



DISABILITY AND COMMUNICATION ACCESS BOARD

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February 7, 2024

TESTIMONY TO THE HOUSE COMMITTEE ON HOUSING, AND WATER AND LAND

House Bill 2364 – Relating to the Conveyance Tax

The Disability and Communication Access Board (DCAB) offers comments on House Bill 2364 – 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.

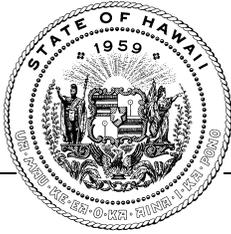
Investing in accessible, affordable supportive housing would ensure that more residential units would be available for individuals with disabilities and their families.

Thank you for considering our comments.

Respectfully submitted,



KIRBY L. SHAW
Executive Director



**STATE OF HAWAII
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
INTERIM DIRECTOR

235 South Beretania Street, 6th Floor, Honolulu, Hawaii'i 96813
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Statement of
MARY ALICE EVANS, Interim Director

before the
**HOUSE COMMITTEE ON HOUSING AND
THE HOUSE COMMITTEE ON WATER AND LAND**

Wednesday, February 7, 2024
8:30 a.m.

State Capitol, Conference Room 430

in consideration of
BILL NO HB 2364
RELATING TO THE CONVEYANCE TAX.

Chair Evslin, Chair Ichiyama, Vice Chair Aiu, Vice Chair Poepoe, Members of the House Committee on Housing and Members of the House Committee on Water and Land:

The Office of Planning and Sustainable Development (OPSD) **strongly supports** HB2364, 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



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
HONOLULU, HAWAII 96813
FAX: (808) 587-0600

Statement of **DEAN MINAKAMI**

Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING AND HOUSE COMMITTEE ON WATER & LAND

February 7, 2024 at 8:30 a.m.
State Capitol, Room 430

In consideration of
H.B. 2364
RELATING TO THE CONVEYANCE TAX.

HHFDC **supports** HB 2364, which 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 testify on this bill.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKĀ'I

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

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Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
**HOUSE COMMITTEE ON HOUSING
AND
HOUSE COMMITTEE ON WATER AND LAND**
Wednesday, February 7, 2024
8:30 a.m.
State Capitol, Conference Room 430

in consideration of
BILL NO HB 2364
RELATING TO THE CONVEYANCE TAX.

Chairs Evslin and Ichiyama, Vice Chairs Aiu and Poepoe and members of the Committees.

The Department of Business, Economic Development and Tourism (DBEDT) **strongly supports** HB2364, 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



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2364, Relating to the Conveyance Tax.

BEFORE THE:

House Committees on Housing and Water & Land

DATE: Wednesday, February 7, 2024

TIME: 8:30 a.m.

LOCATION: State Capitol, Room 430

Chairs Evslin and Ichiyama, Vice-Chairs Aiu and Poepoe, and Members of the Committees:

The Department of Taxation ("Department") offers the following comments on H.B. 2364 for your consideration.

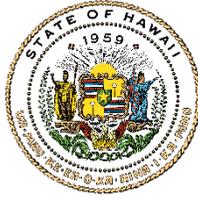
H.B. 2364 amends sections 247-2, 247-3, and 247-7, Hawaii Revised Statutes (HRS), to increase existing conveyance tax rates and add new rates for properties valued at \$14 million or more. The bill also adds a new conveyance tax exemption for any document or interest conveying real property to an individual 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 | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



**STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA 'OIHANA KUMUWAIWAI 'ĀINA**

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 House Committees on
HOUSING
and
WATER & LAND**

**Wednesday, February 7, 2024
8:30 AM**

State Capitol, Conference Room 430 and Via Videoconference

**In consideration of
HOUSE BILL 2364
RELATING TO THE CONVEYANCE TAX**

House Bill 2364 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 House Bill 2364 with parallel provisions of Senate Bill 3005, Senate Bill 678, Senate Bill 362 Senate Draft 2 House Draft 1, Senate Bill 3053 Senate Draft 1 (decision making pending), and the committees' Hearing Notice for House Bill 2364 ("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 percent to each); and

- 4) Provide for an immediate cash infusion 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 (almost \$11 million in FY 2024)—as initially prescribed by Act 156, Session Laws of Hawai‘i 2005—then the cash balance of the Land Conservation Fund would receive an immediate \$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, Hawaii Revised Statutes, 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 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 percent or \$38,000,000, whichever is less, shall be paid into the rental housing revolving fund established by section 201H-202[~~."~~]; and

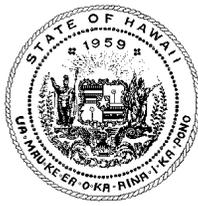
(3) Ten percent shall be paid into the dwelling unit revolving fund established pursuant to section 201H-191 for funding infrastructure programs in transit-oriented development areas."

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.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII
**DEPARTMENT OF CORRECTIONS
AND REHABILITATION**
*Ka 'Oihana Ho'omalu Kalaima
a Ho'oponopono Ola*
1177 Alakea Street
Honolulu, Hawaii 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 HOUSE BILL 2364
RELATING TO THE CONVEYANCE TAX

by

Tommy Johnson, Director
Department of Corrections and Rehabilitation

House Committee on Housing
Representative Luke A. Evslin, Chair
Representative Micah P.K. Aiu, Vice Chair

House Committee on Water and Land
Representative Linda Ichiyama, Chair
Representative Mahina Poepoe, Vice Chair

Wednesday, February 7, 2024; 8:30 a.m.
State Capitol, Conference Room 430 & via Videoconference

Chairs Evslin and Aiu, Vice Chairs Ichiyama and Poepoe, and Members of the Committees:

The Department of Corrections and Rehabilitation (DCR) supports House Bill (HB) 2364, 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 HB 2364.

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia'āina o ka Moku'āina 'o
Hawai'i*

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
*Ka Hope Kia'āina o ka Moku'āina
'o Hawai'i*



KALI WATSON
CHAIRMAN, HHC
Ka Luna Ho'okele

KATIE L. DUCATT
DEPUTY TO THE CHAIRMAN
Ka Hope Luna Ho'okele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

Ka 'Oihana 'Āina Ho'opulapula Hawai'i

P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF KALI WATSON, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON HOUSING AND
THE HOUSE COMMITTEE ON WATER & LAND
HEARING ON FEBRUARY 7, 2024 AT 8:30AM IN CR 430

SB 2364, RELATING TO THE CONVEYANCE TAX

February 7, 2024

Aloha Chairs Evslin and Ichiyama, Vice Chairs Aiu and Poepoe, 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) exempt conveyances of certain real property from the conveyance tax 3) eliminate the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund and 4) allocate ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund (DURF) for the purpose of funding infrastructure programs in transit-oriented development areas.

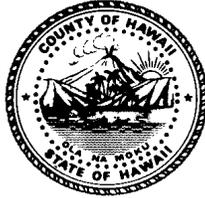
The DHHL supports this bill due to the proven need for more infrastructure funding to unlock housing production, especially in transit-oriented development areas. The increased tax revenue and the tax allocation to the DURF will help increase the state's inventory of affordable rental housing to provide more housing options.

Thank you for your consideration of our testimony.

Mitchell D. Roth
Mayor

Deanna S. Sako
Managing Director

West Hawai'i Office
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County of Hawai'i
PLANNING DEPARTMENT

Zendo Kern
Director

Jeffrey W. Darrow
Deputy Director

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Hilo, Hawai'i 96720
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February 6, 2024

Testimony of
Zendo Kern, Planning Director
County of Hawai'i Planning Department
before the

COMMITTEE ON HOUSING & COMMITTEE ON WATER AND LAND

Wednesday, February 7, 2024

8:30 a.m.

State Capitol, Conference Room 430

In consideration of

HOUSE BILL NO. 2364
RELATING TO THE CONVEYANCE TAX

Chair Evslin, Vice Chair Aiu, and Members of the House of Representatives Committee on Housing

Chair Ichiyama, Vice Chair Poepoe, and Members of the House of Representatives Committee on Water and Land.

The County of Hawai'i Planning Department **strongly supports** HB 2364, 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.

HB 2364 increases the conveyance tax rates for properties valued at \$6 million or more and creates additional tax brackets for properties that are valued from \$14 million to \$26 million and greater. Although Hawaii's housing prices have risen dramatically over the past years, the State's conveyance tax rates have not been updated since 2009 and is considered to be much lower than other high-cost areas in the Country. Expanding the conveyance tax revenues are essential to meet the growing needs of demands for state funding, therefore the County of Hawai'i Planning Department strongly supports the allocation of conveyance tax collections into funding our infrastructure programs.

That said, we urge your committee to approve HB 2364. Thank you for the opportunity to testify on this measure.



February 5, 2024

Representative Luke Evslin, Chair
Representative Micah Aiu, Vice Chair
Committee on Housing

Representative Linda Ichiyama, Chair
Representative Mahina Poepoe, Vice Chair
Committee on Water and Land

RE: **HB 2364 - Relating to Historic property**
Hearing date: February 7, 2024 at 8:30AM

Aloha Chair Evslin, Chair Ichiyama, and members of the committees,

Thank you for allowing NAIOP Hawaii to submit testimony in **OPPOSITION to HB 2364 – 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.

HB 2364 increases the conveyance tax to properties valued at \$6 million or greater. Additionally, HB 2364 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.

Representative Luke Evvlin, Chair
Representative Micah Aiu, Vice Chair

Representative Linda Ichiyama, Chair
Representative Mahina Poepoe, Vice Chair
February 5, 2024
Page 2

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 HB 2364 be deferred.

Mahalo for your consideration,



Reyn Tanaka, President
NAIOP Hawaii

February 7, 2024

The Honorable Luke A. Evslin, Chair

House Committee on Housing

The Honorable Linda Ichiyama, Chair

House Committee on Water & Land
 State Capitol, Conference Room 430 & Videoconference

RE: House Bill 2261, Relating to the Conveyance Tax

HEARING: Wednesday, February 7, 2024, at 8:30 a.m.

Aloha Chair Evslin, Chair Ichiyama, and Members of the Joint Committees:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i and its over 11,000 members. HAR **opposes** House Bill 2364, 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 Hawai'i 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 <i>New</i>	\$1.00	\$1.40	\$100,000 (\$10 mil property)	\$140,000
\$14 mil - \$17.99 mil <i>New</i>	\$1.00	\$2.00 (2% of Value)	\$140,000 (\$14 mil property)	\$280,000
\$18 mil - \$21.99 mil <i>New</i>	\$1.00	\$3.00 (3% of Value)	\$180,000 (\$18 mil property)	\$540,000
\$22 mil - \$25.99 mil <i>New</i>	\$1.00	\$4.00 (4% of Value)	\$220,000 (\$22 mil property)	\$660,000
\$26 mil+ <i>New</i>	\$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 <i>New</i>	\$1.25	\$3.00 (3% of Value)	\$125,000 (\$10 mil property)	\$300,000
\$14 mil - \$17.99 mil <i>New</i>	\$1.25	\$4.00 (4% of Value)	\$175,000 (\$14 mil property)	\$560,000

\$18 mil - \$21.99 mil	<i>New</i>	\$1.25	\$5.00 (5% of Value)	\$225,000 (\$18 mil property)	\$900,000
\$22 mil - \$25.99 mil	<i>New</i>	\$1.25	\$6.00 (6% of Value)	\$275,000 (\$22 mil property)	\$1,320,000
\$26 mil+	<i>New</i>	\$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. Increasing the cap for either special fund leads to a decline in revenue for the 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 The challenge with linking funding to the Conveyance Tax is that when the real estate market is down, there may not be enough funds to pay for the programs it supports. The Conveyance Tax is then often targeted for increase to cover these programs; however, when the market is up, there are excess funds over and above the programs' needs. This becomes a cyclical issue, and the Conveyance Tax is never lowered even in an up market, thereby contributing to the ever-increasing cost of housing in our state.

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 2030². 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.

¹ Hawai'i REALTORS®. (2023). *Statewide Real Estate Statistics*. www.hawaiiirealtors.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>



HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for H.B. 2364 – Relating to Conveyance Tax
Joint House Committee on Housing and Water & Land
Wednesday, February 7, 2024 at 8:30AM Conf. Rm. 430 and via Videoconference

Dear Chair Evslin, Vice Chair Aiu, Chair Ichiyama, Vice Chair Poepoe, and members of the Committees on Housing and Water & Land:

Thank you for the opportunity to express our **STRONG SUPPORT for H.B. 2364**, 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 H.B. 2364. 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 demand². 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

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 HB 2364 tax rates:

Rate	< \$600K	\$600K- \$1M	\$1M- \$2M	\$2M- \$4M	\$4M- \$6M	\$6M- \$10M	\$10M- \$14M	\$14M- \$18M	\$18M- \$22M	\$22M- \$26M	\$26M+
<i>Owner Occupied</i>	0.10%	0.20%	0.30%	0.50%	2.00%	2.50%	3.00%	4.00%	5.00%	6.00%	7.00%
<i>Non Owner Occupied</i>	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 H.B. 2364 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.

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.

Re: SB 3053

Page 4

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



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 2364: RELATING TO CONVEYANCE TAX

TO: House Committees on Housing and Water & Land

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

Hearing: **Wednesday, 2/7/24; 8:30 AM; CR 430 or via Videoconference**

Chair Evslin, Chair Ichiyama, Vice Chair Aiu, Vice Chair Poepoe, and Members,
Committees on Housing and Water & Land:

Thank you for the opportunity to provide testimony **in Support of HB 2364**, 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 Hawaii.

Catholic Charities Hawaii (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawaii 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 Hawaii. 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 Hawaii.** 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 Hawaii, 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 Hawaii.

Catholic Charities Hawaii 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 \$2 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 HB 2364.

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



Testimony of The Nature Conservancy
Comments on HB 2364, Relating to the Conveyance Tax

Committees on Housing and Water and Land
February 7, 2024, 8:30 a.m.
Conference Room 430 & Videoconference

Aloha Chairs Evslin and Ichiyama, Vice Chairs Aiu and Poepoe and Members of the Committees:

The Nature Conservancy (TNC) offers comments on HB 2364, relating to the conveyance tax, which increases the conveyance tax rate for certain properties. It exempts conveyances of certain real property from the conveyance tax and eliminates the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund. This bill also allocates 10 percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas.

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 Hawai'i, 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 Hawai'i battles the impact of climate change.

Mahalo for the opportunity to provide testimony on HB 2364.

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**HAWAI'I COMMUNITY
DEVELOPMENT AUTHORITY**

547 Queen Street, Honolulu, Hawai'i 96813
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CRAIG K. NAKAMOTO
EXECUTIVE DIRECTOR

Statement of
CRAIG K. NAKAMOTO
Executive Director
Hawai'i Community Development Authority
before the
HOUSE COMMITTEE ON HOUSING
and before
HOUSE COMMITTEE ON WATER & LAND

Wednesday, February 7, 2024
8:30 a.m.
Videoconference, State Capitol, Conference Room 430

In consideration of
HB 2364
RELATING TO THE CONVEYANCE TAX.

Chairs Evslin and Ichiyama, Vice Chairs Aiu and Poepoe, and members of the Committees. The Hawai'i Community Development Authority (HCDA) supports HB 2364, 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 including affordable housing and mixed-use projects, and it is an integral part of building better communities.

Thank you for the opportunity to testify.



TESTIMONY FROM THE DEMOCRATIC PARTY OF HAWAII

HOUSE COMMITTEES ON HOUSING and WATER AND LAND

FEBRUARY 7, 2024

HB 2364, RELATING TO THE CONVEYANCE TAX

POSITION: SUPPORT

The Democratic Party of Hawai'i **supports** HB 2364, 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



STANFORD CARR DEVELOPMENT, LLC

▪ February 5, 2024

The Honorable Luke A. Evslin, Chair
The Honorable Micah P.K. Aiu, Vice Chair
and Members of the House Committee on Housing

The Honorable Linda Ichiyama, Chair
The Honorable Mahina Poepoe, Vice Chair
and Members of the House Committee on Water and Land

Re: Testimony – HB 2364, Relating to the Conveyance Tax
Hearing: February 7, 2024 at 8:30 AM
Conference Room 430 & Videoconference

Dear Chair Evslin, Chair Ichiyama, Vice Chair Aiu, Vice Chair Poepoe, and Committee Members:

Stanford Carr Development (SCD) is writing to **support with suggested amendments** HB 2364 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.

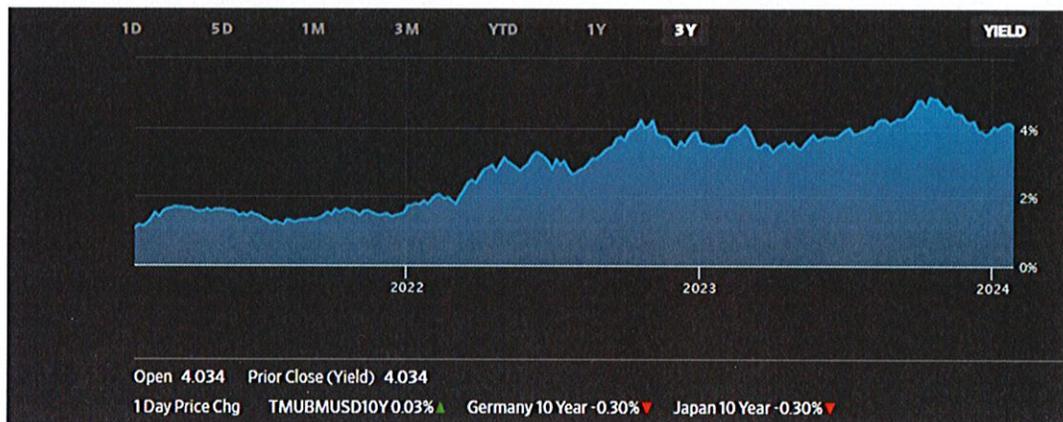
The 2019 Department of Business, Economic Development, and Tourism report quantified the State's housing crisis by reporting the need for 46,573 additional homes by the year 2030. The lack of infrastructure to support newly developed residential dwellings is one of the major obstacles to meeting the housing need. To mitigate some of the infrastructure constraint, HB 2364 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.

With respect to the proposed conveyance tax rate increase, we seek an amendment to **exempt income-restricted rental housing from the conveyance tax**. While the proposed revisions to the conveyance tax are intended to support additional housing development, the increased rates on high-valued properties with have unintended consequences when investors are discouraged from investing in the Hawaii real estate market.

We also seek an amendment to HB 2364 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

U.S. 10 Year Treasury Note

TMUBMUSD10Y (Tullett Prebon)



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 for the requested amendments is greatly appreciated. Thank you for the opportunity to offer comments on this measure.

Respectfully,

Stanford S. Carr

¹ <https://www.wsj.com/market-data/quotes/bond/BX/TMUBMUSD10Y>

Feb. 7, 2024, 8:30 a.m.
Hawaii State Capitol
Conference Room 430 and Videoconference

To: House Committee on Housing

Rep. Luke A. Evslin, Chair

Rep. Micah P.K. Aiu, Vice-Chair

House Committee on Water & Land

Rep. Linda Ichiyama, Chair

Rep. Mahina Poepoe, Vice-Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY OPPOSING HB2364 — RELATING TO THE CONVEYANCE TAX

Aloha Chairs and Committee Members,

The Grassroot Institute of Hawaii is concerned about the potential economic impact of [HB2364](#), 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

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 Loughhead, “[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 Hawai'i⁹ and the state Department of Business, Economic Development and Tourism¹⁰ 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 be¹¹ — 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 Hawai'i, 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.



February 7, 2024

Members of the House Committee on Housing:

Chair Luke A. Evslin

Vice Chair Micah P.K. Aiu

Rep. Darius K. Kila

Rep. Lisa Kitagawa

Rep. Tyson K. Miyake

Rep. Richard H.K. Onishi

Rep. Chris Todd

Rep. Lauren Matsumoto

and Members of the House Committee on Water & Land:

Chair Linda Ichiyama

Vice Chair Mahina Poepoe

Rep. Cory M. Chun

Rep. Sonny Ganaden

Rep. Mark J. Hashem

Rep. May Besario Mizuno

Rep. Dee Morikawa

Rep. Gregg Takayama

Rep. Kanani Souza

Re: HB2364 Relating to the Conveyance Tax

Dear Chair Evslin, Vice Chair Aiu, and Members of the House Committee on Housing and Chair Ichiyama, Vice Chair Poepoe, and Members of the House Committee on Water & Land:

The Hawai'i 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 of **HB2364** 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 - Hawai'i 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.

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 **HB2364**, and consider HIHAC's recommendations to help provide affordable housing to the people who live and work in Hawai'i.

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

Sincerely,
Angelina Mercado, Executive Director

HB-2364

Submitted on: 2/5/2024 11:01:58 AM

Testimony for HSG on 2/7/2024 8:30:00 AM

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

Comments:

I strongly support HB2364. 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 wealthy investor-owners who 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 Hawai‘i's struggling working families. This bill is a great start to realizing a future in which everyone that lives in Hawai‘i has a house.

HB-2364

Submitted on: 2/5/2024 11:58:31 AM

Testimony for HSG on 2/7/2024 8:30:00 AM

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

Comments:

Dear Representatives,

I strongly urge you to support HB2364. The Legacy Lands Conservation Program is an extremely important, far-sighted initiative that has already secured thousands of acres of land in Hawaii for conservation and community-oriented purposes. As land in Hawaii continues to be bought and sold by entities outside of Hawaii, we need to do everything in our power NOW to preserve and perpetuate land that is clearly protected and preserved for public purposes. Please support this very important bill.

Sincerely,

Mark Hamamoto

Waiialau, Hawaii

TESTIMONY OF FREDERICK WARSHAUER IN SUPPORT OF HB 2364, COMMITTEE ON HOUSING/ COMMITTEE ON WATER & LAND; HEARING: FEB 7, 2024, ROOM 430, 8:30am

Aloha Chairs Evslin and Ichiyama and Committee Members,

My name is Frederick Warshauer, a former member of the Legacy Land Conservation Commission. I am testifying in favor of HB 2364, but only if it is amended to match the description on the hearing notice, so as to eliminate the \$5.1 million cap and keep contributions to the Land Conservation Fund at the 10% of the conveyance tax revenue, as set by Act 156 of the 2005 Legislature, which established the Land Conservation Fund.

I strongly endorse both the Land Conservation Fund funding and the Legacy Land Conservation Commission's role in recommending lands to be given permanent protection for their natural, cultural and recreational values for reasons described below.

Throughout the Islands, such lands are rapidly being acquired by offshore interests and thereafter are lost to development or speculative real estate sales. The sooner the involvement and the greater the extent of acquisition by Legacy Land Conservation Program and other partnering entities, the more of Hawaii's privately owned resources can be saved for Hawaii people. Given the tendency of private properties to change hands and get exploited, I realize that the best way to preserve some of these special properties is for government to assist in acquiring full or partial ownership that is dedicated to preservation and management of the properties' natural, cultural or public access values. Growing up and living on three islands and witnessing the scale and speed of changes to the land and resources of my youth I see that Legacy Land Conservation Program is one of the very few places where local people can recommend *wahi pana* from their areas to be considered for permanent preservation with public funding.

The Legacy Land Conservation Commission vets the properties, listens closely to their advocates in public hearings and also on site inspections, and ranks the properties for the Board of Land and Natural Resources to evaluate and decide. The Legacy Land Conservation Program works closely with various non-profit land conservation entities to leverage this funding with other Federal funding sources and county land preservation programs to maximize the effective buying capacity of the program's limited funding and spending cap restrictions. Each year the Legacy Land Conservation Commission reviews very worthy applications which collectively request far more than the available funds. The hardest part of the commission service is seeing some of the best of the applications rank below the amount of available funds and the allowed spending cap in that year and possibly succumb to sale for development before they can benefit from the Land Conservation Fund in another year. This problem grows each year as speculative real estate investment elevates the purchase price.

Mahalo



February 5, 2024

Representative Cedric Asuega Gates, Chair
Representative Kirstin Kahaloa, Vice Chair
House Committee on Agriculture & Food Systems

Testimony in Support of HB 2140 (Appropriate funds for statewide research into ornamental ginger pathogens, prevention of the spread of ornamental ginger pathogens, production and distribution of pathogen-free ornamental ginger plants, and outreach to ornamental ginger producers.)

Wednesday, February 7, 2024 at 9:30 a.m.; State Capitol, Conference Room 325 Via 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. LURF's mission 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 express its **support of HB 2140**.

HB 2140. This bill proposes to appropriate funds to the University of Hawaii for statewide research and prevention of pathogens affecting ornamental ginger.

LURF's Position. LURF understands that production of ornamental ginger has been declining throughout the State since 2014, and that further decline has resulted in producers in affected areas clearing their lands as ornamental ginger can no longer be economically produced. Farmers are concerned about the spread of the disease pathogens and have consulted with the department of agriculture, University of Hawaii college of tropical agriculture and human resources (UHCTAHR), and various farm bureaus. Research conducted has identified a combination of different viruses as well as other pathogens as possible contributing causes that are infecting ornamental ginger, which is a highly valued plant. Virus-infected plants cannot be cured.

Plant diseases and invasive species such as insects, disease-bearing organisms, snakes, weeds, and other pests pose the greatest threat to Hawaii's economy, tourism,

agriculture, the natural environment, native species and to the health and lifestyle of Hawaii's people.

Invasive species already cause millions of dollars in crop losses, the extinction of native species, the destruction of native wet, moist, and dry land forests, and the spread of disease, but even more harmful viral, fungal, and unidentified bacterial pathogens such as these unknown pathogens causing devastating crop decline in ornamental ginger, now threaten to invade plants throughout all of the Hawaiian Islands and wreak further uncontrolled damage.

Despite efforts by the UHCTAHR and the State Department of Agriculture to address this critical situation, more research and a multi-agency outreach approach, including development of protocols amongst cultivators, producers and distributors; establishment of cultural management strategies for managing virus-infected plants; and educating growers about those strategies and the importance of virus-free plants, are necessary to avoid further damage to the profitability and long-term sustainability of local ornamental flora and landscape production industries.

For the above reasons, LURF **supports HB 2140** and respectfully urges your favorable consideration.

Thank you for the opportunity to present testimony regarding this matter.

HB-2364

Submitted on: 2/5/2024 8:00:26 PM

Testimony for HSG on 2/7/2024 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Bill Stormont	Individual	Support	Written Testimony Only

Comments:

Aloha Chairs Evslin and Ichiyama, and members of the House Committes on Housing and Water & Land. I write this evening to express my strong support for HB2364, and in particular, the elimination of the cap on the amount of conveyance tax allocated to both the land conservation fund and rental housing revolving fund. I encourage your respective committees' favorable consideration of this important measure.

Mahalo,

Bill Stormont, Hilo

HB-2364

Submitted on: 2/5/2024 11:13:05 PM

Testimony for HSG on 2/7/2024 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
C. Kauai Lucas	Individual	Support	Written Testimony Only

Comments:

Chair Ichiyama, Vice-Chair Poepoe

In 2019 I accepted the kuleana of Commissioner on the Legacy Land Conservation Commission. This (mahalo to my supportive/understanding employer) has allowed me to experience conservation projects across Hawai'i Pae 'Āina.

The collateral benefits to kiāulu, our communities; the forging and strengthening of pilina, relationships that make Hawai'i the place we aloha, never show up on P&L statements or a balance sheet. Yet, that is precisely where significant value is, this *in addition* of course to the obvious measurable, quantifiable, environmental benefits of conservation.

There is no greater cost/benefit ratio in State land conservation efforts than the Legacy Land Conservation Program. HB2364 will restore the 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) at its inception. Please honor the original agreement.

Mahalo piha,

Kauai Lucas

HB-2364

Submitted on: 2/6/2024 9:41:41 AM

Testimony for HSG on 2/7/2024 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Lindsey A Drayer	Individual	Support	Written Testimony Only

Comments:

I respectfully submit testimony in strong support HB2364 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).

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.

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 HB2364, and consider HiHAC's recommendations to help provide affordable housing to the people who live and work in Hawai'i.

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

Lindsey Drayer



Hawai'i Housing Affordability Coalition

Testimony of the Hawai'i Housing Affordability Coalition

Support for H.B. 2364 – Relating to Conveyance Tax

Joint House Committee on Housing and Water & Land

Wednesday, February 7, 2024, at 8:30AM, Conf. Rm. 430 and via Videoconference

Dear Chair Evslin, Vice Chair Aiu, Chair Ichiyama, Vice Chair Poepoe, and members of the Committees on Housing and Water & Land:

HiHAC is submitting testimony in STRONG SUPPORT for H.B. 2364, which will increase the rates of conveyance tax 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:

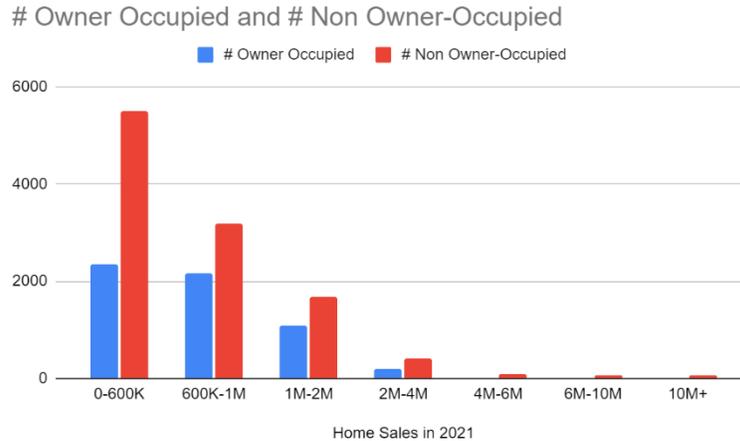
- 1) **Removing the \$38M cap on the rental housing revolving fund** and returning the allocation to 50% of total revenues as was the original intent from the conveyance tax.
- 2) **Removing the \$5.1M cap on the land conservation fund** and returning the allocation to 10% of total revenues as was the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

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.



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 at minimum of 2% 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 HB2364**, and consider the suggestions above, to help provide affordable housing to the people who live and work in Hawai'i.

Mahalo for the opportunity to testify,

HiHAC
Hawai'i Housing Affordability Coalition

HB-2364

Submitted on: 2/7/2024 4:27:36 AM

Testimony for HSG on 2/7/2024 8:30:00 AM

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

Comments:

Chairs, Vice Chairs, Members, I SUPPORT the general intent of HB 2364. 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 all homes (included owner-occupied -- few if any will be Hawaii residents) selling for over \$4m. Aloha, Galen Fox