

HB2318 HD2

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEES ON EDUCATION AND HOUSING, HUMAN  
SERVICES, AND WATER, LAND, AGRICULTURE, AND HAWAIIAN AFFAIRS  
ON  
HOUSE BILL NO. 2318, H.D. 2

March 10, 2010

RELATING TO THE HOMELESS

House Bill No. 2318, H.D. 2, creates the Parks for Homeless special fund within the State treasury to be funded by increasing the conveyance tax on homes valued at \$1,200,000 and above, and by matching funds provided by the counties. The bill also authorizes the Hawaii Public Housing Authority to develop a Housing First pilot program to address the needs of the chronically homeless with disabilities, including addiction and mental illness. The special fund will support the Housing First pilot program, and homeless programs administered by the counties.

As a matter of general policy, this department **does not support** the creation of any special fund which does not meet the requirements of Section 37-52.3 of the Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. It is difficult to determine whether the fund will be self-sustaining.

Further, given the State's current financial situation, it does not appear fiscally prudent to increase the conveyance tax for the purpose of implementing a pilot program, or expanding homeless programs administered by the counties.

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  
SENATE COMMITTEES  
ON  
EDUCATION AND HOUSING  
AND  
HUMAN SERVICES  
AND  
WATER, LAND, AGRICULTURE, AND HAWAIIAN AFFAIRS  
ON  
March 10, 2010  
H.B. 2318, H.D. 2

RELATING TO THE HOMELESS

Chair Sakamoto, Chair Chun Oakland, Chair Hee, and members of the  
Committees, thank you for the opportunity to testify on H.B. 2318, H.D. 2.

The Department of Accounting and General Services (DAGS) has concerns about  
this bill because it proposes to raise the conveyance tax to finance its implementation.  
This is not a good idea, especially in a down economy.

This bill also proposes to establish a Housing First Special Fund to receive  
increased collections from the conveyance taxes. DAGS has concerns about the  
practicality of a provision for the counties to “voluntarily” contribute matching amounts  
into the Housing First Special Fund. Even if the collection of conveyance taxes increases  
as this bill anticipates, the cost of the Housing First programs, which include rent

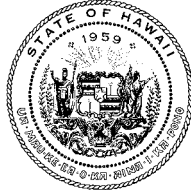
subsidies, case management and various services, may be more than the State and Counties can sustain. It would be disadvantageous to the State to implement the Housing First program this bill proposes if it means that some of the existing homeless programs must be reduced or eliminated. Currently, all State sponsored homeless programs are operating at their limits.

DAGS notes that the Housing First approach works. However, it can involve significant costs, potentially sustained over long periods of time, to provide rent subsidies for residents, as well as the services that residents need to raise themselves above the homeless state. The Housing First Program requires patience as residents will slip and revert to the habits that made them chronically homeless. The Housing First philosophy is not to kick residents out but to work with them over the long haul to make them able to move on to self sufficiency. If the Housing First Program can be implemented without increasing taxes and without negatively affecting the existing homeless and rent subsidy programs of the State and Counties, DAGS would support it, with greater encouragement of treatment and participation in treatment and services by residents. However, there has been no showing of the costs of the program or the non-tax source of funding for the program. As a result, DAGS' concerns remain unabated.

Thank you for the opportunity to testify on this matter.

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

STANLEY SHIRAKI  
DEPUTY DIRECTOR

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

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**SENATE COMMITTEES ON EDUCATION & HOUSING, HUMAN SERVICES AND  
WATER, LAND, AGRICULTURE & HAWAIIAN AFFAIRS**

**TESTIMONY REGARDING HB 2318 HD 2  
RELATING TO THE HOMELESS**

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

**DATE: MARCH 10, 2010**

**TIME: 1:15PM**

**ROOM: 225**

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This measure, as amended, increases the conveyance tax on the sale of homes over \$1,200,000 to finance a pilot project for providing services to the chronically 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.

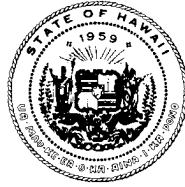
**II. OPPOSED TO INCREASING THE CONVEYANCE TAX**

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 an indeterminate revenue impact because the tax amounts for properties valued at \$1,200,000 or greater are blank.

LINDA LINGLE  
GOVERNOR



BARBARA E. ARASHIRO  
ACTING EXECUTIVE DIRECTOR

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

EXECUTIVE ASSISTANT

March 10, 2010

Statement of Sandra Miyoshi  
Administrator  
State Homeless Program  
Before the

SENATE COMMITTEES ON EDUCATION AND HOUSING, HUMAN SERVICES, & WATER,  
LAND, AGRICULTURE AND HAWAIIAN AFFAIRS

March 10, 2010; 1:15 p.m.  
Room 225, Hawaii State Capitol

In consideration of  
**H.B. 2318, H.D. 2 - RELATING TO THE HOMELESS**

Chair Norman Sakamoto, Chair Suzanne Chun Oakland and Chair Jill Tokuda

The State Homeless Programs recognizes the need to provide solutions to the State's growing homeless problem. H.B. 2318, H.D.2, proposes to establish a 5-year Housing First pilot program to assist chronically homeless individuals and also increase the conveyance tax by an unspecified amount to fund a housing first special fund.

The State Homeless Programs **cannot support this bill** at this time given the State's economic difficulties. New programs require money and staffing to initiate and sustain them. The State's financial situation means that we are lacking both, and we cannot support the increase in the conveyance tax which would only add to the burden of the State's economic situation.

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

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

March 9, 2010

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

Dear Chairs Sakamoto, Chun Oakland and Hee and Members:

Subject: House Bill 2318, HD2

House Bill 2318, HD2 establishes a five-year Housing First pilot program to be developed by the Hawaii Public Housing Authority, in collaboration with the Department of Human Services, to assist chronically homeless individuals. **The City Department of Community Services (DCS) strongly supports Sections 5, 6, and 7 of House Bill 2318, HD2 pertaining to the establishment of a five-year Housing First pilot program to assist the chronically homeless population. However, the DCS opposes the provision in Section 2 of HB 2318, HD2, which states that county matching funds, although not required, are to be deposited in the housing first special fund and administered by the Hawaii Public Housing Authority.**

Housing First and permanent supportive housing is a key strategy in our nation's efforts to end chronic homelessness. National studies and the experience of other municipalities indicate that Housing First initiatives are not only a more humane way to respond to the needs of chronic homeless persons, but are also a cost-effective approach. Housing First helps residents achieve stability and transition towards greater independence, and has been shown to reduce: (1) "street" homelessness; (2) arrests of people who are homeless for status crimes (loitering, public urination, or public intoxication); (3) emergency room visits and costs; and (4) incarceration days and costs.

The proposed establishment of a five-year Housing First pilot program is timely, given the number of chronically homeless persons on Oahu. The City's proposed River Street Residences dedicates a City-owned property in downtown Honolulu for the development of a permanent rental housing project incorporating the "Housing First" model. While still in the public comment phase, we are hopeful that this project will be supported by the community and will be allowed to proceed. For more information on this project, please visit the following website: <http://www.honolulu.gov/dcs/homeless.htm>.



The Honorable Norman Sakamoto, Chair  
and Members of the Committee on  
Education and Housing

The Honorable Suzanne Chun Oakland, Chair  
and Members of the Committee on Human Services

The Honorable Clayton Hee, Chair  
and Members of the Committee on Water, Land,  
Agriculture, and Hawaiian Affairs

March 9, 2010

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Although the DCS supports the Housing First pilot program, we oppose the provision in HB 2318 which states that county matching funds, although not required, are to be deposited in the housing first special fund and administered by the Hawaii Public Housing Authority. HB 2318 should specify the role of the counties in the Housing First pilot program and any matching funds should be appropriated and administered at the local level rather than being deposited into the State treasury. We concur with the City Department of Budget and Fiscal Services' testimony that if it is the intent of this legislation that counties are to receive a housing first special fund grant, subject to a funding match, then it would seem inefficient for the counties to transfer matching funds to the State treasury, only to have those funds transferred back to the City.

The DCS appreciates the opportunity to provide this testimony. We respectfully request your support of an amended version of House Bill 2318, which specifically would delete the provision for county matching funds.

Sincerely,



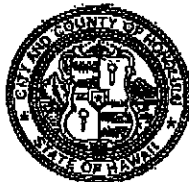
Deborah Kim Morikawa  
Director

DKM:dw



DEPARTMENT OF BUDGET AND FISCAL SERVICES  
**CITY AND COUNTY OF HONOLULU**  
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813  
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MUFU HANNEMANN  
MAYOR



RIX MAURER III  
DIRECTOR

MARK K. UTO  
DEPUTY DIRECTOR

March 10, 2010

The Honorable Norman Sakamoto, Chair  
and Members  
Senate Committee on Education and Housing  
The Honorable Suzanne Chun-Oakland, Chair  
and Members  
Senate Committee on Human Services  
The Twenty-Fifth State Legislature  
State Capitol  
Honolulu, Hawaii 96813

Dear Chairs Sakamoto and Chun-Oakland, and Members:

Subject: HB 2318, HD2, Relating to Homeless

While the City and County of Honolulu (City) agrees with the intent of HB 2318, HD 1, it raises constitutional and administrative questions that render the legislation impotent. Given that we find the legislation objectionable.

This legislation proposes to establish a State Parks for Homeless Special Fund (PHSF) which would be funded with 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 Housing First Pilot Program.

Objections to HB 2318, HD 1 are found on several levels:

- (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

The Honorable Norman Sakamoto, Chair  
and Members  
The Honorable Suzanne Chun-Oakland, Chair  
and Members  
March 10, 2010  
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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 City certainly is sensitive to the plight of individuals and families experiencing homelessness, we do not believe HB 2318, 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,

  
Rix Maurer III  
Director

**HB 2318 HD2  
RELATING TO THE HOMELESS**

**PAUL T. OSHIRO  
MANAGER – GOVERNMENT RELATIONS  
ALEXANDER & BALDWIN, INC.**

**MARCH 10, 2010**

Chair Sakamoto, Chair Chun Oakland, Chair Hee, and Members of the Senate  
Committees on Education & Housing, Human Services, and Water, Land, Agriculture &  
Hawaiian Affairs:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) on HB  
2318 HD2, “A BILL FOR AN ACT RELATING TO THE HOMELESS.” We respectfully  
**oppose this bill.**

This bill increases the conveyance tax to finance the Housing First pilot program.  
While we support efforts to alleviate homelessness here in Hawaii, we are concerned  
with the negative impact that this measure may have upon Hawaii’s businesses,  
residents, and our economy. We anticipate that the new tax imposed by this bill, which  
will be imposed on both residential and non-residential properties, will increase both the  
cost of housing and cost of doing business here in Hawaii. The bill may also have a  
negative impact in attracting outside investments in Hawaii businesses and other  
entities.

Based on the aforementioned we respectfully request that this bill be held in your  
Committee.

Thank you for the opportunity to testify.

March 9, 2010

**The Honorable Norman Sakamoto, Chair**  
Senate Committee on Education and Housing

**The Honorable Suzanne Chun Oakland, Chair**  
Senate Committee on Human Services

**The Honorable Clayton Hee, Chair**  
Senate Committee on Water, Land, Agriculture,  
and Hawaiian Affairs  
State Capitol, Room 225  
Honolulu, Hawaii 96813

**RE: Relating to the Homeless**

**HEARING: Wednesday, March 10, 2010 at 1:15 p.m.**

Aloha Chair Sakamoto, Chair Chun Oakland, Chair Hee and Members of the Joint Committees:

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,800 members in Hawai'i. HAR **opposes H.B. 2318, H.D. 2**, which purports to increase by an unspecified amount the conveyance tax on the sale of homes valued at \$1,200,000 and more to finance the housing first special fund.

As proposed, the Conveyance Tax increase will also apply to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands, as well as condominium and single-family homes.

In 2005, the Conveyance Tax was increased on (1) the sale of realty for all transfers or conveyance of realty or any interest (i.e. commercial, timeshare, agricultural, industrial, etc, and condominium or single family residence for which the purchaser is eligible for a county homeowner's exemption), and (2) the sale of a condominium or single family residence for which the purchaser is ineligible for a county homeowner's exemption.

In 2009, the Legislature increased the Conveyance Tax on (1) the sale of realty from 30 cents per \$100 (.30%) for properties over \$1,000,000 to a maximum of \$1.00 (1%) per \$100 for properties over \$10,000,000 -- an increase of over 333%, and (2) the sale of a property ineligible for a county homeowner exemption from 30 cents per \$100 to \$1.25 per \$100 (1.25%) -- an increase of over 416.66%.

HAR would note that the Conveyance Tax applies whether or not a property is sold at a gain or a loss and only applies to properties that are being sold at any given time.

HAR believes that, while the housing first homeless special fund may have value, the Conveyance Tax increases set forth in H.B. 2318, H.D. 2, will again increase the already high cost of housing, living and doing business in Hawaii.

Mahalo for the opportunity to testify.



Via: [EDHTestimony@Capitol.hawaii.gov](mailto:EDHTestimony@Capitol.hawaii.gov)

**March 10, 2010**

Senate Committees on Education & Housing,  
Human Services, and  
Water, Land Agriculture & Hawaiian Affairs

**Opposition to HB 2318, HD2 Relating to the Homeless  
(Housing First Pilot Project; Unspecified Percentage of Conveyance  
Tax increase for Homeless Parks)**

Honorable Chair Norman Sakamoto, Vice Chair Michelle Kidani and Senate Committee on Education and Housing Members, Honorable Chair Suzanne Chun Oakland, Vice Chair Les Ihara and Senate Committee on Human Services Members, and Honorable Chair Clayton Hee, Vice Chair Jill Tokuda and Senate Committee on Water Land Agriculture & Hawaiian Affairs Members,

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 2318, HD2**, because it creates an unfair and illogical tax which has no rational nexus or relation to the sale of property over \$1,200,000 and conveyance system; and it has major detrimental consequences.

**HB 2318, HD2.** This bill establishes a 5-year housing first pilot developed by the Hawaii Public Housing Authority, in collaboration with the Department of Human Services, to assist chronically homeless individuals. The purpose of this bill is as follows:

(1) Establish a Housing First pilot program administered by the Hawaii Public Housing Authority (HPHA) in collaboration with the Department of Human Services (DHS);

(2) Establish the Parks for Homeless Special Fund into which shall be deposited the designated portion of the conveyance tax and matching funds from the counties;

(3) Increase the conveyance tax by fifteen percent on properties valued at \$1,200,000 and above, a portion of which is to be deposited into the Parks for Homeless Special Fund; and

(4) Appropriate funds from the Parks for Homeless Special Fund to implement the costs of the pilot program.

LURF supports the general intent and purpose of the Housing First program, although we believe that some of its functions it could be implemented through existing homeless and affordable housing programs. **LURF strongly objects to the portion of HB 2318, HD2 which increases the conveyance tax by an unspecified percentage on the sale or conveyance of any property valued at \$1,200,000 or more, creates the Parks for Homeless Special Fund (Homeless 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 permissively provided by each county. HB 2318, HD2 further provides for a 2010-2011 appropriation from the Homeless Special Fund for the Housing First Pilot program to be expended by the Hawaii Public Housing Authority.

**LURF'S POSITION.** The intent and purpose of the Homeless Special Fund established by HB 2318, HD2 is well-meaning, however this bill is misguided and presents an ill-conceived proposal with tremendous unanticipated negative consequences on many of Hawaii's large families and Kama`aina landowners. Furthermore, it 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 2318, HD2 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 2318, HD2 is 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. This bill is 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 2813, HD1, which are to create a Homeless Special Fund 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.**
- **Detrimentially 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 2318, HD2 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 2318, HD2, 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 acquiring and maintaining parks and providing services for the homeless.
- **County parks are not appropriate places to house the homeless.** 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 real property tax revenues declining in all counties, the possible loss of the Transient Accommodations Tax, and proposed furlough days and funding cutbacks, the counties first priority would be to use their limited resources to better manage the existing parks under their control and jurisdiction – 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 is illogical at best. The effect of this bill is that either there will be a drastic reduction in the sales of properties over \$1,200,000, or the real estate market will find other mechanisms for people to exchange value and live in such homes, thus avoiding the unspecified percentage increase in conveyance tax.
- **The Legislature should address other existing programs to assist the Homeless.** HB 2318, HD2 establishes the Homeless Special Fund. 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.** We understand that homelessness is a major problem and that the State is facing a budget crisis; however, **LURF strongly opposes HB 2318, HD2**, because we believe that 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 2318, HD2.**

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Increase rate, disposition for housing first special fund

BILL NUMBER: HB 2318, HD-2

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS section 247-2 to propose the following conveyance tax rates for properties (eligible for a home exemption as well as all non-residential property):

Rate Per \$100	Property Value
\$ _____	\$1,000,000 but less than \$1,200,000
_____	\$1,200,000 but less than \$2,000,000
_____	\$2,000,000 but less than \$4,000,000
_____	\$4,000,000 but less than \$6,000,000
_____	\$6,000,000 but less than \$10,000,000; and
_____	\$10,000,000 and greater.

Proposes the following conveyance tax rates for residential properties ineligible for a home exemption:

Rate Per \$100	Property Value
\$ _____	\$1,000,000 but less than \$1,200,000
_____	\$1,200,000 but less than \$2,000,000
_____	\$2,000,000 but less than \$4,000,000
_____	\$4,000,000 but less than \$6,000,000
_____	\$6,000,000 but less than \$10,000,000; and
_____	\$10,000,000 and greater.

Amends HRS section 247-7 to provide that \_\_\_\_\_% of conveyance taxes collected under the above rates for properties valued at \$1,200,000 or over shall be deposited into the parks for homeless special fund before any of the other dispositions are made.

Adds a new section to HRS chapter 356D to establish a housing first special fund special fund into which shall be deposited the designated portion of the conveyance tax. Requires each county to provide matching funds which shall be deposited into the parks for homeless special fund.

Requires the Hawaii public housing authority in collaboration with the department of human services to develop a housing first pilot project to move homeless individuals into housing directly from the streets and shelters without a precondition of accepting or complying with treatment.

Appropriates \$ \_\_\_\_\_ out of the housing first special fund for fiscal 2011 for the housing first pilot project.

Repeals this act on June 30, 2016.

EFFECTIVE DATE: July 1, 2020

STAFF COMMENTS: The proposed measure increases the conveyance tax on properties valued at \$1,200,000 or over, and establishes a housing first special fund to be used to establish a pilot program to get the homeless off the streets and out of shelters into housing. While the measure proposes another tap of the conveyance tax revenues, it should be noted that as with any earmarking, the legislature will be giving their stamp of approval for another “automatic funding” mechanism for the particular program - the housing first special fund. It should be noted that while funds would be diverted to the fund without any legislative intervention, they will also avoid legislative scrutiny and it will be difficult to ascertain the effectiveness of the program. It would also be difficult to ascertain whether or not the fund has too little or too much revenue.

Further, while this measure also proposes to increase the conveyance tax rates, it should be remembered that 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? For example, revenues of the conveyance tax declined from \$43.4 million in fiscal 2008 to \$19.5 million in fiscal 2009.

While the conveyance tax increase appears to target properties valued at \$1,200,000, it should be remembered that this schedule also applies to non-residential properties covering everything from a mom and pop supermarket in Waialua to the Ala Moana Shopping Center to the car repair shop in Kaka’ako to the farm lot in Waimanalo. Thus, this proposal makes it even more expensive to do business in Hawaii. At a time when other committees of the legislature are hearing legislation to spur economic activity, this measure does just the opposite. And where do these legislators believe the purchasers of these properties will find the resources to pay these additional funds? Or in the case of businesses, they will have to either charge higher prices for the goods and services they produce or keep their production costs in control which in many cases means paying their employees less.

Given the high tax burden already imposed on Hawaii residents, this proposal is arrogant to assume that more money can be extracted from the economy to pay for another state program which obviously has been given little thought insofar as solutions. Thus, this measure represents another grab for money which lawmakers believe will “solve” the homeless problem while truly not understanding the economic crisis that has caused so many to be homeless.

If the legislature deems that the provision of homeless housing is of 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. The housing market slowed in 2008 and 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.

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. 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. This measure underscores the unwillingness of legislators to be held accountable for their actions.

Although this measure proposes to establish a new special fund to underwrite a pilot project to get the homeless off the streets, no plan is attached that would give lawmakers some idea of how much will be needed to solve the homeless problem. Is the Public Housing Authority's strategy to merely provide facilities as that is their mission or is there a more comprehensive plan to not only house the homeless but also to provide the support services so the homeless can once more become contributing members of the community? When and until the department of human services recognizes that it is one thing to merely hand out shelter and food and another thing to empower the poor and the homeless with the skills that will help them to become self-sufficient, the poor and homeless will always be dependent on government and the taxpayer. Given the deterioration of public housing and the growing numbers of poor and the homeless, it is obvious that HPHA has no clue on how to better the lot of these families. Given that fact, there is absolutely no reason to hand over a bucket of money and somehow hope that the problem of the homeless will be solved.

Finally, it should be noted that when the legislature increased conveyance tax rates last year, lawmakers rationalized that Hawaii's rates were low by comparison to those imposed in a state like Vermont. What they seemed to have overlooked is the fact that one can buy a single family home on three-quarters of an acre with five bedrooms and three baths for under \$50,000, something that certainly is not possible in Hawaii. Thus, taxpayers are whipsawed between unbelievably high real estate prices and a confiscatory conveyance tax.

Digested 3/8/10

**From:** Jo-Ann M. Adams [jadamsesq@aol.com]  
**Sent:** Monday, March 08, 2010 12:54 PM  
**To:** EDH Testimony  
**Subject:** HB2318 - Testimony in Support

COMMITTEE ON EDUCATION AND HOUSING

Senator Norman Sakamoto, Chair  
Senator Michelle Kidani, Vice Chair

COMMITTEE ON HUMAN SERVICES

Senator Suzanne Chun Oakland, Chair  
Senator Les Ihara, Jr., Vice Chair

COMMITTEE ON WATER, LAND, AGRICULTURE, AND HAWAIIAN AFFAIRS

Senator Clayton Hee, Chair  
Senator Jill N. Tokuda, Vice Chair

I am writing in support of this bill.

As a member of the Waikiki Neighborhood Board, we hear complaints every month about the encampments at Ala Moana Beach State Park and Waikiki Beach, particularly the Queen's Surf area of Waikiki.

As a member of the board, I also monitor letters to the editor in both of our papers. It is clear that the homeless camping on our beaches is having a negative effect on tourism.

More importantly, people who have been born and raised here, people who live and pay taxes here, people who snowbird here, feel uncomfortable swimming at the beach, particularly in the late afternoon and evening as the homeless begin to settle in for the night and harass others.

We have been very mindful to keep the beaches open for all the people as is the custom of this paradise with its incredible beaches. We are diligent about making sure that people have access to the beaches over private property through beach access easements.

We have lagged in our efforts regarding the homeless. The homeless accumulate. The local residents, guests, visitors and tourists feel increasingly shut out as the homeless set up camp and act as if they own the property, harassing those who are not camping there and are exercising their right to use the beach and parks.

Having a system that allows government agencies to place the homeless in shelters away from popular beach areas, bus stops, etc., will go a long way to re-establishing the tradition that the beaches belong to all the people of Hawaii ... not just those who squat there.

**Jo-Ann M. Adams, Esq.**

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SENATE COMMITTEE ON EDUCATION AND HOUSING

WEDNESDAY, MARCH, 10, 2010, CR 225

**IN SUPPORT OF HB 2318**-RELATING TO HOMELESSNESS

Aloha Chair Norman Sakamoto, Vice Chair Michelle Kidani and members of the Education and Housing committee

I am Flor Martinez, a radio broadcaster for 35 years and a retiree from Department of Foreign Affairs.

Homelessness is one of the nation's most serious problems. While it is often the result of interwoven systemic and personal problems, the primary cause of homelessness among families is the growing gap between housing costs and income. The emergency shelter system is able to accommodate only a small fraction of the growing number of homeless families in need. Families are forced to live in their cars, in garages, in other places unsuitable for human habitation or they move from place to place with their children, staying intermittently with friends and families. The effects of homelessness extend to depression, mental illness, and child neglect. While emergency shelters are unable to provide the intensive long term assistance which homeless families require in order to stabilize their lives and transitional housing programs do provide such assistance, families are however more responsive to service interventions from a stable, permanent housing base. An alternative to the current emergency shelter and transitional housing is housing first. The methodology is premised on the belief that vulnerable and at risk homeless families are more responsive to interventions and social services support after they are in their own housing rather than while living in temporary transitional facilities or housing programs. With permanent housing these families can begin to regain the self-confidence and control over their lives they lost when they became homeless. This bill will provide an alternative solution to homelessness that is a nationwide serious problem.

Thank you for the opportunity to testify



SENATE COMMITTEE ON EDUCATION AND HOUSING

WEDNESDAY, MARCH, 10, 2010, CR 225

IN SUPPORT OF HB 2318-RELATING TO HOMELESSNESS

Aloha Chair Norman Sakamoto, Vice Chair Michelle Kidani and members of the Education and Housing committee

I am Linda Guting, a carehome operator for 30 years and have provided home to several homeless for free.

Homelessness is attributed by number of factors to include, welfare reform, high rates of domestic violence, declining purchasing power of low-wage jobs, and decrease in availability of affordable family housing. According to US HUD, we are experiencing a period when worst case housing needs are at an all time high. Although there is a reduction in chronic homelessness in some communities, other communities have exploding rates of increase of homelessness and the growing segment of the homeless population are families with children.

Emergency shelters and transitional housing are utilized to provide vital access to services for families in crisis, they fail to address the long term needs of homeless families. Linkages to permanent housing support services to retain housing and construction of resources and services available in the community at large are indispensable to ending and preventing family homelessness. An alternative solution to this problem is Housing First Methodology also known as rapid re-housing. Housing First methodology has been proven to be a practical means to ending and preventing family homelessness and has been adapted by organizations throughout the United States through Beyond Shelter's institute for Research Training and Technical Assistance and the national Alliance to End Homelessness. The housing first approach provides a link between emergency shelter and transitional housing systems that serve homeless families and the mainstream resources and services that can help these families begin to regain self-confidence and control over their lives they lost when they became homeless.

Thank you for the opportunity to testify.

**sakamoto2 - Erin**

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**From:** Claire W. Woods [cww@hawaii.rr.com]  
**Sent:** Friday, March 05, 2010 5:19 PM  
**To:** EDH Testimony  
**Subject:** HB2318 HD2

**I support this bill.** I urge you to pass this initiative to provide supportive housing to our special populations that are homeless. Tapping into conveyance funds is a painless way to support this initiative

Thank You

Claire Woods  
Kailua

March 10, 2010

To: Senator Norman Sakamoto, Senator Suzanne Chun Oakland and Senator Clayton Hee

From: Erika Warren

RE: HB 2318 HD2

Aloha senators,

My name is Erika Warren; I am a Masters level social work student at the University of Hawaii Manoa. I am currently a student intern at one of the many local nonprofit agencies that addresses Hawaii's growing homeless population. I am testifying in **SUPPORT of HB 2318 relating to Homelessness.**

HB 2318 focuses on the housing first approach also known as rapid re- housing. This approach focuses first on housing and secondly on social services. The most important element of the program is that individuals are allowed to move directly into their own lease agreement from streets and shelters without any preconditions. The Housing first methodology is based on the belief that vulnerable and at-risk homeless families are more responsive to interventions and social services support after they are in their own housing. Creating a stable and safe environment for our most vulnerable homeless (addicted and mentally ill) is the first step in delivering congruent and effective services to our clients. The National Association of Social Workers encourages these types of progressive housing solutions stating "Shelters have become the frontline response, but their presence should not be viewed as a policy solution".

I believe that the housing first pilot program is a good idea for Hawaii's homeless because it creates a safe living environment that empowers the homeless client by providing choices, options and most importantly the right to self determine.

FUNDING FOR HB 2318 SHOULD BE FUNDED BY NEW MONIES, NOT REDIRECTED FUNDS FROM HOMELESS SERVICES AND PROGRAMS THAT

ALREADY IN PLACE. IF THIS IS NOT POSSIBLE DUE TO THE ECONOMIC  
CONDIDITON OF OUR STATE, THEN THE PROGRAM MUST BE PUT ON HOLD.  
PROGRAMS THAT ARE CURRENLTY SERVICING THE COMMUNITY MUST NOT BE  
PLACED AT RISK.

I urge the committee's present today to support HB 2318  
HD2, and thank you for the opportunity to testify on this  
measure.

HAWAII STATE SENATE  
THE TWENTY-FIFTH LEGISLATIVE, REGULAR SESSION OF 2010

WRITTEN TESTIMONY  
COMMITTEE ON EDUCATION AND HOUSING  
COMMITTEE ON HUMAN SERVICES  
COMMITTEE ON WATER, LAND, AGRICULTURE AND HAWAIIAN AFFAIRS

DATE: Wednesday, March 10, 2010

TIME: 1:15pm

PLACE: Conference Room 225  
State Capitol, 415 South Beretania St.  
Honolulu, Hawaii

In Support of HB 2318-Relating to PUBLIC HOUSING

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Aloha Chairs Sakamoto, Chun Oakland, & Hee

Thank you for hearing HB 2318, a measure that will provide funding to house those sub-set of the homeless population- the chronically homeless or houseless. These are the individuals who are unfortunate to have mental illness, and those who choose to remain drug addicted.

I am Pastor George Noble, a clergy with a church in Waianae who care and advocate for the homeless but end up caring more for the above referenced type of homeless. They are the type of homeless who live on the beach, inside bushes, and under the bridges or freeways. They stay away from the traditional homeless shelters because of drug testing within homeless shelters. Most of our mentally ill homeless are also drug addicted as a result of self medication.

Although funding had been afforded to emergency and transitional homeless shelters, the providers of these services do not prefer to service these sub set of the population. They are not what we consider the low hanging fruit but rather to the contrary. They fear harm maybe from what have been done to the other shelter residents.

HB 2318 "Housing first" is a national best practice method of housing these subset of the homeless. It has been proven to work in eight cities in the mainland. By providing these chronically homeless individuals with shelter which correspond to the second highest priority in Maslow's theory on the hierarchy of needs, will promote stabilization in these individuals both mentally and physically which further makes them more sensible to therapy and education.

I believe that the nexus of this bill with its source of funding can be attributed back in biblical times. The rich had been look at to take care of the poor.

The impact of the chronically homeless is exponential in terms of economic decline of tourism, general perception that we do not care for our people, and the extra funding needed from moving them from park to park or cleaning the areas where they once lived.

By helping the chronically homeless, we therefore help ourselves. I pray for the passage of this bill.

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

Senator Suzanne Chun Oakland, Chair  
Senator Les Ihara, Jr., Vice Chair  
Committee on Human Services

Senator Clayton Hee, Chair  
Senator Jill N. Tokuda, Vice Chair  
Committee on Water, Land, Agriculture, and Hawaiian Affairs

From: Mariel Seveses, Master of Social Work Student  
University of Hawaii Myron B. Thompson School of Social Work

Date: March 10, 2010

Subject: Support of HB 2318, HD2, Relating to the Homeless

Aloha ka kou! My name is Mariel Seveses I am a Master of Social Work student at the University of Hawaii Myron B. Thompson School of Social Work and a caseworker at an emergency homeless shelter in downtown Honolulu. I strongly urge you to pass HB 2318, HD2.

It is estimated that the total cost in hospital admissions for homeless persons in Hawaii were almost \$4 million according to a study conducted by Martel et al in 1999. Since then costs have drastically increased.

Housing First is a cost effective approach to reduce homelessness and reduce costs for the State of Hawaii in the long run. Housing First has been proven cost effective in several states. In Massachusetts, chronically homeless individuals were costing the local and federal governments between \$35,000-\$150,000 per person annually. After the Housing First approach was implemented the annual costs dropped to \$13,000-\$25,000 per person. Another example is of downtown Seattle's Housing First program. The program saved taxpayers more than \$4 million over the first year of operation and generated an average cost-savings of 53%, nearly \$2,500 per month per person in health and social services in addition to reducing homelessness.

As a caseworker, too often do I encounter an individual or family facing homelessness on top of tough socio-economic challenges whose sole desire is to have a place to live. A family once told me, "There are so many hardships that we face as homeless, sometimes our kids get sick and we can barely afford the costs. Me and my wife work two full-time jobs and I still cannot afford most of the rentals and the wait to be housed in transitional and public housing takes too long... we just want to provide a safe and loving living environment for our kids as soon as possible." As I leave you with these words, my hope is that they will resonate with you and as you consider HB 2318, HD2. Mahalo nui loa for this opportunity to testify.

HB2318

Aloha I am Carlo Bermudez a current graduated student at the Myron B. Thompson School of Social Work at UH. I am a resident of Waikiki have had much interaction with the chronically homeless population of the city. Although I support this bill in principal, I am writing in **opposition of** this bill. The Housing first model is a viable plan for re-housing the chronically homeless and has been used with success in the mainland and here in Hawaii. In addition to funds needed for creation of parks specifically for the homeless, these sites would also require additional logistical and security support which all of which I do not feel the state can currently afford. Taking the financial climate of our State into consideration, I feel that the fund created by this bill will only increase the hardship of existing homeless service programs. I believe that the housing first pilot program should not be scrapped but should be revisited once the Hawaii is more financially stable.

Thank you for the opportunity to testify and thank you for your time.

Sincerely,

Carlo Bermudez