

STAND. COM. REP. NO. **202**-24

Honolulu, Hawaii

FEB 08, 2024

RE: H.B. No. 2629
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Health & Homelessness, to which was referred H.B. No. 2629 entitled:

"A BILL FOR AN ACT RELATING TO THE CONVEYANCE TAX,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Establish the Homeless Services Fund to provide funds for homeless services and supportive housing;
- (2) Allow counties to apply for matching funds from the Affordable Homeownership Revolving Fund for housing projects that are subject to a perpetual affordability requirement;
- (3) Amend the conveyance tax rates based on property values;
- (4) Repeal conveyance tax rates set separately for conveyances for which the purchasers are ineligible for a county homeowner's exemption on property tax;
- (5) Exempt from conveyance taxes certain conveyances of real property to organizations with specific affordability requirements and to certain nonprofit organizations; and

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- (6) Allocate collected conveyance taxes to the Affordable Homeownership Revolving Fund and Homeless Services Fund and amend allocations to the Land Conservation Fund and Rental Housing Revolving Fund.

Your Committee received testimony in support of this measure from the Department of Land and Natural Resources; Catholic Charities Hawai'i; Kua'āina Ulu 'Auamo; Hawaii Reef and Ocean Coalition; Ku Pono Ka Leo O Ka 'Āina; and numerous individuals. Your Committee received testimony in opposition to this measure from the Land Use Research Foundation of Hawaii; NAIOP Hawaii; Hawai'i Association of REALTORS; and Grassroot Institute of Hawaii. Your Committee received comments on this measure from the Department of Human Services; Department of Budget and Finance; Department of Taxation; Hawaii Housing Finance and Development Corporation; Office of Planning and Sustainable Development; Hawaii Public Housing Authority; and Tax Foundation of Hawaii.

Your Committee finds that the State's high cost of living, particularly the high cost of housing, is fueling the State's homelessness crisis and forcing local families to move out of the State. Your Committee further finds that many cities facing similar housing shortages have increased their conveyance tax rates to fund affordable housing programs. Hawaii's conveyance tax rates have not been updated since Act 59, Session Laws of Hawaii 2009, and are currently significantly lower than the rates of other high-cost areas in the country. Your Committee recognizes the concerns that the increases proposed by this measure are steep but believes that these increases would predominately impact wealthy buyers who purchase property in Hawaii primarily for investment purposes.

Your Committee has amended this measure by:

- (1) Applying a conveyance tax of \$0.50 per \$100 for properties with a value of less than \$5,000,000, rather than to properties with a value of less than \$2,000,000;
- (2) Applying a conveyance tax of \$4.00 per \$100 for properties with a value of at least \$5,000,000 but less than \$10,000,000, rather than to properties of at least \$2,000,000 but less than \$10,000,000;



- (3) Amending the amount of the conveyance tax allocated to the Rental Housing Revolving Fund to forty, rather than twenty-five, percent;
- (4) Amending the amount of the conveyance tax allocated to the Affordable Homeownership Revolving Fund to ten, rather than twenty-five, percent;
- (5) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee respectfully requests the Hawaii Housing Finance and Development Corporation to provide definitions for the terms "price-restricted affordability" and "permanent affordability"; as used in this measure, to your Committee on Housing, should it deliberate on this measure.

As affirmed by the record of votes of the members of your Committee on Health & Homelessness that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2629, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2629, H.D. 1, and be referred to your Committee on Housing.

Respectfully submitted on
behalf of the members of the
Committee on Health &
Homelessness,



DELLA AU BELATTI, Chair



