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
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FAX: (808) 587-0600

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

HOUSE COMMITTEE ON FINANCE
February 25, 2025 at 10:00 a.m.
State Capitol, Room 308

In consideration of
H.B. 1410 HD2
RELATING TO HOUSING.

Chair Yamashita, Vice Chair Takenouchi, and members of the Committee.

HHFDC **supports** HB 1410 HD2, 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 the Rental Housing Revolving Fund (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.

STATE OF HAWAIʻI
KA MOKUʻĀINA O HAWAIʻI
STATE COUNCIL ON DEVELOPMENTAL DISABILITIES
'A'UNIKE MOKU'ĀPUNI NO KA NĀ KĀWAI KULA
PRINCESS VICTORIA KAMĀMALU BUILDING
1010 RICHARDS STREET, Room 122
HONOLULU, HAWAIʻI 96813
TELEPHONE: (808) 586-8100   FAX: (808) 586-7543
February 25, 2025

The Honorable Representative Kyle T. Yamashita, Chair
House Committee on Finance
The Thirty-Third Legislature
State Capitol
State of Hawaiʻi
Honolulu, Hawaiʻi 96813

Dear Representative Yamashita and Committee members:

SUBJECT: HB1410 HD2 Relating to Housing

The Hawai'i State Council on Developmental Disabilities **SUPPORTS HB1410 HD2**, 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. (HD2)

HB1410 HD2 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 HD2.**

Sincerely,

Daintry Bartoldus
Executive Administrator

JOSH GREEN, M.D.
GOVERNOR | KE KIAʻĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIAʻĀINA

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

P.O. BOX 621
HONOLULU, HAWAII 96809

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

RYAN K.P. KANAKAʻOLE
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
FINANCE

Tuesday, February 25, 2025
10:00 AM
State Capitol, Conference Room 308, and Via Videoconference

In consideration of
HOUSE BILL 1410, HOUSE DRAFT 2
RELATING TO HOUSING

House Bill 1410, House Draft 2, proposes restructuring the distribution of conveyance tax collections to reduce the percentage of conveyance tax collections distributed to the Land Conservation Fund and increase the dollar amount cap on that distribution. **The Department of Land and Natural Resources (Department) offers comments and recommendations.** If enacted, this bill would 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, a rationale for selecting a $10 million cap is thus far absent from legislative history, as well as a rationale for reducing the level of distributions from 10% to 8%. The Department prefers the simple solution proposed in House Bill 85 (as introduced) that exhibits a more direct, unconstrained nexus with real estate market dynamics by removing the dollar amount cap altogether and restoring 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, the Land Conservation Fund is also experiencing an affordability crisis that deserves careful attention. First, to support the current annual operating budget of $9.03

million with 8% of total conveyance tax collections, at least $112.5 million of total yearly collections (achieved only once to date, in FY2022) would be needed. Second, the current operating budget does not provide adequate funding for land conservation in today's market. For example, the FY2025 LNR102 operating budget includes $6.7 million in available funds for land acquisition grants plus $1.5 million for Turtle Bay debt service. The Legacy Land Conservation Commission recently recommended that the current $6.7 million in available grant 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 regional conservation initiatives—would receive, overall, less than 1/3 of the total amount requested.

Lastly, unlike the Rental Housing Revolving Fund, which receives cash infusions from the general fund, the adequacy of funding for land conservation depends solely on conveyance tax revenue. In fact, over the last ten years, the combined effects of dollar amount revenue caps, emergency transfers to the general fund, and overpayment of debt service obligations amount to a $50 million reduction in Land Conservation Fund assets that could have been invested in the acquisition of exceptional resource value lands for public benefit.

The Department is grateful for any relief that the Legislature chooses to provide and respectfully requests that the Finance Committee's House Draft 3 include amendments to Section 5 of the bill that maintain the existing ten percent allocation of conveyance tax revenue to the Land Conservation Fund and remove the dollar amount cap on that allocation.

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

STATE OF HAWAIʻI
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 FINANCE
Tuesday, February 25, 2025
10:00 AM
State Capitol, Conference Room 308

in consideration of
HB 1410, HD2
RELATING TO HOUSING.

Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee.

The Office of Planning and Sustainable Development (OPSD) **supports with comments** HB 1410, HD2, 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 Hawaiʻi 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 Hawaiʻi's housing stock and increasing housing in transit-oriented communities.

OPSD offers for further consideration, the insertion of language found in Section 4 of HB 1409, HD1, which amends Hawaiʻi Revised Statutes (HRS) Chapter 226 to establish a uniform definition of TOD and "county-designated transit-oriented development area" for State implementation of TOD. An additional amendment of the "county-designated transit-oriented development area" definition language on page 8-9 of HB 1410, HD2 to conform to that in HB 1409, HD1 would ensure consistency of these terms across State statutes.

Thank you for the opportunity to testify on this measure.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

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

STATE OF HAWAIʻI
DEPARTMENT OF BUDGET AND FINANCE
Ka ʻOihana Mālama Moʻohelu a Kālā
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LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

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

WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1410, H.D. 2

February 25, 2025
10:00 a.m.
Room 308 and Videoconference

RELATING TO HOUSING

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

House Bill (H.B.) No. 1410, H.D. 2: 1) establishes the Supportive Housing Special Fund (SHSF) to be administered by the Hawaiʻi Housing Finance and Development Corporation for the purpose of developing, operating, and maintaining affordable permanent housing, and the provision of supportive services for individuals or families with special needs; 2) amends the conveyance tax rates to make the tax marginal, adds land zoned agricultural with a residential dwelling unit to the second conveyance tax rate group, and adjusts the tax for properties with multiple dwelling units to reflect value on a per-unit basis; 3) adjusts the conveyance tax allocation for the Land Conservation Fund from 10% or $5,100,000, whichever is less, to 8% or $10,000,000, whichever is less; 4) adjusts the conveyance tax allocation for the Rental Housing Revolving Fund from 50% or $38,000,000, whichever is less, to 38% or $50,000,000, whichever is less; and 5) establishes two new conveyance tax allocations for the SHSF and Dwelling Unit Revolving Fund set at 8% or $10,000,000, whichever is less, and 10%, respectively.

As a matter of general policy, B&F does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work, and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding H.B. No. 1410, H.D. 2, it is difficult to determine whether the proposed SHSF would be self-sustaining.

Thank you for your consideration of our comments.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAIʻI
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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 1410, H.D. 2, Relating to Housing.

BEFORE THE:
House Committee on Finance

DATE: Tuesday, February 25, 2025
TIME: 10:00 a.m.
LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1410, H.D. 2 for your consideration.

Section 4 of H.B. 1410, H.D. 2 amends section 247-2(a), Hawaii Revised Statutes (HRS), by increasing the marginal rate of the conveyance tax. 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 includes residential dwelling units on agricultural land, for which the purchaser is not eligible for a homeowner’s exemption, under the higher marginal conveyance tax rates in section 247-2(a)(2), HRS.

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 Hawaiʻi 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.

General Fund Impact ($ millions)

	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
General Fund	15.0	16.0	17.1	18.2	19.3	20.5

Special Fund ($ millions) (*specify which fund*)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Land Conservation fund	4.9	4.9	4.9	4.9	4.9	4.9
Rental Housing Fund	12.0	12.0	12.0	12.0	12.0	12.0
Supportive Special Housing	10.0	10.0	10.0	10.0	10.0	10.0
Dwelling Unit Revolving	16.0	16.4	16.8	17.2	17.7	18.1

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

LAND USE RESEARCH
FOUNDATION OF HAWAII

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(808) 521-4717
www.lurf.org

February 21, 2025

Representative Kyle T. Yamashita, Chair
Representative Jenna Takenouchi, Vice Chair
House Committee on Finance

Comments and Concerns in Opposition to HB 1410, H.D. 2, 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.)

Tuesday, February 25, 2025, at 10:00 a.m.
State Capitol, Conference Room 308 Via Videoconference

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

LURF members include homebuilders and architecture, engineering, and legal professionals that have helped to build a significant number of 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 measure may be well-intended, however, under the circumstances, must respectfully express its opposition to fact that the bill proposes to restructure conveyance taxes which could increase the costs of housing and unfairly and detrimentally impact all local people who engage in buying, selling, or leasing homes, including kupuna, and young families; and then allocating revenues from the conveyance tax revenues to special funds to be utilized for special needs housing and infrastructure programs in certain county-designated transit-orient development areas.

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

HB 1410, H.D. 2. This measure proposes to establish the Supportive Housing Special Fund; restructure the conveyance tax to a marginal rate system, and adjust the tax for multifamily properties to reflect value on a per-unit basis; allocate revenues from conveyance tax collections to the Supportive Housing Special Fund (which has not yet been established); and allocate 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's Position. The proposed restructuring of conveyance taxes and resulting 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 owners transferring ownership; and 2) also to increase the tax rates to the point that 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 unlawfully intended to target specific types of transactions or groups of property owners, could be characterized as imposing an improper penalty, hidden tax, or surcharge, which may be subject to legal challenge.

[1] Further opposition to HB 1410, H.D. 2 1may be warranted but shall be reserved until the actual details regarding disposition and use of the revenues intended to be collected are fully disclosed, as is proper and appropriate with any proposed bill for which the intended purpose is to generate revenue.

2. HB 1410, H.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 have not yet been established, and/or which do not have a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program.

Due to concerns relating to the establishment and use of special funds and the circumvention of the legislative appropriation processes which could potentially be caused by their use, 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 were enacted by the 2002 Legislature through Act 178, SLH 2002, Sections 37-52.3 and 37-52.4, HRS. To be approved for continuance, a special fund must:

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

The first and second criteria are nearly identical to those in Act 240, SLH 1990, codified in Section 23-11, HRS, requiring the Auditor to review all legislative bills in each session to establish new special or revolving funds.

It appears that the intent of HB 1410, H.D. 2 is to now create an additional source of funding (the Supportive Housing Special Fund) for affordable housing and supportive services for special needs individuals or families, by restructuring the conveyance tax to a marginal rate system and adjusting the tax for multifamily properties to reflect value on a per-unit basis, and then allocating revenues from the restructured conveyance tax to the Supportive Housing Special Fund, and also to the Dwelling Unit Revolving Fund to fund infrastructure programs in county-designated transit-oriented development areas. However, the State Auditor has concluded in the past that such an arrangement where there is no *clear link* with the funding source (individuals and organizations 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 changes and 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.

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 still continues to reel from the effects of the Covid pandemic and the Maui wildfires 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 of the impact of this proposed measure upon owners of all properties and residents. The imposition of an increase of conveyance tax on transfers which affect **agricultural lands** will be passed on to farmers and other agricultural operators, making it even harder for agriculture to survive in Hawaii; the proposed imposition of the tax on transfers which affect **land intended for non-government assisted housing developments** will be passed on to home buyers and will thus increase the price of homes and exacerbate the affordable housing problem in Hawaii; and the proposed imposition of the conveyance tax onto transfers which affect **commercial properties** will also be passed on to small businesses, creating yet another substantial financial burden on them.

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

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 created for those entities that lend to the housing needs in the State, or support and participate in conservation and watershed programs.

<u>Conclusion</u>.

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 expanded 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 HB 1410, H.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 to develop 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.

Church of the Crossroads
United Church of Christ

A Just Peace and Open and Affirming Congregation

Testimony of the Church of the Crossroads IN SUPPORT OF HB1410

The Church of the Crossroads was founded in 1922 as Hawaii's first intentionally multiracial church. We are a Just Peace Church of approximately 180 members.

We have voted unanimously to support a conveyance tax in graduated (progressive) amounts for housing above our median market value, to assist in addressing our housing crisis.

We support HB1410 because it increases our conveyance taxes on housing above the median market value, with rates increasing as the market value increases. In this manner, we can raise greater tax revenues for community needs, help diminish the incentive for frequent speculative sales, and provide dedicated funding for the rental housing revolving fund, supportive housing special fund, and dwelling unit revolving fund.

However, you can do more with this bill. HB1410 could generate much more in revenues, to be in the range of the $350-$450M each year that other bills propose. As written, HB1410 appears to only be capable of raising an additional $30-$40M a year. That is a huge missed opportunity to make a real difference for the biggest economic issue facing our state--- providing truly affordable housing for those who live and work full-time in Hawaii. So, please consider higher rates for the upper marginal brackets and/or greater percentages of revenues to the dedicated funds that are recipients for these revenues.

Thank you for your consideration of this important issue.

Respectfully submitted by Ellen Godbey Carson, for the Church of the Crossroads

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HCAN Speaks!
Hawai'i Children's Action Network
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 Finance
Re: **HB 1410 HD2 – Relating to Housing**
Hawaiʻi State Capitol & Via Videoconference
February 25, 2025, 10:00 AM

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

On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing in **SUPPORT of HB 1410 HD2**. 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 Hawaiʻi 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

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February 25, 2025

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

RE: House Bill 1410, HD2, Relating to Housing

HEARING: Tuesday, February 25, 2025, at 10:00 a.m.

Aloha Chair Yamashita, Vice Chair Takenouchi, 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, HD2, 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.

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	$15,000	**$16,500**

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		over $2 million	($3 mil. property)	
$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)	
$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.

HAWAI'I HEALTH
& HARM REDUCTION CENTER
The New Chapter for Life Foundation and The CHOW Project

TESTIMONY IN SUPPORT OF HB 1410, HD 2

TO: Chair Yamashita, Vice Chair Takenouchi, & FIN Committee Members

FROM: Nikos Leverenz
Policy & Advancement Manager

DATE: February 25, 2025 (10:00 AM)

Hawaiʿi Health & Harm Reduction Center (HHHRC) **strongly supports** HB 1410, HD 2, 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 the SHSF.

As noted in the bill findings, resources are dedicated annually for supportive housing but reliance on year to year legislative appropriations creates uncertainty for the development to permanent supportive housing that serves those with behavioral health issues, those released from incarceration, foster care youth who have aged out of the system, domestic violence survivors and those with disabilities. A conveyance tax can provide a stable source of revenue for supportive housing, with Hawaiʻi Appleseed estimating that the marginal rate system contemplated in this bill can increase conveyance tax revenue by approximately one-third.

HHHRC's mission is to reduce harm, promote health, create wellness, and fight stigma in Hawaiʻi and the Pacific. We work with many individuals impacted by poverty, housing instability, and other social determinants of health. Many have behavioral health problems, including those related to substance use and mental health conditions, and have also been deeply impacted by trauma related to histories of physical, sexual, and psychological abuse.

Mahalo for the opportunity to provide testimony.

Testimony of the Hawaiʻi Appleseed Center for Law and Economic Justice
Support for HB1410 HD2 – Relating to Housing
House Committee on Finance
Tuesday, February 25, 2025 at 10:00AM Conf. Rm. 308 and via Videoconference

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Aloha Chair Yamashita, Vice Chair Takenouchi, and members of the committee;

Mahalo for the opportunity to testify in **strong support of HB1410 HD2**, which would modernize Hawaii's conveyance tax structure, reduce the tax burden on the average resident homeowner, increase the burden of conveyance tax on investment owners, 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 HD2 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 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 demand[2]. 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 state[3].

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.**

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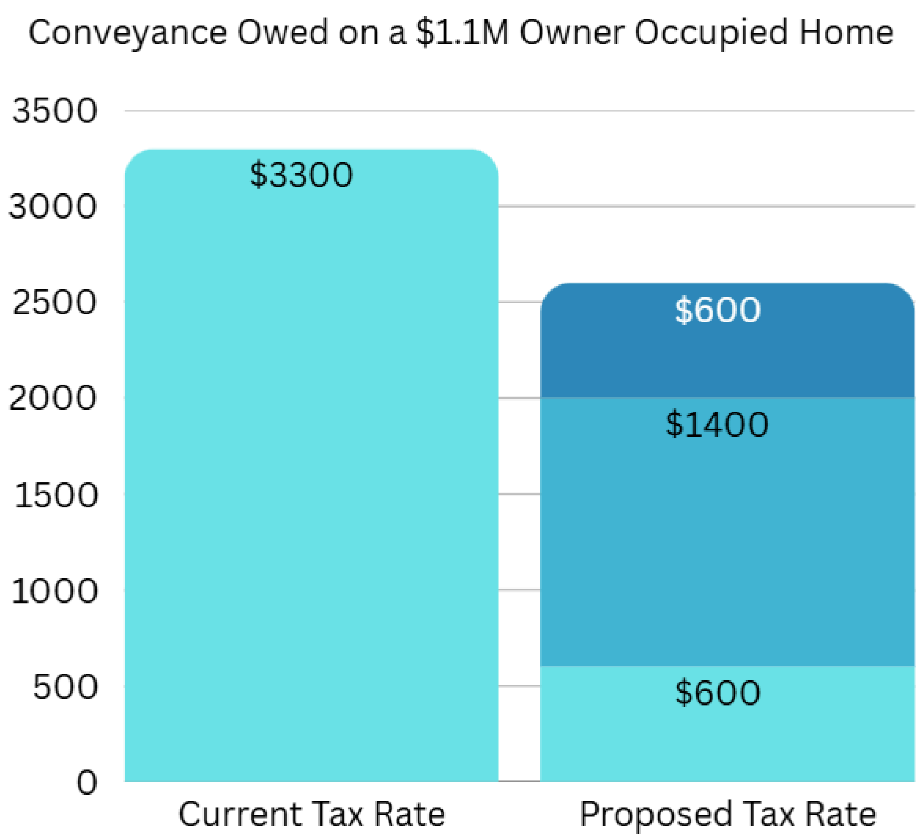
[1] ASCE, "2019 Hawaii Infrastructure Report Card",
https://infrastructurereportcard.org/wp-content/uploads/2021/07/ASCE-24199_Full-REPORT-2019-FINAL.pdf
[2] "Hawaii Housing Planning Study, 2019" HHFDC, December 2019, pg. 38
https://dbedt.hawaii.gov/hhfdc/files/2020/01/FINAL-State_Hawaii-Housing-Planning-Study.pdf
[3] "TOD Infrastructure Finance and Delivery Strategy"
https://files.hawaii.gov/dbedt/op/lud/Reports/TOD_InfraFin_Strategy_20231221.pdf

For example, under the current system, a property valued at $1.1M, which was the median sales price for Oahu in December 2024[4] 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–effectivley 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/

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawaiʻi Appleseed Center for Law and Economic Justice
Support for HB1410 HD2 – Relating to Housing
House Committee on Finance
Tuesday, February 25, 2025 at 10:00AM Conf. Rm. 308 and via Videoconference

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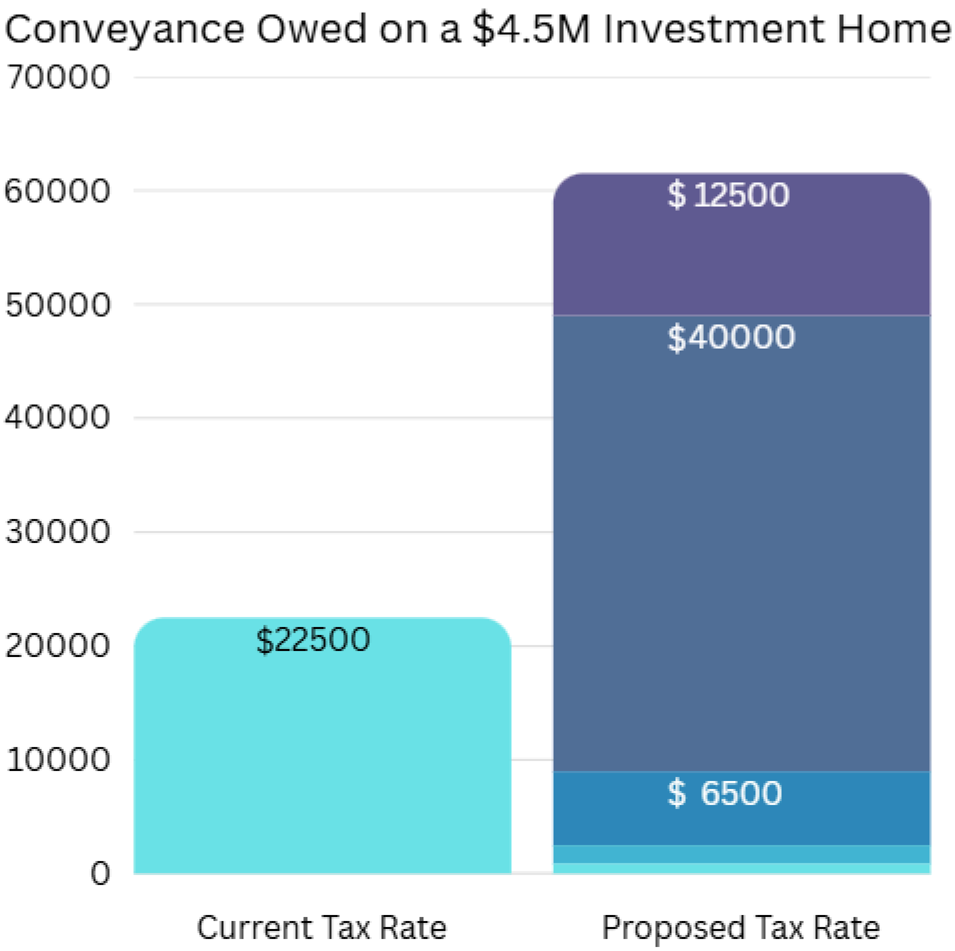

<u>Progressive Rates and Multiple Unit Dwellings</u>

HB1410 HD2 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

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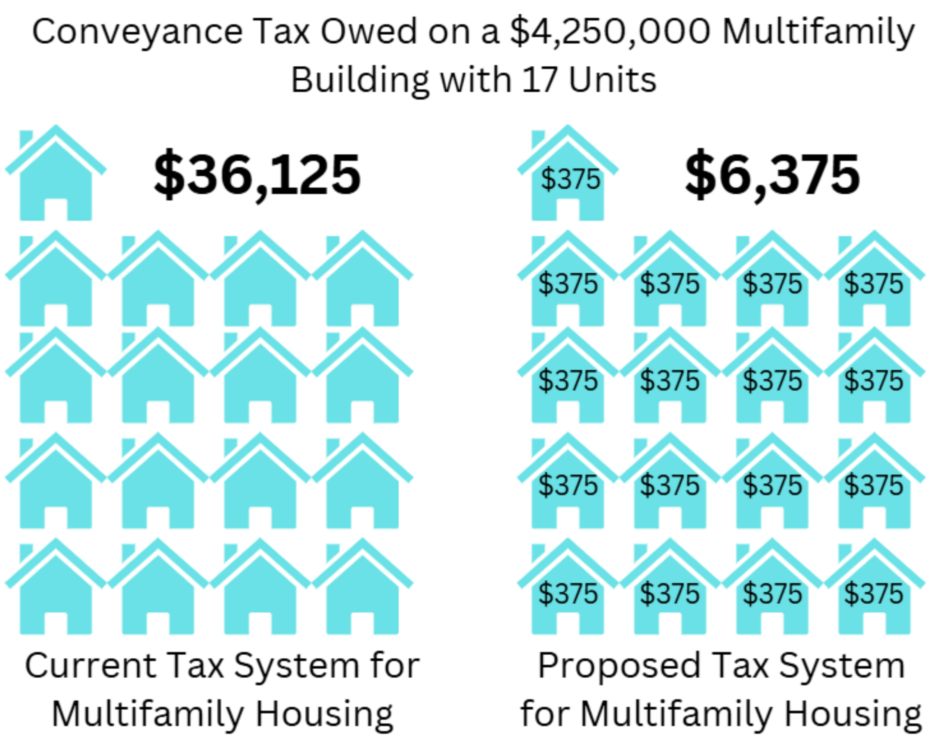
This change aims to address the disproportionate tax burden multifamily properties currently face compared to single-family investment properties. Many multifamily housing sales involve naturally occurring affordable housing (NOAH), and higher tax burdens on these properties could lead to rent increases 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 HD2, 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.



HB1410 HD2 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

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.

Committee on Finance
Chair Kyle T. Yamashita, Vice Chair Jenna Takenouchi

Tuesday February 25, 2025 12 pm Room 308
HB1410 HD1 — RELATING TO HOUSING

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

Chair Yamashita, Vice Chair Takenouchi, and Committee Members:**The League of Women Voters of Hawaii supports HB1410 HD1,** which

- restructures the conveyance tax to a marginal rate system which would substantially raise the revenue from the conveyance tax, while maintaining low rates for owner-occupied properties with "normal" values
- adjusts the tax rates for multifamily properties to reflect unit prices,
- establishes the Supportive Housing Special Fund (SHSF)
- allocates revenues from conveyance tax collections to SHSF and to the Dwelling Unit Revolving Fund,
- supports infrastructure development within county-designated transit-oriented development areas.

The League of Women Voters believes that federal fiscal policy should provide for adequate and flexible funding of federal government programs through an equitable tax system that is progressive overall and that relies primarily on a broad-based income tax. The Hawaii State League supports applying these principles to State of Hawaii taxes. We also support the bill's use of a cost-of-living based adjustment to prevent inflation from diminishing the value of the bill's provisions.

This bill would help lower the burden of housing costs in Hawaii, which severely impact both low and moderate income residents. In 2024, an Appleseed brief reported that 78 percent of those earning less than 30 percent of the Area Median Income (AMI)—are either seniors or part of the workforce…and some 70 percent of these renters pay more than 30 percent of their income on rent.[1] The burden of housing cost is commonly blamed for the falling state population as people leave for cheaper locales. Lost population results in fewer business opportunities and a smaller tax base.

HB1410 HD1 requires people selling extremely expensive properties, especially second homes and investment properties, to pay a higher conveyance tax. The increased revenue will help fund affordable housing for those who need it most.

Thank you for the opportunity to submit testimony.

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The Nature Conservancy Hawai‘i and Palmyra

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Testimony of The Nature Conservancy
Commenting on HB 1410 HD2, Relating to Housing.
Committee on Finance
February 25, 2025 at 10:00 am

Dear Chair Yamashita, Vice Chair Takenouchi, 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 HD2, 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 1410 HD2.

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.

CATHOLIC CHARITIES HAWAIʻI

TESTIMONY IN SUPPORT OF HB 1410 HD2: RELATING TO HOUSING

TO: House Committee on Finance
FROM: Tina Andrade, President and CEO, Catholic Charities Hawai`i
Hearing: Tuesday, 2/25/25, 10:00 am; CR 308 & Videoconference

Chair Yamashita, Vice Chair Takenouchi, and Members, Committee on Finance.

Catholic Charities Hawai`i supports HB 1410 HD2, 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 77 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 <u>marginal rate would actually reduce the tax on owner occupants of homes under $1 million.</u> 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 <u>10% to the DURF</u> 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 <u>8% (or $10 million)</u> 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. <u>Without this dedicated funding stream, developers and the counties will face significant risk in developing permanent supportive housing</u>.

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

GRASSROOT
INSTITUTE OF HAWAII

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Removing barriers to Hawaii's prosperity

Feb. 25, 2025, 10 a.m.
Hawaii State Capitol
Conference Room 308 and Videoconference

To: House Committee on Finance
Rep. Kyle T. Yamashita, Chair
Rep. Jenna Takenouchi, Vice-Chair

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

RE: HB1410 HD2 — RELATING TO HOUSING

Aloha Chair Yamashita, Vice-Chair Takenouchi and other members of the Committee,

The Grassroot Institute of Hawaii offers **comments on** HB1410 HD2, 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

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[2] Lana Teramae, "Local Architects Talk About Repurposing Existing Buildings in Post-Pandemic Hawaiʻi," Hawaii Business Magazine, Sept. 6, 2021.
[3] "The Unintended Consequences of Excessive Transfer Taxes," p. 3.

LEGISLATIVE TAX BILL SERVICE

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 2

INTRODUCED BY: House Committee on Water and Land

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, single family residences, or land zoned agricultural with a residential dwelling unit 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

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.

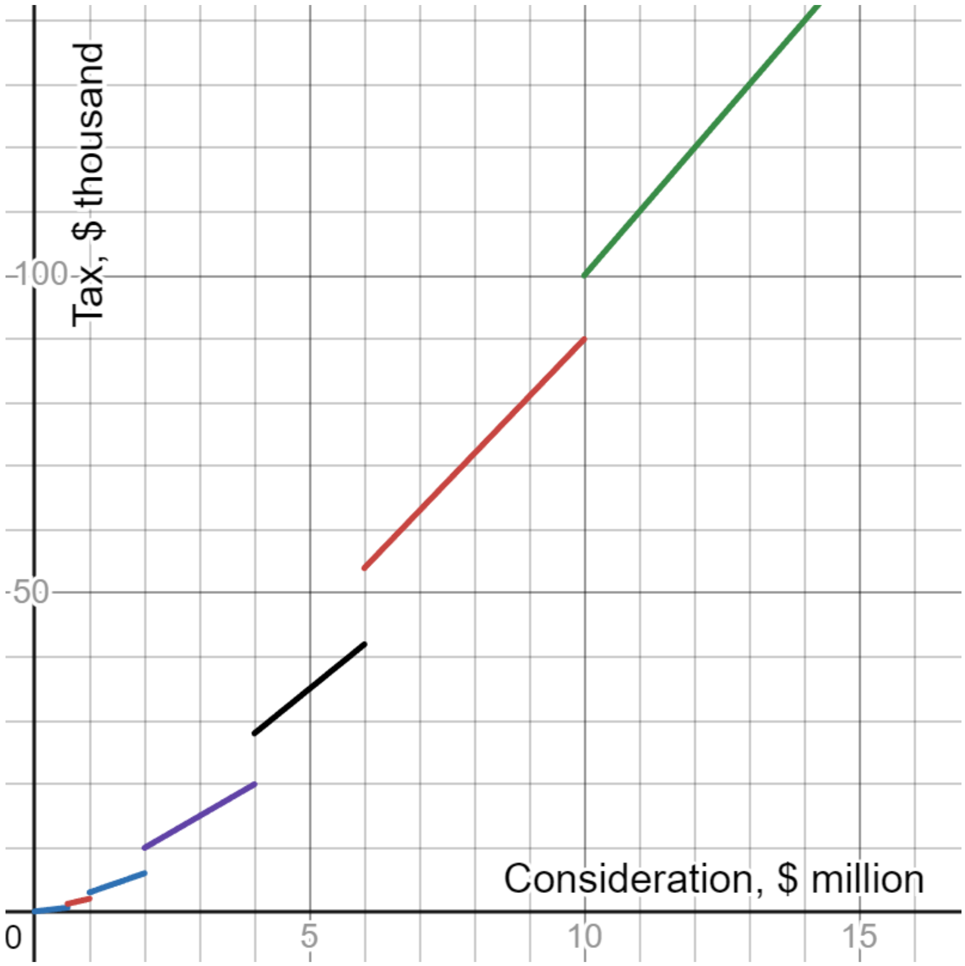
The bill as currently drafted allows for reasonable service fees to be charged in connection with financing, services, and approvals under the program. However, the bill requires 8% or $10 million of conveyance tax collections to be diverted to the fund, indicating that it is not self-sustaining. Thus,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

Conveyance Tax Restructure

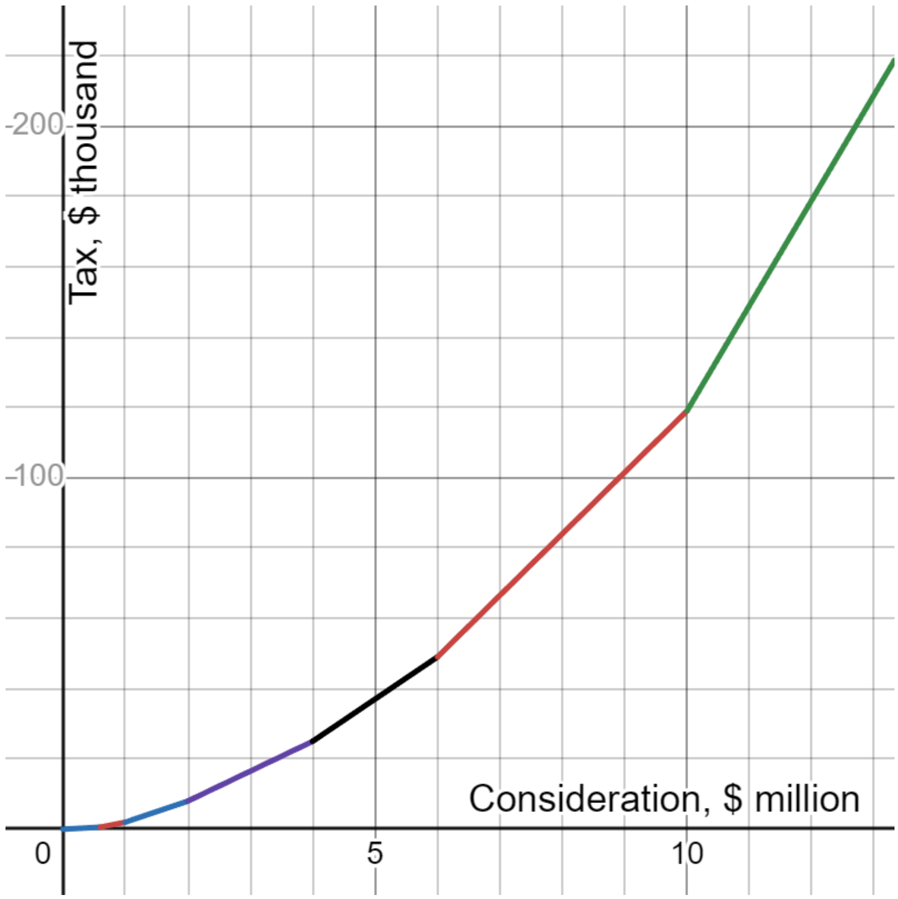
The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation (which at the time also administered the real property tax) with additional data for 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 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: 2/24/2025

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

HB-1410-HD-2
Submitted on: 2/24/2025 4:32:20 PM
Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Doris Matsunaga	Save Medicaid Hawaii	Support	Written Testimony Only

Comments:

Save Medicaid Hawaii supports HB1410 HD2

HB-1410-HD-2
Submitted on: 2/22/2025 12:03:08 AM
Testimony for FIN on 2/25/2025 10:00:00 AM

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

Comments:

I support HB1410 because it will increase our conveyance taxes on housing above the median market value, with rates increasing as the market value increases. In this manner, we can raise greater tax revenues for community needs, help diminish the incentive for frequent speculative sales, and provide dedicated funding for the rental housing revolving fund, supportive housing special fund, and dwelling unit revolving fund.

However, you can do more with this bill. HB1410 could generate much more in revenues, to be in the range of the $350-$450M each year that other bills propose. As written, HB1410 appears to only be capable of raising an additional $30-$40M a year. That is a huge missed opportunity to make a real difference for the biggest economic issue facing our state--- providing truly affordable housing for those who live and work full-time in Hawaii. So, please consider higher rates for the upper marginal brackets and/or greater percentages of revenues to the dedicated funds that are recipients for these revenues.

Thank you for your consideration of this important issue.

Ellen Godbey Carson

HB-1410-HD-2
Submitted on: 2/22/2025 2:04:10 PM
Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Bianca Isaki	Individual	Comments	Written Testimony Only

Comments:

Aloha committee members,

I am submitting comments because HB1410 has conflicting impacts on legacy land funding. I OPPOSE reducing the conveyance tax from 10 to 8 percent dedication to conservation funding and SUPPORT increasing the ceiling of potential funding to $10m.

Bianca Isaki

HB-1410-HD-2
Submitted on: 2/23/2025 4:40:57 PM
Testimony for FIN on 2/25/2025 10:00:00 AM

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

Comments:

Chair Yamashita, VC Takenouchi, members,

In **support** of HB1410 HD2. Conveyance taxes on housing fail to capture the right share of profits gained from selling wildly overpriced Hawaii real estate. We live in a place where **80%** of residents cannot afford a **median-priced home**. Of course, the disparity between marginal profit and our inability to buy a home grows as sales prices increase. So while passing HB 1410 HD2, please target greater revenue for community needs, help lower speculation, and send needed money to the rental housing revolving fund, the housing special fund, and the dwelling unit revolving fund.

As written, HB1410 HD 2 stands to raise $30-$40M a year. To provide truly affordable housing for our residents, please say, “thanks but no thanks” to the real estate lobby. Push the upper marginal brackets up to where far more local people benefit. The sellers will be o.k. Mahalo.

Aloha,

Galen Fox

HB-1410-HD-2
Submitted on: 2/23/2025 6:36:59 PM
Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kanoe Wilson	Individual	Support	Written Testimony Only

Comments:

TESTIMONY IN SUPPORT OF HB1410, HD2
Hearing Date: Tuesday, February 25, 2025, at 10:00 AM
House Committee on Finance (FIN)

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

My name is **Kanoe Wilson,** and I am testifying in **strong support** of HB1410, HD2, in my capacity as a Commissioner on the **State of Hawaiʻi Legacy Land Conservation Commission**. This measure proposes a **30% increase in conveyance tax revenue, generating an estimated $35 million annually**, while also **raising the cap on the Land Conservation Fund from $5.1 million to $10 million**. This thoughtful restructuring will provide critical funding for both **land conservation and affordable housing**, ensuring that Hawaiʻi's natural and cultural resources are protected while also addressing the urgent housing needs of our communities.

As stewards of the **Legacy Land Conservation Fund (LCF)**, we recognize that protecting Hawaiʻi's lands is essential for **preserving watersheds, ensuring food security, maintaining biodiversity, and perpetuating cultural practices**. While this measure adjusts the LCF allocation from **10% to 8%**, it significantly **increases the maximum available funding**, allowing for the continuation of vital conservation projects that benefit present and future generations.

HB1410, HD2 provides a **balanced and forward-thinking approach**, recognizing that **land conservation and affordable housing must go hand in hand** to sustain the well-being of our people and environment. This bill will:

1. **Strengthen the Legacy Land Conservation Program** by increasing the funding capacity of the Land Conservation Fund, allowing for **expanded conservation efforts and long-term land protection**.
2. **Support affordable housing and critical infrastructure** by allocating additional revenues to the **Rental Housing Revolving Fund and Dwelling Unit Revolving Fund**, ensuring that Hawaiʻi residents have access to stable and affordable housing.
3. **Promote long-term sustainability** by securing dedicated funding for both conservation and housing, reflecting a commitment to **responsible growth and resource protection**.

As a **Legacy Land Conservation Commissioner**, I fully support **this expansion of funding capacity**, ensuring that conservation efforts remain strong **while also prioritizing housing solutions for local families**.

I urge the committee to pass HB1410, HD2, as it provides a **holistic and fiscally responsible solution** to support both **‘āina protection and housing stability** for Hawai‘i’s people.

Mahalo for the opportunity to testify.

Me ka ha‘aha‘a,

Kanoe Wilson

HB-1410-HD-2
Submitted on: 2/23/2025 9:13:00 PM
Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kiana Otsuka	Individual	Support	Written Testimony Only

Comments:

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

My name is Kiana Otsuka, and I am an Oʻahu resident writing in **strong support of HB1410 HD2**, 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.

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

I am supportive of this bill because it would implement a more progressive rate structure that primarily impacts high-value investment properties while protecting owner-occupants, apply a cost-of-living adjustment mechanism that prevents future erosion of these critical revenue streams, create a dedicated 10% allocation to the Dwelling Unit Revolving Fund (DURF), establish and create a dedicated 8% allocation to a Supportive Housing Special Fund.

Hawaiʻi's rental market has reached a critical tipping point, with costs spiraling beyond what working families can afford, ranking 4th most expensive state for renters in the nation. The combination of limited affordable housing supply, stagnant wages, and minimal tenant protections has created a perfect storm that threatens the stability of our communities.

Those most vulnerable in our current system include the 56% of renters who spend more than 30% of their income on rent, single mothers with children (the demographic most often evicted), kūpuna on fixed social security income, and households with high healthcare, childcare, and foodcare costs.

Please pass this bill to allow real estate transactions in Hawaiʻi's to contribute more equitably to meeting our state's needs.

Thank you for the opportunity to testify.

Mahalo,

Kiana Otsuka

HB-1410-HD-2
Submitted on: 2/24/2025 9:59:33 AM
Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
C. Kaui Lucas	Individual	Support	Written Testimony Only

Comments:

Dear committee, I just came from a site visit of a Oahu property that was purchased in part with funds from the legacy land conservation Program. The national CEO of Trust for Public Lands was present.

The transformation that has been made possible by volunteers from Wai'anae to Waimanalo, just in the last six months is astonishing. Among other new progress at Kanewai Spring, they now have grow tanks for fish and limu donated by a Wai'anae group and also a fledgling nursery for diverse varieties of coconuts to combat the CRB infestation currently crippling parts of O'ahu.

The dollar for dollar return on investment for funds in the legacy land program is an extraordinary value for all of Hawai'i. Please support this measure.

me ka pono

Kaui Lucas

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

HB-1410-HD-2
Submitted on: 2/24/2025 10:13:50 AM
Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Thorne Abbott	Individual	Comments	Written Testimony Only

Comments:

i strongly support increasing the amount or removing the cap for expenditures from the legacy land conservation fund but I disagree with lowering the percentage that goes to the fund from conveyance taxes

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

HB-1410-HD-2
Submitted on: 2/24/2025 10:21:58 AM
Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Stacey Alapai	Individual	Support	Written Testimony Only

Comments:

Please support HB1410 for Conveyance Mansion Tax Reform.

We are often told that luxury developments are a "necessary evil" in order to fund affordable housing projects. This is an opportunity to make that statement more true. We need to adjust these taxes on high end property sales and target investors who drive up the prices for everyone to make them pay their fair share.

To: Hawaii State House Committee on Finance

Hearing Date/Time: Tuesday February 25, 2025, 10:00am

Place: Hawaii State Capitol, CR 308 & Videoconference

Re: Judith Ann Armstrong supports HB1410 Relating to Housing

Dear Chair Rep. Kyle T. Yamashita, Vice Chair Rep Jenna Takenouchi and members of the Committee on Finance

I, Judith Ann Armstrong, support HB1410, in order to address our housing crisis. This measure would modernize our conveyance tax structure while ensuring those funds go to affordable housing and infrastructure development.

The proposed changes to our conveyance tax structure would rightfully ask more from those who have profited most from Hawaii's housing market. While reducing the tax burden on local families buying homes for themselves, this bill increases rates on high-value investment properties and targets those who purchase multiple properties or luxury homes. This ensures that investors who drive up our housing costs contribute more meaningfully to housing solutions.

Under the current system, a local family buying a home at Oahu's median price of $1.1M pays $3,300 in conveyance tax. The proposed changes would reduce this to $2,600, providing relief to most resident homeowners. Meanwhile, the bill appropriately increases taxes on high-value investment properties. For example, a $4.5M investment property that currently generates $22,500 in conveyance tax would instead contribute $61,500 under the new structure.

This creates a direct link between market speculation and funding for affordable housing - when property values and investment activity increase, we'll have more resources to address the housing challenges these market conditions create. This additional revenue would be dedicated to critical needs such as:

- 10% to the Dwelling Unit Revolving Fund for infrastructure development
- 8% to a new Supportive Housing Special Fund

Our conveyance tax rates haven't changed since 2009, despite dramatic increases in property values and growing infrastructure needs. This bill provides a fair, balanced approach to generating needed funding for affordable housing while protecting local residents. Those who benefit most from our high-cost real estate market should contribute more to addressing the housing challenges their activities create.

I strongly urge the committee to pass HB1410 to create housing stability for Hawaii's families.

Mahalo for the opportunity to testify.

Sincerely,

Judith Ann Armstrong

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

HB-1410-HD-2
Submitted on: 2/24/2025 12:02:17 PM
Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Brenda DuFresne	Individual	Support	Written Testimony Only

Comments:

I support this

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

HB-1410-HD-2
Submitted on: 2/24/2025 1:27:12 PM
Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Beryl Blaich	Individual	Oppose	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.

With gratitude for your work.

Beryl Blaich

808-346-9589