

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 362, S.D.2, Relating to the Conveyance Tax

BEFORE THE:

House Committee on Water & Land

DATE: Wednesday, March 22, 2023

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 430

Chair Ichiyama, Vice-Chair Poepoe, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 362, S.D.2, for your consideration.

S.B. 362, S.D.2, 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 subject to a government assistance program qualified and administered or operated by the Hawaii Housing Finance and Development Corporation (HHFDC) or any of its instrumentalities; (3) add an exemption from the conveyance tax for individuals who are owner-occupants or renter-occupants of a property with no ownership interest in any other 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 measure has a defective effective date of July 1, 2050.

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 qualified by HHFDC.

With respect to the exemption for conveyances to an owner-occupant or renter-

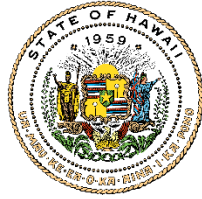
occupant who has no ownership interest in any other real property, the Department suggests amending the measure to clarify whether the exemption would apply if the individual has an indirect ownership interest in real property through another entity, such as a trust, partnership, corporation, or limited liability company.

Finally, the Department requests that if the defective effective date is amended, that it be no earlier than January 1, 2024 to allow time for updates to any relevant forms and instructions.

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
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DAWN N.S. CHANG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE
MANAGEMENT
LAURA H.E. KAAKUA
FIRST DEPUTY
M. KALEO MANUEL
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
WATER & LAND

Wednesday, March 22, 2023
9:30 AM
State Capitol, Conference Room 430

In consideration of
SENATE BILL 362, SENATE DRAFT 2
RELATING TO THE CONVEYANCE TAX

Senate Bill 362, Senate Draft 2, proposes various changes to conveyance tax governance, including the removal of the maximum dollar amount of annual conveyance tax revenues paid into the Rental Housing Revolving Fund. **The Department of Land and Natural Resources (Department) defers to other executive agencies on these proposed changes and offers a critical amendment that would remove the maximum dollar amount of annual conveyance tax revenues paid into the Land Conservation Fund and further enhance the State's ability to help protect resources and preserve lands for conservation purposes.**

For Fiscal Years 2021, 2022, and 2023, conveyance tax revenue deposited into the Land Conservation Fund (LCF) has declined to the lowest level in the LCF's eighteen-year history. Further weakened by the recent transfer of \$15 million from the LCF to the General Fund, LCF buying power in today's real estate market falls short of the legislated mandate "to establish permanent adequate funding for land conservation" (SECTION 1 of Act 156, Session Laws of Hawaii 2005), then pegged at 10% of annual conveyance tax revenue, uncapped. Over the last eight years, the combined effects of capped allocations, Turtle Bay debt service payments, and a large transfer of cash to the general fund have brought the unencumbered cash balance of the LCF to a dangerously low level. If left unattended, the situation could soon result in limiting annual expenditures to the current \$5.1 million revenue cap.

Since 2015, when the Legislature first capped the maximum amount of annual conveyance tax revenue at a level other than 10% (\$6.8 million), the Legislature did not pass any of the twenty bills that were introduced to increase that amount, and succeeded only in reducing it. Now is the

time to reverse this trend. If the maximum amount of annual conveyance tax revenue remains at its all-time low of \$5.1 million, and the \$1.5 million Turtle Bay debt service payment remains in place, **then only about \$3.5 million per year will be available for land acquisition grants in future years**, regardless of spending ceiling increases, due to a lack of cash in the LCF. Contrast this with the recent recommendation from the Legacy Land Conservation Commission to the Board of Land and Natural Resources, supporting nearly \$7 million in Fiscal Year (FY) 2023 grant funding, total, for four applications that ranked closely together in the above average/exemplary range.

The existing allocation of conveyance tax revenue to the LCF is woefully inadequate for meeting the future needs of state agencies, counties, nonprofit land conservation organizations, and conservation-minded landowners that receive program funding for land acquisition and land management. The Department of Taxation reports that FY 2022 conveyance tax revenue totaled over \$188.4 million, and that FY 2023 conveyance tax revenue reached over \$60.5 million by the end of February 2023. If revenue collections continue growing at rates projected by the Council on Revenues, then—under the Department’s proposed amendment—the LCF would receive a minimum boost of over \$1 million per year for investing in future land acquisitions. Strengthening the buying power of the Legacy Land Conservation Program by increasing its revenue stream is a sound, powerful, and incomparable investment in our islands’ future that carries immediate and perpetual community benefits.

The Department notes that testifiers on this measure advocated for removing the cap on conveyance tax revenue and restoring the LCF to a straight 10% of annual conveyance revenue, uncapped, as intended by the original 2015 enabling legislation. The Department requests that the Committee on Water & Land consider this alternative, in which 10% of annual conveyance tax revenue would provide access to desperately needed income, and could serve as a market indicator for establishing our spending ceiling request for the following fiscal year, subject to further adjustment through the legislative budgeting process.

Therefore, the Department requests that the Committee on Water & Land consider amending SECTION 3(1) of this measure to read as follows:

(1) Ten per cent [~~or \$5,100,000, whichever is less,~~] shall be paid into the land conservation fund established pursuant to section 173A-5; and

Mahalo for the opportunity to propose a critical amendment.

SB-362-SD-2

Submitted on: 3/21/2023 5:03:55 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
David Penn	DLNR	Comments	Remotely Via Zoom

Comments:

David Penn, DLNR Program Specialist.

Please see DLNR written comments, available for questions.

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

IN REPLY PLEASE REFER TO:

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

HOUSE COMMITTEE ON WATER & LAND

March 22, 2023 at 9:30 a.m.
State Capitol, Room 430

In consideration of
S.B. 362 SD2
RELATING TO THE CONVEYANCE TAX.

HHFDC **supports** the removal of the cap on the amount of conveyance tax revenues that are paid into the Rental Housing Revolving Fund (RHRF) but still has **concerns** about the conveyance tax exemption that was proposed in 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 affordable home buyer. 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.



March 17, 2023

Representative Linda Ichiyama, Chair
Representative Mahina Poepoe, Vice Chair
House Committee on Water & Land

Comments and Concerns in Opposition to SB 362, S.D. 2, 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 qualified by the Hawaii housing finance and development corporation [HHFDC]. Exempts from conveyance tax documents and instruments conveying real property to owner-occupants or renter-occupants who 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 7/1/2050.)

**Wednesday, March 22, 2023, at 9:30 a.m.
State Capitol, Conference Room 430, 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.

SB 362, S.D. 2. 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. 2 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. 2 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 clear nexus 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. 2 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 passed, 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. 2, **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.

March 22, 2023

The Honorable Linda Ichiyama, Chair

House Committee on Water and Land

State Capitol, Conference Room 430 & Videoconference

RE: Senate Bill 362, SD2, Relating to the Conveyance Tax

HEARING: Wednesday, March 22, 2023, at 9:30 a.m.

Aloha Chair Ichiyama, Vice Chair Poepoe, 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 **strongly opposes** Senate Bill 362, SD2, 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 qualified by the Hawai'i housing finance and development corporation. Exempts from the conveyance tax documents and instruments conveying real property to owner-occupants or renter-occupants who own no other real property. Removes the maximum dollar amount of conveyance tax revenues that are to be paid into the rental housing revolving fund each fiscal year. Effective 7/1/2050.

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

Property Value:	Current <i>Per \$100:</i>	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

Raising the Conveyance Tax for these properties could impact legitimate non-profits and businesses operating in these types of properties, such as adult day care businesses, care homes for kupuna, museums and art galleries, childcare centers, and so forth. Furthermore, this measure could affect housing development projects including housing rentals or for sale projects, which purchase uninhabitable property and make it habitable.

We would also note that the Conveyance Tax applies even if someone sells a property at a loss. This makes it a punishing tax, especially for someone that may

already be 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.

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. 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 2030². Ultimately, we have a housing supply problem, and **the Conveyance Tax adds to the cost of housing and the cost of doing business in Hawaii.**

The Conveyance Tax affects everyone, not just the wealthy. Generally, the Conveyance Tax applies not only to residential property such as single-family homes and condominiums, but to the conveyance of multi-family rentals, vacant land, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands. Any increases in the Conveyance Tax would be passed on to renters and consumers.

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

¹ Hawai'i REALTORS®. (2022). *Statewide Housing Data*. <https://www.hawaiiirealtors.com/wp-content/uploads/2023/01/2022-Annual-Statewide-Statistics-Report.pdf>

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

SB-362-SD-2

Submitted on: 3/20/2023 7:17:36 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jim Edmonds	Permanently Affordable Living Kaua'i	Support	Written Testimony Only

Comments:

Aloha e Chair Ichiyama , Vice Chair Poepoe, and members of the House committee on Water and Land,

On behalf of the affordable housing nonprofit Permanently Affordable Living Kaua'i, I am testifying in strong support of SB362 with proposed amendments to strengthen the impact of the bill.

Updating the conveyance tax, which is a tax on homes at the time of sale, will provide significant and permanent new revenue not only for affordable housing but also for homeless services and land conservation. Other cities with high cost of living are raising this tax to ensure that gains made from real estate investment are helping to offset some of the impacts of ever increasing home prices.

Thank you for considering the substantial public benefits of updating the Hawai'i conveyance tax. We respectfully request the following amendments:

- 1. Allocating 10% of the conveyance tax revenue to homeless services. This would create a new permanent source of revenue to assist the people of Hawai'i who are homeless and are having an increasingly difficult time accessing affordable housing. We suggest using the language from SB678 Section 2 for creating a new homeless services fund within the Department of Human Services.**
- 2. Removing the \$5.1M cap on the land conservation fund and returning the allocation to 10% of total revenues as was the original intent when land conservation was included in revenues from the conveyance tax. This would increase dedicated funds for land conservation from \$5.1M to \$10-\$30M a year in upcoming years depending on overall revenues.**
- 3. Increasing the tax rate on homes sold over \$2M to a maximum rate of 6% for homes sold over \$10M, as was proposed in SB678 instead of the maximum rate of 2.5% for a \$10M home as is proposed in SB362. Virtually all homes sold for more than \$10M are sold to investment home owners, who are generally earning millions in profit from their home sale and these sellers can afford to pay a 6% tax to help support the people of Hawai'i.**

We urge the legislature to take bold action to address our housing crisis and provide services to those who are left out of the current housing market. Please pass SB362 with the suggested amendments to provide significant and ongoing resources to the people who live and work and Hawai'i.

Mahalo for the opportunity to testify.

Jim Edmonds

Executive Director

Permanently Affordable Living Kaua'i



Testimony of the Hawai'i Housing Affordability Coalition
SUPPORTING SB362– Relating to the Conveyance Tax
Conference Room 430 Via Videoconference
Wednesday March 22nd, 2023 at 9:30AM

Aloha Chair Ichiyama , Vice Chair Poepoe, and members of the House Committee on Water & Land,

We are testifying in **strong support of SB362 with proposed amendments to strengthen the impact** of the bill which aims to update the conveyance tax, which is a sales on homes at the time of sale to provide funds which directly benefit the people of Hawai'i.

We believe that updating the conveyance tax, *which has not been updated in over 14 years*, can provide significant and permanent new revenue not only for affordable housing but also for homeless services and land conservation. The current conveyance tax has a rate of 0.1% to 1.25% depending on the value of the home, however, high cost places across the country such as Seattle, San Francisco, New York and others have been updating their conveyance tax (also known as a “real estate transfer tax”) on higher value homes to rates ranging from 3% to 6% to ensure that gains from real estate investment are also helping to offset the impacts of ever increasing home prices. This is why both increasing the conveyance tax and ensuring that funds are set aside for affordable housing, homeless services, and land conservation is good policy and good for the people of Hawai'i.

We thank your committee for considering SB362 and we respectfully request these amendments:

1. Allocating 10% of the conveyance tax revenue to homeless services. This would create a new permanent source of revenue to assist the people of Hawai'i who are homeless and are having an increasingly difficult time accessing affordable housing.

We suggest using the language from SB678 Section 2 for creating a new homeless services fund within the Department of Human Services.

2. Removing the \$5.1M cap on the land conservation fund and returning the allocation to 10% of total revenues as was the original intent when land conservation was included in revenues from the conveyance tax. This would increase dedicated funds for land *conservation from \$5.1M to \$10-\$30M a year* in upcoming years depending on overall revenues.

3. **Increasing the tax rate on homes sold over \$2M to a maximum rate of 6%** for homes sold over \$10M, **as proposed in SB678** instead of the maximum rate of 2.5% for a \$10M home as is proposed in SB362. Here is a recent example of why a 6% tax on homes selling for over \$10M is a fair and reasonable tax to help support the people of Hawai'i.

Maui County: A townhome at 3800 Wailea Alanui Dr. sold in Nov. 2022 for \$11,575,000
Purchase price in 2005 was \$2,470,000.

Equity Gains= \$9.1M over 17 years or \$530,000 a year.

Due to market conditions which have driven up the price of real estate in recent years, this owner is making significant gains and it would be appropriate to contribute to those who have done so well in the current market: low-income renters and our houseless population. The current conveyance tax rate of 1.25% would amount to a tax of \$144,687 whereas a 6% tax rate would amount to a tax of \$694,000 on this property. Here is a comparison of gains from this current tax rate vs. SB362 vs. rates proposed in SB678:

Current HRS tax (1.25%): \$144,687	Seller Gains after tax: \$8.96M
SB362 tax (2.5%): \$289,375	Seller Gains after tax: \$8.81M
SB678 tax (6%): \$694,500	Seller Gains after tax: \$8.41M

While a tax rate of 6% on a home sale might seem high, the owners of high end properties have realized significant gains in property value and we believe it is a fair tax to provide much needed affordable housing, homeless services, and funds for land conservation.

4. **For properties over \$2M eliminating the distinction in tax rates when a “purchaser is ineligible for a county homeowner's exemption on property tax”** (HRS 247-2) and when a purchaser is eligible.

This provision is intended to incentivize the seller of a home to sell to a buyer who currently claims a county homeowner's exemption, because then the conveyance tax of the seller will be lower. However, the downside of this provision is there is no way to enforce how a buyer will use the property in the future. A purchaser who currently claims a homeowner's exemption could purchase a new \$3M home as a primary residence and then a month later decide to use the home as an investment home for short term rentals. The seller has paid a significantly lower conveyance tax and yet the buyer can use the property in whatever way they choose. In other words, **there is no enforcement mechanism** to achieve the policy goal of encouraging owner-occupied buyers who will use a residence as a home instead of as an investment vehicle.

A policy goal of encouraging homes to be used as primary residences, and taxing homes that are used as investment homes **is a good goal but it is not achieved by this provision** which distinguishes between buyer status only at the time of purchase. Property taxes which are assessed every year and which require homeowners to demonstrate proof of occupancy are a much more effective way to encourage owner-occupancy and tax homes that are vacant or used as income properties.

We urge the legislature to take bold action to address our housing crisis and provide services to those who are left out of the current housing market. Please pass SB362 with the suggested amendments to provide meaningful resources to the people who live and work and Hawai'i.

Mahalo for the opportunity to testify.

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



Testimony of EAH Housing | Hawai'i Region
RELATING TO SB362 SD2

March 22, 2023 at 9:30 AM
Written Testimony Only

House Committee on Water and Land
Chair Linda Ichiyama, Vice Chair Mahina Poepoe,
Members Cory Chun, Sonny Ganaden, Mark J. Hashem,
Dee Morikawa, Gregg Takayama, and Kanani Souza

SUPPORT

We appreciate the opportunity to provide testimony in support of SB362 SD2 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 SD2.

A handwritten signature in black ink that reads "Karen Seddon". The signature is written in a cursive, flowing style.

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

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Tax Hike, Affordable Housing Exemption, Owner-Occupant/Renter-Occupant Exemption, Modify Earmark

BILL NUMBER: SB 362 SD 2

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: 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 qualified by the Hawai'i housing finance and development corporation. Exempts from the conveyance tax documents and instruments conveying real property to owner-occupants or renter-occupants who own no other real property. Removes the 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 exemptions from the conveyance tax for:

- Any document or instrument conveying real property for the development or acquisition of affordable housing subject to a government assistance program qualified by the Hawai'i 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, and "Government assistance program" has the same meaning as in section 201H-38(b).
- 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."

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: July 1, 2050.

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.

Tax Hike

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.

Proposed Exemption for Owner-Occupant and Renter-Occupant

We also question the proposed exemption for a conveyance to an owner-occupant or renter-occupant who has no ownership interest in any other real property. We can understand a policy choice to exempt first-time homebuyers, but first-time homebuyers probably will not be renter-occupants of the same property. Also, the exemption for existing owner-occupants suggests that the current occupants own a partial interest in the property and are buying out other co-owners; we question why that fact pattern should merit an exemption. We understand that the language

for this exemption was derived from the Attorney General's testimony before the Senate Committee on Ways and Means; the intent was to split the exemption proposed in the previous draft into two exemptions that would pass constitutional muster.

Deletion of Cap on Earmark for Rental Housing Trust Fund

Act 84, SLH 2015, imposed a \$38 million cap on the earmark in favor of the rental housing trust fund. 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).

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: 3/18/2023

SB-362-SD-2

Submitted on: 3/20/2023 3:10:09 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Kelly Cogo	Hawaii Clubhouse Advocacy Coalition	Support	Written Testimony Only

Comments:

Aloha e Chair Ichiyama , Vice Chair Poepoe, and members of the House committee on Water and Land,

We are testifying in strong support of SB362 with proposed amendments to strengthen the impact of the bill which aims to update the conveyance tax, which is a tax on homes at the time of sale to provide funds which directly benefit the people of Hawai‘i.

We believe that updating the conveyance tax, which has not been updated in over 14 years, can provide significant and permanent new revenue not only for affordable housing but also for homeless services and land conservation. The current conveyance tax has a rate of 0.1% to 1.25% depending on the value of the home, however, high cost places across the country such as Seattle, San Francisco, New York and others have been updating their conveyance tax (also known as a “real estate transfer tax”) to rates ranging from 1% to 6% to ensure that gains made from real estate investment are also helping to offset some of the impacts of ever increasing home prices. This is why both increasing the conveyance tax and ensuring that funds are set aside for affordable housing, homeless services and land conservation is good policy and good for the people of Hawai‘i.

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

1. Allocating 10% of the conveyance tax revenue to homeless services. This would create a new permanent source of revenue to assist the people of Hawai‘i who are homeless and are having an increasingly difficult time accessing affordable housing.

We suggest using the language from SB678 Section 2 for creating a new homeless services fund within the Department of Human Services.

2. Removing the \$5.1M cap on the land conservation fund and returning the allocation to 10% of total revenues as was the original intent when land conservation was included in revenues from the conveyance tax. This would increase dedicated funds for land conservation from \$5.1M to \$10-\$30M a year in upcoming years depending on overall revenues.

3. Increasing the tax rate on homes sold over \$2M to a maximum rate of 6% for homes sold over \$10M, as was proposed in SB678 instead of the maximum rate of 2.5% for a \$10M home as is proposed in SB362. Virtually all homes sold for more than \$10M are sold to investment home owners, who are generally earning millions in profit from their home sale and these sellers can afford to pay a 6% tax to help support the people of Hawai‘i. Here is a recent example of why a 6% tax on homes selling for over \$10M is a fair and reasonable tax to help support the people of Hawai‘i.

Maui County: 3800 Wailea Alanui Dr. sold in Nov. 2022 for \$11,575,000.

The above townhome in Wailea was originally purchased for \$2,470,000 in 2005.

The equity gains on this home at the time of sale were \$9.1M after owning the property for 17 years or approximately \$530,000 a year, due to the increase in home values. At the time of sale the current conveyance tax rate of 1.25% would amount to a tax of \$144,687 whereas a 6% tax rate would amount to a tax of \$694,000 on this property. Here is a comparison of gains from this current tax rate vs. SB362 vs. rates proposed in SB678:

Current HRS tax (1.25%): \$144,687	Seller Gains after tax: \$8.96M
SB362 tax (2.5%): \$289,375	Seller Gains after tax: \$8.8M
SB678 tax (6%): \$694,500	Seller Gains after tax: \$8.4M

While a tax rate of 6% on a home sale might seem high - for owners of properties that are over \$10M and are likely earning millions on their home sale, we believe it is a fair tax to help provide much needed benefits to the people of Hawai‘i heavily impacted by the lack of affordable housing.

We urge the legislature to take bold action to address our housing crisis and provide services to those who are left out of the current housing market. Please pass SB362 with the suggested amendments to provide significant and ongoing resources to the people who live and work and Hawai‘i.

Mahalo for the opportunity to testify.

Kelly A. Cogo

SB-362-SD-2

Submitted on: 3/20/2023 3:21:10 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Stephen K Hanohano	Hawaii Clubhouse Advocacy Coalition	Support	Written Testimony Only

Comments:

Aloha e Chair Ichiyama , Vice Chair Poepoe, and members of the House committee on Water and Land,

We are testifying in strong support of SB362 with proposed amendments to strengthen the impact of the bill which aims to update the conveyance tax, which is a tax on homes at the time of sale to provide funds which directly benefit the people of Hawai‘i.

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We suggest using the language from SB678 Section 2 for creating a new homeless services fund within the Department of Human Services.

2. Removing the \$5.1M cap on the land conservation fund and returning the allocation to 10% of total revenues as was the original intent when land conservation was included in revenues from the conveyance tax. This would increase dedicated funds for land conservation from \$5.1M to \$10-\$30M a year in upcoming years depending on overall revenues.

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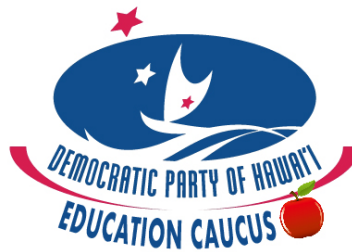
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We urge the legislature to take bold action to address our housing crisis and provide services to those who are left out of the current housing market. Please pass SB362 with the suggested amendments to provide significant and ongoing resources to the people who live and work and Hawai'i.

Mahalo for the opportunity to testify.

Stephen



SENATE BILL 362, SD2, RELATING TO THE CONVEYANCE TAX

MARCH 22, 2023 · HOUSE WATER AND LAND
COMMITTEE · CHAIR REP. LINDA ICHIYAMA

POSITION: Support with amendments.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports and suggests amendments for SB 362, SD2, 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 qualified by the Hawai'i housing finance and development corporation; exempts from the conveyance tax documents and instruments conveying real property to owner-occupants or renter-occupants who own no other real property; and removes the 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, SD2, RELATING TO THE CONVEYANCE TAX

MARCH 22, 2023 · HOUSE WATER AND LAND
COMMITTEE · CHAIR REP. LINDA ICHIYAMA

POSITION: Support with amendments.

RATIONALE: Imua Alliance supports and suggests amendments for SB 362, SD2, 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 qualified by the Hawai'i housing finance and development corporation; exempts from the conveyance tax documents and instruments conveying real property to owner-occupants or renter-occupants who own no other real property; and removes the maximum dollar amount of conveyance tax revenues that are to be paid into the rental housing revolving fund each fiscal year.

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



CATHOLIC CHARITIES HAWAII

TESTIMONY: SUPPORT SB 362 SD2: RELATING TO THE CONVEYANCE TAX

TO: House Committee on Water and Land
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i
Hearing: **Wednesday, 2/22/23; 10:00 AM; CR 211 & via videoconference**

Chair Ichiyama, Vice Chair Poepoe, and Members, Committee on Water and Land:

We appreciate the opportunity to provide written testimony **in support of SB 362 SD 2, with the amendments, 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 strengthen its benefit to the people of Hawai'i:

1. **Allocate 10% of the conveyance tax revenues to homeless services and supportive housing.** (*See suggested language from HB 1211, on next page.*)
2. Remove the \$5.1 M cap on funds for land conservation.
3. Increase the tax rates on homes selling for over \$2 M, on a sliding scale of 2-6%.

Allocating 10% of the conveyance tax to homeless services and supportive housing 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)527-4813 if you have any questions.

Suggested language for Amendment to allocate 10% of revenues for homeless services and supportive housing, from HB 1211:

SECTION 1. 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. 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."

Also amend SB 362 with the following language from HB 1211:

SECTION 3. 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 SD2: RELATING TO THE CONVEYANCE TAX

TO: House Committee on Water and Land
FROM: Partners In Care (PIC)
Hearing: **Wednesday, 3/22/23; 9:30 AM; Room 430 & via videoconference**

Chair Ichiyama, Vice Chair Poepoe, and Members, Committee on Water and Land:

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 testimony **in strong support SB 362 SD2 with some amendments**. This bill 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.

We respectfully urge the following amendments to address our growing housing crisis:

1. Increase the tax rates in this bill, on a sliding scale, from 2 – 6 %.
2. Allocate 10% of the conveyance tax revenue to homeless services and supportive housing, utilizing the language found in HB 1211. (See language 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 increase the tax rates on a sliding scale to significantly add resources for our State to meet the critical housing needs of our population. Other cities on the West Coast, like Seattle and San Francisco, with high housing demand have implemented similar rates.

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 Hawai`i'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 supportive 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 SD2 with the following language from HB 1211.

1. Insert the following language from HB 1211:

SECTION 1. 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. 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. Also Insert the following language from HB 1211:

SECTION 3. 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- ."

SB-362-SD-2

Submitted on: 3/21/2023 8:32:54 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Thorne Abbott	Coastal Planners, LLC	Comments	Written Testimony Only

Comments:

Please remove the artificial and unproductive cap on funding for the Legacy Land Conservation Program by deleting "or \$5,100,000, whichever is less," as shown in the subsection below. The Legislature originally intended that 10% go to the land conservation fund. This very effective program has a proven track record of working collaboratively with willing landowners. It could gain greater success if the artificial cap was removed to accommodate rising real estate costs, among other factors. We owe our keiki and the aina to spend more than \$5 million a year on its preservation for the future. We support the bill if the cap is eliminated. Mahalo!

HRS 247-7 Disposition of taxes. (1) Ten per cent ~~or \$5,100,000, whichever is less,~~ shall be paid into the land conservation fund established pursuant to section 173A-5;



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HOPE Help Line: 808-935-3050

TESTIMONY IN SUPPORT OF SB 362: RELATING TO CONVEYANCE TAX

TO: Committee Chair, Vice-Chair and Members
FROM: Brandee Menino, CEO, Hope Services Hawai'i, Inc.
Hearing: WAL on 03-22-23

Aloha,

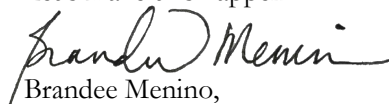
My name is Brandee Menino and I am the CEO of Hope Services Hawai'i, which is Hawai'i Island's largest nonprofit homeless services provider. We use evidence-based practices to help our neighbors avoid and overcome homelessness, and achieve above-average results in helping people get housed and stay housed. We work hard to serve our community, but we need your collaboration if we hope to end homelessness. By **supporting this bill**, which would raise the conveyance tax on residences worth \$2 million or more and remove the cap on conveyance tax revenues paid into the Rental Housing Revolving Fund, **and by including our suggested amendments, you have the opportunity to address two 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, and
- The displacement of residents by real estate investors who outbid local buyers. According to the Hawai'i Budget and Policy Center, **42% of homes sold on Hawai'i Island between 2017 and 2020 were purchased by non-Hawai'i residents.** Although this bill does not specifically target out-of-state buyers, it is important to note that the status quo prioritizes out-of-state investors (who often reside in states with higher conveyance taxes) over local residents.

We respectfully request the following amendments:

1. **Dedicate 10% of all conveyance tax revenues to homeless services.**
2. **Remove the \$5.1M cap on funds for land conservation**
3. **Increase the tax rates on homes selling for over \$2M to a sliding scale of 2-6% as proposed in SB678.**

Let's make this happen.


Brandee Menino,
Chief Executive Officer

ADMINISTRATIVE OFFICE
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HAWAI‘I APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai‘i Appleseed Center for Law and Economic Justice

SUPPORTING SB362— Relating to the Conveyance Tax

Conference Room 430 Via Videoconference

Wednesday March 22nd, 2023 at 9:30AM

Aloha Chair Ichiyama , Vice Chair Poepoe, and members of the House Committee on Water & Land,

We are testifying in **strong support of SB362 with proposed amendments to strengthen the revenue generated** and the benefits for the land and people of Hawai‘i.

The current conveyance tax has a rate of 0.1% to 1.25% depending on the value of the home, however, high cost places across the country such as Seattle, San Francisco, New York and others have been updating their conveyance tax (also known as a “real estate transfer tax”) to be more progressive and capture greater public value from the significant gains that sellers have been realizing in the current real estate market. However, while people who are selling multi-million homes have generally done very well in our real estate market many of our local residents have not benefited. Local renters, our houseless community members, and our businesses that rely on a local workforce have increasingly been struggling to manage the impact of our increasing housing costs. That is why it is appropriate and good housing policy to impose a 2-6% sales tax on multi-million dollar homes to support affordable housing, homeless services, and land conservation.

We thank your committee for considering SB362 and we respectfully request these amendments:

1. Allocating 10% of the conveyance tax revenue to homeless services. This would create a new permanent source of revenue to assist the people of Hawai‘i who are homeless and are having an increasingly difficult time accessing affordable housing.

We suggest using the language from SB678 Section 2 for creating a new homeless services fund within the Department of Human Services.

2. Removing the \$5.1M cap on the land conservation fund and returning the allocation to 10% of total revenues as was the original intent when land conservation was included in revenues from the conveyance tax. This would increase dedicated funds for land *conservation from \$5.1M to \$10-\$30M a year* in upcoming years depending on overall revenues.

3. **Increasing the tax rate on homes sold over \$2M to a maximum rate of 6%** for homes sold over \$10M, **as proposed in SB678** instead of the maximum rate of 2.5% for a \$10M home as is proposed in SB362. Here is a recent example of why a 6% tax on homes selling for over \$10M is a fair and reasonable tax to help support the people of Hawai'i.

Maui County: A townhome at 3800 Wailea Alanui Dr. sold in Nov. 2022 for \$11,575,000
Purchase price in 2005 was \$2,470,000.

Equity Gains= \$9.1M over 17 years or \$530,000 a year.

While a tax rate of 6% on a home sale might seem high, the owners of high end properties have realized significant gains in property value and we believe it is a fair tax to provide much needed affordable housing, homeless services, and funds for land conservation.

4. **For properties over \$2M eliminating the distinction in tax rates when a “purchaser is ineligible for a county homeowner's exemption on property tax”** (HRS 247-2) and when a purchaser is eligible.

This provision is intended to incentivize the seller of a home to sell to a buyer who currently claims a county homeowner's exemption, because then the conveyance tax of the seller will be lower. However, the downside of this provision is there is no way to enforce how a buyer will use the property in the future. A purchaser who currently claims a homeowner's exemption could purchase a new \$3M home as a primary residence and then a month later decide to use the home as an investment home for short term rentals. The seller has paid a significantly lower conveyance tax and yet the buyer can use the property in whatever way they choose. In other words, **there is no enforcement mechanism** to achieve the policy goal of encouraging owner-occupied buyers who will use a residence as a home instead of as an investment vehicle.

A policy goal of encouraging homes to be used as primary residences, and taxing homes that are used as investment homes **is a good goal but it is not achieved by this provision** which distinguishes between buyer status only at the time of purchase. Property taxes which are assessed every year and which require homeowners to demonstrate proof of occupancy are a much more effective way to encourage owner-occupancy and tax homes that are vacant or used as income properties.

We urge the legislature to take bold action to address our housing crisis and provide services to those who are left out of the current housing market. Please pass SB362 with the suggested amendments to provide meaningful resources to the people who live and work and Hawai'i.

Mahalo for the opportunity to testify.



Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: House Committee on Water & Land
Re: **SB 362, SD2 - Relating to the Conveyance Tax**
Hawai'i State Capitol and via videoconference
March 22, 2023, 9:30 AM

Dear Chair Ichiyama, Vice Chair Poepoe, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing **in SUPPORT with SUGGESTED AMENDMENTS to SB 362, SD2**. This bill increases the conveyance tax rates 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 million. It also adds some exemptions to the conveyance tax and removes the cap on the amount of conveyance tax revenues that are paid into the rental housing revolving fund (RHRF) each fiscal year.

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During the pandemic, residential real estate prices in Hawai'i skyrocketed to record highs over and over again. But current conveyance tax rates are only 0.10–1.25 percent, even on multi-million dollar properties. This bill would raise the rate of the conveyance tax, which is charged when property is transferred between owners, **on second homes and investment properties, and not on primary residences**.

Raising the rates to 1.2–2.5 percent, as this bill proposes, would raise tens, if not hundreds, of millions of additional dollars per year, and all of the revenue would come from properties worth at least \$2 million. **More than half of homes priced above \$2 million were sold to non-Hawai'i residents** between January 2019 and September 2020, according to the Bureau of Conveyances.

It is well known that Hawai'i's families are facing an affordable housing crisis. This bill would help alleviate it, by lifting the cap on the amount of conveyance tax revenues directed to the RHRF, which provides low-interest loans or grants for qualified affordable housing projects. Currently the amount paid into the RHRF annually from the conveyance tax is capped at the lesser of 50 percent or \$38 million. We support lifting the cap on those funds, as this would bill would do, in order to increase the number of affordable rental units in our state.

We also suggest the following amendments to this bill:

- **adopting the higher tax rates contained SB678;**
- **creating a new special fund for houseless services, to which 10 percent of conveyance tax revenue would be allocated; and**
- **lifting the dollar figure cap on the land conservation fund's 10 percent allocation.**

Mahalo the opportunity to provide this testimony. Please pass this bill with our suggested amendments.

Thank you,

Nicole Woo
Director of Research and Economic Policy

Testimony of Ka Po'e o Kaka'ako, Inc.
SUPPORTING SB362– Relating to the Conveyance Tax
Conference Room 430 & Videoconference
Wednesday, March 22, 2023 at 9:30am

Aloha e Chair Ichiyama , Vice Chair Poepoe, and members of the House committee on Water and Land,

My name is Aura Reyes and I am providing testimony on behalf of Ka Po'e o Kaka'ako, Inc. and we are in **strong support of SB362 with proposed amendments to strengthen the impact** of the bill which aims to update the conveyance tax, which is a tax on homes at the time of sale to provide funds which directly benefit the people of Hawai'i.

We believe that updating the conveyance tax, *which has not been updated in over 14 years*, can provide significant and permanent new revenue not only for affordable housing but also for homeless services and land conservation. By increasing the conveyance tax and ensuring that funds are set aside for affordable housing, homeless services and land conservation is good policy and good for the people of Hawai'i.

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

1. Allocating 10% of the conveyance tax revenue to homeless services. This would create a new permanent source of revenue to assist the people of Hawai'i who are homeless and are having an increasingly difficult time accessing affordable housing.

We suggest using the language from SB678 Section 2 for creating a new homeless services fund within the Department of Human Services.

2. Removing the \$5.1M cap on the land conservation fund and returning the allocation to 10% of total revenues as was the original intent when land conservation was included in revenues from the conveyance tax. This would increase dedicated funds for land *conservation from \$5.1M to \$10-\$30M a year* in upcoming years depending on overall revenues.

3. Increasing the tax rate on homes sold over \$2M to a maximum rate of 6% for homes sold over \$10M, as was proposed in SB678 instead of the maximum rate of 2.5% for a \$10M home as is proposed in SB362. Virtually all homes sold for more than \$10M are sold to investment home owners, who are generally earning millions in profit from their home sale and these sellers can afford to pay a 6% tax to help support the people of Hawai'i. Here is a recent example of why a 6% tax on homes selling for over \$10M is a fair and reasonable tax to help support the people of Hawai'i.

We agree that it is a fair tax to help provide much needed benefits to the people of Hawai'i

heavily impacted by the lack of affordable housing.

We urge the legislature to take bold action to address our housing crisis and provide services to those who are left out of the current housing market. Please pass SB362 with the suggested amendments to provide significant and ongoing resources to the people who live and work and Hawai'i.

Mahalo for the opportunity to testify.

Aloha,

Ka Po'e o Kaka'ako, Inc.

SB-362-SD-2

Submitted on: 3/22/2023 8:19:51 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

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

Comments:

Aloha Committee Members,

I am writing on behalf of community development nonprofits, Hawaii Community Lending (HCL) and Hawaiian Community Assets (HCA), to provide **support with amendments** for SB362.

We call on the Legislature to amend the bill SECTION 3. 247-7 to include "(3) Twenty per cent shall be paid into the affordable homeownership revolving fund established by section 201H-206".

HCL is Hawaii's premier nonprofit mortgage lender and a community development financial institution that provides access to capital to fund the affordable housing ecosystem from homebuyer to home builder to homeowner. We partner with HCA, which is the state's largest HUD housing counseling agency, to provide free financial education to our borrowers. Together, we have served more than 23,000 local residents since our founding in 2000 and helped over 8,000 children and adults secure or sustain affordable housing.

SB3652 provides for a dedicated source of funds for the rental housing needs of our community, but wholly excludes funding for our ALICE and below households at or below 120% area median income (AMI) to realize affordable homeownership. According to the Hawaii Housing Planning Study, 50% of the demand for homeownership in our state is among our people below 120% AMI. Overall, our ALICE and below households seeking homeownership represent 23% of the total demand for housing through 2025. Yet, this bill does not provide a dedicated source of funding for this purpose. Why?

Homeownership is a critical piece of our housing continuum. With public funding, it can ensure our lands stay in local hands and that our County governments have the property tax monies necessary to deliver important public services we all count on. For our local people, it means local jobs. For our rural communities, where rental housing is simply not available, affordable homeownership is the solution for your constituents. For native Hawaiians, homeownership represents an opportunity to return to the lands they have been systematically separated from and on Hawaiian Home Lands it is the only way for a family to obtain a residential lease. For all of us, our re-connection to land through homeownership has been

proven to be a vehicle for food security, economic self-sufficiency, and overall health and well-being.

The Legislature knows the importance of homeownership in our communities. This is why you created the Affordable Homeownership Revolving Fund at the HHFDC: to provide access to low-interest capital to community development financial institutions like HCL and nonprofit housing developers like Habitat for Humanity so affordable homeownership can be made possible for the 23% of our people who are looking for housing options but have none. To make good on this commitment, the Legislature made a one-time \$5 million appropriation to the Fund. However, **based on a survey conducted by Hawaii Habitat for Humanity State Support Organization in February 2023, an additional \$42 million is needed for developers and CDFIs for an estimated 565 for-sale homes over the next 5 years alone.** That is approximately \$75,000 per unit to ensure affordable homeownership for our local and Hawaiian families using revolving funds that will be returned to HHFDC once permanent mortgages are secured by the homebuyers and revolved again. This is significantly less than the subsidy the State is currently providing for rental housing without the benefits of greater food security, economic self-sufficiency, and health of our communities as a whole. **Without a dedicated source of funds for the Affordable Homeownership Revolving Fund, we will simply be unable to address the housing demand of 23% of our people - your constituents.**

Despite that more than 1/5 of our population in need of housing is seeking affordable homeownership, we have been unable to convince nonprofit policy advocates and public policy makers to invest in our local and Hawaiian people in this way. This is your opportunity to change that. **Please amend the bill SECTION 3. 247-7 to include "(3) Twenty per cent shall be paid into the affordable homeownership revolving fund established by section 201H-206".**

Mahalo for the opportunity to submit testimony. Should you have any questions you can reach me directly at 808.587.7653 or jeff@hawaiiancommunity.net.

Sincerely

Jeff Gilbreath
Executive Director

Hawaii Community Lending



Hawai'i YIMBY
Honolulu, HI 96814

hawaiiyimby.com
admin@hawaiiyimby.com

Wednesday, March 22, 2023

House Committee on Water & Land
Hawai'i State Capitol
Honolulu, HI 96813

RE: SUPPORT for SB 362 SD 2 - RELATING TO THE CONVEYANCE TAX

Aloha Chair Ichiyama, Vice Chair Poepoe, and Members of the Committee,

On behalf of Hawai'i YIMBY, I'm writing to support SB 362 SD 2, which would create a sustainable new revenue source to fund affordable housing.

The housing crisis and homelessness crisis are complex problems that demand multifaceted responses, and expanding funding for affordable housing is a key part of the solution. This bill is one way we can secure that funding. By bringing our tax rates more in line with similar high-cost regions, we could generate hundreds of millions in revenue per year. This bill would have a major impact on available funding for affordable housing and the associated issues this bill seeks to address, and its revenue would mostly come from high-cost properties disproportionately owned by out-of-state investors rather than locals seeking homeownership.

Hawai'i YIMBY (*Yes In My Backyard*) is a new and rapidly growing grassroots advocacy organization dedicated to working to advance bold and effective solutions for Hawai'i's devastating housing crisis. Our members are deeply concerned about Hawai'i's chronic and worsening housing shortage, which has caused home prices to rise much faster than



Hawai'i YIMBY
Honolulu, HI 96814

hawaiiimby.com
admin@hawaiiimby.com

incomes and pushes thousands of kama'āina out to the mainland or into homelessness every single year.

We urge your support for this bill. Thank you for the opportunity to testify.

Sincerely,

Matt Popovich

Co-Lead, Hawai'i YIMBY



SB-362-SD-2

Submitted on: 3/18/2023 10:54:33 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

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

Comments:

I support the intent of SB362 SD2 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 Hawai‘i. 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 Hawai‘i, 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 Hawai‘i 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 SD2 does, but it also lifts the cap on the land conservation fund—which SB362 SD2 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.

Furthermore, while SB678 would have created a new houseless services special fund and would have allocated an additional 10% of conveyance tax revenue there, SB362 SD2 does not. I believe this is a badly-needed new special fund that would make a huge difference in addressing the houselessness crisis. Such a fund would triple the budget for houseless services, allowing us to fund more outreach workers, rapid re-housing, housing first vouchers and more.

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 Ho‘omana Thrift Store on Kaua‘i 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 the language in SB678 that made 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 equitable way that doesn't make life more difficult and costly 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.

SB-362-SD-2

Submitted on: 3/18/2023 6:51:59 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Allison Mikuni	Individual	Support	Written Testimony Only

Comments:

I support the intent of SB362 SD2 to raise the conveyance tax rates, however the language in SB678 contained a more thoughtful way to go about doing this and would have been far more successful in collecting enhanced revenue in a targeted and equitable way. Please consider amending SB362 to include the community-driven features of SB678 that made it the bill that drew 95 pages of testimony, of which only 2 were in opposition,

Specifically:

- Change the tax rate schedule in SB362 SD2 to match the one in SB678, greatly enhancing the revenue collected from the sale of high-end real estate to wealthy property buyers, whom research shows live almost entirely out-of-state.
- Include the creation of a new special fund for houseless services, to which an additional 10% of conveyance tax revenue shall be allocated, and include no cap on its revenue allocation.
- Remove the arbitrary cap on revenue collected by the land conservation fund as well, not just the affordable housing fund.

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 equitable way that doesn't make life more difficult and costly 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.

Allison Mikuni; Palolo, Oahu Resident

SB-362-SD-2

Submitted on: 3/18/2023 7:53:15 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Barbara Barry	Individual	Support	Written Testimony Only

Comments:

Aloha,

I strongly support this important Bill,

It will help to resolve our affordable housing crisis in Hawai'i.

Mahalo,

SB-362-SD-2

Submitted on: 3/18/2023 8:40:06 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

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

Comments:

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 equitable way that doesn't make life more difficult and costly 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. Even without these changes, this bill deserves support, but with them even more so.

Mahalo,

Dr Lorna Holmes Honolulu 96917

SB-362-SD-2

Submitted on: 3/19/2023 6:26:09 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

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

Comments:

We desperately need more affordable housing solutions, and this bill SB 362 is a step in the right direction. This bill creates several positive tax policy changes. It increases conveyance taxes only for housing that is not owner occupied, and that is valued at \$2 million or more (more than twice the median housing price, so an upper range of buyers capable of paying higher taxes) It also removes the \$38 million cap on revenues to flow to the rental housing revolving fund, to assist with our affordable housing efforts. I strongly support this removal of the cap for the RHRF 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 by investors and speculators.

Thank you for consideration of my testimony.

Ellen Godbey Carson

SB-362-SD-2

Submitted on: 3/19/2023 7:35:39 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Lindsay Roth	Individual	Support	Written Testimony Only

Comments:

I support the intent of SB362 SD2 to raise the conveyance tax rates, however the language in SB678 contained a more thoughtful way to go about doing this and would have been far more successful in collecting enhanced revenue in a targeted and equitable way. Please consider amending SB362 to include the community-driven features of SB678 that made it the bill that drew 95 pages of testimony, of which only 2 were in opposition,

Specifically:

- Change the tax rate schedule in SB362 SD2 to match the one in SB678, greatly enhancing the revenue collected from the sale of high-end real estate to wealthy property buyers, whom research shows live almost entirely out-of-state.*
- Include the creation of a new special fund for houseless services, to which an additional 10% of conveyance tax revenue shall be allocated, and include no cap on its revenue allocation.*
- Remove the arbitrary cap on revenue collected by the land conservation fund as well, not just the affordable housing fund.*

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 equitable way that doesn't make life more difficult and costly 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.

SB-362-SD-2

Submitted on: 3/20/2023 1:08:10 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Dr Marion Ceruti	Individual	Comments	Written Testimony Only

Comments:

Vote no on SB362. The last thing we need now is a tax increase of any kind. Taxes like this often have unintended consequences and it will not make housing more affordable to anyone living in Hawai'i. Taxes like this often are passed on to the buyer indirectly and could result in higher property taxes for residents. It is a bad idea and should not be enacted into law. Please, kokua, kill this bill now.

SB-362-SD-2

Submitted on: 3/20/2023 1:56:06 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

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

Comments:

Aloha e Chair Ichiyama , Vice Chair Poepoe, and members of the House committee on Water and Land,

We are testifying in strong support of SB362 with proposed amendments to strengthen the impact of the bill which aims to update the conveyance tax, which is a tax on homes at the time of sale to provide funds which directly benefit the people of Hawai‘i.

We believe that updating the conveyance tax, which has not been updated in over 14 years, can provide significant and permanent new revenue not only for affordable housing but also for homeless services and land conservation. The current conveyance tax has a rate of 0.1% to 1.25% depending on the value of the home, however, high cost places across the country such as Seattle, San Francisco, New York and others have been updating their conveyance tax (also known as a “real estate transfer tax”) to rates ranging from 1% to 6% to ensure that gains made from real estate investment are also helping to offset some of the impacts of ever increasing home prices. This is why both increasing the conveyance tax and ensuring that funds are set aside for affordable housing, homeless services and land conservation is good policy and good for the people of Hawai‘i.

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

1. Allocating 10% of the conveyance tax revenue to homeless services. This would create a new permanent source of revenue to assist the people of Hawai‘i who are homeless and are having an increasingly difficult time accessing affordable housing.

We suggest using the language from SB678 Section 2 for creating a new homeless services fund within the Department of Human Services.

2. Removing the \$5.1M cap on the land conservation fund and returning the allocation to 10% of total revenues as was the original intent when land conservation was included in revenues from the conveyance tax. This would increase dedicated funds for land conservation from \$5.1M to \$10-\$30M a year in upcoming years depending on overall revenues.

3. Increasing the tax rate on homes sold over \$2M to a maximum rate of 6% for homes sold over \$10M, as was proposed in SB678 instead of the maximum rate of 2.5% for a \$10M home as is

proposed in SB362. Virtually all homes sold for more than \$10M are sold to investment home owners, who are generally earning millions in profit from their home sale and these sellers can afford to pay a 6% tax to help support the people of Hawai'i. Here is a recent example of why a 6% tax on homes selling for over \$10M is a fair and reasonable tax to help support the people of Hawai'i.

Maui County: 3800 Wailea Alanui Dr. sold in Nov. 2022 for \$11,575,000.

The above townhome in Wailea was originally purchased for \$2,470,000 in 2005.

The equity gains on this home at the time of sale were \$9.1M after owning the property for 17 years or approximately \$530,000 a year, due to the increase in home values. At the time of sale the current conveyance tax rate of 1.25% would amount to a tax of \$144,687 whereas a 6% tax rate would amount to a tax of \$694,000 on this property. Here is a comparison of gains from this current tax rate vs. SB362 vs. rates proposed in SB678:

Current HRS tax (1.25%):	\$144,687	Seller Gains after tax:	\$8.96M
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While a tax rate of 6% on a home sale might seem high - for owners of properties that are over \$10M and are likely earning millions on their home sale, we believe it is a fair tax to help provide much needed benefits to the people of Hawai'i heavily impacted by the lack of affordable housing.

We urge the legislature to take bold action to address our housing crisis and provide services to those who are left out of the current housing market. Please pass SB362 with the suggested amendments to provide significant and ongoing resources to the people who live and work and Hawai'i.

Mahalo for the opportunity to testify.

Linda Wakatake

SB-362-SD-2

Submitted on: 3/20/2023 3:44:54 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Rev. Samuel L Domingo	Individual	Support	Written Testimony Only

Comments:

Aloha e Chair Ichiyama , Vice Chair Poepoe, and members of the House committee on Water and Land,

We are testifying in strong support of SB362 with proposed amendments to strengthen the impact of the bill which aims to update the conveyance tax, which is a tax on homes at the time of sale to provide funds which directly benefit the people of Hawai‘i.

We believe that updating the conveyance tax, which has not been updated in over 14 years, can provide significant and permanent new revenue not only for affordable housing but also for homeless services and land conservation. The current conveyance tax has a rate of 0.1% to 1.25% depending on the value of the home, however, high cost places across the country such as Seattle, San Francisco, New York and others have been updating their conveyance tax (also known as a “real estate transfer tax”) to rates ranging from 1% to 6% to ensure that gains made from real estate investment are also helping to offset some of the impacts of ever increasing home prices. This is why both increasing the conveyance tax and ensuring that funds are set aside for affordable housing, homeless services and land conservation is good policy and good for the people of Hawai‘i.

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

1. Allocating 10% of the conveyance tax revenue to homeless services. This would create a new permanent source of revenue to assist the people of Hawai‘i who are homeless and are having an increasingly difficult time accessing affordable housing.

We suggest using the language from SB678 Section 2 for creating a new homeless services fund within the Department of Human Services.

2. Removing the \$5.1M cap on the land conservation fund and returning the allocation to 10% of total revenues as was the original intent when land conservation was included in revenues from the conveyance tax. This would increase dedicated funds for land conservation from \$5.1M to \$10-\$30M a year in upcoming years depending on overall revenues.

3. Increasing the tax rate on homes sold over \$2M to a maximum rate of 6% for homes sold over \$10M, as was proposed in SB678 instead of the maximum rate of 2.5% for a \$10M home as is

proposed in SB362. Virtually all homes sold for more than \$10M are sold to investment home owners, who are generally earning millions in profit from their home sale and these sellers can afford to pay a 6% tax to help support the people of Hawai'i. Here is a recent example of why a 6% tax on homes selling for over \$10M is a fair and reasonable tax to help support the people of Hawai'i.

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I urge the legislature to take bold action to address our housing crisis and provide services to those who are left out of the current housing market. Please pass SB362 with the suggested amendments to provide significant and ongoing resources to the people who live and work and Hawai'i.

SB362, SD2, Relating to the Conveyance Tax

Testimony of Susan Au Doyle IN SUPPORT

Honorable Chair Ichiyama and Members of the Committee:

Thank you for the opportunity to testify in support of SB362, SD2, Relating to the Conveyance Tax.

Although I am testifying today as an individual, I retired as president of the Aloha United Way, and have served since then on the boards of Partners in Care, Mental Health America of Hawaii, and Family Promise of Hawaii. I am also a former executive director of the YWCA of O'ahu and deputy director of commerce and consumer affairs. In sum, I have been participating in efforts to address difficult community problems in Hawaii for over 35 years.

It is extremely heartening to see our community coming together to do what is needed to make real progress on systemic issues related to homelessness.

As one part of addressing this complex problem, I hope you will consider including language from SB678 that proposed dedicating 10 percent of the conveyance tax to homeless services and supportive housing. (SB678 was deferred in favor of this bill, which had already been passed out of committee).

More dedicated funding is needed to increase the level of homeless services and supportive housing required as part of a comprehensive effort to make real, sustainable progress towards eliminating homelessness in Hawaii.

Thank you for your consideration of my testimony in support of SB362, SD2, and for passing this bill out of committee so that further discussion can occur.

SB-362-SD-2

Submitted on: 3/20/2023 9:34:16 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

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

Comments:

Aloha, there has been a lot of lip service regarding affordable housing and houselessness services, this bill is the real way that solutions can finally happen in Hawai`i.

Funding is always the issue when real solutions are brought to the table for humane action to be done for the people of Hawai`i, whether they are needing assistance to pay for rent, utilities or they have already been a victim of the system and are now houseless. SB362 needs to be amended to include 10% of the conveyance tax going towards houseless services. Sweeps are not the answer, shaming these human beings for not wanting to be participants in this toxic patriarchal system anymore, should not be punished or ignored.

Pass SB362 for the betterment of Hawai`i

Amend SB362 to include the 10% for houseless services

Stop treating human beings less than animals

People need to be thought of and actions need to be done FOR the benefit of people, instead of profit being the goal. Enough with the private developers being able to do whatever they want because they have money to do so. Having the conveyance tax, public money paying for real solutions that benefit ALL of Hawai`i's people needs to happen NOW.

Mahalo

Aloha e Chair Ichiyama , Vice Chair Poepoe, and members of the House committee on Water and Land,

My name is Dane Carlson and I am writing to you as a concerned citizen and resident of Kaka'ako in **strong support of SB362 with proposed amendments to strengthen the impact** of the bill which aims to update the conveyance tax—a tax on homes at the time of sale to provide funds which directly benefit the people of Hawai'i.

By implementing revisions to the conveyance tax system in Hawai'i—including increasing the tax rate and setting aside funds for affordable housing, homeless services, and land conservation—the state can generate a significant and sustainable source of additional income to address our most pressing challenges. While Hawai'i has not updated its conveyance tax rate in over a decade, other expensive areas in the U.S. such as Seattle, San Francisco, and New York have updated their conveyance tax rates (also known as real estate transfer tax rates), with rates as high as 6%. Leveraging the profits generated from real estate investments will help mitigate the negative impact of historic home prices.

Accordingly, I strongly recommend that the state adopt both the conveyance tax rate increase and the allocation of funds for affordable housing, homeless services, and land conservation. This policy proposal will bring substantial benefits to Hawai'i's residents. I humbly request your committee consider the following proposed amendments:

1. **Increase Conveyance Tax on \$2M⁺:** Increase the tax rate on homes sold over \$2M to a maximum rate of 6% for homes sold over \$10M, as proposed in *SB678*, instead of the maximum rate of 2.5% for a \$10M home as proposed in *SB362*. Failing to increase the conveyance tax on these types of investment homes will result in an untapped resource to address our housing crisis.
2. **Dedicated Homeless Allocation:** Allocate 10% of the conveyance tax revenue to homeless services to create a new and permanent source of revenue to support the homeless population, who are facing increasing challenges accessing affordable housing. *Please refer to SB678 Section 2 for information on establishing a new homeless services fund within the Department of Human Services.*
3. **Dedicated Land Conservation Fund:** Remove the \$5.1 million cap on the land conservation fund and restore the allocation to 10% of total revenues, as originally intended when land conservation was included in revenues from the conveyance tax. This will increase the dedicated funds for land conservation from \$5.1M to \$10-\$30M annually, depending on overall revenues.

By supporting SB362 with the suggested amendments, the legislature has an opportunity to convey how serious it is about preserving our 'āina and solving Hawai'i's housing crisis.

Together, we can mālama our island home for generations to come.

“A'ohe hana nui ke alu 'ia. No task is too big when done together all.”

Me ka ha'aha'a, [With humility]

Dane C.

SB-362-SD-2

Submitted on: 3/21/2023 5:10:13 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Chris Molina	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Ichiyama and members of the Water and Land Committee,

There is not enough housing in Hawaii for everyone here. We need to deal with this issue proactively and begin creating the means to ensure that Hawaii stays a place rooted in Aloha by ensuring that we are nourishing efforts that reduce the amount of people waiting for housing.

We must approach this problem with an eye on the crisis in front of us, according to many media reports I have read, our communities will require 50,000 additional homes within the next two years. This seems like an astronomical number, if this is the reality of the situation, we need to be doing as much as we can to deal with this housing crisis. Many of us have family members who have experienced houselessness or will as a result of the brutal realities of trying to find an (affordable) roof to shelter under. We must take action now.

Housing has offered hope to many individuals and families. Housing provides a safe place to rest, a place to be with one's loved ones, to share meals, to enjoy life, and make memories together. A home is a place to build 'ohana, raise children, and for some a foray into independence for the first time. A significant and long-term investment in housing is an investment in the people and communities of Hawaii and an important affirmation from leaders that they want the people of Hawaii to thrive.

Being a leader is a challenging job with many different perspectives to consider and many different groups to bring into agreement with one another. I believe that the future of Hawaii will be determined by decisions like this that would help ensure a fair chance to all people. Costs continue to rise and often these forces are used to argue for radical change and in some cases used to make a case for taking no action at all. This crisis will not sort itself out, we need action.

Please help this bill succeed. We need to unkink the hose and allow the waiwai (abundance/wealth) to flow to the people and communities that are waiting for support. There are no silver bullets but this is a step in the right direction and it ensures that the people doing the important work of housing Hawaii have the resources they need to give people housing, but more than housing, the aloha of knowing that our leaders support us all.

I appreciate your time and your diligence in hearing these bills. Mahalo for all that you do to ensure that Hawaii will be a beacon of aloha mau a mau (now and forever).

SB-362-SD-2

Submitted on: 3/21/2023 8:27:27 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Michelle Molina	Individual	Support	Written Testimony Only

Comments:

Aloha,

My name is Michelle Molina and I am testifying in support of SB362, 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. I have also seen a visible increase in homelessness since my childhood, and strain on the insufficient services offered to the houseless population.

Building enough affordable housing to meet the need is challenging, but impossible without proper funding. This bill would dramatically increase the state's funds for affordable housing and homelessness programs.

I like SB 362 because it places the majority of the tax burden on those with multi-million dollar homes, that mostly sit vacant. These homeowners can afford a higher tax rate when selling their homes. If someone is blessed with enough resources to be able to afford a second home in Hawaii I do not think it is unreasonable to ask them to pay fair conveyance tax rate to help others who struggle to find housing here in Hawaii have more housing options. 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 citizens, and I believe this bill would benefit the majority of citizens in Hawaii.

Please also consider amending this bill to make it more similar to SB678, and earlier bill introduced that also relates to raising the conveyance tax.

Mahalo,

Michelle Molina

SB-362-SD-2

Submitted on: 3/21/2023 10:26:58 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

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

Comments:

I suggest you raise the tax on all the sales where the purchaser is ineligible for a county homeowner's exemption, not just those over \$2,000,000.

LATE

SUPPORTING SB362

Re: CONVEYANCE TAX

ALOHA, Chair Ichiyama, Vice Chair Poepoe, and members of the Committee on Water and Land

I am testifying in support of SB362 for updating Hawaii's conveyance tax along with the proposed amendments.

Bill SB362 updates Hawaii's tax from its present .1% - 1.25% to 6% as other high cost locales from Seattle and San Francisco to New York have done. If we similarly raise Hawaii's conveyance tax to 6%, that would be a serious step in creating a permanent fund to address Hawaii's rate of homelessness---the highest in the nation---and the lack of affordable housing primarily responsible for it. Without creating such revenue to make it possible to take serious action, we only are creating bigger problems for Hawaii. Decrying the high numbers of residents leaving Hawaii, the brain drain, and the problems and costs of homelessness ring hollow if serious money to solve these problems isn't purposefully generated.

Over 50% of Hawaii's people are low income or in poverty, and are the 60% of Hawaii's people needing affordable housing. These are huge numbers and they're not new numbers. The 50% low income is from the 2010 census, and the over 60% needing housing for 60% AMI and below is from an HHFDC study a decade ago. Such high numbers---with almost two-thirds of Hawaii's people in need of affordable housing---require huge amounts of money thrown at it to get Hawaii's crisis under control.

Hawaii needs to be ramping up its efforts the way other places are. Raising conveyance taxes, buying unused hotels, giving government loans to construct affordable housing, and many other strategies. Funding SB362 to the highest levels as proposed is our opportunity to begin to generate the dollars needed to implement viable solutions on the scale needed.

Thank you for this opportunity to testify in support of SB362

Mrs. Jim Brewer (Renee Ing) (reneeing_jimbrewer@aol.com)



Testimony of the Hawai'i Housing Affordability Coalition
SUPPORTING SB362– Relating to the Conveyance Tax
Conference Room 430 & Videoconference
Wednesday, March 22, 2023 at 9:30am

Aloha e Chair Ichiyama , Vice Chair Poepoe, and members of the House committee on Water and Land,

We are testifying in **strong support of SB362 with proposed amendments to strengthen the impact** of the bill which aims to update the conveyance tax, which is a tax on homes at the time of sale to provide funds which directly benefit the people of Hawai'i.

We believe that updating the conveyance tax, *which has not been updated in over 14 years*, can provide significant and permanent new revenue not only for affordable housing but also for homeless services and land conservation. The current conveyance tax has a rate of 0.1% to 1.25% depending on the value of the home, however, high cost places across the country such as Seattle, San Francisco, New York and others have been updating their conveyance tax (also known as a “real estate transfer tax”) to rates ranging from 1% to 6% to ensure that gains made from real estate investment are also helping to offset some of the impacts of ever increasing home prices. This is why both increasing the conveyance tax and ensuring that funds are set aside for affordable housing, homeless services and land conservation is good policy and good for the people of Hawai'i.

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

1. Allocating 10% of the conveyance tax revenue to homeless services. This would create a new permanent source of revenue to assist the people of Hawai'i who are homeless and are having an increasingly difficult time accessing affordable housing.

We suggest using the language from SB678 Section 2 for creating a new homeless services fund within the Department of Human Services.

← SB362_Support_Amend...

fund and returning the allocation to 10% of
ervation was included in revenues from the
land conservation from \$5.1M to \$10-\$30M

a year in upcoming years depending on overall revenues.

3. Increasing the tax rate on homes sold over \$2M to a maximum rate of 6% for homes sold over \$10M, as was proposed in SB678 instead of the maximum rate of 2.5% for a \$10M home as is proposed in SB362. Virtually all homes sold for more than \$10M are sold to investment home owners, who are generally earning millions in profit from their home sale and these sellers can afford to pay a 6% tax to help support the people of Hawai‘i. Here is a recent example of why a 6% tax on homes selling for over \$10M is a fair and reasonable tax to help support the people of Hawai‘i.

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The above townhome in Wailea was originally purchased for \$2,470,000 in 2005.

The *equity gains on this home at the time of sale were \$9.1M* after owning the property for 17 years or approximately \$530,000 a year, due to the increase in home values. At the time of sale the current conveyance tax rate of 1.25% would amount to a tax of \$144,687 whereas a 6% tax rate would amount to a tax of \$694,000 on this property. Here is a comparison of gains from this current tax rate vs. SB362 vs. rates proposed in SB678:

Current HRS tax (1.25%): \$144,687	Seller Gains after tax: \$8.96M
SB362 tax (2.5%): \$289,375	Seller Gains after tax: \$8.8M
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While a tax rate of 6% on a home sale might seem high - for owners of properties that are over \$10M and are likely earning millions on their home sale, we believe it is a fair tax to help provide much needed benefits to the people of Hawai‘i heavily impacted by the lack of affordable housing.

We urge the legislature to take bold action to address our housing crisis and provide services to those who are left out of the current housing market. Please pass SB362 with the suggested amendments to provide significant and ongoing resources to the people who live and work and Hawai‘i.

Mahalo for the opportunity to testify.



Housing Hawaii's Future
PO Box 3043
Honolulu, HI 96802-3043

March 22, 2023

Dear Chair Inouye, Vice Chair Elefante, and members of the Senate Committee on Water and Land,

Housing Hawai'i's Future is a movement led by young locals who will create opportunities for Hawai'i's next generation by ending the workforce housing shortage.

On behalf of Housing Hawai'i's Future, **I write in support of SB 362.**

With interest rates rising, low-interest gap loans are more important than ever for housing development.

Increasing the cap on the amount of the conveyance tax paid into the rental housing revolving fund will increase the capital available for developers.

And best, RHRF loans are paid back over time, increasing the size of the fund to support more housing development.

Please support SB 362.

Thank you,

A handwritten signature in black ink that reads "Sterling Higa".

Sterling Higa
Executive Director
Housing Hawai'i's Future

sterling@hawaiisfuture.org

+1 (808) 782-7868

House Committee on Water & Land
Representative Linda Ichiyama, Chair
Representative Mahina Poepoe, Vice Chair

Wednesday, March 22, 2023, 9:30 AM, Conference Room 430 via Videoconference

RE: SB 362 – RELATING TO THE CONVEYANCE TAX

Position: STRONG SUPPORT

Dear Chair Ichiyama, Vice-Chair Poepoe, and the Members of the Committee on Water & Land,

My name is Chevelle Davis, and I am testifying in **strong support of SB 362 with proposed amendments to strengthen the impact** of the bill, which aims to update the conveyance tax, which is a tax on homes at the time of sale to provide funds that directly benefit the people of Hawai‘i. Given our dire housing crisis, I support efforts to address the various strains on our resident communities who continue to struggle to remain connected to this ‘aina and provide for themselves and their families. We need bold action to address our housing crisis, including permanent, new funding sources for affordable housing and homeless services.

Updating the conveyance tax, *which has not been updated in over 14 years*, can provide significant and permanent new revenue for affordable housing, homeless services, and land conservation. The current conveyance tax has a rate of 0.1% to 1.25%, depending on the home's value. However, high-cost places across the country, such as Seattle, San Francisco, New York, and others, have been updating their conveyance tax (also known as a “real estate transfer tax”) to rates ranging from 1% to 6% to ensure that gains made from real estate investment are also helping to offset some of the impacts of ever-increasing home prices. This is why increasing the conveyance tax and ensuring that funds are set aside for affordable housing, homeless services, and land conservation is good policy and good for the people of Hawai‘i.

I thank your committee for considering the substantial public benefits of updating the Hawai‘i conveyance tax, and respectfully request the following amendments:

1. Allocating 10% of the conveyance tax revenue to homeless services. This would create a new permanent source of revenue to assist the people of Hawai‘i who are homeless and are having an increasingly difficult time accessing affordable housing.

I respectfully suggest using SB 678 Section 2's language to create a new homeless services fund within the Department of Human Services.

2. Removing the \$5.1M cap on the land conservation fund and returning the allocation to 10% of total revenues, as was the original intent when land conservation was included in revenues from the conveyance tax. This would increase dedicated funds for land *conservation from \$5.1M to \$10-\$30M a year* in upcoming years, depending on overall revenues.

3. Increasing the tax rate on homes sold over \$2M to a maximum rate of 6% for homes over \$10M, as proposed in SB 678, instead of the maximum rate of 2.5% for a \$10M home, as

proposed in SB 362. Virtually all homes sold for more than \$10M are sold to investment homeowners, who generally earn millions in profit from their home sale and can afford to pay a 6% tax to help support the people of Hawai‘i. Below is a recent example of why a 6% tax on homes selling for over \$10M is a fair and reasonable tax to help support the people of Hawai‘i.

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While a tax rate of 6% on a home sale might seem high - for owners of properties that are over \$10M and are likely earning millions on their home sale, I believe it is a fair tax to help provide much-needed benefits to the people of Hawai‘i heavily impacted by the lack of affordable housing.

As a kanaka ‘oiwi, I am heartbroken that many Native Hawaiians must struggle to remain connected to our ancestral homelands. According to the US American Community Survey, 309,800 Native Hawaiians live in Hawai‘i, and 370,000 live in other states; 54% of us have been forcibly removed from our ‘aina, which further fractures our families and communities. Three of my siblings have moved to the continent so they can live independently, two remain with our parents, and I, a fifth-year Ph.D. student, pay 56% of my monthly income from my full-time job to rent an “affordable” unit. It is important to note that this percentage does not include the cost of utilities, food, and other life necessities, all of which have been impacted by inflation since we rely so heavily on food and resources being imported.

I urge the legislature to take bold action to address our housing crisis and provide services to those left out of the current housing market. Please pass SB 362 with the suggested amendments to provide significant and ongoing resources to the people who live and work and Hawai‘i.

Mahalo for the opportunity to testify.

Sincerely,



Chevelle M. A. Davis, MPH

SB-362-SD-2

Submitted on: 3/21/2023 8:40:08 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Thomas Brandt	Individual	Support	Written Testimony Only

Comments:

Please make the following amendments to SB362 to make the most of conveyance tax reform for the land and people of Hawai'i.

- 1) Dedicate 10% of all conveyance tax revenues to homeless services.
- 2) Remove the \$5.1M cap on funds for land conservation
- 3) Increase the tax rates on homes selling for over \$2M to a sliding scale of 2-6% as proposed in SB678.

Mahalo!

SB-362-SD-2

Submitted on: 3/22/2023 7:09:15 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

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

Comments: I believe that the housing crisis has been caused partially by off shore buyers speculating with our real estate. This has caused many local residents unable to afford to buy or rent a home in Hawaii. Therefore, I believe that, taxing high end properties to create the funds to build homes for our local residents at no more than 30% of their monthly income, SB 362 is a way to raise the moneys needed for local housing. Thanks for your consideration.

SB-362-SD-2

Submitted on: 3/22/2023 8:28:52 AM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Arjuna Heim	Individual	Comments	Remotely Via Zoom

Comments:

This bill does not increase the Conveyance Tax in a significant way and income from these increases are nominal. This committee should increase the rates of conveyance and dedicate funding to homeless services as well as remove the cap on the land use conservation fund.

1911 Kalakaua Avenue, Apt. #305
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Wednesday, March 22, 2023

Joint Senate Committee on Water & Land
Room 430
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawai'i 96813

Honorable Committee Chair, Vice Chair, and Members:

I would like to convey my support for Senate Bill 362 Relating to the Conveyance Tax. While this bill may not fully fund remediation of the range of negative consequences brought on by development and real estate industries in the State of Hawaii, SB 362 is a certainly a step in the right direction. This reform of the State conveyance tax helps restore fairness in the various housing markets of Hawai'i and advances the spread of a more equitable sharing of social and environmental costs among non-residents and real estate investors. Projected revenues from these minimal tax increases, specifically targeted towards those of the greatest means here in Hawai'i, will help meet important goals of providing local residents with affordable housing, housing the homeless, and conserving natural resources throughout the State.

Today, in Hawaii's booming real estate market, luxury homes purchased for \$2 million or more, often by non-residents and foreigners as investments and not occupied by owners themselves, rake in a handsome profits, while the seller pays a meager 0.05% tax on the sale price. Even at the \$10 million price tag for an ultra-luxury property, a mere 1.00% is collected from the wealthiest of home sellers. Never in recent times have high-end home owners had it so good. Yet these record increases in valuations and profits have come at the expense of our precious biocultural heritage and degrading ecosystem services. From the vantage point of a more accurate and fulsome accounting ledger, real estate developments and housing market activities are, in fact, accompanied by the unintended consequences of myriad negative externalities.

With the State being the proper regulator of such externalities in the public interest, we must broaden our vision of the role of the development company and multi-million dollar homeowner to include more responsible and sustainable strategies. The Legacy Land Use Conservation Fund and Rental Housing Revolving Fund are good starts on this mission, but are artificially capped with nominal funding at best. Moreover, we need to adopt a new, holistic financial statement for the State, one that accounts for the numerous negative, as well as positive externalities wrought by development and real estate market activities. Only with such

an enlightened accounting system and balance sheet can we then see the real deficits, needs, and shortfalls which all stakeholders have a long-term interest in addressing for the environmental, biocultural, social, and economic sustainability of life in these islands.

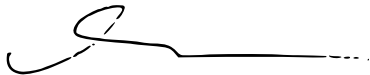
In jurisdictions like those of the United States after World War II, capitalists and the wealthiest of that era raised few objections to paying effective tax rates upwards of 90%. They appreciated a safe, stable, and lucrative market in which to make and securely park their wealth. And so we are asking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

This proposed pigovian tax adjustment of 0.5%-6% on sales of wealth-generating properties needs to help rectify such negative externalities as degradation of biocultural assets, for example, developments encroachment on the *'aina*, with attendant losses, not the least of which are habitat and biodiversity, as well as important ecosystem services. We need further tax revenues to fund management of irreplaceable archaeological and cultural resources such as *iwi kūpuna*.

Additional social disruptions and disservices, namely real estate market valuations at skyrocketing rates that price locals out of the housing market and contribute to growing homelessness are helped by this progressive conveyance tax. Indeed, with these minimal tax increases laid out by SB 362, we can start funding land conservation, homeless services, and affordable housing at levels that, at long last, will bear significant positive impacts. But with mitigation of many other negative impacts left unfunded, a Homeless Services Fund should be an integral means, but not the end for meeting critical needs.

In short, the State must act as guarantor of the balance of externalities and must defend our critical interests held in common. Lawmakers should revisit accounting principles and transpose accounting rules to balance externalities. We will need to depart from existing financial statements to incorporate concepts of negative and positive externalities in order to gauge efforts at furthering the biocultural and social goods by real estate developers and luxury property owners. For now, housing market activities by non-residents, investors, and those who benefit most profitably from Hawaii's *'aina*, Kānaka Maoli host culture, and an enriching and life-giving biocultural environment should bear a greater share of costs to remedy negative impacts of these activities. SB 362 begins to get us there.

Me ka 'oia'i'o,



Shaun Campbell