

SB773

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

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

**SENATE COMMITTEE ON EDUCATION & HOUSING
TESTIMONY REGARDING SB 773
RELATING TO HOUSING**

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

DATE: FEBRUARY 18, 2009

TIME: 1:15PM

ROOM: 225

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

The Department of Taxation (Department) **supports the intent** and purpose of this measure; however **must oppose any diversion of general excise tax 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.

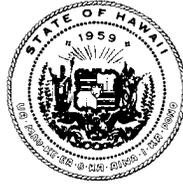
The Department cannot support the tax provision in this measure because it is not factored into the budget. The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would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

III. REVENUE IMPACT.

This measure would result in the following revenue impacts—

- **General Fund:**
 - Allocation from conveyance tax: annual revenue loss of \$5.8 million for FY 2009 to FY 2013.

- **Special Fund:**
 - Allocation from conveyance tax: rental housing trust fund increases \$5.8 million per year for FY 2009 to FY 2013.



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

February 18, 2009, 1:15 p.m.
Room 225, State Capitol

In consideration of
S.B. 773
RELATING TO HOUSING.

The HHFDC has the following specific **comments** on parts II and III of this bill.

Part II (Rental Housing Trust Fund):

Sections 2 and 3 of this part increase the percentage of conveyance tax proceeds dedicated to the Rental Housing Trust Fund. Sections 4 and 5 appropriate \$25 million in General Obligation Bond funds in both FY 2010 and FY 2011 into the Rental Housing Trust Fund and authorize the expenditure of those funds for the development of affordable rental housing.

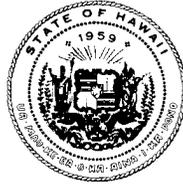
We appreciate the intent of sections 2 and 3; however, given the current fiscal difficulties, it would not be prudent to pursue enactment at this time. We **support** sections 4 and 5, and note that the Executive Biennium Budget request includes the same request.

Part III (Dwelling Unit Revolving Fund):

This part appropriates \$30 million in General Obligation Bond funds in both FY 2010 and FY 2011 into the Dwelling Unit Revolving Fund and authorizes the expenditure of the same.

We **support** this part to the extent that it is consistent with the Executive Biennium Budget request of \$25 million in both FY 2010 and FY 2011. While we appreciate the intent of the language appropriating amounts in excess of the budget request, it would not be prudent to pursue at this time.

Thank you for the opportunity to testify.



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
Honolulu, Hawaii 96817

Statement of
Chad K. Taniguchi
Hawaii Public Housing Authority
Before the

SENATE COMMITTEE ON EDUCATION AND HOUSING

February 18, 2009 1:15 p.m.
Room 225, Hawaii State Capitol

In consideration of
S. B. 773
RELATING TO HOUSING

The Hawaii Public Housing Authority (HPHA) appreciate the **intent of S.B. 773**, making appropriations for housing and homeless services, however, given the current fiscal difficulties, it would not be prudent to pursue enactment at this time.

Section 10 appropriates an additional \$2 million in operating budget funds for repair and maintenance of public housing projects statewide. These funds are needed to maintain a safe and decent living environment in and around public housing units. Federal funds and the amount in the state budget base are insufficient to keep up with maintenance.

Section 11 appropriates \$40.2 million in general obligations bond funds for capital improvement projects to repair and renovate public housing. HPHA estimates, based on the most recent physical needs assessment, that the cumulative backlog of capital improvements for repair and renovation is now approximately \$237 million. Current levels of state CIP appropriations and federal funding do not keep up with the annual accrual of repair and renovation, so the backlog will grow unless funding levels increase.

Section 13 appropriates an additional \$1.5 million general funds for security at public housing projects. HPHA needs to increase funding for security, including security cameras and additional on-site project managers.

Section 14 appropriates \$5.3 million for contracted services and outreach to homeless, sheltered and at-risk persons. The number of homeless and at-risk to become homeless persons is growing in Hawaii and the increase in foreclosures and unemployment are likely to make matters worse. Additional funding is needed to keep the at-risk from losing their housing, shelter those who have no housing, and provide services to transition them to self sufficiency.

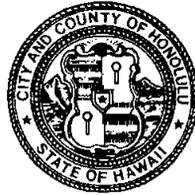
Section 15 appropriates \$32 million in general obligation bond funds to add emergency shelters, homeless shelters and transitional housing. HPHA appreciates the Legislature's

recognition that additional funding is needed to meet the growing demand for shelter and services.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041
DEPT. WEB SITE: www.honoluludpp.org • CITY WEB SITE: www.honolulu.gov

MUFI HANNEMANN
MAYOR



DAVID K. TANOUE
ACTING DIRECTOR
ROBERT M. SUMITOMO
DEPUTY DIRECTOR

February 18, 2009

The Honorable Norman Sakamoto, Chair
and Members on the Committee on Education
and Housing
State Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chair Sakamoto and Members:

**Subject: Senate Bill 773
Relating to Housing**

The Department of Planning and Permitting **supports Part IV of Senate Bill 773** that allocates \$500,000 for third party review assistance to affordable housing projects.

We have found that the use of third party review companies and individuals can hasten the issuance of building permits. However, this service is not inexpensive. If affordable housing projects can hire Third Party Reviewers using the proposed funds, not only will the projects be able to start earlier, but the cost of the projects will be reduced because of time savings.

Please support Part IV of Senate Bill No. 773.

Thank you for the opportunity to testify.

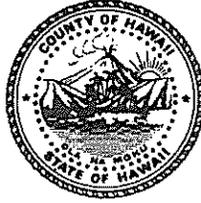
Sincerely yours,

A handwritten signature in black ink, appearing to read "David K. Tanoue", is written over a horizontal line.

David K. Tanoue, Acting Director
Department of Planning and Permitting

DKT: jmf
sb773-kst.doc

Harry Kim
Mayor



Edwin S. Taira
Housing Administrator

County of Hawaii
OFFICE OF HOUSING AND
COMMUNITY DEVELOPMENT

50 Wailuku Drive • Hilo, Hawai'i 96720-2456
V/TT (808) 961-8379 • FAX (808) 961-8685

February 12, 2009

The Honorable Norman Sakamoto, Chair
The Honorable Michelle Kidani, Vice Chair
And Committee Members
Committee on Education and Housing

Twenty-Fifth Legislature
Regular Session of 2009

SUBJECT: **Senate Bill 773**
Hearing Date: 2/18/09
Time: 1:15 p.m.
Conference Room: 225

The Office of Housing and Community Development (OHCD) **supports** Senate Bill 773 and respectfully requests an **amendment to Section 15 of this bill to appropriate \$12 million for the development of the Kaloko Housing Program on the island of Hawai'i.**

Due to non-compliance with current EPA large capacity cesspool requirements, the County must close Ka Hale O Kawaihae Transitional Housing Program (24 transitional units), its only housing program that serves homeless families in West Hawai'i.

The OHCD is facilitating the development of the Kaloko Housing Program (KHP), a 96-unit multi-family, residential housing program, which will provide short- and long-term rental service-enriched housing. The KHP will include a facility to house a construction materials resale outfit and food bank, which will in turn provide employment opportunities for program participants. As there are currently no immediate neighbors in the area, it is critical that the County secure the funding needed to develop this program as soon as possible. To date, the public comment period for the project draft environmental assessment has been completed.

For more than 15 years, the OHCD has collaborated with its local service providers and community stakeholders to find a suitable and permanent location on which to construct the KHP. The County is hopeful that this comprehensive housing program will be a successful model for future housing programs in the State.

As this program provides housing, employment and educational opportunities for working homeless families, the OHCD respectfully requests your support and amendment of SB 773. Thank you for the opportunity to provide testimony.


Stephen J. Arnett
Housing Administrator





A JOINT LEGISLATIVE EFFORT

E-Mail to: EDHTestimony@Capitol.hawaii.gov
Regarding: Senate Committee on EDH
Hearing on: February 18, 2009 @ 1:15 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 773 Relating to Housing

Honorable Chair and members of the Senate Committee on Health, 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** the allocations proposed in the bill to create more affordable housing. We urge you to reinstate the allocation of a minimum of 50% of the conveyance tax to the Rental Housing Trust Fund (RHTF). This 50% allocation sunsetted last year. Funding the RHTF creates new affordable rental housing and acts as an economic stimulus. The RHTF also mandates that 5% of the units be built for families at 30% of median income, thus creating units for the most needy of our citizens. Ongoing funding from the conveyance tax is vital for housing developers to move forward to search for land and develop projects.

Shelter Plus Care (Section 14) requires matching funds to utilize federal funds that provide housing subsidies for persons with disabilities who are homeless. This program has proven to be highly effective in getting high risk individuals off the streets and into market housing and stabilized with their support services.



Page Two

SB 773, Relating to Housing

We would suggest the following amendments:

- 1) Purpose / Section 1, at the end: replace “extend the sunset date for the allocation” to “**increase the allocation...**”;
- 2) Section 247-7, (2): **fifty** per cent shall be paid into the rental housing trust fund;
- 3) We suggest that Section 14 be changed to: “There is appropriated out of the general revenues of the State of Hawaii the sum of **\$1 million** or so much thereof as may be necessary for fiscal year 2009-2010 and 2010-2011 for the provision of continual operating funds to provide matching funds for shelter plus care grants.
- 4) Delete Section 15. We thank the Legislature for your allocation of funds to the Kaloko project on the Big Island last year.

We urge your support for this bill which would create housing for low and moderate income families across the State, as well as provide match funds to take advantage of federal funds for housing subsidies.

Please support SB 773. Mahalo for the opportunity to testify.



Housing Hawaii
Advocating Creating Maintaining Affordable Housing

Board of Directors

February 11, 2009

President

Kevin Carney, EAH
Housing

The Honorable Norman Sakamoto, Chair
Senate Committee on Education and Housing
Hawaii State Capitol, Room 230
Honolulu, HI 96813

Vice-President

Rene Berthiaume,
TransPacific Housing
Development
Corporation

Dear Chair Sakamoto and Members:

Secretary – Denise

Boswell, Rural
Community
Assistance
Corporation

RE: SB 773, RELATING TO HOUSING

I am Nani Medeiros, Executive Director of Housing Hawaii, testifying on Senate Bill 773, Relating to Housing. This bill provides funding affordable housing development. Housing Hawaii **takes no position on this bill but offers the following information.**

Treasurer - Chuck

Wathen, Wathen and
Associates, Ltd.

Funding, development, and preservation of existing and future stock are the key elements to developing a plan that successfully addresses government subsidized affordable housing. Although funding is the starting point for an increase in government subsidized affordable housing supply, other actions must occur simultaneously to provide systemic change that will produce homes our people can afford.

Director - Kyle

Chock, The Pacific
Resource Partnership

In 2006, the Hawaii State Legislature increased the amount of conveyance tax proceeds deposited into the Rental Housing Trust Fund to 50 per cent of revenues collected. In July 2008, the law reverted back to the original language which sets aside only 30 per cent of revenues for deposit into the trust fund. The allocation of conveyance tax proceeds to the RHTF provides predictability for the State and developers when it comes to planned affordable housing projects. Dedicated funding sources for government subsidized affordable housing is a serious policy consideration. Other jurisdictions and states have used a number of dedicated funding sources include: GET revenue collections on residential rents, real estate and property taxes, or surcharges investor and speculative purchases.

Director - Ralph

Mesick, Bank of
Hawaii

Director - Laree

Purdy, Abigail
Affordable Housing
and Facilitated Home
Ownership

The cost of infrastructure financing is a significant challenge in any development. Roads, sewage lines, water lines, electrical, gas, storm water drains, curbs, gutters, and sidewalks are some of the infrastructure needs that must be provided in residential developments. The limited amount of infrastructure financing options available in Hawaii for government subsidized affordable housing makes this challenge even more daunting, and provides a disincentive to developers who are contemplating residential projects where a considerable amount of infrastructure and offsite infrastructure work may be needed or required. The dwelling unit revolving fund is the only State fund that

Director – Gregg
Robertson, Robertson
& Company, LLC

Director – Brian
Takahashi, Architects
Hawaii

Director – Kirk
Caldwell, City and
County of Honolulu

Director – Kamaile
Sombelon, Lokahi
Pacific

Executive Director
Nani Medeiros

Housing Hawaii, 841 Bishop Street, Suite 2208, Honolulu, HI 96813

Phone: 808-469-7774

Email: housinghawaii@hawaii.rr.com

www.housinghawaii.org

is designated as a source of funding for affordable housing infrastructure construction.

When offsite infrastructure is required of a development, and the improvement will be a benefit to the greater community in which the development is located, the cost of financing the infrastructure, and who bears that cost should be carefully evaluated. In conjunction with developer contributions, government resources such as: general funds, capital improvement project funds, general obligation bonds, community facilities districts, tax increment financing, Community Development Block Grant funds, United States Rural Development Association programs, and HOME funds can be leveraged to share a burden of the cost of infrastructure, which means less infrastructure costs passed on to the consumer through higher housing prices.

Infrastructure financing should be approached with integrated long term-planning concepts coordinated by the State and Counties. Other infrastructure financing tools employed across the nation include: tax credits, impact fees, tax exempt bond financing, improvement districts, real property tax exemptions, and a dedicated affordable housing infrastructure fund.

Leveraging financing sources for an affordable housing development is an art. Typically, affordable housing projects utilize multiple sources of financing that are leveraged with each other. Together, the multiple sources balance to reach the "bottom line" and make a project pencil out. For example, a project may be financed using Federal or State tax credits, bond financing, monies from the US Department of Housing and Urban Development, and the Rental Housing Trust Fund. Each of these funding mechanisms carries their own affordable housing requirements and it is the developer's responsibility to meet each of those requirements.

GET exemptions, Community Development Block Grants, US Rural Development Association programs, Temporary Assistance to Needy Families funds, and the State low-income housing tax credit are examples of financing sources that could be leveraged to fund government subsidized affordable housing projects.

Thank you for the opportunity to provide these comments.

Nani Medeiros
Executive Director



CATHOLIC CHARITIES HAWAII

REVISED

TESTIMONY IN SUPPORT OF SB 773: RELATING TO HOUSING

TO: Senator Norman Sakamoto, Chair, Senator Michelle Kidani, Vice Chair,
And Members, Committee on Education and Housing

FROM: Betty Lou Larson, Housing Programs Director, Catholic Charities Hawai'i
2/13/09

HEARING: **Wednesday, 2/19/09; 1:15 pm; CR 225**

Chair Sakamoto, Vice Chair Kidani , and Members, Education and Housing Committee:

Thank you for the opportunity to testify in **strong support of SB 773**. 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.

We strongly support the range of initiatives proposed in the bill to create more affordable housing. In particular, we urge you to reinstate the allocation of a minimum of 50% - 65% of the conveyance tax to the Rental Housing Trust Fund (RHTF). The 50% allocation sunsetted last year. Funding the RHTF creates new affordable rental housing and acts as an economic stimulus. The RHTF also mandates that 5% of the units be built for families at 30% of median income, thus creating units for the most needy of our citizens. Ongoing funding from the conveyance tax is vital for housing developers to move forward to search for land and develop projects.

Shelter Plus Care (Section 14) requires matching funds to utilize federal funds that provide housing subsidies for persons with disabilities who are homeless. This program has proven to be highly effective in getting high risk individuals off the streets and into market housing and stabilized with their support services.

We would suggest the following amendments:

- 1) Purpose / Section 1, at the end: replace "extend the sunset date for the allocation" to "**increase the allocation...**";
- 2) Section 247-7, (2): **fifty** per cent shall be paid into the rental housing trust fund;
- 3) We suggest that Section 14 be changed to: "There is appropriated out of the general revenues of the State of Hawaii the sum of **\$1 million** or so much thereof as may be necessary for fiscal year 2009-2010 and 2010-2011 for the provision of continual operating funds to provide matching funds for shelter plus care grants.
- 4) Section 15. We support the amendment in the testimony of the County of Hawaii for funding for the Kaloko Housing Program. We thank the Legislature for your allocation of funds last year to the Kaloko project on the Island of Hawai'i.



February 12, 2009

The Honorable Norman Sakamoto, Chair
Senate Committee on Education and Housing
State Capitol, Room 225
Honolulu, Hawaii 96813

RE: S.B. 773 Relating to Housing

HEARING DATE: Wednesday, February 18, 2009 at 1:15 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. 773**, Relating to Housing, which among other things reestablishes the 50% allocation of Conveyance Tax to the Rental Housing Trust Fund to June 30, 2013.

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 reestablished at 50% until June 30, 2013.

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.



KALIHI-PALAMA HEALTH CENTER

*Hale Ho'ola Hou-House of New Life
Health Care for the Homeless Project*

TESTIMONY IN SUPPORT OF SB 773: RELATING TO HOUSING

*Sumner St. Clinic
350 Sumner St.
Suite 101
Honolulu, HI 96817
(808) 531-6322*

TO: Senator Norman Sakamoto, Chair, Senator Michelle Kidani, Vice Chair and Members of the Senate Committee on Education and Housing

FROM: Laura E. Thielen, MSW, Housing Supervisor, Kalihi Palama Health Center, Health Care for the Homeless Project

HEARING: Wednesday, February, 18, 2009
1:15 pm
Conference Room 225

*Safe Haven
41 S. Beretania St.
Honolulu, HI 96813
(808) 524-7233*

Chair Sakamoto, Vice Chair Kidani and Members of the Committee on Education and Housing;

Good afternoon. My name is Laura E. Thielen and I am the Housing Supervisor at Kalihi-Palama Health Center's, Health Care for the Homeless Project. Kalihi Palama Health Center is a member of Partners In Care here on Oahu.

*OHANA Project
c/o Kohou St. Clinic
Suite 307
Honolulu, HI 96817
(808) 845-2377*

We **stand in strong support** of many of the initiatives proposed in Senate Bill 773 including the extension of the sunset date for the allocation of the conveyance tax to the rental housing trust fund to June 30, 2013, and the increase to 50% of the conveyance tax that will go to the Rental Housing Trust Fund for the development of affordable rental housing.

*Ka'a'ahi St. Clinic
546 Ka'a'ahi St.
Honolulu, HI 96817
(808) 791-6342*

We are also in strong support of the provision of funds directed to homeless services, such as Shelter Plus Care. Shelter Plus Care is a federal housing subsidy program that enables individuals to move into market rentals throughout our community. Clients are required to pay 30% of their income towards rent and the rest is subsidized. In return for being on the program, clients receive wrap around services which assist them in maintaining independence while at the same time decreasing costs associated with being homeless. Case Managers and Housing Specialists are matched up with every client and they assist clients in maintaining housing, hook them up with medical and psychiatric services health and locate jobs. The Shelter Plus Care program requires a \$1:\$1 match ratio which means that HUD provides the funding for the rental subsidy and providers must provide a minimum of services equal to the subsidy. ACT 222 provided a small amount of funding from the State to meet this match requirement. We are requesting that this fund continue to be available and that other agencies are able to access matching funds. We would suggest that \$1 million of State general revenues be provided for FY 2009-2010 and 2010-2011 for the continued operating funds to provide matching funds for the Shelter Plus Care program.

*Kohou St. Clinic
904 Kohou St.
Suite 307
Honolulu, 96817
(808) 791-6370*

We urge you to support this bill today. Thank you for your time and consideration.

The Mission of the Health Care for the Homeless Project is to reach and care for those individuals most in need of help who are least likely to receive services in other settings. We provide access to professional and integrated medical, mental health, and social services. Our commitment is to address both immediate needs and reintegration of persons into the larger community.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Adjust disposition to rental housing trust fund

BILL NUMBER: SB 773; HB 749 (Identical)

INTRODUCED BY: SB by Chun Oakland and Sakamoto; HB by Cabanilla and Mizuno

BRIEF SUMMARY: Amends HRS section 247-7 to provide that retroactive to 6/30/08 and until 6/30/13, the increase in the earmarking of conveyance tax revenues from 30% to 50% shall be paid into the rental housing trust fund. On 7/1/13, the earmarking of 50% shall revert back to 30%.

The proposal also makes various appropriations of general funds and authorizes the issuance of general obligation bonds. Authorizes \$25 million in general obligation bonds for the rental housing trust fund and \$30 million for the dwelling unit revolving fund to be expended by the Hawaii Housing Finance and Development Corporation (HHFDC). Authorizes the issuance of \$40.2 million in general obligation bonds for the repair and renovation of public housing units and \$32 million in general obligation bonds for the construction of transitional shelters for the homeless to be expended by the Hawaii Public Housing Authority (HPHA). Appropriates \$500,000 to HHFDC to assist housing developers by contracting with third-party providers to expedite the permitting process. Also appropriates general funds to the HPHA for repairs and renovation of public housing projects - \$2 million; for security at public housing projects - \$1.5 million; and for outreach services for the homeless - \$5.3 million.

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.

Currently, 10% of conveyance tax revenues is earmarked for the land conservation fund, 30% for the rental housing trust fund and 25% for the natural area reserve fund with the remainder deposited into the general fund. While the proposed measure increases the earmarking of conveyance tax revenues to the rental housing trust fund from 30% to 50% for a period of 10 years, it would perpetuate the "automatic funding" mechanisms for the various programs from conveyance tax revenues without any legislative intervention. Since funds are deposited into these funds without legislative scrutiny, it would be difficult to ascertain the effectiveness of the program and also determine whether there are sufficient or insufficient funds for the various programs.

It should be remembered that the collections of this tax were originally 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 and now in the aftermath of the subprime credit crisis, the collections of this tax will wane. 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. If the amount of conveyance tax revenues is not sufficient or another "important" program needs funding, will the conveyance tax be increased again to generate even more revenue?

If the legislature deems any of the programs for which conveyance tax revenues are earmarked 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. When 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. So, for example, because the housing market slowed last year, the rental housing trust fund realized only \$21 million in FY 2008 as compared to the \$23 million it received in the prior year. If asked, housing officials would probably say that is not enough to carry out their mandate, thus the program is underfunded. If the money were appropriated, lawmakers could then evaluate the real or actual needs of this particular program. In fact, in this bill lawmakers acknowledge that the current earmarked funds are not enough by both increasing the percentage earmarked for the rental housing trust fund and authorizing the issuance of \$25 million in general obligation bonds.

In its great wisdom, the legislature has already imposed a hefty burden on many affordable housing projects because of the much higher rates imposed on the transfer of residential property that will not be owner occupied. Will they again raise those rates and bring new development of affordable housing and rental housing to a stand still? Unfortunately, the target of that hefty increase on sales of residential real property will be those who are least likely to afford their shelter, the renter. Unintended consequences as they may be, this proposal, like many others that have sought to nickel and dime taxpayers to fund motherhood and apple pie ideas, will have just the opposite effect on the outlook for affordable housing in Hawaii. This portion of the proposal cannot be justified.

This measure also appropriates general fund revenues and authorizes the issuance of general obligation bonds the proceeds of which are to be used for affordable housing. Recent interest in public/private partnerships in building affordable housing and repairing public housing projects is an alternative to issuance of state general obligation bonds and use of the state's cash. If the project is to be "owned" by a private developer or nonprofit, federal private activity bonds could be used along with the federal and state low-income housing tax credits. The private activity bonds are much more attractive since the earnings are tax exempt for federal income tax purposes. Further, because the funds would be used for affordable housing, they would attract an additional subsidy from the federal government of 40% for every dollar spent on qualified costs. So instead of spending just one dollar for the repair of the elevators at a public housing project, the private developer would have a dollar and forty cents to spend on that project. Lawmakers need to pursue the public/private partnership strategy as a way to address the affordable housing issue in Hawaii.

To: Senator Norman Sakamoto, Chair
Senator Michelle Kidani, Vice Chair
Committee on Education and Housing

From: Community Alliance Partners
Hawai'i Island Continuum of Care to End Homelessness
(808) 933-6033 hawaiicap@gmail.com

EDH Public Hearing Date: Wednesday, 2/19/09; 1:15 pm; CR 225

SUPPORT of SB 773 RELATING TO HOUSING

Dear Chair Sakamoto, Vice Chair Kidani, and members of the Committee on Education and Housing:

Community Alliance Partners (CAP), the Continuum of Care for the Island of Hawai'i, is a broad based consortium of social service providers and community members working together to address the issue of homelessness. These efforts are centered on collaboration to support the development of a spectrum of resources and services to assist those affected by homelessness in obtaining and maintaining sustainable housing and achieving economic self-sufficiency.

CAP is writing in SUPPORT of SB 773 which would provide essential funds to sustain existing avenues of support for homeless services and affordable housing.

In particular we would like to emphasize the urgency of continuing funding to support operations of programs providing housing and support services to the homeless, through outreach, support services and shelter facilities.

On the island of Hawaii there are very limited resources to address the needs of our homeless population, so these funds are important to helping keep the continuum of services alive.

We also support amendment to increase the allocation to fifty-percent of conveyance tax into the Rental Housing Trust Fund.

As we continue to provide services to assist homeless individuals and families to achieve safety and work toward increased independence, vehicles to promote development that increases the available supply of truly affordable housing are critical to helping address the source of our State's housing challenges.

Thank you for the opportunity to testify.

Submitted by Julie Nagasako, CAP Advocacy Committee Chair



**Testimony on SB773: Relating to Housing
Senate Committee on Education and Housing
Conference Room 225, 2/18/09, 1:15 p.m.**

*Building
houses,
building
hope*

Testimony in Support of SB773: Relating to Housing

Hawaii Habitat for Humanity Association **supports** this omnibus housing bill that would increase funding for housing and homeless programs. In these uncertain times it is more important than ever that we insure that there is a safe, decent, affordable place for every resident.

We support all aspects of this bill from increasing funding for the Rental Housing Trust Fund and the Dwelling Unit Revolving Fund to expediting the permitting process so that homes can be built more quickly. Repair and renovation of public housing offer very doable increases in housing availability for those who need it most and homeless services provide a fall back while we have such a drastic shortfall of affordable housing in our communities.

Thank you for supporting this bill.

Kathleen Hasegawa
Executive Director
808-538-7676



St. Francis

RESIDENTIAL CARE COMMUNITY
A subsidiary of St. Francis Healthcare System of Hawaii

February 18, 2009

The Honorable Norman Sakamoto, Chair
The Honorable Michelle Kidani, Vice-Chair
Senate Committee on Education and Housing
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Re: **Testimony in Support of S.B. No. 773, Relating to Housing**

Hearing: Wednesday, February 18, 2009, 1:15 p.m.
State Capitol, Conference Room 225

Dear Senator Sakamoto and Committee Members:

Thank you for the opportunity to testify in **support** of Senate Bill 773, Relating to Housing. The Sisters of St. Francis are humbled and proud to have taken care of healthcare needs for the people of Hawaii since 1883, and recognize the importance of housing to maintain one's physical and mental well-being. We continue our outreach to the residents of Hawaii through the construction of a Franciscan rental community in Ewa, Oahu for low-income senior residents.

The Franciscan Vistas Ewa housing development has received valuable support from the State of Hawaii Rental Housing Trust Fund, Hula-Mae tax-exempt bonds, HOME funds, Community Development Block Grants, and private foundations. The available government support, specifically the gap-financing provided by the Rental Housing Trust Fund (RHTF) made the difference in project feasibility.

We applaud your efforts to support a continuous, funding mechanism for the RHTF, along with other initiatives to provide affordable housing options for all the residents of Hawaii, and express our support for Senate Bill 773, Relating to Housing.

Respectfully,

Sister William Marie Eleniki, OSF
President



PARTNERS IN CARE

TESTIMONY IN SUPPORT OF SB 773: RELATING TO HOUSING

TO: Senator Norman Sakamoto, Chair, Senator Michelle Kidani, Vice Chair,
And Members, Committee on Education and Housing

FROM: Darlene Hein, Advocacy Chair, Partners In Care - 2/13/09

HEARING: **Wednesday, 2/19/09; 1:15 pm; CR 225**

Chair Sakamoto, Vice Chair Kidani, and Members, Education and Housing Committee:

Thank you for the opportunity to testify in strong support of SB 773. Partners In Care is a membership organization of providers of homeless services, concerned professionals, units of local and state government, consumers, and other community representatives located in the City and County of Honolulu.

We **strongly support** the range of initiatives proposed in the bill to create more affordable housing. In particular, we urge you to reinstate the allocation of a minimum of 50% - 65% of the conveyance tax to the Rental Housing Trust Fund (RHTF). The 50% allocation sunsetted last year. Funding the RHTF creates new affordable rental housing and acts as an economic stimulus. The RHTF also mandates that 5% of the units be built for families at 30% of median income, thus creating units for the most needy of our citizens. Ongoing funding from the conveyance tax is vital for housing developers to move forward to search for land and develop projects.

Shelter Plus Care (Section 14) requires matching funds to utilize federal funds that provide housing subsidies for persons with disabilities who are homeless. This program has proven to be highly effective in getting high risk individuals off the streets and into market housing and stabilized with their support services.

We would suggest the following amendments:

- 1) Purpose / Section 1, at the end: replace "extend the sunset date for the allocation" to "**increase the allocation...**";
- 2) Section 247-7, (2): **fifty** per cent shall be paid into the rental housing trust fund;
- 3) We suggest that Section 14 be changed to: "There is appropriated out of the general revenues of the State of Hawaii the sum of **\$1 million** or so much thereof as may be necessary for fiscal year 2009-2010 and 2010-2011 for the provision of continual operating funds to provide matching funds for shelter plus care grants.
- 4) Section 15. We support the amendment in the testimony of the County of Hawaii for funding for the Kaloko Housing Program. We thank the Legislature for your allocation of funds last year to the Kaloko project on the Island of Hawai'i.

Senator Norman Sakamoto
Chair
Committee on Education and Housing
Conference Room 225
Hawaii State Capitol
Honolulu, Hawaii

February 12, 2008

In Support of Senate Bill SB 773

Aloha Senator Sakamoto:

Here we have another Omnibus Bus Bill. Great!!! Yes, the former bill needs some work. 25% increase more now. And it should be. Everything is going up so should the Omnibus bill. Thank you. Please also bear in mind, we need to move quickly. These numbers of homeless are shocking - 800 homeless children - and unacceptable. Great that you are doing something about this problem. Again, please move quickly.



Carlton N. Middleton