programs reduced homelessness over the past few years. These new funds would expand services to move more people off our streets.

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





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## Trust for Public Land's Testimony Supporting HB 2629 HD 1 Relating to the Conveyance Tax House Committee on Housing Wednesday, February 14, 2024, 9:45 a.m., Rm. 312

Aloha Chair Evslin, Vice-Chair Aiu, and Committee Members:

Trust for Public Land supports HB2629 HD1, which would increase the real estate conveyance tax for sales of land over \$5 million, set aside revenue for houseless programs and the affordable housing rental trust fund, and eliminate the statutory cap of \$5.1 million for the Legacy Land Conservation Program.

We do note, however, that the 50 cent rate proposed for sales under \$5 million is an increase for sales under \$2 million (currently at 30 cents to 10 cents) and will affect middle to lower income sales of condos and homes, and would prefer that these rates remain the same.

There is a clear nexus between land sales, speculation, and development and degradation of our natural and cultural resources, and the conversion of agricultural land for non-agricultural uses. The Legacy Land Conservation Program, which currently receives up to 10% of the real estate conveyance tax (but statutorily capped at \$5.1 million), protects forested watershed land that produce our drinking water, culturally significant lands that perpetuate Native Hawaiian culture, agricultural lands that produce our food, and recreational areas that contribute to health and wellness of our residents. This small amount has remained the same for many years while land prices and speculation have grown.

Trust for Public Land therefore strongly supports HB 2629 HD 1 and urges the Committee to support its passage, with possible amendments for those sales under \$2 million. Mahalo for this opportunity to testify. Unfortunately, I cannot be present to testify in person or Zoom due to a pre-existing scheduling conflict.

Mahalo –

Lea Hong  
Hawai'i State Director  
Edmund C. Olson Trust Fellow

February 14, 2024

**The Honorable Luke A. Evslin, Chair**

House Committee on Housing  
 State Capitol, Conference Room 312 & Videoconference

**RE: House Bill 2629, HD1, Relating to the Conveyance Tax**

**HEARING: Wednesday, February 14, 2024, at 9:45 a.m.**

Aloha Chair Evslin, Vice Chair Aiu, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i and its over 11,000 members. HAR **opposes** House Bill 2629, HD1, which establishes the Homeless Services Special Fund. Allows counties to apply for matching funds from the Affordable Homeownership Revolving Fund for housing projects that are subject to a perpetual affordability requirement. Amends the conveyance tax rates based on property values. Repeals the conveyance tax rates set separately for conveyances for which the purchasers are ineligible for a county homeowner's exemption on property tax. Exempts from conveyance taxes, conveyances of real property to organizations with certain affordability requirements and to certain nonprofit organizations. Allocates collected conveyance taxes to be allocated to the Affordable Homeownership Revolving Fund and Homeless Services Fund and amends allocations to the Land Conservation Fund and Rental Housing Revolving Fund. Effective 7/1/3000.

While we appreciate the intent of this measure to find a source of funding for a Homeless Services Fund and Affordable Housing Revolving Fund, we respectfully request another source of funding be identified. **Increasing the Conveyance Tax will negatively impact the housing and real estate market in Hawaii and lead to an increase in the cost of housing.** This measure proposes to greatly increase the Conveyance Tax rates for real property that can hurt working families in Hawaii. The table below illustrates the impact of the rate changes as described in the HD1:

Property Value:	Current* Per \$100:	Proposed Rate:	Current Tax (in Dollars):	Proposed Tax (in Dollars):
\$300,000	\$0.10	\$0.50 (0.5% of value)	\$300	<b>\$1,500 (5x increase)</b>
\$600,000	\$0.20	\$0.50	\$1,200	<b>\$3,000 (2.5x increase)</b>
\$1,000,000	\$0.30	\$0.50	\$3,000	<b>\$5,000 (1.66x increase)</b>
\$2,000,000	\$0.50	\$0.50	\$10,000	<b>\$10,000</b>
\$4,000,000	\$0.70	\$0.50	\$28,000	<b>\$20,000</b>
\$6,000,000	\$0.90	\$4.00 (4% of value)	\$54,000	<b>\$240,000 (4.4x increase)</b>
\$10,000,000	\$1.00	\$6.00 (6% of value)	\$100,000	<b>\$600,000 (6x increase)</b>

\*Note: Current rates are for owner-occupant properties, statute has different rates for non-owner occupant properties. This measure removes the two different rate structures so the owner-occupant rates are being used in this example.

The Conveyance Tax is tied to real property sales, so its revenue fluctuates

depending on the health of the real estate market. Conveyance Tax applies not only to residential property such as single-family homes and condominiums, but also to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands.

HAR would also note that the Conveyance Tax was originally created to fund the Bureau of Conveyances, but rates have increased over the years and the Conveyance Tax has been targeted to become a revenue source for the Land Conservation Fund, Rental Housing Revolving Fund, and the general fund. Removing the cap for both special funds or adding new special funds could lead to a decline in revenue for the general fund, especially in a down market.

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.<sup>1</sup> The challenge with linking 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 rate increases 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.

This measure would affect development projects including affordable housing rentals or for sale projects, which purchase uninhabitable property and make it habitable. Local businesses would also be affected by these increases with additional costs being passed down to Hawaii's local business community who rent commercial space.

Increases also hurt individuals since 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 via capital gains. Large increases to the Conveyance Tax also reduce the equity one can build when moving into a different home. Building equity is essential especially for working families who would need every penny to be able to afford to buy a larger space to accommodate a growing family for instance.

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.<sup>2</sup> Ultimately, we have a housing supply problem, and this measure adds to the cost of housing.

Mahalo for the opportunity to testify.

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<sup>1</sup> Hawaii's REALTORS®. (2023). *Statewide Real Estate Statistics*. [www.hawaiiirealtors.com/resources/housing-trends-2](http://www.hawaiiirealtors.com/resources/housing-trends-2)

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

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Feb. 14, 2024, 9:45 a.m.

Hawaii State Capitol

Conference Room 312 and Videoconference

**To: House Committee on Housing**

**Rep. Luke A. Evslin, Chair**

**Rep. Micah P.K. Aiu, Vice-Chair**

**From: Grassroot Institute of Hawaii**

**Ted Kefalas, Director of Strategic Campaigns**

RE: TESTIMONY OPPOSING HB2629 HD1 — RELATING TO THE CONVEYANCE TAX

Aloha Chair Evslin, Vice-Chair Aiu and Committee Members,

The Grassroot Institute of Hawaii is concerned about the potential economic impact of [HB2629 HD1](#), which would replace the existing tiered conveyance tax rates of 10 cents, 20 cents and 30 cents per \$100 for properties valued at less than \$600,000, less than \$1 million, and less than \$2 million, respectively, with a rate of 50 cents per \$100 for all homes valued under \$5 million.

This would be a 500% tax increase for the lowest tier and a 60% tax increase for homes valued under \$2 million.

For properties valued at more than \$5 million and less than \$10 million, the conveyance tax would be increased to \$4 per \$100 — an increase of anywhere from about 570% to 440%. For homes valued at over \$10 million, HB2969 HD1 would increase the tax rate by 600%, from \$1 to \$6 per \$100 of value.

Oddly, Only properties valued between \$2 million and \$4,999,999 would see no change or enjoy a minor tax cut.

Nevertheless, the tax increases in this bill ultimately would affect every level of the housing market.

The most affordable properties would have their conveyance taxes quintupled — a cost that would be added on to the ever-increasing cost of buying a home in Hawaii. Meanwhile, the massive increase in higher-end properties would affect everything from rent prices to the feasibility of large residential developments.

The reality is that the effects of a tax hike cannot be segregated from the rest of the economy. What affects one segment of the housing market will ripple through the state’s housing market as a whole. Put simply, higher conveyance taxes can harm the economy.

For example, 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.”<sup>1</sup>

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.<sup>2</sup> But higher conveyance taxes could chill the sale of old buildings.

“Many properties will need to be upgraded and/or adaptively reused to remain viable,” the Sage report stated. “Excessive transfer tax rates can frustrate the exchange of property that is often required to return to commercial viability.”<sup>3</sup>

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.<sup>4</sup>

Consider these points:

>> Hawaii’s population has been declining for the past six years.<sup>5</sup> 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.<sup>6</sup> Their departure from the islands is not only emotionally distressing, but economically depressing as well.

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<sup>1</sup> [“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.

<sup>2</sup> Lana Teramae, [“Local Architects Talk About Repurposing Existing Buildings in Post-Pandemic Hawai’i,”](#) Hawaii Business Magazine, Sept. 6, 2021.

<sup>3</sup> [“The Unintended Consequences of Excessive Transfer Taxes,”](#) p. 3.

<sup>4</sup> Jared Walczak and Erica York, [“State and Local Tax Burdens, Calendar Year 2022,”](#) Tax Foundation, April 7, 2022.

<sup>5</sup> Maria Wood, [“Where People from Hawaii Are Moving to the Most,”](#) 24/7 Wall Street, Jan. 23, 2022.

<sup>6</sup> Katherine Loughhead, [“How Do Taxes Affect Interstate Migration?”](#) Tax Foundation, Oct. 11, 2022.

>> 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%.<sup>7</sup> Hawaii’s top 1.5% of taxpayers already pay 34.9% of all income taxes in the state.<sup>8</sup>

>> Hawaii is suffering from a stagnant economy, and both the Economic Research Organization at the University of Hawai’i<sup>9</sup> and the state Department of Business, Economic Development and Tourism<sup>10</sup> have predicted continued slow economic growth in 2024. Tax hikes could exacerbate this slowdown, since entrepreneurs would be less likely to invest their capital — or “wealth assets,” as the case may be<sup>11</sup> — 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.

This dramatic increase in the conveyance tax proposed by HB2629 would have a negative effect on the affordability of housing and the state’s economy.

Thank you for the opportunity to testify.

Ted Kefalas  
Director of Strategic Campaigns  
Grassroot Institute of Hawaii

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<sup>7</sup> Timothy Vermeer, “[State Individual Income Tax Rates and Brackets for 2023](#),” Tax Foundation, Feb. 21, 2023.

<sup>8</sup> “[Hawaii Individual Income Tax Statistics](#),” Hawaii Department of Taxation report for Tax Year 2021, August 2023, Table 12A.

<sup>9</sup> 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.

<sup>10</sup> Hawaii Department of Business, Economic Development, and Tourism, “[Hawaii Economic Growth Remains Low for 2024 as Recovery Continues](#),” Dec. 11, 2023.

<sup>11</sup> 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.





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February 12, 2024

Representative Luke A. Evslin, Chair  
Representative Micah P.K. Aiu, Vice Chair  
House Committee on Housing

**Comments and Concerns in Opposition to HB 2629, H.D. 1, Relating to the Conveyance Tax (Establishes the Homeless Services Special Fund. Allows counties to apply for matching funds from the Affordable Homeownership Revolving Fund for housing projects that are subject to a perpetual affordability requirement. Amends the conveyance tax rates based on property values. Repeals the conveyance tax rates set separately for conveyances for which the purchasers are ineligible for a county homeowner's exemption on property tax. Exempts from conveyance taxes, conveyances of real property to organizations with certain affordability requirements and to certain nonprofit organizations. Allocates collected conveyance taxes to the Affordable Homeownership Revolving Fund and Homeless Services Special Fund and amends allocations to the Land Conservation Fund and Rental Housing Revolving Fund.)**

**Wednesday, February 14, 2024, at 9:45 a.m.; State Capitol, Conference Room 312, 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 2629, H.D. 1.** The stated purposes of this bill are amongst other things, to establish the Homeless Services Special Fund; to allow counties to apply for matching funds from the Affordable Homeownership Revolving Fund for housing projects that are subject to a perpetual affordability requirement; to amend and repeal current conveyance tax rates and create new exemptions from conveyance taxes; and to allocate

collected conveyance taxes to the Affordable Homeownership Revolving Fund and Homeless Services Special Fund; and amend allocations to the Land Conservation Fund and Rental Housing Revolving Fund.

In short, the measure is intended as a method to generate revenue by increasing and re-directing conveyance tax revenues which are to be paid into the state treasury to the credit of the general fund of the State, with seventy percent (70%) of said total revenue proposed to be directed into four 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 dollar amount to be paid into each fiscal year is proposed to be amended); the Affordable Homeownership Revolving Fund established pursuant to HRS Section 201H-206; and the Homeless Services Special Fund proposed to be established by this bill (for the purpose of funding homeless services and supportive housing, including homeless facilities programs for the homeless).

**LURF's Position.** The proposed amendments, repeals, exemptions, allowances, and allocations in this HB 2629, H.D. 1 relating to the conveyance tax is arguably inappropriate, improper, and illegal, given the following:<sup>1</sup>

**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 somehow 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

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<sup>1</sup> Further opposition to HB 2629, 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.

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 now to the Affordable Homeownership Revolving Fund and Homeless Services Special Fund specifically for the purpose of funding homeless services, housing, and facilities programs as proposed by the current measure, **go far 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**.

**2. HB 2629, 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 or nexus 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 clear nexus 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 2629, H.D. 1 is to find an additional source of funding for homeless-related services, housing, and programs by increasing conveyance tax rates for the transfer of certain properties, pointedly those with higher values. In doing so however, proponents of this bill fail to support their claims and efforts with substantiated, accurate, and current facts and information.

More importantly, the State Auditor has in the past concluded that such an arrangement where there is no *clear link* with the funding source (individuals and entities 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 homeless services, housing, and programs.**

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 the general fund itself, or other "related" or "linked" state and county charges, federal funding, and other fees and taxes particularly resources specifically for health and human services, including homelessness.

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, Hawaii's middle-income, working-class homeowners, particularly local senior citizens on fixed incomes who own property will be negatively affected by the increased rates proposed by this measure, not to mention the negative impacts which may be suffered by them 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 proposal. Also unknown at this time is whether said amounts would even be sufficient for the funds identified and for the purposes specified, and whether those amounts of conveyance tax revenues collected pursuant to this bill would outweigh and warrant the consequences which may be suffered by property owners, other stakeholders, and the overall economy.

**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 Maui wildfires, and is still attempting to encourage business expansion in, and attract business operations to Hawaii, measures implemented to increase State conveyance tax rates and utilize the 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 higher valued 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 and industrial 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 exemptions 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, previous proposals made in in the past, including a 2023 bill attempting to use conveyance tax revenues for government assisted affordable housing was not passed and has been followed by this HB 2629, H.D. 1 with a proposed allocation to funds similarly aimed at addressing Hawaii's affordable housing crisis - although details describing how or to what extent the proposed allocation to said funds for such purposes would actually be effective have not been offered in this current bill.

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 address the 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. Furthermore, use of the conveyance tax to subsidize or increase subsidies for special funds must meet the "clear nexus" criteria of HRS Sections 37-52.3 and 37-52.4. 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 2629, 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.

February 13, 2024

The Honorable Luke A. Evslin, Chair  
The Honorable Micah P.K. Aiu, Vice Chair  
and Members of the House Committee on Housing

Re: Testimony – HB 2629, HD1, Relating to the Conveyance Tax  
Hearing: February 14, 2024 at 9:45 AM  
Conference Room 312

Dear Chair Evslin, Vice Chair Aiu, and Committee Members:

Stanford Carr Development submits comments on House Bill 1760, which proposes to amend the conveyance tax rates, set aside conveyance taxes for the development of affordable housing, exempt affordable housing and conservation transactions, and establish two new special purpose funds.

We **support** the following sections of HB 2629, HD1:

- Section 5 that proposes an exemption to the conveyance tax for “a price-restricted affordability” period of 30 years or more, with the understanding that it includes income-restricted rental properties; and
- Section 6 that removes the \$38 million cap from the amount of Conveyance Tax paid into the Rental Housing Revolving Fund. The RHRF serves as a valuable funding tool to support increased development of affordable rental housing.

We express **concern** with the following section of HB 2629, HD1:

- Section 2 creates a homeless services special fund to be administered by the Hawaii Public Housing Authority. While we support the intent and recognize that housing is the constant and stable factor to addressing homelessness, we point to the *Point-in-Time Count 2023 Comprehensive Report* that reported the following statistics related to persons experiencing homelessness: 39% reported a mental illness, 28% reported a physical, developmental, or other disability, and 31% reported a substance use problem.

The individual physical and behavioral needs of persons experiencing homelessness are far more complex and demanding than the scope of the State’s public housing agency. Act 89, SLH 2010 relocated state homeless programs and services to the Department of Human Services. Accordingly, we suggest that the Department of Human Services or the Department of Health, Behavioral Health Division may offer greater expertise to manage the homeless services special fund.

Thank you for the opportunity to offer testimony on this measure.

Respectfully,



Stanford S. Carr





**Church  
of the  
Crossroads**  
United Church of Christ



## **TESTIMONY IN SUPPORT OF BILL HB 2629 HD 1**

House Committee on Housing  
February 14, 2024 at 9:45 a.m.  
Conference Room 312 & Video

Chair Evslin, Vice Chair Aiu, Members,

Church of the Crossroads, Hawaii's first deliberately interracial congregation now over 100 years old, remains committed to supporting Hawaii's richly diverse population.

We ask you to **please pass HB 2629 HD 1**. This bill establishes the Homeless Services Fund to provide funds for homeless services and supportive housing; substantially raises the conveyance tax rates on properties valued over \$5 million, and; allocates 70% of conveyance tax collections with no cap to housing/homeless funds or to the land conservation fund.

Hawaii's high cost of housing is fueling the State's homelessness crisis and forcing local families to move out of the State. The conveyance tax, a one-time tax at the time of real property sales, is an appropriate revenue source to help with affordable housing, land conservation, and homeless services. Although housing prices in the State have risen dramatically over the past thirteen years, the State's conveyance tax rates have not been updated since Act 59 (2009). Presently, the State's conveyance tax is significantly lower than the rates of other high-cost areas in the country.

Cities elsewhere are increasing their conveyance tax rates to fund affordable housing. San Francisco increased its tax rate to 5.5% on homes valued over \$10,000,000 in 2020, and two years ago Los Angeles increased the real property transfer tax to 4.5% on properties valued over \$5,000,000 and 6% on properties valued over \$10,000,000. Smaller cities with high housing costs are also raising their conveyance taxes to cope with affordable housing cost increases.

Mahalo for your attention to the Church's testimony in support of HB 2629 HD 1.

Ellen Godbey Carson  
Member, Church of the Crossroads  
(and Past Board President of Institute for Human Services)

**HB-2629-HD-1**

Submitted on: 2/13/2024 8:34:18 AM

Testimony for HSG on 2/14/2024 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Toni Withington	Ka Makani O Kohala Ohana	Support	Written Testimony Only

Comments:

We strongly support HB2629 that would remove the cap on allocations to the Legacy Land Conservation Fund.

Ka Makani O Kohala Ohana is one of 5 community groups in North Kohala that has pursued the protection from development of almost 2,000 acres of coastal lands in North Kohala, Hawaii Island. We have applied for and received funding through the Legacy Land program four times. We feel the State should do more in protecting lands important to the residents of Hawaii. This is the generation that needs to take on the job. The County of Hawaii is doing a great job of funding purchase of wahi pana. The State should be doing more, not less.

Toni Withington, president

Ka Makani O Kohala Ohana



## 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](mailto:info@hysn.org)

Vonnell Ramos, President  
Cyd Hoffeld, Vice President  
Sione Ford Naeata, Treasurer  
Greg Tjapkes, Secretary

Judith F. Clark, Executive  
Director

### Network Membership

*Big Brothers Big Sisters Hawai`i  
Big Island Substance Abuse  
Council*

*Bobby Benson Center  
Child and Family Service  
Coalition for a Drug-Free Hawai`i  
Collins Consulting, LLC  
Domestic Violence Action Center  
EPIC `Ohana, Inc.*

*Family Programs Hawai`i  
Family Support Hawai`i  
Friends of the Children's Justice  
Center of Maui*

*Get Ready Hawai`i  
Hale Kipa, Inc.*

*Hale `Opio Kaua`i, Inc.  
Hawai`i Children's Action  
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*Hawai`i Health & Harm  
Reduction Center  
Hawaii Island Community'  
Health Center*

*Ho`ola Na Pua  
Ho`okele Coalition of Kaua`i  
Ka Hale Pomaika`i  
Kahi Mohala*

*Kokua Kalih Valley  
Kaua`i Planning and Action  
Alliance*

*Maui Youth and Family Services  
Na Pu`uwai Molokai Native  
Hawaiian Health Care  
Systems*

*P.A.R.E.N.T.S., Inc.  
Parents and Children Together  
PHOCUSED*

*PFLAG - Kona, Big Island  
Planned Parenthood of the  
Great Northwest, Hawaii  
Alaska, Kentucky, Indiana*

*Residential Youth Services  
& Empowerment (RYSE)*

*Salvation Army Family  
Intervention Services*

*Sex Abuse Treatment Center  
Susannah Wesley Community  
Center*

*The Catalyst Group*

February 13, 2024

Representative Luke Evslin, Chair  
And members of the Committee on Housing

### TESTIMONY IN SUPPORT OF HB 2629 RELATING TO THE CONVEYANCE TAX

Hawaii Youth Services Network (HYSN) supports HB 2629 Relating to the Conveyance Tax.

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 rateses 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,

A handwritten signature in black ink that reads 'Judith F. Clark'. The signature is written in a cursive style.

Judith F. Clark  
Executive Director



February 13, 2024

Representative Luke Evslin, Chair  
Representative Micah Aiu, Vice Chair  
Committee on Housing

RE: **HB 2629– RELATING TO CONVEYANCE TAX**  
**Hearing date – February 14, 2024 at 9:45 AM**

Aloha Chair Evslin, Vice Chair Aiu, and members of the committee,

Thank you for allowing NAIOP Hawaii to submit testimony in **OPPOSITION to HB 2629 – 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 2629 HD1 significantly increases the conveyance tax for all properties valued in Hawaii. Additionally, HB 2629 allocates 40 percent conveyance tax allocated to the Rental Housing Revolving Fund (RHRF) and 10 percent to the affordable homeownership revolving fund established pursuant to Section 201H-206. The measure further allocates ten percent of the conveyance tax into the homeless services fund.

NAIOP Hawaii is greatly concerned with the significant increases in conveyance tax for properties in Hawaii. First, the measure increases the conveyance tax to 50 cents per \$100 for properties valued at \$5 million and under. The new HD1 applies a conveyance tax of \$4 per \$100 for properties with a value between \$5 million and \$10 million. HB 2629 increases the tax rate of homeowner and commercial properties below \$1M by **150% - 400%**. Such a dramatic increase in conveyance tax rates is anticipated to result in sellers adjusting their prices to offset losses in net proceeds. This would greatly increase the cost of transacting for a median price home in Hawaii. Consequently, local housing prices will surge, making it increasingly challenging for new local homebuyers to enter the market. The proposed increased tax burden negatively affects local homeowners who are simply seeking to relocate to a different neighborhood.

Our state 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.

Representative Luke Evslin, Chair  
Representative Micah Aiu, Vice Chair  
February 13, 2024  
Page 2

Moreover, 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 and affordable homeownership revolving fund, 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

NAIOP Hawaii is concerned that this increase in conveyance taxes will reduce the private sector's investment into long term projects which stimulate 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 2629 be deferred.

Mahalo for your consideration,

A handwritten signature in black ink, appearing to read 'Reyn Tanaka', with a long horizontal stroke extending to the right.

Reyn Tanaka, President  
NAIOP Hawaii



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

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## TESTIMONY IN SUPPORT OF HB 2629: RELATING TO THE CONVEYANCE TAX

TO: Committee Chair, Vice-Chair and Members  
FROM: Brandee Menino, CEO, Hope Services Hawai'i, Inc.  
Hearing: HSG on 02-14-24

Aloha,

My name is Brandee Menino and I am the CEO of Hope Services Hawai'i, which is Hawai'i Island's largest nonprofit homeless services provider. We work in collaboration with providers across Hawai'i Island, using evidence-based practices to help our neighbors avoid and overcome homelessness, and achieve above-average results in helping people get housed and stay housed. **Our outreach and shelter staff are the essential workers who show up every day to work. Even at the height of the pandemic, they didn't telework, and they didn't do street outreach via zoom. The community depends on them to engage and help those who are unhoused. These are critical services that serve our community, and we need your collaboration to provide the level of service needed by our unhoused community.** By supporting this bill, which would tax home sales above \$5M which are primarily for investors who do not live full-time in Hawai'i, in order to fund housing and services for people who do live and work here full-time, **you have the opportunity to address major barriers to ending homelessness:**

- The lack of consistent and adequate government funding to expand programs to sufficient levels to meet the need for homeless services: This bill would **provide the state's first permanent source of funding for homeless services with the establishment of the homeless services fund, which would receive 10% of the revenue.**
- The unaffordability of housing for local residents: This bill would allocate **40% to the rental housing revolving fund, and remove the cap.** It would also allocate 10% to the affordable homeownership revolving fund without a cap.

Between 2022 and 2023, the number of people experiencing homelessness on Hawai'i Island rose from 837 to 1,003, yet our state budget allocations have fallen behind. Since 2017 the State budget for homeless services has only increased about 1.3% a year, which does not keep up with inflation, let alone the increasing numbers of people needing care. Year after year we are effectively asking our service providers to do more with less.

Today we have the opportunity to reverse that. Let's do this.

  
Brandee Menino,  
Chief Executive Officer

### ADMINISTRATIVE OFFICE BOARD OF DIRECTORS

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Brandee Menino



# KPKOA

**Kū Pono Ka Leo O Ka 'Āina**  
*Standing with the Voices of the Land*

**Re: HB2629 HD1** Conveyance Tax increase, 10% allocation to homeless services.

**Hearing Date and Time:** February 14<sup>th</sup> 9:45 AM, Rm 312

Aloha Chair Evslin, Vice Chair Aiu, and Members of the House Committee on Housing,

**Please support HB2629 HD1** as it provides much needed funding for the full spectrum of our housing needs from homeless services to affordable homeownership. This bill would increase the conveyance tax rates on multi-million dollar home sales which are primarily for investors who do not live full-time in Hawai'i in order to fund housing and services for people **who do live and work here** full-time. We must take concrete and bold actions to meet our housing needs and **HB2629 HD 1** is a big step forward.

Asking those who can purchase a multi-million dollar homes to pay a fair tax to support the people of Hawai'i will make a difference. Depending on the home sales at the various income levels here is our current best estimates on the revenue impact of **HB2629 HD1**.

- **10% for Homeless Services. \$20M-\$30M in revenue for Homeless Services.**  
**Note:** Currently, only \$28.8M is allocated for homeless services in the State Budget.  
This is an increase of only 9% since 2017 or 1.3% a year which falls behind inflation.
- **40% Rental Housing Revolving Fund. \$80M-\$120M** for low and middle income rental housing.
- **10% Affordable Homeownership Revolving Fund. \$20M-\$30M** for low and middle income ownership opportunities.
- **10% Land Conservation. \$20M-\$30M** for the Land Conservation Fund

**Increasing the amount of dedicated revenue for our full spectrum of housing needs will help to lift us out of our housing crisis and over-time create a balanced and fair housing market for people who earn wages in the local economy.** This approach has worked in places as varied as Aspen, Colorado and New York City and Helsinki, Finland to significantly increase the percentage of homes that are affordable at 20-30% of a person's wages. If Hawai'i wants to maintain a local culture and local workforce, we must start with serious investment in housing that is affordable at local wages and stays that way year after year, decade after decade. **With the average price of a free market home in Hawai'i costing more than \$1M or approximately \$7,000 a month in mortgage costs, we simply must find other alternatives.**

We would also respectfully ask that the Committee on Housing make the following amendments to HB2629 HD1:

1) **Lower rates for multi-family residential property.**

Incorporate language from **HB2364 HD1** to include a lower rate for multi-family residential property. This is because a building with 5 apartments selling for \$5M is clearly not the same as a single residence selling for \$5M. Also, many multi-family residential properties, also known as commercial properties, do provide lower cost housing for residents due to being more dense apartment buildings.

2) **A more graduated rate for multi-family residential property based on best practices** from other jurisdictions such as New York City which have used transfer taxes to support affordable housing for decades.

**\$0-\$10M - 1% rate.** A rate of 1% is still low compared to average rates in high cost places, however there are probably few multi-family residential sales that fall into this category.

**\$10M- \$30M- 1.5% rate.** This is a gradual yet still meaningful increase from the lowest tier.

**\$30M and higher- 2% rate.** A 2% tax rate is still below what some other high cost jurisdictions charge- in particular LA county now has a rate of 6% on properties over \$10M *without exemptions* for commercial real estate. New York City has rate of 3% on commercial real estate (office, retail and rental buildings) over \$2M and many ski towns have transfer tax rates of 2-3% at all values without exemptions for commercial real estate.

***We must start to make real change*** that can help our community members who are struggling with housing costs and are either paying more than 40% of their income on rent or are contemplating leaving the state due to the high costs of housing and instability of the private rental market. Many residents in the rental market have experienced the need to find new housing due to owner's selling in the private market or family members of the owner deciding to live in the home. Although this is understandable from the perspective of the owner, it has left our local residents in the rental market with fewer options and increasing market prices due to more people competing for a limited supply. We are seeing these dynamics acutely in Maui and Kaua'i right now where rental price increases are 3 to 5 times higher than wage increases and other islands are also experiencing this disconnect between wages and housing costs even if to a lesser degree than Maui and Kaua'i. The only solution that seems to be effective in places with limited land and a local economy based on tourism is for the local government to help fund housing that is in fact affordable at 20-30% of people's local wages. This is what ski towns across the continent have been doing for decades and Hawai'i should consider this approach.

**Please vote yes on HB2629 HD1.**

Mahalo for the opportunity to testify.







# MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEE ON HOUSING  
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 312  
Wednesday, February 14, 2024 AT 9:45 A.M.

To The Honorable Luke A. Evslin, Chair  
The Honorable Micah P.K. Aiu, Vice Chair  
Members of the Committee on Housing

## COMMENTS ON HB2629 HD1 RELATING TO THE CONVEYANCE TAX

The Maui Chamber of Commerce would like to **COMMENT on HB2629 HD1.**

Maui County had a housing crisis prior to the wildfires and given the now extreme need for housing on Maui exacerbated by the wildfires, we need urgent solutions. However, we have concerns on this bill given the use of the conveyance tax.

It is our understanding that the conveyance tax was never intended to be and should not operate as a revenue-generating tax. We feel that Hawaii's working-class residents, long-time property owners, and large kama`aina landowners will likely be negatively affected and this bill could create significant disincentive for business in Hawaii. This bill could drive up the cost of lands for agricultural production, affordable and market homes, and commercial development. The bill would also eliminate paragraph (2) of section 247-2, HRS, which provides different conveyance tax rates for the sale of condominiums or single-family residences for which the purchaser is ineligible for a county homeowner's exemption on property taxes.

We believe that all stakeholders, including, but not limited to private land owners, 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.

Mahalo for the opportunity to **COMMENT on HB2629 HD1.**

Sincerely,

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

**HB-2629-HD-1**

Submitted on: 2/12/2024 8:19:41 PM

Testimony for HSG on 2/14/2024 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Thorne Abbott	Individual	Support	In Person

Comments:

strongly support this measure

**HB-2629-HD-1**

Submitted on: 2/13/2024 7:32:59 AM

Testimony for HSG on 2/14/2024 9:45:00 AM

Submitted By	Organization	Testifier Position	Testify
Ellen Godbey Carson	Individual	Support	Written Testimony Only

Comments:

We definitely need higher conveyance taxes, so I support this bill. HB 2629l provides appropriately higher taxes on our higher value properties, while earmarking funds for critical needs such as homeless services and homeownership assistance.

**I request amendments so that properties valued at \$2.5 - \$5.0 million would have increased rates, such as 2%.** There are many more of these properties than there are in the over \$5 million range. This range is 2.5 to 5 times the median sale price of our properties, so is targeted to those most able to pay. The revenue generation would be much higher, while helping discourage speculative buying, selling and flipping of residential properties.

Thank you for consideration of my testimony.

Ellen Carson, Honolulu, Hawaii.

**HB-2629-HD-1**

Submitted on: 2/13/2024 8:51:35 AM

Testimony for HSG on 2/14/2024 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Deborah Ward	Individual	Support	Written Testimony Only

Comments:

Aloha, legislators,

My name is Deborah Ward, and I am a Hawaii County Commissioner on the Public Access Open Space and Natural Resources Commission. I STRONGLY SUPPORT this bill and the new amendments. By removing the cap on the maximum on the conveyance tax revenue, we can improve our ability to secure historic, cultural, agricultural and natural lands,. By doing so we can improve our resilience to climate change, protect open space and shoreline access, secure agricultural land from development. Keeping Hawaii's lands in public hands helps us stem the tide of unscrupulous land speculators and keeps what's left of Hawaii's local treasures. Thank you for your time, and for your vote in support.

Deborah Ward

**HB-2629-HD-1**

Submitted on: 2/13/2024 9:02:09 AM

Testimony for HSG on 2/14/2024 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
helen raine	Individual	Support	Written Testimony Only

Comments:

I would like to register my support for this bill to increase the maximum amount of annual conveyance tax revenue deposited into the Land Conservation Fund. This is a vital mechanism to protect land with high conservation and cultural value, and ensure that properties that are important to the community for their biodiversity and the ecosystem services can be protected in perpetuity.

**HB-2629-HD-1**

Submitted on: 2/13/2024 9:09:31 AM

Testimony for HSG on 2/14/2024 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Lynn Murakami Akatsuka	Individual	Oppose	Written Testimony Only

Comments:

I **strongly oppose** HB 2629, HD 1 for passage this legislative session and the bill should be deferred. Another tax that would impact Hawaii residents in the long term. It establishes a massive tax hike on homes valued under \$2 million and even more staggering tax hike on those valued at more than \$2 million.

We bought our home in the 1970's and have seen the property tax assessment value go up all these four decades along with other homes in our neighborhood; many of us long time residents and now senior citizens on fixed incomes.

Dear legislators, please review all the special fund accounts and other previous budget allotments, e.g., DOE, where monies were not encumbered, not spent to date, returned to the General Fund because no progress made on beginning projects that the funds were designated for. Use these unused special fund account and previous budget allotments to establish and fund the Homeless Services Fund.

Please take stock of the written testimonies from the Tax Foundation of Hawaii and Grassroot Institute of Hawaii as well as the declining statistics of Hawaii residents leaving our state to other states without income taxes. I was hoping for bills that would lower our taxes and not increase our taxes this session.

Thank you for the opportunity to testify in **strong opposition** of HB 2629, HD 1.

**HB-2629-HD-1**

Submitted on: 2/13/2024 9:21:10 AM

Testimony for HSG on 2/14/2024 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Summer Yadao	Individual	Support	In Person

Comments:

Aloha Chair Evslin, Vice Chair Aiu, members of the committee,

Thank you for your time and consideration on this vitally important bill, that in the words of Representative Belatti, "is a game changer" for affordable housing and homeless services.

We have been given false narratives, that amending this real estate transfer tax or conveyance tax which is a tax placed **only when a property is sold** would impact local families. Local families do not have the income to purchase homes \$2 million dollars or more, and if they do have a home, they are more than likely going to stay living in it.

HB2629 is the bill that we need **right now** in light of the tragedy of the fires in Lahaina, with babies being born on the streets, and people who are veterans, disabled or going through cancer treatments, we need this consistent stream of funding for affordable housing and homeless services.

Aspen, Colorado has 40% of their entire housing stock dedicated to local workforce housing, and **permanently affordable** because the acquisition of properties and developments that are created are funded by the monies from their conveyance tax.

Unfortunately we the people in our island home, have waited too long to be forward thinking in providing housing for our people. Those who are able to invest in properties in Hawai'i, will still be able to afford their \$2 million dollars and more places they wish to buy, with this bill we will make sure that they pay their fair share for having a piece of Hawai'i since they will not be working, living or adding any benefit to Hawai'i, with this bill now the people who live, work and bring very valueable time and energy, multiple generations of loving care to these islands will be taken care of.

**We cannot wait any longer.** Please ask questions and get clarity on the comprehensive and valueable information and benefit this bill would bring to Hawai'i.

Mahalo, Summer



Wed, February 14, 2024 Hearing  
House Housing Committee

**BILL 2629** Re: Conveyance Tax

As we struggle to deal with our enormous housing crisis, it was heartening to find out that Hawaii has the tools Vienna used to effectively build its impressive affordable housing program for 60% of its citizens. But having the tools is only a prerequisite. Vienna threw a lot of money at their problem to solve it. We all understand that money is the make-or-break factor that determines success or failure.

Hawaii's Conveyance Tax is our only existing, continuously generated revenue stream to fund affordable housing. Presently it is only a half percent up to one percent for a one-time transaction—hardly enough to do anything effectively.

At the very least, shouldn't we be taking the action others on the mainland who are working to get their affordable housing crisis under control have taken? This bill—Bill 2629—raises the conveyance

Bill 2629

tax on high end units bought primarily by investors. Raising this one-time tax from our present 1% up to 2% on units costing \$2M and more, and to 4% on units \$10M and over will be paid by investors who can afford those prices without even blinking an eye. But that money paid in means a lot to Hawaii's people and will make a big difference in peoples lives.

Like the business community at large, the business of creating affordable housing needs this committed annual revenue stream that's predictable to make effective planning possible. Otherwise the ad-hoc funding is welcomed — they create a "funding cliff" when the money runs out which undoes much progress.

The Governor has provided the political will for positive action for affordable housing. The community has worked diligently to research effective ways to address our crisis. We ask that you pull together with everyone in doing all you can to create the continuously generated revenue stream with a higher Conveyance Tax. Hawaii needs to get our housing crisis under control.

Submitted by Renee Inq (253-331-0337)  
reeneing\_jimbrewer@aol.com

**HB-2629-HD-1**

Submitted on: 2/13/2024 2:31:03 PM

Testimony for HSG on 2/14/2024 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Michelle Molina	Individual	Support	Written Testimony Only

Comments:

Aloha,

My name is Michelle Molina and I am testifying in support of HB 2629, Relating to the Conveyance Tax.

I'm a resident of Kauai, and teacher at a public high school. I was born and raised on Kauai, and since my childhood I have seen the cost of housing soar well beyond the ability of the average Kauai resident to be able to afford. My husband and I were able to buy a home thanks to his veteran benefits, but if we did not have a VA home loan we would never have been able to save up the 20% downpayment for a home. I have seen countless co-workers leave Kauai because they could not secure housing or continue to pay high housing costs. This ultimately hurts our schools and students with our inability to retain teachers in this state.

I have also seen a visible increase in homelessness since my childhood, and strain on the insufficient services offered to the houseless population. I have visited and talked with members of the houseless community and they spoke out in strong support of this bill in its initial form (SB678) last year. I was deeply disappointed when it was shelved last year without explanation by the Senate housing committee. I had a group of students ready to testify in support of this bill and my husband was with a homeless community on the east side of Kauai ready to speak in support of the bill as well. I truly hope this bill makes it farther and the process is more transparent. We need a bill like this to help all of Hawaii's people who are not able to afford housing.

Building enough affordable housing to meet the need is not only challenging, but impossible without proper funding. This bill would dramatically increase the state's funds for affordable housing and homelessness programs. Not only that, I believe that this tax will discourage development of luxury vacation homes for the rich, and speculative buying and selling of land as an investment due to the rapidly rising price of property in Hawaii. If this has a suppressive effect on the housing market, good! And I say that as a proud homeowner who has benefited from dramatically increasing equity in my home. It is not fair if some of us (homeowners, developers and realtors) benefit while the rest of Hawaii's citizens suffer. We need more measures like this.

I like HB 2629 because it places the majority of the tax burden on those with multi-million dollar homes, which mostly sit vacant. These homeowners can afford a higher tax rate when selling

their homes. Though it slightly increases the tax rate for all homeowners who sell, I believe those of us who do own homes in Hawaii, like myself, are fortunate enough and have enough generosity of spirit to pay a tiny increase in conveyance tax, knowing it is going to help house our neighbors. Hawaii, and especially Kauai, has always been a place where we take care of one another.

Although realtors might not like this bill, I would like to ask you as our elected representatives to do what is best for the majority of Hawaii's residents, and I believe this bill would benefit the majority of citizens in Hawaii.

Mahalo,

Michelle Molina

**HB-2629-HD-1**

Submitted on: 2/13/2024 5:30:49 PM

Testimony for HSG on 2/14/2024 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Emily Daniels	Individual	Support	Written Testimony Only

Comments:

I moved to Honolulu, Hawaii three years ago and prices have only gone up. Though I don't plan to stay on the island for long, I am worried for Natives who live on the island. Many of my local friends plan on moving away from their family because they can no longer afford to live here. Housing has been a huge problem within the island leaving many Natives homeless in their own land. This bill does a great job in helping Natives to keep their land and help them out of homelessness.

**HB-2629-HD-1**

Submitted on: 2/13/2024 6:02:05 PM

Testimony for HSG on 2/14/2024 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Kyella O'Connor	Individual	Support	Written Testimony Only

Comments:

I support this bill because the cost of living and housing is only going up and this bill will lead to a lower population of homeless people.

**HB-2629-HD-1**

Submitted on: 2/13/2024 10:18:55 PM

Testimony for HSG on 2/14/2024 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Kristen Alice	Individual	Support	Written Testimony Only

Comments:

I strongly support this conveyance tax measure! This is an opportunity to provide a permanent funding stream so our homeless services providers can plan for the long term as they serve our communities.

Mahalo,

Kristen Alice

**HB-2629-HD-1**

Submitted on: 2/14/2024 7:59:49 AM

Testimony for HSG on 2/14/2024 9:45:00 AM

Submitted By	Organization	Testifier Position	Testify
Christopher Jungers	Individual	Support	In Person

Comments:

Aloha Chair Belatti, Vice Chair Takenouchi and Members of the Committee,

I am Chris Jungers, I live here on Oahu, and I am in support of HB2629 because it provides much needed funding for the full spectrum of our housing needs from homeless services to affordable homeownership.

This bill would tax home sales primarily for investors who do not live full-time in Hawai'i, in order to fund housing and services for people who do live and work here full-time.

We must take concrete and bold actions to meet our housing needs and this Bill is a big step forward.

HB2629 is by and large, inspired by the city of Aspen's Affordable Housing Program; which ranks one of the best in the nation.

In December 2023, just a few months ago, a small from Hawaii—KPKOA, had the opportunity to travel to Aspen to meet with city officials to learn their ways, to ask questions, and, to see first hand what meaningful affordable housing legislation looks like, in action.

Aspen is a high profile tourist destination, just like us, and just like us, they have challenges due to high land and construction costs, limited available land, and a high cost of living.

Aspen implemented their Affordable Housing plan in the 70's in order to address the adverse effects of rising housing costs ensuring the availability of adequate workforce housing at a reasonable price.

And their Affordable Housing Program is made possible because it is funded by their voter supported— real estate transfer tax which is 1.5% regardless if it is your first, second, or third home.

This Bill would only tax home sales \$2M and above, which are primarily for investors who do not live full-time in Hawai'i.

This Bill reduces the risk of homelessness; and provide a secure base for individuals and families by keeping our Ohana here.



Please vote in favor of HB2629

Mahalo Nui,

Christopher Jungers, J.D.