JOSH GREEN, M.D.
GOVERNOR

DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
PHONE: (808) 587-0620
FAX: (808) 587-0600

IN REPLY PLEASE REFER TO:

Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON WAYS AND MEANS
February 22, 2023 at 10:00 a.m.
State Capitol, Room 211

In consideration of
S.B. 362 SD1
RELATING TO THE CONVEYANCE TAX.

HHFDC **supports** removal of the cap on the amount of conveyance tax revenues that are paid into the Rental Housing Revolving Fund (RHRF) but has **concerns** about the new conveyance tax exemption proposed by S.B. 362 SD1.

Conveyance tax revenues generate a reliable source of funding for the RHRF program. RHRF provides the “gap” financing necessary for rental housing projects to feasibly be developed under the Low-Income Housing Tax Credit program. Accordingly, HHFDC supports the provision in this bill that removes the $38 million annual cap on conveyance tax revenues paid into RHRF.

Concerns persist with regard to section 2, which exempts from the conveyance tax documents and instruments conveying real property in certain circumstances, because there is no assurance the exempted amounts will translate to lower prices for the community. This exemption ignores the fact that, in most cases, the properties have substantial monetary value which is reflected in the sales price upon which the conveyance tax is calculated.

Thank you for the opportunity to provide testimony.

WRITTEN TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA ʻOIHANA O KA LOIO KUHINA
THIRTY-SECOND LEGISLATURE, 2023

ON THE FOLLOWING MEASURE:
S.B. NO. 362, S.D. 1, RELATING TO THE CONVEYANCE TAX.

BEFORE THE:
SENATE COMMITTEE ON WAYS AND MEANS

DATE: Wednesday, February 22, 2023 **TIME:** 10:00 a.m.

LOCATION: State Capitol, Room 211

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**
(For more information, contact Laura Maeshiro, Deputy Attorney General, at 586-1470)

Chair Dela Cruz and Members of the Committee:

The Department of the Attorney General offers the following comments.

The purposes of this bill are to (1) increase the conveyance tax on certain properties; (2) create an conveyance-tax exemption for documents and instruments conveying real property subject to a government assistance program approved and certified by the Hawaii Housing Finance and Development Corporation (HHFDC) and used exclusively for the provision of affordable housing for qualified persons who are residents of the State, who are owner- or renter-occupants, and who own no other real property; and (3) remove the maximum dollar amount of conveyance-tax revenues paid into the rental housing revolving fund.

We have two concerns with the conveyance-tax exemption.

The bill provides that only a “qualified person” can receive the exemption. The bill’s definition of “qualified person” requires that an individual has no ownership interest in any other real property (page 9, lines 7-8). This conflicts with HHFDC’s program eligibility requirements under section 201H-32, Hawaii Revised Statutes (HRS), where a qualifying individual may own an interest in land, just not a majority interest. The different requirements within the exemption suggest that the intent is to create two separate exemptions. If so, we suggest adding another enumerated paragraph to exempt those individuals described as "qualified persons" apart from those participating in HHFDC programs.

The second concern is that the definition for a "qualified person" includes the requirement that the individual must be a "resident of the State" (page 9, lines 5 to 6). The tax exemption will be available to resident taxpayers but not to similarly situated nonresident taxpayers.

The residency requirement may be subject to challenge under the Privileges and Immunities Clause of the United States Constitution, which provides that "[t]he Citizens of each State shall be entitled to all Privileges and Immunities of Citizens in the several states." *Lunding v. New York Tax Appeals Tribunal*, 522 U.S. 287, 290 (1998) (internal brackets and quotation marks omitted). "One right thereby secured is the right of a citizen of any State to 'remove to and carry on business in another without being subjected in property or person to taxes more onerous than the citizens of the latter State are subjected to.'" Id. at 296 (quoting *Shaffer v. Carter*, 252 U.S. 37, 56 (1920)). The Privileges and Immunities Clause, therefore, "prohibits a State from denying nonresidents a general tax exemption provided to residents." *Lunding*, 522 U.S. at 302.

To overcome a challenge under the Privileges and Immunities Clause to a law that distinguishes between residents and nonresidents, a state must demonstrate that (1) "there is a substantial reason for the difference in treatment"; and (2) "the discrimination practiced against nonresidents bears a substantial relationship to the State's objective." *Lunding*, 522 U.S. at 298 (quoting *Supreme Court of N.H. v. Piper*, 470 U.S. 274, 284 (1985)) (internal quotations omitted).

We suggest amending section 247-3, HRS, by (1) adding an additional, separate exemption for those individuals that fall within the category of "qualified persons"; (2) removing the requirement that the individual must be a resident of the State to receive the exemption; and (3) removing the definition of a "qualified person" (page 9, lines 5 to 8) as it would no longer be needed. Starting on page 8, line 15, the suggested wording for the exemptions should be set forth in paragraphs (18) and (19) to read as follows:

(18) Any document or instrument conveying real property for the development or acquisition of affordable housing subject to a

government assistance program qualified by the Hawaii housing finance and development corporation and administered or operated by the corporation, or any of its instrumentalities, corporate or otherwise. For purposes of this paragraph:

"Affordable housing" has the same meaning as in section 201H-57.

"Government assistance program" has the same meaning as in section 201H-38(b); and

(19) Any document or instrument conveying real property to an individual who is an owner-occupant or renter-occupant of the property, and who has no ownership interest in any other real property.

The definition of "qualified person" on page 9, lines 5 to 8, should be removed.

These amendments would clarify that there are two distinct exemptions and remove the possible Privileges and Immunities Clause challenge by making the exemption available to similarly situated resident and nonresident taxpayers alike.

Alternatively, if it is the Legislature's intent that only Hawaii residents should be eligible for this tax exemption under the suggested paragraph (19) above, we recommend adding a preamble and providing information that would provide a substantial justification for treating residents and nonresidents differently and explain how the different treatment bears substantial relationship to the Legislature's objective.

Thank you for the opportunity to provide comments.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAIʻI
DEPARTMENT OF TAXATION
Ka ʻOihana ʻAuhau
P.O. BOX 259
HONOLULU, HAWAIʻI 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
S.B. No. 362, S.D. 1, Relating to the Conveyance Tax

BEFORE THE:
Senate Committee on Ways and Means

DATE: Wednesday, February 22, 2023
TIME: 10:00 a.m.
LOCATION: State Capitol, Room 211

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

The Department of Taxation ("Department") offers the following comments regarding S.B. 362, S.D. 1, for your consideration.

S.B. 362, S.D. 1, seeks to: (1) amend the rate of conveyance tax for condominiums and single family residences with a value of $2,000,000 or greater that are ineligible for a county homeowner's exemption; (2) add an exemption from the conveyance tax for documents and instruments conveying real property for the development or acquisition of affordable housing for qualified persons and subject to a government assistance program approved and certified by the Hawaii Housing Finance and Development Corporation (HHFDC) and used for the division of affordable housing for qualified persons in the State; (3) add the definition of a "qualified person" to affirm that the affordable housing exemption applies only to persons who are residents of the State who own no other real property and are renters or owner-occupants of the real property; and (4) remove the maximum dollar amount of conveyance tax revenues that are to be paid into the rental housing revolving fund each fiscal year.

The Department estimates that amending the conveyance tax rates and removing the cap on deposits into the rental housing revolving fund will result in revenue gains as follows:

General Fund: Expected Gain
Estimated Total Revenue Impact ($ Millions)

FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
$1.6 (5 months)	$4.2	$4.5	$3.8	$3.1	$1.4

Special Fund (Rental Housing Fund): Expected Gain
Estimated Total Revenue Impact ($ Millions)

FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
$4.0 (5 months)	$4.0	$4.0	$5.0	$6.0	$8.0

The Department defers to HHFDC as to the impact of adding an exemption to the conveyance tax for the development or acquisition of affordable housing approved by HHFDC.

The Department further notes that it is able to administer this measure with its current effective date of January 1, 2024.

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

LEGISLATIVE TAX BILL SERVICE

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Tax Hike, Affordable Housing Exemption, Modify Earmark

BILL NUMBER: SB 362 SD 1

INTRODUCED BY: Senate Committee on Housing

EXECUTIVE SUMMARY: Increases the rate of conveyance tax for condominiums and single family residences ineligible for a county homeowner's exemption with a value of at least $2,000,000. Exempts from the conveyance tax documents and instruments conveying real property subject to a government assistance program approved and certified by Hawaii Housing Finance and Development Corporation and used for the provision of affordable housing for qualified persons in the State. Removes maximum dollar amount of conveyance tax revenues that are to be paid into the rental housing revolving fund each fiscal year.

SYNOPSIS: Amends section 247-2, HRS, to raise the conveyance tax rates for a condominium or single-family residence for which the purchaser is ineligible for a county homeowner's exemption on real property tax:

Minimum Property Value	Current Tax (per $100 of consideration)	New Tax (per $100 of consideration)
$0	$ 0.15	$ 0.15
$600,000	0.25	0.25
$1,000,000	0.40	0.40
$2,000,000	0.60	**1.20**
$4,000,000	0.85	**1.70**
$6,000,000	1.10	**2.20**
$10,000,000	1.25	**2.50**

Amends section 247-3, HRS, to add an exemption from the conveyance tax any document or instrument conveying real property for the development or acquisition of affordable housing exclusively for qualified persons and subject to a government assistance program approved and certified by the Hawaii housing finance and development corporation and administered or operated by the corporation, or any of its instrumentalities, corporate or otherwise.

Defines "Affordable housing" as in section 201H-57.

Defines "Qualified person" as an individual who is a resident of the State, who is an owner- or renter-occupant of the property, and has no ownership interest in any other real property.

Amends section 247-7, HRS, to delete the $38 million cap on the earmark on the tax in favor of the rental housing revolving fund.

EFFECTIVE DATE: January 1, 2024.

STAFF COMMENTS: 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 the value transferred.

This bill proposes to raise conveyance tax rates yet again, and in dramatic fashion, once property values exceed a certain amount.

There are two points lawmakers may wish to consider. First, the proposed new brackets have discontinuities at the bracket break points, which means that if taxable income increases by $1 at a break point, such as from $9,999,900 to $10,000,000, the increase in tax will be substantially more than $100. In this example the tax would go from $219,997.80 to $250,000.00. Substantial discontinuities such as these may motivate behavior for taxpayers near a break point. This behavior might not be desirable from an economic standpoint. Consideration should be given to making the conveyance tax brackets more like the existing income tax brackets which do not have this problem.

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

Digested: 2/17/2023

LAND USE RESEARCH
FOUNDATION OF HAWAII
1100 Alakea Street, Suite 408
Honolulu, Hawaii 96813
(808) 521-4717
www.lurf.org

February 17, 2023

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

Comments and Concerns in Opposition to SB 362, S.D. 1, Relating to the Conveyance Tax (Increases the rate of real estate conveyance tax for condominiums and single family residences for which the purchaser is ineligible for a county homeowner's exemption with a value of at least $2,000,000; exempts from the conveyance tax documents and instruments conveying real property subject to a government assistance program approved and certified by the Hawaii housing finance and development corporation [HHFDC] and used exclusively for the provision of affordable housing for qualified persons who are residents of the State, who are owner- or renter-occupants, and own no other real property; removes maximum dollar amount of conveyance tax revenues that are to be paid into the rental housing revolving fund each fiscal year. Effective 1/1.2024.)

Wednesday, February 22, 2023, at 10:00 a.m.
Conference Room 211 & Videoconference, State Capitol

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.

SB 362, S.D. 1. This bill itself does not expressly include a purpose clause, however, it is evident that the measure is intended as a method to generate revenue to be paid into the state treasury to the credit of the general fund of the State, and that sixty percent of said revenue is intended to be directed into two designated special and revolving funds - the land conservation fund established pursuant to Hawaii Revised Statutes (HRS) Section 173A-5; and the rental housing revolving fund established by HRS Section

201H-202 (for which the maximum dollar amount to be paid into each fiscal year is proposed to be removed). To do so, this bill proposes to increase the rate of real estate conveyance tax for condominiums and single-family residences for which the purchaser is ineligible for a county homeowner's exemption with a value of at least $2,000,000. The proposed measure also exempts from the conveyance tax, documents and instruments conveying real property subject to a government assistance program approved and certified by HHFDC and used exclusively for the provision of affordable housing for qualified persons who are residents of the State, who are owner- or renter-occupants, and own no other real property.

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

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

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

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

Such expansions and deviations, including the unspecified use of conveyance tax proposed by the current measure, go beyond the scope of the original intent of the conveyance tax law, and are concerning to LURF since the proposed bill, particularly if

[1] Further opposition to SB 362, S.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.

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. SB 362, S.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 nexus between the benefits sought and charges made upon the users or beneficiaries of the program.

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

a. serve the purpose for which it was originally established;
b. reflect a <u>clear nexus</u> between the benefits sought and charges made upon the users or beneficiaries of the program, 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 SB 362, S.D. 1 is to find an additional source of funding for affordable housing by increasing conveyance tax revenues for the transfer of "luxury" properties. However, the State Auditor has in the past concluded that such an arrangement where there is no *clear link* with the funding source (individuals and companies involved in specific, 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 affordable housing.

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

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

4. **Measures which attempt to utilize the State conveyance tax as a revenue generating tax will likely cause unintended negative consequences.**

   a. **Hawaii's large *kama'aina* landowners will likely be affected**.

These types of proposed bills would impact local 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.

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

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

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

This Committee should be aware that the impact of this proposed measure would not only affect owners of "luxury" properties or non-residents. 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; and the proposed imposition of the conveyance tax onto transfers which affect **commercial properties** will also be passed on to small businesses, creating yet another substantial financial burden on them.

d. Should this measure be enacted, exemptions should be created for all landowners and developers that build needed housing, and for those that otherwise provide substantial support for the programs that benefit from conveyance tax revenues.

Although limited exemption relating to conveyances effectuated for government assisted affordable housing is included in this measure, it is ironic and unfair that among the entities which will be hardest hit by these types of measures include Hawaii's large landowners that build housing (including affordable housing), and serve as stewards of our lands, and are the leading partners in, and contributors to the purposes funded by conveyance tax revenues. At the very least, exemptions to these types of measures should be written in, or established for those entities that lend to all housing needs in the State, as well as support and participate in conservation and watershed programs.

Conclusion.

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

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

In view of these issues, legislators should be advised to act with caution, and to proceed judiciously when considering measures which propose to utilize or apply the conveyance tax as a revenue generating tax, especially to support the establishment or continuance of special, revolving and trust funds.

Due to the importance of the conveyance tax issues raised by SB 362, S.D. 1, **LURF respectfully requests that this bill be deferred by this Committee** to allow stakeholders, including, but not limited to government agencies, the public, private landowners, legal experts and other interested parties to work together to come to a consensus regarding the 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 relating to this proposed measure.

CATHOLIC CHARITIES HAWAIʻI

TESTIMONY: SUPPORT SB 362 SD1: RELATING TO THE CONVEYANCE TAX

TO: Senate Committee on Ways and Means
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaiʻi
Hearing: Wednesday, 2/22/23; 10:00 AM; CR 211 & via videoconference

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

We appreciate the opportunity to provide written testimony **in support of SB 362 SD 1, with one amendment, below.** We support increasing the rate of conveyance tax for residential property not eligible for a homeowner's exemption with a value of $2 million or more, and the removal of the cap on tax revenues paid into the Rental Housing Revolving Fund. I am Rob Van Tassell, with Catholic Charities Hawai`i.

Catholic Charities Hawai`i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai`i for over 75 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai`i. Catholic Charities Hawai`i has long been a supporter of funding to create substantial rental housing in our State.

Additional State revenues are greatly needed to address our state's housing crisis. Our high housing costs, along with the high cost of living are creating out-migration of our population. These are driving our workers to move out of the state just when we need them the most. Our high housing costs are creating family instability and educational threats when families must move, disrupting the education of their children. Another top priority of the State is ending homelessness. The public is demanding that the State better address this issue which is impacting so many neighborhoods. We need to take action now to create the thousands of affordable rental units needed AND to target funding to expand homeless services and supportive housing across the state.

We urge you to amend SB 362 to allocate 10% of the conveyance tax revenues to homeless services and supportive housing. See suggested language on page 2 from SB 678, Section 2 and Section 5. The Homeless Services Fund should be administered and managed by the Department of Human Services. Allocating 10% of the conveyance tax to homeless services would be a critical step forward for the State to prevent homelessness and expand services to move people off our streets. It would also provide dedicated funding for the services essential to create permanent supportive housing. Supportive housing enables very vulnerable residents to live in the community and prevent costly institutionalization, excessive ER visits, and other high public costs.

We urge your support to expand revenues to produce new affordable rental housing and to address homelessness which is created by our housing crisis. Both efforts would give hope to the people of Hawai`i.

Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or bettylou.larson@catholiccharitieshawaii.org if you have any questions.

Suggested Amendment: Insert the following language from SB 678, Section 2:

SECTION 2. Chapter 346, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§346- Homeless services fund. (a) There is established within the state treasury a homeless services fund, into which shall be deposited:

(1) Ten per cent of the conveyance tax collected and allocated to the homeless services fund as provided by section 247-7; and

(2) Appropriations made by the legislature to the fund.

(b) Moneys from any other private or public source may be deposited in or credited to the fund; provided that mandates, regulations, or conditions on these funds do not conflict with the use of the fund under this section. Moneys received as a deposit or private contribution shall be deposited, used, and accounted for in accordance with the conditions established by the agency or person making the contribution.

(c) The homeless services fund shall be administered and managed by the department **of human services**. Moneys in the homeless services fund shall be expended for homeless services and supportive housing, including homeless facilities programs for the homeless authorized by the department.

(d) The department shall submit an annual report to the legislature no later than twenty days prior to the convening of each regular session. The report shall include at a minimum detailing all funds received and all moneys disbursed out of the homeless services fund."

Section 5 of SB 678 also amends 247-7 of Hawaii Revised Statues regarding the Disposition of taxes. Insert the following language into HB 1211:

SECTION 5. Section 247-7, Hawaii Revised Statutes, is amended to read as follows:

"**§247-7 Disposition of taxes.** All taxes collected under this chapter shall be paid into the state treasury to the credit of the general fund of the State, to be used and expended for the purposes for which the general fund was created and exists by law; provided that of the taxes collected each fiscal year: …

(3) Ten per cent shall be paid into the homeless services fund established pursuant to section 346- ."

PARTNERS IN CARE

Oahu's Continuum of Care

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

TESTIMONY IN SUPPORT OF SB 362 SD1: RELATING TO THE CONVEYANCE TAX

TO: Senate Committee on Ways and Means
FROM: Partners In Care (PIC)
Hearing: Wednesday, 2/22/23; 10:00 AM; Room 211 & via videoconference

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

Partners In Care (PIC) is a coalition of more than 60 non-profit homelessness providers and concerned organizations.

Thank you for the opportunity to provide written testimony **in strong support SB 362 SD1**, which raises the conveyance tax on residences worth $2 million or more, and eliminates the cap on conveyance tax revenues paid into the Rental Housing Revolving Fund (RHRF). **We request that you amend the bill to allocate 10% of the conveyance tax revenue to homeless services and supportive housing, utilizing the language found in SB 678.** Specific amendment suggestions may be found at the end of this letter.

Hawai`i needs to significantly increase its investment in affordable housing development, and by investing in it now, the legislature will be strengthening our economy. Our workforce is in trouble. The high cost of living is forcing many to consider moving away from Hawai`i. Affordable housing is key. Partners In Care urges your support to create this new revenue source and remove the cap on these revenues to the RHRF, which would significantly add resources to the RHRF to meet the critical needs of our population.

With the substantial increase in conveyance tax revenues proposed in this bill, **we urge you to also target 10% of this revenue to end homelessness**. Allocating 10% of this revenue to homeless services and supportive housing would address this state-wide issue. 60% of Hawaii's families pay more than one-third of their income on rent. Hit hard by the pandemic, they are in still in financial jeopardy and may be on the edge for homelessness.

Partners In Care is also very concerned about increasing homelessness for elders. Vulnerable elders on walkers sometimes come into emergency shelters. Besides being the most vulnerable, elders face significant health trauma from homelessness. **Studies predict almost a 300% increase in elderly homelessness over the next 10 years.** Even worse, these projections were prior to the pandemic which has hit older workers hard.

Creating a permanent funding stream for homeless services and affordable housing through the conveyance tax is a top priority for homeless service providers and advocates who are currently experiencing homelessness. Allocating 10% of the conveyance tax to homeless service and supportive housing would give us the potential to make significant progress in meeting the needs of people experiencing homelessness, especially the most vulnerable.

Partners In Care urges your strong support to increase funding for the creation of affordable rentals and funding to end homelessness. Besides the important economic impact, this funding will provide hope to our struggling families, elders and disabled persons. We urge you to amend SB 362 SD1 with language from SB 678:

1. **Insert the following language from SB 678, Section 2:**

SECTION 2. Chapter 346, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"**§346- Homeless services fund.** (a) There is established within the state treasury a homeless services fund, into which shall be deposited:

(1) Ten per cent of the conveyance tax collected and allocated to the homeless services fund as provided by section 247-7; and

(2) Appropriations made by the legislature to the fund.

(b) Moneys from any other private or public source may be deposited in or credited to the fund; provided that mandates, regulations, or conditions on these funds do not conflict with the use of the fund under this section. Moneys received as a deposit or private contribution shall be deposited, used, and accounted for in accordance with the conditions established by the agency or person making the contribution.

(c) The homeless services fund shall be administered and managed by the department **of human services**. Moneys in the homeless services fund shall be expended for homeless services and supportive housing, including homeless facilities programs for the homeless authorized by the department.

(d) The department shall submit an annual report to the legislature no later than twenty days prior to the convening of each regular session. The report shall include at a minimum detailing all funds received and all moneys disbursed out of the homeless services fund."

2. **Clarify that the Homeless Services Fund would be administered and managed by the Department of Human Services.**

3. **Insert the following language from SB 678, Section 5:**

SECTION 5. Section 247-7, Hawaii Revised Statutes, is amended to read as follows:

"**§247-7 Disposition of taxes.** All taxes collected under this chapter shall be paid into the state treasury to the credit of the general fund of the State, to be used and expended for the purposes for which the general fund was created and exists by law; provided that of the taxes collected each fiscal year: …

(3) Ten per cent shall be paid into the homeless services fund established pursuant to section 346- ."

HAWAIʻI REALTORS®

808-733-7060
808-737-4977
1259 Aʻala Street, Suite 300
Honolulu, HI 96817

February 22, 2023

The Honorable Donovan Dela Cruz, Chair
Senate Committee on Ways and Means
State Capitol, Conference Room 211 & Videoconference

RE: Senate Bill 362, SD1, Relating to the Conveyance Tax

HEARING: Wednesday, February 22, 2023, at 10:00 a.m.

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

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawaiʻi Association of REALTORS® ("HAR"), the voice of real estate in Hawaiʻi and its over 11,000 members. HAR **strongly opposes** Senate Bill 362, SD1, which increases the rate of conveyance tax for condominiums and single family residences for which the purchaser is ineligible for a county homeowner's exemption with a value of at least $2,000,000. Exempts from the conveyance tax documents and instruments conveying real property subject to a government assistance program approved and certified by the Hawaii housing finance and development corporation and used exclusively for the provision of affordable housing for qualified persons who are residents of the State, who are owner- or renter-occupants, and own no other real property. Removes maximum dollar amount of conveyance tax revenues that are to be paid into the rental housing revolving fund each fiscal year. Effective 1/1/2024.

This measure proposes to double the Conveyance Tax for single-family and condominiums over $2 million for which the purchaser is ineligible to qualify for a homeowner exemption. The following are examples of the rate increases:

Property Value:	**Current** *Per $100:*	**Proposed:**	**Current Rate** **(in Dollars):**	**Proposed** **(in Dollars) :**
$2 mil - $3.99 mil	$0.60	$1.20	$12,000 ($2mil property)	**$24,000**
$4 mil - $5.99 mil	$0.85	$1.70	$34,000 ($4mil property)	**$68,000**
$6 mil - $9.99 mil	$1.10	$2.20	$66,000 ($6mil property)	**$132,000**
$10 mil +	$1.25	$2.50	$125,000 ($10mil property)	**$250,000**

The Conveyance Tax applies to not only residential property such as single-family homes and condominiums, but to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands. With inflation hitting a 40-year high and rising interest rates, Hawaii's real estate market with a 22.64% decrease in sales from the previous year for single-family homes and 20.06% decrease for condominiums.[1] Increasing the conveyance tax would be counterproductive during our current real estate market which has slowed.

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[1] https://www.hawaiirealtors.com/wp-content/uploads/2023/01/2022-Annual-Statewide-Statistics-Report.pdf

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

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

For the foregoing reasons, Hawai'i REALTORS® strongly opposes this measure. Mahalo for the opportunity to testify.

[2] https://files.hawaii.gov/dbedt/economic/reports/housing-demand-2019.pdf

SENATE BILL 362, SD1, RELATING TO THE CONVEYANCE TAX

FEBRUARY 22, 2023 · SENATE WAYS AND MEANS COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

POSITION: Support with amendments.

RATIONALE: The Democratic Party of Hawai'i Education Caucus **supports and suggests amendments** for SB 362, SD1, relating to the conveyance tax, which increases the rate of conveyance tax for condominiums and single family residences for which the purchaser is ineligible for a county homeowner's exemption with a value of at least $2,000,000; exempts from the conveyance tax documents and instruments conveying real property subject to a government assistance program approved and certified by the Hawai‘i housing finance and development corporation and used exclusively for the provision of affordable housing for qualified persons who are residents of the State, who are owner- or renter-occupants, and own no other real property; and removes maximum dollar amount of conveyance tax revenues that are to be paid into the rental housing revolving fund each fiscal year.

The revenue from the conveyance tax is, in part, used to fund the development of affordable housing, as well as to protect conservation land and natural resources. As noted by the Hawai'i Appleseed Center for Law and Economic Justice, these are two places in our social structure where the impact of an out-of-control real estate market has serious, adverse impacts. Since the onset of the pandemic, Hawai'i's luxury real estate market has been booming. Yet, conveyance taxes have not risen concurrently, so that the sellers of high-end properties are not currently paying their fair tax share to support our state's public interest. In fact, while the cost of housing and the value of real estate have continued to skyrocket, our islands' conveyance tax rates have not been updated since 2005.

Our state's conveyance tax rates are only 0.50 to 1.25 percent on multi-million dollar properties. In contrast, high-cost cities–such as Seattle and San Francisco–have been updating their transfer (conveyance) taxes to rates between 2 to 7 percent for luxury homes. If Hawai'i's conveyance tax were raised merely to 2 to 6 percent on properties worth $2 million and higher, the state would generate an additional $300–400 million in revenue every year. That said, we urge your committee to amend this bill by lifting the current caps on the amount of conveyance taxes that are paid into the Rental Housing Revolving Fund and the Legacy Land Use Conservation Fund, and by creating a new fund for homeless services as was proposed in Senate Bill 678. SB 678 would have resulted in the following funding increases:

- **Affordable Housing:** Between $38–$150 million more in annual funding;
- **Land Conservation:** Between $5–30 million more in annual funding;
- **Homeless Services:** Between $0–30 million more in annual funding; and
- **General Fund:** Between $60–90 million more in annual funding.

We need new revenue to address Hawai'i's affordable housing and homelessness crises. According to the 2019 Hawai'i Housing Planning Study, our state needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025, with 30 percent of that need being concentrated for people earning at or below people earning 30 percent of Area Median Income (AMI), which equates to $25,000 per year for a single person. Additionally, the 2022 Point In Time Count estimated that there are around 5,973 individuals living unsheltered in Hawai'i. This figure does not account for the "hidden homeless"—people relying on public assistance, relatives, or friends for shelter because they cannot afford to live on their own. Finally, eliminating the caps on the amount of conveyance tax revenue deposited into the Land Conservation Fund and Rental Housing Revolving Fund, as proposed in SB 678, would increase their deposits to $18.8 and $94 million respectively, far above their current allocations.

Kris Coffield · Chairperson, DPH Education Caucus · (808) 679-7454 · kriscoffield@gmail.com

SB 362, SD1, RELATING TO THE CONVEYANCE TAX

FEBRUARY 22, 2023 · SENATE WAYS AND MEANS COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

POSITION: Support with amendments.

RATIONALE: Imua Alliance **supports and suggests amendments** for SB 362, SD1, relating to the conveyance tax, which increases the rate of conveyance tax for condominiums and single family residences for which the purchaser is ineligible for a county homeowner's exemption with a value of at least $2,000,000; exempts from the conveyance tax documents and instruments conveying real property subject to a government assistance program approved and certified by the Hawai‘i housing finance and development corporation and used exclusively for the provision of affordable housing for qualified persons who are residents of the State, who are owner- or renter-occupants, and own no other real property; and removes maximum dollar amount of conveyance tax revenues that are paid into the rental housing revolving fund each fiscal year.

The revenue from the conveyance tax is, in part, used to fund the development of affordable housing, as well as to protect conservation land and natural resources. As noted by the Hawai’i Appleseed Center for Law and Economic Justice, these are two places in our social structure where the impact of an out-of-control real estate market has serious, adverse impacts. Since the onset of the pandemic, Hawai’i’s luxury real estate market has been booming. Yet, conveyance taxes have not risen concurrently, so that the sellers of high-end properties are not currently paying their fair tax share to support our state’s public interest. In fact, while the cost of housing and the value of real estate have continued to skyrocket, our islands' conveyance tax rates have not been updated since 2005.

Our state's conveyance tax rates are only 0.50 to 1.25 percent on multi-million dollar properties. In contrast, high-cost cities–such as Seattle and San Francisco–have been updating their transfer (conveyance) taxes to rates between 2 to 7 percent for luxury homes. If Hawai'i's conveyance tax were raised merely to 2 to 6 percent on properties worth $2 million and higher, the state would generate an additional $300–400 million in revenue every year. That said, we urge your committee to amend this bill by lifting the current caps on the amount of conveyance taxes that are paid into the Rental Housing Revolving Fund and the Legacy Land Use Conservation Fund, and by creating a new fund for homeless services as was proposed in Senate Bill 678. SB 678 would have resulted in the following funding increases:

- **Affordable Housing:** Between $38–$150 million more in annual funding;
- **Land Conservation:** Between $5–30 million more in annual funding;
- **Homeless Services:** Between $0–30 million more in annual funding; and
- **General Fund:** Between $60–90 million more in annual funding.

We need new revenue to address Hawai'i's affordable housing and homelessness crises. According to the 2019 Hawaiʻi Housing Planning Study, our state needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025, with 30 percent of that need being concentrated for people earning at or below people earning 30 percent of Area Median Income (AMI), which equates to $25,000 per year for a single person. Additionally, the 2022 Point In Time Count estimated that there are around 5,973 individuals living unsheltered in Hawaiʻi. This figure does not account for the "hidden homeless"—people relying on public assistance, relatives, or friends for shelter because they cannot afford to live on their own. Finally, eliminating the caps on the amount of conveyance tax revenue deposited into the Land Conservation Fund and Rental Housing Revolving Fund, as proposed in SB 678, would increase their deposits to $18.8 and $94 million respectively, far above their current allocations.

Kris Coffield · Executive Director, Imua Alliance · (808) 679-7454 · kris@imuaalliance.org

GRASSROOT
INSTITUTE OF HAWAII

February 22, 2023
10 a.m.
Conference Room 211 and via videoconference

To: Senate Committee on Health and Human Services
Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran, Vice Chair

From: Grassroot Institute of Hawaii
Joe Kent, Executive Vice President

RE: SB362 SD1 — RELATING TO THE CONVEYANCE TAX

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on SB362 SD1, which would double the conveyance tax rate on single-family homes and condos valued at $2 million or more.

This bill exempts from the conveyance tax properties financed in some way by the Hawaii Housing Finance and Development Corp., provided that such properties are to be used exclusively for affordable housing. It also removes the cap on what portion of conveyance tax revenues may go toward funding the rental housing revolving fund.

Our main concern about this bill is that higher conveyance taxes might harm Hawaii's economy. A report by the Sage Policy Group on transfer taxes notes that such laws can "lead to decreases in population, real incomes, real estate transactions, investment in structures, and quality of the built environment."[1]

It seems to us that Hawaii is in no position to be risking such impacts, regardless of whatever the motive of this bill might be.

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

Furthermore, with land-use, zoning and other regulations continuing to throttle Hawaii homebuilding — leaving Hawaii with a massive housing shortage and no prospect of a building boom any time in the near future — there is no guarantee that $2 million won't someday soon be the median home price in in some areas of the state, which would rebound on a large portion of Hawaii homeowners far sooner than we might expect.

That might seem to be a stretch, but few people thought that Hawaii's median price would soon reach even $1 million when Honolulu County established a tiered Residential A property tax classification for tax year 2018, with properties valued above $1 million facing a higher tax rate.[2]

Now, the category encompasses many Oahu homes, with political pressure building to increase the threshold or abolish the tax category completely.[3]

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

Hawaii's population has been suffering a net decline for each of the past six years, with the state's high cost of living and lack of employment opportunities being among the most cited reasons.[5]

Other issues to consider as you deliberate on this measure include the fact that:

>> Hawaii is predicted to enter an economic slowdown later this year.[6] Tax hikes might only exacerbate this slowdown, since entrepreneurs will be less likely to want to invest their capital — or "wealth assets," as the case may be.[7]

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[2] "Real Property Tax Rates in Hawaii, Fiscal Year July 1, 2017 to June 30, 2018," Real Property Assessment Division, Department of Budget and Fiscal Services, City and County of Honolulu, accessed Feb. 20, 2022.
[3] Jim Howe and Linda Howe, "Blangiardi, Kiaaina Must Act On 'Residential A' Property Taxes," Honolulu Civil Beat, Jan. 5, 2023.
[4] Jared Walczak and Erica York, "State and Local Tax Burdens, Calendar Year 2022," Tax Foundation, April 7, 2022.
[5] Maria Wood, "Where People from Hawaii Are Moving to the Most," 24/7 Wall Street, Jan. 23, 2022.
[6] Annalisa Burgos, "Experts: Hawaii's economy poised to slow down 'significantly,' but stop short of recession," Hawaii News Now, Jan. 22, 2023.
[7] 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.

>> Hawaii has a progressive income tax that taxes high-income earners at 11%, second only to California at 13.3%.[8] Hawaii's top 1% already pays 24.9% of all income taxes in the state.[9]

>> Hawaii's continuing population decline leaves remaining residents with a higher tax burden. Many residents leaving Hawaii move to states without income taxes. Washington, Nevada, Texas and Florida — four of the top five destinations for Hawaii residents moving to the mainland — do not have income taxes.[10]

>> State lawmakers increased taxes and fees substantially following the Great Recession of 2007-2008,[11] despite a windfall in revenues from an economic boom over the past decade. Taxes and fees ballooned on motor vehicles, transient accommodations, estates, fuel, food, wealthy incomes, property, parking and businesses.

Hawaii's residents and businesses need a break from new taxes, fees, surcharges and tax hikes. This is not the time to make Hawaii a more expensive place to live and do business.

Thank you for the opportunity to submit our comments.

Sincerely,

Joe Kent
Executive Vice President,
Grassroot Institute of Hawaii

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[8] Timothy Vermeer and Katherine Loughead, "State Individual Income Tax Rates and Brackets for 2022," Tax Foundation, Feb. 15, 2022.
[9] "Hawaii Individual Income Tax Statistics," Hawaii Department of Taxation report for Tax Year 2020, Sept. 29, 2022, Table 13A.
[10] Katherine Loughead, "How Do Taxes Affect Interstate Migration?" Tax Foundation, Oct. 11, 2022.
[11] "Tax Acts (by Year)," Tax Foundation of Hawaii, accessed Jan. 30, 2023.

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
SUPPORT – SB362 SD1 RELATING TO THE CONVEYANCE TAX
Conference Room 211 & Videoconference
Wednesday, Feb. 22nd , 2023 at 10:10 AM

Aloha Chair Dela Cruz, Vice Chair Keith-Agaron and Ways and Means committee members,

Mahalo for the opportunity to testify in **support of SB362 SD1 with suggested amendments.**
We strongly support increasing the conveyance tax on home sales above $2M and on removing the cap of $38M on funds allocated to the Rental Housing Revolving Fund which supports affordable housing.

However, to increase the impact of conveyance tax reform as a means of addressing Hawai'i's urgent need to address the impacts of a high cost real estate market which is too expensive for most people earning local wages we urge some important amendments.

Adopting the changes made in SB678 including:

1) An increase in the conveyance tax to a rate of 2%-6% for homes above $2M. This will generate approximately ***three times more revenue*** and would be more on par with the high cost cities of Seattle and San Francisco, which have top rates of real estate transfer taxes of 3.5% and 6% respectively.

2) Allocate 10% of funds to a homeless services funds as proposed in SB678 Section 2.

3) Remove the $5.1M cap on the land conservation trust fund. This enables the fund to receive 10% of revenues as originally intended.

4) Remove the significant tax differential between buyers who are "eligible for county homeowner's exemption" and those who are not. For example, under SB362 SD1 a buyer who qualifies for a county homeowner's exemption would decrease the seller's conveyance tax from $24,000 (1.2%) to $10,000 (0.5%). However, even if the buyer is currently an owner-occupant in Hawai'i, there is no guarantee they will live in the new property and the owner could at any time decide to convert the property to a high priced rental or simply leave the property vacant. A one-time tax break at the time of sale does not guarantee future use of the property as a primary residence, which makes this tax incentive fairly weak mechanism for creating the intended outcome: more homes being used as primary residences and less homes being used as investment properties.

HAWAIʻI APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawaiʻi Appleseed Center for Law and Economic Justice
SUPPORT – SB362 SD1 RELATING TO THE CONVEYANCE TAX
Conference Room 211 & Videoconference
Wednesday, Feb. 22nd , 2023 at 10:10 AM

5) Consider removing exemption #18 and replacing with language from SB678 which emphasizes that the building have a ground lease which maintains affordability through a **price restriction** on the land use agreement.

   As currently written in SB362 SD1, the definition of "**affordable housing**" as referenced in HRS 201H-57 is households with incomes at or *below one hundred forty per cent* of the median family income. According to current HHFDC sales price guidelines, a home for 4 people can sell for $599,300 with a mortgage interest of 6% and still be considered *affordable*.

   However, a two bedroom home selling for $599k would still not be affordable to many local families, so we propose that this exemption should be reevaluated for effectiveness and the cost of the exemption verses affordability created.

We appreciate the opportunity to testify on this proposal and we commend the legislature for considering an update of the conveyance tax as a way to fund affordable housing, homeless services and land conservation.

Mahalo for your consideration.

Expanding the range of opportunities for all by developing, managing and promoting quality affordable housing and diverse communities.

EAH HOUSING
A roof is just the beginning

Testimony of EAH Housing | Hawai`i Region
RELATING TO SB362 SD1

February 22, 2023 at 10:00 AM
Written Testimony Only

LATE

Senate Committee on Ways and Means
Chair Donovan Dela Cruz, Vice Chair Gilbert Keith-Agaran,
Members Henry Aquino, Lynn DeCoite, Lorraine R. Inouye, Dru Mamo Kanuha,
Michelle N. Kidani, Donna Mercado Kim, Chris Lee, Sharon Moriwaki,
Maile S.L. Shimabukuro, Glenn Wakai, and Kurt Fevella

We appreciate the opportunity to provide testimony in **Support** of SB362 SD1 amendments to §247-3 (18) Exemptions and §247-7 (2) Disposition of Taxes.

The §247-3 (18) Exemptions amendment will help to alleviate a cost to affordable housing development by exempting payment of conveyance tax in the acquisition of real property. There is no one regulatory change that will eliminate financial barriers in developing affordable housing, but this cost reduction in acquiring real property is a move in a positive direction.

The §247-7 (2) Disposition of Taxes amendment will allow additional funding to be paid into the Rental Housing Revolving Fund in support of gap financing for the development of affordable rental housing. Gap financing, also known as "soft loans," is a crucial source, among multiple sources in covering the cost of rental affordable housing. Increasing the affordable housing inventory requires more projects, thereby increasing the need for gap financing.

Thank you for the opportunity to provide input on SB362 SD1.

Karen Seddon

Karen Seddon
Regional Vice President
EAH Housing

EAH Housing is a non-profit corporation founded with the belief that attractive affordable rental housing is the cornerstone to sustainable, healthy, and livable communities.

1001 Bishop Street, Suite 2880
Honolulu, Hawaii 96813
(808) 466-7774

SB-362-SD-1
Submitted on: 2/17/2023 12:10:34 PM
Testimony for WAM on 2/22/2023 10:00:00 AM

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

Comments:

We desperatly need more affordable housing solutions, and this bill SB 362 is a step in the right diretion. I support removing the $38 million cap on revenues to flow to the rental housing revolving fund, as well as increasing conveyance taxes for property sales to persons who will not be owner occupants and who are not developing the land into affordable housing. Frankly, given that our property taxes are some of the very lowest in the nation, further increases to our conveyance taxes would be appropriate for non-resident purchasers. to help incentivize the purchase of housing by locals for local needs, rather than to investors and speculator.

Thank you for consideration of my testimony.

Ellen Godbey Carson

To: Senator Donovan M. Dela Cruz
Chair, Ways and Means Committee

Senator Gilbert S.C. Keith-Agaran
Vice Chair, Ways and Means Committee

Re: SB362 SD1 - Relating to Conveyance Tax

Hearing: Wednesday; Feb 22, 2023
10:00 am, Rm 211

Aloha Chair Dela Cruz & Vice Chair Keith-Agaran:

My name is Lindsay Ann Pacheco and although I am a member of the O'ahu Lived Experience Council (OLEC) I am writing this testimony strictly as an individual. Having spent nearly 9 years of being houseless here on O'ahu, to now being housed for two years going on three years, I can honestly tell you that it has not been easy to get to where I am, currently.

I am writing in support of SB362 SD1 with comments. As we all know Hawaii is currently experiencing some serious houselessness issues that will not get better just by creating more temporary shelters or programs that do not offer long term housing solutions. We desperately need more long term solutions to be set in place along with more supportive services to help folks experiencing houselessness and those on the verge of becoming houseless.

In Section 3 of SB362 SD1 it states, "All taxes collected under this chapter shall be paid into the state treasury to the credit of the general fund of the State, to be used and expended for the purposes for which the general fund was created and exists by law; provided that of the taxes collected each fiscal year." May I please add that in order for our current houseless crisis to be solved, sufficient funding and support is necessary. In order to develop more long term housing solutions that can offer and provide much needed supportive services, funding needs to be there. Would you please consider designating a portion of these tax dollars that are collected as a result of this conveyance tax to be used specifically towards focusing on houseless issues and services?

Again, I support SB362 SD1. Thank you for your time and for allowing me the opportunity to share this testimony with you.

Aloha,

Lindsay Ann Pacheco

SB-362-SD-1
Submitted on: 2/19/2023 10:33:16 PM
Testimony for WAM on 2/22/2023 10:00:00 AM

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

Comments:

I support the intent of SB362 SD1 to raise the conveyance tax rates, however I believe that the schedule for these increased rates put forward in SB678 are more thoughtful and will be more successful in collecting enhanced revenue in a targeted and equitable way.

By raising the tax progressively, from 0.5% on properties valued under $2 million, gradually up to 6% on properties valued over $10 million, SB678 captures most of its enhanced revenue from people with enough resources to buy investment properties. Research shows that the majority of properties being bought up at the high end have buyers that do not reside in Hawaiʻi. Targeting the tax to collect revenue primarily from these nonresident investor-owners minimizes the impact of this particular tax proposal on local families.

This is a fair proposal: if someone has the resources to buy and sell second and third and fourth homes in Hawaiʻi, they have the legal right to do that. However, they need to be aware that doing so has an impact on the local housing market, and I believe they have a responsibility to Hawaiʻi and its residents to offset that impact with an adequate investment back into our affordable housing fund, our land conservation fund, and into a proposed new houseless services fund.

SB678 not only lifts the arbitrary caps on the rental housing revolving fund, as SB362 SD1 does, but it also lifts the cap on the land conservation fund—which SB362 SD1 does not. I believe that this fund should also have its cap lifted so it can receive the full 10% of conveyance tax revenues it needs to conserve and preserve our irreplaceable natural resources.

And while SB678 would create a new houseless services special fund and allocate an additional 10% of conveyance tax revenue there, SB362 SD1 does not. I believe this is a badly-needed new special fund that would make a huge difference in triaging the houselessness crisis by funding outreach workers, rapid re-housing, housing first vouchers and more. We would be tripling the state budget for houselessness relief.

It is for these reasons that SB678 received 95 pages of testimony, and only two of these testimonies were in opposition. It is for these reasons that 17 houseless community members gathered at Hoʻomana Thrift Store on Kauaʻi to testify by Zoom on Feb. 7—some of them walking for hours to get there. And it is for these reasons that the proposal put forward in SB678 continues to be the proposal with popular support from the public and stakeholders—particularly those with lived experience of houselessness. Because who knows better how to solve the housing and houselessness crisis than those living it right now, day in and day out?

It would be wonderful if this committee would adopt some of the things in SB678 that make it the bill the community supports: its thoughtful rate schedule, its lifting of the conservation fund cap, and its creation of the houseless services fund with an additional 10% revenue allocation.

We can end houselessness. But we need consistent, large-scale public investments in affordable housing development, rent subsidies and houseless services. And we need smart policies that will deliver that revenue in an equable way that doesn’t make life more difficult and costly to live for middle class residents. I hope you will consider making some changes to this bill so that it can become the reform we need to make that happen.

Mahalo for the opportunity to testify.

LATE

SB-362-SD-1
Submitted on: 2/22/2023 12:15:40 AM
Testimony for WAM on 2/22/2023 10:00:00 AM

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

Comments:

Support SB362 because the conveyance tax is the only dedicated and annual source of revenue for the Rental Housing Revolving Fund (Fund), which provides gap financing for new affordable rental projects. By eliminating the cap on convayance tax use for affordable housing, the bill would enable more revenue to flow toward reducing the housing crisis that impacts so many local residents, and that is sending them to the mainland in search of less expensive homes. Help!