

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

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

Statement of DEAN MINAKAMI

Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON WATER & LAND

February 13, 2025 at 9:30 a.m.
State Capitol, Room 411

In consideration of
H.B. 1410 HD1
RELATING TO HOUSING.

Chair Hashem, Vice Chair Lamosao, and members of the Committee.

HHFDC **supports** HB 1410 HD1, which establishes the Supportive Housing Special Fund (SHSF) under the Hawaii Housing Finance and Development Corporation (HHFDC); restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis; and allocates revenues from conveyance tax collections to SHSF. It also allocates a portion of conveyance tax collections to the Dwelling Unit Revolving Fund (DURF) to fund infrastructure programs in county-designated transit-oriented development (TOD) areas that meet minimum standards of transit-supportive density.

HHFDC recognizes the need for a dedicated funding source to assist individuals with special needs. The Supportive Housing Special Fund is a new financing tool that will help HHFDC to facilitate the development of supportive housing units in standalone projects or integrated in mixed-income rental housing projects. HHFDC **requests** the establishment of one full-time equivalent (1.0 FTE) housing finance specialist I position to help with the administration of the supportive housing special fund.

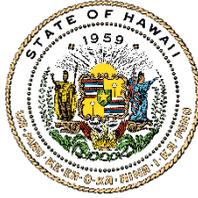
HHFDC supports the development of high-density communities near transit stations, and particularly stations near a locally preferred alternative for a mass transit project. TOD has the potential to lower transportation costs for residents, reduce traffic congestion, improve accessibility to businesses and services, efficiently use infrastructure, and create healthier, walkable communities.

HHFDC supports the modification of the conveyance tax collections for RHRF and the new 10% allocation for DURF for infrastructure programs in county-designed TOD zones. Both DURF and RHRF need substantial, recurring funding to support the development and preservation of affordable housing. DURF is primarily used to carry out the purposes of housing development programs and regional State infrastructure programs. RHRF is primarily used to provide loans for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units.

Thank you for the opportunity to testify on this bill.

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

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



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

P.O. BOX 621
HONOLULU, HAWAII 96809

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

RYAN K.P. KANAKA'OLE
FIRST DEPUTY

CIARA W.K. KAHAHANE
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

Thursday, February 13, 2025
9:30 AM

State Capitol, Conference Room 411, and Via Videoconference

In consideration of
HOUSE BILL 1410, HOUSE DRAFT 1
RELATING TO HOUSING

House Bill 1410, House Draft 1, proposes restructuring the distribution of conveyance tax collections, including reducing the percentage of conveyance tax collections distributed to the Land Conservation Fund and increasing the dollar amount cap on that distribution. **The Department of Land and Natural Resources (Department) offers comments and recommendations.** If enacted, this bill would both assist and inhibit the Department's efforts to fully restore and fulfill the intent of Act 156 (SLH 2005) to "establish permanent adequate funding for land conservation."

Increasing the cap on annual distributions to the Land Conservation Fund from \$5.1 million to \$10 million would be a significant first step in restoring the adequacy of funding for land conservation. However, the Department prefers the solution proposed in House Bill 85 (as introduced) that would remove the dollar amount cap altogether and restore the ten percent allocation, uncapped, as originally designed by the 2005 Legislature.

The Department recognizes the urgency of implementing solutions to the State's affordable housing crisis. However, reducing the percentage of conveyance tax collections distributed to the Land Conservation Fund by 2% would have adverse effects in years when collections sink below \$112.5 million (which has been every fiscal year except 2022), the level of collections needed, at 8%, to support the current \$9 million operating budget for LNR102. The FY 2025 LNR102

operating budget includes \$6.7 million in available funds for land acquisition grants plus \$1.5 million for Turtle Bay debt service. It has proven inadequate to meet the current needs of high-priority conservation transactions. For example, the Legacy Land Conservation Commission recently recommended that the current \$6.7 million in available funds be allocated among five applications for FY2025 land acquisition grants that represent a total request of over \$14 million from the Land Conservation Fund, with an estimated match of over \$36.6 million from various federal, county, and private sources. However, while the two top-scoring applications are poised to receive 100% of the amount requested, the other three applications, including one of the department's priority landscape conservation initiatives, will receive less than their requested amounts.

The Department urges the Water & Land Committee to maintain the existing ten percent allocation of conveyance tax revenue to the Land Conservation Fund and to remove the dollar amount cap on that allocation.

Mahalo for the opportunity to testify with comments on this measure.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1410, H.D 1, Relating to Housing.

BEFORE THE:

House Committee on Water & Land

DATE: Thursday, February 13, 2025

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 411

Chair Hashem, Vice-Chair Lamosao, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1410, H.D. 1 for your consideration.

Section 4 of H.B. 1410, H.D. 1 amends section 247-2(a), Hawaii Revised Statutes (HRS), to restructure the conveyance tax to a marginal rate system. Additionally, it specifies a new method of applying the conveyance tax rates to a "multifamily residential property," defined as "a structure that is located within the state urban land use district and divided into five or more dwelling units." For conveyances of multifamily residential properties, the conveyance tax rates under section 247-2(a)(2), HRS, are to be determined based on dividing the actual and full consideration by the number of residential dwelling units in the property and then applying that rate to the actual and full consideration for the transfer of the property.

Section 4 also amends section 247-2(b), HRS, to require the director of taxation to recompute the rates in section 247-2(a), HRS, based on a cost-of-living adjustment factor. The cost-of living adjustment factor is calculated by adding 1.0 to the quotient of the percentage change in the Urban Hawai'i Consumer Price Index for all items, as published by the United States Department of Labor, from July of the preceding

calendar year to July of the current year, divided by 100.

Section 5 amends section 247-7 by adding two special funds to the allocation of conveyance tax revenues. It also amends the allocations for the land conservation fund and rental housing revolving fund.

The measure has a defective effective date of July 1, 3000.

If passed, DOTAX requests that the effective date be amended to January 1, 2026 for DOTAX to adopt the form and instruction changes necessary for the conveyance tax rate changes and amendments to the allocation of revenues.

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



STATE OF HAWAII
KA MOKU'ĀINA O HAWAII
STATE COUNCIL ON DEVELOPMENTAL DISABILITIES
'A'UNIKE MOKU'ĀPUNI NO KA NĀ KĀWAI KULA
PRINCESS VICTORIA KAMĀMALU BUILDING
1010 RICHARDS STREET, Room 122
HONOLULU, HAWAII 96813
TELEPHONE: (808) 586-8100 FAX: (808) 586-7543

February 13, 2025

The Honorable Representative Mark J. Hashem, Chair
House Committee on Water & Land
The Thirty-Third Legislature
State Capitol
State of Hawai'i
Honolulu, Hawai'i 96813

Dear Representative Hashem and Committee members:

SUBJECT: HB1410 HD1 Relating to Housing

The Hawai'i State Council on Developmental Disabilities **SUPPORTS HB1410 HD1**, which establishes the Supportive Housing Special Fund. Restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis. Allocates revenues from conveyance tax collections to the Supportive Housing Special Fund. Allocates a portion of conveyance tax collections to the Dwelling Unit Revolving Fund to fund infrastructure programs in county-designated transit-oriented development areas that meet minimum standards of transit-supportive density. Effective 7/1/3000. (HD1)

HB1410 prioritizes housing solutions for families who provide lifelong care for individuals with intellectual and developmental disabilities (I/DD). Ensuring that these families have access to stable, affordable housing is critical to preventing unnecessary institutionalization and keeping individuals with I/DD in the homes and communities where they thrive.

Page 2, Line 1 of the proposed bill recognizes the importance of supporting individuals with disabilities. However, legislative funding remains uncertain, which increases risk. Continuing the 50% allocation of funds signals that the State remains committed to affordable housing as a top priority. The proposed 10% allocation to the Dwelling Unit Revolving Fund (DURF) as funding for infrastructure is very important because currently it is fragmented, creating inequitable outcomes. A lack of infrastructure is one of the greatest barriers to building affordable and mixed-use housing, particularly in transit-oriented areas.

Additionally, an 8% (\$10 million) allocation to the Supportive Housing Special Fund will support dedicated funding which is essential to sustain housing that meets the needs of individuals who require long-term support. Without a reliable funding stream, developers and counties will struggle to create permanent supportive housing, forcing many individuals into costly institutional settings or homelessness.

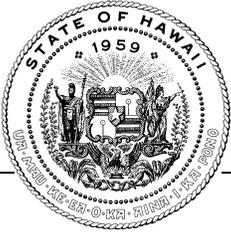
Families who provide lifelong care for their loved ones with I/DD are at risk of housing instability when there is no dedicated funding for affordable and supportive housing. This bill is an opportunity for the State to prioritize the well-being of parents who care for their child for their lifetime ensuring that housing remains accessible, sustainable, and community based.

Thank you for the opportunity to submit testimony in **support of HB1410 HD1.**

Sincerely,

A handwritten signature in blue ink that reads "Daintry Bartoldus". The signature is written in a cursive style and is contained within a light blue rectangular box.

Daintry Bartoldus
Executive Administrator



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

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
DIRECTOR

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Statement of
MARY ALICE EVANS, Director

before the
HOUSE COMMITTEE ON WATER AND LAND

Thursday, February 13, 2025

9:30 AM

State Capitol, Conference Room 411

in consideration of
HB 1410, HD 1
RELATING TO HOUSING.

Chair Hashem, Vice Chair Lamosao, and Members of the Committee:

The Office of Planning and Sustainable Development (OPSD) **supports with comments** HB 1410, HD 1, which establishes the Supportive Housing Special Fund (SHSF); restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis; and allocates revenues from conveyance tax collections to SHSF. It also allocates a portion of conveyance tax collections to the Dwelling Unit Revolving Fund (DURF) to fund infrastructure programs in county-designated transit-oriented development (TOD) areas that meet minimum standards of transit-supportive density.

OPSD supports State investment in higher-density, mixed-use communities around rail stations and areas designated for TOD served by public transit—this allows individuals and households of all income ranges to live in proximity to goods, services, and other amenities and promotes more walkable, vibrant communities for all residents.

As noted in the measure, the *TOD Infrastructure Finance and Delivery Strategy Study* conducted by OPSD pursuant to Act 88, Session Laws of Hawai'i 2021, found that new revenue sources were needed to help address the significant funding gap for public infrastructure required in key TOD areas statewide. A key recommendation of the Study was to increase revenues from available tax mechanisms, such as the conveyance tax, and to dedicate a portion of the increased tax revenues to address infrastructure and housing needs in TOD areas. Thus, OPSD supports amendments that direct portions of the conveyance tax revenues to supportive housing, as well as RHRF and DURF for housing and infrastructure in county-designated TOD areas. Both funding sources are essential to increasing and preserving Hawai'i's housing stock and increasing housing in transit-oriented communities.

OPSD recommends the Committee consider the insertion of language found in Section 4 of HB 1104, HD 1, which amends Hawai'i Revised Statutes (HRS) Chapter 226 to establish a uniform definition of TOD and "county-designated transit-oriented development area" for State implementation of TOD. The definition on page 8 of HB 1410, HD 1 would then be amended to reference the definition in the new section. This would ensure consistency of these terms across State statutes.

Thank you for the opportunity to testify on this measure.

Jennifer Kagiwada
Council Member District 2 South Hilo



Office: (808) 961-8272
jennifer.kagiwada@hawaiicounty.gov

HAWAI'I COUNTY COUNCIL - DISTRICT 2

25 Aupuni Street • Hilo, Hawai'i 96720

DATE: February 11, 2025
TO: House Committees on Water & Land
FROM: Jennifer Kagiwada, Council Member
Council District 2
SUBJECT: HB 1410

Aloha Chair Hashem, Vice Chair Lamosao, and Members of the Committee,

I am writing in support of HB 1410, establishing the Supportive Housing Special Fund, which restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis. This bill allocates revenues from conveyance tax collections to the Supportive Housing Special Fund, and a portion of conveyance tax collections to the Dwelling Unit Revolving Fund to fund infrastructure programs.

Conveyance taxes are a necessary funding stream for affordable housing, infrastructure, and other housing services. By capturing revenue from real estate transactions, we create a direct link between market activity and community investment. Our current conveyance tax structure is inadequate to address Hawaii's needs. Our housing crisis has intensified while our infrastructure and housing needs, particularly around transit-oriented development, have grown substantially. Yet Hawaii's current conveyance tax rates have remained unchanged since 2009, despite dramatic increases in property values.

HB1410 recognizes that real estate transactions in Hawaii's high-cost market should contribute more equitably and aims to rectify this issue by:

- implementing a more progressive rate structure that primarily impacts high-value investment properties while protecting owner-occupants,
- applying a cost-of-living adjustment mechanism that prevents future erosion of these critical revenue streams
- Creating a dedicated 10% allocation to the Dwelling Unit Revolving Fund (DURF)
- Establishing and creating a dedicated 8% allocation to a Supportive Housing Special Fund

Please pass HB 1410 to help generate much needed revenue to address housing and infrastructure needs.

Mahalo,

Jenn Kagiwada

February 13, 2025

The Honorable Mark J. Hashem, Chair

House Committee on Water & Land

State Capitol, Conference Room 411 & Videoconference

RE: House Bill 1410, HD1, Relating to Housing

HEARING: Thursday, February 13, 2025, at 9:30 a.m.

Aloha Chair Hashem, Vice Chair Lamosao, 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 Hawaii and its over 10,000 members. HAR **opposes** House Bill 1410, HD1, which amends the funding priorities of the Rental Housing Revolving Fund to incentivize development in areas that satisfy transit-supportive density requirements. Allocates a minimum percentage of Rental Housing Revolving Fund moneys for certain mixed-income rental housings projects. Requires the Transit-Oriented Development Infrastructure Improvement District Board to consider the infrastructure needs of transit-supportive density requirements. Requires the strategic plan developed by the Hawaii Interagency Council for Transit-Oriented Development to delineate county-designated transit-oriented development areas for each county. Effective 7/1/3000.

HAR believes that the conveyance tax structure can benefit from reform and appreciates the Legislature's willingness to entertain such changes. In addition, we appreciate the restructuring of multifamily properties to reflect the value on a per-unit basis as these types of walk-up buildings can serve as true workforce and affordable housing for Hawaii families.

Nevertheless, we have some concerns about the effects of this bill. The Conveyance Tax applies not only to residential property such as single-family homes and condominiums, but to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial, resort, and agricultural lands. This measure proposes to increase the Conveyance Tax rates for real property and the following are examples of the rate increases:

| Property Value: | Current Per \$100: | Proposed: | Current Rate (in Dollars): | Proposed (in Dollars): |
|----------------------|-----------------------|--|--------------------------------|---------------------------|
| < \$600,000 | \$0.10 | No change | \$500 (\$500k property) | |
| \$600k - \$999,999 | \$0.20 | \$600 + \$0.35 per \$100 over \$600,000 | \$1,400 (\$700k property) | \$950 |
| \$1 mil - \$2.99 mil | \$0.30 | \$2,000 + \$0.60 per 100 over \$1 mil. | \$6,000 (\$2 mil. property) | \$8,000 |

| | | | | |
|----------------------|--------|---|-------------------------------|------------------|
| \$2 mil - \$3.99 mil | \$0.50 | \$8,000 + \$0.85 per \$100 over \$2 million | \$15,000 (\$3 mil. property) | \$16,500 |
| \$4 mil - \$5.99 mil | \$0.70 | \$25,000 + \$1.20 per \$100 over \$4 mil. | \$35,000 (\$5 mil. property) | \$37,000 |
| \$6 mil - \$9.99 mil | \$0.90 | \$49,000 + \$1.75 per \$100 over \$6 mil. | \$72,000 (\$8 mil property) | \$84,000 |
| \$10 mil + | \$1.00 | \$119,000 + \$3.00 per \$100 over \$10 mil. | \$150,000 (\$15 mil property) | \$269,000 |

For condominiums and single-family homes which the purchaser is ineligible to qualify for a homeowner exemption, the following are the proposed rates:

| Property Value: | Current Per \$100: | Proposed: | Current Rate (in Dollars): | Proposed (in Dollars): |
|----------------------|--------------------|---|-------------------------------|------------------------|
| < \$600,000 | \$0.15 | No change | \$750 (\$500k property) | \$750 |
| \$600k - \$999,999 | \$0.25 | \$900 + \$0.40 per \$100 over \$600,000 | \$1,750 (\$700k property) | \$1,300 |
| \$1 mil - \$2.99 mil | \$0.40 | \$2,500 + \$0.65 per 100 over \$1 mil. | \$8,000 (\$2 mil. property) | \$9,000 |
| \$2 mil - \$3.99 mil | \$0.60 | \$9,000 + \$2.00 per \$100 over \$2 million | \$18,000 (\$3 mil. property) | \$29,000 |
| \$4 mil - \$5.99 mil | \$0.85 | \$49,000 + \$2.50 per \$100 over \$4 mil. | \$42,500 (\$5 mil. property) | \$74,000 |
| \$6 mil - \$9.99 mil | \$1.10 | \$99,000 + \$3.25 per \$100 over \$6 mil. | \$88,000 (\$8 mil property) | \$164,000 |
| \$10 mil + | \$1.25 | \$219,000 + \$4.10 per \$100 over \$10 mil. | \$187,500 (\$15 mil property) | \$424,000 |

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

Additionally, this measure proposes to reduce the percentage allocation but increase the cap amounts for the Land Conservation Fund and Rental Housing Revolving Fund. It also proposes to add funding for two additional special funds – the Supportive Housing Special Fund and Dwelling Unit Revolving Fund. The challenge with linking funding to the Conveyance Tax is that when the real estate market is down, there may not be enough funds to pay for the programs it supports. The Conveyance Tax is then often targeted for increase to cover these programs; however, when the market is up, there are excess funds over and above the programs' needs. This becomes a cyclical issue, and the Conveyance Tax is never lowered even in an up market, thereby contributing to the ever-increasing cost of housing in our state.

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

REALTOR® is a registered collective membership mark which may be used only by real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for HB1410 HD1 – Relating to Housing
House Committee on Water and Land
Thursday, February 13, 2025 at 9:30AM Conf. Rm. 415 and via Videoconference

Aloha Chair Hashem, Vice Chair Lamasao, and members of the committee;

Mahalo for the opportunity to testify in **strong support of HB1410 HD1**, which would modernize Hawaii's conveyance tax structure, increase the burden of conveyance tax investment owners and reduce the tax burden on the average resident homeowner, and create a dedicated 10% allocation to the Dwelling Unit Revolving Fund (DURF) and an 8% allocation to a Supportive Housing Special Fund.

Conveyance taxes are a necessary funding stream for affordable housing, infrastructure, and other housing services. By capturing revenue from real estate transactions, we create a direct link between market activity and community investment. When property values and sales increase, generating more conveyance tax revenue, we are able to expand our response to the heightened housing affordability challenges that often accompany such market conditions. These taxes help ensure that real estate development contributes to meeting the increased housing and infrastructure demands that it creates.

However, the current conveyance tax structure is inadequate to address Hawaii's needs. Our housing crisis has intensified while our infrastructure and housing needs, particularly around transit-oriented development, have grown substantially. Yet Hawaii's current conveyance tax rates have remained unchanged since 2009, despite dramatic increases in property values.

HB1410 HD1 recognizes that real estate transactions in Hawaii's high-cost market should contribute more equitably and aims to rectify this issue by:

- implementing a more progressive rate structure that primarily impacts high-value investment properties while protecting owner-occupants,
- applying a cost-of-living adjustment mechanism that prevents future erosion of these critical revenue streams
- Creating a dedicated 10% allocation to the Dwelling Unit Revolving Fund (DURF)
- Establishing and creating a dedicated 8% allocation to a Supportive Housing Special Fund

Infrastructure Needs around TOD

The Dwelling Unit Revolving Fund (DURF), established in 1970, supports infrastructure investments connected to housing development, crucial for maintaining housing production



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aligned with our increasing demand. Hawaii was given a D+ rating by the American Society of Civil Engineers in the “2019 Hawaii Infrastructure Report Card”¹. Lack of adequate infrastructure further exacerbates delays to our needed additional housing construction. Increasing funding to DURF is necessary to reach the housing goals across the state. Hawai'i Appleseed commends the legislature for proposing a 10% dedicated fund from high cost property sales to address our infrastructure needs.

Housing Development Needs

The 2019 Hawaii Housing Planning (HHPS 2019) Study identified the need for 50,000 additional housing units by 2025 to meet pent-up demand². Estimates from the HHPS 2019 indicated that over 50 percent of our housing production needs to be affordable rentals (0-100% AMI) for low-income and workforce families to meet demand. The RHRF provides financing for Low Income Housing Tax Credit (LIHTC) projects for individuals making 0-60% AMI and financing for Tier 2 program which utilizes the RHRF for 80-100% AMI focused projects. Without financing of DURF for our infrastructure needs we will not be able to address the housing needs across the state³.

Marginal Tax Rate

A marginal rate system prevents the "cliff effect" that exists in Hawaii's current tax structure, where a small increase in property value can trigger a dramatically higher tax bill on the entire amount. This creates artificial market barriers and incentivizes price manipulation to avoid threshold crossings.

The proposed marginal rate system, modeled after the income tax structure, would apply higher rates only to the portion of a property's value exceeding each threshold. This approach ensures a fairer tax burden while creating a smoother, more equitable progression that better reflects the ability to pay and market realities. Additionally, it **has the potential to increase conveyance tax revenue by approximately one-third, providing a significant boost to funding for critical housing and infrastructure needs.**

¹ ASCE, “2019 Hawaii Infrastructure Report Card”,

https://infrastructurereportcard.org/wp-content/uploads/2021/07/ASCE-24199_Full-REPORT-2019-FINAL.pdf

² “Hawaii Housing Planning Study, 2019” HHFDC, December 2019, pg. 38

https://dbedt.hawaii.gov/hhfdc/files/2020/01/FINAL-State_Hawaii-Housing-Planning-Study.pdf

³ “TOD Infrastructure Finance and Delivery Strategy”

https://files.hawaii.gov/dbedt/op/lud/Reports/TOD_InfraFin_Strategy_20231221.pdf



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

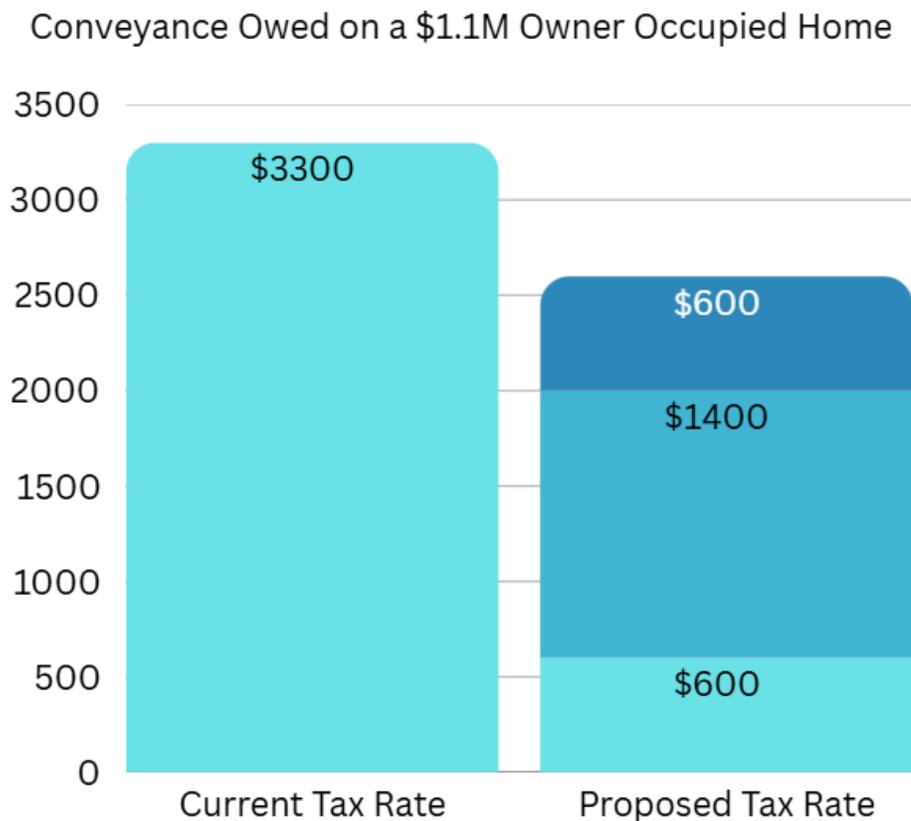
Testimony of the Hawai'i Appleseed Center for Law and Economic Justice

Support for HB1410 HD1 – Relating to Housing

House Committee on Water and Land

Thursday, February 13, 2025 at 9:30AM Conf. Rm. 415 and via Videoconference

For example, under the current system, a property valued at \$1.1M, which was the median sales price for Oahu in December 2024⁴ would be taxed at a 0.3% rate owing \$3,300 in conveyance tax. Under the new proposed system a \$1.1M home would owe \$2,600—effectively reducing the burden of conveyance tax on owner occupants.



This approach ensures that tax policy doesn't create unintended barriers to property transactions, especially for resident owners, shifting the burden to high valued property sales which are by-in-large investors. Under the current structure a \$4.5M investment home would owe \$22,500 on the sale, under the new system investors would owe \$61,500.

⁴ <https://www.locationshawaii.com/learn/market-reports/oahu-real-estate-report/>

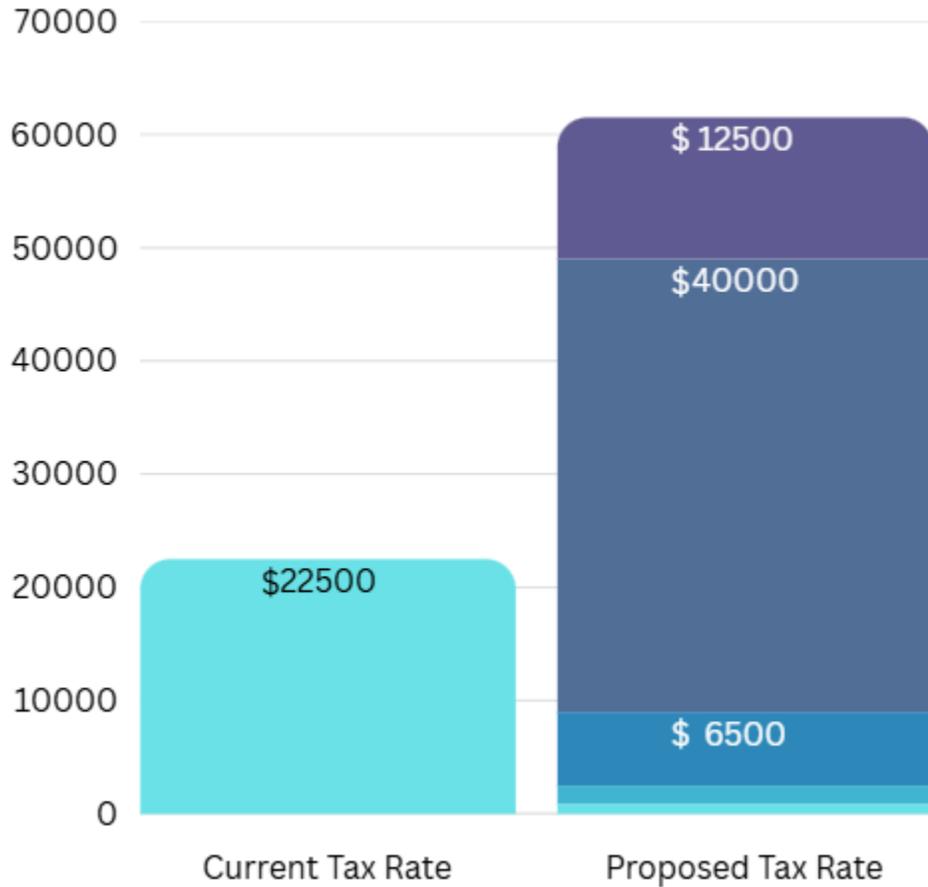


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CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for HB1410 HD1 – Relating to Housing
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Conveyance Owed on a \$4.5M Investment Home



Progressive Rates and Multiple Unit Dwellings

HB1410 HD1 introduces a progressive tax approach for multifamily housing, specifically targeting rental properties with five or more units. Under this proposal, the building's total sale price is divided by the number of units to determine the rate structure for each individual unit. These individual rates are then summed to calculate the total conveyance tax owed for the property.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice

Support for HB1410 HD1 – Relating to Housing

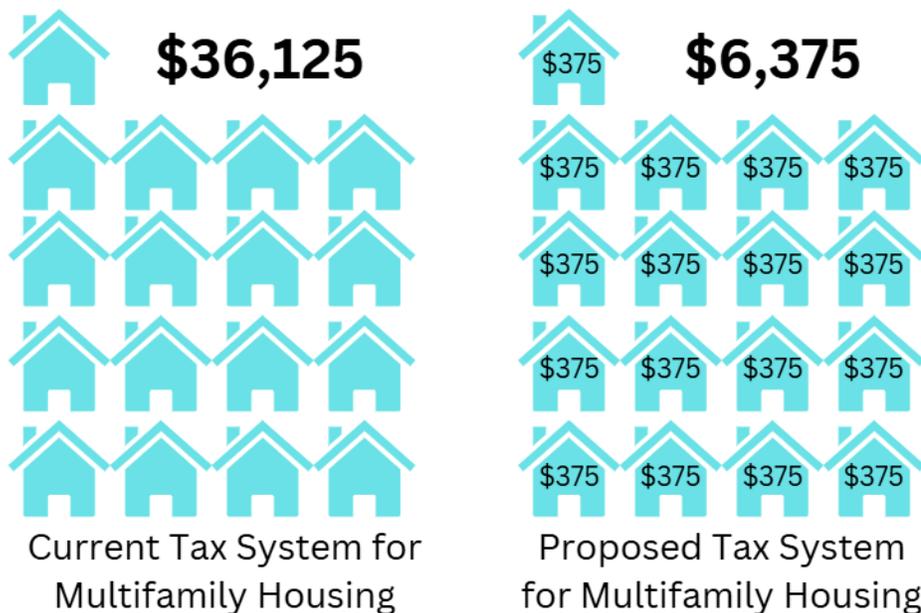
House Committee on Water and Land

Thursday, February 13, 2025 at 9:30AM Conf. Rm. 415 and via Videoconference

This change aims to address the disproportionate tax burden multifamily properties currently face compared to single-family investment properties. Many multifamily housing sales involve naturally occurring affordable housing (NOAH), and higher tax burdens on these properties could lead to rent increases for residents or discourage investment in affordable housing.

For example, under the current system, a multifamily property in Honolulu priced at \$4,250,000 with 17 units would be flat-taxed at 0.85%, resulting in a \$36,125 conveyance tax. This significant tax burden is often passed onto residents in the form of higher rents. Under HB1410 HD1, the \$4,250,000 sale price would be divided by 17, resulting in an average unit price of \$250,000 which then the tax rate would be 0.15%. This price would then be taxed at a progressive rate of 0.15%, leading to a total tax of \$6,375—a much lower and more equitable outcome for multifamily housing.

Conveyance Tax Owed on a \$4,250,000 Multifamily Building with 17 Units



HB1410 HD1 represents an innovative step in addressing housing affordability and infrastructure challenges. By modernizing the conveyance tax structure with progressive rates, creating dedicated funding for the Dwelling Unit Revolving Fund and the Supportive Housing Special



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for HB1410 HD1 – Relating to Housing
House Committee on Water and Land
Thursday, February 13, 2025 at 9:30AM Conf. Rm. 415 and via Videoconference

Fund, and introducing equitable measures like the marginal tax rate system, this bill ensures that Hawaii's tax policy better aligns with our values of fairness and community investment.

This proposal not only generates much-needed revenue to address housing and infrastructure needs but also provides targeted relief for owner-occupants and multifamily housing, preventing unintended burdens on local residents while holding high-value transactions and investment properties accountable.

Mahalo for your time and consideration.



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 1410 HD1: RELATING TO HOUSING

TO: House Committee on Water and Land
FROM: Tina Andrade, President and CEO, Catholic Charities Hawai'i
Hearing: **Thursday, 2/13/25; 9:30 AM; CR 4311 & Videoconference**

Chair Hashem, Vice Chair Lamosao, and Members, Committee on Water and Land:

Catholic Charities Hawai'i supports HB 1410 HD1, which restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis. Allocates revenues from this tax to the Supportive Housing Special Fund and to the Dwelling Unit Revolving Fund (DURF).

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 75 years. CCH has programs serving elders, children, families, homeless and immigrants. Our mission is to provide services and advocacy to the most vulnerable of the people in Hawai'i. We assist over 40,000 people annually across the state and have a long history of addressing affordable housing and homelessness

The conveyance tax is a critical funding tool to provide ongoing and predictable funding for the long-term needs in our state. The conveyance tax rates have not been updated since 2009, making Hawaii's tax significantly lower than that in comparable high-cost areas of the US. With our housing crisis, now is the time to overhaul this tax. The marginal rate would actually reduce the tax on owner occupants of homes under \$1 million. Rates increase for homes over \$2 million and particularly over \$4 million. Most of these properties are not owned by Hawai'i residents. It could increase revenue by about 30%, adding about \$35 million each year to work on essential housing and infrastructure needs.

We support the proposed 10% to the DURF since funding for infrastructure is currently a very fragmented process which is a source of inequitable outcomes. The lack of infrastructure is a barrier to creating affordable housing and mixed-use development near transit.

We support 8% (or \$10 million) to the Supportive Housing Special Fund. Dedicated funding is critical to this fund to support housing designed for the growing number of people with special housing needs. The lack of affordable housing with ongoing services can result in costly institutional care, other high public costs, and unfortunately, many deaths. These supportive services are needed for the long-term. Without this dedicated funding stream, developers and the counties will face significant risk in developing permanent supportive housing.

Catholic Charities Hawai'i urges **your support**. If you have any questions, please contact our Legislative Liaison, Betty Lou Larson, at (808) 527-4813.



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eumoku Street, Honolulu, HI 96822
Phone (808) 527-4813 •



To: House Committee on Water & Land
 Re: **HB 1410 HD1 – Relating to Housing**
 Hawai'i State Capitol & Via Videoconference
 February 13, 2025, 9:30 am

Dear Chair Hashem, Vice Chair Lamosao, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in **SUPPORT of HB 1410 HD1**. This bill restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties, establishes the Supportive Housing Special Fund and allocates revenues from conveyance tax collections to it and to the Dwelling Unit Revolving Fund.

In recent years, real estate prices in Hawai'i have skyrocketed to record highs over and over again. The conveyance tax is like a sales tax, applied when property is transferred between owners, but **current conveyance tax rates are only 0.1 percent to 1.25 percent, even on multi-million dollar properties.**

This bill would **increase tax liability on the sale of higher-value properties while keeping lower-value properties at a similar or slightly lower rate**, as you can see in the table below:

| Property Value | Owner-Occupied Principal Home | | | Second Home / Investment Property | | |
|----------------|-------------------------------|------------|------------|-----------------------------------|------------|------------|
| | Current Tax | HB1410 Tax | Difference | Current Tax | HB1410 Tax | Difference |
| \$1,000,000 | \$3,000 | \$2,000 | -\$1,000 | \$4,000 | \$2,500 | -\$1,500 |
| \$5,000,000 | \$35,000 | \$37,000 | \$2,000 | \$42,500 | \$74,000 | \$31,500 |
| \$10,000,000 | \$100,000 | \$119,000 | \$19,000 | \$125,000 | \$229,000 | \$104,000 |
| \$25,000,000 | \$250,000 | \$569,000 | \$319,000 | \$312,500 | \$844,000 | \$531,500 |

This bill would also help alleviate our homelessness and affordable housing crises. Some of the conveyance tax is allocated to the Rental Housing Revolving Fund, which provides low-interest loans or grants for affordable housing projects. In addition, it establishes the Supportive Housing Special Fund for the development of affordable housing and supportive services for people with special needs, and directs part of the conveyance tax to this new fund as well as the Dwelling Unit Revolving Fund, which funds infrastructure programs in transit-oriented development areas.

It makes sense to ask wealthy sellers to pay a more when they sell their multi-million dollar properties – especially second homes or investment properties – and use those revenues to help those who are struggling to afford housing.

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

Sincerely,
 Nicole Woo, Director of Research and Economic Policy

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE TAX; Supportive Housing Special Fund; Dwelling Unit Revolving Fund; Infrastructure Funding; County-designated Transit-oriented Development

BILL NUMBER: HB 1410 HD 1

INTRODUCED BY: House Committee on Housing

EXECUTIVE SUMMARY: Establishes the Supportive Housing Special Fund. Restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis. Allocates revenues from conveyance tax collections to the Supportive Housing Special Fund. Allocates a portion of conveyance tax collections to the Dwelling Unit Revolving Fund to fund infrastructure programs in county-designated transit-oriented development areas that meet minimum standards of transit-supportive density.

SYNOPSIS: Adds a new section to Chapter 201H, HRS, to establish the Supportive Housing Special Fund, (“Fund”) administered by the Hawaii Housing Finance and Development Corporation, (“Corporation”). The purpose of the Fund is to develop, operate, and maintain affordable, permanent housing and provide supportive services for individuals or families with special needs. Monies in the Fund may be used to:

- 1) Make loans to finance the development, pre-development, construction, acquisition, preservation, or substantial rehabilitation of supportive housing projects;
- 2) Make project-based rental assistance payments;
- 3) Make payments for supportive services for households residing in the supportive housing projects; and
- 4) For other housing services or activities as provided in rules adopted by the Corporation without regard to chapter 91.

The Corporation shall consult with the counties and community-based organizations to leverage funds and obtain input on selection of projects.

Amends section 247-2(a)(1), HRS, to delete the current conveyance tax rates and increase the tax as follows:

- A) for properties with a value of less than \$600,000: (no change) at 10 cents per \$100;
- B) for properties with a value of at least \$600,000, but less than \$1,000,000: \$600 plus 35 cents per \$100 of excess over \$600,000;
- C) for properties with a value of at least \$1,000,000, but less than \$2,000,000: \$2,000 plus 60 cents per \$100 of excess over \$1,000,000;

D) for properties with a value of at least \$2,000,000, but less than \$4,000,000: \$8,000 plus 85 cents per \$100 of excess over \$2,000,000;

E) for properties with a value of at least \$4,000,000, but less than \$6,000,000: \$25,000 plus \$1.20 per \$100 of excess over \$4,000,000;

F) for properties with a value of at least \$6,000,000, but less than \$10,000,000: \$49,000 plus \$1.75 per \$100 of excess over \$6,000,000; and

G) for properties with a value of at least \$10,000,000, : \$119,000 plus \$3 dollars per \$100 of excess over \$10,000,000.

Amends tax rates in section 247-2(a)(2), HRS, for sales of condominiums or single family residences for which the purchaser is ineligible for a county homeowner's property tax exemption:

A) for properties with a value of less than \$600,000: (no change) 15 cents per \$100;

B) for properties with a value of at least \$600,000, but less than \$1,000,000: \$900 plus 40 cents per \$100 of excess over \$600,000;

C) for properties with a value of at least \$1,000,000, but less than \$2,000,000: \$2,500 plus 65 cents per \$100 of excess over \$1,000,000;

D) for properties with a value of at least \$2,000,000, but less than \$4,000,000: \$9,000 plus \$2.00 per \$100 of excess over \$2,000,000;

E) for properties with a value of at least \$4,000,000, but less than \$6,000,000: \$49,000 plus \$2.50 per \$100 of excess over \$4,000,000;

F) for properties with a value of at least \$6,000,000, but less than \$10,000,000: \$99,000 plus \$3.25 per \$100 of excess over \$6,000,000; and

G) for properties with a value of \$10,000,000 or greater : \$229,000 plus \$4.10 dollars per \$100 of excess over \$10,000,000.

Adds that these rates shall apply to the conveyance of a "multifamily residential property"; however, the "value" for purposes of determining the rate, shall be an amount calculated by dividing the actual and full consideration by the number of residential dwelling units in the property. Further, the tax shall be calculated by applying the applicable rate to the actual and full consideration for the transfer or conveyance of realty or any interest therein.

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

Adds section 247-2(b), HRS, for taxable years beginning after December 31, 2025, the director of taxation shall recompute the rates in subparagraph (a) by the cost-of-living adjustment factor, as defined in this added section.

Amends the disposition of conveyance tax in section 247-7, HRS, as follows:

- 1) 8% (currently 10%) or \$10,000,000 (currently, \$5,100,000), whichever is less, paid into the land conservation fund established pursuant to section 173A-5;
- 2) 38% (currently 50%) or \$50,000,000 (currently \$38,000,000), whichever is less, paid into the rental housing revolving fund established by section 201H-202;
- 3) 8% or \$10,000,000, whichever is less, paid into the supportive housing special fund, section 201H-A, established pursuant to this Act; and
- 4) 10% paid into the dwelling unit revolving fund established pursuant to section 201H-191 to fund infrastructure programs in county-designated transit-oriented development zones or districts that meet minimum standards of transit -supportive density. Provides definition of “transit-supportive density”.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS:

Special Fund

The 1989 Tax Review Commission noted that use of special fund financing is a “departure from Hawaii’s sound fiscal policies and should be avoided.” It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds which merely set aside general funds cannot be justified as such actions restrict budget flexibility, create inefficiencies, and lessen accountability. It recommended that such programs can be given priority under the normal budget process without having to resort to this type of financing.

This bill creates a new special fund to develop, operate and maintain affordable, permanent housing and provide supportive services for individuals and families with special needs. The Fund is fed by new earmarks on the conveyance tax (HRS section 247-7). The program is to be administered by the Hawaii Housing Finance and Development Corporation.

Special funds are pots of money that exist for a specific purpose and largely bypass the legislative appropriation process. The existence of hundreds of these special funds has often confounded those who seek answers to simple questions like “How much money does the State have?”

Our Legislature is supposed to be the steward of all state moneys, but special funds make it very easy to lose track of where the money is and how it is being spent. Departments are supposed to

tell the Legislature if they have special funds and how much is in them, but let's just say they don't always.

Perhaps as the result of the foregoing concerns, the Legislature has itself established criteria for when a special fund may be maintained (HRS section 37-52.3). Those criteria are that the special fund:

- (1) Serves a need, as demonstrated by: (A) The purpose of the program to be supported by the fund; (B) The scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and (C) An explanation of why the program cannot be implemented successfully under the general fund appropriation process;
- (2) Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries or a clear link between the program and the sources of revenue, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process;
- (3) Provides an appropriate means of financing for the program or activity that is used only when essential to the successful operation of the program or activity; and
- (4) Demonstrates the capacity to be financially self-sustaining.

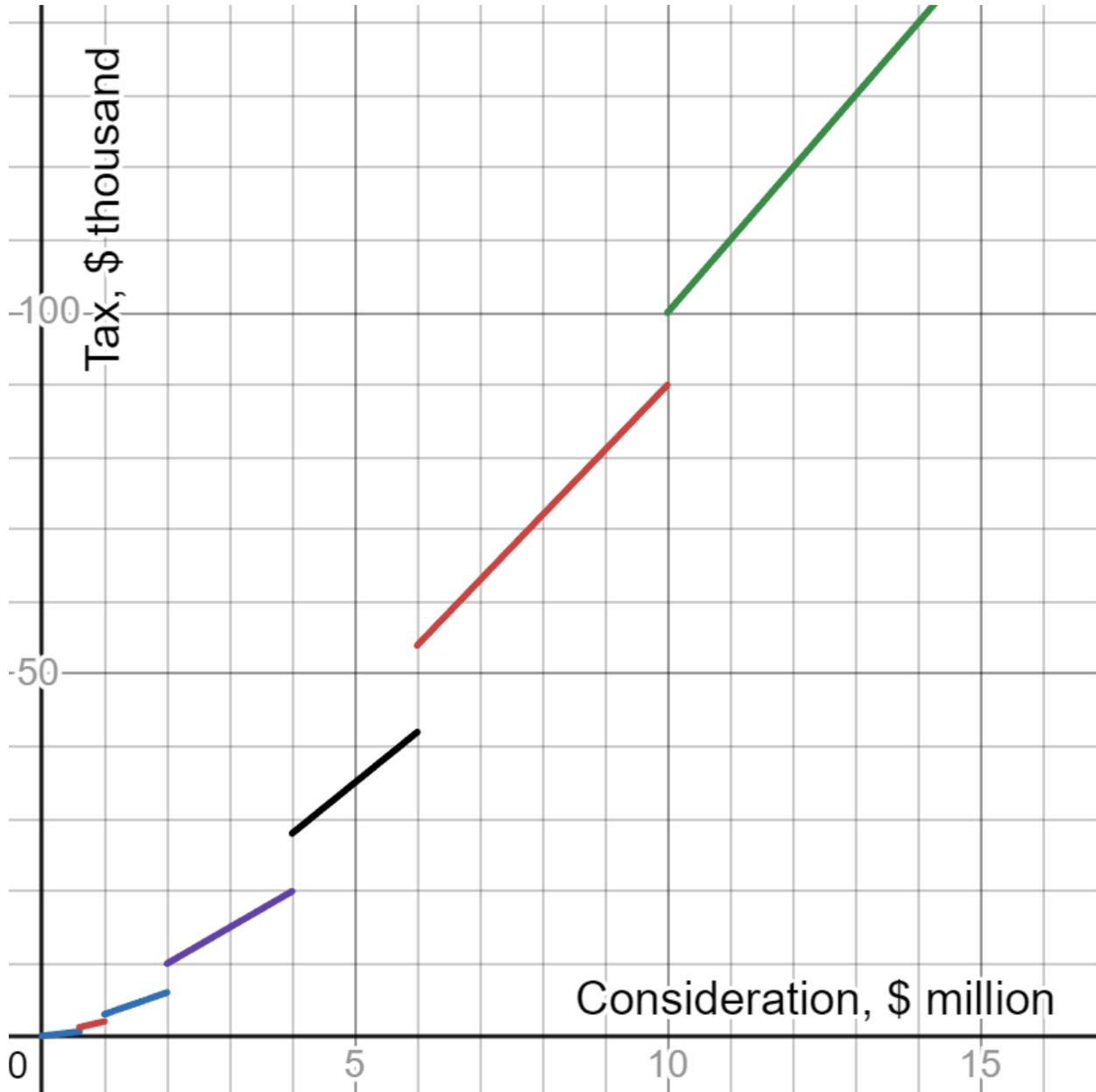
The bill as currently drafted allows for reasonable service fees to be charged in connection with financing, services, and approvals under the program. However, the bill requires 8% or \$10 million of conveyance tax collections to be diverted to the fund, indicating that it is not self-sustaining. Thus, establishing this special fund is inappropriate, as is the proposed method of financing the fund.

Conveyance Tax Restructure

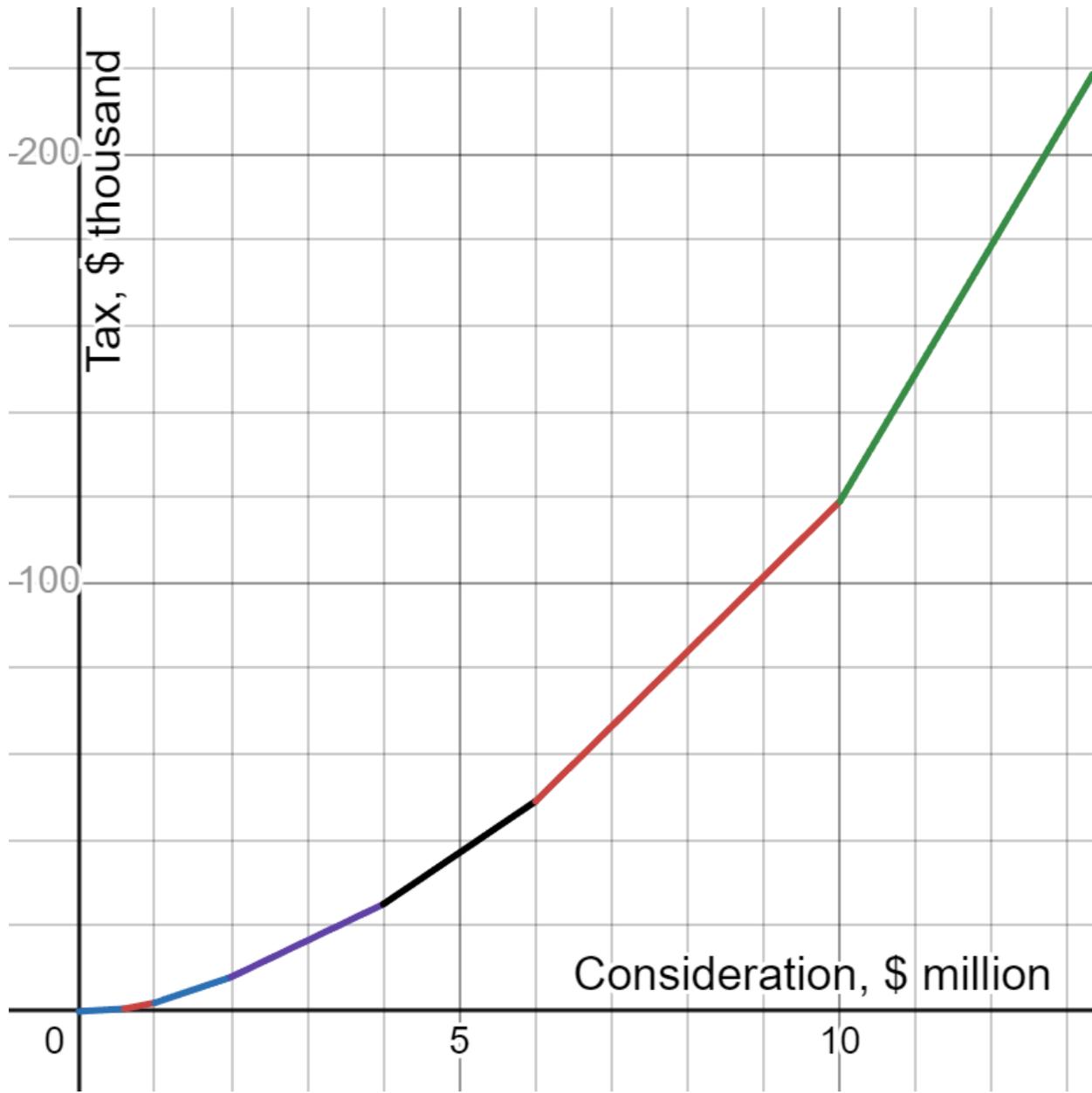
The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation (which at the time also administered the real property tax) with additional data for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

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

The conveyance tax now has discontinuities at the bracket break points, which means that if taxable income increases by \$1 at a break point, such as from \$9,999,999 to \$10,000,000, the increase in tax will be substantially more than \$1. In this example the tax would go from \$200,000 to \$300,000.



Substantial discontinuities such as these may motivate behavior for taxpayers near a break point. This behavior might not be desirable from an economic standpoint. This bill restructures the conveyance tax brackets more like the existing income tax brackets which do not have this problem.



Conveyance Tax Hike

This bill proposes to raise conveyance tax rates in dramatic fashion.

A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send

many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

Tax Earmarks

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

Act 84, SLH 2015, imposed a \$6.8 million cap on the earmark to the land conservation fund and a \$38 million cap on the earmark to the rental housing revolving 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).

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

The bill provides earmarks to two additional funds; the lesser of 38% or \$10,000,000 to the proposed new section 201H-A Supportive Housing Special Fund and 10% (with no cap), to the dwelling unit revolving fund.

Firstly, there is no cap on funds earmarked to the dwelling unit revolving fund. Additionally, raising or removing the cap on the existing 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

Re: HB 1410 HD 1

Page 8

does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. If the money were appropriated, lawmakers could then evaluate the real or actual needs of each program.

Digested: 2/11/2025



February 12, 2025

Representative Mark J. Hashem, Chair
Representative Rachele F. Lamosao, Vice Chair
House Committee on Water & Land

Strong Opposition to “Conveyance Tax” Portions of HB 1410, HD1, RELATING TO HOUSING (Establishes the Supportive Housing Special Fund. Restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis. Allocates revenues from conveyance tax collections to the Supportive Housing Special Fund. Allocates a portion of conveyance tax collections to the Dwelling Unit Revolving Fund to fund infrastructure programs in county-designated transit-oriented development areas that meet minimum standards of transit-supportive density. Effective 7/1/3000. [HD1])

**Thursday, February 13, 2025, at 9:30 a.m.
State Capitol, Conference Room 411, 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. LURF’s mission is to advocate for reasonable, rational, and equitable land use planning, legislation and regulations that encourage well-planned economic growth and housing, while safeguarding Hawaii’s significant natural, cultural, and agricultural resources, and public health and safety.

Collectively, LURF Members include homebuilders, architecture, engineering, and legal professionals that have helped to build the most affordable housing units in the State of Hawaii and continue to work collaboratively with all state and county housing agencies to build more homes for Hawaii.

LURF appreciates that this bill may be well-intended, however, under the circumstances, we must respectfully state our **strong opposition to the current portion of HB 1410, HD1 that proposes changes in the conveyance taxes** that could increase the costs of housing and unfairly and detrimentally impact all local people that are buying, selling, or leasing a home, including kupuna, and young families.

HB 1410, HD1. This measure would establish the Supportive Housing Special Fund; restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis; allocates revenues from conveyance tax collections to the Supportive Housing Special Fund; and allocates a portion of conveyance tax collections to the Dwelling Unit Revolving Fund to fund infrastructure programs in county-designated transit-oriented development areas that meet minimum standards of transit-supportive density.

LURF Position: LURF supports increases in funding to all State and county housing programs, however, under the circumstances, we must respectfully state our **strong opposition to the current portion of HB 1410, HD1 that proposes increases in conveyance taxes.**

We are willing to work together with the introducer and proponents of this bill to propose amendments that will support more affordable housing in Hawaii.

For the above reasons, LURF **opposes HB1410, HD1**, and respectfully urges **deferring this measure and holding it in this Committee.**

Thank you for the opportunity to present testimony regarding this matter.



The Nature Conservancy, Hawai'i and Palmyra
923 Nu'uuanu Avenue
Honolulu, HI 96817

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

**Testimony of The Nature Conservancy
Commenting on HB 1410 HD1, Relating to Housing.
Committee on Water and Land
February 13, 2025, 9:30 am
Conference Room 411 and via Videoconference**

Aloha Chair Hashem, Vice Chair Lamosao, and Members of the Committee:

Mahalo for the opportunity to testify today. The Nature Conservancy (TNC) Hawai'i and Palmyra would like to provide comments on HB 1410 HD1, which would restructure the conveyance tax. Specifically, TNC supports lifting the cap the allocation of funds to the Land Conservation Fund.

The Land Conservation Fund supports the Legacy Land Conservation Program (LLCP), which funds grants to state and county governments and non-profit land conservation organizations to acquire land and protect valuable resources for public benefit. Protecting these lands offers wide benefits for the people of Hawai'i, including reforestation efforts that help mitigate the impacts of climate change by providing freshwater and preventing runoff, drought, and wildfires. Many projects submitted to the LLCP are time-sensitive, once in a generation opportunities to protect the legacy of Hawai'i for future generations.

As real estate prices rise, raising the cap on allocations to the Land Conservation Fund will help meet the demand for and cost of acquiring land for public and ecological benefit. In recent years decreased funding within the Land Conservation Fund has directly hindered opportunities for the protection of lands that is widely favored by local communities. For example, during the recent January meeting of the Legacy Lands Commission, \$23.5 million in LLCP proposals were submitted, with nearly all of them receiving overwhelmingly positive feedback from the Commission. However, this year's Legacy Land Conservation Fund allocation only provided \$6.7 million in annual funding. As a result, highly promising projects across Hawai'i remain unfunded resulting in the possible missed opportunity to protect these special places from development.

Mahalo for the opportunity to testify in support of HB 85.

Guided by science, TNC is a non-profit organization dedicated to the preservation of the lands and waters upon which all life depends. The Conservancy has helped protect more than 200,000 acres of natural lands in Hawai'i and Palmyra Atoll. We manage 40,000 acres in 13 nature preserves and have supported over 50 coastal communities to help protect and restore the nearshore reefs and fisheries of the main Hawaiian Islands.

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Feb. 13, 2025, 9:30 a.m.
Hawaii State Capitol
Conference Room 411 and Videoconference

To: House Committee on Water and Land
Rep. Mark Hashem, Chair
Rep. Rachele Lamosao, Vice-Chair

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

RE: HB1410 — RELATING TO HOUSING

Aloha Chair Hashem, Vice-Chair Lamosao and other members of the Committee,

The Grassroot Institute of Hawaii offers **comments on [HB1410 HD1](#)**, which would increase the property conveyance tax for higher tiers.

Put simply, we are concerned that these proposed higher conveyance taxes could harm the economy and negatively affect Hawaii's already-fragile housing market.

A report by the Sage Policy Group on real estate transfer taxes — exactly the type of tax contemplated in this bill — noted that such laws can “lead to decreases in population, real incomes, real estate transactions, investment in structures, and quality of the built environment.”¹

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

We at Grassroot believe it is counterintuitive to pursue affordable housing initiatives while simultaneously making it more expensive to buy and sell homes.

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

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

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

This bill deserves some praise for seeking to adjust the tax for multifamily residential properties to reflect value on a per-unit basis. This would help address some concerns related to the purchase of property for affordable housing or rentals. However, it would not fully mitigate the potential harm from an increase in the conveyance tax.

Ultimately, the conveyance tax is not the proper mechanism to fund new housing initiatives. Rather than help, it could harm the state’s economy and housing market.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

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

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

HB-1410-HD-1

Submitted on: 2/12/2025 5:08:31 AM

Testimony for WAL on 2/13/2025 9:30:00 AM

| Submitted By | Organization | Testifier Position | Testify |
|---------------------|---------------------|---------------------------|---------------------------|
| Riana O'Keefe | Individual | Support | Written Testimony Only |

Comments:

Aloha, writing in Support of HB 1410. Mahalo!

HB-1410-HD-1

Submitted on: 2/12/2025 8:29:28 AM

Testimony for WAL on 2/13/2025 9:30:00 AM

| Submitted By | Organization | Testifier Position | Testify |
|---------------------|---------------------|---------------------------|------------------------|
| Beryl Blaich | Individual | Comments | Written Testimony Only |

Comments:

Aloha to each of you,

1. As our population grows and residential lands (sf,mf) are densified to meet need, the need for open lands and access to them increases in parallel. Please return funding for the state legacy lands conservation fund to the original, logical and reasonable 10%. With no ceiling.

2. Affordable long term rentals are the state's primary unmet housing need. Subsets of that need include housing for homeless and for special needs people.

a) Increase the amounts of the real estate conveyance tax as proposed.

b) Increase the amount put into affordable rental housing to 60% with a minimum of 20% to be expended on support for housing for special needs including homelessness.

3. "Dwelling unit" support is misnamed for what is transit development funding. Find a different \$ source.

This law, clean and straightforward when enacted, is starting to look like tipsy structure with lots of large added lanai.

Just thoughts at this time.

With gratitude for your work.

Beryl Blaich

808-346-9589

HB-1410-HD-1

Submitted on: 2/12/2025 3:50:07 PM

Testimony for WAL on 2/13/2025 9:30:00 AM

| Submitted By | Organization | Testifier Position | Testify |
|--------------|--------------|--------------------|------------------------|
| Kanoë Wilson | Individual | Support | Written Testimony Only |

Comments:

TESTIMONY IN SUPPORT OF HB1410, HD1

Hearing Date: Thursday, February 13, 2025, at 9:30 AM

House Committee on Water & Land (WAL)

Aloha Chair Hashem, Vice Chair Morikawa, and Members of the Committee,

My name is **Kanoë Wilson** and I am testifying in **strong support** of HB1410, HD1, in my capacity as a Commissioner on the **State of Hawai‘i Legacy Land Conservation Commission**. The proposed restructuring of the **conveyance tax system** will provide a **30% increase in revenue, generating an estimated \$35 million annually**, while also **doubling the cap on the Land Conservation Fund from \$5.1 million to \$10 million**. This is a significant and necessary investment in both **housing and land conservation**, two priorities that are deeply interconnected in maintaining a sustainable and thriving Hawai‘i.

The **Legacy Land Conservation Fund (LCF)** has been instrumental in protecting critical lands that provide public access, preserve native ecosystems, support agricultural sustainability, and uphold cultural heritage. While this measure adjusts the LCF allocation from **10% to 8%**, it **increases the total funding cap to \$10 million**, ensuring that we can continue our work to **protect and steward irreplaceable lands for future generations**.

Importantly, HB1410, HD1, provides a **balanced approach**, recognizing that land conservation and affordable housing **must go hand in hand** to ensure that local residents not only have homes but also access to clean water, productive lands, and intact cultural landscapes. With this bill, the increased funding will:

1. **Strengthen the Legacy Land Conservation Program** by ensuring that more resources are available to protect and steward Hawai‘i’s most precious lands.
2. **Support housing affordability and infrastructure** by directing additional revenues to the **Rental Housing Revolving Fund and Dwelling Unit Revolving Fund**, providing much-needed investments in permanent supportive housing and transit-oriented development areas.
3. **Create long-term sustainability** by ensuring that land protection, infrastructure, and housing development are **funded equitably and reliably**.

As a **Legacy Land Conservation Commissioner**, I fully support **expanding the funding capacity of the Land Conservation Fund**, ensuring that conservation efforts **continue to receive necessary support** while also addressing the **urgent housing needs of our communities**.

I urge the committee to pass HB1410, HD1, as it represents a **comprehensive and forward-thinking solution** that **protects our lands while supporting the well-being of Hawai'i's people**.

Mahalo for the opportunity to testify.

Me ka ha'aha'a,

Kanoe Wilson

Commissioner, State of Hawai'i Legacy Land Conservation Commission

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