

S.B. NO. 2832

JAN 27 2016

A BILL FOR AN ACT

RELATING TO THE CONVEYANCE TAX.

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

1 SECTION 1. Section 247-7, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§247-7 **Disposition of taxes.** All taxes collected under
4 this chapter shall be paid into the state treasury to the credit
5 of the general fund of the State, to be used and expended for
6 the purposes for which the general fund was created and exists
7 by law; provided that of the taxes collected each fiscal year:

8 (1) Ten per cent or \$6,800,000, whichever is less, shall
9 be paid into the land conservation fund established
10 pursuant to section 173A-5; and

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

14 SECTION 2. Statutory material to be repealed is bracketed
15 and stricken.

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1 SECTION 3. This Act, upon its approval, shall take effect
2 on July 1, 2016.

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INTRODUCED BY: 

BY REQUEST

S . B . NO . 2832

Report Title:

Conveyance Tax; Allocation of Taxes Paid Into the Rental Housing Revolving Fund

Description:

Repeals the statutory cap on the disposition of conveyance taxes dedicated for deposit into the Rental Housing Revolving Fund for the financing of affordable rental housing development.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO THE CONVEYANCE TAX.

PURPOSE: To remove the cap on the allocation of conveyance taxes dedicated to the Rental Housing Revolving Fund for the financing and development of affordable rental housing.

MEANS: Amend section 247-7, Hawaii Revised Statutes.

JUSTIFICATION: There is a substantial need for affordable rental housing throughout the State of Hawaii. According to the Hawaii Housing Policy Study, 2011 Update, for 2012-2016, some 19,000 rental units statewide are needed for those earning 30 to 80 percent of median income, and statewide, 59.8 percent of existing renters paid more than 30 percent of their income towards rent. Additional support for affordable rental housing development is needed if we are to make any headway providing permanent affordable housing to prevent Hawaii's working households from falling into homelessness.

A critical barrier to increasing the inventory of affordable rental units is the financing gap between the costs of developing an affordable project and the amount of rental income that a project serving very-low and low-income households can expect to generate over the useful life of the structure. Developers of affordable rental housing face difficulties in cobbling together financing packages to ensure that projects are economically feasible.

The Rental Housing Revolving Fund (RHRF), formerly known as the Rental Housing Trust Fund (renamed and reclassified in part VI of

Act 237, Session Laws of Hawaii 2015), was created to fill that financing gap by providing loans or grants to projects that set aside units affordable to extremely and very low-income families. Act 84, Session Laws of Hawaii 2015, made it such that as of July 1, 2015, the RHRF is funded primarily by a dedicated allocation of 50 percent of conveyance taxes, or \$38,000,000, whichever is less.

In fiscal year 2014-2015, approximately \$39,500,000 in conveyance tax revenues was deposited into the RHRF. If Act 84 had been in effect in that fiscal year, the RHRF would have received approximately \$1,500,000 less in revenues. The cap on the RHRF limits funds for the RHRF and, therefore, serves as a constraint to the development of affordable rental housing.

Impact on the public: Will allow the RHRF to provide more financing for the development of more affordable rental housing going forward.

Impact on the department and other agencies: Will eliminate a constraint on the Hawaii Housing Finance and Development Corporation's capacity to finance affordable rental housing.

GENERAL FUND: Approximately \$1,500,000 per fiscal year based on current real estate market activity levels.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: BED 160.

OTHER AFFECTED AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: July 1, 2016.