



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

March 19, 2018

TO: The Honorable Senator Glenn Wakai, Chair
Senate Committee on Economic Development, Tourism, and Technology

The Honorable Senator Josh Green, Chair
Senate Committee on Human Services

FROM: Scott Morishige, MSW, Governor's Coordinator on Homelessness

SUBJECT: **HB 2012 HD2– RELATING TO THE TRANSIENT ACCOMODATIONS TAX**

Hearing: Monday, March 19, 2018, 1:15 P.M.
Conference Room 414, State Capitol

POSITION: The Governor's Coordinator on Homelessness supports the intent of this measure, and offers comments.

PURPOSE: The purpose of the bill is to allocate an unspecified amount from transient accommodations tax revenues to the Hawaii Tourism Authority (HTA) to implement initiatives, in conjunction with the Hawaii Lodging and Tourism Association (HLTA), to address homelessness in tourist and resort areas. The bill also provides that no funds shall be released unless matched dollar-for-dollar by the private sector, and requires HTA to report to the Legislature in regard to the initiatives funded.

The Coordinator appreciates the Legislature's efforts to adopt innovative solutions to address the complex challenge of homelessness, but notes that the measure as currently drafted is unclear how funds may specifically be utilized to address homelessness. In addition, the measure does not clearly define "tourist and resort areas." For example, on the island of Oahu, it is unclear if "tourist and resort areas" include only Waikiki or if this definition is broad enough to include areas of the island with established homeless encampments, such as Kaka'ako, the Nimitz Viaduct area, Wahiawa, or Waimanalo. If this measure moves forward,

the Coordinator respectfully requests that more clarity be provided as to the Legislature's intention for the use of transient accommodations tax revenues set aside for this purpose.

More specifically, the Coordinator requests clarification if funding is intended primarily for the delivery of social services or if funding may be used for other purposes related to homelessness, such as construction of housing units, infrastructure costs to support housing development, incentives for landlords to rent units to people experiencing homelessness, law enforcement costs, and property storage operations related to criminal trespass and unauthorized camping situations involving persons experiencing homelessness.

Over the past three years, the State has adopted a comprehensive framework to address homelessness that focuses on three primary leverage points – affordable housing, health and human services, and public safety. Through this approach, the State has made progress in addressing homelessness and the 2017 statewide Point in Time (PIT) count found that the number of homeless people in Hawaii decreased for the first time in eight years – a decrease of 701 people between 2016 and 2017.

The State approach to addressing homelessness also includes a focus on oversight and accountability for public funds used for this purpose. This focus not only emphasizes reporting and transparency, but ties payment for homeless services to provider performance. In 2017, DHS executed a series of contracts for housing placement, emergency grant, homeless outreach, and shelter that establish specific performance benchmarks and condition payment in part upon meeting these benchmarks. The State's intent is to apply similar benchmarks and conditions to all new contracts for homeless services. Accordingly, if this measure moves forward, the Coordinator suggests that data from the supported initiatives be entered into the Homeless Management Information System (HMIS) to evaluate the effectiveness of these initiatives in addressing homelessness and the target population they serve.

Thank you for the opportunity to testify on this bill.



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David Y. Ige
Governor

George D. Szigeti
President and Chief Executive Officer

Statement of
George D. Szigeti
Chief Executive Officer
Hawai'i Tourism Authority
on
HB2012 HD2
Relating to the Transient Accommodations Tax
Senate Committee on Economic Development, Tourism, and Technology
Senate Committee on Human Services
Monday, March 19, 2018
1:15pm
Conference Room 414

Chairs Wakai and Green, Vice-Chairs Taniguchi and Chang, and Committee Members:

The Hawai'i Tourism Authority (HTA) offers the following **comments on** HB2012 HD2, which proposes to allocate additional funds from transient accommodations tax (TAT) revenues to HTA to implement initiatives, in conjunction with the Hawaii Lodging and Tourism Association, to address homelessness in tourist and resort areas.

As the State agency tasked with strategically managing, marketing and developing Hawai'i's visitor industry, HTA agrees that it is important to address homelessness in the State. A substantial homeless population affects the tourism industry. Our residents, visitors, and homeless population deserve a coordinated effort on these issues. HTA supports the intent of the bill to fund and implement new initiatives to address homelessness that strengthen the community and maintain a positive visitor experience.

Mahalo for the opportunity to offer this testimony.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Earmark funds to address homelessness

BILL NUMBER: HB 2012, HD-2

INTRODUCED BY: House Committee on Health and Human Services

SYNOPSIS: Amends section 237D-6.5, Hawaii Revised Statutes, to provide that \$_____ per year shall be allocated to the Hawaii tourism authority to implement initiatives, in conjunction with the Hawaii lodging and tourism association, to address homelessness in tourist and resort areas; provided that no funds shall be released unless matched dollar-for-dollar by the private sector.

Requires Hawaii Tourism Authority to submit a report to the legislature at least twenty days prior to the convening of the regular session of 2019, which shall include: (1) the current status of any initiative implemented during the three-year period prior to the date of the report, in conjunction with the Hawaii Lodging and Tourism Association, to address homelessness in tourist and resort areas, including the costs thereof, source of funding, and participating entities; and (2) the current status of any plans to implement future initiatives, in conjunction with the Hawaii Lodging and Tourism Association, to address homelessness in tourist and resort areas, including the estimated costs thereof, potential sources of funding, other than legislative appropriations, and anticipated participating entities.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: As with any earmarking of revenues, the legislature will be preapproving each of the initiatives fed by the tax earmark, so 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 too little or too much revenue has been diverted from other priorities in the state budget.

If the legislature deems the programs and purposes funded by this special 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 would have to evaluate the real or actual needs of each program.

Digested 2/21/2018



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**TESTIMONY FOR HOUSE BILL 2012, HOUSE DRAFT 2, RELATING TO THE
TRANSIENT ACCOMMODATIONS TAX**

Senate Committee on Economic Development, Tourism, and Technology

Hon. Glenn Wakai, Chair

Hon. Brian T. Taniguchi, Vice Chair

Senate Committee on Human Services

Hon. Josh Green, Chair

Hon. Stanley Chang, Vice Chair

Monday, March 19, 2018, 1:15 PM

State Capitol, Conference Room 414

Honorable Chair Wakai, Chair Green, and committee members:

I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 400 members. On behalf of our members, we offer this testimony in support of House Bill 2012, HD 2, relating to the transient accommodations tax.

According to the 2017 statewide *Point In Time Count* (PITC) report, 7,220 houseless persons were counted on a single night in January last year, down 9 percent overall from 2016. Yet, O’ahu experienced a 0.4 percent *increase* from the previous year, with 4,959 people counted, up from 4,940 the year before. Hawai’i island saw the largest decrease in its homeless population, which fell 32 percent, or 441 people. Maui County had a 22 percent drop, or 249 people, while Kaua’i saw a 7 percent drop, or 30 fewer homeless people. Notably, the size of the houseless population on O’ahu is up more than 25 percent from 2009, when 3,638 homeless people were counted. Additionally, Department of Education officials have estimated that between 3,500-4,000 public school students experience homelessness at some point during the school year—last year’s PITC captured just over half of them—and over 91,000 students are economically disadvantaged. We know, then, that our state’s homeless population is consistently larger than the statistics show. It remains the highest per-capita homeless population in the country, according to the U.S. Department of Housing and Urban Development.

Over 30 percent of juvenile arrests in Hawai’i are for running away from home, the highest proportion in the nation. Nationally, one in seven young people between the ages of 10 and 18 will

run away. Approximately 75 percent of runaways are female, while 46 percent of runaway and homeless youth report being physically abused, 38 percent report being emotionally abused, and 17 percent report being forced into unwanted sexual activity by a family or household member, according to the National Conference of State Legislatures. Roughly 30 percent of runaway children will be approached for sexual exploitation within 48 hours of being on the run, with over 80 percent being approached for the commercial sex trade during the course of their time on streets. A federal study found that an estimated 38,600 runaway youth have been sexually assaulted, in the company of someone known to be sexually abusive, or engaged in sexual activity in exchange for money, food, or shelter. Runaways are perceived as easy targets for sex traffickers because they lack stable shelter, a supportive environment, and financial resources, placing them at greater risk of forced prostitution and sexual servitude.

Traffickers exploit our limited number of available shelter beds to lure young people into exploitation. As the homeless childcare provider Covenant House observes, traffickers tell homeless youth that shelters are full and ask, “Where are you going to go? Why don’t you come with me? I’ll take care of you.” Coupled with threats of and actual physical and sexual violence against the victims or their families, these coercive techniques compel runaway youth to remain enslaved. LGBTQ youth, who comprise an estimated 40 percent of the runaway and homeless youth population in the United States, are exponentially more likely to fall prey to human traffickers because of discrimination, family and community trauma, and a longing for comfort and acceptance (an estimated 26 percent of LGBTQ adolescents are rejected by their families and put out of their homes simply for being open and honest about who they are). In providing care for victims of human trafficking, IMUAlliance has heard their stories hundreds of times.

We must find innovative ways to fund homeless services, especially human services, health care, outreach, and rapid rehousing to our state’s unsheltered and at-risk population, many of whom are gainfully employed and contributing our economy. Moreover, we must find a balance between rampant real estate speculation and meeting the needs of our state’s most economically vulnerable residents. Just as our homeless population has soared over the past few years, so, too, has our state’s cost of housing. The median price of condominiums on O’ahu increased 6 percent in the summer of 2017 to a record \$425,000, while the median price for single-family homes increased by 3 percent to \$795,000, according to the Honolulu Board of Realtors, a number that they expect to increase by at least another 5 percent in 2018. Average fair market rent for two-bedroom apartments in *outlying* communities in the City and County of Honolulu now exceeds \$2,000, with the cost of a four-bedroom home in urban Honolulu now exceeding \$1.1 million. At least 46 percent of residences in Hawai’i are owner unoccupied, according to the National Low-Income Housing Coalition, meaning that nearly 50 percent—and by some estimates over half—of Hawai’i’s homes are likely investment properties. Many of those properties, in turn, are owned by mainland and foreign buyers, whose real estate market speculation is a prime driver of Hawai’i’s highest-in-the-nation cost of housing. According to a study released in May of 2016 by the Hawai’i Department of Business, Economic Development, and Tourism, there are “clear distinctions”

between the average price of homes bought by local residents, mainlanders, and foreigners. Analyzing purchases made between 2008 and 2015, DBEDT found: “The average sale price was highest among foreign buyers. The average sale price of the total of 5,775 homes sold to foreign buyers from 2008 to 2015 was \$786,186, 28.3 percent higher than the average sale price to the mainlanders (\$612,770) and 64.7 percent higher than the average sale price to local buyers (\$477,460).”

Researchers who authored the National Low Income Housing Coalition’s *Out of Reach 2017* report found that a full-time worker would need to earn \$35.20/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,000 in recent years, with minimum wage workers needed to log 116 hours per week at their jobs to afford a modest one-bedroom apartment at fair market value and 139 hours per week to afford a two-bedroom—a number that is equivalent to working 20 hours a day with no days off year-round. In the past three years alone, Honolulu rent has increased by more than 25 percent. While 43 percent of Hawai’i residents are renters (a number that does not include individuals and families renting outside of the regulated rental market), they earn an average wage of \$15.64/hour, scarcely enough to meet their basic needs. One out of every four households in Hawai’i report that they are “doubling up” or are three paychecks or less away from being homeless, per the Hawai’i Appleseed Center for Law and Economic Justice. Additionally, 54 percent of households are cost-burdened, meaning that they pay more than 30 percent of their income for housing costs, a number that rises to 83 percent of extremely low-income households. Put simply, homelessness is directly tied to our state’s exorbitant cost of living and penchant for catering to people who use the islands as their own private Monopoly board. We beseech you to seek innovative ways of making Hawai’i more affordable, while funding services that show aloha for our economically disadvantaged neighbors.

Finally, we applaud Waikiki’s hospitality industry, such as the Hawai’i Lodging and Tourism Association and the Hilton Hawaiian Village, for donating to organizations that help the homeless, including by providing more than \$2,000,000 to the Institute for Human Services, other O’ahu-based social service providers, and charitable organizations on Maui, Kaua’i, and Hawai’i island. We urge lawmakers to recognize these efforts and, in turn, use a portion of the transient accommodations tax—our tax on visitor rentals—to assist our tourism industry in finding shelter for economically disadvantaged members of the Waikiki community, some of whom already are or are at risk of becoming victims of human trafficking.

When you fund housing, outreach, and human services for the homeless, you are helping to end slavery in Hawai’i. Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance

HB-2012-HD-2

Submitted on: 3/18/2018 1:03:25 PM

Testimony for ETT on 3/19/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:

To the Honorable Glenn Wakai, Chair; the Honorable Brian T. Taniguchi, Vice-Chair, and Members of the Senate Committee on Economic Development, Tourism, and Technology:

To the Honorable Josh Green, Chair; the Honorable Stanley Chang, Vice-Chair, and Members of the Senate Committee on Human Services:

Good afternoon. My name is Melodie Aduja. I serve as Chair of the Oahu County Committee (“OCC”) on Legislative Priorities of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on **HB2012 HD2** relating to Transient Accommodations Tax; Hawaii Tourism Authority; Hawaii Lodging and Tourism Association; Homelessness; Report; and an appropriation.

The OCC Legislative Priorities Committee is in support of **HB2012 HD2** and is in favor of its passage.

HB2012 HD2 is in accord with the Platform of the Democratic Party of Hawai'i (“DPH”), 2016, as it allocates funds from transient accommodations tax revenues to the Hawaii Tourism Authority (HTA) to implement initiatives, in conjunction with the Hawaii Lodging and Tourism Association, to address homelessness in tourist and resort areas; and requires HTA to report to the Legislature.

Specifically, the DPH Platform provides that “[h]ousing is a basic human need and we believe that adequate, accessible, affordable, and safe housing should be available to all residents of Hawai'i. Affordable housing that is fair in proportion to individual income is the basis of prosperity for our citizens and stability in our economy. Recent and past real estate bubbles have fueled disproportionate rent increases, a key contributor to homelessness. Therefore, we support efforts to promote truly affordable housing for all citizens who rent.

We believe in the concept of “Housing First” to develop affordable, stable housing and support services to break the cycle of homelessness for people with the fewest housing options.

We support dedicated social services and housing opportunities for Hawaii's homeless population, to get them off the streets and reintegrated into society, with specific devoted services for disenfranchised groups including but not limited to the Hawaiian community, aged-out foster kids, youth, returning veterans, the aged, and lesbian, gay, bisexual and transgender homeless. (Platform of the DPH, P. 7, Lines 340-344, 352-358 (2016)).

Given that **HB2012 HD2** allocates funds from transient accommodations tax revenues to the Hawaii Tourism Authority (HTA) to implement initiatives, in conjunction with the Hawaii Lodging and Tourism Association, to address homelessness in tourist and resort areas; and requires HTA to report to the Legislature, it is the position of the OCC Legislative Priorities Committee to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ Melodie Aduja

Melodie Aduja, Chair, OCC Legislative Priorities Committee

Email: legislativepriorities@gmail.com, Text/Tel.: (808) 258-8889



March 18, 2018

Senator Glenn Wakai, Chair
Senate Committee on Economic Development, Tourism and Technology
Senator Josh Green, Chair
Senate Committee on Human Services
Hawaii State Legislature

Dear Senator Wakai, Senator Green, Members of the Senate Committee on Economic Development, Tourism and Technology and the Senate Committee on Human Services ,

Testimony in Support of HB2012 HD2

The Kohala Coast Resort Association (KCRA) is in full support of HB2012 HD2, allocating funding from the transient accommodations taxes to the Hawaii Tourism Authority in partnership with the Hawaii Lodging Tourism Association to address homelessness in tourism and resort areas. We know there has been success with this initiative on Oahu, Maui and Kauai, and look forward to the program being implemented on Hawaii Island.

KCRA is a collection of master-planned resorts and hotels situated north of the airport which represents more than 3,500 hotel accommodations and an equal number of resort residential units. This is approximately 35 percent of the accommodations available on the Island of Hawai`i. KCRA member properties annually pay more than \$20 million in TAT and \$20 million in GET.

We encourage your support of this measure.

Sincerely,

A handwritten signature in black ink that reads "Stephanie P. Donoho". The signature is written in a cursive, flowing style.

Stephanie Donoho
Administrative Director