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HOUSE COMMITTEE ON FINANCE

TESTIMONY REGARDING HB 2280 HD 1 RELATING TO THE HOMELESS

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

DATE: FEBRUARY 24, 2010

TIME: 10AM

ROOM: 308

This measure, as amended, increases the conveyance tax on the sale of homes over \$1,200,000 to finance a Return-To-Home program for the homeless.

The Department of Taxation (Department) **opposes** the tax increase in measure as an unwarranted tax increase.

I. THE ISSUE OF PROVIDING HOMELESS SERVICES IS IMPORTANT.

The Department recognizes that providing shelter and services to the homeless is an important issue; however these 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. OPPOSED TO INCREASING THE CONVEYANCE TAX

The Department is opposed to the conveyance tax increase in this measure because ultimately the increase will merely make property prices more expensive. Taxes such as the conveyance tax will be recovered through the sales price of the property. This will not help in alleviating the already high real property prices in Hawaii.

III. REVENUE IMPACT

As amended, this legislation will result in the following revenue gains:

- **General Fund:** Annual revenue gain is estimated at \$1.6 million for FY 2011 & FY

2012, and \$1.2 million for FY 2013 & after.

- **Special Fund:** The annual special funds will increase as follows:

(in \$million)	FY 2011 & FY 2012	FY 2013 & After
Parks for Homeless Fund	\$0.4	\$0.4
Land Conservation Fund	\$0.3	\$0.3
Rental Housing Fund	\$0.9	\$1.1
Natural Area Fund	\$0.7	\$0.9



DEPARTMENT OF
HOUSING AND HUMAN CONCERNS
COUNTY OF MAUI

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February 23, 2010

LATE

Honorable Marcus R. Oshiro, Chair
and Members of the Committee on Finance
House of Representatives
Twenty-Fifth State Legislature
State of Hawaii
State Capitol, Room 306
Honolulu, Hawaii 96816

Dear Chair Oshiro and Members:

SUBJECT: HB 2280, HD 1, RELATING TO THE HOMELESS

This legislation proposes to establish a State Parks for Homeless Special Fund (PHSF) which would be funded with the proceeds from an increase in the Conveyance Tax and mandated contributions from the counties. The PHSF would be used to allow the counties to provide support to programs that address homelessness. In addition, it provides a specific appropriation to the Hawaii Public Housing Authority to implement the Return to Home program.

While Maui County agrees with the intent of HB 2280, HD 1, we object to this bill for the following reasons:

- (1) The bill includes an unconstitutional mandate for the counties to contribute to the PHSF.
- (2) The bill provides for the PHSF to be established in the State treasury, but to be administered by the finance department of any county that receives funding from the PHSF. It would be inappropriate for a county to administer any fund in the State treasury. It would be more efficient for the State to appropriate grants from the PHSF directly to the counties so they may fund their programs that address homelessness.

While the County of Maui is sensitive to the plight of individuals and families experiencing homelessness, we do not believe HB 2280, HD 1 offers a reasonable, desirable, and legal valid means of helping this segment of the community. We reiterate our objections to this legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Tsuhako", written in a cursive style.

LORI TSUHAKE
Director of Housing and Human Concerns

xc: Charmaine Tavares, Mayor, County of Maui
Representative Joe Bertram, III
Representative Mele Carroll
Representative Gilbert Keith-Agaran
Representative Angus McKelvey
Representative Joseph Souki



LATE TESTIMONY

LAND USE RESEARCH
FOUNDATION OF HAWAII
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Honolulu, Hawaii 96813
Phone 521-4717
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Via: FINTestimony@Capitol.hawaii.gov

February 24, 2010

**Opposition to HB 2280, HD1 Relating to the Homeless
(15% Conveyance Tax increase for Homeless Parks; Return-to-Home)**

Honorable Representatives Marcus R. Oshiro, Chair, Marilyn B. Lee, Vice Chair,
and Members of the Committee on Finance:

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. 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 **strongly opposes Bill 2280, HD1**, because it creates an unfair and illogical tax which has no rational nexus or relation between the sales of properties over \$1,200,000, the state conveyance system, a state program to pay the costs of returning homeless persons to their home state, and establishing a county program to purchase and maintain county parks for the homeless. Furthermore, the proposed Bill 2280, HD1 has other major detrimental consequences.

HB 2280, HD1. This bill seeks to (1) Provide a voluntary assistance program within the Hawaii Public Housing Authority to assist the homeless in reuniting with their families and relatives in the person's home state; (2) creates the parks for homeless special fund (Homeless Parks Special Fund); (3) increases the conveyance tax by fifteen percent (15%) on the sale or conveyance of any property or home valued at \$1,200,000 and more, with said conveyance taxes to be deposited into the Homeless Parks Special Fund; and (4) appropriates the sum of \$100,000 from the Homeless Parks Fund, or "so much thereof as may be necessary for fiscal year 2010-2011 for implementing the costs of the return-to-home program, including program costs and the hiring of necessary staff.

LURF'S POSITION. LURF supports the general intent and purpose of the proposed Return-to-Home program, although we believe that some of its functions it could be implemented through existing homeless and affordable housing programs. **LURF strongly opposes the portion of HB 2280, HD1 which increases the conveyance tax by 15% on the sale or conveyance of any property valued at \$1,200,000 or more, creates the Parks for Homeless Special Fund (Homeless Parks Special Fund) in the State Treasury,** into which shall be deposited the dedicated portion of the conveyance tax; along with matching funds which will be required to be provided by each county. LURF also opposes the portion of HB 2280, HD1 which provides that monies in the Homeless Special Fund are to be administered by the finance department of any county that receives funds from the Homeless Parks Special Fund to provide programs to support the homeless. And lastly, LURF opposes the portion of HB 2280, HD1, which further provides for a 2010-2011 appropriation from the Homeless Parks Special Fund of \$100,000, or so much thereof as may be necessary for the implementing the costs of the Return-to-Home program.

Under a separate, but related bill, HB 2488, HD1, which designates the uses of the Homeless Parks Fund, the counties are assigned all of the responsibilities for purchasing, maintaining the parks for the homeless, as well as for providing services for the homeless, including, but not limited to purchasing shopping carts and pets for each homeless person who wishes to live in county parks. The related HB 2488, HD1 also provides that park users shall relinquish the park for maintenance from 9:00 a.m. to 4:30 p.m. daily during which time the tents shall be removed – this implies that tents for the homeless will be allowed in county parks from 4:30 pm to 9:00 a.m. daily.

The related HB 2488, HD1 provides that the monies in the Homeless Parks Special Fund, and shall be used for the following:

- To acquire, convert, or maintain parks under the jurisdiction of each county to service the homeless at those parks;
- Open structures or shelters to protect park users from the wind and rain; basic services such as showers, toilets, drinking fountains, coin-operated washers and dryers and lockers;
- Accommodations for overnight camping;
- One shopping cart per homeless person for personal possessions; and
- Not more than one small pet for every homeless person.

LURF'S POSITION. The intent and purpose of the Homeless Parks Special Fund established by this HB 2280, HD1 (and the further provisions explained in HB 2488, HD1) are well-meaning, however both bills are misguided and ill-conceived proposals with tremendous unanticipated negative consequences on many of Hawaii's large families and Kama`aina landowners, and will have a substantial negative impact on the affordable rental housing by reducing the availability of revenue for the Rental Housing Trust Fund (RHTF). HB 2280, HD1 (along with its related HB 2488, HD1) will also exacerbate the existing problems relating to park use by the public – by bringing major conflicts between the use of the park by the homeless and other members of the public, sports leagues and visitors.

While we understand that the Homeless continue to be a major concern for the State, and that despite some success providing shelters and services for the homeless, there appears to be an identifiable segment of the homeless population that has had difficulties transitioning into those shelters. It appears that HB 2280, HD1 and the related HB 2488, HD1 are meant to require the county parks to provide accommodations and services for these independent individuals who prefer the freedom and openness of the outdoors and are drawn in growing numbers to local parks and beaches. Both bills are based on the **very questionable premise** that using the conveyance tax to provide the financing to acquire and maintain county parks to serve this segment of the homeless population will reduce many of the problems evident in the parks and peach parks beaches across the State. The actual effect is that it will exacerbate those problems.

LURF's objections include, among other things, the following:

- **No Rational Nexus.** This bill unfairly targets property owners who have significant interests in Hawaii's real estate community and is most objectionable because there is no rational nexus between a legally justified tax to financially support the State conveyance tax system and the purposes of HB 2280, HD1 and its related HB 2488, which are to create a Homeless Special Fund to pay the costs of returning the homeless to their home state and to purchase and maintain county parks and provide other services to serve the homeless.
- **Raising the conveyance tax may have unintended consequences, especially for our island families who own large properties and may want to transfer property within the family or to causes benefiting the environment or agricultural programs.**
- **This bill will have major negative consequences for many of Hawaii's large Kama`aina landowners who may be transferring large properties for agricultural farms, housing developments, environmental programs, or other developments which would serve the community.**
- **Detrimently impacts the Rental Housing Trust Fund (RHTF), which provides permanent rental housing for low-income families.** The conveyance tax is the sole dedicated financing source for the RHTF, which provides "equity gap" low-interest loans or grants for the development and construction of affordable housing rental projects. According to the Hawaii Housing Finance and Development Corporation (HHFDC), who administers the RHTF program, HB 2280, HD1 will adversely impact HHFDC's ability to finance much-needed permanent rental housing for low income families.
- **No legislative or administrative oversight of government funding.** The "automatic funding mechanism" created by HB 2280, HD1, will divert conveyance taxes into a fund without any legislative or administrative oversight or scrutiny. Thus making it difficult to ascertain whether the fund as too much or too little funds to accomplish its purposes, whether the funds are being used properly, and there are no requirements to measure, determine and report on the effectiveness of the parks for the homeless program.
- **The conveyance tax is one of the least dependable sources upon which to rely for funding, because it is affected by fluctuations of the real estate market.** Conveyance tax collections rise and fall based on the real estate market, so any amounts collected for these parks for the homeless fund will depend on the activity in the real estate market with respect to properties over \$1,200,000. Whenever the housing market slows down, the revenues may not be

- sufficient to meet the costs of the "Return-to-Home program or acquiring and maintaining county parks and providing services for the homeless.
- **County parks are not appropriate places to house the homeless.** As noted above, the related HB 2488, HD1 requires that homeless tents be allowed in county parks, which will displace uses of the public, including youth sports practices and games. County parks are areas of active and passive recreation, historic interest, and immense scenic beauty – used by millions of residents and tourists each year.
 - **County parks departments should use their limited budget, personnel and resources to better manage the existing parks under their control and jurisdiction for the public, not to provide shelter and services to the homeless.** With county real property tax revenues declining, the possible loss of the Transient Accommodations Tax, funding cutbacks and proposed furlough days, the counties' first priority would be to use their limited resources to better manage their existing parks – not to purchase, manage and run programs for the homeless who wish to live at county parks.
 - **Some homes over \$1,200,000 in value are purchased by large families and multigenerational families.** Some large homes in working-class neighborhoods have had their property tax values increase over the years. This bill could unfairly punish large working-class families, or multi-generational families who wish to have live with elderly parents and grandparents who need care, by imposing an unreasonably large conveyance tax, which substantially increases in the cost of housing for large families who wish to live in single family homes in areas whose property values have appreciated over the years.
 - **Property sales will be drastically reduced = No Funding for Homeless Parks.** This proposed conveyance tax increase is illogical at best. The probable effects of this bill will probably be any one, or a combination of: an increase in the sales prices of property (to account for the 15% increase in conveyance taxes), a drastic reduction in the actual sales of properties over \$1,200,000, or the real estate market will find other mechanisms for people to exchange value and live on such properties, thus avoiding the 15% increase in conveyance tax.
 - **The Legislature should address other existing programs to assist the Homeless.** While HB 2280, HD1 establishes the Homeless Special Fund, the related HB 2488, HD1 describes the uses of the fund. With respect to the related HB 2488, HD1, we are unaware of any homeless housing study which recommends that the State should raise more funding to purchase land and maintain county parks for the homeless. Instead of using the conveyance tax system to address homeless problem by buying and maintaining public parks and buying shopping carts and small pets for the homeless, we would respectfully recommend that the legislature may consider concentrating on efforts to support the various existing government and private programs to assist the homeless.

CONCLUSION. While understanding that homelessness is a major problem and that the State is facing a budget crisis; **LURF strongly oppose HB 2280, HD1**, because it would be counter-productive to increase the conveyance taxes on local families who wish to pass on their properties and on Kama`aina land owners and businesses who provide employment and the opportunities for more economic development; and this bill will also hinder the production of rental housing for lower income households.

We appreciate the opportunity to express our **strong opposition to HB 2280, HD1.**

LINDA LINGLE
GOVERNOR



RUSS K. SAITO
Comptroller

SANDRA L. YAHIRO
Deputy Comptroller

**STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES**
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

TESTIMONY
OF
RUSS K. SAITO, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
FINANCE
ON
February 24, 2010

LATE TESTIMONY

H.B. 2280, H.D. 1

RELATING TO THE HOMELESS

Chair Oshiro and members of the Committee, thank you for the opportunity to testify on H.B. 2280, H.D.1.

The Department of Accounting and General Services (DAGS) opposes this bill because it will require funds to implement that are not in the Administration's supplemental budget. Furthermore, DAGS is opposed to an increase in the conveyance tax that this bill proposes as a means to finance the parks that will serve the homeless population because of the negative effect it will have on the economy. Currently, all homeless programs are operating at their limits. It would be disadvantageous to the State if declining revenues require that some of the existing homeless programs must be reduced or eliminated. Unless the State's economy improves faster than forecasted, and is not exacerbated by an increase in the conveyance tax, there will be no money for the program this bill proposes.

I also note that this bill's "Parks for Homeless Special Fund" requires that deposits from the conveyance tax increases to be matched by the counties. This would require the counties to find revenue sources that the counties have been hard pressed to find even for its existing programs. County taxes would need to increase, putting further pressure on the economy.

The intent of this bill is good. If the moneys for this bill could be obtained without affecting other programs in the Administration's budget DAGS could support a program to transport people back to their home state.

Thank you for the opportunity to testify on this matter.