
A BILL FOR AN ACT

RELATING TO THE CONVEYANCE TAX.

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

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

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

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

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

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 Statutory material to be repealed is bracketed and stricken.

H.B. NO. 2329

1 SECTION 3. This Act, upon its approval, shall take effect
2 on July 1, 2018.

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INTRODUCED BY: 

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BY REQUEST

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JAN 22 2018

H.B. NO. 2329

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 Act 127, Session Laws of Hawaii 2016 Special Action Team, 22,500 rental units statewide are needed by 2025. 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 households earning 30 to 80 percent of the area median income 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) was created to fill that financing gap by providing loans or grants to projects that set aside units affordable to families at or below this income range.

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 2016-2017, the statutory maximum of \$38,000,000 in conveyance tax revenues was reached as of April 2017. Based on prior year real estate sales activity in the months of May and June, approximately \$6,000,000 could have been deposited into the RHRF if the cap did not exist.

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 \$6,000,000 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, 2018.