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# A BILL FOR AN ACT

RELATING TO HOUSING.

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

1       SECTION 1. The legislature finds that the Hawaii transit-  
2 oriented development strategic plan highlights a lack of  
3 infrastructure necessary to support affordable housing and  
4 mixed-use development near transit. Furthermore, the transit-  
5 oriented development infrastructure and finance delivery  
6 strategy (2023), developed by the office of planning and  
7 sustainable development, identifies the current fragmented  
8 infrastructure funding process as a source of inequitable  
9 outcomes. The first recommendation of the report is to increase  
10 the conveyance tax on high-value, non-owner-occupied homes and  
11 allocate a portion of the revenue to finance infrastructure in  
12 transit-oriented development zones.

13       The legislature further finds that there is a need to  
14 provide a dedicated funding source to support housing designed  
15 for individuals with special needs, including those with alcohol  
16 or drug addictions, individuals transitioning from  
17 incarceration, youth aging out of foster care, survivors of



1 domestic violence, veterans, individuals with disabilities or  
2 mental illness, frail elderly, and chronically homeless  
3 individuals. Although significant resources are allocated  
4 annually for supportive housing, reliance on legislative  
5 appropriations creates uncertainty for non-profit providers and  
6 the counties, which face significant risks in developing  
7 permanent supportive housing.

8 The legislature also finds that the conveyance tax, a one-  
9 time tax levied at the time of property sales, is identified as  
10 an appropriate revenue source for affordable housing,  
11 infrastructure, land conservation, and homeless services.  
12 Despite dramatic increases in housing prices over the past  
13 thirteen years, the conveyance tax rates have not been updated  
14 since Act 59, Session Laws of Hawaii 2009. In fact, Hawaii's  
15 conveyance tax remains significantly lower than comparable high-  
16 cost areas in the nation.

17 The legislature recognizes that without reform, the current  
18 conveyance tax rate structure could disproportionately affect  
19 affordable multifamily housing, as high total property values  
20 for these complexes do not reflect the lower per-unit costs.  
21 High conveyance taxes on these properties could be passed on to



1 renters. Moreover, the current rate structure may create market  
2 inequities, where even small increases in property value could  
3 result in disproportionate tax burdens. Because the conveyance  
4 tax is not tied to inflation, rising home prices will eventually  
5 push moderately priced homes into higher tax brackets,  
6 compounding the issue.

7 Accordingly, the purpose of this Act is to:

- 8 (1). Restructure the conveyance tax to a marginal rate  
9 system, applying higher rates only to property values  
10 exceeding specified thresholds;
- 11 (2) Adjust the conveyance tax for multifamily properties  
12 to reflect value on a per-unit basis;
- 13 (3) Increase conveyance tax revenue by approximately  
14 thirty per cent, generating an estimated \$35,000,000  
15 annually, by:
- 16 (A) Raising the tax rate on non-owner-occupied homes  
17 valued at over \$2,000,000;
- 18 (B) Slightly increasing the tax rate on owner-  
19 occupied homes valued at over \$6,000,000; and
- 20 (C) Ensuring revenue neutrality for owner-occupied  
21 homes valued at \$6,000,000 and under and non-



1 owner-occupied homes valued at \$2,000,000 and  
2 under through the adjusted marginal rate  
3 structure;

4 (4) Tie conveyance tax rates to a cost-of-living  
5 adjustment to maintain equity over time; and

6 (5) Allocate a portion of the additional revenue to  
7 permanent supportive housing and infrastructure in  
8 transit-oriented development zones.

9 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is  
10 amended by adding a new subpart to part III to be appropriately  
11 designated and to read as follows:

12 " . Supportive Housing Special Fund

13 **§201H-A Supportive housing special fund.** (a) There is  
14 established a supportive housing special fund to be administered  
15 by the corporation for the purpose of developing, operating, and  
16 maintaining affordable, permanent housing and the provision of  
17 supportive services for individuals or families with special  
18 needs.

19 (b) Moneys in the fund may be used to:

20 (1) Make loans to finance the development, pre-  
21 development, construction, acquisition, preservation,



1 or substantial rehabilitation of supportive housing  
2 projects;

3 (2) Make project-based rental assistance payments;

4 (3) Make payments for supportive services for households  
5 residing in the supportive housing projects; and

6 (4) For other housing services or activities as provided  
7 in rules adopted by the corporation without regard to  
8 chapter 91.

9 (c) The fund may include sums appropriated by the  
10 legislature, private contributions, proceeds from repayment of  
11 loans, interest, fees, other returns, and moneys from other  
12 sources.

13 (d) An amount from the fund, to be set by the corporation  
14 and authorized by the legislature, may be used for  
15 administrative expenses incurred by the corporation in  
16 administering the fund; provided that moneys in the fund shall  
17 not be used to finance day-to-day administrative expenses of the  
18 projects allotted moneys from the fund.

19 (e) The corporation shall consult with the counties and  
20 community-based organizations to leverage funds and obtain input  
21 on selection of projects.



1           (f) The corporation may contract with other executive  
2 branch departments or agencies, the counties, or private or  
3 nonprofit organizations as necessary for the provision of  
4 supportive housing and services. The corporation shall be  
5 exempt from chapter 103D in selecting a qualified private or  
6 nonprofit organization to assist with the development and  
7 maintenance of supportive housing and provision of rental  
8 assistance and supportive services. The corporation may,  
9 without regard to chapter 91, establish rules and qualification  
10 standards for participants of the supportive housing program.

11           (g) The corporation may establish, revise, charge, and  
12 collect a reasonable service fee, as necessary, in connection  
13 with its financing, services, and approvals under this subpart.  
14 The fees shall be deposited into the supportive housing special  
15 fund.

16           (h) The corporation shall submit a report to the  
17 legislature no later than twenty days prior to the convening of  
18 each regular session describing the projects funded using moneys  
19 from the supportive housing special fund.

20           **§201H-B Additional powers.** The powers conferred upon the  
21 corporation by this subpart shall be in addition and



1 supplemental to the powers conferred by any other law, and  
2 nothing in this subpart shall be construed as limiting any  
3 powers, rights, privileges, or immunities conferred."

4 SECTION 3. Section 201H-191, Hawaii Revised Statutes, is  
5 amended to read as follows:

6 **"§201H-191 Dwelling unit revolving fund.** (a) There is  
7 created a dwelling unit revolving fund. The funds appropriated  
8 for the purpose of the dwelling unit revolving fund ~~[and],~~  
9 conveyance taxes received pursuant to section 247-7(4), and all  
10 moneys received or collected by the corporation for the purpose  
11 of the revolving fund shall be deposited in the revolving fund.  
12 The proceeds in the revolving fund shall be used ~~[to reimburse]:~~

13 (1) To reimburse the general fund to pay the interest on  
14 general obligation bonds issued for the purposes of  
15 the revolving fund~~[, for the];~~

16 (2) For necessary expenses in administering housing  
17 development programs and regional state infrastructure  
18 programs~~[, and for carrying];~~

19 (3) To carry out the purposes of housing development  
20 programs and regional state infrastructure programs,  
21 including but not limited to the expansion of



1 community facilities and regional state infrastructure  
2 constructed in conjunction with housing and mixed-use  
3 transit-oriented development projects, permanent  
4 primary or secondary financing, and supplementing  
5 building costs, federal guarantees required for  
6 operational losses~~[, and all]~~;

7 (4) To fund infrastructure programs in areas that meet  
8 minimum standards of transit-supportive density  
9 requirements; provided that proceeds from the  
10 conveyance tax deposited pursuant to section 247-7(4)  
11 shall only be used for purposes of this paragraph; and

12 (5) All things required by any federal agency in the  
13 construction and receipt of federal funds or low-income  
14 housing tax credits for housing projects.

15 (b) Subject to the requirements of subsection (a),  
16 proceeds in the revolving fund may be used to establish and  
17 operate regional state infrastructure subaccounts pursuant to  
18 section 201H-191.5.

19 (c) For purposes of this section:

20 "County-designated transit-oriented development area" means  
21 a geographic area designated by a county for transit-oriented





1 development by an adopted ordinance, plan, or resolution. These  
2 areas shall generally consist of lands within a one-half-mile  
3 radius of a transit hub or transit station but may extend  
4 further when there is state and county agreement about the  
5 extent of the transit-oriented development area.

6 "Floor area ratio" means the quotient, expressed as a  
7 decimal number, that results from dividing a structure's total  
8 floor area by the total area of the lot or parcel on which the  
9 structure is located.

10 "Ministerial" means a permit process based upon standards  
11 established through county ordinance or rule and issued by the  
12 director of the county agency responsible for land use or a  
13 single county officer designated by ordinance.

14 "Transit-supportive density" means a county-designated  
15 transit-oriented development area:

16 (1) With development standards that allow a floor area  
17 ratio of at least:

18 (A) 4.0 for all uses that are permitted in a county-  
19 designated transit-oriented development area or  
20 by the underlying county zoning;



1           (B) 6.0 for all uses that are permitted in a county-  
2           designated transit-oriented development area  
3           within one-half mile of a station of a locally  
4           preferred alternative for a mass transit project;  
5           and

6           (C) For all uses that are permitted within one-  
7           quarter mile of a station of a locally preferred  
8           alternative for a mass transit project, whichever  
9           is greater:

10           (i) 7.0;

11           (ii) The maximum floor area ratio allowed by the  
12           adopted transit-oriented development special  
13           district; or

14           (iii) The maximum floor area ratio allowed by the  
15           applicable transit-oriented development  
16           plan;

17           (2) For which permits for development are processed as a  
18           ministerial permit subject to applicable objective  
19           design standards;

20           (3) Where there is no imposition of a development standard  
21           that renders it impracticable to build a usable



1           structure for the permitted uses at the applicable  
2           transit-supportive density; and  
3           (4) Where funds collected pursuant to section 46-16.8 have  
4           been expended in the county-designated transit-  
5           oriented development area in which the development is  
6           located."

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

9           **"§247-2 Basis and rate of tax. (a)** The tax imposed by  
10 section 247-1 shall be based on the actual and full  
11 consideration (whether cash or otherwise, including any promise,  
12 act, forbearance, property interest, value, gain, advantage,  
13 benefit, or profit), paid or to be paid for all transfers or  
14 conveyance of realty or any interest therein, that shall include  
15 any liens or encumbrances thereon at the time of sale, lease,  
16 sublease, assignment, transfer, or conveyance, and shall be at  
17 the following rates:

18           (1) Except as provided in paragraph (2):  
19           (A) [~~Ten cents per \$100 for~~] For properties with a  
20           value of less than \$600,000[~~+~~]: 10 cents per  
21           \$100;



- 1 (B) [~~Twenty cents per \$100 for~~] For properties with a  
2 value of at least \$600,000, but less than  
3 \$1,000,000[~~+~~]: \$600 plus 35 cents per \$100 of  
4 excess over \$600,000;
- 5 (C) [~~Thirty cents per \$100 for~~] For properties with a  
6 value of at least \$1,000,000, but less than  
7 \$2,000,000[~~+~~]: \$2,000 plus 60 cents per \$100 of  
8 excess over \$1,000,000;
- 9 (D) [~~Fifty cents per \$100 for~~] For properties with a  
10 value of at least \$2,000,000, but less than  
11 \$4,000,000[~~+~~]: \$8,000 plus 85 cents per \$100 of  
12 excess over \$2,000,000;
- 13 (E) [~~Seventy cents per \$100 for~~] For properties with  
14 a value of at least \$4,000,000, but less than  
15 \$6,000,000[~~+~~]: \$25,000 plus \$1.20 per \$100 of  
16 excess over \$4,000,000;
- 17 (F) [~~Ninety cents per \$100 for~~] For properties with a  
18 value of at least \$6,000,000, but less than  
19 \$10,000,000[~~+~~ and]: \$49,000 plus \$1.75 per \$100  
20 of excess over \$6,000,000; and



1 (G) [~~One dollar per \$100 for~~] For properties with a  
2 value of at least \$10,000,000 [~~or greater; and~~]:  
3 \$119,000 plus \$3 per \$100 of excess over  
4 \$10,000,000; and

5 (2) For the sale of a condominium or single family  
6 residence for which the purchaser is ineligible for a  
7 county homeowner's exemption on property tax:

8 (A) [~~Fifteen cents per \$100 for~~] For properties with  
9 a value of less than \$600,000[~~+~~]: 15 cents per  
10 \$100;

11 (B) [~~Twenty-five cents per \$100 for~~] For properties  
12 with a value of at least \$600,000, but less than  
13 \$1,000,000[~~+~~]: \$900 plus 40 cents per \$100 of  
14 excess over \$600,000;

15 (C) [~~Forty cents per \$100 for~~] For properties with a  
16 value of at least \$1,000,000, but less than  
17 \$2,000,000[~~+~~]: \$2,500 plus 65 cents per \$100 of  
18 excess over \$1,000,000;

19 (D) [~~Sixty cents per \$100 for~~] For properties with a  
20 value of at least \$2,000,000, but less than



1                   \$4,000,000~~[+]~~: \$9,000 plus \$2.00 per \$100 of  
2                   excess over \$2,000,000;

3           (E)   ~~[Eighty-five cents per \$100 for]~~ For properties  
4                   with a value of at least \$4,000,000, but less  
5                   than \$6,000,000~~[+]~~: \$49,000 plus \$2.50 per \$100  
6                   of excess over \$4,000,000;

7           (F)   ~~[One dollar and ten cents per \$100 for]~~ For  
8                   properties with a value of at least \$6,000,000,  
9                   but less than \$10,000,000~~[+and]~~: \$99,000 plus  
10                  \$3.25 per \$100 of excess over \$6,000,000; and

11           (G)   ~~[One dollar and twenty-five cents per \$100 for]~~  
12                  For properties with a value of \$10,000,000 or  
13                  greater~~[+]~~: \$229,000 plus \$4.10 per \$100 of  
14                  excess over \$10,000,000,

15   of ~~[such]~~ the actual and full consideration; provided that in  
16   the case of a lease or sublease, this chapter shall apply only  
17   to a lease or sublease whose full unexpired term is for a period  
18   of five years or more~~[+and in those cases, including (where~~  
19   ~~appropriate) those cases where the]~~; provided further that if a  
20   lease has been extended or amended, the tax in this chapter  
21   shall be based on the cash value of the lease rentals discounted



1 to present day value and capitalized at the rate of six per  
2 cent, plus the actual and full consideration paid or to be paid  
3 for any and all improvements, if any, that shall include on-site  
4 as well as off-site improvements, applicable to the leased  
5 premises; and provided further that the tax imposed for each  
6 transaction shall be ~~[not]~~ no less than \$1.

7 The rates in this section shall apply to the transfer or  
8 conveyance of a multifamily residential property; provided that  
9 "value", for purposes of determining the applicable rate, shall  
10 be an amount calculated by dividing the actual and full  
11 consideration by the number of residential dwelling units in the  
12 property; provided further that the tax shall be calculated by  
13 applying the applicable rate to the actual and full  
14 consideration for the transfer or conveyance of realty or any  
15 interest therein. As used in this subsection, "multifamily  
16 residential property" means a structure that is located within  
17 the state urban land use district and divided into five or more  
18 dwelling units.

19 (b) For each taxable year beginning after December 31,  
20 2025, the director of taxation, no later than December 15 of the  
21 preceding calendar year, shall recompute the rates in subsection



1 (a) by multiplying the dollar amount for the preceding taxable  
2 year by the cost-of-living adjustment factor, if the cost-of-  
3 living adjustment factor is greater than 1.0, and rounding off  
4 the resulting product to the nearest \$1; provided that if the  
5 cost-of-living adjustment factor is less than or equal to 1.0 in  
6 a given year, then no adjustment shall occur in the following  
7 year.

8 As used in this subsection, "cost-of-living adjustment  
9 factor" means a factor calculated by adding 1.0 to the quotient  
10 of the percentage change in the Urban Hawaii Consumer Price  
11 Index for all items divided by one hundred, as published by the  
12 United States Department of Labor, from July of the preceding  
13 calendar year to July of the current calendar year; provided  
14 that if the Urban Hawaii Consumer Price Index is discontinued,  
15 the Chained Consumer Price Index for All Urban Consumers, as  
16 published by the United States Department of Labor, shall be  
17 used to calculate the cost-of-living adjustment factor."

18 SECTION 5. Section 247-7, Hawaii Revised Statutes, is  
19 amended to read as follows:

20 **"§247-7 Disposition of taxes.** All taxes collected under  
21 this chapter shall be paid into the state treasury to the credit





1 of the general fund of the State, to be used and expended for  
2 the purposes for which the general fund was created and exists  
3 by law; provided that of the taxes collected each fiscal year:

- 4 (1) ~~[Ten]~~ Eight per cent or ~~[\$5,100,000,]~~ \$10,000,000,  
5 whichever is less, shall be paid into the land  
6 conservation fund established pursuant to section  
7 173A-5; ~~and]~~
- 8 (2) ~~[Fifty]~~ Thirty-eight per cent or ~~[\$38,000,000,]~~  
9 \$50,000,000, whichever is less, shall be paid into the  
10 rental housing revolving fund established by section  
11 201H-202~~[+]~~;
- 12 (3) Eight per cent or \$10,000,000, whichever is less,  
13 shall be paid into the supportive housing special fund  
14 established pursuant to section 201H-A; and
- 15 (4) Ten per cent shall be paid into the dwelling unit  
16 revolving fund established pursuant to section 201H-  
17 191."

18 SECTION 6. This Act does not affect rights and duties that  
19 matured, penalties that were incurred, and proceedings that were  
20 begun before its effective date.



1       SECTION 7. In codifying the new sections added by section  
2 2 of this Act, the revisor of statutes shall substitute  
3 appropriate section numbers for the letters used in designating  
4 the new sections in this Act.

5       SECTION 8. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7       SECTION 9. This Act shall take effect on July 1, 3000.



**Report Title:**

Conveyance Tax; Supportive Housing Special Fund; Dwelling Unit Revolving Fund; Infrastructure Funding; County-designated Transit-oriented Development

**Description:**

Establishes the Supportive Housing Special Fund. Restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis. Allocates revenues from conveyance tax collections to the Supportive Housing Special Fund. Allocates a portion of conveyance tax collections to the Dwelling Unit Revolving Fund to fund infrastructure programs in county-designated transit-oriented development areas that meet minimum standards of transit-supportive density. Effective 7/1/3000. (HD1)

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

