

Honolulu, Hawaii

FEB 20 2009

RE: S.B. No. 1277
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Madam:

Your Committees on Education and Housing and Water, Land, Agriculture, and Hawaiian Affairs, to which was referred S.B. No. 1277 entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

beg leave to report as follows:

The purpose of this measure is to increase incentives for the development of affordable housing in Hawaii.

Specifically, this measure:

- (1) Establishes a self-help housing trust fund to be funded through an allocation of the conveyance tax;
- (2) Increases the conveyance tax incrementally, starting with properties with a value of at least \$1,000,000;
- (3) Reduces the time period from ten to five years over which low income housing tax credits may be claimed;
- (4) Facilitates the Hawaii Housing Finance and Development Corporation's ability to collect excess proceeds in lieu of a buy back, on a shared appreciation equity lien, and on a deferred sales price lien; and
- (5) Establishes an income tax credit of up to twenty per cent of the annual mortgage interest payment amount for low and moderate income homeowners.



Testimony in support of this measure was submitted by one private organization. Testimony in opposition was submitted by one private organization. Comments were submitted by two state agencies and three private organizations. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committees find that this measure is one of many under consideration by the Legislature in response to severe shortages of affordable housing in Hawaii. Your Committees are concerned that a long-term economic crisis will further worsen what is already a challenging housing market for Hawaii residents.

Your Committees have heard and approved a wide range of proposed initiatives related to the use of conveyance tax revenue, and encourage further legislative discussions on the proposals in this measure.

Your Committees have amended this measure by:

- (1) Increasing the amount of conveyance tax paid per \$100 of value for properties with a value greater than \$1,000,000, by a purchaser who is ineligible for a county homeowner's exemption;
- (2) Adding a new part V, to require the Hawaii Housing Finance and Development Corporation to report to the 2010 Legislature with recommendations regarding the use of tax incremental financing as an economic development tool to leverage private development investment, including any legislation that may be required to implement tax incremental financing in Hawaii;
- (3) Amending the effective date to July 1, 2035, for the purpose of encouraging further discussion; and
- (4) Making a technical amendment for the purpose of clarity and consistency.

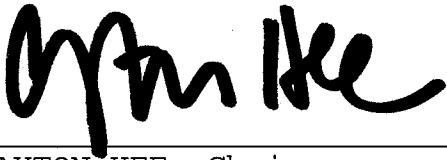
Your Committees understand that the higher conveyance tax rates for a purchaser who is ineligible for a county homeowner's exemption may adversely affect a homeowner who is eligible for the county exemption on a primary residence, but not on an additional residence. Your Committees concur with this concern, as many residents may share ownership in an additional residence with



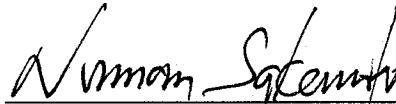
family members. Your Committees encourage further discussion of this matter in an effort to develop a means of addressing the issue.

As affirmed by the records of votes of the members of your Committees on Education and Housing and Water, Land, Agriculture, and Hawaiian Affairs that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1277, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1277, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Education and
Housing and Water, Land,
Agriculture, and Hawaiian
Affairs,



CLAYTON HEE, Chair



NORMAN SAKAMOTO, Chair



The Senate
 Twenty-Fifth Legislature
 State of Hawaii

Record of Votes
Committee on Water, Land, Agriculture and Hawaiian Affairs
WTL

Bill / Resolution No.:* SB1277	Committee Referral: EDH/WTL, WAM	Date: 2/13/09		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
HEE, Clayton (C)	✓			
TOKUDA, Jill N. (VC)	✓			
BUNDA, Robert				✓
FUKUNAGA, Carol				✓
KOKUBUN, Russell S.	✓			
TAKAMINE, Dwight Y.	✓			
HEMMINGS, Fred				✓
TOTAL	4			3
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes