
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 conveyances, is
10 identified as an appropriate revenue source for affordable
11 housing, infrastructure, land conservation, and homeless
12 services. Despite dramatic increases in housing prices over the
13 past thirteen years, the conveyance tax rates have not been
14 updated since Act 59, Session Laws of Hawaii 2009. In fact,
15 Hawaii's conveyance tax remains significantly lower than
16 comparable high-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 property
4 values upon which the conveyance tax is imposed are not tied to
5 inflation, rising home prices will eventually push moderately
6 priced homes into higher tax brackets, 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 [~~7~~ and all];

7 (4) To fund infrastructure programs in areas that meet
8 transit-supportive density requirements; provided that
9 proceeds from the conveyance tax deposited pursuant to
10 section 247-7(4) shall only be used for the purposes
11 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 permit" means a permit processed based upon
11 standards established through county ordinance or rule and
12 issued by the director of the county agency responsible for land
13 use or a single county officer designated by ordinance.

14 "Transit-supportive density requirements" means a county-
15 designated 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, or land zoned agricultural with a
7 residential dwelling unit, for which the purchaser is
8 ineligible for a county homeowner's exemption on
9 property tax:
- 10 (A) [~~Fifteen cents per \$100 for~~] For properties with
11 a value of less than \$600,000[+]: 15 cents per
12 \$100;
- 13 (B) [~~Twenty-five cents per \$100 for~~] For properties
14 with a value of at least \$600,000, but less than
15 \$1,000,000[+]: \$900 plus 40 cents per \$100 of
16 excess over \$600,000;
- 17 (C) [~~Forty cents per \$100 for~~] For properties with a
18 value of at least \$1,000,000, but less than
19 \$2,000,000[+]: \$2,500 plus 65 cents per \$100 of
20 excess over \$1,000,000;



1 (D) [~~Sixty cents per \$100 for~~] For properties with a
2 value of at least \$2,000,000, but less than
3 \$4,000,000[~~+~~]: \$9,000 plus \$2.00 per \$100 of
4 excess over \$2,000,000;

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

9 (F) [~~One dollar and ten cents per \$100 for~~] For
10 properties with a value of at least \$6,000,000,
11 but less than \$10,000,000[~~+~~ and]: \$99,000 plus
12 \$3.25 per \$100 of excess over \$6,000,000; and

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

17 of [~~such~~] the actual and full consideration; provided that in
18 the case of a lease or sublease, this chapter shall apply only
19 to a lease or sublease whose full unexpired term is for a period
20 of five years or more[~~+~~ and in those cases, including (where
21 ~~appropriate) those cases where the]; provided further that if a~~



1 lease has been extended or amended, the tax in this chapter
2 shall be based on the cash value of the lease rentals discounted
3 to present day value and capitalized at the rate of six per
4 cent, plus the actual and full consideration paid or to be paid
5 for any and all improvements, if any, that shall include on-site
6 as well as off-site improvements, applicable to the leased
7 premises; and provided further that the tax imposed for each
8 transaction shall be ~~not~~ no less than \$1.

9 The rates in this section shall apply to the transfer or
10 conveyance of a multifamily residential property; provided that
11 "value", for purposes of determining the applicable rate, shall
12 be an amount calculated by dividing the actual and full
13 consideration for the transfer or conveyance of realty or any
14 interest therein by the number of residential dwelling units in
15 the property. 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. (HD2)

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

