

SB729

Linda Lingle
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

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

IN REPLY REFER TO

Statement of

Karen Seddon

Hawaii Housing Finance and Development Corporation
Before the

**SENATE COMMITTEE ON EDUCATION AND HOUSING
SENATE COMMITTEE ON WATER, LAND, AGRICULTURE,
AND HAWAIIAN AFFAIRS**

February 13, 2009 1:30 p.m.
Room 225, State Capitol

In consideration of

S.B. 729

RELATING TO RENTAL HOUSING.

S.B. 729 increases the percentage of conveyance tax revenues paid into the Rental Housing Trust Fund from 30 percent to 65 percent. We appreciate the intent of this measure; however, given the current fiscal difficulties, it would not be prudent to pursue enactment at this time.

Thank you for the opportunity to testify.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

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**SENATE COMMITTEE ON EDUCATION & HOUSING AND
WATER, LAND, AGRICULTURE & HAWAIIAN AFFAIRS
TESTIMONY REGARDING SB 729
RELATING TO HOUSING**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: FEBRUARY 9, 2009

TIME: 9AM

ROOM: 325

This measure increases the amount of conveyance tax deposited to the rental housing trust fund.

The Department of Taxation (Department) **supports the intent** and purpose of this measure; however **must oppose any diversion revenue away from the general fund.**

I. THE ISSUE OF AFFORDABLE HOUSING IS IMPORTANT.

The Department recognizes that affordable housing is an important issue; however affordable housing priorities and projects must be budgeted and prioritized just like every other state expenditure through the use of general funds rather than earmarks and diversions of tax revenues.

II. THE DEPARTMENT OPPOSES THE INCREASE IN DEPOSITS TO THE RENTAL HOUSING TRUST FUND.

Though the Department and Administration have strongly supported increasing the conveyance tax deposits into the rental housing trust fund in the past, this session such an increase cannot be supported. Every dollar of general fund revenues must be protected.

The Department cannot support the tax provision in this measure because it is not factored into the budget. The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

II. REVENUE IMPACT.

This measure would result in a revenue loss of \$10.2 million in FY 2010 to the general fund and gain to the rental housing trust fund from the conveyance tax increase.



SB 729 Relating to

Rental Housing

Senate Committee on Education and Housing
Committee on Water, Land, Agriculture, and Hawaiian Affairs

February 13, 2009
225

1:30 pm

Room

The Office of Hawaiian Affairs **supports** the purpose and intent of SB 729.

The growing affordable housing problem is one of the most critical issues faced by our communities, especially our Native Hawaiian communities. This issue seems to have many of our families struggling to find adequate housing and to make ends meet.

The continued increased pressure on government to provide financing assistance and reduce government barriers for the development of affordable housing has not ceased. The demand for affordable housing has not ceased. The partnerships created by government with non profit and for profit developers to keep our affordable housing inventory in a position to meet the demand reasonably need to address the "how to" versus "we cannot do it". The demand for funding has not ceased, The conveyance tax paid into the rental housing trust fund will diminish based on market conditions, therefore, the allocation need to increase.

We recognize that physical solutions by themselves will not solve social and economic problems, but neither can economic vitality, community stability, and environmental health be sustained without a coherent and supportive physical framework. This bill may assist in providing a much needed changed framework in these present market conditions.

Mahalo nui loa for the opportunity to provide this testimony and request your support.

DEPARTMENT OF COMMUNITY SERVICES
CITY AND COUNTY OF HONOLULU

715 SOUTH KING STREET, SUITE 311 • HONOLULU, HAWAII 96813 • AREA CODE 808 • PHONE: 768-7762 • FAX: 768-7792



MUFI HANNEMANN
MAYOR

DEBORAH KIM MORIKAWA
DIRECTOR

ERNEST Y. MARTIN
DEPUTY DIRECTOR

February 10, 2009

The Honorable Norman Sakamoto, Chair
and Members of the Committee on
Education and Housing
The Honorable Clayton Hee, Chair
and Members of the Committee on Water, Land,
Agriculture and Hawaiian Affairs
The Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chair Sakamoto, Chair Hee, and Members:

**Subject: SB No. 729
Relating to Rental Housing**

The Department of Community Services **strongly supports** the proposal to make permanent the earmarking of 65% of the conveyance tax collections to go to the rental housing trust fund.

A permanent, dedicated, and reliable source of funding for the rental housing trust fund is needed to ensure the ongoing production of new rental housing. New production has not kept pace with the loss of affordable rental units through demolition, and conversion to sales units and vacation rentals.

Our Department administers approximately 4,000 housing choice vouchers on Oahu and is keenly aware of the dire need for affordable units. Housing development is a long process that requires several years from project inception to occupancy of dwelling units. In order to address the needs of our citizens, a dedicated source of significant funding must be provided through this and other measures to ensure that there is an adequate supply of housing units to meet the needs of some of our most vulnerable populations.

Thank you for the opportunity to provide this testimony.

Sincerely,

A handwritten signature in blue ink that reads "Deborah Kim Morikawa".

Deborah Kim Morikawa
Director

DKM:gk
sb 729



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF SB 729: RELATING TO RENTAL HOUSING

TO: Senator Norman Sakamoto, Chair, Committee on Education & Housing
Senator Clayton Hee, Chair, Committee on Water, Land, Agriculture, and
Hawaiian Affairs, and Members

FROM: Betty Lou Larson, Housing Programs Director, Catholic Charities Hawai'i

HEARING: **Friday, February 13, 2009; 1:30 pm; CR 225**

Chair Sakamoto, Chair Hee, and members of the Committees on Education and
Housing and Water, Land, Agriculture, and Hawaiian Affairs:

Thank you for this opportunity to provide testimony on SB 729 which would allocate 65% of the conveyance tax to the Rental Housing Trust Fund. I am Betty Lou Larson, the Housing Programs Director at Catholic Charities Hawai'i. We are also members of Partners in Care and Housing Hawaii. Catholic Charities Hawai'i strongly supports this bill which would provide 65 percent of the conveyance tax to be paid into the Rental Housing Trust Fund.

Construction of housing is an economic stimulus. Hawaii has the opportunity to both create jobs and create housing that will benefit our citizens into the future. The Rental Housing Trust Fund has a proven success record. Consistent and adequate funding is critical for development of more affordable projects. This fund is a vital resource to expand the number of rental units that can be created in the next 5 years. Catholic Charities Hawai'i receives hundreds of calls each month for housing help. Over half of the seniors who come to Catholic Charities Hawai'i's Housing Assistance Program are facing homeless. Families with children are still ending up on beaches or in cars. We need to continue to focus on creating a large number of affordable housing units.

We strongly support the allocation of 65% of the conveyance tax to the RHTF. This funding would greatly enhance developers' ability to look for land and other funds needed to make affordable projects pencil out. With the long time frame needed to create projects, developers need to know that funds will be available in the future to ensure feasibility.

The RHTF has allocated virtually all the funds from last year. More funding is needed to address the crisis in affordable housing. The Trust Fund is unique in that it mandates that 5% of the units built must be targeted to persons at 30% of the median income or below. These units are the only new rental units being produced to help our elders on SSI, or families earning the minimum wage or other low income families.

Growing foreclosures and job losses will create additional demand for affordable rentals. Thank you for addressing the increasing need for affordable housing while also creating an economic stimulus. We urge your support for SB 729.





A JOINT LEGISLATIVE EFFORT

E-Mail to: EDHTestimony@Capitol.hawaii.gov
Regarding: Senate Committee on EDH
Hearing on: February 13, 2009 @ 1:30 p.m. #225

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Date: February 10, 2009

To: Senate Committee on Education & Housing
Sen. Norman Sakamoto, Chair
Sen. Michelle Kidani, Vice-Chair

From: Dennis Arakaki
Executive Director
Hawaii Family Forum / Hawaii Catholic Conference

Re: **Support for SB 729** Relating to Housing

Honorable Chair and members of the Senate Committee on Education & Housing, I am Dennis Arakaki, representing both the Hawaii Family Forum and the Roman Catholic Church in the State of Hawaii.

Hawaii Family Forum is a non-profit, pro-family education organization committed to preserving and strengthening families in Hawaii. The Roman Catholic Church in Hawaii, under the leadership of Bishop Larry Silva, represents over 220,000 Catholics in Hawaii.

We strongly support this bill which would provide 65 percent of the conveyance tax to be paid into the Rental Housing Trust Fund.

Construction of housing is an economic stimulus. Hawaii has the opportunity to both create jobs and create housing that will benefit our citizens into the future. The Rental Housing Trust Fund has a proven success record. Consistent and adequate funding is critical for development of more affordable projects. This fund is a vital resource to expand the number of rental units that can be created in the next 5 years.

As you are already aware, families with children still end up on beaches or in living in automobiles. There is a huge need to continue our focus on creating a large number of affordable housing units.



Page Two

SB 729, Relating to Rental Housing

We strongly support the allocation of 65% of the conveyance tax to the RHTF. This funding would greatly enhance developers' ability to look for land and other funds needed to make affordable projects pencil out. With the long time frame needed to create projects, developers need to know that funds will be available in the future to ensure feasibility.

The RHTF has allocated virtually all the funds from last year. More funding is needed to address the crisis in affordable housing. The Trust Fund is unique in that it mandates that 5% of the units built must be targeted to persons at 30% of the median income or below. These units are the only new rental units being produced to help our elders on SSI, or families earning the minimum wage or other low income families.

Growing foreclosures and job losses will create additional demand for affordable rentals. Thank you for addressing the increasing need for affordable housing while also creating an economic stimulus. We urge your support for SB 729.

Thank you for the opportunity to testify in support of SB 729. Mahalo!

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Increase amount earmarked for rental housing trust fund

BILL NUMBER: SB 729

INTRODUCED BY: Sakamoto, Chun Oakland and 6 Democrats

BRIEF SUMMARY: Amends HRS section 247-7 to increase the amount of conveyance tax revenues earmarked to the rental housing trust fund from 30% to 65%.

EFFECTIVE DATE: July 1, 2009

STAFF COMMENTS: The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation 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. The conveyance tax is imposed each time property changes title or ownership.

The legislature by Act 195, SLH 1993, earmarked 25% of the tax to the rental housing trust fund and another 25% to the natural area reserve fund. Currently, 30% of conveyance tax revenues are earmarked for the rental housing trust fund, 25% for the natural area reserve fund, and 10% for the land conservation fund with the remainder deposited into the general fund. Under this bill none of the conveyance tax revenues would go to the general fund.

This measure would increase the amount of the conveyance tax earmarked for the rental housing trust fund from 30% to 65%, thereby earmarking all of the collections of this tax which originally was a receipt of the general fund. That is the problem with earmarking the conveyance tax. With a hot real estate market, the collections of this tax have soared. However, as the market cools, as it did after the Japanese bubble burst in the mid 1990's, the collections of this tax will wane. Collections of the conveyance tax dropped from \$46 million in 2007 to \$43 million in 2008. This dropped the portion going to the rental housing trust fund from \$23 million to \$21 million.

More importantly, earmarking collections of this tax bears little relationship to the need for affordable rental housing. The conveyance tax is one of the least dependable sources upon which to rely for funding with collections rising and falling with the fortunes of the real estate market. Any amount collected under this tax will depend on activity in the real estate market. As the housing market slows down, revenues may not be sufficient to meet the expectations of the fund. If the additional revenues are not sufficient or another "important" program needs funding, will the conveyance tax be increased to generate even more revenue? So, is the \$21 million the rental housing fund got last year sufficient to meet the affordable rental housing needs of Hawaii's people? Probably not, and that is what lawmakers need to recognize is that they are failing their duty to adequately address the challenges of many programs that receive earmarked taxes and fees.

If the legislature deems affordable housing to be such 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. When the legislature dipped into housing special funds to maintain funding for programs like education and social services, that was poor tax policy. This proposal represents the obverse, lawmakers are stealing from the general fund all in the name of affordable housing. As general fund revenues wane, will elected officials once more dip into special funds or repeal this earmarking or in the alternative raise taxes? Earmarking revenues restricts the flexibility in utilizing these revenues.

Finally, as noted above, all of the conveyance tax will now be earmarked for purposes that have absolutely no relationship to the sale or lease of real property. The question that lawmakers must ask themselves is whether or not all of the currently earmarked funds are being used wisely and accomplishing the intended goals. With earmarked funds that can only be used for a designated purpose, lawmakers tend to overlook how those earmarked funds are being used. Before earmarking any more funds for affordable rental housing, lawmakers should assess the success of the affordable rental housing program. Further, they should take into consideration the fact that during the past decade the homes revolving fund was raided to shore up general fund expenditures and that if the concern is affordable housing in Hawaii, then the homes revolving fund should be made whole again with an appropriation of general funds.

Digested 2/12/09



KAMEHAMEHA SCHOOLS

TESTIMONY TO THE SENATE COMMITTEE ON EDUCATION AND HOUSING
AND THE COMMITTEE ON WATER, LAND, AGRICULTURE, AND HAWAIIAN AFFAIRS

By

Paul Quintiliani, Director
Endowment/Commercial Assets Division
Kamehameha Schools

TO: Hearing Date: Friday, February 13, 2009
1:30 p.m., Conference Room 225

February 12, 2009

TO: Senator Norman Sakamoto, Chair
Members of the Committee on Education and Housing
Senator Clayton Hee, Chair
Members of the Committee on Water, Land, Agriculture, and
Hawaiian Affairs

Thank you for the opportunity to comment on SB No. 729.

Kamehameha Schools respectfully **supports this measure.**

Kamehameha Schools broadly supports the increasing availability of affordable housing throughout Hawai'i. We believe that the housing crisis in Hawai'i is real and requires immediate action. We also believe it is critically important to implement policies that will result in the construction of new affordable units (or retention of existing supply) and not have the unintended and ironic consequence of inhibiting construction altogether.

Our overarching comment is that provisions in statute, rules and policies concerning affordable housing must be viewed collectively for their contribution to an overall effective policy that promotes actual development of affordable housing. To achieve this desired outcome, we believe that a range of tools and strategies are needed.

SB No. 729 is positive legislation that promotes many of the tools and strategies we believe can facilitate development of more affordable housing in Hawai'i. We commend the legislature for its forward thinking approach in continuing to support affordable housing funding alternatives. The recommended adjustments to the Rental Housing Trust Fund program further portrays the legislature's commitment to providing the appropriate tools needed to support the development of affordable rental units.

We appreciate the opportunity to express our views on this measure.

February 11, 2009

The Honorable Norman Sakamoto, Chair

Senate Committee on Education and Housing

The Honorable Clayton Hee, Chair

Senate Committee on Water, Land, Agriculture,
and Hawaiian Affairs

State Capitol, Room 225

Honolulu, Hawaii 96813

RE: S.B. 729 Relating to Rental Housing

HEARING DATE: Friday, February 13, 2009 at 1:30 pm

Aloha Chair Sakamoto and members of the Committee on Education and Housing.

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance of the Government Affairs Committee of the Hawai'i Association of REALTORS® ("HAR"), here to testify on behalf of the HAR and its 9,600 members in Hawai'i. HAR **supports S.B. 729**, Relating to Rental Housing, which increases permanently the percentage of the Conveyance Tax paid into the Rental Housing Trust Fund from the current allocation of 30% to 65%.

We believe that Smart Growth is our road map to sustaining and enhancing the quality of life in our communities and we believe that this bill aligns with our core principle of providing housing opportunities.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

The Rental Housing Trust Fund currently receives 30% of Conveyance Tax collections. The Rental Housing Trust Fund Program, coupled with federal and state low income housing tax credits, is the most productive of all government assistance programs. However, there is never enough money in the Rental Housing Trust Fund to satisfy the need for low-income rentals. The allocation of Conveyance Tax collections to the Rental Housing Trust Fund should be increased to 65%.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.

From: [Joel Fischer](#)
To: [EDH Testimony](#)
Subject: SB729;EDH;2/13/09;1:30PM;Rm225
Date: Sunday, February 08, 2009 1:21:45 PM
Importance: High

SB729, Relating to Rental Housing
EDH; Cahir, Sen Sakamoto

PLEASE PASS THIS BILL!

Thank you for hearing this bill. It seems pretty clear after a few years of testing that using the conveyance tax to bolster the rental housing fund has been successful. Thus, the time for ending the "test" and making this use of the conveyance fund permanent clearly has arrived.

In fact, the current economic crisis means that the need for rental housing especially low income rentals- will increase dramatically. Thus, increasing the allocation to 65% is absolutely essential.

This bill shows a great deal of foresight. Thank you for supporting it.

Aloha, joel

Dr. Joel Fischer, ACSW
President, 19-3, Democratic Party

Professor
University of Hawai'i, School of Social Work
Henke Hall
Honolulu, HI 96822

"It is reasonable that everyone who asks justice should DO justice."
Thomas Jefferson

"There comes a time when one must take a position that is neither safe, nor politic, nor popular, but one must take it because one's conscience tells one that it is right."

Dr. Martin Luther King, Jr.

"Never, never, never quit."
Winston Churchill