



EXECUTIVE CHAMBERS  
HONOLULU

NEIL ABERCROMBIE  
GOVERNOR

**GOV. MSG. NO. 1266**

June 30, 2014

The Honorable Donna Mercado Kim,  
President  
and Members of the Senate  
Twenty-Seventh State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

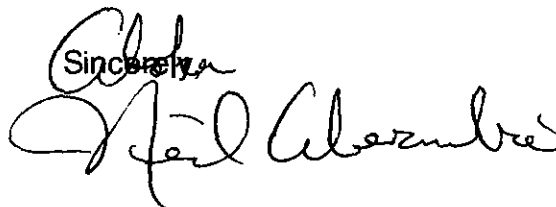
The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Seventh State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 30, 2014, the following bill was signed into law:

SB2542 SD1 HD1 CD1

RELATING TO THE DISPOSITION OF THE  
CONVEYANCE TAX COLLECTIONS TO THE  
RENTAL HOUSING TRUST FUND  
**ACT 163 (14)**

Sincerely,  


NEIL ABERCROMBIE  
Governor, State of Hawaii

Approved by the Governor

on JUN 30 2014

THE SENATE  
TWENTY-SEVENTH LEGISLATURE, 2014  
STATE OF HAWAII

**ACT 163**  
**S.B. NO.**

2542  
S.D. 1  
H.D. 1  
C.D. 1

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# A BILL FOR AN ACT

RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO  
THE RENTAL HOUSING TRUST FUND.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Recognizing the need to address the shortfall  
2 in affordable rental housing units, the legislature raised the  
3 allocation of the conveyance tax to the rental housing trust  
4 fund to fifty per cent in 2006. However, due to the economic  
5 crisis and recession of 2008 through 2010 the allocation to the  
6 rental housing trust fund has been reduced to thirty per cent to  
7 address the State's budget crisis.

8           The legislature finds that the State continues to face  
9 unique challenges related to affordable housing. The lack of  
10 available land, low wage positions coupled with the high cost of  
11 living, the high cost of construction, and shortage of public  
12 funds are only some of the factors that have contributed to one  
13 of the lowest rates of home ownership in the country and a  
14 strong need for affordable rental housing.

15           The legislature further finds that renters in Hawaii face  
16 many challenges. A 2011 Center for Housing Policy report noted  
17 that Honolulu was tied for being the least affordable city for



1 renters nationwide. Honolulu was also ranked the third most  
2 expensive city for rentals. The need for affordable housing in  
3 Hawaii also affects moderate-income families. Individuals  
4 falling into this gap group of average wage earners face  
5 challenges, as they earn too much to qualify for low-income  
6 housing programs, yet earn too little to afford market rate  
7 housing.

8       The legislature also finds that according to the 2011  
9 Hawaii Housing Planning Study, the number of new housing units  
10 that will have to be built between 2012 and 2016 to meet new  
11 demand generated by changing demographic and economic conditions  
12 might be as high as fifty thousand. Units that are not built  
13 represent the shortage of units needed to fill the total demand  
14 for housing units. This shortage, known as needed units, is the  
15 difference between total housing demand and expected supply.  
16 The projected number of needed units in the State through 2016  
17 includes over six thousand ownership units and thirteen thousand  
18 rental units for households with less than eighty per cent of  
19 the area median income. During this same five-year period,  
20 about two thousand six hundred affordable for-sale units and  
21 over two thousand one hundred rental units will be needed to  
22 meet the housing requirements of households earning between



1 eighty per cent and one hundred forty per cent of the area  
2 median income; these are households that fall into the gap group  
3 of wage earners.

4 The legislature additionally finds that rising housing  
5 costs are associated with increased homelessness or families at  
6 risk of becoming homeless. According to the 2012 Homeless  
7 Service Utilization Report developed by the Center on the Family  
8 at the University of Hawaii at Manoa, a total of 13,980  
9 individuals statewide experienced homelessness and received  
10 shelter or outreach services during the 2012 fiscal year. This  
11 figure includes those individuals who are at risk of losing  
12 their housing.

13 The legislature finds that Hawaii has a definite, immediate  
14 need for affordable housing. Addressing these needs will be a  
15 challenge because of the sheer number of units needed to meet  
16 demand and the various barriers that can prevent development and  
17 preservation of affordable housing. Therefore, the public  
18 sector, the private sector, and other interested stakeholders in  
19 the community must work together to ensure that Hawaii's  
20 residents have access to affordable housing.

21 The purpose of this Act is to support Hawaii's goal of  
22 meeting the projected number of needed affordable housing units



1 in the State by restoring the allocation of the conveyance tax  
2 to the rental housing trust fund to fifty per cent.

3 SECTION 2. Section 247-7, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 **"§247-7 Disposition of taxes.** All taxes collected under  
6 this chapter shall be paid into the state treasury to the credit  
7 of the general fund of the State, to be used and expended for  
8 the purposes for which the general fund was created and exists  
9 by law; provided that of the taxes collected each fiscal year:

- 10 (1) Ten per cent shall be paid into the land conservation  
11 fund established pursuant to section 173A-5;
- 12 (2) Twenty-five per cent from July 1, 2009, until June 30,  
13 2012~~[, and]~~; thirty per cent from July 1, 2012, until  
14 June 30, 2014; and fifty per cent in each fiscal year  
15 thereafter shall be paid into the rental housing trust  
16 fund established by section 201H-202; and
- 17 (3) Twenty per cent from July 1, 2009, until June 30,  
18 2012, and twenty-five per cent in each fiscal year  
19 thereafter shall be paid into the natural area reserve  
20 fund established by section 195-9; provided that the  
21 funds paid into the natural area reserve fund shall be



- 1           annually disbursed by the department of land and  
2           natural resources in the following priority:
- 3           (A) To natural area partnership and forest  
4                 stewardship programs after joint consultation  
5                 with the forest stewardship committee and the  
6                 natural area reserves system commission;
- 7           (B) Projects undertaken in accordance with watershed  
8                 management plans pursuant to section 171-58 or  
9                 watershed management plans negotiated with  
10                private landowners, and management of the natural  
11                area reserves system pursuant to section 195-3;  
12                and
- 13           (C) The youth conservation corps established under  
14                chapter 193."

15           SECTION 3. Statutory material to be repealed is bracketed  
16           and stricken. New statutory material is underscored.

17           SECTION 4. If H.B. No. 2059 or H.B. No. 2101, regular  
18           session of 2014, is passed in any form by the legislature during  
19           the regular session of 2014, whether before, on, or after the  
20           effective date of this Act, the provisions in this Act shall  
21           supersede any amendments made to section 247-7, Hawaii Revised  
22           Statutes, by those measures.

1 SECTION 5. This Act shall take effect on July 1, 2014.

APPROVED this 30 day of JUN 2014

A handwritten signature in black ink that reads "Neil Abernethy". The signature is written in a cursive style with a horizontal line under the name.

GOVERNOR OF THE STATE OF HAWAII