JOSH GREEN, M.D.
GOVERNOR | KE KIAʻĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIAʻĀINA

STATE OF HAWAIʻI | KA MOKUʻĀINA ʻO HAWAIʻI
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA ʻOIHANA KUMUWAIWAI ʻĀINA

P.O. BOX 621
HONOLULU, HAWAII 96809

DAWN N.S. CHANG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

RYAN KP KANAKAOLE
FIRST DEPUTY

DEAN D. UYENO
ACTING 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

Testimony of
DAWN N. S. CHANG
Chairperson

Before the Senate Committees on
HOUSING
and
WATER AND LAND

Thursday, February 1, 2024
1:00 PM
State Capitol, Conference Room 225 and Via Videoconference

In consideration of
SENATE BILL 3053
RELATING TO THE CONVEYANCE TAX

Senate Bill 3053 proposes to change the rate structure, exemption allowances, and allocation formulas for collecting and distributing conveyance tax revenue. **The Department of Land and Natural Resources (Department) supports this measure, with comments, and offers amendments that would strengthen the buying power of the Legacy Land Conservation Program by eliminating the cap on the amount of conveyance tax collections allocated to the Land Conservation Fund.**

The amendments proposed by the Department (as provided below), if adopted and enacted, would:

1) Provide opportunities for increasing the amount of conveyance tax revenue available for deposit into the Land Conservation Fund;
2) Conform Section 3 of Senate Bill 3053 with parallel provisions of Senate Bill 3005, Senate Bill 678, Senate Bill 362 Senate Draft 2 House Draft 1, and the committees' Hearing Notice for Senate Bill 3053 ("Eliminates the cap on the amount of conveyance tax collections allocated to the land conservation fund");
3) Establish parity between the allocations of conveyance tax revenue to the Dwelling Unit Revolving Fund and the Land Conservation Fund (ten per cent to each); and
4) Provide for an immediate infusion of cash into the Land Conservation Fund.

The Department of Taxation reports that FY 2023 conveyance tax revenue totaled $92.1 million (down from $188.4 million in FY 2022). Using the most recent growth rate projected by the Council on Revenues (January 8, 2024), FY 2024 conveyance tax revenue would total nearly $110 million. If the Land Conservation Fund could receive a straight ten percent allocation of this revenue (nearly $11 million in FY 2024)—as originally prescribed by Act 156, Session Laws of Hawai‘i2005—then the cash balance of the Land Conservation Fund would receive an immediate, sorely needed $5.9 million boost. Therefore, the Department requests that the Committees consider amending Section 3 and Section 6 of this measure as follows:

SECTION 3. Amend the proposed amendment of Section 247-7 to read as follows:

"**§247-7 Disposition of taxes.** All taxes collected under this chapter shall be paid into the state treasury to the credit of the general fund of the State, to be used and expended for the purposes for which the general fund was created and exists by law; provided that of the taxes collected each fiscal year:

(1) Ten per cent [~~or $5,100,000, whichever is less,~~] shall be paid into the land conservation fund established pursuant to section 173A-5;[~~ and~~]

(2) Fifty per cent or $38,000,000, whichever is less, shall be paid into the rental housing revolving fund established by section 201H-202[~~."~~]; and

(3) Ten per cent shall be paid into the dwelling unit revolving fund established pursuant to section 201H-191 for the purposes of funding infrastructure programs in transit-oriented development areas."

SECTION 6. Amend Section 6 to read as follows:

SECTION 6. This Act shall take effect [~~on July 1, 2024~~] upon its approval.

Mahalo for the opportunity to testify on this measure.

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
KA ʻOIHANA HOʻOMOHALA PĀʻOIHANA, ʻIMI WAIWAI A HOʻOMĀKAʻIKAʻI

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
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Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON HOUSING
and the
SENATE COMMITTEE ON WATER AND LAND

Thursday, February 1, 2024
1:00 PM
State Capitol, Conference Room 225 and Videoconference

In consideration of
SB3053
RELATING TO THE CONVEYANCE TAX.

Chairs Chang and Inouye, Vice Chairs Hashimoto and Elefante, and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) **strongly supports** SB3053, an Administration bill, which proposes increases to the conveyance tax on properties valued at or over $6,000,000 and allocation of ten percent of the tax to an infrastructure fund for use in transit-oriented development areas.

Per the Legislature's direction in Act 88, SLH 2021, Sec. 39, the recently completed TOD Infrastructure Finance and Delivery Strategy identified the need for regular, predictable revenue sources to finance regional public infrastructure to facilitate transit-oriented development on state, county, and private lands (see https://files.hawaii.gov/dbedt/op/lud/Reports/TOD_InfraFin_Strategy_20231221.pdf).

The bill would increase conveyance tax on properties valued at or over $6,000,000, or for purchasers who are ineligible for a county homeowner's exemption on properties valued at or over $2,000,000. The bill also clarifies that people with indirect interests in property shall not be exempted from paying the tax.

Thank you for the opportunity to testify.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
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Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING
AND
SENATE COMMITTEE ON WATER & LAND
February 1, 2024 at 1:00 p.m.
State Capitol, Room 225

In consideration of
SB 3053
RELATING TO THE CONVEYANCE TAX

HHFDC **supports** SB 3053, which, among other things, increases the conveyance tax rate for certain properties and allocates 10% of the collections to the Dwelling Unit Revolving Fund (DURF) for the purpose of funding infrastructure programs in transit-oriented development (TOD) areas.

Infrastructure development is critical to the construction of new housing units across the state, and DURF is primarily used to carry out the purposes of our housing development programs and regional State infrastructure programs, regardless of location. As such, HHFDC requests that the bill be amended to allow for the funding of infrastructure outside TOD areas.

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

STATE OF HAWAIʻI
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
INTERIM DIRECTOR

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Statement of
MARY ALICE EVANS, Interim Director

before the
SENATE COMMITTEE ON HOUSING AND
THE SENATE COMMITTEE ON WATER AND LAND
Thursday, February 1, 2024
1:00 PM
State Capitol, Conference Room 225

in consideration of
BILL NO SB3053
RELATING TO THE CONVEYANCE TAX.

Chairs Chang and Inouye, Vice Chairs Hashimoto and Elefante, and Members of the Senate Committee on Housing and the Senate Committee on Water and Land:

The Office of Planning and Sustainable Development (OPSD) **strongly supports** SB3053, an Administration bill, which proposes increases to the conveyance tax on properties valued at or over $6,000,000 and allocation of ten percent of the tax to an infrastructure fund for use in transit-oriented development areas.

Per the Legislature's direction and funding in Act 88, SLH 2021, Sec. 39, OPSD recently completed the *TOD Infrastructure Finance and Delivery Strategy*, which identified possible revenue sources to fund infrastructure for housing development (see https://files.hawaii.gov/dbedt/op/lud/Reports/TOD_InfraFin_Strategy_20231221.pdf). The study identified the need for regular, predictable revenue sources to help finance regional public infrastructure to facilitate transit-oriented development on state, county, and private lands.

As recommended by the *Strategy*, this bill would increase the conveyance tax on those properties valued at or over $6,000,000, or for purchasers who are ineligible for a county homeowner's exemption on properties valued at or over $2,000,000. The new tax revenue allocated to the Dwelling Unit Revolving Fund (DURF) will help build infrastructure that is intended to increase the state's housing inventory. The bill also clarifies that people with indirect interests in property shall not be exempted from paying the tax.

Increasing infrastructure investment to unlock housing production is supported by state and county agencies and developers.

Thank you for the opportunity to testify on this measure.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAIʻI
DEPARTMENT OF TAXATION
Ka ʻOihana ʻAuhau
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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
S.B. No. 3053, Relating to the Conveyance Tax

BEFORE THE:
Senate Committees on Water and Land and Housing

DATE: Thursday, February 1, 2024
TIME: 1:00 p.m.
LOCATION: State Capitol, Room 225

Chairs Inouye and Chang, Vice-Chairs Elefante and Hashimoto, and Members of the Committees:

The Department of Taxation ("Department") offers the following comments on S.B. 3053 for your consideration.

S.B. 3053 amends section 247-2, 247-3, and 247-7, Hawaii Revised Statutes (HRS), to increase existing conveyance tax rates and add new rates for properties valued at $14 million or more. The bill also adds a new conveyance tax exemption for any document or interest conveying real property to an individual who is an owner-occupant or renter-occupant of that property, as long as that individual does not have direct or indirect ownership interest in any other real property, including through a legal entity. It also adds a new allocation requirement for 10 percent of conveyance tax revenues to be paid into the Dwelling Unit Revolving Fund under section 201H-191, HRS. The measure takes effect on July 1, 2024.

The Department requests that the effective date of this measure be postponed until January 1, 2025. This will allow the Department sufficient time to make the necessary form and instruction changes.

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

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
Ke Kiaʻāina o ka Mokuʻāina ʻo Hawaiʻi

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
Ka Hope Kiaʻāina o ka Mokuʻāina ʻo Hawaiʻi

KALI WATSON
CHAIRMAN, HHC
Ka Luna Hoʻokele

KATIE L. DUCATT
DEPUTY TO THE CHAIRMAN
Ka Hope Luna Hoʻokele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
Ka ʻOihana ʻĀina Hoʻopulapula Hawaiʻi
P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF KALI WATSON, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE SENATE COMMITTEE ON HOUSING AND THE
SENATE COMMITTEE ON WATER AND LAND
HEARING ON FEBRUARY 1, 2024 AT 1:00PM IN CR 225

SB 3053, RELATING TO THE CONVEYANCE TAX

February 1, 2024

Aloha Chairs Chang and Inouye, Vice Chairs Hashimoto and Elefante, and Members of the Committees:

The Department of Hawaiian Home Lands (DHHL) supports this bill which would 1) increase the conveyance tax rate for certain properties, 2) exempts conveyances of certain real property from the conveyance tax, 3) eliminates the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund and 4) allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas.

The DHHL supports this bill due to the proven need for more infrastructure funding to unlock housing production. This bill would increase the conveyance tax on those properties valued at or over $6,000,000, or for purchasers who are ineligible for a county homeowner's exemption on properties valued at or over $2,000,000. The new tax revenue allocated to the Dwelling Unit Revolving Fund (DURF) will help build infrastructure that is intended to increase the state's housing inventory. The bill also clarifies that people with indirect interests in property shall not be exempted from paying the tax.

Thank you for your consideration of our testimony.

JOSH GREEN, M.D.
GOVERNOR
KE KIAʻĀINA

STATE OF HAWAIʻI | KA MOKUʻĀINA ʻO HAWAIʻI
DEPARTMENT OF CORRECTIONS AND REHABILITATION
Ka ʻOihana Hoʻomalu Kalaima a Hoʻoponopono Ola
1177 Alakea Street
Honolulu, Hawaiʻi 96813

TOMMY JOHNSON
DIRECTOR

Melanie Martin
Deputy Director
Administration

Vacant
Deputy Director
Correctional Institutions

Sanna Muñoz
Deputy Director
Rehabilitation Services and Programs

No. ____________

WRITTEN TESTIMONY ONLY

TESTIMONY ON SENATE BILL 3053
RELATING TO CONVEYANCE TAX
by
Tommy Johnson, Director
Department of Corrections and Rehabilitation

Senate Committee on Housing
Senator Stanley Chang, Chair
Senator Troy N. Hashimoto, Vice Chair

Senate Committee on Water and Land
Senator Lorraine R. Inouye, Chair
Senator Brandon J.C. Elefante, Vice Chair

Thursday, February 1, 2024; 1:00 p.m.
State Capitol, Conference Room 225 & via Videoconference

Chairs Chang and Inouye, Vice Chairs Hashimoto and Elefante, and Members of the Committees:

The Department of Corrections and Rehabilitation (DCR) supports Senate Bill (SB) 3053, an Administration bill, which proposes increases to the conveyance tax on properties valued at or over $6,000,000 and allocation of ten percent of the tax to an infrastructure fund for use in transit-oriented development areas.

Pursuant to Act 88, SLH 2021, Sec. 39, the Office of Planning and Sustainable Development (OPSD) recently completed the *TOD Infrastructure Finance and Delivery Strategy*, which identified possible revenue sources to fund infrastructure for housing development. The study identified the need for regular, predictable revenue sources to help finance regional public infrastructure to facilitate transit-oriented development on state, county, and private lands. Increasing infrastructure investment to unlock housing production is supported by state and county agencies and developers.

Thank you for the opportunity to provide testimony in support of SB 3053.

DISABILITY AND COMMUNICATION ACCESS BOARD

1010 Richards Street, Room 118 • Honolulu, Hawaii 96813
Ph. (808) 586-8121 (V) • TTY (808) 586-8162 • Fax (808) 586-8129

LATE

February 1, 2024

TESTIMONY TO THE SENATE COMMITTEES ON WATER AND LAND, AND HOUSING

Senate Bill 3053 – Relating to the Conveyance Tax

The Disability and Communication Access Board (DCAB) offers comments on Senate Bill 3053 – Relating to the Conveyance Tax.

This bill would increase the conveyance tax rate for certain properties and allocate ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas.

The housing crisis is magnified for people with disabilities. People with disabilities are twice as likely to live below the poverty level. Without action to address the affordable housing shortage, more people with disabilities are at risk of losing their independence or becoming homeless or institutionalized. This bill would assist people with disabilities who are facing housing insecurity.

In addition to addressing the affordable housing shortage, legislation should address the quantity of supportive housing units that are accessible to people with mobility and communication disabilities. The Americans with Disabilities Act Standards for Accessible Design (ADA Standards) specifies the minimum percentage of accessible housing units in public facilities. The ADA Standards only requires five percent of units to be accessible for mobility disabilities and two percent of units to be accessible for communication disabilities. The Fair Housing Act (FHA) design and construction requirements specifies the minimum number of adaptable housing units in public and private buildings containing four or more units. The FHA requires all dwelling units to be adaptable for mobility disabilities in buildings with an elevator, but only requires ground floor units to be adaptable for mobility disabilities in buildings without an elevator. The FHA does not require units to be adaptable for communication disabilities.

According to the U.S. Census Bureau's 2021 Disability Characteristics for the State of Hawaii, 19.1 percent of Hawaii's residents that are sixty five years and older have mobility difficulty, 12.6 percent have hearing difficulty, and 4.7 percent have vision difficulty. The following adjustments that exceed minimum accessibility and adaptability requirements would provide Hawaii residents with disabilities, especially kupuna with disabilities, the opportunity to live independently and give more residents without disabilities an option to continue to live in their home as they age in place:

- In public facilities with residential dwelling units, at least twenty percent, but no fewer than one unit, of the total number of residential dwelling units shall provide mobility features that comply with applicable technical requirements in the ADA Standards.

- In public facilities with residential dwelling units, at least thirteen percent, but no fewer than one unit, of the total number of residential dwelling units shall provide communication features that comply with applicable technical requirements in the ADA Standards.

- In multi-story buildings with four or more residential dwelling units, an elevator shall connect each story and all dwelling units shall comply with the FHA design and construction requirements.

Investing in accessible, affordable supportive housing would ensure that more residential units would be available for individuals with disabilities and their families.

Thank you for considering our testimony.

Respectfully submitted,

KIRBY L. SHAW
Executive Director

NAIOP
COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

January 30, 2024

Senator Lorraine Inouye, Chair
Senator Brandon Elefante, Vice Chair
Members of the Senate Committee Water
And Land

Senator Stanley Chang, Chair
Senator Troy Hashimoto, Vice Chair
Members of the Senate Committee Housing

RE: **SB 3053– RELATING TO CONVEYANCE TAX**
Hearing date – February 1, 2024 at 1:00 PM

Aloha Chairs Inouye and Chang and members of the committees,

Thank you for allowing NAIOP Hawaii to submit testimony in **OPPOSITION to SB 3053 – RELATING TO CONVEYANCE TAX**. NAIOP Hawaii is the Hawaii chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

SB 3053 increases the conveyance tax to properties valued at $6 million or greater. Additionally, SB 3053 removes the maximum disposition caps of the conveyance tax allocated to the Rental Housing Revolving Fund (RHRF) and Land Use Conservation Fund. The measure further allocates ten percent of the conveyance tax for the Dwelling Unit Revolving Fund (DURF) for the purposed of funding infrastructure programs in transient-oriented development (TOD) areas.

Hawaii already has one of the worst conveyance taxes in the country. The increase to conveyance tax would disincentivize property owners to sell since their transaction costs would be much higher. In turn, many will instead opt to maintain their current ownership of the property ultimately resulting in less property transactions. A reduction in transactions will result in: 1) an overall decrease in conveyance tax received by the State; and 2) a meaningful reduction in economic activity as the acquisition of large properties typically comes with additional investment to redevelop and increase value of the asset; 3) decreased GET revenues and jobs.

Moreover, the acquisition of new commercial property comes with additional investment to redevelop and increase value of the asset. The increase of conveyance tax would result in less capital to invest into the property, and thus, would make the transaction economically infeasible.

This would lead to less property transactions and reduce the amount of times conveyance tax is collected. Consequently, property values would decline proportionately to account for the increased transaction costs leading to lower real property tax receipts for the counties.

NAIOP Hawaii appreciates the addition allocations to RHRF and DURF, however, we remain concerned with the broader economic impacts this measure may have on our State’s economy long term if large property transactions are reduced. With a potential reduction in conveyance tax collected, the removal of the caps to RHRF and DURF may result in a substantially larger percentage of conveyance tax revenue being diverted from the general fund.

NAIOP Hawaii is concerned that this increase in conveyance taxes will reduce the private sector’s investment into long term projects which stimulate economic activity in the State. Hawaii is already rated as one of the least business friendly states in the nation and increasing this tax rate will further discourage much needed investment here locally. Rather, additional efforts to encourage investment in Hawaii and incentivize the creation of new projects and businesses in Hawaii would stimulate our economy by creating jobs and tax revenue.

Accordingly, NAIOP Hawaii respectfully recommends that SB 3053 be deferred.

Mahalo for your consideration,

Reyn Tanaka, President
NAIOP Hawaii

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for S.B. 3053 – Relating to Conveyance Tax
Joint Senate Committee on Water & Land and Housing
Thursday, February 1, 2024, at 1:00PM, Conf. Rm. 225 and via Videoconference

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Dear Chair Inouye, Vice Chair Elefante, Chair Chang, Vice Chair Hashimoto, and members of the Committees on Water & Land and Housing:

Thank you for the opportunity to express our **STRONG SUPPORT for S.B. 3053**, which will increase the rates of conveyance tax starting at sales of $4,000,000 and above and create a dedicated 10% allocation to the Dwelling Unit Revolving Fund (DURF). We also offer suggested amendments to remove the funding caps on the Rental Housing Revolving Fund (RHRF) and Land Conservation Fund (LCF) as well as suggested changes to the tax rates.

The Dwelling Unit Revolving Fund (DURF), established in 1970, supports infrastructure investments connected to housing development, crucial for maintaining housing production aligned with our increasing demand. Hawaii was given a D+ rating by the American Society of Civil Engineers in the "2019 Hawaii Infrastructure Report Card"[1]. Lack of adequate infrastructure further exacerbates delays to our needed additional housing construction. Increasing funding to DURF is necessary to reach the housing goals across the state. Hawai'i Appleseed commends the legislature for proposing a 10% dedicated fund from high cost property sales to address our infrastructure needs.

Hawai'i Appleseed would also like to suggest amendments to S.B. 3053. Specifically, removing the funding caps from the RHRF and LCF. The conveyance tax is one of the only dedicated funds for creating affordable housing and land conservation, two critical needs to support the health and security of Hawai'i's residents.

The 2019 Hawaii Housing Planning (HHPS 2019) Study identified the need for 50,000 additional housing units by 2025 to meet pent-up demand[2]. Estimates from the HHPS 2019 indicated that over 50 percent of our housing production needs to be affordable rentals (0-100% AMI) for low-income and workforce families to meet demand. The RHRF provides financing for Low Income Housing Tax Credit (LIHTC) projects for individuals making 0-60% AMI and

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[1] ASCE, "2019 Hawaii Infrastructure Report Card",
https://infrastructurereportcard.org/wp-content/uploads/2021/07/ASCE-24199_Full-REPORT-2019-FINAL.pdf
[2] "Hawaii Housing Planning Study, 2019" HHFDC, December 2019, pg. 38
https://dbedt.hawaii.gov/hhfdc/files/2020/01/FINAL-State_Hawaii-Housing-Planning-Study.pdf

financing for Tier 2 program which utilizes the RHRF for 80-100% AMI focused projects.
Hawai'i Appleseed recommends the following language change in S.B 3053:

"§247-7 Disposition of taxes"

(1) **Ten percent or ~~$5,100,000, whichever is less,~~ shall be paid into the land conservation fund established pursuant to section 173A-5; and**
(2) **Fifty per cent ~~or $38,000,000, whichever is less,~~ shall be paid into the rental housing revolving fund established by section 201H-202**

Increasing conveyance tax rates, removing caps on RHRF and LCF, and creating a dedicated DURF fund can provide millions of dollars to address some of the most pressing barriers to providing affordable housing to residents today.

Additionally, we recommend adjustments to the rate changes as well. Starting the rate of conveyance on sales of $4,000,000 properties and above at 2%. Our research has shown that the vast majority of properties sold and purchased at these high sales points are by investment owners and not residents. Our rate change suggestions are highlighted in the table below.

Hawaii Appleseed Recommendations to SB 3053 tax rates:

Rate	< $600K	$600K-$1M	$1M-$2M	$2M-$4M	$4M-$6M	$6M-$10M	$10M-$14M	$14M-$18M	$18M-$22M	$22M-$26M	$26M+
Owner Occupied	0.10%	0.20%	0.30%	0.50%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%
Non Owner Occupied	0.15%	0.25%	0.40%	1.00%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%

Increasing the rates on properties sold at $4,000,000 and above in this way and removing the caps on all special funds could potentially triple the revenue collected by the conveyance tax without significant reduction of revenue deposited into the General Fund.

We appreciate the opportunity to testify on this proposal and urge the committees to support S.B. 3053 and its objectives of promoting fairness in our tax system, fostering affordable housing opportunities, and strengthening our communities. By enacting this legislation, we can take significant strides towards building a more inclusive and equitable future for all residents of Hawaii.

Mahalo for your consideration.

HAWAIʻI REALTORS®
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1259 Aʻala Street, Suite 300
Honolulu, HI 96817

February 1, 2024

The Honorable Stanley Chang, Chair
Senate Committee on Housing

The Honorable Lorraine R. Inouye, Chair
Senate Committee on Water and Land
State Capitol, Conference Room 229 & Videoconference

RE: Senate Bill 3053, Relating to the Conveyance Tax

HEARING: Thursday, February 1, 2024, at 1:00 p.m.

Aloha Chair Chang, Chair Inouye, and Members of the Joint Committees:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawaiʻi Association of REALTORS® ("HAR"), the voice of real estate in Hawaiʻi and its over 11,000 members. HAR **opposes** Senate Bill 3053, which increases the conveyance tax rate for certain properties. Exempts conveyances of certain real property from the conveyance tax. Eliminates the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund. Allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit oriented development areas.

While we appreciate the intent of this measure to find a source of funding for the Dwelling Unit Revolving Fund for infrastructure programs and transit-oriented development, we respectfully request another source of funding be identified. Increasing the Conveyance Tax will negatively impact the housing market in Hawaiʻi and lead to an increase in the cost of housing. This measure proposes to greatly increase the Conveyance Tax rates for real property. The following are examples of the rate increases:

Property Value:	Current *Per $100:*	Proposed:	Current Rate (in Dollars):	Proposed (in Dollars):
$6 mil - $9.99 mil	$0.90	$1.10	$54,000 ($6 mil property)	**$66,000**
$10 mil - $13.99 mil *New*	$1.00	$1.40	$100,000 ($10 mil property)	**$140,000**
$14 mil - $17.99 mil *New*	$1.00	$2.00 (2% of Value)	$140,000 ($14 mil property)	**$280,000**
$18 mil - $21.99 mil *New*	$1.00	$3.00 (3% of Value)	$180,000 ($18 mil property)	**$540,000**
$22 mil - $25.99 mil *New*	$1.00	$4.00 (4% of Value)	$220,000 ($22 mil property)	**$660,000**
$26 mil+ *New*	$1.00	$6.00 (6% of Value)	$260,000 ($26 mil property)	**$1,560,000**

Additionally, for condominiums and single-family homes which the purchaser is ineligible to qualify for a homeowner exemption, the following are the proposed rates:

Property Value:	Current *Per $100:*	Proposed:	Current Rate (in Dollars):	Proposed (in Dollars):
$2 mil - $3.99 mil	$0.60	$1.00	$12,000 ($2 mil property)	**$20,000**
$4 mil - $5.99 mil	$0.85	$1.50	$34,000 ($4 mil property)	**$60,000**
$6 mil - $9.99 mil	$1.10	$2.00 (2% of Value)	$66,000 ($6 mil property)	**$120,000**
$10 mil - $13.99 mil *New*	$1.25	$3.00 (3% of Value)	$125,000 ($10 mil property)	**$300,000**
$14 mil - $17.99 mil *New*	$1.25	$4.00 (4% of Value)	$175,000 ($14 mil property)	**$560,000**

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$18 mil - $21.99 mil *New*	$1.25	$5.00 (5% of Value)	$225,000 ($18 mil property)	**$900,000**
$22 mil - $25.99 mil *New*	$1.25	$6.00 (6% of Value)	$275,000 ($22 mil property)	**$1,320,000**
$26 mil+ *New*	$1.25	$7.00 (7% of Value)	$325,000 ($26 mil property)	**$1,820,000**

The Conveyance Tax applies not only to residential property such as single-family homes and condominiums, but to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands. It was originally created to fund the Bureau of Conveyances, but has increased over the years and evolved into a revenue source for the Land Conservation Fund, Rental Housing Revolving Fund, and general fund. Hawaii's real estate market has slowed due to rising interest rates to address inflation, resulting in a 27.22% decrease in single-family home sales and 29.15% decrease in condominium sales year-to-date as of December 2023.[1] Increasing the conveyance tax would be counterproductive during our current real estate market which has slowed.

Furthermore, this would affect development projects including affordable housing rentals or for sale projects, which purchase uninhabitable property and make it habitable. According to the Department of Business Economic Development and Tourism's 2019 report on Housing Demand in Hawai'i, the state needs up to 45,497, housing units to meet demand in Hawai'i by 2030[2]. Ultimately, we have a housing supply problem, and the Conveyance Tax proposed in this measure adds to the cost of housing.

HAR would also note that the Conveyance Tax applies even if someone sells a property at a loss. Often, it is the seller that pays the Conveyance Tax. This makes it a punishing tax, especially for someone that is already struggling financially and needs to sell their assets. One pays the same Conveyance Tax regardless of whether it is sold at a loss or a profit. If there is a profit, real property is also taxed with capital gains.

Additionally, this measure proposes to utilize 10% of the conveyance tax revenues to fund the Dwelling Unit Revolving Fund for the purposes of funding infrastructure programs in transit-oriented development area. If the goal is to encourage and create new housing, mixed-use, and affordable housing development along the transit corridor areas, this large tax increase would be counterproductive to those efforts.

For the foregoing reasons, the Hawai'i Association of REALTORS® opposes this measure. Mahalo for the opportunity to testify.

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[1] Hawai'i REALTORS®. (2023). *Statewide Real Estate Statistics.* www.hawaiirealtors.com/resources/housing-trends-2

[2] Department of Business, Economic Development & Tourism. (2019). *Hawaii Housing Demand 2020-2030.* https://files.hawaii.gov/dbedt/economic/reports/housing-demand-2019.pdf

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EQUAL HOUSING OPPORTUNITY

Hawai'i Housing Affordability Coalition

Testimony of the Hawai'i Housing Affordability Coalition
Support for S.B. 3053 – Relating to Conveyance Tax
Joint Senate Committee on Water & Land and Housing
Thursday, February 1, 2024, at 1:00PM, Conf. Rm. 225 and via Videoconference

Dear Chair Inouye, Vice Chair Elefante, Chair Chang, Vice Chair Hashimoto, and members of the Committees on Water & Land and Housing:

HiHAC is submitting testimony in STRONG SUPPORT for S.B. 3053, which will increase the rates of conveyance tax starting at sales of $4,000,000 and above and create a dedicated 10% allocation to the Dwelling Unit Revolving Fund (DURF). We also offer suggested amendments to remove the funding caps on the Rental Housing Revolving Fund (RHRF) and Land Conservation Fund (LCF) as well as increasing the suggested changes to the tax rates.

HiHAC commends the legislature for proposing a 10% dedicated fund from high-cost property sales to address our infrastructure needs. Lack of adequate infrastructure further exacerbates delays to our needed additional housing construction and increasing funding to DURF is necessary to reach the housing goals across our state.

We thank your committee for considering the substantial public benefits of updating the Hawai'i conveyance tax and we respectfully request the following amendments:

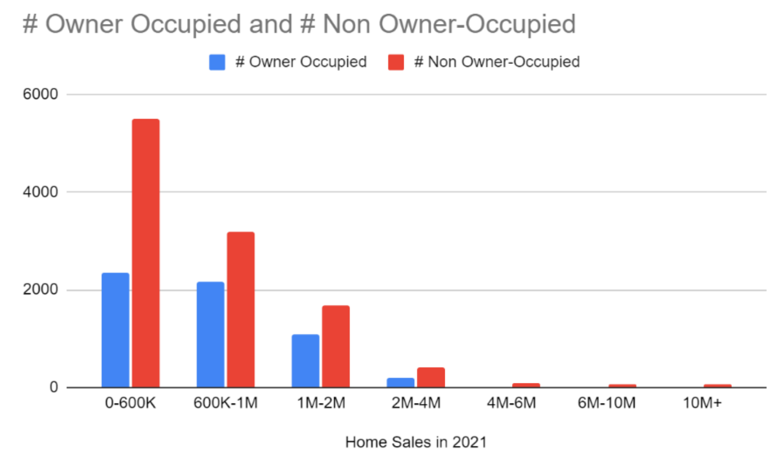
1) **Removing the $38M cap on the rental housing revolving fund** and returning the allocation to 50% of total revenues as was the original intent from the conveyance tax.
2) **Removing the $5.1M cap on the land conservation fund** and returning the allocation to 10% of total revenues as was the original intent from the conveyance tax.
3) **Increasing the tax rate on homes sold over $4M to rates between 2-7%**

According to the 2019 Hawaii Housing Planning (HHPS 2019) Study, we need nearly 25,000 additional housing units for households making 0-100% AMI by 2025 to meet pent-up demand. Removal of the cap on the RHRF will provide more financing for Low Income Housing Tax Credit (LIHTC) projects for individuals making 0-60% AMI and financing for Tier 2 program which utilizes the RHRF for 80-100% AMI focused projects. We believe removing the funding caps is essential to ensure affordable housing and land conservation, as the conveyance tax stands as one of the few dedicated funds for these purposes.

Additionally, we believe that increasing the conveyance tax rates, *which have not been updated in over 14 years*, can provide significant and permanent new revenue for affordable housing and infrastructure needs. The current conveyance tax has a rate of 0.1% to 1.25% depending on the value of the home, however, high-cost places across the country such as Seattle, San Francisco, New York and others have been updating their conveyance tax to rates ranging from 1% to 6% to ensure that gains made from real estate investment are also helping to offset some of the impacts of ever-increasing home prices.

| Susan Le | Coalition Coordinator | 425-829-8231 | Hawai'i Housing Affordability Coalition | info@hihac.org |

Hawai’i Housing Affordability Coalition



Based off of home sales data in 2021, homes that sold over $4M were non-owner occupied properties. Real estate investment properties exacerbate our housing market challenges by driving up prices and reducing affordability for local residents. We encourage the legislature to consider increasing conveyance rates above a $4M sale price so that profits from these investments can be captured and reinvested in our communities.

Increasing conveyance tax rates, removing caps on RHRF and LCF, and creating a dedicated DURF fund can provide millions of dollars to address some of the most pressing barriers to providing affordable housing to residents today. Please **PASS SB3053**, and consider the suggestions above, to help provide affordable housing to the people who live and work in Hawaiʻi.

Mahalo for the opportunity to testify,

HiHAC
Hawai’i Housing Affordability Coalition

CATHOLIC CHARITIES HAWAIʻI

TESTIMONY IN SUPPORT OF SB 3053: RELATING TO CONVEYANCE TAX

TO: Senate Committees on Water & Land, and Housing

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaiʻi

Hearing: Thursday, 2/1/24; 1:00 PM; via Videoconference or CR Room 225

Chair Chang, Vice Chair Hashimoto, Chair Inouye, Vice Chair Elefante, and Members, Committees on Water and Land, and Housing:

Thank you for the opportunity to provide testimony **in Support of SB 3053,** which would increase conveyance tax rates and appropriate a dedicated percentage of this tax to the Dwelling Unit Revolving Fund (DURF). I am Rob Van Tassell with Catholic Charities Hawai`i.

Catholic Charities Hawai`i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai`i for over 75 years. CCH has programs serving elders, children, families, homeless and immigrants. Our mission is to provide services and advocacy to the most vulnerable of the people in Hawai`i. This bill is one of our affordable housing priorities.

The Legislature has stated that creating more affordable housing is one of the top priorities for this 2024 session. **Passing this bill, with the suggested amendments below, would provide the dedicated funding that developers need to plan for the future construction of the massive number of housing units needed for the people of Hawai`i.** Households making 0-60% AMI are suffering, as well as those at 80-100% AMI. Removing the cap on the Rental Housing Revolving Fund (RHRF) would provide funding for affordable rentals for these struggling families. Instructure is needed across the Hawaiian islands to remove many barriers to creating affordable housing. Dedicated funding to DURF is a critical piece to enable more construction of housing. With climate change already hitting Hawai`i, we also urge you to prioritize land conservation. Updating the conveyance tax when a high cost property is sold would provide permanent funding to meet these crucial needs of Hawai`i.

Catholic Charities Hawai`i respectfully urges you to amend this bill by:

1. **Removing the $38 M cap on the Rental Housing Revolving Fund.**
2. **Removing the $5.1 M cap on the Land Conservation Fund.**
3. **Increasing the tax rates on homes sold above $4 M.**

Our state's conveyance tax rates have not been updated for over 14 years. With our ongoing housing crisis, now is the time to update these rates. Please support SB 3053.

If you have any questions, please contact our Legislative Liaison, Betty Lou Larson at (808) 527-4813.

PARTNERS IN CARE

Oahu's Continuum of Care

Our mission is to eliminate homelessness through open and inclusive participation and the coordination of integrated responses.

TESTIMONY IN SUPPORT OF SB 3053: RELATING TO CONVEYANCE TAX

LATE

TO: Senate Committees on Housing and Water and Land
FROM: Partners In Care (PIC)
Hearing: THURSDAY, 2/1/24; 1:00 pm; CR 225 or via videoconference

Chair Chang, Vice Chair Hashimoto, Chair Inouye, Vice Chair Elefante, and Members, Committees on Housing and Water and Land:

Thank you for the opportunity to provide testimony **in support SB 3053**, which raises the conveyance tax on certain residences and allocates a percentage of this tax to the Dwelling Unit Revolving Fund. Partners In Care (PIC) is a coalition of more than 60 non-profit homelessness providers and concerned organizations. We urge your continued prioritization of funding for affordable rental production to prevent homelessness and give hope to the people of Hawai`i.

Hawai`i needs to significantly increase its investment in affordable housing development, and by investing in it now, the legislature will be strengthening our economy. Our workforce is in trouble. The high cost of living is forcing many to consider moving away from Hawai`i. Affordable housing is key. Partners In Care urges your support to create this new revenue source for infrastructure, and also urges you to allow the full 50% of this tax to be paid to the Rental Housing Revolving Fund (RHRF). **We urge you to amend the bill to:**

1. **Remove the $38 M cap on the Rental Housing Revolving Fund.**
2. **Remove the $5.1 M cap on the Land Conservation Fund.** With increasing challenges to our environment, this commitment to land conservation is key.
3. **Increase the tax rate on homes sold over $4 M.**

Rents have skyrocketed. Hawai`i is changing with more than 50% of Native Hawaiians now living outside of their island home. After the pandemic, families are in still in financial jeopardy. Growing homelessness, especially among our kupuna, is a real concern. The last two years have seen almost a tripling in the number of elderly homeless persons. Vulnerable elders on walkers sometimes come into emergency shelters. <u>Building affordable rentals builds resiliency for the future, as well as bringing hope to Hawaii's families</u>. The RHRF is the major pathway for the State to promote the development of affordable rental units. The RHRF requires increased dedicated funding to fulfill the State's commitment for affordable housing for the people of Hawai`i.

<u>Housing is healthcare—and can prevent much more expensive institutionalization for Hawai`i seniors.</u> Partners In Care urges your strong support to increase funding for the creation of affordable rentals. Besides the important economic impact, this funding will provide hope to our struggling families, elders and disabled persons.

Advocacy Committee, PARTNERS IN CARE, *OAHU'S CONTINUUM OF CARE*
200 North Vineyard Boulevard • Suite 210 • Honolulu, Hawaii 96817 • (808) 380-9444 •
PICadvocate@gmail.com

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Tax Hike, Exemption for Property with Price Cap, Change Earmarks

BILL NUMBER: SB 3053, HB 2364

INTRODUCED BY: SB by KOUCHI; HB by SAIKI (Governor's Package)

EXECUTIVE SUMMARY: Increases the conveyance tax rate for higher value properties. Exempts conveyances of real property from the conveyance tax for owner-occupants who own no other real property. Eliminates the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund. Allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas.

SYNOPSIS: Amends section 247-2, HRS, to increase the rate of conveyance tax as follows for a condominium or single-family residence for which the purchaser is ineligible for a county homeowner's exemption on real property tax: In the tables, red indicates a new and increased tax rate.

Minimum Property Value	Current Tax (per $100 of consideration)	New Tax (per $100 of consideration)
$ 0	$ 0.15	**$ 0.15**
600,000	0.25	**0.25**
1,000,000	0.40	**0.40**
2,000,000	0.60	**1.00**
4,000,000	0.85	**1.50**
6,000,000	1.10	**2.00**
10,000,000	1.25	**3.00**
14,000,000	"	**4.00**
18,000,000	"	**5.00**
22,000,000	"	**6.00**
26,000,000	"	**7.00**

For all other properties:

Minimum Property Value	Current Tax (per $100 of consideration)	New Tax (per $100 of consideration)
$0	$ 0.10	**$ 0.10**
600,000	0.20	**0.20**
1,000,000	0.30	**0.30**
2,000,000	0.50	**0.50**
4,000,000	0.70	**0.70**
6,000,000	0.90	**1.10**

10,000,000	1.00	**1.40**
14,000,000	"	**2.00**
18,000,000	"	**3.00**
22,000,000	"	**4.00**
26,000,000	"	**6.00**

Amends section 247-3, HRS, to add a new exemption for any document or instrument conveying real property to an individual who is an owner-occupant or renter-occupant of the property; provided the individual does not have a direct or indirect ownership interest in any other real property, including through ownership interest in a trust, partnership, corporation, limited liability company, or other entity.

Amends section 247-7, HRS, to add a 10% earmark to the dwelling unit revolving fund for the purposes of funding infrastructure programs in transit-oriented development areas.

EFFECTIVE DATE: July 1, 2024.

STAFF COMMENTS: This bill is part of the Administration package, sponsored by the Department of Business, Economic Development and Tourism, and is identified as BED-20 (24). The justification sheet prepared by DBEDT accompanying the bill states that it is consistent with a report to the Legislature entitled "Hawaii TOD Infrastructure Financing and Delivery Strategy for Pilot Areas," funded by the Legislature in 2021. We were unable to locate a copy of this report.

Conveyance Tax Hike

The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation (which at the time also administered the real property tax) with additional data for the determination of market value of properties transferred. This information was also to assist the department in establishing real property assessed values and at that time the department stated that the conveyance tax was not intended to be a revenue raising device.

Prior to 1993, the conveyance tax was imposed at the rate of 5 cents per $100 of actual and full consideration paid for a transfer of property. At the time all revenues from the tax went to the general fund. The legislature by Act 195, SLH 1993, increased the conveyance tax to 10 cents per $100 and earmarked 25% of the tax to the rental housing trust fund and another 25% to the natural area reserve fund. Because of legislation in 2005 and in 2009, the conveyance tax rates were substantially increased and bifurcated between nonowner-occupied residential properties and all other properties. Tax brackets were based on the amount of value transferred.

This bill proposes to raise conveyance tax rates yet again, and in dramatic fashion.

There are two points lawmakers may wish to consider. First, the proposed new brackets have discontinuities at the bracket break points, which means that if taxable income increases by $1 at a break point, such as from $9,999,999 to $10,000,000, the increase in tax will be substantially more than $1. In this example the tax would go from $200,000 to $300,000. Substantial discontinuities such as these may motivate behavior for taxpayers near a break point. This behavior might not be desirable from an economic standpoint. Consideration should be given to making the conveyance tax brackets more like the existing income tax brackets which do not have this problem.

Second, it should be kept in mind that a large dollar value transaction doesn't necessarily mean that a filthy rich person ripe for the fleecing is on one or the other end. A multi-unit condominium housing development, for example, easily could sell for an eight-digit number.

Third, a tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

Tax Earmarks

Until 2005, 50% of the receipts went into the general fund and the other half was split with the affordable rental housing program and the natural area reserve program. Beginning in 2005, another 10% was taken for the land conservation fund.

Act 84, SLH 2015, imposed a $6.8 million cap on the earmark. In 2015, the Conference Committee explained the rationale for the cap on the earmark as follows:

> Your Committee on Conference finds that budgetary planning and transparency are key components to ensuring the ongoing fiscal health of the State. Your Committee on Conference believes that, by establishing maximum amounts to be distributed to various non-general funds from the conveyance tax, this measure will make forecasts of general fund revenues more reliable, will increase legislative oversight of agencies and programs supported by the non-general funds, and will subject those agencies and programs to competition for limited public funds if the agencies or programs want more than the amount automatically distributed to their non-general funds.

Conf. Comm. Rep. No. 156 (2015).

The cap on the earmark to the land conservation fund was reduced to $5.1 million in the budget bill of 2020, Act 9, SLH 2020.

An additional earmark is proposed to be added by this bill.

Raising or removing the cap on the earmarked revenues should be done only with great caution. As with any earmarking of revenues, the legislature will be preapproving each of the programs fed by the fund into which the tax monies are diverted, expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether the fund has too little or too much revenue.

If the legislature deems the programs and purposes funded by this fund to be 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. If the money were appropriated, lawmakers could then evaluate the real or actual needs of each program.

Digested: 1/29/2024

WAIʻANAE COMMUNITY RE-DEVELOPMENT CORPORATION
MAʻO ORGANIC FARMS

P.O. Box 441, Wai'anae, Hawai'i 96792
Tel/Fax. 808-696-5569 (office/farm)
FED NO. 99-0350803 - GET NO. W-40484254-01

Testimony Relating To SB 3053: The Conveyance Tax- Conveyance Tax Rates and Exemptions; Land Conservation Fund; Rental Housing Revolving Fund; Dwelling Unit Revolving Fund; Allocations

January 30, 2024

Committee on Housing
Committee on Water and Land
State Capitol Building
Honolulu, HI

Aloha mai kākou, greetings Committee Members:

Over the past decade-plus, the nonprofit Waiʻanae Community Re-Development Corporation and its social enterprise MAʻO Organic Farms, has been the fortunate recipient of two critical grants from the Legacy Land Conservation Program (LLCP).

- In 2008, an LLCP grant of $737,300 was matched by private foundation and individual donor dollars (from both mainland and Hawaiʻi sources) to enable our organizationʻs purchase of 11-acres of land on Pūhāwai Road in Waiʻanae. Since MAʻO purchased this once-fallow parcel, it has been certified organic, continuously farmed by hundreds of youth interns, created dozens of sustaining jobs, produced thousands of tons of produce for our community, and serves as the piko (center) for our organizationʻs youth education programs, our organic, sustainable agricultural and farming operations and community cultural programming.

- Ten years later, in 2018, an LLCP grant of $750,000 was again matched by private foundation and individual donor dollars (from both mainland and Hawaiʻi sources) to enable our organizationʻs purchase of 21-acres of land near Lualualei Naval Road in Waiʻanae. Since MAʻO purchased this once-fallow parcel, the entire acreage has been put into organic food production, yielding thousands of pounds of fresh produce each week, some of which goes directly to community feeding programs by Elepaio Services, a nonprofit spinoff of the Waiʻanae Coast Comprehensive Health Center. Moreover, the successful purchase of this 21-acre parcel, paved the way for MAʻO to also purchase a neighboring 236-acre parcel with $1.1 million dollars in federal funding from the Navy.

Relating to the bill being discussed today. SB 3053 Regarding the conveyance tax rates and exemptions specifically to the Legacy Land Conservation Program. We support the elimination of a cap of conveyance funds allocated to the LLCP program. Specifically, amend/strike the language in the bill "...Ten percent or $5.1 million, whichever is less."   It is important to optimize the funds available for agencies and nonprofits like WCRC-MAʻO Organic Farms to steward and conserve these agricultural, cultural and natural resources in perpetuity.

In addition to conserving these resources, the LLCP funding allowed WCRC-MAʻO Organic Farms to bring millions of additional donor and federal dollars to not only serve as matching funds for the purchases, but also to support the development of these lands by community members for community members thus fulfilling the deeper purpose of the Department of Land & Natural Resources and the State of Hawaiʻi.

Today, WCRC-MAʻO Organic Farms is completing construction on a new processing facility with $3.8 Million in federal US Economic Development Administration and USDA funding that was made possible by the groundwork laid with our initial 2008 LLCP grant. Notwithstanding, the produce our youth have grown on these lands has helped to grow our local economy and food system in countless ways. The long-term multiplier effect of the LLCP funding cannot be overstated.

We strongly urge your continued consideration and support for the LLCP to continue its good work.

Aloha,

Jornal K. K. Maunakea-Forth

J. Kukui Maunakea-Forth
Executive Director

LAND USE RESEARCH
FOUNDATION OF HAWAII

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(808) 521-4717
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January 30, 2024

Senator Stanley Chang, Chair
Senator Troy N. Hashimoto, Vice Chair
Senate Committee on Housing

Senator Lorraine R. Inouye, Chair
Senator Brandon J.C. Elefante, Vice Chair
Senate Committee on Water and Land

Comments and Concerns in Opposition to SB 3053, Relating to the Conveyance Tax (Increases the conveyance tax rate for certain properties. Exempts conveyances of certain real property from the conveyance tax. Eliminates the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund. Allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund [DURF] for the purpose of funding infrastructure programs in transit-oriented development [TOD] areas.)

Thursday, February 1, 2024, at 1:00 p.m.; State Capitol, Conference Room 225, and Videoconference

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers, and utility companies. 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 appreciates the opportunity to provide **comments and concerns in opposition** to this bill.

SB 3053. This bill itself does not expressly include a purpose clause, however, the measure is intended as a method to generate revenue to be paid into the state treasury to the credit of the general fund of the State, and seventy percent of said revenue is intended to be directed into three designated special and revolving funds: the land conservation fund established pursuant to Hawaii Revised Statutes (HRS) Section 173A-5; the rental housing revolving fund established by HRS Section 201H-202 (for both of which funds the maximum dollar amount to be paid into each fiscal year is proposed to be removed); and the DURF for the purpose of funding infrastructure programs in transit-oriented development areas. To do so, this bill proposes to increase the conveyance tax rate for certain properties. The proposed measure also exempts conveyances of certain real property from the conveyance tax.

LURF's Position. The proposed increase of the conveyance tax rate for the transfer or conveyance of certain properties is arguably inappropriate, improper, and illegal, given the following:[1]

1. The Hawaii conveyance tax was never intended to be and should not operate as a revenue-generating tax.

Chapter 247 (Conveyance Tax) of the HRS was purposefully enacted in 1966 to provide the State Department of Taxation ("DoTax") with informational data for the determination of market value of properties transferred, and to assist the DoTax in establishing real property assessed values. In short, the sole intent of the conveyance tax was originally to cover the administrative costs of collecting and assessing said informational data, which necessarily entails the recording of real estate transactions, as performed by the Bureau of Conveyances.

Since the enactment of HRS Chapter 247, however, the State Legislature has proposed, and has managed to implement changes to the law 1) to allow application of conveyance tax revenue to a number of non-conveyance type uses (land conservation fund; rental housing trust fund; and natural area reserve fund) to the point where there is no longer any clear nexus between the benefits sought by the original Act and the charges now proposed to be levied upon property-holding entities transferring ownership; and 2) also to increase the tax rates to the point where said revenues now far exceed the initially stated purpose of the Act. Moreover, supplemental funding for some of those expanded uses for which conveyance tax revenues were subsequently authorized has since been determined to be unnecessary, and recommended to be discontinued, creating an even stronger basis for legal objection and challenge.

Such expansions and deviations, including the allocation of conveyance tax to DURF specifically for the purpose of funding infrastructure programs in TOD areas as proposed by the current measure, go beyond the scope of the original intent of the conveyance tax law, and are concerning to LURF since the proposed bill, particularly if

[1] Further opposition to SB 3053 may be warranted but shall be reserved until the actual purpose of the measure and details regarding disposition and use of the revenues to be collected are disclosed, as is proper and appropriate with any proposed bill for which the intended purpose is to generate revenue.

unlawfully targeting specific types of transactions or groups of property owners, could be characterized as imposing an improper penalty, hidden tax, or surcharge, which may be subject to legal challenge.

2. SB 3053 is arguably illegal and in violation of Sections 37-52.3 and 37-52.4, HRS, because it attempts to use the conveyance tax to subsidize or increase subsidies to special and revolving funds which do not have a clear link between the program and the sources of revenue.

Special funds are subject to HRS Sections 37-52.3 and 37-52.4. Criteria for the establishment and continuance of special and revolving funds was enacted by the 2002 Legislature through Act 178, SLH 2002, Sections 37-52.3 and 37-52.4, HRS. To be approved for continuance, a special fund must:

a. serve the purpose for which it was originally established;
b. reflect a <u>clear nexus</u> between the benefits sought and charges made upon the users or beneficiaries of the program *or a clear link between the program and the sources of revenue*, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process;
c. provide an appropriate means of financing for the program or activity; and
d. demonstrate the capacity to be financially self-sustaining.

The first and second criteria are nearly identical to those in Act 240, SLH 1990, codified in Section 23-11, HRS, requiring the Auditor to review all legislative bills in each session to establish new special or revolving funds. It appears that the intent of SB 3053 is to find an additional source of funding for infrastructure programs in TOD areas by increasing conveyance tax revenues for the transfer of certain properties, primarily "luxury" properties. However, the State Auditor has in the past concluded that such an arrangement where there is no *clear link* with the funding source (individuals and companies involved in particular types of real estate transactions) should be repealed.

3. Other legal and voluntary alternatives may be available to increase funding or incentivize support for infrastructure programs in TOD areas.

In lieu of improperly imposing increases of conveyance taxes to increase the State's general fund, or to subsidize or increase revenue for certain unrelated special funds with no clear link to the conveyance tax purposes or beneficiaries, proponents of those special funds or programs are urged to look to other possible legitimate means to do so, including funding support through other "related" or "linked" state and county charges, federal funding - particularly for transit-related purposes, fees, or taxes.

Given the *"clear nexus"* requirement for special and revolving funds, and also given that general funding and alternative methods to secure revenues for these funds exist, expansions and deviations of HRS Chapter 247 which go beyond the scope of the original intent of the conveyance tax law are again concerning since this proposed bill, particularly if it unlawfully targets transactions involving the sale of interests by a particular group of individuals or entities which own real property in the State, could be characterized as imposing an improper penalty, hidden tax, or surcharge, which may be subject to legal challenge.

4. **Measures which attempt to utilize the State conveyance tax as a revenue generating tax will likely cause unintended negative consequences.**

   a. **Hawaii's large *kama'aina* landowners will likely be affected**.

These types of proposed bills may impact local landowners who may be transferring large properties for agricultural farms, housing developments, environmental programs, or other developments that would serve the community and create needed employment.

   b. **Such measures would create significant disincentive for business in Hawaii**.

At a time when the State continues to reel from the effects of the Covid pandemic, and is still attempting to encourage business expansion in, and attract business operations to Hawaii, measures implemented to utilize the State conveyance tax as a revenue generating tax would create a disincentive and will have a substantial - negative impact on persuading new and existing businesses to open or expand in Hawaii, or to relocate their operations to this State. The proposed additional cost of doing business in Hawaii would certainly appear to negatively outweigh any positive revenue impact resulting from the imposition of conveyance taxes pursuant to these types of measures.

   c. **This type of legislation would drive up the cost of lands for agricultural production, affordable and market homes, and commercial development**.

Your Committees should be aware that the impact of this proposed measure would not only affect owners of "luxury" properties or non-residents. The imposition of an increase of conveyance tax on transfers which affect **agricultural lands** will be passed on to farmers and other agricultural operators, making it even harder for agriculture to survive in Hawaii; the proposed imposition of the tax on transfers which affect **land intended for non-government assisted housing developments** will be passed on to home buyers and will thus increase the price of homes and exacerbate the affordable housing problem in Hawaii; and the proposed imposition of the conveyance tax onto transfers which affect **commercial properties** will also be passed on to small businesses, creating yet another substantial financial burden on them.

d. Should this measure be passed, exemptions should be created for all landowners and developers that support needed housing, and for those that otherwise provide substantial support for the programs that are intended to benefit from conveyance tax revenues.

Curiously, a previous proposal made in 2023 attempting to use conveyance tax revenues for government assisted affordable housing was not passed and has been replaced in this bill with a proposed allocation to DURF which is allegedly similarly aimed at addressing Hawaii's affordable housing crisis by helping to "increase the state's inventory of affordable rental housing to provide more housing options" - although no details describing how or to what extent the proposed allocation to DURF would actually result in such an increase have been offered in the bill. It is also interesting that the proposed allocation of conveyance tax revenues to DURF is stated to be justified by a report which the "Hawaii TOD Infrastructure Financing and Delivery Strategy for Pilot Areas" has not yet even made, but reportedly will be making to the Legislature in the 2024 regular session. (see, Justification Sheet for S.B. 3053). Such "future" justification for this measure would seem speculative at best.

LURF further emphasizes the irony and inequity of the fact that among the entities which will be hardest hit by these types of measures are Hawaii's large landowners that have already been building housing (including affordable housing) and have already been serving as excellent stewards of our lands, and are the leading partners in, and contributors to the purposes funded by conveyance tax revenues. At the very least, exemptions to these types of measures should be written in, or established for those entities that lend to all housing needs in the State, as well as support and participate in conservation and watershed programs.

Conclusion.

Given the incontrovertibly clear and express intent of Hawaii's conveyance tax law (HRS Chapter 247), which is to use State conveyance tax revenue to specifically cover administrative costs incurred by DoTax to collect and assess informational data, any use of State conveyance tax revenue must be strictly limited to that purpose as set out in the original Act. Use of conveyance tax revenue for any other purpose is subject to scrutiny and legal challenge.

There is also significant concern that proposed measures which attempt to utilize the conveyance tax as a revenue generating tax will likely cause unintended negative consequences which would be detrimental to the State.

In view of these issues, legislators should be advised to act with caution, and to proceed judiciously when considering measures which propose to utilize or apply the conveyance tax as a revenue generating tax, especially to support the establishment or continuance of special, revolving and trust funds – some of which have not even adequately justified the need for such funding.

Due to the significance of the conveyance tax issues raised by SB 3053, **LURF respectfully requests that this bill be deferred by this Committee** to at the very least allow stakeholders, including, but not limited to government agencies, the public, private landowners, legal experts, and other interested parties to work together to come to a consensus regarding the intent of the conveyance tax, as well as this bill's purpose and alternatives to subsidizing the general fund, including other broad-based supplemental funding by Hawaii's taxpayers and visitors.

Thank you for the opportunity to provide comments and concerns in **opposition** to this proposed measure.

SENATE BILL 3053, RELATING TO THE CONVEYANCE TAX

FEBRUARY 1, 2024 · WTL/HOU HEARING

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus **supports** SB 3053, relating to the conveyance tax, which increases the conveyance tax rate for certain properties; exempts conveyances of certain real property from the conveyance tax; eliminates the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund; and allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas.

The revenue from the conveyance tax is, in part, used to fund the development of affordable housing, as well as to protect conservation land and natural resources. As noted by the Hawai'i Appleseed Center for Law and Economic Justice, these are two places in our social structure where the impact of an out-of-control real estate market has serious, adverse impacts.

Since the onset of the pandemic, Hawai'i's luxury real estate market has been booming. Yet, conveyance taxes have not risen concurrently, so that the sellers of high-end properties are not currently paying their fair tax share to support our state's public interest. In fact, while the cost of housing and the value of real estate have continued to skyrocket, our islands' conveyance tax rates have not been updated since 2005.

Our state's conveyance tax rates are only 0.50 to 1.25 percent on multi-million-dollar properties. In contrast, high-cost cities–such as Seattle and San Francisco–have been updating their transfer (conveyance) taxes to rates between 2 to 7 percent for luxury homes. If Hawai'i's conveyance tax were raised merely to 2 to 6 percent on properties worth $2 million and higher, the state would generate an additional $300–400 million in revenue every year.

We need new revenue to address Hawai'i's affordable housing and homelessness crises. According to the 2019 Hawaiʻi Housing Planning Study, our state needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025, with 30 percent of that need being concentrated for people earning at or below people earning 30 percent of Area Median Income (AMI), which equates to $25,000 per year for a single person.

Additionally, the 2022 Point In Time Count estimated that there are around 6,223 individuals living unsheltered in Hawaiʻi. This figure does not account for the "hidden homeless"—people relying on public assistance, relatives, or friends for shelter because they cannot afford to live on their own. Finally, eliminating the caps on the amount of conveyance tax revenue deposited into the Land Conservation Fund and Rental Housing Revolving Fund would increase their deposits to $18.8 and $94 million respectively, far above their current allocations.

Kris Coffield · Chairperson, DPH Education Caucus · (808) 679-7454 · kriscoffield@gmail.com

To: Senate Committees on Housing and on Water and Land
Re: **SB 3053 – Relating to the Conveyance Tax**
Hawaiʻi State Capitol & Via Videoconference
February 1, 2024, 1:00 PM

Dear Chairs Chang and Inouye, Vice Chairs Hashimoto and Elefante, and Committee Members,

On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing in **SUPPORT of SB 3053**. This bill increases the conveyance tax rate for high-value properties and allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund.

Since the start of the pandemic, real estate prices in Hawaiʻi have skyrocketed to record highs over and over again. The conveyance tax is charged when real property is transferred between owners, but **current conveyance tax rates are only 0.1 percent to 1.25 percent, even on multi-million dollar properties**.

This bill would raise conveyance tax rates on second homes or residential investment **properties worth at least $2 million**, and on other types of real property worth **at least $6 million**. It makes sense to ask such wealthy owners to pay a little more when they sell their multi-million dollar properties.

It is well known that Hawaiʻi's families are facing affordable housing and homelessness crises. This bill would help alleviate these crises, as conveyance tax collections are allocated to priorities such as the Rental Housing Revolving Fund, which provides low-interest loans or grants for qualified affordable housing projects. This bill would also add an additional recipient of conveyance tax collections: the Dwelling Unit Revolving Fund, for the purposes of funding infrastructure programs in transit-oriented development areas.

However, the amount paid into the Rental Housing Revolving Fund from the conveyance tax is capped at the lesser of 50 percent or $38 million per year. If there had been no such cap, the fund would have received tens or even hundreds more dollars per year over the past several years from the conveyance tax. **We suggest amending this bill to eliminate the cap on the amount of conveyance tax collections allocated to the Rental Housing Revolving Fund, in order to enable to construction of more badly-needed affordable rental units for our local families.**

Mahalo for the opportunity to provide this testimony. Please pass this bill.

Thank you,

Nicole Woo
Director of Research and Economic Policy

GRASSROOT
INSTITUTE OF HAWAII

1050 Bishop St. #508
Honolulu, HI 96813
808-864-1776
info@grassrootinstitute.org

Removing barriers to Hawaii's prosperity

Feb. 1, 2024, 1 p.m.
Hawaii State Capitol
Conference Room 225 and Videoconference

To: Senate Committee on Housing
Sen. Stanley Chang, Chair
Sen. Troy N. Hashimoto, Vice-Chair

Senate Committee on Water and Land
Sen. Lorraine R. Inouye, Chair
Sen. Brandon J.C. Elefante, Vice-Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: Opposing SB3053 — RELATING TO THE CONVEYANCE TAX

Aloha Chairs and Committee Members,

The Grassroot Institute of Hawaii is concerned about the potential economic impact of SB3053, which would increase the conveyance tax for properties valued between $6 million and $10 million by more than 20%; increase the tax for properties valued between $10 million and $14 million by 40%; and create new tiers that would double, triple, quadruple and sextuple the tax for higher-valued properties.

This bill does attempt to limit the tax increase to homes well out of the average range for homes in Hawaii, but that does not mean that the average Hawaii resident will not feel its effects.

Put simply, higher conveyance taxes can harm the economy. A report by the Sage Policy Group on transfer taxes noted that such laws can "lead to decreases in population, real incomes, real estate transactions, investment in structures, and quality of the built environment."[1]

[1] "The Unintended Consequences of Excessive Transfer Taxes," Sage Policy Group, Inc. on behalf of the Community Coalition for Jobs and Housing, June 2022, p. 3.

When applied to higher-value properties, transfer taxes reduce investment in both commercial and residential properties, leading to lost jobs and reduced economic activity.

Further, this measure might discourage adaptive reuse — the conversion of old buildings to new purposes. Hawaii's counties can leverage adaptive reuse to add to their housing stock, as they are doing now,[2] but higher conveyance taxes could chill the sale of old buildings.

"Many properties will need to be upgraded and/or adaptively reused to remain viable," the Sage report stated. "Excessive transfer tax rates can frustrate the exchange of property that is often required to return to commercial viability."[3]

Looking at the even broader picture, one must consider that tax increases in general are not a good idea for Hawaii's economy, especially not now when it already has one of the highest tax burdens in the nation.[4] Consider these points:

>> Hawaii's population has been declining for the past six years.[5] Tens of thousands of Hawaii residents have moved to the mainland over the past six years — and mainly to states without income taxes, such as Washington, Nevada, Texas and Florida.[6] Their departure from the islands is not only emotionally distressing, but economically depressing as well.

>> Fewer people remaining means fewer people to work at our private businesses, or even staff our government agencies. It also means fewer people to help pay for Hawaii's ever-increasing tax burden.

>> Higher taxes for the residents who still live here is more fuel for the exodus of talent and capital — our friends, neighbors and family — to places that are more affordable. It's a downward spiral economically fostered by the relentless upward spiral of more and more taxes.

>> Hawaii taxes high-income earners at 11%, second only to California at 13.3%.[7] Hawaii's top 1.5% of taxpayers already pay 34.9% of all income taxes in the state.[8]

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[2] Lana Teramae, "Local Architects Talk About Repurposing Existing Buildings in Post-Pandemic Hawai'i," Hawaii Business Magazine, Sept. 6, 2021.
[3] "The Unintended Consequences of Excessive Transfer Taxes," p. 3.
[4] Jared Walczak and Erica York, "State and Local Tax Burdens, Calendar Year 2022," Tax Foundation, April 7, 2022.
[5] Maria Wood, "Where People from Hawaii Are Moving to the Most," 24/7 Wall Street, Jan. 23, 2022.
[6] Katherine Loughead, "How Do Taxes Affect Interstate Migration?" Tax Foundation, Oct. 11, 2022.
[7] Timothy Vermeer, "State Individual Income Tax Rates and Brackets for 2023," Tax Foundation, Feb. 21, 2023.
[8] "Hawaii Individual Income Tax Statistics," Hawaii Department of Taxation report for Tax Year 2021, August 2023, Table 12A.

>> Finally, Hawaii is suffering from a stagnant economy, and both the Economic Research Organization at the University of Hawaiʻi[9] and the state Department of Business, Economic Development and Tourism[10] have predicted continued slow economic growth in 2024. Tax hikes could exacerbate this slowdown, since entrepreneurs will be less likely to want to invest their capital — or "wealth assets," as the case may be[11] — in Hawaii's economy.

In short, Hawaii's residents and businesses need a break from new taxes, tax increase, fees and surcharges. This is not the time to make Hawaii a more expensive place to live and do business. Even when applied to a limited number of properties, a dramatic increase in the conveyance tax would have a negative effect on the state's economy.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

[9] Carl Bonham, Byron Gagnes, Steven Bond-Smith, et al., "State Facing Headwinds as Maui Recovery Begins," Economic Research Organization at the University of Hawaiʻi, Dec. 15, 2023.
[10] Hawaii Department of Business, Economic Development, and Tourism, "Hawaii Economic Growth Remains Low for 2024 as Recovery Continues," Dec. 11, 2023.
[11] Aaron Hedlund, "How Do Taxes Affect Entrepreneurship, Innovation, and Productivity?" Center for Growth and Opportunity at Utah State University, Dec. 23, 2019; Ergete Ferede, "The Effects on Entrepreneurship of Increasing Provincial Top Personal Income Tax Rates in Canada," Fraser Institute, July 10, 2018; Robert Carroll, Douglas Holtz-Eakin, Mark Rider and Harvey S. Rosen, "Personal Income Taxes and the Growth of Small Firms," National Bureau of Economic Research, October 2000.

HAWAIʻI COMMUNITY DEVELOPMENT AUTHORITY

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Telephone: (808) 594-0300 Fax: (808) 587-0299
Web site: http://dbedt.hawaii.gov/hcda/

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GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

CHASON ISHII
CHAIRPERSON

CRAIG K. NAKAMOTO
EXECUTIVE DIRECTOR

Statement of
CRAIG K. NAKAMOTO
Executive Director
Hawaiʻi Community Development Authority
before the
SENATE COMMITTEE ON HOUSING
and before
SENATE COMMITTEE ON WATER AND LAND

Thursday, February 1, 2024
1:00 p.m.
State Capitol, Conference Room 225 & Videoconference

In consideration of
SB 3053
RELATING TO THE CONVEYANCE TAX.

Chairs Chang and Inouye, Vice Chairs Hashimoto and Elefante, and members of the Committees. The Hawaiʻi Community Development Authority (HCDA) supports SB3053, that increases the conveyance tax rate for certain properties, and allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas.

This measure offers a greatly needed revenue stream for financing large public infrastructure projects like streets, utilities, storm water and sea level management systems in transit-oriented development areas.

Across the State, infrastructure is essential to support development and is integral to building better communities.

Thank you for the opportunity to testify.

STANFORD CARR DEVELOPMENT, LLC

January 31, 2024

The Honorable Stanley Chang, Chair
The Honorable Troy N. Hashimoto, Vice Chair
and Members of the Senate Committee on Housing

The Honorable Lorraine R. Inouye, Chair
The Honorable Brandon J.C. Elefante, Vice Chair
and Members of the Senate Committee on Water and Land

Re: Testimony - SB 3053, Relating to the Conveyance Tax
Hearing: February 1, 2024 at 1:00 PM
Senate Conference Room 225 & Videoconference

Dear Chair Chang, Chair Inouye, Vice Chair Hashimoto, Vice Chair Elefante, and Committee Members:

Stanford Carr Development (SCD) is writing to **support** SB 3053 that proposes amended rates to the conveyance tax and allocation of portions of the tax to an infrastructure fund for use in transit-oriented development (TOD) areas.

The 2019 Department of Business, Economic Development, and Tourism report quantified the State's housing crisis by reporting the need for 46,573 additional homes by the year 2030. The lack of infrastructure to support newly developed residential dwellings is one of the major obstacles to meeting the housing need. To mitigate some of the infrastructure constraint, SB 3053 proposes to dedicate ten percent of the annual conveyance tax for the purpose of funding infrastructure in TOD areas. We support the effort to pledge monies into the Dwelling Unit Revolving Fund for TOD infrastructure development.

We also seek an amendment to SB 3053 to delete the cap on conveyance taxes dedicated to the Rental Housing Revolving Fund (RHRF) in HRS §247-7(2) Disposition of Taxes. The limitation on the amount of gap financing is another obstacle hindering the State's ability to meet the affordable housing needs of our residents. Recent inflation has impacted the cost of construction with the Rider Levett Bucknall, *"North America Quarterly Construction Cost Report"* noting a 4.77% increase in Hawaii's construction cost from July 2022 to July 2023. As illustrated below, the Wall Street Journal documents the upward trend for the 10-Year Treasury Note that impacts the cost of capital.[1]

[1] https://www.wsj.com/market-data/quotes/bond/BX/TMUBMUSD10Y

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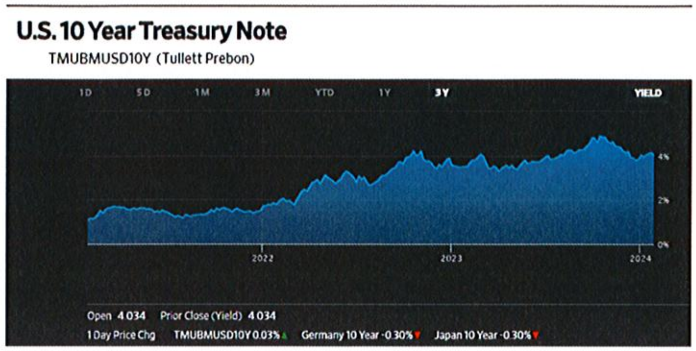

Both increased construction costs and rising interest rates have caused affordable housing projects to require additional gap support from the RHRF. Removal of the cap will provide additional funds and expedite the number of affordable housing projects moving forward.

Your favorable consideration of this bill and the requested amendment is greatly appreciated. Thank you for the opportunity to offer comments on this measure.

Respectfully,

Stanford S. Carr

January 31, 2024
Senate Committee on Housing and Senate Committee on Water and Land
Joint Committee Meeting 1:00 p.m. - Thursday February 1, 2024

SB 3053 – SUPPORT

Aloha Senate Committee on Housing Chair Chang, Vice-Chair Hashimoto, Senate Committee on Water and Land Chair Inouye, Vice-Chair Elefante, and Members of both committees;

I am submitting testimony in my capacity as Executive Director of Hawaii Habitat for Humanity Association (HHFHA). We are a nonprofit Community Development Financial Institution (CDFI) and Affiliate Support Organization for five direct service Habitat for Humanity Affiliates throughout the state, serving all four counties. Our organization **SUPPORTS SB 3053** which increases the conveyance tax rate for certain properties and requests consideration for setting aside funds for the Affordable Homeownership Revolving Fund (AHRF).

During the 2022 legislative session, HB2020 HD1 SD1 was enacted, creating an Affordable Homeownership Revolving Fund with an initial appropriation of $5,000,000. HHFDC has worked diligently to adopt a set of rules allowing the use of those funds. At this time, no additional source of funding has been identified to supplement the initial appropriations to allow expansion of affordable homeownership projects through the use of this new fund and I believe this bill could be a vehicle to do just that. It is my expectation that the initial appropriations will be quickly expended and potential projects will sit idle awaiting future appropriations or repayments of the loans over time.

With a significant demand for affordable homes in Hawaii, and affordable homeownership being an integral component of the continuum of affordable housing, I urge you to consider directing a percentage of the conveyance tax disposition (up to $2MM annually) into the AHRF, to grow the funds available for this purpose.

Habitat for Humanity provides homeownership opportunities in partnership with very low to low-income families earning less than 80% of the Area Median Income (AMI). Over the past five years, Habitat for Humanity has built more than 100 new affordable single family residential homes throughout the state and more than 500 units in our history of partnering with families in Hawaii. We anticipate continued growth and an icreased need for leveraged capital to create an even larger number of affordable homes for Hawaiians.

Hawaii Habitat for Humanity Association and all of the Habitat Affiliates in Hawaii, know that affordable homeownership is important for our residents. People who own their homes find it creates housing stability and builds generational wealth. It allows our residents to not just survive, but thrive. Data highlights that homeownership contributes to better health outcomes, safety and long-term family stability. Homeownership also provides opportunities to build equity, leverage educational investments, and encourages community and civic participation.

Our organization supports the need for a continuum of housing across all income levels with opportunities for all families to thrive. When we create affordable homeownership opportunities for our local people, they move ahead and free up existing rental inventory for other individuals and families experiencing or at-risk of homelessness.

Please help us do our part to provide affordable housing in partnership with Hawaii's people. We urge you to **PASS SB 3053 and amend Section 3. §247-7 disposition of taxes**, so that the Affordable Homeownership Revolving Fund can expand our impact across Hawaii and give our deserving partner families a chance at the benefits of homeownership.

Mahalo for your time, leadership and consideration. Please contact me at 808.847.7676 or emann@hawaiihabitat.org should you have any questions or need additional information.

Sincerely,

Erik Mann
Executive Director

The Nature Conservancy, Hawaiʻi and Palmyra
923 Nuʻuanu Avenue
Honolulu, HI 96817

Tel (808) 537-4508
Fax (808) 545-2019
nature.org/HawaiiPalmyra

Testimony of The Nature Conservancy
Comments on SB 3053, Relating to the Conveyance Tax
Committees on Housing and Water and Land
February 1, 2024, 1:00 pm
Conference Room 225 & Videoconference

Aloha Chairs Chang and Inouye, Vice Chairs Hashimoto and Elefante and Members of the Committees:

The Nature Conservancy (TNC) offers comments on SB 3053, Relating to the Conveyance Tax, which increases the conveyance tax rate for certain properties and exempts conveyances of certain real property from the conveyance tax.

We strongly support eliminating the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund and urge the committee to ensure that language in this bill actually does so,

The Land Conservation Fund supports the Legacy Land Conservation Program (LLCP), which funds grants to state and county governments and non-profit land conservation organizations to acquire land and protect valuable resources for public benefit. Protecting these lands offers wide benefits for the people of Hawaiʻi, including reforestation efforts that help mitigate the impacts of climate change by providing freshwater and preventing runoff, drought, and wildfires.

As real estate prices rise, raising the cap on allocations to the Land Conservation Fund will help meet the demand for and cost of acquiring land for public and ecological benefit. If this bill were to be amended to increase funds to the Land Conservation Fund it will support much needed land protection efforts as Hawaiʻi battles the impact of climate change.

Mahalo for the opportunity to provide testimony on SB 3053.

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SB-3053
Submitted on: 1/31/2024 12:23:54 PM
Testimony for WTL on 2/1/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Beth Robinson	Testifying for Hawaii LIfe	Support	Written Testimony Only

Comments:

Dear Chairs Chang and Inouye and Committee Members,

I am writing in strong support of SB 3053, relating to the conveyance tax. As Director of Conservation and Legacy Lands for Hawaiʻi LIfe since 2018, I have seen the heartbreak of worthy conservation properties going unfunded due to the cap on funding going into the Legacy Lands Conservation Program.This bill eliminates the cap on the amout of conveyance tax collections allocated to the fund, and would be a major step towards fulfilling the Stateʻs commitment to protecting important cultural and historical landscapes as well as properties in traditional agricultural production.

Sincerely,

Beth Thoma Robinson R(B)

H A W A I ' I L I F E

beth@hawaiilife.com

808-443-4588 (Direct)

69-201 Waikoloa Beach Dr, Suite 2F14, Waikoloa, HI 96738

LATE

TRUST FOR PUBLIC LAND

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TRUST FOR PUBLIC LAND'S TESTIMONY SUPPORTING SB3053 RE THE CONVEYANCE TAX
Senate Committees on Housing and Water & Land, Rm. 225
Thursday, February 1, 1:00 p.m.

Aloha Chairs Chang and Inouye & Vice Chairs Hashimoto and Elefante, and Committee Members –

Trust for Public Land (TPL) supports SB 30543 which proposes to increase the conveyance tax (the tax imposed on sellers of land) on those properties sold for $6 million and above. By targeting the increased tax on $6 million and above properties, the tax burden will be borne by those with the most capacity/ability to pay the tax. At the same time, the increased revenue will support important purposes – the Legacy Land Conservation Fund, the Affordable Housing Rental Trust Fund, and the Dwelling Unit Revolving Trust Fund.

There is a clear nexus between land sales, speculation, and development and degradation of our natural and cultural resources, and the conversion of agricultural land for non-agricultural uses. The Legacy Land Conservation Program, which currently receives up to 10% of the real estate conveyance tax (but statutorily capped at $5.1 million), protects forested watershed land that produce our drinking water, culturally significant lands that perpetuate Native Hawaiian culture, agricultural lands that produce our food, and recreational areas that contribute to health and wellness of our residents. This small amount has remained the same for many years while land prices and speculation have grown.

Please note that, although the description of the bill states its purpose is to lift the statutory cap for the Legacy Land Conservation Program and Affordable Housing Rental Trust Fund, the current version does not do so. The statutory cap language remains in the current bill.

Mahalo for this opportunity to testify. I apologize that I will not be able to attend the hearing in person or virtually due to a scheduling conflict.

Lea Hong

Lea Hong
Associate Vice-President
Hawaiʻi State Director
Edmund C. Olson Trust Fellow
Trust for Public Land

TESTIMONY IN SUPPORT OF SB 3503

TO: Chairs Chang & Inouye, Vice Chairs Hashimoto & Elefante, & Members

FROM: Nikos Leverenz
Grants & Advancement Manager

DATE: February 1, 2024 (1 PM)

Hawaiʻi Health & Harm Reduction Center (HHHRC) **strongly supports** SB 3503, which increases conveyance taxes on properties sold over the sum of $6 million, with a maximum tax of $7 per $100 on properties sold over the sum of $26 million, and eliminates the cap on these revenues to the land conservation fund and rental housing revolving fund.

Many residential units are bought by individual and commercial investors from the continent and overseas. The lowest effective property tax rates in the nation provide further incentive to secure investment properties. This bill would help ensure that trasferring investment properties assist with funding urgent housing needs of many across the state.

HHHRC is a member of Partners in Care, a planning, coordinating, and advocacy alliance that develops recommendations for programs and services to fillneeds for within Oʻahuʻs continuum of care for homeless persons. One key finding of this past yearʻs Point in Time Count is the increase in unsheletered homeless seniors from 8% to 22% of those surveyed.

HHHRC's mission is to reduce harm, promote health, create wellness, and fight stigma in Hawaiʻi and the Pacific. We work with many individuals impacted by poverty, housing instability, and other social determinants of health. Many have behavioral health problems, including those related to substance use and mental health conditions, and have also been deeply impacted by trauma related to histories of physical, sexual, and psychological abuse.

Mahalo for the opportunity to provide testimony.

HAWAIʻI STATE
COALITION AGAINST
DOMESTIC VIOLENCE

LATE

February 2, 2024

Members of the Senate Committee on Water and Land:
Chair Lorraine R. Inouye
Vice Chair Brandon J.C. Elefante
Sen. Stanley Chang
Sen. Angus L.K. McKelvey
Sen. Kurt Fevella

and Members of the Senate Committee on Housing
Chair Stanley Chang
Vice Chair Troy N. Hashimoto
Sen. Henry J.C. Aquino
Sen. Dru Mamo Kanuha
Sen. Brenton Awa

Re: SB 3053 Relating to the Conveyance Tax

Dear Chair Inouye, Vice Chair Elefante, and Members of the Senate Committee on Water and Land and Chair Chang, Vice Chare Hashimoto, and Members of the Senate Committee on Housing:

The Hawaiʻi State Coalition Against Domestic Violence (HSCADV) addresses the social, political, and economic impacts of domestic violence on individuals, families, and communities. We are a statewide partnership of domestic violence programs and shelters.

On behalf of HSCADV and our 27 member programs statewide, I respectfully submit testimony in strong support SB3053 which will increase the rates of conveyance tax starting at sales of $4,000,000 and above and create a dedicated 10% allocation to the Dwelling Unit Revolving Fund (DURF). We are a member of HiHAC - Hawaiʻi Housing Affordability Coalition and support their recommended amendments.

Survivors of domestic violence face many challenges when making decisions about their safety. One of the most crucial factors is housing. The ability to find safe and affordable housing is a key economic consideration for survivors when deciding to leave an abusive partner. It's important to recognize the impact that housing insecurity can have on survivors and to support them in any way possible.

Hawaiʻi State Coalition Against Domestic Violence
P.O. Box 214, Honolulu, HI 96810
(808) 832-9316 www.hscadv.org

Increasing conveyance tax rates, removing caps on the Rental Housing Revolving Fund (RHRF) and Land Conservation Fund (LCF), and creating a dedicated DURF fund can provide millions of dollars to address some of the most pressing barriers to providing affordable housing to residents today. Please PASS SB3053, and consider HIHAC's recommendations to help provide affordable housing to the people who live and work in Hawaiʻi.

Thank you for the opportunity to testify on this important matter.

Sincerely,
Angelina Mercado, Executive Director

SB 3053, RELATING TO THE CONVEYANCE TAX

FEBRUARY 1, 2024 · WTL/HOU HEARING

POSITION: Support.

RATIONALE: Imua Alliance **supports** SB 3053, relating to the conveyance tax, which increases the conveyance tax rate for certain properties; exempts conveyances of certain real property from the conveyance tax; eliminates the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund; and allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas.

The revenue from the conveyance tax is, in part, used to fund the development of affordable housing, as well as to protect conservation land and natural resources. As noted by the Hawai'i Appleseed Center for Law and Economic Justice, these are two places in our social structure where the impact of an out-of-control real estate market has serious, adverse impacts.

Since the onset of the pandemic, Hawai'i's luxury real estate market has been booming. Yet, conveyance taxes have not risen concurrently, so that the sellers of high-end properties are not currently paying their fair tax share to support our state's public interest. In fact, while the cost of housing and the value of real estate have continued to skyrocket, our islands' conveyance tax rates have not been updated since 2005.

Our state's conveyance tax rates are only 0.50 to 1.25 percent on multi-million-dollar properties. In contrast, high-cost cities–such as Seattle and San Francisco–have been updating their transfer

Kris Coffield, Executive Director · (808) 679-7454 · kris@imuaalliance.org

(conveyance) taxes to rates between 2 to 7 percent for luxury homes. If Hawai'i's conveyance tax were raised merely to 2 to 6 percent on properties worth $2 million and higher, the state would generate an additional $300–400 million in revenue every year.

We need new revenue to address Hawai'i's affordable housing and homelessness crises. According to the 2019 Hawaiʻi Housing Planning Study, our state needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025, with 30 percent of that need being concentrated for people earning at or below people earning 30 percent of Area Median Income (AMI), which equates to $25,000 per year for a single person.

Additionally, the 2022 Point In Time Count estimated that there are around 6,223 individuals living unsheltered in Hawaiʻi. This figure does not account for the "hidden homeless"—people relying on public assistance, relatives, or friends for shelter because they cannot afford to live on their own. Finally, eliminating the caps on the amount of conveyance tax revenue deposited into the Land Conservation Fund and Rental Housing Revolving Fund would increase their deposits to $18.8 and $94 million respectively, far above their current allocations.

Kris Coffield · Executive Director, Imua Alliance · (808) 679-7454 · kris@imuaalliance.org

TESTIMONY FROM THE DEMOCRATIC PARTY OF HAWAI'I

SENATE COMMITTEES ON WATER AND LAND AND HOUSING

FEBRUARY 1, 2024

SB 3053, RELATING TO THE CONVEYANCE TAX

POSITION: SUPPORT

The Democratic Party of Hawai'i **supports** SB 3053, relating to the conveyance tax. Pursuant to the "Economic Justice and Labor" section of the official Democratic Party of Hawai'i platform, the party supports "policies that circulate currency through our economy, helping businesses to thrive, including tax policy that lessens the tax burden of low- and middle-income earners and increases the tax burden of high-income earners and the wealthy. We support government investments of tax revenue in community development, government anti-poverty programs, and the transition to a sustainable, green economy."

The revenue from the conveyance tax is, in part, used to fund the development of affordable housing, as well as to protect conservation land and natural resources. As noted by the Hawai'i Appleseed Center for Law and Economic Justice, these are two places in our social structure where the impact of an out-of-control real estate market has serious, adverse impacts.

Since the onset of the pandemic, Hawai'i's luxury real estate market has been booming. Yet, conveyance taxes have not risen concurrently, so that the sellers of high-end properties are not currently paying their fair tax share to support our state's public interest. In fact, while the cost of housing and the value of real estate have continued to skyrocket, our islands' conveyance tax rates have not been updated since 2005.

Our state’s conveyance tax rates are only 0.50 to 1.25 percent on multi-million-dollar properties. In contrast, high-cost cities–such as Seattle and San Francisco–have been updating their transfer (conveyance) taxes to rates between 2 to 7 percent for luxury homes. If Hawai’i’s conveyance tax were raised merely to 2 to 6 percent on properties worth $2 million and higher, the state would generate an additional $300–400 million in revenue every year.

We need new revenue to address Hawai’i’s affordable housing and homelessness crises. According to the 2019 Hawai‘i Housing Planning Study, our state needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025, with 30 percent of that need being concentrated for people earning at or below people earning 30 percent of Area Median Income (AMI), which equates to $25,000 per year for a single person.

Additionally, the 2022 Point In Time Count estimated that there are around 6,223 individuals living unsheltered in Hawai‘i. This figure does not account for the “hidden homeless”—people relying on public assistance, relatives, or friends for shelter because they cannot afford to live on their own. Finally, eliminating the caps on the amount of conveyance tax revenue deposited into the Land Conservation Fund and Rental Housing Revolving Fund would increase their deposits to $18.8 and $94 million respectively, far above their current allocations.

Mahalo nui loa,

Kris Coffield
Co-Chair, Legislative Committee
(808) 679-7454
kriscoffield@gmail.com

Abby Simmons
Co-Chair, Legislative Committee
(808) 352-6818
abbyalana808@gmail.com

SB-3053
Submitted on: 1/29/2024 8:13:25 PM
Testimony for WTL on 2/1/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

I strongly support SB3053. The conveyance tax is an under-utilized tool for collecting badly-needed revenue to fund affordable housing, land conservation and—if this bill passes—infrastructure upgrades. Because the tax is targeted at the sale of multi-million dollar mansions, the bulk of the new tax burden will fall on investor-owners who are wealthy and often do not even live in this state. The housing crisis will never be solved unless the state takes on the responsibility for financing the development of housing that is affordable for Hawaii's struggling working families. This bill is a great start to realizing a future in which everyone that lives in Hawaii has a house.

SB-3053
Submitted on: 1/30/2024 9:39:19 AM
Testimony for WTL on 2/1/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Denise E Antolini	Individual	Comments	Written Testimony Only

Comments:

Aloha Chair Chang, Chair Inouye, and Members:

Please AMEND the bill to conform with the description and hearing notice, so as to increase the maximum amount of annual conveyance tax revenue deposited into the Land Conservation Fund to the **straight ten per cent, uncapped,** established by the 2005 Legislature (Act 156).

Mahalo,

Denise Antolini

SB-3053
Submitted on: 1/30/2024 11:10:11 AM
Testimony for WTL on 2/1/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Mark Hamamoto	Individual	Support	Written Testimony Only

Comments:

Dear Senators,

I am writing in support of lifting the cap on the amount of conveyance tax collections can be allocated to the land conservation fund. I am a strong supporter of the Legacy Land program that has been created by the Hawaii State Legislature and feel it is just as imperative today, as it was when this program was created, to safeguard, protect, conserve and perpetuate lands here in Hawaii for conservation and positive social agricultural uses. Please support this bill. It is creating an invaluable resource for the people of Hawaii for decades and centuries to come. The 100 year era of massive development on our islands is coming to an end. A new era of cherishing the earth and it's life giving properties will only continue to grow. All the cultures here in Hawaii -- Hawaiian, Chinese, Japanese, Filipino, Okinawan, Korean, Samoan, Micronesian, Vietnamese, etc. etc. -- all of us have deep cultural values connected to the land. The legacy lands program is an extremely valuable program that EVERYONE in Hawaii can rally around and support. Thank you so much for considering your support for this bill.

Aloha,

Mark Hamamoto

SB-3053
Submitted on: 1/30/2024 3:37:18 PM
Testimony for WTL on 2/1/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jessie L Gonsalves	Individual	Support	Written Testimony Only

Comments:

I SUPPORT SB3053 reform tax conveyance for middle class.

Jan 30, 2024

Testimony for SB 3053 Relating to Conveyance Tax
by Luciano Minerbi
professor emeritus of urban and regional planning
Submitted as an individual and an expert in my field

I am in support that the disposition of the taxes be:
Ten percent or $10,000,000 whichever is less for the Land Conservation Fund and
Fifty per cent or $38,000,000 whichever is less for the Rental Housing Revolving Fund.

In fact, I would advocate even higher amount of the Conveyance tax allocated for these two purposes as they are pertinent programs to mitigate the impacts of urban development and real estate sales. Respectfully submitted

Luciano Minerbi
lucianominerbi@gmail.com

SB-3053
Submitted on: 1/30/2024 7:14:18 PM
Testimony for WTL on 2/1/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
John Bickel	Individual	Support	Written Testimony Only

Comments:

Our current conveyance tax is so low it encourages the commoditization of housing. This bill will help that.

SB-3053
Submitted on: 1/30/2024 7:21:46 PM
Testimony for WTL on 2/1/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Greg and Pat Farstrup	Individual	Support	Written Testimony Only

Comments:

We support this bill

SB-3053
Submitted on: 1/31/2024 7:03:04 AM
Testimony for WTL on 2/1/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Linda Wakatake	Individual	Support	Written Testimony Only

Comments:

Commodifying Hawai‘i’s housing market for profit, instead of using it to meet the needs of local residents, is a driving factor behind the high cost of housing. Our current real estate conveyance tax rates are only 0.50–1.25% on multi-million dollar properties. We should not allow our real estate to be sold at such high prices with such low tax returns.

The housing and homelessness crises are dire and bold sustainable action is needed now. According to the 2019 Hawai‘i Housing Planning Study Study, the State of Hawai‘i needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025. Some 30% of that need is concentrated at or below people earning 30% of Area Median Income (AMI), or $28,000 per year for a single person.

The revenue collected from the conveyance tax earmarked for affordable housing and land conservation is insufficient. Current state law caps the amount of conveyance tax revenue deposited into the Legacy Land Use Conservation Fund and Rental Housing Revolving Fund. We should lift these arbitrary caps.

Adding a 10% allocation to the Dwelling Unit Revolving Fund would help support infrastructure investments connected to housing development, crucial for maintaining housing production aligned with our increasing demand.

To: Hawaii State Senate Committee on Housing and the Senate Committee on Water and Land

Hearing Date/Time: Thursday February 1, 2024, 1:00pm

Place: Hawaii State Capitol, CR 225 & Videoconference

Re: Judith Ann Armstrong supports SB3053 related to Conveyance Tax

Dear Chairs Senator Stanley Chang and Senator Lorraine R. Inouye, Vice Chairs Senator Troy N. Hashimoto and Senator Brandon J.C. Elefante and members of the Committee on Housing and the Committee on Water and Land

I, Judith Ann Armstrong, support SB3053 related to Conveyance Tax.

The conveyance tax is a one-time state tax on the sale of real estate, usually borne by the property seller. It should not be confused with property taxes, paid to the county each year. The revenue from this mansion tax partly goes to fund the development of affordable housing, as well as to protect conservation land and natural resources—two places in our social structure where the impact of an out-of-control real estate market has serious, adverse impacts.

Talking Points

1. Commodifying Hawaiʻi's housing market for profit, instead of using it to meet the needs of local residents, is a driving factor behind the high cost of housing. Our current real estate conveyance tax rates are only 0.50–1.25% on multi-million dollar properties. We should not allow our real estate to be sold at such high prices with such low tax returns.

2. The housing and homelessness crises are dire and bold sustainable action is needed now. According to the 2019 Hawaiʻi Housing Planning Study Study, the State of Hawaiʻi needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025. Some 30% of that need is concentrated at or below people earning 30% of Area Median Income (AMI), or $28,000 per year for a single person.

3. The revenue collected from the conveyance tax earmarked for affordable housing and land conservation is insufficient. Current state law caps the amount of conveyance tax revenue deposited into the Legacy Land Use Conservation Fund and Rental Housing Revolving Fund. We should lift these arbitrary caps.

4. Adding a 10% allocation to the Dwelling Unit Revolving Fund would help support infrastructure investments connected to housing development, crucial for maintaining housing production aligned with our increasing demand.

Thank you for this opportunity to testify in support of SB3053.

Sincerely,

Judith Ann Armstrong

TESTIMONY OF ELLEN GODBEY CARSON
IN SUPPORT OF SB3053
Joint Senate Committee on Water & Land and Housing
Thursday, February 1, 2024, at 1:00PM, Conf. Rm. 225 and via Videoconference

I write in support of HB 3053, with request for amendments.

While I write as an individual, I have served as president of the Hawaii State Bar Association, the Institute for Human Services (IHS) and Hale Kipa Youth Services, as I strive to make our community a better place for those who are most adversely impacted by our housing crisis.

This state is in desperate need for a reliable source of substantial revenues to address our affordable housing and homeless services needs. The undependable funding for these needs increases our challenges of planning and developing longer range solutions. Meanwhile, our prices of residential real estate soar to astronomical levels because we have some of the most beautiful properties and lowest property taxes in the nation.

Please support SB3053, to increase the rate of conveyance taxes for properties over $4,000,000. Those owners most able to pay greater taxes, and we should be using progressive tax policies to increase funding for affordable housing and dampen speculative buying of our real estate that spirals our property values higher and higher.

1. Please amend SB3053 to remove the $38million cap on the rental housing revolving fund and return the allocation to 50% of total revenues as was the original intent from the conveyance tax.
2. Please increase the tax rate on homes sold over $4,000,000 to rates between 2-7%, graduated based on value.
3. Please consider increasing tax rates on properties of $2,000,000 or more..

Thank you for your consideration of my testimony and helping protect the welfare of our residents.

Ellen Godbey Carson
Honolulu, Hawaii

SB-3053
Submitted on: 1/31/2024 10:34:22 AM
Testimony for WTL on 2/1/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Racquel Segato-Figueroa	Individual	Support	Written Testimony Only

Comments:

Dear Chair Inouye, Vice Chair Elefante, Chair Chang, Vice Chair Hashimoto, and members of the Committees on Water & Land and Housing:

I am a resident of Anahola, Kaua'i. I am submitting testimony in STRONG SUPPORT for S.B. 3053, which will increase the rates of conveyance tax starting at sales of $4,000,000 and above and create a dedicated 10% allocation to the Dwelling Unit Revolving Fund (DURF). I also offer suggested amendments to remove the funding caps on the Rental Housing Revolving Fund (RHRF) and Land Conservation Fund (LCF) as well as increasing the suggested changes to the tax rates.

1. **Removing the $38M cap on the rental housing revolving fund (RHRF) and returning the allocation to 50% of total revenues as was the original intent from the conveyance tax.**
2. **Removing the $5.1M cap on the land conservation fund and returning the allocation to 10% of total revenues as was the original intent from the conveyance tax.**
3. **Increasing the tax rate on homes sold over $4M to rates between 2-7%**

As a resident and an employee of an affordable housing nonprofit, I am deeply aware of the issues that the lack of housing causes in our community. Our housing stock is way below what is needed for our population. We need to build quickly and affordably. Removing the funding cap from the RHRF will help us meet those needs.

Our Conveyance Tax is extremely low compared to other similarly high-cost areas. We need to raise it and use those funds to support affordable housing and land conservation.

The majority of homes over $4M are not owner-occupied. Real Estate investment properties exacerbate our housing crisis. Increase conveyance rates above a $4M sale price to a minimum of 2% with an upward scale toward 7% so that profits from these investments can be captured and reinvested back into our communities.

Please do what is right for our people and the future of Hawai'i.

Mahalo,

Racquel Segato-Figueroa

SB-3053
Submitted on: 1/31/2024 12:28:33 PM
Testimony for WTL on 2/1/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Galen Fox	Individual	Support	Written Testimony Only

Comments:

Chairs, Vice Chairs, Members,

I SUPPORT the general intent of SB 3053. I favor, however, AMENDING the bill to yield even more affordable housing by:

1) Removing the cap on funds to the rental housing revolving fund, and

2) Increasing the tax rates on homes selling for over $4m.

Aloha, Galen Fox

LATE

SB-3053
Submitted on: 1/31/2024 1:49:04 PM
Testimony for WTL on 2/1/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Lorna Holmes	Individual	Support	Written Testimony Only

Comments:

Please pass this legislation, and I would favor passing stronger tax disincentives for off-island real estate investors as well.

SB-3053
Submitted on: 1/31/2024 4:52:12 PM
Testimony for WTL on 2/1/2024 1:00:00 PM

LATE

Submitted By	Organization	Testifier Position	Testify
Rev. Samuel L Domingo	Individual	Support	Written Testimony Only

Comments:

Dear Chair Inouye, Vice Chair Elefante, Chair Chang, Vice Chair Hashimoto, and members of the Committees on Water & Land and Housing:

I am submitting testimony in STRONG SUPPORT for S.B. 3053, which will increase the rates of conveyance tax starting at sales of $4,000,000 and above and create a dedicated 10% allocation to the Dwelling Unit Revolving Fund (DURF). I also offer suggested amendments to remove the funding caps on the Rental Housing Revolving Fund (RHRF) and Land Conservation Fund (LCF) as well as increasing the suggested changes to the tax rates.

I thank your committee for considering the substantial public benefits of updating the Hawaiʻi conveyance tax and we respectfully request the following amendments:

1. Removing the $38M cap on the rental housing revolving fund and returning the allocation to 50% of total revenues as was the original intent from the conveyance tax.
2. Removing the $5.1M cap on the land conservation fund and returning the allocation to 10% of total revenues as was the original intent from the conveyance tax.
3. Increasing the tax rate on homes sold over $4M to rates between 2-7%

According to the 2019 Hawaii Housing Planning (HHPS 2019) Study, we need nearly 25,000 additional housing units for households making 0-100% AMI by 2025 to meet pent-up demand. Removal of the cap on the RHRF will provide more financing for Low Income Housing Tax Credit (LIHTC) projects for individuals making 0-60% AMI and financing for Tier 2 program which utilizes the RHRF for 80-100% AMI focused projects. I believe removing the funding caps is essential to ensure affordable housing and land conservation, as the conveyance tax stands as one of the few dedicated funds for these purposes.

Additionally, I believe that increasing the conveyance tax rates, which have not been updated in over 14 years, can provide significant and permanent new revenue for affordable housing and infrastructure needs. The current conveyance tax has a rate of 0.1% to 1.25% depending on the value of the home, however, high-cost places across the country such as Seattle, San Francisco, New York and others have been updating their conveyance tax to rates ranging from 1% to 6% to ensure that gains made from real estate investment are also helping to offset some of the impacts of ever-increasing home prices.

LATE

1911 Kalakaua Avenue, Apt. #305
Honolulu, Hawaiʻi 96815

Wednesday, March 22, 2023

Joint Senate Committee on Water & Land
Room 430
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaiʻi 96813

Honorable Committee Chair, Vice Chair, and Members:

I would like to convey my support for Senate Bill 3053 Relating to the Conveyance Tax. This reform of the State conveyance tax helps restore fairness in the various housing markets of Hawaiʻi and advances the spread of a more equitable sharing of social and environmental costs among non-residents and real estate investors. Projected revenues from these minimal tax increases, specifically targeted towards those of the greatest means here in Hawaiʻi, will help meet important goals of providing local residents with affordable housing, housing the homeless, and conserving natural resources throughout the State.

Today, in Hawaii's booming real estate market, luxury homes purchased for $2 million or more, often by non-residents and foreigners as investments and not occupied by owners themselves, rake in a handsome profits, while the seller pays a meager 0.05% tax on the sale price. Even at the $10 million price tag for an ultra-luxury property, a mere 1.00% is collected from the wealthiest of home sellers. Never in recent times have high-end home owners had it so good. Yet these record increases in valuations and profits have come at the expense of our precious biocultural heritage and degrading ecosystem services. From the vantage point of a more accurate and fulsome accounting ledger, real estate developments and housing market activities are, in fact, accompanied by the unintended consequences of myriad negative externalities.

With the State being the proper regulator of such externalities in the public interest, we must broaden our vision of the role of the development company and multi-million dollar homeowner to include more responsible and sustainable strategies. The Legacy Land Use Conservation Fund and Rental Housing Revolving Fund are good starts on this mission, but are artificially capped with nominal funding at best. Moreover, we need to adopt a new, holistic financial statement for the State, one that accounts for the numerous negative, as well as positive externalities wrought by development and real estate market activities. Only with such an enlightened accounting system and balance sheet can we then see the real deficits, needs, and shortfalls which all stakeholders have a long-term interest in addressing for the environmental, biocultural, social, and economic sustainability of life in these islands.

In jurisdictions like those of the United Staters after World War II, capitalists and the wealthiest of that era raised few objections to paying effective tax rates upwards of 90%. They appreciated a safe, stable, and lucrative market in which to make and securely park their wealth. And so we are asking little of our developers and luxury real estate owners to fund offsets for the unintended consequences of development here at home.

This proposed pigovian tax adjustment of 0.5%-6% on sales of wealth-generating properties needs to help rectify such negative externalities as degradation of biocultural assets, for example, developments encroachment on the *'aina,* with attendant losses, not the least of which are habitat and biodiversity, as well as important ecosystem services. We need further tax revenues to fund management of irreplaceable archaeological and cultural resources such as *iwi kūpuna.*

Additional social disruptions and disservices, namely real estate market valuations at skyrocketing rates that price locals out of the housing market and contribute to growing homelessness are helped by this progressive conveyance tax. Indeed, with these minimal tax increases laid out by SB 3053, we can start funding land conservation, homeless services, and affordable housing at levels that, at long last, will bear significant positive impacts. But with mitigation of many other negative impacts left unfunded, a Homeless Services Fund should be an integral means, but not the end for meeting critical needs.

In short, the State must act as guarantor of the balance of externalities and must defend our critical interests held in common. Lawmakers should revisit accounting principles and transpose accounting rules to balance externalities. We will need to depart from existing financial statements to incorporate concepts of negative and positive externalities in order to gauge efforts at furthering the biocultural and social goods by real estate developers and luxury property owners. For now, housing market activities by non-residents, investors, and those who benefit most profitably from Hawaii's *'aina,* Kānaka Maoli host culture, and an enriching and life-giving biocultural environment should bear a greater share of costs to remedy negative impacts of these activities. SB 3053 begins to get us there.

Me ka 'oia'i'o,

Shaun Campbell