

DAVID Y. IGE  
GOVERNOR



DENISE ISERI-MATSUBARA  
INTERIM EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
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IN REPLY REFER TO:

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

**SENATE COMMITTEE ON WAYS AND MEANS**

February 25, 2020 at 12:40 p.m.  
State Capitol, Room 211

In consideration of  
**S.B. 3062, S.D. 1**  
**RELATING TO THE CONVEYANCE TAX.**

The HHFDC supports S.B. 3062, S.D. 1, which removes the statutory cap on conveyance taxes dedicated to the Rental Housing Revolving Fund (RHRF). Based on data provided in the Department of Taxation's annual reports, since FY2015, when the RHRF's share of conveyance taxes was increased to 50 percent, there has only been one fiscal year in which the \$38 million cap has not been reached.

Thank you for the opportunity to provide written comments on this bill.



## CATHOLIC CHARITIES HAWAII

### **TESTIMONY IN SUPPORT OF SB 3062 SD1: RELATING TO THE CONVEYANCE TAX**

**TO:** Senator Donovan M. Dela Cruz, Chair, Senator Gilbert S. C. Keith-Agaran, Vice Chair; and Members, Committee on Ways and Means

**FROM:** Rob Van Tassell, President and CEO, Catholic Charities Hawaii

**Hearing:** Tuesday, 2/25/20; 12:40 pm; CR 211

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

Thank you for the opportunity to provide **strong support for HB 3062 SD1**, which would remove the cap of \$38 million on revenues from the conveyance tax to be paid into the Rental Housing Revolving Fund. I am Rob Van Tassell, with Catholic Charities Hawaii. We are also a member of Partners in Care

Catholic Charities Hawaii (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawaii for over 70 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawaii. Catholic Charities Hawaii has a long history of working in the areas of affordable housing and homelessness.

**CCH strongly supports SD1, which removes the cap on conveyance revenue to the Rental Housing Revolving Fund (RHRF), as is also proposed in HB 3104, the omnibus bill on land development.** This fund works and is a critical pathway to create the rentals that can both enable Hawaii's workforce to find an affordable place to live, as well as prevent homelessness in the long term. It needs robust and consistent funding to achieve that State goal. In 2017, it lost out on \$9,250,000 in revenues due to the \$38 million cap. In 2018, \$12,300,000 was lost and in 2019, \$5,000,000, for a total of \$26,550,000 lost to this critical fund. Originally, the legislature authorized that 50% of the conveyance tax should go to this fund, due to the dire need. This need has only increased over the years.

Without additional funding to create sufficient affordable rental housing, the future of Hawaii is at risk and local residents face dire social and economic consequences. Housing is a major component in the high cost of living in Hawaii. The legislature is focusing on the ALICE population. Creating affordable rentals is one key factor of the cost of living over which the Legislature has some control. Funding the creation of units of rental housing, along with for-sale and other housing, is a key option to enable our work force to remain here. More affordable rental units will also address the projected 300% increase in elder homelessness over the next 10 years.

**We urge you to support SB 3062 SD1 and remove the \$38 cap on funding to the RHRF.**

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



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## SB 3062, SD1, RELATING TO THE CONVEYANCE TAX

FEBRUARY 25, 2020 · SENATE WAYS AND MEANS  
COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

**POSITION:** Support.

**RATIONALE:** IMUAlliance supports SB 3062, SD1, relating to the conveyance tax, which removes the cap to be paid into the rental housing revolving fund from conveyance tax revenues.

Today, **the lack of affordable housing exacerbates the economic insecurity suffered by local families, which sex traffickers use to prey upon potential victims with false promises of financial stability and prosperity.** Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2019* report found that a full-time worker would need to earn \$36.82/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015.

Average rent for a two-bedroom unit surpassed \$2,000 in recent years, with minimum wage workers needing to log 111 hours per week to afford a modest one-bedroom apartment at fair market value and 146 hours per week to afford a two-bedroom—a number that is equivalent to working over 20 hours a day with no days off year-round. In the past five years alone, Honolulu rent has increased by more than 25 percent. While 43 percent of Hawai'i residents are renters (a number that does not include individuals and families renting outside of the regulated rental market), they earn an average wage of \$16.68/hour, according to NLIHC, scarcely enough to meet their basic needs.

One out of every four households in Hawai'i report that they are "doubling up" or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and Economic Justice. Additionally, 63 percent of households are severely cost-burdened, following NLIHC data, meaning that they pay more than 30 percent of their income for housing costs, a number that rises to 83 percent of extremely low-income households, with only 74 homes available for every 100 households earning 80 percent of their respective area's median income.

Unsurprisingly, our state is now experiencing population decline. Hawai'i saw domestic out-migration increase for a third consecutive year in 2019, as the state's high cost of living continued to push people to the mainland. Census estimates show that our state's population dropped by more than 4,700 people, to 1,415,872, from July 2018 to July 2019, when births, deaths, and migration were accounted for. That's the biggest numerical population drop since 2015 and it made Hawai'i one of just ten states in the country to lose population in 2019, according to the U.S. Census Bureau. People are simply being priced out of paradise.

Conveyance taxes are levied on transfers of real property. Currently, HRS §247-7 caps the amount of conveyance tax collections paid into the rental housing revolving fund at the lesser of 50 percent or \$38 million. Per the Hawai'i Housing Finance and Development Corporation, the revolving fund exists "for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units." To increase available funding for affordable housing, **we support eliminating the conveyance tax cap entirely and urge the committee to do the same**, so that our state can spend as much money as possible addressing the housing crisis, which has become the defining economic issue of our generation in the islands.

Finally, according to a study released in May of 2016 by DBEDT, there are "clear distinctions" between the average price of homes bought by local residents, mainlanders, and foreigners. Analyzing purchases made between 2008 and 2015, DBEDT found: "The average sale price was highest among foreign buyers. The average sale price of the total of 5,775 homes sold to foreign buyers from 2008 to 2015 was \$786,186, 28.3 percent higher than the average sale price to the mainlanders (\$612,770) and 64.7 percent higher than the average sale price to local buyers (\$477,460)." Thus, there exists a direct nexus between increasing conveyance tax rates and

disincentivizing the actions of real estate speculators, who are driving up Hawai'i's housing costs and, in turn, rental prices with no regard for local residents.

We cannot continue to allow the islands to be used as a private Monopoly board for real estate speculators. To ensure that our islands are affordable for ourselves and future generations, we must take bold action **now** to increase our affordable housing supply for working families.

**SB-3062-SD-1**

Submitted on: 2/24/2020 9:51:38 AM

Testimony for WAM on 2/25/2020 12:40:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Galen Fox	Testifying for Faith Action	Support	No

Comments:

Faith Action SUPPORTS SB 3062 because it will help increase the supply of homes available to our most needy residents.