



## CONSERVATION COUNCIL FOR HAWAI'I

Testimony Submitted to the House Committee on Water and Land  
Hearing: Monday, January 28, 2013 9 am  
Room 325

### In Support of HB 935 Relating to the Conveyance Tax

Aloha. The Conservation Council for Hawai'i strongly supports HB 935, which increases the conveyance tax on high-end real estate transactions and directs an additional ten percent of conveyance tax proceeds to the Natural Area Reserve Fund for watershed protection and invasive species control. Invasive species are one of the most significant threats to our watersheds, native species, habitats, cultural areas, recreation areas, and agricultural lands.

Raising the conveyance tax on high-end properties will not interfere with transactions. The conveyance tax is levied against the seller, who usually passes it on to the buyer. Most buyers never include the conveyance tax in their decision to purchase property; instead, they are looking at interest rates for loans and mortgages, and the tax is usually folded into the mortgage over many years anyway.

While the effect of HB 935 on real estate transactions will be negligible, the positive impacts of the bill are significant. Currently, only ten percent of our watersheds in Hawai'i are protected and managed. HB 935 will help increase that amount and secure precious water resources for future generations. At the same time, native species and ecosystems, cultural resources, and the Rental Housing Trust Fund will also benefit from this bill.

Please pass HB 935. Mahalo nui loa for the opportunity to testify.

Sincerely,

Marjorie Ziegler



**Hawai'i's Voice for Wildlife – *Ko Leo Hawai'i no na holoholona lohiu***

Telephone/Fax 808.593.0255 • email: [info@conservehi.org](mailto:info@conservehi.org) • web: [www.conservehi.org](http://www.conservehi.org)

P.O. Box 2923 • Honolulu, HI 96802 • Office: 250 Ward Ave., Suite 220 • Honolulu, HI 96814

President: Hannah Springer \* Vice-President: Julie Leialoha \* Treasurer: Bianca Isaki \* Secretary: Wayne Tanaka

Directors: Rick Barboza \* Lida Pigott Burney \* Maka'ala Ka'aumoana \* Koalani Kaulukukui \* Robin Kaye

Executive Director: Marjorie Ziegler

# THE TRUST *for* PUBLIC LAND

---

C O N S E R V I N G   L A N D   F O R   P E O P L E

**THE TRUST FOR PUBLIC LAND'S TESTIMONY  
IN SUPPORT OF HB 935 RELATING TO THE CONVEYANCE TAX  
House Committee on Water & Land  
Monday, January 28, 2013, 9:00 a.m., Room 325**

The Trust for Public Land supports HB 935 relating to the conveyance tax. This bill would increase real estate conveyance taxes on real estate sales over \$2 million, increase the Natural Area Reserve Fund's share of the fund to 35%, and increase the Affordable Housing Rental Trust Fund's share of the fund to 30%. The Legacy Land Conservation Fund's share of 10% would remain the same.

This bill would increase support for key government services that have been consistently underfunded, and tax those who can most afford to pay the additional tax. Although many of the Trust for Public Land's own projects could be affected, and the Trust for Public Land may be forced to pay higher conveyance taxes in its real estate transactions, the services supported by this tax are invaluable -- the people of Hawai'i need clean drinking water and to get it, Hawai'i must properly manage and protect the forests and watersheds that produce our clean drinking water.

Although the Trust for Public Land supports this bill, I will not be able to appear in person to testify due to scheduling conflict.

Mahalo for this opportunity to testify -



Lea Hong  
Hawaiian Islands State Director  
1136 Union Mall, Suite 202  
524-8563 (office), 783-3653 (cell)



House of Representatives  
Committee on Water and Land  
January 28, 2013  
9:00 a.m., Conference Room 325  
State Capitol

### Testimony in Support of HB 935

Aloha Chair Evans, Vice Chair Lowen, and Members of the Committee,

The Coordinating Group on Alien Pest Species (CGAPS) **supports HB 935**, *Relating to the Conveyance Tax*, which would provide critical funding for watershed protection and adds invasive species control as a specific fundable area. Watershed protection has been chronically underfunded for decades.

With more people and more industry, demand for fresh water is growing, while exponential increases in water-wasting invasive species like strawberry guava and changing climate patterns threaten the ability of forests to deliver water. Funding to increase protection for priority watersheds by fencing, ungulate and invasive plant removal is key. As high a priority is the long-term invasive species control work that is provided by biocontrol, and the preventative work done by the Invasive Species Committees and other groups. We must recognize the true cost of protecting watersheds and move the bar accordingly, and HB 935 is a great step in the right direction.

Mahalo for your consideration.

Aloha,

Christy Martin  
Coordinating Group on Alien Pest Species (CGAPS)  
Ph: (808) 722-0995

## lowen2-Anosh

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, January 26, 2013 8:58 AM  
**To:** waltestimony  
**Cc:** cbrosius@yahoo.com  
**Subject:** \*Submitted testimony for HB935 on Jan 28, 2013 09:00AM\*

### **HB935**

Submitted on: 1/26/2013

Testimony for WAL on Jan 28, 2013 09:00AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Chris Brosius	Individual	Support	No

### Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Testimony of  
WILLIAM J. AILA, JR.  
Chairperson**

**Before the House Committee on  
WATER & LAND**

**Monday, January 28, 2013  
9:00 AM  
State Capitol, Conference Room 325**

**In consideration of  
HOUSE BILL 935  
RELATING TO THE CONVEYANCE TAX**

House Bill 935 proposes to increase the conveyance tax on certain real estate transactions and directs an additional ten per cent of Conveyance Tax proceeds to the Natural Area Reserve Fund for watershed protection, maintenance and invasive species control. The Department of Land and Natural Resources (Department) strongly supports this Administration bill.

Fortunately, there are practical cost-effective and long-term solutions to reverse the trend of forest degradation. The Department's Watershed Program supports public, private and federal partnerships to leverage state funds, which provide a diverse range of local jobs throughout the state. However, funding for these efforts has not been sufficient in the past, and forest losses and function are apparent.

The only dedicated funding source for watershed protection is the Natural Area Reserve Fund (NAR Fund), which receives a percentage of the State Conveyance Tax from the sale of real property and is utilized by various program areas to further watershed protection and maintenance. In Fiscal Year 2011, the watershed partnership program, which supports 11 partnerships statewide, shared \$1.25 million, yet the five island-based committees that control invasive species and contribute to watershed initiatives have no authorized dedicated funding whatsoever. In Fiscal Year 2012, the Legislature provided \$2.5 million in capital improvement project funding and directed \$2.5 million of special funding for the watershed initiative. The Department has used the NAR Fund to provide these special funds. Dedicated funding at the amount of \$11 million per year is needed to reach the Department's goal to double the level of protection in the next ten years. This bill is predicted to generate approximately \$10.5 million more for the NAR Fund, based on Fiscal Year 2012 data.

This bill also provides a dedicated funding source for the control and eradication of harmful invasive species infestations throughout the state and for preventing the introduction of other

**WILLIAM J. AILA, JR.**  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

**ESTHER KIA'AINA**  
FIRST DEPUTY

**WILLIAM M. TAM**  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

invasive species that may be potentially harmful. Funding the Hawaii Invasive Species Council is critical for protecting watershed forests from invasive species threats both from mainland United States and neighboring countries that Hawaii does regular commercial trade with.

This measure implements the central natural resource stewardship goals of the Abercrombie Administration's *A New Day in Hawaii* plan. Funding supports the Department's *The Rain Follows the Forest* plan (available online at <http://Hawaii.gov/dlnr/rain>) to implement on-the-ground actions needed to stabilize Hawaii's water sources. Projects are ready in each county to begin reaching job creation and accomplishment targets. Funds would be allocated in a statewide competitive process to maximize effectiveness and accountability.

Fresh water is an irreplaceable resource, fueling agriculture, tourism, and sustainable development. Forests are essential to provide water at affordable rates. Hawaii's native forests absorb moisture from rainfall and passing clouds that condense on the thick vegetation and can increase groundwater supply by up to 50%. However, over half of forests have already been lost to invasive species, causing extensive water loss across landscapes. Even a small percentage reduction in groundwater recharge can cost millions per year in increased pumping to transport water for human use. When groundwater levels decline to a point that they cannot be pumped, expensive alternative water sources are needed - long transport pipes, new wells, and even desalination plants. Clearly, our forests are enormous economic assets. Just as clearly, their degradation is ongoing and accelerating. The longer Hawai'i waits to take significant action to halt this destruction, the higher the costs will be to reverse the damage and ensure our future water supply for current and future generations.

In addition to increasing fresh water supplies, the protection of forests prevents erosion that muddies beaches, coral reefs, and fisheries. Forests reduce Hawaii's greenhouse gas emissions, and mitigate many damaging impacts from climate change. Protection and maintenance sustains the native plants and animals unique to our islands and sacred to the Hawaiian culture.

Based on Fiscal Year 2012 data, this bill also is expected to provide an additional \$1.7 million per year for the Land Conservation Fund and an additional \$5.1 million per year for the Rental Housing Trust Fund. The projected \$17 million generated by the tax increase offsets the reduction in the General Fund's percentage.

This Administration bill is a responsible measure to provide immediate action to ensure wide-ranging benefits essential to Hawaii's environmental and economic health for current and future generations.

January 28, 2013

**The Honorable Cindy Evans, Chair**  
House Committee on Water & Land  
State Capitol, Room 325  
Honolulu, Hawaii 96813

**RE: H.B. 935, Relating to Conveyance Tax**

**HEARING: Monday, January 28, 2013 at 9:00 a.m.**

Aloha Chair Evans, Vice Chair Lowen, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,000 members. HAR **strongly opposes** H.B. 935 which increases the Conveyance Tax on certain real estate transactions.

As proposed, the Conveyance Tax increase will 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. HAR believes that, while watershed protection may have value, the Conveyance Tax increases set forth in H.B. 935 will again increase the already high cost of housing, living and doing business in Hawaii.

In 2005, the Conveyance Tax was increased on a tiered scale 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 once again 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%.

Section 2 of H.B. 935 increases the Conveyance Tax by an additional:

1. 60% for properties valued at least \$2 million but less than \$4 million;
2. 57% for properties valued at least \$4 million but less than \$6 million;
3. 61% for properties valued at least \$6 million but less than \$10 million; and
4. 75% for properties valued at least \$10 million and greater.

---

For the sale of a condominium or single family residence for which the purchaser is ineligible for a county homeowner's exemption, Conveyance Tax is increased by an additional:

1. 50% for properties valued at least \$2 million but less than \$4 million;
2. 47% for properties valued at least \$4 million but less than \$6 million;
3. 50% for properties valued at least \$6 million but less than \$10 million; and
4. 60% for properties valued at least \$10 million and greater.

The Conveyance Tax applies whether or not a property is sold at a gain or a loss and (as opposed to the Real Property Tax.) Please note also that the Conveyance Tax under H.B. 935 has the effect of reducing the value of a \$10,000,001 commercial property to a business owner by \$200,000 (the 2.00% Conveyance Tax on the sale of property ineligible for a county homeowner's exemption).

Mahalo for the opportunity to testify.



Testimony of The Nature Conservancy of Hawai'i  
Supporting H.B. 935 Relating to the Conveyance Tax  
House Committee on Water & Land  
Monday, January 28, 2013, 9:00AM, Room 325

---

*The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life in these islands depends. The Conservancy has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 32,000 acres in 10 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i. We also work closely with government agencies, private parties and communities on cooperative land and marine management projects.*

---

The Nature Conservancy of Hawai'i strongly supports H.B. 935 and its purpose to generate additional funding to protect Hawaii's forested watersheds and to control invasive species. We also support increased funding in this measure to help meet the state's affordable rental housing needs via the State Rental Housing Trust Fund.

Under HRS §247-7, a portion of conveyance tax revenue has been appropriately used for land preservation and forested watershed conservation via the Land Conservation Fund and the Natural Area Reserve Fund, respectively. While the development and sale or other transfers of real estate can have very positive effects on the state's economy, it also poses some significant challenges. For example, fresh water is not a limitless resource that can forever be tapped to support developed real estate. The source of fresh water is not the faucet, pipe, or even the well or stream it's drawn from. The real source is a system of healthy forested watersheds—not forests overrun by invasive plants and animals—that capture rain and cloud moisture and deliver it efficiently to aquifers and surface sources for subsequent consumption in our daily lives.

The development and sale of real estate helps drive Hawaii's economy, but it also puts pressure on our natural resources like fresh water resources. It makes sense to spend a portion of conveyance tax revenue on protecting those natural resources. Over the years, enormous amounts have been invested in the development and sale of real estate in Hawai'i, and continued investment real estate sales and development is helping to lift our economy out of recession. Yet, we make a comparatively tiny investment in protecting the natural resources that also drive our economy and provide benefits that allow us to survive in the middle of the vast Pacific.

Furthermore, climate change is an imminent and unprecedented threat to natural systems (e.g., forests, coastlines, coral reefs, wetlands) and to every person in Hawai'i that—whether they know it or not—depends on services from the natural environment for their livelihoods, health and welfare. Even if we drastically reduce CO2 emissions now, we will still feel the effects of climate change. In Hawai'i, science indicates that this will likely include:

- More frequent and more severe storms, and increased runoff and siltation;
- Overall, less rainfall and therefore less fresh water;
- Higher temperatures that affect forest health, while being beneficial to invasive species;
- Sea level rise and high waves that will harm coastal areas and groundwater systems;
- Ocean acidification that will inhibit the growth of protective coral reefs.

We must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and human systems. One of the most effective tools we have to help address the effects of climate change in Hawai'i is to protect our forests. Healthy and diverse Hawaiian forests that are not degraded by invasive pests act like a sponge, collecting rain and moisture from passing clouds, slowly delivering fresh water into streams and aquifers, absorbing greenhouse gases, and reducing runoff and siltation into streams and onto coral reefs during storm events.

This bill is a wise investment in our future. We urge your support.

BOARD OF TRUSTEES

S. Haunani Apoliona Alan H. Arizumi Christopher J. Benjamin Anne S. Carter Richard A. Cooke III Peter H. Ehrman Kenton T. Eldridge  
Thomas M. Gottlieb James J.C. Haynes III Mark L. Johnson Dr. Kenneth Y. Kaneshiro Eiichiro Kuwana Duncan MacNaughton  
Bonnie P. McCloskey Wayne K. Minami James C. Polk H. Monty Richards Chet A. Richardson Jean E. Rolles Scott C. Rolles  
Crystal K. Rose Dustin E. Sellers Dustin M. Shindo Nathan E. Smith James Wei Eric K. Yeaman

*Chair:* Kenton T. Eldridge *Chair Emeriti:* Samuel A. Cooke (co-founder; chair 1980-1991), Herbert C. Cornuelle (co-founder),  
Bill D. Mills (1991-1995), Jeffrey N. Watanabe (1995-2004), David C. Cole (2004-2008), Duncan MacNaughton (2008-2011)

## lowen2-Anosh

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, January 27, 2013 8:37 AM  
**To:** waltestimony  
**Cc:** misc@hawaii.edu  
**Subject:** Submitted testimony for HB935 on Jan 28, 2013 09:00AM

### **HB935**

Submitted on: 1/27/2013

Testimony for WAL on Jan 28, 2013 09:00AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Teya Penniman	Maui Invasive Species Committee	Support	No

Comments: Aloha Committee Members: Protection of our forested watersheds, including the control of invasive species, is essential to ensuring the long-term sustainability of our water supply, economy and quality of life. This measure represents an important step in helping achieve those goals, including the specific inclusion of invasive species work as a recipient of funds from the Natural Area Reserves Fund. Thank you for your thoughtful consideration of this bill. Teya Penniman Manager Maui Invasive Species Committee

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)



## PARTNERS IN CARE

### Oahu's Coalition of Homeless Providers

---

#### TESTIMONY IN SUPPORT OF HB 935: RELATING TO THE CONVEYANCE TAX

To: Representative Cindy Evans, Chair; Representative Nicole Lowen, Vice-Chair, and members of the Committee on Water and Land

FROM: Gladys L. Peraro, Advocacy Committee Co-Chair, Partner In Care

**Hearing: Monday, 1/28/13; 9:00am; CR 325**

Dear Chair Evans, Vice Chair Lowen, and committee members;

Thank you for the opportunity to provide testimony for HB 935, proposing an increase to the conveyance tax on certain transactions which will direct additional funds into the Rental Housing Trust Fund (RHTF). I am Gladys L. Peraro, Advocacy Committee Co-Chair for Partners In Care (PIC), a coalition of care providers focusing on the needs of homeless persons and strategies to end homelessness.

Partners In Care supports increases to the conveyance tax which will provide funding for the Natural Area Reserve Fund (NARF) for watershed protection and invasive species control and for *dedicated funding for the Rental Housing Trust Fund (RHTF), as a crucial strategy in addressing Hawai'i's affordable housing crisis*. The Fund may be used to provide loans for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable rental housing units.

Hawai'i faces a severe shortage of affordable housing, so much so that more than 75 percent of households living in poverty are paying more than half their income in housing costs. In the next four years, Hawai'i will need 13,000 more rental units to meet the need for affordable rent. As a result of this shortfall, families struggle to keep themselves housed, and find themselves homeless. Among the states, Hawai'i has the third highest rate of homelessness, and creating more affordable housing is critical to ending this crisis.

The Rental Housing Trust Fund is a major tool for the creation of affordable housing. It establishes public-private partnerships that leverage resources to add more affordable units to Hawai'i's housing stock. As of June 2012, 4,250 rental units have been created or are in development thanks to the assistance of the Rental Housing Trust Fund and other leveraged funding. This represents significant progress toward meeting our state's housing needs. The public-private partnerships created by the fund help develop long broader, long-term strategies to address our affordable housing needs.

The conveyance tax is the only dedicated source of funding for this program, and the amount allocated has been dramatically reduced over the last six years. In 2006, the Legislature allocated 50 percent of conveyance tax proceeds to the Rental Housing Trust Fund. This dropped to 30 percent in 2008, with the amount set at 25 percent from 2009-2012.

Despite its record of success, the Fund is not able to fund many qualified projects due to lack of funds. It received \$37 million in project requests in FY 2012 alone, but was only able to commit \$20.7 for four of the nine projects submitting requests. Many projects are ready to be developed and only waiting on funding, resulting in significant delays.

PIC agrees that the environmental initiatives proposed in this bill are crucial to preserving Hawai'i's environmental and natural resources. But we also emphasize that the lack of affordable housing and resulting rates of homelessness form a social crisis that requires immediate action. As a result, the conveyance tax funding for the Rental Housing Trust Fund should be restored to its 2006 levels, at 50 percent of the proceeds from the conveyance tax. Because this bill increases the conveyance tax on properties valued at over \$2 million, the general fund tax will result in greater overall revenues that can fund both environmental and affordable housing efforts, making both allocations financially feasible.

Again, thank you for providing Partners In Care the opportunity to testify on HB 935.

Partners In Care, c/o Aloha United Way, 200 N. Vineyard Blvd. Suite 700  
Honolulu, Hawaii 96817

---

*Partners in Care is a membership organization of homeless service providers, other service professionals, units of local and state government, homeless consumers, and other community representatives located in Hawai'i on O'ahu. It is a planning, coordinating, and advocacy body that develops recommendations for programs and services to fill gaps in the Continuum of Care on O'ahu.*



#### Board of Directors

David Derauf, M.D.  
Marc Fleischaker, Esq.  
Naomi C. Fujimoto, Esq.  
Patrick Gardner, Esq.  
Francis T. O'Brien, Esq.  
David J. Reber, Esq.

#### Executive Director

Victor Geminiani, Esq.

Date: January 26, 2013

To: Rep. Cindy Evans, Chair, Rep. Nicole Lowen, Vice-Chair, and the Committee on Water and Land

From: Jenny Lee, Staff Attorney, Hawai'i Appleseed Center for Law and Economic Justice

Re: Testimony supporting and commenting on HB 935 Relating to the Conveyance Tax  
Scheduled for a hearing on January 28, 2013

Dear Chair Evans, Vice Chair Lowen, and committee members;

Thank you for an opportunity to testify on HB 935, which would increase the conveyance tax on certain transactions and direct an additional ten percent of the proceeds to the Natural Area Reserve Fund for watershed protection and invasive species control. Hawai'i Appleseed Center for Law and Economic Justice support these measures and also urge you to include an increase in the percent of conveyance tax revenues dedicated to the Rental Housing Trust Fund, an important tool to address Hawai'i's affordable housing shortfall.

Hawai'i Appleseed Center for Law and Economic Justice is a nonprofit, 501(c)(3) law firm created to advocate on behalf of low income individuals and families in Hawai'i on civil legal issues of statewide importance. Our core mission is to help our clients gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security.

In the next four years, Hawai'i will need 13,000 more rental units to meet the need for affordable rents. As a result of this shortfall, families struggle to keep themselves housed, and may even find themselves homeless. Among the states, Hawai'i has the third highest rate of homelessness, and creating more affordable housing is essential to ending this crisis.

The Rental Housing Trust Fund is a crucial strategy in addressing Hawai'i's affordable housing needs. The Fund may be used to provide loans for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable rental housing units. It establishes public-private partnerships that combine resources to add more affordable units to Hawai'i's housing stock. As of June 2012, 4,250 rental units have been created or are in development thanks to the assistance of the Rental Housing Trust Fund and other leveraged funding. This represents significant progress toward meeting our state's housing needs. The partnerships created by the fund help develop broader, long-term strategies to address our affordable housing needs.

The conveyance tax is the only dedicated source of funding for this program, and the amount allocated has been dramatically reduced over the last six years. In 2006, the Legislature allocated 50 percent of conveyance tax proceeds to the Rental Housing Trust Fund. This dropped to 30 percent in 2008, with the amount set at 25 percent from 2009-2012. Despite its record of success, the Fund is not able to fund many qualified projects due to lack of funds. It received \$37 million in project requests in FY 2012 alone, but was only able to commit \$20.7 for four of the nine projects submitting requests. Many projects are ready to be developed and are only waiting on funding, resulting in significant delays.

We agree that the environmental initiatives proposed in this bill are crucial to preserving Hawai'i's environmental and natural resources. But we also emphasize that the lack of affordable housing and resulting rates of homelessness form a social crisis that requires immediate action. As a result, the conveyance tax funding for the Rental Housing Trust Fund should be restored to its 2006 levels, at 50 percent of the proceeds from the conveyance tax. Because this bill increases the conveyance tax on properties valued at over \$2 million, the general fund tax will result in greater overall revenues that can fund both environmental and affordable housing efforts, making both allocations financially feasible.

Again, thank you for providing us with an opportunity to testify on HB 935.

Aloha,

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

Jenny Lee, Staff Attorney



**Testimony to the House Committee on Water and Land  
Monday, January 28, 2013  
9:00 a.m.  
State Capitol - Conference Room 325**

**RE: HOUSE BILL NO. 935, RELATING TO CONVEYANCE TAX**

Chair Evans, Vice Chair Lowen, and members of the committees:

The Chamber of Commerce of Hawaii opposes H.B. No. 935 which proposes to amend Chapter 247 HRS by increasing the Conveyance Tax on certain real estate transactions and directs an additional ten per cent of Conveyance Tax proceeds to the Natural Area Reserve Fund for watershed protection and invasive species control.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The bill states that the legislature also finds that the nexus is clear to use a portion of the conveyance tax for watershed protection. The development, sale, and improvement of real estate in Hawaii puts additional pressure on watersheds, Hawaii's water resources, and watershed recharge areas. Protecting watersheds benefits Hawaii's economy, environment, and quality of life. While watershed protection is one of many authorized beneficiaries of the natural area reserve fund, additional funding is needed to restore Hawaii's watershed health and function and control invasive species.

We fully support the need for natural resource management programs in Hawaii. However, we are deeply troubled by the manner in which the Conveyance Tax is being used to fund these public benefit programs. There is no rational nexus between the real estate transactions that are being taxed at conveyance, and the uses identified in HRS 247 as the beneficiaries of the tax. It appears that the legislation is targeting any real estate transactions to fund programs that benefit all Hawaii residents.

The Conveyance Tax was created to cover the administrative costs of recording the real estate transactions, such as those performed by the Bureau of Conveyance. With the recent amendments to the statutes, the conveyance tax is deposited into the general fund with the following allocations:

1. Ten per cent shall be paid into the land conservation fund established pursuant to section 173A-5;

2. Twenty-five per cent from July 1, 2009, until June 30, 2012, and thirty per cent in each fiscal year thereafter shall be paid into the rental housing trust fund established by section 201H-202; and
3. Twenty per cent from July 1, 2009, until June 30, 2012, and twenty-five per cent in each fiscal year thereafter shall be paid into the natural area reserve fund established by section 195-9; provided that the funds paid into the natural area reserve fund shall be annually disbursed by the department of land and natural resources in the following priority:
  - a. To natural area partnership and forest stewardship programs after joint consultation with the forest stewardship committee and the natural area reserves system commission;
  - b. Projects undertaken in accordance with watershed management plans pursuant to section 171-58 or watershed management plans negotiated with private landowners, and management of the natural area reserves system pursuant to section 195-3; and
  - c. The youth conservation corps established under chapter 193.

We do not believe that the conveyance tax is being used in an appropriate manner. The proposed bill only exacerbates the current problem. We suggest that these beneficiaries be funded from other means more closely related to their purposes.

Thank you for the opportunity to express our views on this matter.





## CATHOLIC CHARITIES HAWAII

### TESTIMONY IN SUPPORT, with AMENDMENT, OF HB 935: RELATING TO THE CONVEYANCE TAX

TO: Representative Cindy Evans, Chair, Representative. Nicole Lowen, Vice-Chair, and Members of the Committee on Water and Land

FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawaii

**Hearing: Monday, 1/28/13; 9:00 am; CR 325**

Chair Evans, Vice Chair Lowen, and Members, Committee on Water and Land:

Thank you for the opportunity to testify on SB 302, which would increase the conveyance tax on certain transactions and direct an additional ten percent of the proceeds to the Natural Area Reserve Fund for watershed protection and invasive species control. I am Betty Lou Larson, Legislative Liason for Catholic Charities Hawaii. Catholic Charities strongly supports this bill since it would provide additional funding for important environmental issues.

**Amendment: Catholic Charities Hawaii also urges you to increase the percentage of the conveyance to the Rental Housing Trust Fund to 50%.** The Rental Housing Trust Fund has a proven record of creating affordable rental units. It establishes public-private partnerships that leverage resources to add more affordable units to Hawaii's housing stock. As of June 30, 2012, **4,250 rental units** have been created or are underway with the assistance of the RHTF and other leveraged funding. The RHTF has many more applications than can be funded with the current funds. In FY 2012, the Trust Fund received \$37 million in project requests but was only able to commit \$20.7 million for 4 out of the 9 projects due to limited resources. The Hawaii Housing Finance and Development Corporation (HHFDC) has the ability to quickly and efficiently utilize appropriations through the RHTF. Through its competitive process it can assist affordable housing projects on all islands.

In 2006, the Legislature increased the percentage of the conveyance tax allocated to the Rental Housing Trust Fund to 50% of the tax proceeds. However, with the economic crisis of the past few years the amount to the Trust Fund has been dramatically decreased. It dropped to 30 percent in 2008, with the amount set at 25 percent from 2009-2012. As of July 1, 2012, the allocation was reset to 30% of the conveyance tax. The conveyance tax is the only dedicated source of funding to the RHTF. While this is projected to yield about \$12 million for FY 13, this will not achieve the production of the 13,000 affordable rental units that are needed in the state. More funding is required for the RHTF to have a greater impact on the affordable housing crisis in our state.

We urge your support of this bill and the 50% to the Trust Fund to both protect Hawaii's watersheds and control invasive species and to provide a legacy of affordable housing.



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eumoku Street, Honolulu, HI 96822  
Phone (808) 373-0356 • [www.bettylou.larson@catholiccharitieshawaii.org](http://www.bettylou.larson@catholiccharitieshawaii.org)







# Sierra Club

## Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803

808.538.6616 [hawaii.chapter@sierraclub.org](mailto:hawaii.chapter@sierraclub.org)

### HOUSE COMMITTEE ON WATER & LAND

January 28, 2013, 9:00 A.M.  
(Testimony is 2 pages long)

### TESTIMONY IN SUPPORT OF HB 935

Aloha Chair Evans and Members of the Committee:

The Sierra Club, Hawaii Chapter, with over 10,000 dues paying members and supporters statewide, **supports** HB 935. This bill would provide funding for the protection of priority watershed forests and protection of Hawai'i's environmental heritage.

Watersheds are just one example of "free services" that are provided by nature and consumed by the human economy--services that have immense economic value, but that go largely unrecognized and uncounted until they have been lost. Many of those services are indispensable to the people who exploit them, yet are not counted as real benefits, or as part of GNP.

Janet Abramovitz writes in WorldWatch's State of the World 1997, "A forest's watershed protection values alone can exceed the value of its timber. Forests also act as effective water pumping and recycling machinery, helping to stabilize the local climate. And through photosynthesis, plants generate life-giving oxygen and hold vast amounts of carbon in storage, which stabilizes the global climate." Unfortunately, these services aren't "free." Without proper management and protection, they will fail to provide the products we require: clean water, topsoil, and scenic areas, fresh air, and habitat.

Hawaii's watersheds also contain some of the best native Hawaiian ecosystems on state-managed land. While programs to protect these areas struggle for budget appropriations annually, resource experts estimate that at least \$11 million is needed annually to maintain the integrity of the watersheds for our children and future generations.

Our natural resource areas protect unique Hawaiian plants, animals, and ecosystems on 109,000 acres of public-trust lands. These areas include habitat for threatened and endangered species, and portions of essential watersheds that support our economy and way of life. Protection for these areas is seriously underfunded and understaffed. The result is increasing encroachment by invasive species, decrease in healthy habitat for native plants and animals, and the loss of the native essence of Hawai‘i.

We appreciate that this bill proposes a source of permanent funding and would provide support in future years. Please move this measure forward.

Mahalo for the opportunity to testify.



**HB 935**  
**RELATING TO THE CONVEYANCE TAX**  
House Committee on Water and Land

January 28, 2013

9:00 a.m.

Room 325

The administration of the Office of Hawaiian Affairs (OHA) will recommend that the Board of Trustees **SUPPORT** HB 935, which seeks to increase revenues for the Natural Area Reserves Fund to protect and restore watershed areas for the benefit of Hawai'i's natural areas and future water supply.

**Fresh water is unquestionably one of Hawai'i's most valuable resources.** The importance of fresh water to Hawai'i and its people is reflected in the 'ōlelo noeau, "Ola i ka Wai (Water is Life)." Accordingly, traditional water sharing and management practices reflected the critical nature of fresh water to these islands, and helped to ensure sufficient fresh water for food production, drinking, and other domestic uses, as well as numerous ecological services. Fortunately, despite the disruption of these traditional practices and many ma uka to ma kai surface water resources, the discovery and utilization of Hawai'i's groundwater aquifer system has continued to bless its residents with potable fresh water of the highest quality.

Unfortunately, our ever-growing agricultural and municipal water needs and practices, coupled with development- and climate-based impacts to the recharge rate of our groundwater aquifers, have begun to raise the substantial possibility of fresh water shortfalls for many regions within these islands, potentially in the very near future, and very probably in the long-term. The consequences and costs of such shortfalls counsel critical and timely examination of our water use and watershed conservation practices.

This bill will accordingly provide necessary funding to further the efforts of the Department of Land & Natural Resources to explore, develop, and implement short- and long-term plans to ensure the continued sustainability of our islands' precious and ever-more limited groundwater resources. The conveyance tax increases that will support these necessary investments will also only affect real estate transactions involving properties with values greater than \$2 million, ensuring that these added investments involve only those entities who have already obtained the most value from the resources of our islands.

Mahalo for the opportunity to testify on this important matter.